

1 PARTNERSHIP FOR EQUITABLE RATES FOR
2 COMMERCIAL CUSTOMERS, by CAROL S. ARNOLD, Attorney at
3 Law, 5000 Columbia Center, 701 Fifth Avenue, Seattle,
4 Washington 98104.

5 NORTHWEST INDUSTRIAL GAS USERS, by
6 PAULA E. PYRON, Attorney at Law, 101 Southwest Main
7 Street, Suite 1100, Portland, Oregon 97204.

8 PUBLIC INTEREST by DONALD T. TROTTER,
9 Assistant Attorney General, 900 Fourth Avenue, Suite
10 2000, TB-14, Seattle, Washington 98164-1012.

11 SEATTLE STEAM COMPANY, by FREDERICK O.
12 FREDERICKSON, Attorney at Law, 1420 Fifth Avenue, 33rd
13 Floor, Seattle, Washington 98101.

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P R O C E E D I N G S

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(Marked Exhibits 59, 60, 61 and T-62 through
T-75 and 76.)

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JUDGE ANDERL: Let's be on the record. We're
on the record in consolidated docket Nos. UG-931405 and
931442. Today's date is May 23rd, 1994 and we're
convened in the Commission's hearing room in Olympia,
Washington. Let's take appearances at this time,
briefly beginning with the company.

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MR. JOHNSON: David Scott Johnson
representing the Company. My address is 815 Mercer
Street, Seattle, 98109.

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MR. FREDERICKSON: Frederick O.
Frederickson, representing intervenor, Seattle Steam
Company.

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MS. PYRON: Paula Pyron, representing the
Northwest Industrial Gas Users.

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MS. ARNOLD: Carol Arnold, representing
Partnership for Equitable Rates for Commercial
Customers.

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MR. TROTTER: Donald T. Trotter, assistant
attorney general for the public counsel section.

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MR. CEDARBAUM: Cedarbaum, assistant
attorney general for the Commission staff.

1 JUDGE ANDERL: We were convened today
2 originally for the purposes of cross-examination of the
3 testimony of staff's, public counsel's and the
4 company's rebuttal. However a settlement agreement has
5 been filed and we will be talking about that in a
6 minute. Before we went on the record we did identify
7 some exhibits. Let me identify those now for the
8 record.

9 Exhibits 59, 60 and 61 are the company's
10 filed responses to Bench Requests 1, 2 and 3 previously
11 made in this case. Exhibit No. 62 is the settlement
12 agreement that was filed last week with the Commission.
13 Exhibit No. T-63 is JMR testimony and JMR-1 through 6.
14 We've consolidated all of those as one exhibit number.
15 Exhibit T-64 is MPP testimony and MPP-1 through 7.
16 Exhibit T-65 is JMP testimony. Exhibit T-66 is
17 JR testimony and JR-1 through 3. Exhibit T-67 is JRD
18 testimony and JRD-1. Exhibit T-68 is JL testimony
19 and JL-1 through 8. Exhibit T-69 is JPT testimony
20 and JPT-1 and 2. Exhibit T-70 is KRK testimony and
21 KRK comparison 1 and comparison 2 and also KRK-1
22 through 5 revised. Exhibit T-71 is LCC testimony and
23 LCC 17 through 20. Exhibit T-72 is EH testimony and
24 EH-1. Exhibit T-73 is HCC testimony and HCC 1 through
25 6. Exhibit T-74 is GET testimony and GET-1 and 2.

1 Exhibit T-75 is RJA testimony and RJAR-4 through 4-15.
2 And then Exhibit 76 is a compilation of ratepayer
3 letters submitted by public counsel. I believe it's
4 always stated that that is for illustrative purposes.
5 I guess, as we talked about before we went on the
6 record, under the terms of the settlement agreement if
7 it's accepted by the Commission all of the parties
8 will accept admission of the testimony and exhibit and
9 will agree to waive cross on that. Of course the
10 Commission hasn't decided what they're going to do with
11 the settlement agreement yet, but conditioned on that I
12 guess I would ask if there are any objections to any of
13 the documents we've just named as being admitted as
14 identified?

