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BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

PACIFICORP,)	
)	
Complainant,)	Docket No. UE-061546
)	VOL. III
vs.)	Pages 42 to 83
)	
WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	
Respondent.)	
_____)	

The public hearing in the above matter was held on
March 2, 1007, at 4:00 p.m., at Walla Walla Community
College, Room A, 500 Tausick Way, Walla Walla before
Administrative Law Judge Patricia Clark.

The parties were present as follows:

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,
Mark Sidran, Chairman; Donald T. Trotter, Assistant
Attorney General representing Commission Staff; Patrick
B. Jones, Commissioner; Philip J. Oshie, Commissioner;
John Cupp, Commissioner for Consumer Affairs

PACIFIC POWER CORPORATION, Jim Van Nostrind; James
M. Miller, Attorney; Bill Griffith, Director Regulatory
Group in Portland; Bill Clemens, Investment Customers
Group

BOISE CASCADE, Wallula, Washington, Chuck Glessner

LOCAL 69 AWPPW, Wallula Washington, Rob Crowner

Monica Breeden, CSR
Court Reporter

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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 our hearing, March 2nd, 2007. This is the Washington
4 Utilities and Transportation Commission, and I'm the
5 Chairman of the Commission, Mark Sidran.

6 And I'm going to introduce my colleagues,
7 Commissioner Phillip Oshie and Commissioner Patrick
8 Jones, and also on my left is Administrative Law Judge,
9 Patricia Clark.

10 And we are here to conduct a public hearing
11 in relationship to a general rate case brought by Pacific
12 Power Company requesting the increase in electricity
13 rates for their service area.

14 We have come to Walla Walla for the purpose
15 of a public hearing to hear from you with regard to this
16 matter.

17 Judge Clark will be conducting the hearing on
18 behalf of the Commission. And she will explain to you
19 the process for conducting this hearing. We look forward
20 to hearing your comments.

21 Before Judge Clark explains the process, I'll
22 just tell you that, even though today is the hearing,
23 there will be further opportunities, and Judge Clark may
24 have the dates in her mind.

25 There will be further opportunities after

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1 today. If you hear something today, or if you know
2 someone who did not appear today who wishes to offer
3 comments, you can still comment with regard to this
4 matter by e-mail. You can visit the Commission's
5 website, which is wutc.wa.gov, or you can send a letter
6 to the Commission.

7 So this is not the last opportunity for
8 comments, but it is an important one. And we very much
9 appreciate the time that you have taken to come to this
10 hearing and to offer your testimony to us, or to listen
11 to the testimony if you are here primarily to observe.

12 And with that, I will ask Judge Clark to
13 describe for you the process for this hearing.

14 JUDGE CLARK: Thank you, Chairman
15 Sidran. Good afternoon. The procedure for this
16 afternoon's hearing is, hopefully, as informal as
17 possible. We'd like to make you all feel comfortable to
18 come forward and give the Commissioners any comments that
19 you might like to offer with respect to this particular
20 case.

21 I'd like to give you just a very brief
22 background about what this case is all about. There are
23 actually two cases at issue here. At the request of the
24 parties the Commission consolidated two proceedings for
25 hearing.

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1 The first is this docket, which is
2 PacifiCorp's general rate case. The second docket
3 requests an accounting order authorizing capitalization
4 of some merger related transition costs associated with
5 the recent acquisition of PacifiCorp. by Mid-American
6 Holdings Company.

7 There are a number of parties to this
8 proceeding, and they include: PacifiCorp., some members
9 of the Commission's Regulatory Staff.

10 And while I take appearances on behalf of the
11 parties, I will ask them to explain what their role in
12 this proceeding is, and how they are not directly
13 affiliated with the Commissioners, the Energy Project
14 Industrial Customers of the Northwest and Public Counsel.

15 PacifiCorp. seeks a \$23.2 million revenue
16 increase or approximately a 10.2 percent rate increase.

17 The Industrial Customers of the Northwest and
18 public counsel oppose several of those adjustments, which
19 would reduce the amount of any rate increase.

20 The Energy Project recommends increasing the
21 amount of the low income bill assistance program.

22 And the Commission Staff proposes some
23 adjustments to the company's case that would result in
24 between a 5.4 to 7 percent increase, depending on the
25 adjustments adopted by the Commission.

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1 At this juncture, I'd like to take
2 appearances on behalf of PacifiCorp.

3 MR. MILLER: Thank you, Your Honor, on
4 behalf of PacifiCorp., James M. Miller.

5 JUDGE CLARK: Thank you. And appearing
6 on behalf of the Commission Staff.

7 MR. TROTTER: Thank you, Your Honor. My
8 name is Donald T. Trotter. I'm Assistant Attorney
9 General. I represent the Commission Staff. And do you
10 want me to make a very brief explanation of that?

11 JUDGE CLARK: Yes, please.

12 MR. TROTTER: The Commission retained
13 economists, accountants and usually experts -- outside
14 experts to analyze company files and give testimony.

15 And those people are typically employed or
16 retained by the Commission, but we don't talk to the
17 decision makers up here about the case.

18 We only present that in the hearing room,
19 just like the companies and other parties listed to
20 present their case in a hearing room.

21 So while those are Commission employees, just
22 like people on the bench here, they don't discuss the
23 case except in the hearing room. So I represent those
24 accountants and economists that are challenging the
25 company's file. Thank you.

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1 JUDGE CLARK: Thank you Mr. Trotter.

