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

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I N D E X

WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	JUDGE
D. BETZOLD	289				
J. WERRE	295				
W. PATTERSON	299				

EXHIBIT	MARKED	ADMITTED
(None marked.)		

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

2 JUDGE ANDERL: Let's be on the record. The  
3 Washington Utilities and Transportation Commission has  
4 set for hearing at this time and place consolidated  
5 docket Nos. UG-931405 and 931442. We're convened in  
6 the Seattle, Port of Seattle, hearing room today in  
7 order to take comment from the public. My name is  
8 Lisa Anderl. I'm the administrative law judge who has  
9 been assigned to hear the case today. Also present are  
10 Chairman Sharon Nelson and Commissioner Richard  
11 Hemstad.

12 CHAIRMAN NELSON: Good afternoon.

13 COMMISSIONER HEMSTAD: Hi. I left my name  
14 plate at home but I'm really me.

15 JUDGE ANDERL: Like to have the attorneys  
16 who are present in the room introduce themselves, please,  
17 beginning with the company.

18 MR. JOHNSON: David Scott Johnson  
19 representing Washington Natural Gas Company.

20 MS. EGELER: Anne Egeler representing the  
21 Commission staff.

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

24 JUDGE ANDERL: Ordinarily the procedure that  
25 we follow is that we have Mr. Trotter give a brief

1 summary of the case as it stands and then we'll call  
2 the witnesses, one at a time, let you come up, have a  
3 seat, and tell the Commission what you would like them  
4 to hear. So do you want to go ahead, Mr. Trotter?

5 MR. TROTTER: This hearing is a hearing  
6 that's specially set by the Commission to take comment  
7 by members of the public, typically ratepayers, on the  
8 general rate increase that has been filed by Washington  
9 Natural Gas. The company filed for six and four-tenths  
10 percent increase last November which translates into  
11 about \$24.5 million of additional revenue, and since  
12 that time the Commission staff, public counsel and  
13 various intervenors have been conducting discovery on  
14 the company's case as well as cross-examining their  
15 witnesses and have filed their own cases with the  
16 Commission.

17 Also, as the handout mentions, there has  
18 been a settlement that's been proposed and that  
19 settlement would call for a \$19 million revenue  
20 increase or around 5 percent for the average  
21 residential customer. That would be about \$2.42 a  
22 month. That \$19 million is slightly less than what the  
23 Commission staff accounting people and economists  
24 thought was an appropriate level. And the company and  
25 the Commission staff and public counsel, as well as all

1 of the intervenors, which are generally industrial  
2 commercial customer groups, have agreed to that  
3 settlement. Some of the terms of that settlement are  
4 that the company will not file a general rate case  
5 until next March at the very earliest, unless they  
6 suffer very severe financial problems, so we don't  
7 expect to see a general rate case for about a year at  
8 least, hopefully longer. And then they made several --  
9 company made several concessions on some accounting  
10 measures that I've outlined in the letter. They also  
11 agree there's been some hotly contested issues on the  
12 company's line extension policy, when they hook up new  
13 customers, when they don't, as well as their customer  
14 service, what types of functions should the company do  
15 for regulated purposes when they're serving customers  
16 and what shouldn't they. For those two issues the  
17 company has agreed to make separate filings later so  
18 that we can address those in a very focused way.

19           So what is before the Commission presently  
20 is the propriety of this settlement and there was a  
21 hearing Monday on that, and I believe there is another  
22 hearing set for this Wednesday in Olympia at 1:30 to  
23 take further comment on the settlement proposal. As in  
24 any rate case there's a host of issues presented. I've  
25 attempted to outline some of those in our ratepayer

1 letter. If you have any specific questions about  
2 those, I would be glad to answer them, but I can  
3 stipulate that I didn't give you enough information  
4 there to really comment, but if you see something there  
5 that piques your interest, please feel free to comment.  
6 I should mention one thing, the company can't file a  
7 general rate case until about a year from now, but as  
8 you may know, when the pipeline passes through  
9 increases, the Commission passes those through, that's  
10 not a revenue increase -- general revenue increase.  
11 It's a pass-through. So there could be an increase in  
12 the bill in the fall and the Commission has required  
13 the company to file a new tariff that will generate  
14 issues of how to spread the current revenues among  
15 customer classes. So to the extent one class of  
16 customer gets more costs shifted to them, that could  
17 result in some rate increase, but that's not expected  
18 to be implemented for many months.

