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1 BEFORE THE WASHINGTON UTILITIES AND
 TRANSPORTATION COMMISSION
2 WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
3)
 Complainant,) Docket Nos. UE-011570
4) and UG-011571
 v.) (consolidated)
5 PUGET SOUND ENERGY, INC.,)
) Volume VII
6 Respondent.) Pages 1141 to 1258
)
7 _____)

8 A public hearing in the above matter was held
9 on February 21, 2002, at 6:30 p.m., at 1300 South
10 Evergreen Park Drive Southwest, Room 206, Olympia,
11 Washington, before Administrative Law Judge DENNIS MOSS
12 and Chairwoman MARILYN SHOWALTER and Commissioner
13 RICHARD HEMSTAD and Commissioner PATRICK J. OSHIE.

14

15

16 The parties were present as follows:

17 THE PUBLIC, by SIMON FFITCH, Assistant
18 Attorney General, 900 Fourth Avenue, Suite 2000,
Seattle, Washington, 98164-1012, Telephone (206)
389-2055, Fax (206) 389-2058, E-Mail simonf@atg.wa.gov.

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Joan E. Kinn, CCR, RPR
25 Court Reporter

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

2 CHAIRWOMAN SHOWALTER: Good evening. I'm
3 Marilyn Showalter. I'm the Chairwoman of the Washington
4 Utilities and Transportation Commission, and we're here
5 tonight for a public hearing on Puget Sound Energy's
6 request for an interim or temporary rate increase. To
7 my right are Commissioner Dick Hemstad and Pat Oshie,
8 and together the three of us make up the Commission
9 nerves who will make the decision in this case. To my
10 left is Administrative Law Judge Dennis Moss.

11 This hearing is not like a city council
12 hearing. It's more like a judicial hearing or a court
13 hearing, and you might notice that we have a court
14 reporter up here taking down everything that we say.
15 Because it's a judicial type hearing that may have rules
16 that you're not accustomed to, I'm going to ask Judge
17 Moss to explain the nature of the hearing and how you
18 can participate as well as some other aspects of the
19 case, so he will take over from here.

20 JUDGE MOSS: Good evening, everybody, and
21 thank you for coming out. The Commission, as Chairwoman
22 Showalter mentioned, is the state administrative agency
23 responsible for regulating the rates of various public
24 utilities, including Puget Sound Energy. As you all
25 know and as Chairwoman Showalter mentioned, this

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1 proceeding tonight concerns Puget Sound Energy's request
2 to raise its rates to all customers during an interim
3 period from March through October 2002 as the Commission
4 considers in another phase whether to grant a permanent
5 rate increase to the company. The Commission's
6 essential responsibility is to balance the need of the
7 company's residential, commercial, industrial, and other
8 customers for reliable service at reasonable rates with
9 the company's need to remain financially viable so that
10 it can provide such service.

11 Rates are set by means of a formal hearing
12 process. The process, which is often called
13 quasijudicial, is very similar to proceedings in civil
14 court. The commissioners sit as judges. They are the
15 final decision makers. I assist them by maintaining an
16 orderly process, by enforcing the rules of conduct in
17 the hearing room, and by helping to ensure that the
18 commissioners receive all the information they need to
19 make the best decision possible.

20 The information we gather becomes part of
21 what we call a formal record for decision. The record
22 is developed during the course of evidentiary
23 proceedings that we are holding in Olympia this week.
24 We have been in hearing sessions all week including
25 today, and we will be again tomorrow, and part of that

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1 process is this session this evening.

2 During the proceedings, each of the parties
3 who participates in the case has an opportunity to
4 present testimony by various expert witnesses, to
5 present documents, and to question the evidence
6 presented by other parties. All of the various
7 interests are represented in the case. PSE is only one
8 of numerous parties who appear before the commissioners
9 to present evidence and argue in support of their
10 various positions.

11 The Commission Staff, for example, also
12 appears as a party in the case to represent the public
13 interest. In that role, the Commission Staff is just
14 like any other party. The only access they have to the
15 commissioners concerning this case is to present
16 evidence and argument through the formal hearing process
17 that we conduct in this room.

18 The Washington State Office of Attorney
19 General participates as a party through the Office of
20 Public Counsel, represented in this case by Mr. ffitch,
21 who is sitting over here to my right and will have a
22 role to play in helping you present your testimony this
23 evening.

