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5 COMMISSIONERS: Chairman Mark Sidran,
6 Patrick Oshie, Philip B. Jones

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8 AVISTA REPRESENTATIVE: Kelly Norwood,
9 Vice-president State and Federal Regulation

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1 P R O C E E D I N G S

2 MR. SIDRAN: Good afternoon, and welcome
3 to a public comment hearing of the Washington Utilities
4 and Transportation Commission related to a proposed rate
5 increase for natural gas and electricity by Avista
6 Corporation. My name is Mark Sidran, and I'm Chair of
7 the Commission, and I'm joined by my colleagues,
8 Commissioners Patrick Oshie and Philip Jones, and by our
9 Administrative Law Judge, Patricia Clark, who will be
10 presiding over this matter. We have what appears to be a
11 rather sparse attendance, so, perhaps, there will be
12 others joining us shortly, but I will just make some
13 preparatory comments, as is our course, and then Judge
14 Clark will conduct our hearing.

15 First, I want to welcome those who are here
16 for the purpose of this hearing. Public comment hearings
17 are an important part of our process, and this is by no
18 means the only or last opportunity to comment with
19 respect to the pending rate case. Judge Clark may have
20 in mind, and will share the anticipated cut-off date for
21 public comment, but, in addition to today's hearing,
22 there are continuing opportunities to comment on this
23 matter by submitting written comments, either by e-mail,
24 or by more traditional post to the Commission, and Judge
25 Clark will describe the process for doing that.

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1 I want to thank those who have taken the
2 time to attend this hearing for doing so. It is useful
3 to the Commission to have the benefit of comments from
4 ratepayers and customers of the company as part of our
5 consideration of this matter. So, with that, I will turn
6 our hearing over to Judge Clark.

7 JUDGE CLARK: Thank you, Chairman Sidran.
8 For the record, the proceedings of this afternoon are
9 being conducted in the Washington Utilities and
10 Transportation Commission versus Avista Utilities, given
11 Docket Nos. UE-080416 and UG-080417. I have a brief
12 agenda to run through with you this afternoon, and I will
13 go over that first.

14 We're here for two cases this afternoon that
15 have been consolidated for a hearing. Avista has
16 requested rate relief for both its electric service and
17 its natural gas service. You can speak on either of
18 these cases, or you can speak on both. I also want to
19 explain the standard of review the Commission uses when
20 it evaluates proceedings such as this, explain very
21 briefly the proposal that is presented to the Commission,
22 and give you some information about how to proceed with
23 the public comments session.

24 The Washington legislature establishes the
25 standard by which the Commission will review Avista's

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1 requests for rate relief. The legislature enacted a
2 statute or law which indicates that the Commission must
3 determine that the rates are fair, just, reasonable, and
4 sufficient. And that means that the rates have to be not
5 only fair to the ratepayers, but they also have to give
6 Avista the opportunity to recover it's operating expenses
7 and earn a reasonable profit.

8 The Commission's process is a quasi judicial
9 process. It is similar to something you might have
10 observed in a civil courtroom, and so the Commissioners
11 this afternoon are sitting as judges. They are the
12 decisionmakers in this case. I simply assist them by
13 presiding at hearings like this, and have the evidentiary
14 hearing which is scheduled in December.

15 In cases before the Commission the parties
16 submit prefile testimony and exhibits, and present
17 witnesses. The witnesses are subject to cross-
18 examination during the evidentiary hearing. And the
19 Commissioners also have the opportunity to ask questions
20 during that hearing.

21 The comments that you present this afternoon
22 are also testimony. So, I will need to administer an
23 oath before you testify this afternoon. You'll notice to
24 our far left that there is a court reporter. The court
25 reporter is making a transcript of this afternoon's

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1 proceeding, and he will take down any of your comments.

2 I also want to identify the parties to this
3 proceeding. In addition to Avista, which is seated to my
4 immediate right, we have the Commission's regulatory
5 staff in the middle, and then to the far right we have
6 the Public Counsel section of the Office of the Attorney
7 General. There are additional parties to this proceeding
8 who are not present for this afternoon's hearing. Those
9 additional parties include the Industrial Customers of
10 Northwest Utilities, Northwest Industrial Gas Users, and
11 The Energy Project. I'm going to ask each of counsel
12 present at this time to enter an appearance on the
13 record. And I'll start first with Avista.

14 MR. MEYER: Thank you, Judge Clark. I'm
15 appearing on behalf of Avista, David Meyer. And, if I
16 might, I'd like to introduce Kelly Norwood, in the
17 audience. Kelly is the officer in charge of rates and
18 regulation, and if there are questions that you'd like to
19 put to the company, in particular, at the close of this
20 hearing, we'll be around to answer those. So, thank you.

21 JUDGE CLARK: Thank you, Mr. Meyer.

22 MR. TRAUTMAN: Thank you, Judge Clark.
23 I'm Gregory J. Trautman, Assistant Attorney General,
24 representing the Commission's staff in this case.

25 JUDGE CLARK: And, Public Counsel?

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1 MS. SHIFLEY: Thank you, Your Honor.
2 Sarah Shifley, for Public Counsel.