2 When you appeared for this evening's hearing,
3 there was a sign-up sheet outside the door. And it is my
4 intention to call you -- those individuals who wish to
5 present comments, I will call you in the order in which
6 you signed up.

7 If there's someone who needs a special
8 accommodation to go earlier, I'd certainly be happy to
9 accommodate that request.

10 In anticipation of the fact that some
11 individuals may not wish to communicate in English, but
12 rather in Spanish, we have obtained an interpreter.

13 And if you would like the use of the
14 interpreter this evening, we would be happy to arrange
15 that.

16 In addition to this opportunity to submit
17 oral comments to the Commissioners for consideration this
18 evening, you may also submit written comments to the
19 Commission.

20 The evidentiary hearing in this proceeding
21 will be held at the end of the month, but the Commission
22 will except written comments or comments from e-mail
23 messages until such time as the record is closed.

24 If you intend to present comments this
25 evening, it's necessary for me to swear you in. I will

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1 there, we have Bill Griffith, who is the Director from
2 the company's regulatory group in Portland.

3 And to the right of him is Bill Clemens, who
4 is here in the Walla Walla area in the investment
5 customers group served by the Commission.

6 JUDGE CLARK: All right. Thank you. We
7 also have present, you may have noticed me requiring Mr.
8 Cupp's assistance. He's from the Consumer Affairs
9 section of the Commission.

10 And if you have any questions during breaks
11 or recesses, you should feel free to also ask Mr. Cupp
12 questions.

13 If you have any procedural questions about
14 how to present comments or any -- when to anticipate
15 decisions, or any other procedural matters in this case,
16 please feel free to discuss them with me. All right?

17 On the sign-in sheet, we had an indicator off
18 to the right about whether you intended to present
19 comments this evening.

20 Some of these people may have risen who did
21 not intend to present comments, so I'm just going to call
22 on all the names. If you're not interested in presenting
23 comments, I'll simply move on to the next name.

24 And I'd like to apologize in advance. If I
25 mispronounce your name, please correct me. I assure you

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1 it is unintentional.

2 The first name I have on the list is Margaret
3 Fernalld. Are you interested in presenting comments?

4 MS. FERNALLD: Yes.

5 JUDGE CLARK: If you would step forward
6 to the microphone please. If you could state your full
7 name, and spell your last name for the court reporter
8 please.

9 MS. FERNALLD: Full name is Margaret
10 Fernalld-Picard, and Fernalld is F-E-R-N-A-L-L-D
11 P-I-C-A-R-D.

12 JUDGE CLARK: Thank you. And your
13 address please.

14 MS. FERNALLD: It's 1800 Evergreen
15 Street, Apartment 23, Walla Walla, Washington.

16 JUDGE CLARK: Thank you. Please make
17 your comments.

18 MS. FERNALLD: Yes. I was wondering why
19 you guys don't have a program that Oregon -- I moved from
20 Oregon in 2004, that Oregon has through PAPCO, and it's
21 for the low income people of the area.

22 And they go sign up, and they have the
23 funding through PAPCO that, they take your income and go
24 from that. And they take and they give you a sheet of
25 paper stating how much you will receive within the winter

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1 months of that year. And they do it year after year.

2 And I just, you know, I'm so used to it, and
3 moving to a different state, I was forced by the state of
4 Oregon to move to Washington, excuse me, for my medical.

5 And I was in a car accident 2005, May. And
6 it's damaged, other than what the damages I've already
7 had done as a child. And, you know, going full force and
8 working part-time as a CNA, I'd love to go back to it.

9 And I can't -- The doctors here said "You
10 can't go back to work at all." And I would like to see
11 this happen in several states, not only Oregon, but
12 Washington, Idaho, Montana, for those that get assistance
13 or get disability, and it's much lower than mine.

14 I saw my grandmother living on what she made
15 from her work, and it wasn't much. And I worked for
16 other people that haven't gotten that much in their
17 income, and they would have to outright pay the power
18 bills.

19 JUDGE CLARK: All right. Is there any
20 questions for Ms. Fernalld?

21 MR. SIDRAN: First, let me just say I
22 sympathize with the hardship that you've encountered.
23 The state does have an assistance program for low income
24 people. And I encourage you to speak with Mr. Cupp, who
25 is outside, who is a member of Commission staff, who can

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1 give you information about those resources, how you can
2 apply for assistance.

3 And throughout the state there is some
4 availability. Whether you qualify or not, I do not know,
5 but you can get that help from Mr. Cupp.

6 I also want to say that normally a hearing
7 like this, public counsel, which is part of the State
8 Attorney General's office is present at the hearing.

9 The public counsel has a role in these
10 proceedings to represent the interests of residential and
11 small business customers.

12 Unfortunately public counsel was unable to
13 join us this afternoon. And normally, public counsel,
14 among other things, would have stood up, as the other
15 attorneys did, and explain what public counsel does, and
16 also perhaps tell you a little bit about what this case
17 is about, in terms of what the request is from the
18 company.

19 And I don't know whether that would be useful
20 to you or not. If anyone here does not know what's being
21 requested, or would like to know more about what the
22 company is requesting in terms of the case that's been
23 filed, I'm sure someone here, perhaps Mr. Van Nostrind
24 can do that in lieu of public counsel.

25 So if anyone feels it would be helpful to

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1 have some description of the case, you can let us know
2 that.