24 Industrial and commercial customers are
25 represented by various parties, including in this case

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1 two trade associations known as the Industrial Customers
2 of Northwest Utilities and the Northwest Industrial Gas
3 Users. Certain private companies that are customers of
4 PSE also are represented. Public interest groups such
5 as the Northwest Energy Coalition, the Natural Resources
6 Defense Counsel, The Opportunity Counsel, and the Energy
7 Project also are parties participating in the case.
8 Several city governments have intervened and
9 participate. And I haven't identified specifically all
10 of the parties in the case, but I think you get the idea
11 that the Commission hears from a broad range of
12 interests as it considers PSE's request.

13 Before we begin hearing from those of you who
14 wish to testify tonight, I want to say a little bit more
15 about the formal hearing process and how you can make
16 your participation this evening most meaningful and
17 useful. First of all, please understand that the
18 commissioners are here tonight to listen to you. Your
19 time at the podium tonight is the opportunity to make a
20 statement, to tell the commissioners why you support,
21 oppose, or are indifferent to Puget Sound Energy's
22 request. We don't have the time tonight, nor it this
23 the right opportunity, for you to ask questions about
24 the case when you are at the podium. You are here to
25 speak, and we are here to listen.

1 Having said that, Commission Staff are
2 present in the room, as are company representatives, and
3 they will be available tonight along with Mr. ffitch
4 during any breaks we take and after the hearing to
5 answer questions. Perhaps more importantly, if you do
6 have additional questions or you can't get answers
7 tonight, you can call the Commission, and I will give
8 you the number, it's area code (360) 664-1160, and your
9 call will be routed to someone who can help you if you
10 will simply identify your interest in this proceeding.

11 You can also submit comments in writing. If
12 you have questions about that opportunity, you can speak
13 to, who is here, Ms. Hansen, are you in the room, Penny
14 Hansen back there who is a member of the Public Affairs
15 Staff of the Commission, and she will tell you how you
16 can submit those comments. You will need to submit any
17 written comments by no later than next Wednesday,
18 February 27th, because we will be closing the record in
19 the proceeding after that time.

20 It is very important tonight that we hear
21 everything each speaker says and that our court reporter
22 who is sitting up here in front of me to the left is
23 able to hear everything that is said so that she can get
24 a good record. That means you need to speak up when it
25 is your time, speak into the microphone, and you may

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1 notice that I'm leaning quite close to it, that may be
2 necessary for your voice to be picked up, and speak
3 slowly and carefully so that it can all be recorded. I
4 will comment in that connection that even the most
5 accomplished public speakers get nervous when they
6 approach a podium. I often recommend that you take a
7 deep breath or two, and it has a calming effect and also
8 will help you to moderate the pace of your speech so
9 that the court reporter can get your words down.

10 It's important that no speaker be interrupted
11 by comment from others, so I ask that when it is not
12 your turn to speak at the podium that you remain
13 politely silent during other people's presentations. To
14 keep things orderly and moving along, I ask that you
15 refrain from any applause or other audience type
16 reaction during or between speakers, no matter how moved
17 you might be by that speaker's comments. Again, this is
18 a formal hearing tonight, and it's in everyone's best
19 interests that it be conducted with the dignity that is
20 required for courtroom type proceedings.

21 We have had a lot of experience conducting
22 these proceedings over the years, and we find that about
23 five minutes per speaker strikes the right balance
24 between giving people the opportunity to say what they
25 need to say and also giving the maximum number of

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1 speakers an opportunity at the podium. Still some
2 speakers may be tempted to run over their five minutes.
3 I will be timing the comments, and if you do run beyond
4 five minutes, I will have to try my best to politely
5 interrupt you and ask you to step down. Again, you can
6 submit additional comments in writing.

7 When you finish speaking, please remain at
8 the podium for a few moments so Mr. ffitch, the
9 Assistant Attorney General from the Office of Public
10 Counsel, or one of the commissioners may have a question
11 of you. Someone else may wish to ask a question. After
12 the opportunity for questions, I will excuse you as a
13 witness, and Mr. ffitch will call the next witness to
14 speak.

