

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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| In the Matter of the Proposal by |) | |
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| PUGET SOUND POWER & LIGHT |) | |
| COMPANY |) | DOCKET NO. UE-951270 |
| |) | |
| to Transfer Revenues from PRAM Rates |) | |
| to General Rates. |) | |
| |) | |

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| In the Matter of the Application of |) | |
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| PUGET SOUND POWER & LIGHT |) | |
| COMPANY and WASHINGTON NATURAL |) | DOCKET NO. UE-960195 |
| GAS COMPANY |) | |
| |) | |
| for an Order Authorizing the Merger of |) | |
| WASHINGTON ENERGY COMPANY and |) | SECOND SUPPLEMENTAL |
| WASHINGTON NATURAL GAS COMPANY |) | ORDER ON PREHEARING |
| with and into PUGET SOUND POWER & |) | CONFERENCE |
| LIGHT COMPANY, and Authorizing the |) | |
| Issuance of Securities, Assumption of |) | |
| Obligations, Adoption of Tariffs, and |) | |
| Authorizations in Connection Therewith. |) | |
| |) | |

PREHEARING CONFERENCE: A prehearing conference was held in Olympia, Washington, on Tuesday, April 30, 1996. The prehearing conference was held before Commission Administrative Law Judges Marjorie R. Schaer and John Prusia. Docket No. UE-951270 is a proposal by Puget Sound Power & Light Company to transfer revenues from PRAM ("Periodic Rate Adjustment Mechanism") rates to general rates. Docket No. UE-960195 is the application of Puget Sound Power & Light Company and Washington Natural Gas Company for an Order authorizing the merger of Washington Energy Company and Washington Natural Gas Company with and into Puget Sound Power & Light Company, and authorizing the issuance of securities, assumption of obligations, adoption of tariffs, and authorizations in connection therewith. These dockets were consolidated for hearing and determination by Commission order entered April 10, 1996.

PARTIES: Puget Sound Power & Light Company ("Puget") was represented by James M. Van Nostrand, attorney, Seattle. Washington Natural Gas Company (WNG) was represented by Matthew R. Harris, attorney, Seattle. The Washington Utilities and Transportation Commission (Commission Staff) was represented by Robert Cedarbaum, Assistant Attorney General, Olympia. Robert F.

Manifold, Assistant Attorney General, Seattle, appeared as Public Counsel. Northwest Industrial Gas Users (NWIGU) was represented by Edward A. Finklea, attorney, Portland, Oregon. Industrial Customers of Northwest Utilities (ICNU) was represented by Clyde H. MacIver, attorney, Seattle. Washington Water Power Company was represented by David Meyer, attorney, Spokane. Air Liquide America Corporation was represented by Anne D. Rees, attorney, Seattle. Public Power Council and Bellingham Cold Storage were represented by Shelly Richardson, attorney, Portland, Oregon. Seattle Steam Company was represented by Frederick O. Frederickson, attorney, Seattle. Georgia-Pacific West, Inc. was represented by John Gould, attorney, Portland, Oregon. The Washington PUD Association was represented by Joel Merkel, attorney, Seattle. The city of Seattle was represented by William H. Patton, Assistant City Attorney, Seattle. The city of Tacoma Department of Public Utilities was represented by Glenna Malanca, Senior Assistant City Attorney, Tacoma. King County was represented by Terese Richmond, Senior Deputy Prosecuting Attorney, Seattle. PUD No. 1 of Snohomish County was represented by Eric E. Freedman, Associate General Counsel, Everett. Bonneville Power Administration was represented by Jon D. Wright, attorney, Portland, Oregon. IBEW Local 77 was represented by Lynn Ellsworth, attorney, Seattle. Teamsters Local 117 was represented by Suzanne Moreau, Business Representative, Seattle. United Association Plumbers and Pipefitters Locals 32, 82, and 265 was represented by Jeffrey J. Owen, Business Representative, Seattle. The Northwest Conservation Act Coalition was represented by Sara Patton, NCAC Director, Seattle; the Natural Resources Defense Council was represented by Sheryl Carter, NRDC, San Francisco.

INTERVENTIONS: There were 19 petitions to intervene in this matter. The Commission generally will not allow a person to intervene in a proceeding when the person does not have a substantial interest in the proceeding and has not shown that its participation would be in the public interest. RCW 34.05.443; WAC 480-09-430. In re The Washington Water Power Company, Docket Nos. UE-941053, 941054, Fourth Supplemental Order (1994).

The Commission has previously determined that unregulated potential competitors of a regulated company do not have a substantial interest in the outcome of its proceedings. Cole v. WUTC, 79 Wn.2d 302 (1971). The Commission also has determined that a public service company does not have an interest in a proceeding before the Commission simply to preserve its ability to provide input on issues that may arise in its own proceedings. In re Cascade Natural Gas Corporation, Docket No. UG-950326, WUTC v. Cascade Natural Gas Corporation, Docket No. UG-951415, Third Supplemental Order Denying Intervention (April 1996).