3 In any event, forgive me if I mispronounce
4 your name, Ms. Fernalld Picard?

5 MS. FERNALLD: Uh-huh.

6 MR. SIDRAN: I encourage you to talk to
7 Mr. Cupp, or otherwise contact the Commission, either on
8 the website, or he can give you information how to do so
9 by mail or by phone to find out more about the available
10 programs.

11 MS. FERNALLD: Thank you.

12 JUDGE CLARK: Any other inquiries?

13 (Pause in the proceedings).

14 JUDGE CLARK: Thank you for your
15 testimony this evening.

16 The second name I have on the list is Jude
17 Noland. No interest in comments? I'm sorry. I'm
18 microphone challenged.

19 The next name I have is, I believe is David
20 Tobin?

21 MR. TOBIN: Right. No comments.

22 JUDGE CLARK: Loretta Anderson.

23 Comments? No comment. Rick Camp, are you interested in
24 comments, sir?

25 Come forward and please state your full name

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1 for the court reporter and spell your last name.

2 MR. CAMP: Full name is Richard John
3 Camp, III, Camp is C-A-M-P.

4 JUDGE CLARK: Thank you. And your
5 address, sir.

6 MR. CAMP: 1137 Burning Tree Drive,
7 Yakima, Washington 98902.

8 JUDGE CLARK: Thank you. Please make
9 your comments.

10 MR. CAMP: I'm here on the behalf of my
11 company, Basin Company of Moxy, Washington. And briefly,
12 just, I guess, it's hard to find specific data to look at
13 what their request is relative to costs. So I believe we
14 can only comment what it means to our situation. For
15 us, an increase of over 10 percent would be an increase
16 of over \$15,000 in direct -- direct expense to our
17 company.

18 Depending upon the size of the company,
19 that's not a lot, but for us, we're a 20-employee
20 company. And \$15,000 is not a trivial number by any
21 means.

22 And looking at what I could find, when I look
23 at other recent cases, like PFE, the increase is 1
24 percent increase in costs, and we've already taken on,
25 due to the relationship, the special situation in

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1 California our costs already increased this fall up by
2 another 4.8 percent.

3 So when you bind everything together, a 10.2
4 percent increase to us is a very significant number,
5 especially if you compare that to counties here by us,
6 like Grant County, and people that we compete with who
7 have electricity costs of maybe half of what we're paying
8 in Yakima County.

9 So I just wanted to comment on what the
10 effect would be on us. And that \$15,000 is definitely
11 not something that we really can take on too easily.

12 JUDGE CLARK: Thank you. Is there any
13 inquiry for Mr. Camp?

14 MR. TROTTER: I just have one question.
15 Is that 15,000 an annual figure or a monthly figure?

16 MR. CAMP: 15,000 is an annual figure.
17 We currently are looking at the 2006, our electricity
18 bill was just under \$150,000.

19 MR. JONES: Question. What kind of
20 business are you in?

21 MR. CAMP: We are a fertilizing
22 manufacturing, so our big expense that comes in drawing
23 out of the fertilizer, so we use a lot of natural gas.
24 And our electric bill comes from very large fans.

25 MR. JONES: So you have a high natural

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1 gas bill?

2 MR. CAMP: Even higher natural gas.

3 MR. JONES: And who do you purchase your
4 natural gas from?

5 MR. CAMP: There's a local to the Yakima
6 Columbia -- I can't remember off the top of my head,
7 but --

8 JUDGE CLARK: Thank you, Mr. Camp. The
9 next name I have on the list is Chuck and Dee Glessner
10 is that correct?

11 MR. GLESSNER: She won't speak. She
12 wants me to. My name is Chuck Glessner.

13 JUDGE CLARK: And can you spell your
14 last name.

15 MR. GLESSNER: G-L-E-S-S-N-E-R.

16 JUDGE CLARK: 234 Columbia Way, Walla
17 Walla, Washington --

18 JUDGE CLARK: Thank you.

19 MR. GLESSNER: -- 99363.

20 JUDGE CLARK: I'm sorry. Please make
21 your comments.

22 MR. GLESSNER: Thank you for your time,
23 first of all. My name is Chuck Glessner. I work in the
24 Process Control and Electrical Department at Boise
25 Cascade's Wallula Mill in Walla Walla, Washington. I am

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1 also a director on the local Columbia-Burbank School
2 Board, which has a very keen interest in keeping the
3 Wallula Mill running.

4 Boise is among the top ten employers in our
5 county, directly employing almost 600 people. Purchased
6 electricity is one of our top three operating costs. Our
7 Pacific Power bill is about \$16.8 million a year.

8 A potential 10 percent increase of
9 approximately \$142,000 a month raises concerns about
10 Wallula's ability to remain competitive in an industry
11 with low profit margins.

12 The paper industry has been hard hit in the
13 past few years by cost increases mainly due to rising
14 prices in all forms of energy. To combat these increases
15 in operating costs and stay competitive, Wallula has
16 actually pursued energy conservation in many areas.

17 We installed three new energy efficient
18 refiners on one of our paper machines at a cost of \$2.4
19 million. We completed a \$900,000 upgrade on the Mill's
20 air compressor system. And we're investing about \$5
21 million to increase the capacity of our hog fuel boiler
22 by 20 percent so the Mill can burn more biomass and less
23 fossil fuels.

24 We sure don't want these investments in
25 energy conservation lost due to Pacific Power's rate

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1 increase. Right now we're upgrading one of our paper
2 machines to diversify the Mill's product line. This is a
3 \$72 million investment in new equipment and technology,
4 an investment that will be considerably more difficult to
5 recover with the raising of electricity costs.

