

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION
2 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
3)
Complainant,) Docket No. UG-931405
4)
vs.)
5)
WASHINGTON NATURAL GAS COMPANY,)
6)
Respondent.)
7 -----)
WASHINGTON UTILITIES AND)
8 TRANSPORTATION COMMISSION,)
))
9 Complainant,) Docket No. UG-931442
) Volume 6
10 vs.) Pages 304 - 336
))
11 WASHINGTON NATURAL GAS COMPANY,)
))
12 Respondent.)
13 -----)

15 A hearing in the above matter was held on
16 May 25, 1994 at 1:30 p.m., at 1300 South Evergreen
17 Park Drive Southwest, Olympia, Washington, before
18 Chairman SHARON NELSON and Commissioner RICHARD
19 HEMSTAD, and Administrative Law Judge LISA ANDERL.

20 The parties were present as follow:
21 WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION STAFF by ROBERT CEDARBAUM, Assistant
22 Attorney General, 1400 South Evergreen Park Drive
Southwest, Olympia, Washington 98504.
23
WASHINGTON NATURAL GAS COMPANY, by DAVID
24 SCOTT JOHNSON, Attorney at Law, 815 Mercer Street,
Seattle, Washington 98109.
25 Cheryl Macdonald, CSR, Court Reporter

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

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

2 JUDGE ANDERL: Let's be on the record.

3 We're convened today in consolidated dockets UG-931405
4 and 931442 in the matter of Washington Natural Gas
5 Company. We're convened for purposes of taking
6 testimony from members of the public and also to give
7 the Commissioners an opportunity to ask questions of
8 counsel and the witnesses on the settlement agreement
9 if they wish to do so. My name is Lisa Anderl, I'm the
10 administrative law judge that's been assigned to hear
11 the case today. Also present on the bench are chairman
12 Sharon Nelson and commissioner Dick Hemstad.

13 CHAIRMAN NELSON: Good afternoon.

14 COMMISSIONER HEMSTAD: Hi.

15 JUDGE ANDERL: Take appearances beginning
16 with the company.

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

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

21 MR. CEDARBAUM: Robert Cedarbaum also an
22 assistant attorney general for the staff.

23 JUDGE ANDERL: Mr. Trotter, do you have any
24 witnesses present from the public who wish to testify
25 today?

1 MR. TROTTER: No, not at present.

2 JUDGE ANDERL: Perhaps we can check again
3 then towards the end of the hearing session.

4 CHAIRMAN NELSON: We'll just go right into
5 our questions.

6 JUDGE ANDERL: Just go right into your
7 questions.

8 CHAIRMAN NELSON: I will ask all the lawyers
9 this question. Is this the first royalty agreement
10 that we have established in Washington state for
11 affiliate relationship?

12 MR. TROTTER: This was our issue, Chairman
13 Nelson. This was an issue that I believe was addressed
14 by our witness in the last rate case but it wasn't
15 decided upon, and we presented testimony in this case
16 and because the case was settled that issue was not
17 presented to you for a ruling on the record as such,
18 but we were able to reach agreement of a way to deal
19 with that in a settlement context and the company was
20 agreeable. So that's the context of it, but other than
21 that, I am aware of no other case in which a royalty
22 imputation has been proposed or decided upon by the
23 Commission.

24 CHAIRMAN NELSON: As I understand it,
25 there's a floor of 160K and a ceiling of 240.

1 MR. JOHNSON: I believe, Commissioner, that
2 the floor is 150 not 160.

3 CHAIRMAN NELSON: And so those are absolute
4 numbers, and then there's a formula that can be used to
5 determine for each year the number.

6 MR. JOHNSON: Essentially the royalty floats
7 within that range.

8 CHAIRMAN NELSON: Now, this is a settlement
9 agreement. It's a settlement agreement for at least 11
10 months.

11 MR. TROTTER: Go ahead with your question.

12 CHAIRMAN NELSON: And so does the royalty
13 arrangement continue after the terms of this agreement?

14 MR. TROTTER: First of all, there are a
15 couple of things that continue with the agreement, as I
16 understand it. Paragraph 10 and 11 and 12 deal with
17 certain club dues and lobbying. Those continue beyond
18 the agreement because it does refer to future general
19 rate cases in paragraph 10. And with respect to the
20 royalty imputation, it will go on and will be booked on
21 into the future, but there is in paragraph 9 a
22 reopener, if you will, based on a substantial change in
23 circumstances.