3 JUDGE CLARK: Thank you. You'll have the
4 opportunity to ask these individuals, and other
5 individuals who are representing the company, after the
6 hearing is over, any questions you might have. I want to
7 do just a very brief overview of the case that is
8 presented before the Commission.

9 Avista has submitted an initial filing
10 requesting additional revenue of approximately 36.6
11 million for its electric service, and approximately 6.6
12 million for its natural gas service. As of September
13 16th, just a few days ago, Avista, the Commission's
14 regulatory staff, the Northwest Industrial Gas Users, The
15 Energy Project, entered into a settlement stipulation.
16 The Industrial Customers of Northwest Utilities also
17 filed -- signed onto a portion, but not all of that
18 settlement. Public Counsel does not agree with that
19 settlement. While the parties have reached a
20 settlement -- some of the parties have reached a
21 settlement regarding the issues, that doesn't mean it's
22 like in a civil proceeding, that the case is over. The
23 Commissioners must decide what to do with that
24 settlement. And the Commissioners have the discretion to
25 accept it, to reject it, or to modify it. According to

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1 the settlement, Avista has reduced the request for rate
2 relief, and Avista now seeks an additional 32.5 million
3 dollars in rates for its electric service, and
4 approximately 4.8 million for its natural gas service.

5 For the public hearing this afternoon, if
6 you signed up on the sign-in sheet, I will call on you.
7 It's going to be a pretty easy task for me this
8 afternoon. Normally, we have to call people in the order
9 in which they signed up, and I only have one individual
10 who has signed up thus far to testify. So, I should
11 probably be able to handle that. Normally, we have a
12 limit on comments, but unless you get really lengthy,
13 we're not going to concern ourselves with the ordinary
14 three-minute limit, although, you can say a lot in three
15 minutes.

16 I want to remind you that this is a quasi
17 judicial proceeding, so no applause, or booing, or
18 anything of that nature. So, that would be appreciated
19 during the hearing. And you should try not to speak too
20 rapidly. I hope I'm not doing that for our court
21 reporter, so that the court reporter can get down
22 everything you say.

23 I'm going to swear in the one individual who
24 has signed in individually. Ordinarily, I administer an
25 oath to a group, but one individual, I'll do that

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1 individually. If you have written comments that you
2 would like to present for the Commission's consideration,
3 if you could provide those, please, to Public Counsel.
4 That's Ms. Shifley, seated at the end of the table.
5 Public Counsel does compile a list and exhibit at the
6 conclusion of the hearing of all comments that are
7 received in these proceedings. And, as Chairman Sidran
8 noted, you will have the opportunity to continue to
9 submit written comments even after the conclusion of this
10 afternoon's hearing. And the Commission, at this
11 juncture, is accepting comments until the first week of
12 December, when the evidentiary hearing is scheduled in
13 this proceeding.

14 MR. SIDRAN: Judge Clark, before you go
15 on, I just want to ask -- and Counsel can help do this --
16 I want to just expand on one point. People frequently
17 find it helpful to understand what the proposed rate
18 increase is in percentage terms, because they relate it
19 to their own situation in terms of the average size of an
20 increase where the average customer in contrast to
21 knowing how many total dollars are proposed. And I know,
22 from what I have before me, what the original proposal
23 would have resulted in in terms of average rate increases
24 for electric and gas customers, I think I know what it
25 might be from the proposed settlement, but if one of the

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1 Counsel, perhaps, for the company, could tell us what the
2 original proposal would have resulted in, and what the
3 proposed settlement would have resulted in, average
4 customer rate increase for electricity and natural gas, I
5 think it would be helpful to customers.

6 MR. MEYER: And I'll be happy to do that
7 at this time. Originally, the company had requested an
8 electric increase in its revenue requirement of 36.6
9 million, which represented a 10.3 percent overall
10 increase. On the natural gas side we had originally
11 requested 6.6 million, or a 3.3 percent. With the
12 settlement, that has been alluded to, on the electric
13 side, the increase would be approximately 32.5 million,
14 which would translate into a 9.1 percent increase over
15 base tariff rates. And I believe it's a 2.4 percent
16 increase over base tariff rates under the settlement on
17 the gas side.

18 MR. SIDRAN: Thank you. Sorry to
19 interrupt.

20 JUDGE CLARK: Thank you, Chairman. At
21 this juncture we will turn to taking comments from the
22 members of the public. The one name I have on the list
23 is John Yates. If you could come forward, please, to the
24 podium, and I'll administer the oath.

25 JUDGE CLARK: If you'd raise your right

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1 hand, please. Do you solemnly swear or affirm that the
2 testimony you are about to give in this proceeding shall
3 be the truth, the whole truth, and nothing but the truth?

4 MR. YATES: I do.

5 JUDGE CLARK: Thank you. I'm going to
6 have to ask you a couple of preliminary questions. I'd
7 like to ask you, first, to state your full name, and
8 spell your last name, please?