6 A big increase in Pacific Power's rates is
7 also hard to justify in light of the poor service we have
8 received. The Wallula Mill has that worst electric
9 service reliability score of Boise's five mills.

10 We are sophisticated and sensitive users of
11 electricity and our equipment can be and has been damaged
12 by power disruptions. The cost of lost production added
13 to this is about two and half million dollars in recent
14 years.

15 Wearing my school board hat, the Columbia
16 Burbank School District converted to a different power
17 provider in 2004 after experiencing an unacceptable level
18 of power interruptions.

19 Since taking service from Columbia REA, the
20 School District's customer service and reliability have
21 greatly improved. Our mill does not have that now.

22 When Mid-American Energy Holdings Corporation
23 bought PacifiCorp in 2005, the companies made a
24 commitment to improve the power quality and minimize the
25 outages of Wallula. Pacific Power has yet to follow

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1 through on most of these commitments.

2 Not meeting their promise to improve our
3 reliability and then asking to increase our rates is less
4 then we should expect from a company of Pacific Power's
5 stature in our community.

6 Additional rate increases will weaken --
7 continue to weaken Wallula's competitiveness. This will
8 affect the welfare of our employees as well as
9 communities in Walla Walla, Benton and Franklin counties,
10 besides over \$36 million in direct payroll, Boise
11 averages an additional \$10 million annually on
12 contractors, expanding the ripple effect throughout our
13 communities and operations.

14 We're also Walla Walla County's largest tax
15 payer and would not mind paying the business to pay these
16 taxes.

17 Thank you for your time hearing my concerns,
18 concerning my fellow Wallula employees and how this
19 potential large rate increase will impact our community.

20 JUDGE CLARK: Thank you. Any inquiries?

21 MR. SIDRAN: Mr. Glessner, you may have
22 said this, but I perhaps missed it. Are you appearing in
23 a representative capacity for Boise Cascade?

24 MR. GLESSNER: Yes.

25 MR. SIDRAN: Thank you.

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1 MR. GLESSNER: And the School District.

2 MR. SIDRAN: And the School District.

3 MR. GLESSNER: Yes.

4 JUDGE CLARK: Further inquiry? Mr.

5 Trotter?

6 MR. TROTTER: No.

7 JUDGE CLARK: Thank you for your

8 testimony this evening. Deborah Casey?

9 (Pause in the proceedings).

10 JUDGE CLARK: No comments? If there
11 anyone else present in the hearing room at this juncture
12 who would wish to present comments, would you come
13 forward please.

14 Do you have a sign-in sheet Mr. Cupp? All
15 right. Good evening.

16 MR. HASBARGEN: I haven't been sworn in.

17 JUDGE CLARK: If there's anyone else who
18 wished to present comments, who wasn't present when I
19 conducted the group oath or affirmation, if you would
20 rise at this time.

21 (Oath was given).

22 JUDGE CLARK: If you could state your
23 full name for the record and spell your last name.

24 MR. HASBARGEN: Bob Lewis Hasbargen.

25 Last name is spelled H-A-S-B-A-R-G-E-N. And I live at 19

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1 Maple Street, Burbank, Washington.

2 My comment I'd like to start out with --

3 First of all, let me say that, overall the crews and the
4 work that they do in the Burbank area has been relatively
5 good, you know, with exception.

6 With that said, however, I'd like to continue
7 to say that our electrical service in the Burbank area
8 especially is very poor. I've lived overseas in Europe,
9 and we had better electrical service there than we do in
10 the Burbank area.

11 We have a large number of ground outs and a
12 large number, every time the wind blows, electrical
13 outages. Some of these outages can last for a very long
14 time. I've had occasion where I was without power for
15 over 14 hours. I have had to purchase generators,
16 portable generators, because of the unreliability.

17 I have -- All of my electronic equipment is
18 on battery backup and line conditioning because of the
19 poor electrical service. Some of these problems are due
20 to environmental issues, which would be because of
21 Wallula gap that we have down there. We have occasion --
22 Many of our winds are in excess of 60 miles an hour that
23 come through that gap, and we have a very hard time
24 maintaining electrical lines and equipment in that kind
25 of weather. We're on the Pacific byway, so we have a

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1 large population -- bird population that comes through
2 the area. And because of the feed lot at Simplot there,
3 we have large flocks and other birds that rest on the
4 lines and cause electrical disruption.

5 Also part of the problem that we have in the
6 Burbank area is that our electrical service is on
7 patchwork. And because of that, they have a very
8 difficult problem isolating problems that come up or
9 identifying them, and sometimes even fixing them.

10 This patchwork situation that we have is due
11 in part to the way service was initially brought into the
12 area, and then additional things had been added to it.
13 There was not a logical electrical plan that was followed
14 for the most part from what I can see and understand as
15 the way electrical service is disputed in an area.

16 Okay. With all that said, if this rate
17 increase was to improve our electrical service, to
18 upgrade the electrical service, or to give us
19 compensation that so many electrical utilities do for --
20 in the area of energy conservation, installing energy
21 efficient windows, lighting, electrical appliances,
22 things of that nature, then maybe I could understand it a
23 little better. But they're asking for an annual increase
24 somewhere in the neighborhood of 10.2, and that's just an
25 average.

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1 Now, what does that average mean? Is that
2 one year I get 2 percent, the next year, I get an
3 increase of 50 percent? That's unacceptable in my book,
4 period.