15 MR. JOHNSON: No, Your Honor.

16 JUDGE ANDERL: Mr. Frederickson?

17 MR. FREDERICKSON: No, Your Honor.

18 MS. PYRON: No, Your Honor.

19 MS. ARNOLD: No.

20 MR. TROTTER: No.

21 MR. CEDARBAUM: No. I think it's
22 contemplated that if the matter has to go to hearing
23 for cross-examination then all -- any and all
24 objections to admission of the testimony will be raised
25 at that time, but if a settlement is accepted then the

1 evidence goes in.

2 JUDGE ANDERL: Yeah. I think that's
3 correct. Thank you. I'm going to admit those Exhibits
4 59 through 76 at this time. And let's take a brief
5 recess.

6 (Admitted Exhibits 59, 60, 61 and T-62
7 through T-75 and 76.)

8 (Recess.)

9 JUDGE ANDERL: Lets be back on the record.
10 One thing I did want to clarify about the exhibit
11 that we admitted as Exhibit T-63 which was Mr.
12 Russell's testimony and exhibits, I did want to note
13 that his
14 JMR-5 is a confidential exhibit. I just wanted to
15 make that clear even though we consolidated them all
16 under one exhibit. We're going to talk now about
17 what's been marked and admitted as Exhibit 62 which is
18 the settlement agreement. Mr. Johnson, you've agreed
19 to hit the high points on that.

20 MR. JOHNSON: That's right. Thank you, Your
21 Honor. As the Commission is aware, we filed a
22 stipulation for consideration and decision, a
23 settlement agreement last Thursday morning. We
24 indicated at that time that we did not have a position
25 yet from Carol Arnold representing the parties for

1 Equitable Rates for Commercial Customers. She has
2 since signed the agreement and we have an original
3 signature -- original document reflecting signatures of
4 all of the parties. The only change that I would draw
5 the Commission's attention to is a change in the last
6 page of Exhibit A where there is a change to the
7 calculation of minimum bill for rate 57 as well as to
8 the efficiency charge. There have been no changes to
9 the stipulation itself or to Exhibit B or any other
10 page in the exhibit.

11 Briefly, the settlement agreement calls for
12 a stipulated increase in the company's annual revenues
13 of \$19 million. That obviously is not the only part of
14 the agreement. It reflects a lot of give and take on
15 several different issues. There are provisions in this
16 agreement for a -- the company agrees that there will
17 be no general rate increase or rate filing or filing
18 for increase in total revenues until next March 1995
19 with certain exceptions. Those are laid out in the
20 body of the agreement. We agree for settlement
21 purposes to book a royalty imputation on company's
22 books and that basis for and the calculation of the
23 royalty is explained in the settlement agreement.

24 Certain expenses, again for settlement
25 purposes, will be paid -- excuse me -- booked below the

1 line for future general rate proceedings and would not
2 be recoverable in rates. Those are outlined all in the
3 settlement agreement. We also make commitments to
4 prepare and to file certain policies, customer service
5 policy revisions to our rule 6 and 7 regarding line
6 extensions, and also we commit to work with Commission
7 staff to develop weather station billing data for
8 consideration in future proceedings.

9 Just like to say in summary that the
10 settlement discussions were intense at times but I
11 think also productive. Certainly the company feels
12 that this settlement agreement is preferable for a
13 litigated resolution of these proceedings. We feel it
14 is in the public interest and request that it be
15 accepted. I would like to note that we have here today
16 to answer any specific questions that the Commissioners
17 may have about the agreement Mr. Torgerson, Mr. Karzmar
18 and Mr. Amen all of whom were witnesses in direct, also
19 in rebuttal, and they can certainly explain in more
20 detail the specific areas of the agreement that the
21 Commission may have questions about. Thank you.

22 JUDGE ANDERL: Would anyone else like to
23 make any comments on the settlement agreement?
24 Mr. Cedarbaum.

25 MR. CEDARBAUM: Just to echo, Mr. Johnson

1 explained about the settlement agreement. We think
2 that the settlement agreement is in the public interest
3 for the Commission to accept. The \$19 million
4 stipulated increase is less than what the staff filed
5 case would recommend and so certainly from a revenue
6 requirement point of view we're pleased with that
7 result. From a policy perspective the two issues that
8 were probably nearest and dearest to staff are the
9 line extension and customer service policy issues.
10 Since we've got the company's commitment to make those
11 filings and to work out -- tighten those policies up
12 and to work out whatever problems we saw on them for
13 the future and for the current period of time, and at
14 least these rates are in effect there will be a level
15 of revenues that will reflect what staff believes to be
16 a reasonable cost recovery on those particular items,
17 so from a present and future onward looking position
18 we feel that the settlement is a good product of
19 negotiations we've had. We hope the Commission accepts
20 it.