24 CHAIRMAN NELSON: There it is, yeah.

25 MR. TROTTER: And I don't believe that --

1 counsel could probably confirm this, but if the
2 Commission itself wanted to address this issue, I
3 assume they could. This is -- the parties are agreeing
4 to do this in a future case, I suppose the Commission
5 might be able to do something different, but from the
6 parties' point of view this will go on and then if
7 there is a substantial change that will be presented
8 and be presented to you for resolution.

9 CHAIRMAN NELSON: One of the -- beginning
10 top of page 7 carrying over from page 6, parties may
11 contest it in the future because of applicable
12 statutory or regulatory changes. I wonder if you can
13 elucidate what that -- statutory regulatory changes,
14 what that phrase means, what you had in mind.

15 MR. JOHNSON: On the issue of regulatory
16 changes I think we were getting at the point that Mr.
17 Trotter just indicated that if for some reason either
18 because the Commission decides to do so or in some
19 other context, some proceeding or rulemaking or
20 something this issue were to be raised really outside
21 the scope of this particular docket involving
22 Washington Natural Gas Company, then it may be
23 appropriate at that time depending on the context for
24 the parties here to revisit the issue.

25 The statutory reference, we didn't have

1 anything particular in mind but we just wanted to cover
2 the circumstance where the governing rules might
3 change, and we didn't want to limit ourselves one way
4 or the other as far as how we might approach the issue
5 if there was such a change. So it was not intended to
6 apply to anything specific but just if there were a
7 change in the applicable law.

8 CHAIRMAN NELSON: So if the legislature were
9 to change the affiliate statute or if the Commission
10 were to say, all right, we want a rulemaking on
11 affiliate transaction payments across the board, say
12 applicable to all electric, natural gas and telephone
13 companies, that would fall within this rubric.

14 MR. JOHNSON: It's possible, depending on
15 the scope of what the Commission decided to do, and
16 again, we would not want to limit ourselves, and I
17 don't think Mr. Trotter would want to limit public
18 counsel either as far as the position that we would
19 take in that type of a proceeding.

20 CHAIRMAN NELSON: Now, for the future, then,
21 since this is established, will the affiliates then be
22 using their affiliation with Washington Natural Gas in
23 advertising or anything? Do you contemplate that?
24 Does the company contemplate that?

25 THE WITNESS: My name is Ron Davis. I'm

1 vice-president for rates and planning at Washington
2 Natural Gas. The answer was, as we understand it, that
3 the stipulation covers activities that took place
4 during the test period and up until May 10th.

5 MR. JOHNSON: Yes.

6 MR. DAVIS: And so like kind of activities
7 are covered. If the company were to undertake new ad
8 campaigns and directly market WNG, that would not
9 clearly -- because it's not in the test period, I
10 assure you, it would clearly not be contemplated in
11 this settlement.

12 MR. TROTTER: Do you mean directly market
13 WESCO?

14 MR. DAVIS: Yes, if WESCO were to use WNG in
15 direct advertising, that was not in the test period, it
16 did not accrue before May 10 in the test year, and the
17 period subsequent to the test period up until May 10.
18 Therefore it would be outside the scope of the
19 settlement and not provided for.

20 MR. TROTTER: That's correct. And
21 Mr. Dittmer's testimony and our cross-examination of
22 the company got into the various types of activities
23 that were going on that led to our recommending an
24 adjustment, so that was the kind of the ambit of our or
25 the scope of what we were looking at, and if there is a

1 change in that up or down parties can address that on a
2 future basis.

3 COMMISSIONER HEMSTAD: Well, all right. I
4 will give you a hypothetical. Would you be able to,
5 under this arrangement, in advertising WESCO say an
6 affiliate of Washington Natural Gas or an affiliate of
7 the company?

8 MR. DAVIS: That was occurring during the
9 test period.

10 COMMISSIONER HEMSTAD: And so you would be
11 able to do that in the future?

12 MR. DAVIS: Arguably, yes.

13 MR. TROTTER: Although the frequency of
14 doing it could be an issue?

15 MR. DAVIS: Yes. It was not done a lot
16 during the test period.

17 COMMISSIONER HEMSTAD: Presumably a royalty
18 implies some quid pro quo. It's not just a fat
19 contribution. So presumably you have a right to do
20 something when you pay the royalty?