15 I will say that we asked people tonight to
16 indicate whether they're here in support or in
17 opposition to PSE's proposal, and I have asked
18 Mr. ffitch and he has agreed that he will call alternate
19 speakers from the two lists so that we have a balanced
20 presentation. I want to emphasize that it's not
21 necessary for you to repeat what another speaker has
22 said. If you agree with the comments another speaker
23 gives before you, you can simply say that you do agree,
24 and your comments will carry just as much weight as if
25 you had elaborated them yourself.

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1 ffitch, Assistant Attorney General for the Office of
2 Public Counsel. And I will go ahead, thank you, Your
3 Honor, with your permission and just provide a brief
4 overview before I begin to call on witnesses.

5 If you have not picked up a copy of this pink
6 sheet that's available at the back of the room, I
7 encourage you to do so. Hopefully you have had a chance
8 to read it or will read it while the hearing is going
9 on. I'm not going to go through it in excruciating
10 detail, because I will assume that you will be able to
11 read it, but I will go through it and hit the high
12 points just to provide an overview of what's happening
13 with this case.

14 First of all, I think as has been mentioned
15 already, the Public Counsel section of the Washington
16 Attorney General represents customers of utilities
17 before the Washington UTC, and we emphasize the
18 interests of residential and small business customers
19 and persons not otherwise represented in the utility
20 regulation process, and we have participated in this
21 case as a formal party presenting expert testimony, and
22 we will be filing legal briefs before the end of the
23 case.

24 The Puget Sound Energy request in this case
25 is a request for an interim relief, which is relief that

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1 is temporary provided to the company between now and the
2 end of the upcoming general rate case in October. The
3 request is for an amount of approximately \$170 Million,
4 which would be collected by a surcharge over the period
5 of March to October under the original proposal or over
6 a somewhat longer period under a recent alternative that
7 was proposed by the company. The basis of the request
8 is excess unrecovered power costs that the company has
9 experienced and a concern expressed by the company about
10 its current financial situation, and so it is asking for
11 this increase on an interim basis until the Commission
12 makes its final decision in the general rate case in
13 October.

14 The effect on an average residential bill is
15 shown in the middle of the first page, roughly in the
16 range of \$9 to \$23. You can take that home and look at
17 your electric bill and figure out where you might fall
18 in that scale. Also people should have received in
19 their utility bill a more detailed notice from the
20 company explaining again the estimated impact of the
21 request and how it falls out in terms of whether you are
22 an electric customer only or a gas and electric, whether
23 you use water heat, excuse me, electric heat or not,
24 those kinds of things.

25 What I would like to do briefly is cover the

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1 various recommendations that have been made so far in
2 the case. Each of the major parties has filed formal
3 written recommendations to the Commission about how to
4 resolve the request.

5 First of all, the Commission's own Staff
6 acting as a separate party has recommended that Puget
7 Sound Energy be given an increase of \$42 Million. The
8 recommendation or the increase would be contingent on
9 PSE increasing equity levels. If the company does not
10 increase those, Staff recommends a restriction on
11 dividends to ensure that the surcharge is used only to
12 improve the utility finances.

13 The Industrial Customers, I'm turning over to
14 the back side of the sheet, Industrial Customers of
15 Northwest Utilities, ICNU, representing large, very
16 large industrial users of electricity, does not support
17 the proposal of Puget Sound Energy. However, they
18 propose an alternative in the event that the Commission
19 decides that a surcharge is warranted of a \$60 Million
20 increase based on their evaluation of legitimate power
21 costs.

22 Our office, the Public Counsel Section of the
23 Washington Attorney General, also does not support the
24 Puget Sound Energy proposal. Our evaluation concludes
25 that there is not a sufficient financial emergency to

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1 warrant granting the interim relief before the
2 Commission gets to the end of the general rate case. We
3 do present an alternative recommendation in the event
4 that the Commission does find from all the evidence that
5 there is a basis for interim relief. We recommend no
6 more than \$30 Million for an interim rate increase.

7 There are some other parties involved in the
8 case. Kroger is a company that owns both QFC and Fred
9 Meyer stores. The Federal Executive Agencies
10 representing the Navy and other groups that are large
11 electricity users have filed some testimony, primarily
12 focused on the question of if there's a rate increase,
13 how do you spread it out between industrial customers,
14 residential customers, large customers, small customers,
15 so they have focused mostly on that issue.