5 As a home owner who is currently unemployed,
6 my highest electrical bill this winter was in excess of a
7 \$170. You're asking me to swallow a 10 percent increase
8 above that. So I'm looking at electrical bills
9 approaching \$190. I can't swallow that, and especially
10 for the service that I'm getting, you know. I -- like I
11 said, I have not ever been in any area that's had the
12 poor quality of electrical service that I've had here. I
13 mean, I'm constantly having to worry about my electronic
14 equipment, and always, it just -- it's just unacceptable.

15 So with that said, you know, I would thank
16 you for allowing me to comment.

17 JUDGE CLARK: Just one moment. Is there
18 inquiries?

19 (Pause in the proceedings).

20 JUDGE CLARK: Thank you. Rob Crowner.

21 MR. CROWNER: Rob Allen Crowner,
22 C-R-O-W-N-E-R. I live at 2816 Road 44 in Pasco.

23 Thank you for holding this public hearing so
24 I can speak for my fellow union workers at the Wallula
25 Mill.

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1 I'm Rob Crowner, president of the Local 69 of
2 the Association of Western Pulp and Paper Workers. The
3 union represents 323 workers at Boise Paper's Wallula
4 Mill in Walla Walla County. These workers live in both
5 the Tri-Cities and Walla Walla areas and contribute to
6 the economies of these communities.

7 I have worked at Walla Walla for 11 and a
8 half years. The average employee has been there for
9 17 years. We are all working in the industry that has
10 been hit hard over the past few years by rising costs for
11 all forms of energy including waste wood, once a cheap
12 alternative to natural gas, as well as the shortage of
13 fiber from paper making.

14 A potential 10 percent electricity rate
15 increase raises concerns about Wallula's ability to stay
16 competitive in an industry with low profit margins,
17 especially since our power rates have gone up by
18 17 percent since January of 2002.

19 Such a large increase would do more than
20 affect our parent company, it would affect the livelihood
21 of all of us who work here in the mill as well as our
22 communities.

23 As a mill employee, I'm also concerned about
24 the power outages. It can affect the safety of the union
25 members who work at the mill. When complicated equipment

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1 shuts down amid production, lots of possible hazards can
2 be created. Power dips can shut down our lighting
3 systems making it even more difficult for workers to
4 safely do their jobs.

5 In addition, Wallula has done its part to
6 control costs and energy use. We have numerous teams at
7 the Mill that are constantly looking for new ways to make
8 more cuts. We ask that you make sure Pacific Power has
9 done its part to control costs too before approving any
10 rate increase.

11 Thank you for taking the time to listen to my
12 concerns on behalf of my fellow Local 69 union members.

13 JUDGE CLARK: Thank you. Is there any
14 inquiries?

15 (Pause in the proceedings).

16 JUDGE CLARK: Thank you for your
17 comments.

18 MR. JONES: Just --

19 JUDGE CLARK: I'm sorry.

20 MR. JONES: Just one. Have you noticed
21 any change in the power outages and the power quality
22 since Mid-American purchased the company, I think about a
23 year and a half ago?

24 Are there fewer outages, or does it -- is it
25 about the same? You've worked for this company for how

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1 long, about 17?

2 MR. CROWNER: I've been there eleven and
3 a half years. I know we do have a number of power
4 outages. I do have to say, quite a few of them probably
5 happen at night.

6 MR. JONES: At night. Yeah.

7 MR. CROWNER: And so I usually end up
8 getting called in because of equipment that needs to be
9 replaced. And second, needs to be repaired so that we
10 can get the operation back up and running.

11 And that's along with quite a few of the
12 maintenance men doing something.

13 MR. JONES: What happens if there's a
14 power outage? You mentioned a safety issue with the
15 lighting in the mill. What happens -- Do you have
16 backup.

17 MR. CROWNER: Well, we do have the
18 backup emergency little lights, but that doesn't really
19 light up the -- I don't know if you've seen the size of
20 the machines, but the -- I'm not sure of distance. I'd
21 say that the building is maybe 200 yards long that the
22 machines are in.

23 And they do have safety lighting by the
24 exits, but at night, it's not going to light things up.
25 In the basements, it's dark. You do have lights come on

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1 by the emergency exits on that part.

2 MR. JONES: Thank you.

3 MR. CROWNER: Thank you.

4 JUDGE CLARK: William Selby, interested
5 in comments this evening, sir?

6 MR. SELBY: My name is William Selby. I
7 live at 1455 Brown Street, Walla Walla, Washington. Last
8 name is spelled S-E-L-B-Y.

9 JUDGE CLARK: Thank you.

10 MR. SELBY: I'm a retired state
11 employee, have been so for 20 years this coming July.
12 And my income has not increased with the amount of things
13 that I have to pay for. That's just the city lights and
14 water and everything, so my wife and I are very frugal in
15 the sense that, if we don't use lights, we turn them off.

16 But I notice when I got this notice at 10.2
17 percent, I'm at that point right now. And I can't turn
18 much more off and still enjoy my retirement and what I
19 need. So I'm speaking on my behalf, not anybody else's.
20 I'm not against increases.

21 I know we have to have increases to make
22 things go. We have to have money to make these machines
23 work, but at 10.2 increase, I think it's just a little
24 bit too much. Thank you very much for your time.

25 JUDGE CLARK: Thank you. Is there any

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1 questions for Mr. Selby?

2 (Pause in the proceedings).

