

1 BEFORE THE WASHINGTON
2 UTILITIES AND TRANSPORTATION COMMISSION

3 In the matter of the Petition of) UE-031389
4 PUGET SOUND ENERGY, INC.) Volume III
5 For approval of its 2003 Power Cost) Pages 37-47
6 Adjustment Mechanism Report.) Pages 37-47
_____)

7 A prehearing conference in the
8 above-entitled matter was held at 8:36 a.m. on
9 Thursday, December 18, 2003, at 1300 South Evergreen
10 Park Drive, Southwest, Olympia, Washington, before
11 Administrative Law Judge C. ROBERT WALLIS.

12 The parties present were as follows:

13 PUGET SOUND ENERGY, by Kirstin S.
14 Dodge, Attorney at Law, Perkins Coie, LLP, 10885 N.E.
15 Fourth Street, Suite 700, Bellevue, Washington
16 98004-5579.

17 INDUSTRIAL CUSTOMERS OF NORTHWEST
18 UTILITIES, by Irion Sanger, Attorney at Law, Davison
19 Van Cleve, 1000 S.W. Broadway, Suite 2460, Portland,
20 Oregon 97205 (via teleconference bridge).

21 COMMISSION STAFF, by Robert L.
22 Cedarbaum, Assistant Attorney General, 1400 S.
23 Evergreen Park Drive, S.W., P.O. Box 40128, Olympia,
24 Washington, 98504-1028.

25 PUBLIC COUNSEL, by Simon ffitich,
Assistant Attorney General, 900 Fourth Avenue, Suite
2000, Seattle, Washington, 98164 (via teleconference
bridge).

FEDERAL EXECUTIVE AGENCIES' CONSUMER
INTERESTS, by Norman J. Furuta, Attorney at Law, 2001
Junipero Serra Boulevard, Suite 600, Daly City,
California 94014 (via teleconference bridge).

Barbara L. Nelson, CCR

Court Reporter

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1 JUDGE WALLIS: Let's be on the record,
2 please. This conference will come to order. This is
3 a prehearing conference in the matter of Commission
4 Docket 031389, the matter involving Puget Sound
5 Energy.

6 Let me ask for appearances at this time,
7 starting with the parties who are in the hearing
8 room, and I'll ask you merely to state your name and
9 the name of your client, beginning with Staff.

10 MR. CEDARBAUM: Robert Cedarbaum, for
11 Commission Staff.

12 JUDGE WALLIS: The Company?

13 MS. DODGE: Kirstin Dodge, for Puget Sound
14 Energy.

15 JUDGE WALLIS: For intervenors, ICNU?

16 MR. SANGER: Irion Sanger, for ICNU.

17 JUDGE WALLIS: For the Federal Executive
18 Agencies?

19 MR. FURUTA: Yes, Norman Furuta, on the
20 bridge line.

21 JUDGE WALLIS: And Public Counsel?

22 MR. FFITCH: Simon ffitch, on the bridge,
23 for Public Counsel, Assistant Attorney General.

24 JUDGE WALLIS: Thank you very much. This is
25 a conference set for the purpose of hearing a report

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1 from the parties on the status of the proceeding.
2 And in brief prehearing discussion it was indicated
3 to me that parties do have something to report. Who
4 would like to make the report on behalf of the
5 parties?

6 MR. CEDARBAUM: I can do that.

7 JUDGE WALLIS: Mr. Cedarbaum.

8 MR. CEDARBAUM: Thank you, Your Honor. As I
9 indicated off the record, we believe we do have a
10 partial settlement in this docket, which we hope to
11 file with the Commission hopefully today, but as soon
12 as possible, so perhaps it would end up being
13 tomorrow. There's still a couple of tweaks here and
14 there, but nothing that I would anticipate would get
15 in the way, and as an aside, we would like the
16 parties to stay on the line after the hearing is over
17 so we can discuss that.

18 That stipulation -- well, as part of our
19 agreement, the parties have also agreed, we believe,
20 to have the remaining issue that has not been
21 resolved in this particular case moved into the power
22 cost rate case that's pending in Docket UE-031725,
23 and that's the issue related to the fuel cost for
24 Tenaska and Encogen.

25 There's a pending motion by ICNU with

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1 respect to continuance of that case, and however the
2 Commission acts on that motion would not affect the
3 parties' agreement. We would just do whatever the --
4 we would litigate that issue when the Commission
5 required it to be litigated under the schedule in
6 that case.