16 Finally, if you're wondering how all of this
17 works, I think the Judge has given a good overview, but
18 the last section on the handout explains basically how
19 the process works, where we are in the process, and how
20 you can contact the WUTC or the Public Counsel Office
21 after this hearing to express further views. So
22 hopefully that will give you a quick overview of the
23 case, and I encourage you to read through this more
24 carefully if you would like. Also the Commission has a
25 web site with lots of more detailed information about

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1 the case, including the available electronically large
2 amount of information filed by the parties, testimony,
3 briefs of that nature, generally available
4 electronically on the Commission's web site should you
5 wish to delve in more detail.

6 At this point, Your Honor, I am prepared to
7 go ahead and begin calling on the witnesses.

8 JUDGE MOSS: All right. Let me just ask if
9 the web site is indicated on the pink sheet.

10 MR. FFITCH: I don't think it is, Your Honor.

11 JUDGE MOSS: The web site that Mr. ffitich
12 referred to is wutc.wa.gov.

13 All right, now I'm going to swear in all the
14 witnesses at once, so everybody who signed up to speak
15 tonight, I'm going to ask that you rise at your chair
16 and raise your right hand.

17 (Witnesses sworn as a group.)

18 JUDGE MOSS: Thank you, please be seated.

19 Mr. ffitich, call your first witness.

20 MR. FFITCH: Thank you, Your Honor.

21 And what I'm going to do is, as the Judge
22 said, I will be calling people in the order that they
23 signed up tonight, and I will call alternately from the
24 in favor and the opposed list.

25 So first I will call Brian MacIntosh.

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1 MR. MCINTOSH: I have indicated that I would
2 not be testifying.

3 MR. FFITCH: Oh, I'm sorry, and people have
4 indicated that, and if I carefully read this sheet, I
5 will avoid this problem.

6 So let me call John Darby.

7

8 Whereupon,

9

 JOHN DARBY,

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

12

 E X A M I N A T I O N

13

BY MR. FFITCH:

14

Q. And, Mr. Darby, good evening, could you state
15 your name for the record.

16

A. My name is John Darby.

17

Q. And where are you from?

18

A. I am from Lacey, Washington.

19

Q. And are you a Puget Sound Energy customer?

20

A. I am.

21

Q. Are you a residential customer or a business
22 customer?

23

A. Residential.

24

Q. And are you speaking on your own behalf

25

tonight or on behalf of some organization or other

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1 entity?

2 A. I'm actually speaking on behalf of myself.
3 However, an individual that I had come with, Catherine
4 Von Bechtolsheim, had a letter, and she had to go due to
5 being ill, so I would like to read that if that's okay
6 and leave it for the record and then make some comments
7 on my own behalf.

8 Q. All right. You may leave it. Why don't you
9 go ahead and make your comments at this time.

10 A. I'm here primarily speaking on my own behalf,
11 recognizing that as a recent graduate of business
12 school, realizing that any company needs to be able to
13 make a profit to survive. So I want to advocate on
14 behalf of the rate increase to provide for the utility,
15 but also at the same time to advocate for the personal
16 energy management program. I was able to participate in
17 the pilot project and over the summer and the winter
18 have really seen an impact in my own family's energy
19 use, or actually in the energy bill. When I compare
20 what my own calculations were over the life of the pilot
21 project, it comes out to about what the rate increase
22 would be. So for me as a young family working, both my
23 wife and I work, we have a seven month old son, we're
24 really taking advantage of the personal energy
25 management, which I see as being able to offset the rate

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1 increase that Puget Sound Energy is requesting for. So
2 really I'm here on behalf of my family saying that the
3 net increase on my bill, should there be an increase, is
4 really there's not a net increase because we have been
5 able to counteract that through the personal energy
6 management program. So I'm just here to put in my two
7 cents that I can understand Puget Sound Energy needing
8 to survive, but I think that it's great that this
9 personal energy management portion is going to allow me
10 to be able to make up for that in my own use. And
11 that's all I have to say.

12 Q. Thank you.

13 A. For me.

14 And then I have a letter. Can I read it, or
15 do you just want it?

16 Q. If it's not unduly lengthy, we certainly
17 would accept it, but if it's not too long --

18 A. It's a single page, and I don't think after
19 reading it it will be put me anywhere near the five
20 minutes, if that's all right.