21 MR. DAVIS: Yes, it does, but as witness
22 Dittmer testified there was considerable debate about
23 the company parent logo at the parent Washington Energy
24 level, and that those logos are essentially the same
25 logo with different verbiage applied to the logo, so

1 the argument had been a lot around that kind of thing
2 and axillary services, so the intent would be they
3 would still intend to use that corporate logo and there
4 would be incidental advertising references.

5 COMMISSIONER HEMSTAD: So that's what the
6 royalty in effect is buying?

7 MR. DAVIS: I believe so, from the company's
8 point of view as well as the rest of witness Dittmer's
9 testimony which covered training and other benefits
10 provided by the gas company to the subsidiary that
11 occurred.

12 MR. TROTTER: Also, I would like to point
13 out, if you look at paragraph 9, that the royalty
14 imputation formula is based on certain connections
15 between the companies, which I think we've been talking
16 about, but it also includes conditions regarding the
17 companies which includes earnings through March of
18 1994. These are -- the earnings of WESCO are
19 confidential. I can't speak on them on the record and
20 they're not in the record, but if those earnings should
21 substantially change we may want to revisit this as
22 well, so it wouldn't just be the conduct but also the
23 earnings aspect is another angle on this. So this was
24 -- I think you could look at this as a practical
25 solution, but it's also a theoretical proposal.

1 There's some theory behind it, but it's also a
2 practical resolution of a problem with all parties
3 having a way out if there's some changes in some
4 circumstances that are meaningful.

5 MR. JOHNSON: Commissioner, if I could add
6 one thing. In terms of what the company is getting, we
7 would like to refer again to paragraph 9 which says
8 that the connections that are articulated in the record
9 in docket No. UG-931405 we're trying to get at the
10 totality of those connections not any one particular
11 connection. As Mr. Davis indicated, there was
12 discussion in this case by Mr. Dittmer of the
13 similarity in logos. There was some transitional
14 ancillary advertising concerning WESCO and Washington
15 Natural Gas and a couple of other things all as
16 articulated by Mr. Dittmer. We're not focusing on any
17 one thing. We're focusing on the totality of those
18 connections and the company's, as Mr. Trotter says,
19 if you will, the quid pro quo for the royalty.

20 CHAIRMAN NELSON: I'm satisfied on that.

21 COMMISSIONER HEMSTAD: I have another
22 question on the royalty.

23 CHAIRMAN NELSON: Go ahead.

24 COMMISSIONER HEMSTAD: In paragraph 8, I'm
25 reading, "A royalty imputation shall be recorded

1 prospectively on the company's books." I don't quite
2 understand what that means. Will there be an actual
3 transfer of dollars or is it simply a paper
4 transaction.

5 MR. DAVIS: It would be a paper transaction,
6 I think, in the context of your question, Commissioner.
7 That is, the utility will book as if it received
8 intercompany revenue from a subsidiary this imputed
9 royalty for rate making purposes each month.

10 COMMISSIONER HEMSTAD: So it's listed as the
11 equivalent of -- well, what is it -- the equivalent of
12 cash then?

13 MR. DAVIS: It is the equivalent of cash
14 revenues received so that there would be miscellaneous
15 revenues just like there are for other miscellaneous
16 revenues for rate making.

17 COMMISSIONER HEMSTAD: But then year after
18 year you would continue to impute rather than transfer
19 actual dollars?

20 MR. DAVIS: Yes.

21 COMMISSIONER HEMSTAD: Why don't you just
22 transfer the money?

23 MR. DAVIS: For corporate --

24 COMMISSIONER HEMSTAD: It really is quite a
25 naive question on my part. I'm trying to understand

1 this.

2 MR. DAVIS: The transfer of funds would be
3 to transfer funds within the same set of bank accounts
4 and then in accounting requirements today when the
5 corporation files its financial statements those
6 intercompany transfers are then eliminated by rule, and
7 so to transfer the money would be an exercise in
8 shuffling dollars from one bank account to another,
9 just have the accounting rules then eliminate them
10 before you produce the financial statement. So the
11 imputation actually saves time and effort.

12 COMMISSIONER HEMSTAD: I won't pursue that
13 any further.

14 CHAIRMAN NELSON: Thank you. Go back to
15 paragraph 7, page 5. The exceptions to the rule of no
16 increase requests are quite large, it seems to me. So,
17 I guess my question, is the cost of service rate design
18 filing on track?