7 With respect to a presentation of the
8 stipulation, at least from Staff's perspective, that
9 would only be necessary if the Commission believes
10 it's necessary or a party in this case who is not a
11 signatory to the stipulation wishes to oppose it.
12 And I don't -- that may or may not be the case. I
13 just don't know. So I think that pretty much sums
14 things up.

15 MS. DODGE: Let me just add a couple items.
16 One is that there was discussion in terms of moving
17 the -- we call it the impasse issue over to the power
18 cost only rate case docket that, at least as among
19 Public Counsel, Staff and the Company, the proposed
20 approach was that parties, in their response
21 testimony, could raise whatever issues -- specifics
22 they wanted to with respect to the impasse issue, and
23 that the Company would then address those in its
24 rebuttal testimony, so that supplemental direct
25 testimony is not contemplated, and that's -- you

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1 know, part of the reason for that is the Company's
2 insistence all along that the power cost only rate
3 case not be slowed down in any way because of this
4 issue.

5 JUDGE WALLIS: Very well. Do I take it from
6 your comments, Mr. Cedarbaum, that not all parties
7 have signed on to the proposal?

8 MR. CEDARBAUM: I should have specified
9 that, Your Honor. There are participating parties to
10 the stipulation that include Staff, Public Counsel,
11 and the Company, and the other parties can speak for
12 themselves. We -- ICNU has indicated that they would
13 not join the stipulation. Whether or not they oppose
14 it I think depends on the timing of when the impasse
15 issue gets resolved, but Mr. Sanger can speak to
16 that. I understand that FEA is not joining, but will
17 not oppose.

18 Currently, we're not sure about Microsoft.
19 Actually, I don't know that Mr. Spigal's on the line,
20 and maybe Ms. Dodge knows about that, but they are
21 right now -- there's a signature block for them on
22 the stipulation, but we haven't heard from them
23 whether they would actually sign or just not oppose,
24 or maybe they're in the same camp as ICNU on that.

25 JUDGE WALLIS: Very well. Let me ask if

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1 Microsoft is represented this morning? Let the
2 record show that there's no response. Mr. Furuta,
3 did Mr. Cedarbaum correctly characterize the position
4 of the Federal Executive Agencies?

5 MR. FURUTA: Yes, he did, Your Honor.

6 JUDGE WALLIS: Very well. Mr. Sanger, on
7 behalf of ICNU, what is the intention of your client
8 in this regard?

9 MR. SANGER: ICNU's intention at this time
10 (inaudible).

11 JUDGE WALLIS: I'm sorry, Mr. Sanger, can
12 you bring the microphone of your telephone instrument
13 closer to your mouth? We're having trouble hearing
14 you. I'm turning up the volume to max your -- I
15 think we're doing a lot better.

16 MR. SANGER: Okay. ICNU's intention is not
17 to support or oppose the settlement, with the
18 understanding that the schedule and how to address
19 the impasse issue will be determined in the other
20 proceeding, in the UE-031725 proceeding, so that the
21 schedule and how that Tenaska/Encogen issue is
22 addressed won't be resolved in this proceeding except
23 for that we're moving it over to the other proceeding
24 in the schedule and other issues related to the
25 Tenaska/Encogen issue will be determined by the

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1 Commission in the UE-031725 proceeding.

2 JUDGE WALLIS: Very well. Do either of the
3 noncommitted parties want any notice and opportunity
4 to respond, other than provided this morning?

5 MR. SANGER: Regard -- I'm sorry, ALJ, I
6 don't --

7 JUDGE WALLIS: Do you want the opportunity
8 to receive a formal notice of the filing of the
9 settlement and then file a written statement of your
10 position, or will your comments this morning suffice?

11 MR. SANGER: Our comments this morning will
12 suffice.

13 MR. FURUTA: The same, too, your Honor, for
14 FEA.

15 JUDGE WALLIS: Very well. In terms of the
16 logistics of the matter, the Commission is going to
17 have to receive the proposal and take a look at it
18 and decide what it wants to do. I've indicated, I
19 believe earlier, that I will be unavailable between
20 -- for the next two weeks, but will be back in the
21 office on January 5th. And I know that Mr. Garcia,
22 the policy staff person assigned to this, should be
23 able to take a look at it during that period and
24 begin the discussion process.