3 JUDGE CLARK: Thank you. Gene Dolling.

4 MS. DOLLING: Hi. I'm Jean Dolling,

5 D-O-L-L-I-N-G. I live at 208 Detour Road, Walla Walla.

6 That's west of town.

7 And I must say that my power has been real
8 good, but I do have a police scanner and I have PP&L on
9 and they have a lot of trouble. And I feel sorry for --
10 One of the expenses that is unavoidable, we have a town
11 full of trees and squirrels. And I don't know how many
12 hundreds of thousands of dollars are spent every year on
13 outages due to squirrels, but it's considerable.

14 My consideration also has been for low
15 income, fixed income people. It's always the people at
16 the bottom that these increases seem to hurt the most.
17 And as Mr. Selby pointed out and myself, I grew up with
18 parents that, if you're not in there, turn the light off,
19 you know. And I'm not and haven't been using electricity
20 that I don't need to be using.

21 And I would like to see one consideration
22 looked at, that people that do have lowered power bills
23 because they are saving money that they shouldn't have to
24 pay part of this increase.

25 In other words, if you are saving energy and

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1 being conscious of saving energy, be rewarded for it by
2 reduced power rates. Don't have to pay the increase.

3 And I also know that this is not -- this is
4 an investor owned corporation. It's not owned by the
5 consumers. And I don't know how much of this power rate
6 is due to the fact that they feel that they need to
7 increase the return on the dollar of investment to their
8 investors.

9 And I don't know how far you can go into
10 looking at books, but overpaid, highly paid, executives,
11 in other words, if it's top heavy, the dollar's going out
12 to people that are not actually out there doing the work,
13 keeping the power on. Don't grant the rate increase.
14 Let it come out of their pockets instead of our pockets.

15 Also I didn't understand that we had a
16 program for reduced rates for low income people, but I
17 would like to see, instead of everybody having to try to
18 go in here year by year and see if there's funding or
19 not, like we have a Blue Mountain Action Council. And
20 sometimes help line does get some dollars to help people
21 with power bills. There should be something based upon
22 the income, in other words, a person's ability to pay,
23 because, anymore, we are so oriented towards electricity.
24 I think if the electricity goes out, I can't pump water.
25 I would have to pump by hand. Things in the refrigerator

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1 are going to go bad. We are so oriented on electricity
2 that I would see that the reduced rate for people that
3 just really cannot afford this increase.

4 And I don't know, maybe this increase is
5 totally justified. But I know one thing, I'm not
6 educated. I have had no proof that this rate increase is
7 justified, that it is absolutely a bottom line necessary
8 expense. And I know that diesel and gas prices have gone
9 up, and vehicle prices, and maintenance costs, but beyond
10 that, if it's top heavy, executive pay that's causing
11 this and payment to the investors in returns of profits,
12 then I would say look at this increase and don't grant
13 all of it. Thank you.

14 JUDGE CLARK: Thank you. Is there any
15 inquiries?

16 (Pause in the proceedings).

17 JUDGE CLARK: Thank you Ms. Dolling.
18 Barbara Clark.

19 MS. CLARK: Hello. I'm Barbara Clark.
20 717 North Main Street, Walla Walla 99362. Clark is
21 spelled without an "E".

22 First of all, I want to thank you for holding
23 one of you hearings in Walla Walla. I think you were
24 here maybe five years -- I can't remember when the last
25 request was for a rate increase, but you were here. And

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1 I certainly appreciate the fact that you're coming out
2 our way so that we all don't have to travel to the west
3 side.

4 Also I'm not clear about the scope of the
5 Commission and what you're entitled to do, but I'm going
6 to assume that you are -- that you rather carefully
7 scrutinize the issue of whether the costs that are
8 alleged are actually justified.

9 And I would certainly like to second what
10 Mrs. Dolling said regarding the distinguishing between
11 cost increases and a desire for profit increases. It
12 seems to me that a request based upon actual costs that
13 can be legitimate use is reasonable, because we all know
14 that costs are going up, whereas return on investment is
15 probably not as legitimate a reason for an increase,
16 particularly when you hear that it is in fact a hardship
17 for people and individuals and companies.

18 I -- When I looked at this, one of the
19 possibilities that occurred to me as a reason for a
20 request for a cost increase is the recent initiative that
21 people of Washington State pass the required certain
22 percentage of electricity be generated by renewable
23 means. I'm not sure if this was part of the anticipated
24 costs or the increases that are looked at. I know that
25 as a purchaser of Blue Sky Energy myself, I know that

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1 there are -- that the costs for renewables at this point
2 seems to be higher than the cost for nonrenewables as a
3 source of generation of electricity.

4 And certainly, in the long run and in the
5 short run, I believe we're, as someone who voted for that
6 initiative, I believe that all of the people of the state
7 will benefit from the use, an increased use of renewable
8 generation sources.

9 I am unclear or was unclear reading this,
10 when the statement says that this is looking at an annual
11 increase of approximately \$23 million, does that mean to
12 increase annually by that amount, or simply that this is
13 an increase in one year period of time?

14 Simply because I'm not clear with the
15 language. It's saying if this is a one time increase
16 that's going to last until the next hearing and the next
17 request for an increase, I don't know whether the
18 Commission has the authority to have some sort of ramping
19 up system so that there's not an abrupt increase of 10
20 percent, but maybe something that could happen over a
21 couple of years.

22 All though, I believe that in the initiative
23 that we passed, conservation was not considered to be a
24 renewable energy source.