19 MR. JOHNSON: Your Honor or Commissioner, we
20 were intending to raise that issue at the end of the
21 hearing and we wanted to advise the Commission that if
22 this settlement is accepted, we would hope for,
23 depending on the Commission schedule, rates to be
24 effective within a few days, but that may very well be
25 after May 31st, 1994 which is the date for filing of

1 the cost of service rate design filing. And it seems
2 appropriate to us to not put the cart before the
3 proverbial horse, that we should have the rates in
4 effect prior to filing of the cost of service filing so
5 that the two can be coordinated and we can have current
6 rates and current revenues for purposes of the upcoming
7 filing. So we are filing today with the office here a
8 request to delay from May 31st until June 15th only a
9 limited extension by about two weeks which we think,
10 again assuming that the Commission were to accept this
11 settlement, would give us adequate opportunity and time
12 to coordinate the two filings and incorporate the best
13 available data into those filings. We can discuss that
14 request here. I don't know whether the Commission
15 would care to rule on that here or not, but certainly
16 in the context of docket No. 920840, we are filing that
17 motion today and would be able to answer any questions
18 about it if you like.

19 Perhaps also request some attention by the
20 Commissioner or the secretary of the Commission on this
21 because our staff would like to know whether we need to
22 press forward through the upcoming holiday weekend and
23 file on May 31st or whether we would have the
24 extension. So, simple request.

25 MR. TROTTER: As I understand it, there's

1 been no opposition from the parties to request and the
2 motion would so state.

3 MR. CEDARBAUM: I think what Mr. Johnson was
4 stating was that the company is planning on filing a
5 motion in UG-920840 for that extension and the staff
6 doesn't object to it. Just procedurally it would have
7 to be in that docket as opposed to this docket.

8 MR. JOHNSON: And that's how we've labeled
9 the motion.

10 CHAIRMAN NELSON: So we'll apply the rate --
11 if accepted, the rate increase contemplated by the
12 settlement agreement will go into effect still on --
13 what was the requested date for this to go into effect?
14 June 10.

15 MR. JOHNSON: June 10 is the latest date per
16 the stipulation that rates would go into effect. We
17 would hope, obviously depending on the Commission's
18 workload and schedule and the parties as well, that
19 they could go into effect earlier than that but June 10
20 is the latest day.

21 CHAIRMAN NELSON: And then the new filing,
22 filed whenever, May 31, June 15, what you're saying
23 what you want to know is the results of this case so
24 that you can file an appropriate filing based on this
25 revenue requirement established here.

1 MR. JOHNSON: Exactly.

2 CHAIRMAN NELSON: And I really just wanted
3 to know if we were expecting to see that. Now, with
4 respect to natural gas vehicles, line extensions,
5 customer service, propane, special contracts and DSM,
6 that's a lot of work. And all of those would have
7 revenue impacts. Is that the contemplation of the
8 parties that all of them may or might have?

9 MR. JOHNSON: It's possible that they may
10 have revenue impact. We're not trying to prejudge
11 here what those may be. We're trying to list, as we
12 see it, the universe of things that either are
13 required, for example, customer service and line
14 extension, we have made commitments to make filings.
15 Others were simply intending to work with staff and put
16 something together and will do so in the next year. So
17 we wanted to be more inclusive rather than less
18 inclusive in terms of listing exceptions to this
19 prohibition here.

20 CHAIRMAN NELSON: So it's really just
21 enumerating everything that's on your planning horizon
22 between now and March?

23 MR. JOHNSON: Yes.

24 MR. TROTTER: Other than a general rate
25 case.

1 CHAIRMAN NELSON: Other than a general rate
2 case.

3 MR. TROTTER: And also any of these filings
4 to the extent that they are tariff filings would be
5 subject to the full suspension power, anything else,
6 any other procedures that would otherwise be
7 applicable.

8 CHAIRMAN NELSON: Well, then I wanted also a
9 progress report on the customer service policy which we
10 had a reference to at yesterday's hearing and the main
11 extension policy. Where are the parties? Far apart,
12 closing together? How broad or contested can we expect
13 these to be? I'm wanting a preview of coming
14 attractions.

15 MR. CEDARBAUM: I actually am not sure if
16 any discussions have occurred up until now. I think
17 our intent would be to have the company make the
18 filings and that we would work with the company as best
19 we can and public counsel to the extent that Mr.
20 Trotter wants to be involved to try to work out the
21 details and come to an agreement, so we would work
22 toward making them as uncontroversial as possible but
23 it's possible that they will be controversial.