9 MR. YATES: My full name is John Raymond
10 Yates. Y-a-t-e-s.

11 JUDGE CLARK: And where do you live,
12 Mr. Yates?

13 MR. YATES: Southeast 430 Gladstone
14 Street in Pullman.

15 JUDGE CLARK: In Pullman. And are you an
16 electric customer, or a gas customer of Avista, or both?

17 MR. YATES: Both.

18 JUDGE CLARK: And are you testifying on
19 your own behalf? Or, are you testifying on behalf of a
20 group?

21 MR. YATES: On my own behalf.

22 JUDGE CLARK: Thank you. Would you
23 please give the Commission your comments.

24 MR. YATES: Yes. To begin with, I'd like
25 to thank you all for coming to this side of the state.

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1 This is rare, but it's much appreciated. But I want to
2 speak out against this proposed rate increase. We just
3 had a 9 percent last year, is that not true? And I look
4 at the justification is for improvements to the
5 infrastructure, that's what's been published. And I'm
6 concerned with the way we, the State of Washington, we do
7 our business. After talking to the Department of Weights
8 and Measures, it's based on good faith that the kilowatt
9 hour that I consume is the actual kilowatt hour. And
10 with the electrical mechanical devices, is what's ongoing
11 on the house today, the meter could -- it's a dual-edged
12 sword. I mean, it's the good faith aspect. The meter
13 could be either running slow, in which it's in my favor
14 as the consumer. Or, it could be running fast, which
15 would be to the favor of Avista. Okay?

16 Knowing how this equipment works, this
17 little disk that spins on your meter, it's called an
18 induction disk, and that speed is controlled by magnets.
19 Okay? And these magnets, they're either -- the strength
20 or weakness, if you will, is based on the amount of
21 current that's passing through it. So, over time these
22 things get tired, if you will.

23 And now I've lived in my house for 22 years,
24 I honestly don't know when the last time the meter was
25 removed from service and checked for accuracy. Now, our

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1 Department of Weights and Measures, they do a very good
2 job of going to the grocery stores. All your scales have
3 a little certification sticker on it. At the gas pump
4 there's another certification sticker. But in this
5 instance it's really an unknown whether or not I'm
6 consuming the actual kilowatt hours that I'm being billed
7 for. Once again, like I said, it's on good faith.

8 So, if it's an upgrade to the
9 infrastructure, the question I have is, you know, any
10 business, and especially with the deregulation issue, be
11 good stewards in maintaining solid infrastructure to
12 begin with. That since this -- Since I'm becoming
13 involved for the first time in speaking out on this, I'm
14 trying to come up to speed as quickly as I can.

15 So, my cost of living has not -- the
16 increase in my pay increases has not been at this rate
17 for the last two years as it is. We are in the time in
18 which energy is probably the most hottest commodity we
19 have on the planet, and before we allow this proposed
20 rate increase we should be asking ourselves -- I mean, I
21 pulled off of the Avista web site, and hitting a little
22 blurb, "We are pleased with our financial results for the
23 1st Quarter of 2008. The improvement in our utility
24 earnings is primarily due to the Washington general rate
25 increase implemented at the beginning of the year."

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1 Okay?

2 With any business, yes, that should be an
3 investment back into your infrastructure, yeah, yeah,
4 yeah -- I mean, I'm not -- it's not my position to be
5 questioning how a private corporation is investing their
6 money or utilizing their money, but as a consumer we have
7 no guarantees that that kilowatt hour that's being
8 delivered to my house is actually -- is actually that
9 kilowatt hour, because it is a measured commodity.

10 So, I'm against it. I'm against it. I
11 don't know for a fact, but I've been told that all's I
12 have to do is make a call and request the service, and
13 you'll have somebody that will come out and verify the
14 accuracy. So, I thank you for your time. I appreciate
15 you folks coming to my side of the state.

16 JUDGE CLARK: Thank you, Mr. Yates. Can
17 you wait just a moment, please, and see if any of the
18 Commissioners have questions for you. Or, if any of
19 Counsel have questions for you. None from the
20 Commissioners?

21 COMMISSIONERS: No questions.

22 JUDGE CLARK: Counsel?

23 COUNSEL: No questions.

24 JUDGE CLARK: Thank you for your
25 testimony, Mr. Yates. Is there anyone else present in

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1 the hearing room this afternoon that wishes to present a
2 public comment to the Commission?

3 JUDGE CLARK: None. Chairman Sidran.

4 MR. SIDRAN: I will simply say, thank
5 you, Mr. Yates, for coming. We're delighted to be on
6 this side of the state. We're actually going to be here
7 for the balance of the day. We will have a similar
8 public hearing this evening in Spokane. We took some
9 risk, I suppose, in deciding to hold the hearing during
10 the noon hour here in Pullman, recognizing it's not,
11 perhaps, the best time of day to conduct a hearing. On
12 the other hand, we had to balance the cost in time and
13 money to come over to this side of the state, and decided
14 that this was a reasonable way to spend a day. So, we
15 appreciate you're taking the time to come. And beyond
16 that, I believe we have reached the end of this
17 particular hearing.

18 JUDGE CLARK: I'd like to also thank
19 everyone. Is there anything further that should be
20 considered on the record this afternoon? Nothing. We
21 are adjourned.

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23 (12:25 p.m.)

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