19           The issues -- if you should feel free to  
20 comment on any of the issues presented but obviously  
21 the settlement proposal is a good one, you may also  
22 have some opinions on it. Also, if you are a  
23 ratepayer, company's quality of service is always an  
24 issue before the Commission, and if you're receiving  
25 inadequate service or adequate service you may wish to

1 comment on that, and also the impact of the proposed  
2 increase on you or your business is an appropriate area  
3 of comment. Anything within the case is acceptable so  
4 we look forward to hearing your comments.

5           With respect to the procedure, again, the  
6 handout kind of discusses that, but briefly, if you  
7 signed up or even if you didn't you will be called to  
8 see if you want to testify. You can come up and I will  
9 ask for your name and address, and if you're a customer  
10 of Washington Natural Gas I will ask if you're a  
11 residential customer or commercial or industrial and  
12 then just simply ask you to make your statement or  
13 express your opinions to the Commissioners, and they've  
14 already introduced themselves with Sharon Nelson in the  
15 middle is the chairman and Dick Hemstad is the other  
16 commissioner currently and the administrative law judge  
17 is Lisa Anderl. So there may be questions of you; if  
18 you make a statement people can ask questions of you,  
19 but generally it's a pretty amicable group and I don't  
20 anticipate any problems there, but don't be surprised  
21 if you're asked a question about your statement. So  
22 with that --

23           JUDGE ANDERL: You have a list of witnesses  
24 then?

25           MR. TROTTER: Yes.

1                   JUDGE ANDERL:  If you just want to call them  
2 up, I know the first witness was going to be Mr.  
3 Betzold because he was the first person in the room.  
4 He did indicate to me that he had a written statement.  
5 I know he gave you a copy and I know he has extras  
6 and so, Mr. Betzold, before you take your seat if you  
7 want to give a copy to each of the Commission members  
8 that would be fine if you want to refer to it.

9                   MR. TROTTER:  I would call Mr. Dick  
10 Betzold, B E T Z O L D.

11                   JUDGE ANDERL:  Take a seat and I will swear  
12 you in.  
13 Whereupon,

14                                   DOUG BETZOLD,  
15 having been first duly sworn, was called as a  
16 witness herein and was examined and testified as follows:

17  
18                                   DIRECT EXAMINATION

19 BY MR. TROTTER:

20           Q.     Would you please state your name and spell  
21 your last name for the record.

22           A.     Doug Betzold, B E T Z O L D.

23           Q.     What is your address or business address?

24           A.     4210 - 85th Avenue Southeast, Mercer Island,  
25 Washington.

1 Q. Are you appearing here on your own behalf or  
2 on behalf of a group?

3 A. On my own behalf.

4 Q. And are you a natural gas customer of  
5 Washington Natural?

6 A. I'm a residential customer.

7 Q. Are you speaking in that capacity here  
8 today?

9 A. No.

10 Q. In what capacity are you speaking?

11 A. I'm the president of a company that does  
12 consulting and marketing in the natural gas field.

13 Q. Could you give us the name of that company?

14 A. Cost Management Services.

15 Q. Would you please give your statement and  
16 express your opinions to the Commission?

17 A. Would you like me to read from this or do  
18 you just want me to highlight?

19 JUDGE ANDERL: Ordinarily it's best if you  
20 just hit the high points because we all do have a copy  
21 of it and can read it ourselves.

22 MS. EGELER: Before Mr. Betzold begins, I  
23 would like to clarify and point out that his client,  
24 according to his written statement, are members of  
25 PERCC, and PERCC of course is a party to this

1 proceeding. They have already signed on to the  
2 settlement agreement so if there's some question about  
3 in what capacity Mr. Betzold is speaking --

4 JUDGE ANDERL: You're not purporting to  
5 speak on behalf of PERCC members?

6 THE WITNESS: No, I'm not, and I think I  
7 laid that out in the statement.

8 MS. EGELER: Counsel for the company, it's  
9 just pointed out to me that CMS is also a member of  
10 PERCC in its own right.

11 MR. JOHNSON: As I recall from the petition  
12 to intervention PERCC is listed as a member of PERCC.  
13 Or Cost Management Services.