24 CHAIRMAN NELSON: So anything is possible?
25 We just don't know at this point?

1 MR. CEDARBAUM: Mr. Davis is privy to any
2 particular discussions with staff that I haven't been
3 involved with.

4 MR. DAVIS: Without referring to specific
5 conversations that have happened, through the process
6 that we testified during this proceeding that would go
7 on between the company and staff, better understanding
8 on both sides has occurred in particular in regard to
9 the customer service policy. We've completed the
10 customer study we indicated we would do. We had
11 reviewed a draft of that study with Commission staff
12 and staff, and the company's positions have greatly
13 come in proximity to each other and our expectation was
14 at our last discussion was that we could probably come
15 to reasonably close approximation on the same policy
16 through a series of information meetings so we did not
17 have the disparity of positions that we had at the
18 start of this proceeding.

19 CHAIRMAN NELSON: Good. That's on customer
20 service. How about main extension?

21 MR. DAVIS: The main extension policy, my
22 understanding is similar that several conversations
23 have gone on in that one, and in regarding to rule 6 I
24 think we have essentially the exact same positions, and
25 in regard to rule 7 I think we have a similar

1 understanding. We just have not made an exact proposal
2 to get comments on.

3 CHAIRMAN NELSON: I have one more small
4 question. Paragraph 11 on the lobbying, the third line
5 you use the term "local functions which relate to such
6 legislation." Does that mean lunches and dinners or
7 what does that mean? Local functions.

8 MR. TROTTER: I think it meant local
9 government activities instead of saying local
10 authorities regarding the state and federal
11 legislature.

12 CHAIRMAN NELSON: Do you have a view?

13 MR. DAVIS: Yes. Actually in that context
14 although as Mr. Trotter pointed out there is a context
15 about local government in here, I don't believe it's at
16 this location.

17 MR. TROTTER: I may stand corrected on that.
18 I will let --

19 CHAIRMAN NELSON: It's the next paragraph
20 that specifically mentions local government. That's
21 why it's confusing. Talking about in the context of
22 influencing state and federal legislation. It just
23 jumped out at me and I didn't know what it meant.

24 MR. DAVIS: I believe this refers to the
25 fact that typically the way the accounting has been

1 done by the company is that if you were a lobbyist or a
2 person in a natural lobbying position then the
3 accounting was quite reasonably -- arguably reasonably
4 done for those lobbying expenses. However, incidental
5 time spent by someone like myself or internal counsel,
6 an hour here, an hour there, was not carefully
7 accounted for at the company and those people in that
8 locale if they spend an hour here or there on
9 legislative activities were agreeing to try to track
10 those more carefully.

11 CHAIRMAN NELSON: This is your system for
12 tracking labor, time more explicitly.

13 MR. DAVIS: Yes.

14 CHAIRMAN NELSON: That's all I have right
15 now.

16 COMMISSIONER HEMSTAD: First, I have a quite
17 generic question. How binding is this document on the
18 Commission? Is it binding at all?

19 MR. TROTTER: It's binding according to its
20 own terms. If you accept it, you are agreeing to a
21 general increase in revenues of \$19 million and rate
22 impacts of that which are in the appendices. With
23 respect to the filings, if you want the company to make
24 a general rate case filing next October, for example,
25 that would not be permitted. Some of these regarding

1 lobbying and so on are company commitments to doing
2 something, and I think the Commission could on its own
3 motion in the next general rate case, for example, say
4 that this is unacceptable and there should be something
5 else. But I think the main thing that will be binding
6 on the Commission is that if you accept it you are
7 agreeing that the rate impact and the general revenue
8 increase is as stated here and the filings are going to
9 be limited until March 1, 1995.

10 The rest, I think -- and you're agreeing
11 that the company will be filing certain filings that
12 will be before you. A lot of these terms in here are
13 agreements between the parties that are not binding on
14 you but are binding as between the parties and I would
15 think if the company, for example, didn't record
16 certain expenses the way they said they would that
17 would be a violation of the agreement and if it's
18 adopted by the Commission in an order might render
19 themselves into penalty.