The Commission may require parties who have similar interests to consolidate their presentations, and to designate one counsel to conduct cross-examination. Consolidation means that only one set of pre-filed materials will be

filed, only one brief will be filed, and only one counsel will cross-examine each witness on behalf of the consolidated parties. The Commission also may limit participation by a party to only those issues on which the party demonstrated an interest in the outcome. Grant or denial of intervenor status is a discretionary decision.

The petitions of Public Utility District No. 1 of Snohomish County, Washington, the Public Power Council, and the Washington Water Power Company are denied. These petitioners did not establish a substantial interest in the outcome of the proceedings, or that the public interest would benefit from their participation.

The petitions of Seattle Steam Company, King County, NWIGU, Natural Resources Defense Council and Northwest Conservation Act Coalition, the City of Seattle, Georgia Pacific, Bellingham Cold Storage, and ICNU to intervene are granted, without objection. The Natural Resources Defense Council and the Northwest Conservation Act Coalition jointly petitioned to intervene and will consolidate their presentations.

The petition to intervene of the City of Tacoma, Department of Public Utilities is granted, over the objection of Commission Staff. Tacoma and Seattle shall present a consolidated case.

The petition to intervene of the Washington Utility District Association is granted, over the objection of Puget. The petitioner's involvement shall be limited to representing the interests, as retail customers, of four member public utility districts that operate water companies which are Puget customers.

The petition to intervene of the Bonneville Power Administration is granted, over the objection of Commission Staff. The companies are seeking, in this proceeding, approval of a one percent per year increase in Puget rates. This proceeding will be the forum wherein underlying costs supporting those increases are presented; Bonneville has an interest in jurisdictional rate proceedings of utilities participating in a residential purchase and sale agreement.

The petitions to intervene of the International Brotherhood of Electrical Workers, Local No. 77; Teamsters Local No. 117; and the United Association of Plumbers and Pipefitters, Locals 32, 82, and 265 are granted, over the objection of Commission Staff. These parties are limited to addressing issues regarding the safety and adequacy of the merger plan to meet the needs of customers. The Commission will not consider issues of wages, benefits, or job protection for union members. The Teamsters and the Plumbers and Pipefitters are required to consolidate their presentations to the Commission; they are to coordinate their presentations and cross-examination with the IBEW.

The petition to intervene of Air Liquide America Corporation is granted, over the objection of Public Counsel. Public Counsel objected because the company is a member of ICNU. Air Liquide, Georgia Pacific, Bellingham Cold Storage, and ICNU agreed to coordinate their presentations to avoid duplication.

COPIES OF PREFILED EVIDENCE: An original plus 19 copies of all documents filed with the Commission, including prefiled testimony and exhibits, shall be filed. At the request of the Commission or any party, prefiled testimony must be provided upon computer diskette in a WordPerfect 5.1, 6.0 or 6.1, IBM-compatible format.

The parties are reminded that all testimony, exhibits, and pleadings filed with the Commission must be three-hole punched.

SCHEDULE: The first portion of the consolidated proceedings which was scheduled is the briefing in response to the joint motion by Commission Staff and Puget in Docket No. UE-951270 seeking Commission approval to transfer certain amounts which are currently in PRAM rates into general rates. A conference call between Puget, Commission Staff, Public Counsel, the City of Seattle, the Bonneville Power Administration, Georgia Pacific, Air Liquide, UA Local 32, and the Teamsters was held to develop a schedule. Counsel for Snohomish County PUD No. 1 was also allowed to participate. The following schedule was established:

Due date for Responses to Joint Motion June 3, 1996

Due date for Answers by Staff, Puget June 14, 1996.

The second scheduling discussion centered on determining when, or in what forum, Puget plans to address the following issues outlined by the Commission in prior orders:

- * treatment of amounts related to Puget's contract with ARCO--including determination of the appropriate amount to be included in the final PRAM deferrals;
- * treatment of Allowance for Funds Used Conserving Energy (AFUCE) after September 30, 1996; and
- * treatment of Puget's purchase agreement with the Montana Power Company.

Puget indicated that the ARCO issue will be addressed in the company's final PRAM filing, which will be made in Fall 1996. This timing does not appear to comply with previous Commission orders. The Commission ordered in Docket No. UE-950618 that this issue was to be resolved in Puget's next general rate increase

request filing. The Commission's Third Supplemental Order, September 21, 1995, states, at page 8: "(d) the recovery in rates of deferrals related to the ARCO contract shall be considered in the company's next general rate proceeding." This statement is consistent with the language in the stipulation accepted in that proceeding, Section II, 3, paragraph (d), Arco Special Contract.

This is Puget's next general rate proceeding. The Commission determined in Docket Nos. UE-901183, UE 901184, and UE-950618, that Docket No. UE-951270, the filing seeking to transfer \$165.5 million from PRAM to general rates, is a general rate increase request filing. The Commission's Order Denying Petition for Reconsideration, November 8, 1995, states, at page 4:

The Commission still considers transfer of \$165.5 [million] in PRAM rates to Puget's permanent rate schedules to be a general rate increase request. . . . If the parties are able to reach a conclusion that the revenue amounts are fully supported and should be transferred to permanent rate schedules, they may present appropriate motions to the Commission to allow us to determine whether that is the case on a time line that will allow for Commission review and action before September 30, 1996.