25 So is there anything further that we need to

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1 discuss in terms of logistics?

2 MS. DODGE: I would just -- a couple
3 procedural observations.

4 JUDGE WALLIS: Ms. Dodge.

5 MS. DODGE: Technically speaking, the power
6 cost only rate case resets the baseline going forward
7 for the power cost adjustment mechanism and the
8 docket that we're in here is a look backwards at an
9 actual time period with actuals, and so I just think
10 a little bit of attention would need to be paid to,
11 you know, whether it's a consolidation of this docket
12 with the power cost only or whether it's just an
13 indication in the record here that, you know,
14 consolidation for hearing, something like that, but
15 just to keep clear that, you know, you've got two
16 different time periods involved.

17 JUDGE WALLIS: So you're suggesting that the
18 Commission formally consolidate the two proceedings.
19 Are there any other comments on that issue?

20 MR. CEDARBAUM: I guess I'm -- I think
21 either that or the Commission just recognizes in its
22 order approving the settlement that this docket will
23 remain open and revisions to the look backward will
24 be made as appropriate, based on the Commission's
25 decision on what it does for the look forward.

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1 JUDGE WALLIS: Would that be sufficient for
2 you, Ms. Dodge?

3 MS. DODGE: I think so.

4 JUDGE WALLIS: Do any of the other parties
5 have any views on that?

6 MR. SANGER: No, Your Honor.

7 MR. FURUTA: Nothing further.

8 JUDGE WALLIS: Very well. Is there anything
9 further for us to discuss this morning?

10 MR. CEDARBAUM: Not from Staff.

11 JUDGE WALLIS: All right. I can say with
12 some confidence that, after the settlement proposal
13 is received, the Commission will review it and
14 indicate to the parties whether it desires an
15 opportunity for inquiry of the parties as to their
16 use of it or any further information. And following
17 that opportunity, there will be either a letter to
18 the parties scheduling a session or there will be an
19 order entered to deal with the procedural issues that
20 remain.

21 MR. CEDARBAUM: Your Honor, just one
22 suggestion that -- to aid the Commission in
23 understanding the stipulation, if it needs that, is
24 that a lot of what we're doing here involves
25 accounting matters and the Commission may want to

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1 consider, as opposed to a hearing, some bench
2 requests or something like that, where the parties
3 could just provide written answers to accounting type
4 questions, rather than having a hearing to do that.
5 That may be sufficient.

6 JUDGE WALLIS: Our accounting adviser
7 appears to have picked a very time timely moment to
8 recover from his surgery.

9 MR. CEDARBAUM: That's what I was thinking,
10 is that it may be, because a lot of this information
11 involves accounting specifics and details, that he
12 may have questions that he just needs to tell the
13 Commissioners about, and perhaps a bench request is a
14 better way to proceed.

15 JUDGE WALLIS: Very well. Thank you for
16 that suggestion. Let me ask if the materials to be
17 filed will make it clear what accounting steps lead
18 to the result for analytical purposes?

19 MR. CEDARBAUM: There will be three
20 attachments to the stipulation that hopefully will
21 walk through the Commissioners and its accounting
22 adviser through those questions and describe the --
23 what's behind the adjustments, so we tried to make
24 this a fairly descriptive document, as well.

25 MS. DODGE: Part of the reason is that these

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1 are agreements not just with respect to the prior
2 period, but also going forward, how things will be
3 calculated in the future periods, and so we tried to
4 be quite clear, so we don't have to have an argument
5 every year about the same issues.

6 JUDGE WALLIS: Excellent. Thank you very
7 much. Is there anything further?

8 MR. CEDARBAUM: No.

9 JUDGE WALLIS: Very well. There being
10 nothing further, this conference is adjourned and the
11 parties will be advised of any further procedural
12 steps in the docket. Thank you very much.

13 MR. CEDARBAUM: If the parties could just
14 stay on the line after the Judge leaves, then we can
15 finish, hopefully, drafting.

16 JUDGE WALLIS: Okay. I will remind the
17 parties that there is a special or continuation of
18 the prior open meeting that begins at 9:30 in the
19 hearing room, and that your conversations on the
20 bridge line will be heard in the hearing room for
21 people who are there.

22 (Proceedings adjourned at 8:50 a.m.)

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