14 THE WITNESS: That is not true.

15 JUDGE ANDERL: Mr. Betzold, we'll let you go  
16 ahead and make your statement.

17 A. I don't disagree with the final stipulated  
18 settlement amount of \$19 million, but I do disagree  
19 with the application of the increase within rate 57,  
20 and I think that is pointed out in Exhibit A that  
21 this is not what is called for within the stipulation  
22 of a uniform increase. The increase as proposed puts  
23 an undue burden on small transporters. This increase  
24 of 38 percent is not uniform when you look at the  
25 second block of 6.7 percent. I think that the

1 Commissioners should look at that in the case of  
2 uniformity and adjust it back to the rate that  
3 Washington Natural Gas had on its proposal as late as  
4 the 16th of this month when the rates were going to be  
5 16 percent in the first block and 14 percent in the  
6 second block and make it consistent with all the other  
7 increases in the customer tariffs.

8 JUDGE ANDERL: Thank you, Mr. Betzold.  
9 Anything further you wanted to point out to the  
10 Commission?

11 THE WITNESS: Well, I've said in here that I  
12 would like to see the minimum bill for transporters  
13 changed to \$4500 and that is just so that it's easy to  
14 deal with. I don't believe that that's a significant  
15 change at this time, and I also don't believe that  
16 transporters should have to have a larger minimum bill  
17 than a like sales customer, and that minimum bill for  
18 rate 87 sales customer is only about \$1500 per month,  
19 so the minimum bill here that I suggest is just to keep  
20 it within the range that's been proposed but it  
21 certainly is far too high to seek equity in this.

22 JUDGE ANDERL: Thank you. Correct me if I'm  
23 wrong, but didn't that minimum bill change to \$4500 in  
24 the most recent version?

25 MR. JOHNSON: Well, in the last rate case it

1 was \$4516 and we stipulated to that change and in the  
2 stipulation that's filed in this case we are also  
3 keeping the same figure, so the \$4516 was not plucked  
4 out of the air. It's the same figure that we  
5 stipulated in the last rate case.

6 JUDGE ANDERL: Commissioners, do you have  
7 any questions for Mr. Betzold?

8 CHAIRMAN NELSON: Yes. Does the \$16  
9 difference really make a difference to your business or  
10 are you just wanting to round it off?

11 THE WITNESS: Well, I'm wanting to round it  
12 off and I also disagree with the formula that they use  
13 to arrive at that. I would really rather see them do  
14 something that's more like the sales rate 87 where  
15 they take the minimum contract volume and multiply it  
16 by two-and-a-half cents. That's the guarantee minimum  
17 bill for a rate 87 customer which takes like service.  
18 So I disagree with the formula but I don't think that  
19 this is the time to bring that up.

20 CHAIRMAN NELSON: Thank you.

21 COMMISSIONER HEMSTAD: This will probably be  
22 more to your statement that this arrangement or this  
23 settlement is being used to limit competition and  
24 access to transportation service.

25 THE WITNESS: You want me to comment on

1 that?

2 COMMISSIONER HEMSTAD: It's your statement.

3 THE WITNESS: Well, if I used the example of  
4 a minimum bill, like customers are paying two different  
5 rates for the same thing and the customer that has the  
6 higher bill is paying three times as much. That limits  
7 the number of people that can qualify for that type of  
8 service. There are a number of things in rate 57 that  
9 are limiting factors and the minimum bill is just one  
10 of them. It limits a small transporter's ability to  
11 use that service.

12 COMMISSIONER HEMSTAD: Are you prepared to  
13 quantify that statement in some way?

14 THE WITNESS: Well, the minimum bill for an  
15 87 customer calls for 62,500 therms per month at  
16 two-and-a-half cents and that comes to 156,250, I  
17 believe, so an equal customer under transportation  
18 would have to put through of a through-put of nearly  
19 180,000 therms under the same -- to receive the same  
20 service. It's almost three times as much.

21 COMMISSIONER HEMSTAD: I'm having -- give me  
22 an example of a typical customer.

23 THE WITNESS: Well, I help customers who are  
24 on rate 57 who take less than 62,500 therms per month  
25 yet they pay \$4500 for the minimum bill so their rate

1 per them is actually higher than someone under the 87  
2 service.

3 COMMISSIONER HEMSTAD: And what categories  
4 of customers will you typically --

5 THE WITNESS: Hospitals make up the majority  
6 of my customers.

7 COMMISSIONER HEMSTAD: I don't have any  
8 other questions.

9 JUDGE ANDERL: Anything else for Mr.  
10 Betzold?

11 CHAIRMAN NELSON: Not at this time.

12 JUDGE ANDERL: Thank you, Mr. Betzold, for  
13 appearing and testifying today. You may step down.

14 THE WITNESS: Thank you.

15 MR. TROTTER: Second witness who signed up,  
16 his name is Jace Werre.

17 Whereupon,

18 JACE WERRE,

19 having been first duly sworn, was called as a  
20 witness herein and was examined and testified as follows:

21

22 DIRECT EXAMINATION

23 BY MR. TROTTER:

24 Q. Would you please state your name and spell  
25 your name for the record?

1 A. Jace Werre, J A C E, W E R R E.

2 Q. And your address?

3 A. 16041 Southeast 131st Street, Renton,  
4 Washington 98059.

5 Q. And are you a customer of Washington Natural  
6 Gas?

7 A. Yes, I am.

8 Q. Residence customer?

9 A. Yes.

10 Q. And are you speaking in that capacity today?

11 A. Yes.

12 Q. Would you please give your comments to the  
13 Commission.

14 A. Okay. This is my first time doing this and  
15 I do prefer to speak in practical terms and as an  
16 example, start off with a couple of examples. Recently  
17 I purchased a vehicle and I went out and had to shop  
18 for the best vehicle that fit our needs as a family  
19 that would be within our price range, and what was of  
20 concern to me at that point, too, was what was included  
21 in the cost of that vehicle. I took on the  
22 responsibility of myself to find all that information  
23 out and what was the best deal that I could possibly  
24 get. I looked for several months for one and I finally  
25 found one and we're really happy with that and I take

1 on full responsibility after I made that purchase of  
2 that vehicle and what goes with that vehicle.

3           And also not too long ago I made a purchase  
4 of a -- smaller purchase of a lawnmower but also what I  
5 looked for was what went into the cost of that  
6 lawnmower. Service was a big part of it as well as the  
7 vehicle also, but service was a big part of the  
8 lawnmower. They need servicing often. I found a great  
9 deal on a lawnmower and was happy with the people I  
10 bought it from and the service that I get along with  
11 it. I take full responsibility for that purchase I  
12 made. When I switched over to natural gas now I  
13 searched out the other alternative -- well, I was  
14 already on an alternative fuel but I checked into the  
15 -- I was aware of the cost of that, but I checked into  
16 what it's going to cost me for switching over to  
17 natural gas and what was included in the costs that I  
18 was going to be paying and I was happy with the service  
19 and the cost that it was going to cost me, and again, I  
20 take on full responsibility of the purchase I made with  
21 the gas company and the bills I pay, and if I don't  
22 like -- as inconvenient as it may be, if I don't like  
23 what the gas company is charging me I have the choice  
24 to eliminate it from my home.

25           Again, as inconvenient as that might be, I

1 do have that choice and I would like the Commission to  
2 consider that when they make their decision that  
3 customers ultimately do make the choice and that's why  
4 I'm here.

5 JUDGE ANDERL: Thank you, Mr. Werre.

6 Questions?

7 CHAIRMAN NELSON: Thank you. It's unusual  
8 testimony for a public hearing. Are you supporting the  
9 rate increase then?

10 THE WITNESS: Yes, I am.

11 COMMISSIONER HEMSTAD: Why?

12 THE WITNESS: Well, at this time I don't  
13 know all the details of the rate increase, but I do --  
14 to me it's not a large amount of an increase for what I  
15 have received from the gas company, the service I get.

16 COMMISSIONER HEMSTAD: Do you think you're  
17 getting a good bargain for the gas service that you  
18 receive?

19 THE WITNESS: Yeah, I believe so. And I  
20 will give you another example I can give you is, well,  
21 a while back I read in the paper, too, that one of the  
22 customers that I believe was at a hearing similar to  
23 this but he said we shouldn't have to -- I won't quote  
24 him because I can't remember exactly, but they felt they  
25 shouldn't have to pay for something that they don't

1 receive, like service I believe he was talking about.  
2 But on the other hand, we pay for police protection,  
3 fire protection, things like that that we may never use  
4 but it's there if you do need it and I believe that's  
5 -- the cost that I am paying, there's a service there  
6 that's available to me if I do ever need it. So that's  
7 one reason why I do support the increase.

8 CHAIRMAN NELSON: What was the fuel you were  
9 on before?

10 THE WITNESS: Oil.

11 JUDGE ANDERL: Anything else? Thank you  
12 very much for appearing and testifying today.

13 MR. TROTTER: I would call Wilma Patterson.  
14 Whereupon,

15 WILHELMINA PATTERSON,  
16 having been first duly sworn, was called as a  
17 witness herein and was examined and testified as follows:

18

19 DIRECT EXAMINATION

20 BY MR. TROTTER:

21 Q. I will just ask you a couple of questions  
22 like I asked the other witnesses. Would you please  
23 state your name and spell your name for the record?