While final calculation of the deferred PRAM revenues is appropriately a matter to be determined in the fall PRAM filing, as Puget proposes, the issues regarding the ARCO contract need to be resolved in a timely fashion so that the determination of the final deferred balance can be made without extensive delay. The method to be used in determining appropriate levels of recovery of deferred PRAM revenues related to the ARCO load should be resolved in this proceeding, in conjunction with any decision by the Commission with regard to transferring the \$165.5 million in PRAM revenues to general rates. The Commission, therefore, instructs the parties to propose a method and a time schedule in which this issue can be resolved before September 30, 1996.

The AFUCE issue is addressed in the merger filing, in the prefiled testimony of Mr. John Story.

Puget agreed to address the process for addressing the Montana Power Company agreement in the letter setting out the briefing schedule discussed previously. Puget's letter indicates that the Commission may expect an update on the status of Puget's power purchase agreement with the Montana Power Company in the Fall 1996 PRAM filing.

A schedule for the remainder of the proceeding was agreed upon at the prehearing conference. On May 8, 1996, Puget and WNG requested that discussions be reopened concerning the procedural schedule in this matter. They suggested the following schedule as an alternative: Hearings for cross of Applicants' direct cases on August 5-9, 1996; Prefile Staff, Intervenor, and Public Counsel direct on September 23; Prefile Applicants' rebuttal on October 11; Hearings on November 4-8 and 11-15; and Briefs due December 6, 1996. Several parties expressed concern about reopening scheduling discussions, and Public Counsel has an unavoidable conflict from August 7-13.

The Commission will revise the companies' proposed alternative schedule to accommodate Public Counsel. Due to unavoidable conflicts, only two Commissioners will be available for portions of the August hearings. The schedule for this matter is:

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| Cross of Applicants' Direct Cases | July 31, August 1-2, 5-6, 1996 |
| Prefile Staff, Intervenor and Public Counsel Direct | September 23, 1996 |
| Prefile Applicants' Rebuttal | October 11, 1996 |
| Hearings | November 4-8, 11-15, 1996 |
| Briefs | December 6, 1996 |

A second prehearing conference in this matter will begin at 9:30 a.m. on Wednesday, July 31, 1996, to handle procedural matters concerning the hearings. The hearing for cross of applicants' direct cases will start at the conclusion of the Commission Open Meeting on that date.

DISCOVERY: The Commission's discovery rule is invoked. Accordingly, the methods for obtaining data in adjudicative proceedings provided in WAC 480-09-480 are available in this proceeding. The parties are free to use informal methods as well. Depositions, as necessary, will be arranged during the first two weeks of June.

At the pre-hearing conference, the parties discussed "discovery-free zones" and shortening data request turn-around times. The only party to propose these, following the suggestion that the schedule be modified, is the Commission Staff. The schedule proposed by the Commission Staff appears to be reasonable, and will be adopted, with one minor change. The shortened response time for data requests will begin on August 6, 1996, since that is now the final day of the August hearings.

The revised discovery schedule is as follows:

- * the response time for data requests after August 6, 1996 shall be shortened to one business week,
- * the last data requests prior to cross-examination of the Applicants' distct case must be made by July 18, with responses thereto by July 29, and,
- * the last data request prior to the November hearings must be made by October 21 with responses thereto by October 28.

The parties are reminded that data requests and responses thereto should not be addressed, copied to, or routed through the presiding officer, the Secretary of the Commission, or the Commissioners. The parties should send responses to Commission Staff data requests directly to Mr. Cedarbaum.

All other case-related correspondence, including responses to bench requests, must be sent through the Secretary, using the Commission's post office box address (not the street address). The address is PO Box 47250, Olympia, Washington 98504-7250. The parties should not send correspondence directly to the ALJs, but should send a courtesy copy to the ALJs.

PROTECTIVE ORDER: On November 22, 1995, the Commission entered a protective order in the standard form, patterned after the one in the Electric Lightwave case, Docket No. UT-901029, in Docket No. UE-951270. On May 2, 1996, the Commission entered a protective order in the standard form, patterned after the one in the Electric Lightwave case, Docket No. UT-901029, as the First Supplemental Order in Docket No. UE-960195. Although these dockets have been consolidated, parties should determine whether they require access to the confidential information filed in each separate docket, then sign either or both confidentiality agreements. The procedures for distribution of protected materials, both in discovery and as prefiled documents, require that they be segregated. Do not distribute anything that is protected material to any party who has not signed the protective order.

NOTICE TO PARTIES: Any objection to the provisions of this order must be filed within ten days after the date of mailing of this statement, pursuant to WAC 480-09-460(2). In the absence of such objections, this prehearing conference order shall control further proceedings in this matter, subject to Commission review.

DATED at Olympia, Washington, and effective this 23rd day of May 1996.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Marjorie R. Schaer
 MARJORIE R. SCHAER
 Administrative Law Judge