21 JUDGE ANDERL: Mr. Trotter.

22 MR. TROTTER: No comment at this point.

23 JUDGE ANDERL: Anything from the
24 intervenors?

25 MS. ARNOLD: No comment.

1 MR. FREDERICKSON: No comment.

2 MS. PYRON: No comment.

3 JUDGE ANDERL: Thank you all.

4 Commissioners, did you want to ask any questions at
5 this time?

6 CHAIRMAN NELSON: Yeah. Mr. Johnson, I
7 heard word via the phone last week that the settlement
8 was coming. However, I was out of town all last week
9 and had just begun to review it this morning. We have
10 scheduled a public hearing tomorrow in Seattle
11 and another one here Wednesday and I'm wondering if
12 your witnesses could be available at either of those
13 times if we need them to explain any questions we
14 Commissioners may have.

15 MR. JOHNSON: If that's the Commission's
16 preference, they would certainly be available.

17 CHAIRMAN NELSON: Okay. That would be my
18 preference to just study it a little bit more, talk to
19 the accounting advisor and the judge and just see if we
20 do, and perhaps to make it easier for their time if we
21 don't have any questions of them we could let you know
22 by fax or phone tomorrow.

23 COMMISSIONER HEMSTAD: Well, the witnesses
24 wouldn't have to be available both days.

25 CHAIRMAN NELSON: Yeah, one or the other and

1 perhaps here Wednesday might be more convenient.

2 MR. JOHNSON: We can talk about that with
3 the witnesses and certainly they would be available for
4 one of the two hearings.

5 JUDGE ANDERL: There's plenty of time, too,
6 because in each case we don't start until 1:30 in the
7 afternoon so we would certainly be able to let you
8 know.

9 MR. JOHNSON: That's fine.

10 CHAIRMAN NELSON: I'm very pleased to have a
11 settlement agreement before us, don't get me wrong but
12 on times before we've just wanted to explore a little
13 bit what might be behind some of it so we understand it
14 ourselves. And it would just be very convenient for me
15 to have a little more time to examine so I could ask my
16 questions succinctly.

17 COMMISSIONER HEMSTAD: And I read the
18 stipulation just barely so I am not really prepared to
19 pursue it myself at this point.

20 JUDGE ANDERL: I guess we can just recess
21 today and reconvene at 1:30 tomorrow up in Seattle and
22 we'll let you all know informally by either telephone
23 or fax in terms of what kind of witness availability
24 the Commissioners will need for tomorrow and Wednesday.

25 CHAIRMAN NELSON: Maybe we can just see.

1 Typically intervenors' counsel don't come to the public
2 hearing. Is it inconvenient for anybody?

3 JUDGE ANDERL: Were the intervenors planning
4 on coming up tomorrow?

5 MS. ARNOLD: No.

6 MS. PYRON: No.

7 JUDGE ANDERL: Would you object to the
8 Commissioners having an opportunity to ask questions
9 of the company or staff witness without you present?

10 MS. ARNOLD: We have no objection.

11 MS. PYRON: No objection.

12 MR. FREDERICKSON: No objection.

13 (Discussion off the record.)

14 JUDGE ANDERL: So we don't need to let you
15 know by phone or fax except if we don't accept the
16 stipulation.

17 MR. JOHNSON: So in any event they don't
18 need to be available tomorrow.

19 CHAIRMAN NELSON: We'll just do the public.

20 MR. CEDARBAUM: The staff witnesses will
21 then be available as well on Wednesday.

22 JUDGE ANDERL: Thank you all. I think that
23 concludes it.

24 MR. TROTTER: Your Honor, I guess you should
25 just formally recess until 1:30 Wednesday --

1 JUDGE ANDERL: For the taking of public
2 testimony.

3 MR. TROTTER: -- because now the only
4 hearing scheduled at 1:30 Wednesday is the public.

5 JUDGE ANDERL: We'll reconvene for any
6 questions of counsel or witnesses other than public on
7 Wednesday. We're off the record.

8 (Hearing adjourned at 10:10 a.m.)

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