20 COMMISSIONER HEMSTAD: Well, for example, in
21 paragraph 10, dealing with club dues and so on, after
22 listing them and "shall not be recoverable in rates
23 in future general rate proceedings," I would have to
24 refresh my memory as to how we dealt with this, for
25 example, in the Puget case, but I guess I am concerned

1 about the question of consistency.

2 MR. TROTTER: I think that maybe this should
3 be better read as the company will not seek it, will
4 not ask for it and they're going to book it below the
5 line. I think if the Commission wanted to force them
6 to recover it through rates, maybe you could, but I
7 think they are committing to below-the-line treatment
8 and they're not going to ask for a general rate case,
9 so I think the practical matter that that's how it
10 would be resolved.

11 MR. JOHNSON: Commissioner, we're not trying
12 to argue for any precedent that might bind the
13 Commission in whatever other proceedings involving
14 Puget or otherwise. That's not the goal of this. I
15 think Mr. Trotter is correct, the purpose is simply to
16 indicate what the company is agreeing to do and how the
17 company would pursue the issue in future rate
18 proceedings, how another company pursues that issue,
19 and perhaps issues of consistency would be up to
20 really the Commission. This is simply an agreement as
21 between the parties and a commitment by the company.

22 CHAIRMAN NELSON: And I would just answer
23 your question by saying that typically when parties
24 cite to us quote-unquote "Commission precedent,"
25 they're usually pretty careful to note which was a

1 decided case by the Commission and which was a settled
2 case.

3 MR. CEDARBAUM: Well, the stipulation also
4 includes our agreement not to cite the stipulation as
5 precedent. I suppose the Commission if it wanted to
6 could.

7 COMMISSIONER HEMSTAD: There's a curious
8 relationship. If this went to the conclusion in a
9 normal process, without a settlement, and we produce an
10 order, it would be in effect until the next order,
11 until we came up with another one. Now we have a
12 settlement of the parties. That kind of has
13 implications in various directions the precise
14 consequence of which over time perhaps are less clear
15 than a traditional order.

16 MR. TROTTER: I think that some of these
17 issues from our perspective, public counsel only,
18 particularly with regard to club dues and so on, the
19 dollars amounts we're talking about are not a big deal.

20 COMMISSIONER HEMSTAD: They're minimal,
21 right.

22 MR. TROTTER: But this means that we won't
23 have to spend our time dealing with these issues in
24 future cases and that to us is an important thing and
25 whether we can cite it as precedent or not, I'm not

1 sure I read the agreement exactly the same as
2 Mr. Cedarbaum -- I would have to go read it on that
3 particular point -- but so we see this as clearing an
4 issue off our plate in future proceedings that takes
5 quite a bit of time to deal with and in the larger
6 scheme of things in terms of its impact on rates may
7 not be material to its impact on principle is. So
8 that's just our unilateral view of how we approach
9 that.

10 COMMISSIONER HEMSTAD: Changing subjects.
11 In paragraph 2, "Stipulated increase shall be spread
12 among the company's rate schedules on a uniform
13 percentage," et cetera, how does that statement relate
14 to the statement that was made at yesterday's hearing
15 by Mr. Betzold who was complaining, I thought, about
16 the rate spread, that it unfairly affected in No. 57?

17 MR. JOHNSON: Commissioner, the 19 million
18 is spread among the different rate schedules on a
19 uniform percentage of margin as shown on the first page
20 of Exhibit A and the percentage is equal. Mr.
21 Betzold's point yesterday was that there may be some
22 disparity within individual rate schedules as far as
23 the initial block, tail block and so on and so forth,
24 but as Mr. Betzold's statement and an attachment to
25 that statement indicated yesterday, there are

1 disparities in all of the blocks under all of the
2 schedules, and the important point is that it is spread
3 on a uniform percentage of margin basis among the rate
4 schedules. So 57, 58, the residential schedules, are
5 all getting the same percentage increase, as I
6 understand it. That's the point that that statement
7 was trying to make.

8 COMMISSIONER HEMSTAD: Okay. On paragraph
9 15, on page 9, would someone give me a brief
10 explanation of multiple weather station billing data?
11 What is it?

12 MR. CEDARBAUM: I can take a stab at it.
13 Maybe Mr. Davis has more detailed information, but in
14 the weather normalization adjustment that both the
15 company and staff had submitted testimony on that the
16 data that is used comes from one weather station at
17 SeaTac. In the last rate case the staff witness, Mr.
18 Curt Winterfeld, suggested that the company look at
19 more than one weather station and that issue was not
20 resolved in that case and now we're still trying to
21 pursue that and see if we come up with a better
22 adjustment.