25 Clearly, conservation as a demand reduction

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1 system is extremely important for all of us, and it
2 also -- since again, my memory of the initiative was that
3 the renewables were a percentage basis, clearly, if a
4 total demand is reduced, then the total amount of
5 renewables is also going to be reduced proportionately so
6 that, certainly, conservation aside from making sense for
7 all of us, all the time, anyway, would make sense from a
8 financial perspective, I assume for Pacific Power. I
9 don't know whether the Commission is allowed to require a
10 certain amount of conservation activity.

11 It was suggested by someone, and I would
12 concur that it would be useful if, as part of the demand
13 reduction, there were a program by the company that would
14 assist people with the costs of installing conservation
15 technologies and windows and insulation.

16 What I finally had was a question. Looking
17 at the schedule on this, that came on your bill, I notice
18 that there is a schedule for small -- or noticed on the
19 schedule a small and medium commercial category. And I'm
20 wondering whether there was a category for large
21 commercial, or whether I assume there must be or else
22 there wouldn't be a medium. And I think all of us know
23 that large commercial folks have been extremely adept at
24 externalizing many of their costs, their labor costs,
25 their environmental impact costs, these costs to the

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1 jurisdictions into which they move of providing
2 infrastructure for them, it's all internalized. And I
3 would be interested in knowing, and I hope that the
4 Commission is looking at why there is not a raise for --
5 in the fee for large commercial, if that is in fact the
6 case. Thank you very much.

7 JUDGE CLARK: Is there any questions?

8 MR. SIDRAN: I don't have a question, I
9 have a, I guess, somewhat of an answer, at least in part,
10 and then a comment.

11 Regrettably, because public counsel is not
12 here, and we normally don't answer questions in the
13 context of this kind of hearing, I will see to it that,
14 before you leave, Mr. Cupp will provide us, because I
15 don't know it off the top of my head, the contact
16 information for the public counsel section, the Attorney
17 General's office, and these questions that you and others
18 are posing can and should be directed to that office.
19 And we'll get you the phone number, the names and the
20 e-mail so that you can direct these questions to public
21 counsel, and they can respond.

22 I will say to the effect of the impact of
23 initiative 937, that is not something that is behind this
24 particular case, that this case does not bear on the
25 adoption of that initiative. There is, within this rate

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1 case however, a cost associated with the acquisition of
2 some wind power. That's part of what the company
3 proposes to pay for through part of this increase.

4 So before we leave, before you leave, Mr.
5 Cupp will make sure you that you have that information
6 and you can ask and others can ask questions of these
7 kinds of public counsel. Thank you.

8 JUDGE CLARK: Great. Thank you.
9 Anything further? Any other questions?

10 (Pause in the proceedings).

11 JUDGE CLARK: Thank you. And the last
12 name I have on the list and scheduled who is not sure he
13 wants to present comments, I'm really going to struggle
14 with your name. It's John Butenhoff. And do you wish to
15 present comments?

16 MR. BUTENHOFF: I wasn't quite sure what
17 the procedure would be like.

18 JUDGE CLARK: That's fine. Step forward
19 please. And state your full name and spell your last
20 name.

21 MR. BUTENHOFF: Butenhoff,
22 B-U-T-E-N-H-O-F-F.

23 JUDGE CLARK: Thank you. And your
24 address.

25 MR. BUTENHOFF: 956 Abott, Walla Walla.

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1 JUDGE CLARK: Thank you.

2 MR. BUTENHOFF: I'm actually here -- I'm
3 really here just to inquire and ask questions. I wasn't
4 quite sure what the meeting would be about. I actually
5 run an energy management program for the Walla Walla
6 public schools. And, you know, our energy costs, of
7 course, are pretty large. We have a large school
8 district. We're well over \$300,000 a year on electrical
9 costs. That's actually with our program saving in excess
10 of 28 percent already. And we compare that to a 98,
11 99 percentages or usage. And that's a true usage savings
12 not just a cost. If we put the cost on, we're actually
13 more than that on what we've been saving.

14 And again, I guess my biggest concern would
15 be, you know, we are -- our school district is doing a
16 lot to conserve energy and use less electricity and dual
17 approval and use tax payers' money wisely. And I guess
18 any concern also is, is this going to continue? Are we
19 going to continue to have more rates like this raise?
20 And I believe we are under the -- actually the small
21 commercial, I believe. I should have looked at that
22 before I left. So that percentage is lower at the same
23 time, that's tax payers' money that is going to also be
24 paying for these increases, and that's a large sum for
25 our local tax payers. It's going to take a bite

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1 somewhere.

2 We have -- Obviously we have schools that we
3 need to take care of, and we have other issues there that
4 I necessarily can't speak about, but I just do know that
5 what we try to do, and I guess what I would also like to
6 have that thought of or considered a little bit, what
7 about these larger companies like ourselves really that
8 you look at that are trying to save. Is there another
9 way to handle that?

10 I guess the other thing I'd bring up is that
11 I do believe that nationally as an energy manager I get
12 to rub elbows with people around the country in the same
13 profession. And we actually are a lower end on cost of
14 electricity and in a lot of parts of the country. And so
15 I also know we have some real benefits there and where
16 we're at in the Northwest with our electricity.

17 I'm concerned about deregulating and some
18 different things like that have happened in other places
19 and controlling and costs. And I'm afraid the rates are
20 going to go and be comparable to some of these other
21 areas in the nation, which they really shouldn't be. We
22 have some great hydroelectric power, we have some great
23 things going on in the Northwest and hopefully it stays
24 that way. We paid four and a half percent when the
25 electricity was paid for we wrote the check in '98, '99.