24 A. Yes. Spelling my name it's Wilhelmina  
25 Patterson, W I L H E L M I N A.

1 Q. And the Patterson is P A T T E R?

2 A. S O N, yeah.

3 Q. Address?

4 A. 5301 South Grattan Street. That's G R A T T  
5 A N, Seattle, 98118.

6 Q. Are you a customer of Washington Washington  
7 Natural Gas?

8 A. I am a customer. The gas service comes to  
9 a residence. It is the residence of which I own and I  
10 am here in the interests of other persons like me,  
11 other residents of Seattle. I oppose the rate  
12 increase. I don't believe that it's warranted for  
13 two reasons. One is the fact that the operating costs  
14 may or may not have increased and the citizens should  
15 not be responsible for those costs and, second, I think  
16 a reconsideration should be given. Though I don't  
17 oppose the full amount of the increase, I believe  
18 somewhat of an increase rather than three dollars and  
19 some odd cents -- a monthly increase of a dollar would  
20 probably in my mind be adequate.

21 The service I can say in some cases has been  
22 good and in other cases it has not. One such incident  
23 where the service was poor was when I was without gas  
24 for about ten days last October. The rationale for not  
25 being able to reach me in time was that a rate increase

1 had been requested, the gas company was not operating  
2 full gear nor full staff because they didn't get the  
3 rate increase. I don't think the public should get  
4 this kind of response as an explanation for not getting  
5 service.

6 In other such cases the service has been  
7 good and I believe that for those persons that have  
8 worked a long time many of them have to work overtime.  
9 The service may be because of understaffing and for  
10 what reason those existing employees have to work long  
11 hours, long overtime when we do have emergencies, can  
12 be considered warranted or not warranted. That's  
13 something that's questionable. I believe that you need  
14 additional staff for better service rather than to  
15 reduce the staff and have poorer service. Sometimes  
16 the service is good and sometimes it's not.

17 Q. You mentioned that you were told the reason  
18 that you didn't get hooked back up was because of the  
19 rate decrease of last fall. Who told you?

20 A. One of the staff persons. When you ask for  
21 -- when you have an emergency and you need some help.  
22 In this case the emergency was not the gas company's  
23 faults. It was a faulty factor in the furnace itself  
24 and there was a comparatively new furnace because I've  
25 only been in the home five years, but they didn't have

1 staff to send out at that time. When they finally did  
2 send someone out they found that there was a shortage.

3 Q. Was the furnace provided to you by the gas  
4 company or by someone else?

5 A. The furnace was provided by the gas company.  
6 It was installed by someone else.

7 Q. Do you have anything else to add to your  
8 statement?

9 A. No. I just think the rate increase should  
10 be downward rather than upward and that the service  
11 should be better.

12 JUDGE ANDERL: Thank you. Hang on just a  
13 minute. We may have some questions for you.

14 CHAIRMAN NELSON: You said this was ten  
15 days?

16 THE WITNESS: Ten days.

17 CHAIRMAN NELSON: What was the temperature?  
18 Do you remember?

19 THE WITNESS: Temperature was considerably  
20 low. I turned the gas off and on -- not gas --  
21 electrics off and on and I had other small electric  
22 heaters that were used.

23 CHAIRMAN NELSON: But would you say you had  
24 this conversation once or more than once or were you  
25 calling every day trying to get people to come out?

1 That's a long time.

2 THE WITNESS: No. What I did if it was  
3 going to take -- the date that they gave me when they  
4 would be able to send someone out, in the meanwhile I  
5 called another company and they were unable to fix it.  
6 They couldn't determine the problem but they still  
7 charged me the money for coming out. I feel like I  
8 should turn that bill over to the gas company, but at  
9 any rate, this is what happens many times and I think  
10 that the company regardless how -- the reasoning behind  
11 a rate increase the customers shouldn't have to suffer  
12 lack of service and be told something of this nature  
13 over the phone.

14 COMMISSIONER HEMSTAD: I don't have any  
15 questions.

16 JUDGE ANDERL: Thank you again for appearing  
17 and testifying. Mr. Trotter, do you have any other  
18 witnesses?

19 MR. TROTTER: I don't think so. I checked  
20 with everyone that's in the room and everyone who wants  
21 to testify has testified.

22 JUDGE ANDERL: Thank you. Is there anything  
23 further to come before us today then? Then we'll stand  
24 adjourned until tomorrow at 1:30.

25 (Hearing adjourned at 2:10 p.m.)