23 COMMISSIONER HEMSTAD: So billing means
24 recording or something, different than my common sense
25 idea of what billing is, billing in a customer sense.

1 MR. CEDARBAUM: I think it has to do with a
2 record of the data that you use to normalize revenues.

3 COMMISSIONER HEMSTAD: That's all I have.

4 JUDGE ANDERL: Anything else, Chairman
5 Nelson?

6 CHAIRMAN NELSON: Mr. Davis, one other
7 question. What's your current bond rating? From any
8 of the rating agencies? Do you know offhand?

9 MR. DAVIS: I can't recall.

10 CHAIRMAN NELSON: Well, I know it's not at
11 issue here so I'm just curious. I can look it up.

12 MR. TROTTER: It's in the rebuttal case.

13 MR. DAVIS: It is in the rebuttal case. If
14 you can hold a minute I can pull it out and tell you.

15 CHAIRMAN NELSON: No. I can look it up.

16 JUDGE ANDERL: Anything else? Mr. Trotter,
17 do you know if you have any public witnesses yet? I
18 don't see any new faces.

19 MR. TROTTER: I don't see any but I will
20 check the sign-in sheet.

21 JUDGE ANDERL: Mr. Johnson, I know you said
22 that if the Commission does accept the settlement they
23 would like to see rates in place as soon as possible.
24 I would like to ask staff and public counsel what kind
25 of time they feel they would need to look at a filing.

1 MR. CEDARBAUM: Well, I think what we tried
2 to do in the stipulation attachment A, which expedites
3 things, is to include the actual rates that the tariffs
4 -- compliance filing would reflect.

5 JUDGE ANDERL: A day? Two days?

6 MR. CEDARBAUM: I am getting a message of
7 three days. We could process that in three days.

8 MR. TROTTER: The agreement does call for
9 June 10th at the latest. That's fine with us.

10 JUDGE ANDERL: We're going to take -- did
11 you have something else, Mr. Johnson?

12 MR. JOHNSON: I was just going to add, I
13 understand that we would probably need about two
14 business days from the effective -- not from the
15 effective date -- from the issuance of Commission's
16 order where we would be filing a tariff for staff
17 review.

18 JUDGE ANDERL: You didn't bring it with you?

19 MR. JOHNSON: We're not that smart.

20 JUDGE ANDERL: The Commissioners would like
21 to take a recess at this time and discuss what they've
22 heard and talked about today so --

23 COMMISSIONER HEMSTAD: Stick around.

24 JUDGE ANDERL: -- hang around. We'll be in
25 recess.

1 (Recess.)

2 JUDGE ANDERL: Let's be back on the record,
3 please, after a brief recess. Chairman Nelson would
4 like to make an announcement.

5 CHAIRMAN NELSON: Well, we're delighted to
6 accept the settlement agreement. We have one
7 condition we would like to ask. On the customer
8 service collaborative or whatever we call it, in
9 settlement agreements before we've had some unhappy
10 experiences where parties go off without much guidance
11 from the Commission, bring back something that the
12 Commission rejects and in customer service we want to
13 know where you are. We actually want to make sure that
14 we err on the side of customer safety, as we said in
15 the last order, and gas has safety implications in the
16 home. So we would like to ask you if you would be
17 willing -- and we understand this is mostly the staff's
18 issue, public counsel is welcome, too -- if we could
19 have a report in writing within 60 days from the
20 company and the staff on what they're thinking about
21 and then we would just like to be able to read that,
22 compare and contrast your two approaches and then issue
23 a letter from the secretary giving any guidance that we
24 may choose to give.

25 MR. CEDARBAUM: Can I ask a clarifying

1 question?

2 CHAIRMAN NELSON: Yes.

3 MR. CEDARBAUM: The 60 days would run from
4 now or the date of your order in this case or the date
5 60 days after the filing is made?

6 CHAIRMAN NELSON: No. We want it before the
7 120-day deadline.

8 MR. TROTTER: And before the filing?

9 CHAIRMAN NELSON: Before the filing. We
10 want to know how you're negotiating, where you are, in
11 case we see you going a direction that maybe we think
12 we may not want to end up, so we want to be able to be
13 in a position to give some guidance if we think the
14 program is getting too stringent, let's say, because we
15 really are concerned that the company have the
16 wherewithal to make the diagnosis of the trouble and we
17 don't want to get too -- well, we really would like to
18 know what you're thinking about before you get to a
19 fully formed position and are ready to file. We were
20 thinking between now and the deadline for filing would
21 be nice to have a report.