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1 It's now at about six and a half percent -- or excuse me,
2 six and a half cents. Four and a half cents and now
3 compared to six and a half cents. So if you added 10
4 percent, obviously, that would really make us crunch our
5 dollars a little bit more.

6 There are only certain things that we can
7 control in our school. We can't turn it all off at any
8 given time. We have a lot of programs and a lot of
9 things that happen. It's a different creature than maybe
10 just a business that runs nine to five or a plant that
11 knows exactly what they're doing 24 hours a day with
12 electricity.

13 Our schools are considered different when
14 it's dealing with the public and with our kids. And it's
15 a real bond there, so I guess I just wanted to mention
16 that and bring that up.

17 Thank you for letting me speak. I didn't
18 realize I would today.

19 JUDGE CLARK: Is there any inquiry?

20 (Pause in the proceedings).

21 JUDGE CLARK: No. All right. I don't
22 have any other individuals who've indicated an interest
23 to comment at this time.

24 Is there anyone else who's interested in
25 doing that?

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1 (Pause in the proceedings).

2 JUDGE CLARK: All right. What I'd like
3 to do at this juncture then is reiterate a couple of the
4 comments that I made at the beginning of this evening's
5 hearing.

6 And the first is that, not only is the
7 Commission conducting this particular public hearing in
8 Walla Walla, but they will also be holding evidentiary
9 hearings at the end of the month in Olympia, Washington.
10 And they will be taking testimony from all of the
11 parties. They carefully consider all of the testimony
12 that is received before rendering a decision.

13 If you have written comments, or you know
14 other individuals who are interested in presenting
15 written comments, they are certainly welcome to either
16 send those to the Commission via e-mail or mail them to
17 the Commission.

18 I'd like to also reiterate that you have a
19 number of individuals present in the hearing room this
20 evening, that you should feel free to ask questions of
21 during the break. We have a counsel for the Commission's
22 Regulatory Staff present. We have counsel and
23 representatives from the Utility present, who may be able
24 to respond to some of your inquiries. In addition, you
25 may have noticed when you signed in, that the Utility has

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1 prepared a little sheet indicating what the elements of
2 its particular rate increase, what the rate increase is
3 composed of.

4 In addition, we do have Mr. Cupp available
5 from the Commission Consumer Affairs section, if you have
6 questions for him. And if you have any procedural
7 questions regarding how the Commission will conduct these
8 hearings or what will happen next in this particular
9 case, please feel free to address those to me. We are
10 going to remain here in the event other individuals come
11 to testify, but there's no need to leave the court
12 reporter on the record, so we will be at recess at this
13 juncture. I'm sorry. Chairman Sidran.

14 MR. SIDRAN: I just want to say before
15 we go off the record, thank you, Judge Clark.

16 The hearing that Judge Clark was describing
17 is in the nature of a trial. And because several of you
18 raised a question about the process, and because public
19 counsel isn't here and he or she would normally address
20 this, let me just explain the role of the different
21 parties that participate in this process so that you
22 understand that what happened at this hearing is the
23 presentation to the Commissioners of all of the
24 information that some of you have mentioned would be of
25 importance or interest in understanding how the session

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1 is made.

2 So the company puts on its case. The
3 Commission Staff as Mr. Trotter indicated is a separate
4 independent entity in relationship to this hearing,
5 separate from the Commissioners.

6 And their job is to go through that case, and
7 they have complete access to all the financial records
8 and any information they seek to have from the company to
9 justify or answer questions that they have about the
10 company's case. And their charge is to represent the
11 public interests.

12 You have public counsel, as I previously
13 mentioned, who also has complete access to any financial
14 information and all records of the company in
15 relationship to this case.

16 And as I mentioned earlier, public counsel's
17 job is to represent residential and small business
18 customers. As Judge Clark mentioned, there is, in this
19 case and typically in these types of cases, lawyers
20 representing large industrial customers such as Boise
21 Cascade. And they, too, have complete access to any
22 financial information they wish to inquire about that
23 relates to the request from the company.

24 There may also be other organizations or
25 groups. Some representing the environmental community,

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1 some perhaps representing the low income customers. They
2 too, have complete access to any information that they
3 wish to inquire about from the company with respect to
4 the company with respect to the issues of concern to
5 those entities.

6 So all these parties at the end of this
7 process in hearing will have an opportunity to, in
8 effect, cross examine the company about its request, put
9 on their own arguments with respect they think the
10 correct outcome is and then it's up to the Commissioners
11 to make the final decision on the merits. So that's the
12 process.

13 And we are going to recess now because of the
14 timing of this hearing for reasons related to our
15 transportation from Olympia, we decided to start at
16 four o'clock, but realized some people would not be able
17 the attend until after five o'clock if they're working.
18 So we're going to recess until 5, and perhaps resume a
19 little after if someone appears.

20 So thank you, again, for taking the time to
21 come out and to share your thoughts. And if you wish to
22 follow-up, Mr. Cupp perhaps has information about who you
23 contact, public counsel, and he stands ready at the door
24 to give that to those people that are interested. I'm
25 sure you can find it on the website at the Attorney

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1 General's office.

2 And now we will be in recess. Thank you.

3 (Recess was taken).

4 JUDGE CLARK: All right. We're back on
5 the record. It's approximately 5:30 p.m. The record
6 should reflect the Commission has remained in Walla Walla
7 in the event that any additional consumers should appear
8 with their comments and that no consumers have appeared.
9 Accordingly, we are adjourned.

10 (5:30 p.m.)

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