22 MR. TROTTER: You said within 60 days but
23 actually they could file this filing in 20 days so it
24 would have to be --

25 CHAIRMAN NELSON: The point is to hear from

1 all three sides.

2 MR. TROTTER: -- prior to filing.

3 CHAIRMAN NELSON: Prior to 60 days from now,
4 just so we can have a little chance to if we want to
5 send you a signal about where we think you should be
6 headed.

7 MR. TROTTER: Maybe I wasn't clear. They
8 could make their customer service filing in 20 days.
9 They don't have to file it at -- but it sounded to me
10 like you wanted this report before they filed.

11 CHAIRMAN NELSON: Yes.

12 MR. TROTTER: So since 60 days, you can say
13 60 days but in no event later than filing.

14 JUDGE ANDERL: Mr. Trotter, 60 days in the
15 context of a 120-day deadline.

16 MR. TROTTER: But the 120 day is the
17 maximum.

18 JUDGE ANDERL: Maybe tell us, Mr. Johnson.
19 Is the company contemplating whipping in next week with
20 a filing or are you thinking you're going to need the
21 four full months?

22 MR. JOHNSON: I don't know whether we will
23 need the four months but we certainly will not be in in
24 the next few days.

25 JUDGE ANDERL: I think what the

1 Commissioners want here is an interim report.

2 CHAIRMAN NELSON: That's what we want. 120
3 days something is coming in and we assumed that was a
4 tariff filing from the company.

5 MR. JOHNSON: Yes.

6 CHAIRMAN NELSON: So prior to the tariff
7 filing we want to know what you and you are talking
8 about doing.

9 MR. CEDARBAUM: I don't have any objection
10 to that at all from staff's point of view, and if it's
11 not -- if the filing is not made -- if it's made in
12 less than 120 days we will work with the company to get
13 you something ahead enough -- prior to that filing that
14 you will know what's coming.

15 COMMISSIONER HEMSTAD: We want to have the
16 opportunity for a midcourse correction if it seems to
17 be required.

18 MR. JOHNSON: The company has no objection
19 to the interim report.

20 JUDGE ANDERL: Great.

21 CHAIRMAN NELSON: Thank you. That's the
22 only condition.

23 JUDGE ANDERL: Just in terms of
24 administrative procedure here, the Commission is
25 anticipating being able to do a written order by Friday

1 and, Mr. Johnson, I guess, do you know whether you're
2 going to want to work over the weekend to do a filing
3 by Tuesday or Wednesday of next week?

4 MR. JOHNSON: When you say "a filing," you
5 mean a filing of compliance tariffs?

6 JUDGE ANDERL: Yes.

7 MR. JOHNSON: I think we need, as I
8 indicated, two business days from that Friday.

9 JUDGE ANDERL: So you probably anticipate
10 the compliance filing occurring next Wednesday then.

11 MR. JOHNSON: Yeah, allowing for the
12 holiday.

13 JUDGE ANDERL: I know we have one other
14 exhibit to mark which is additional ratepayer letters.
15 Other than that, is there going to be anything else to
16 come before us?

17 MR. JOHNSON: One other thing, Your Honor,
18 so I assume that our requests that we'll be making in
19 920840 will be dealt with in the context of that
20 docket.

21 CHAIRMAN NELSON: Yes.

22 JUDGE ANDERL: The Commissioners discussed
23 that while we were in conference and have indicated
24 that you will be granted the June 15 extension in the
25 other docket although you will get something formal on

1 that in writing. Since it is a separate proceeding we
2 can't make that ruling on this record.

3 MR. JOHNSON: Thank you.

4 MR. TROTTER: I would have no objection if
5 these additional pages are simply added to the prior
6 exhibit.

7 JUDGE ANDERL: Does anyone else?

8 MR. JOHNSON: No.

9 JUDGE ANDERL: We'll just call these
10 additional pages late-filed part of the previous
11 exhibit which was Exhibit No. 76.

12 Anything else?

13 All right. Thank you all for attending
14 we'll stand adjourned.

15 (Hearing adjourned at 2:35 p.m.)

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