21 Q. If there is no objection from the Bench.

22 JUDGE MOSS: That would be all right.

23 A. It's addressed to the Washington Utilities
24 and Trade Commission, Dear Secretary:

25 As an electricity consumer of Thurston

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1 County, I am encouraged that other
2 members of our community are
3 participating in energy savings.

4 JUDGE MOSS: Let me ask you just to slow your
5 pace down a little bit so the reporter can record your
6 words as well.

7 A. My apologies.

8 I applaud Puget Sound Energy's proposal
9 in front of the UTC, which provides the
10 consumers options when to use power,
11 making it the people's choice through
12 their habits as to whether or not they
13 save money. Having lived in Europe for
14 many years before moving to Washington,
15 all of our appliances, including
16 dishwasher, washing machine, dryer,
17 water heaters, and so on had timers on
18 them to start their cycles to ensure
19 energy consumption was low. This was
20 very cost effective, easy, and a
21 successful system. This system would
22 seem to be easily employed here, and it
23 would save everyone money, provider and
24 consumer. I think PSE this Personal
25 Energy Management or PEM for short.

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1 Our energy provider, Puget Sound Energy,
2 appears to be in a quandary. The cost
3 of energy to them has risen. As they
4 try to keep up with burgeoning energy
5 demands, they have informed the public
6 of our need to conserve. That we are
7 willing to do. However, at some point,
8 as the energy provider's costs mount, we
9 anticipate a concurrent rise in the cost
10 of our personal energy consumption. PSE
11 should have the ability to reclaim
12 unforeseen costs in an expeditious
13 manner. Without the capability to
14 recover, PSE will be unable to continue
15 to provide quality community services.
16 Now is the time to make the decision.
17 Make it fair. Let it continue to reward
18 us for personal energy management and
19 conservation, and remove the threat of
20 this crisis. Thank you for your
21 consideration. Respectfully, Catherine
22 Von Bechtolsheim, representing the
23 Olympia Symphony Orchestra as executive
24 director.
25 And I would like to leave this.

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1 MR. FFITCH: First of all, are there any
2 questions for the speaker?

3 COMMISSIONER HEMSTAD: I think it would be
4 helpful also if the speakers would indicate whether they
5 have any connection with the companies, employee or
6 shareholder.

7 THE WITNESS: I have neither connection, I
8 read about this in a bill stuffer that I received with
9 my monthly bill.

10 MR. FFITCH: All right.

11 JUDGE MOSS: Thank you.

12 MR. FFITCH: And if you could place your
13 letter on the end of the table here, and I will ask
14 everyone who has a letter to offer to place it up here,
15 and then I will collect them at the end of the evening
16 and offer them for the record.

17 Next I will call Shirley Barringer.

18

19 Whereupon,

20 SHIRLEY BARRINGER,
21 having been first duly sworn, was called as a witness
22 herein and was examined and testified as follows:

23 E X A M I N A T I O N

24 BY MR. FFITCH:

25 Q. And would you please state your name for the

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1 record.

2 A. My name is Shirley Barringer.

3 Q. And Ms. Barringer, where are you from?

4 A. Auburn, Washington.

5 Q. And are you a customer of Puget Sound Energy?

6 A. Yes, all electric.

7 Q. And are you a residential or small business
8 customer?

9 A. Residential.

10 Q. And are you an employee or shareholder of
11 Puget Sound Energy?

12 A. No.

13 Q. All right, please go ahead and make your
14 statement.

15 A. Good evening, Chairwoman and Chairmen. I'm
16 here representing my family and maybe families like
17 mine, and I'm very nervous. I have a family of four.
18 We're all electric, so our bills are up there sometimes.
19 I'm extremely upset that Puget Power really wants this
20 big one, you know. I understand they need to make up in
21 the business like the gentleman said before, but I also
22 hope that they could understand what a burdon this will
23 be on families like mine who are on limited income. And
24 I'm working, my husband's retired, and we're home
25 owners, and we're struggling to keep our head above

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1 water as it is now. If they get the 21.6% even through,
2 you know, from March to October, that's really going to
3 take a lot out of our budget. And I'm also helping to
4 raise one of my granddaughters, so we have that little
5 extra there too.

6 I guess, to sum it all up, I hope that Puget
7 Power and the Commissioners would look at us, you know,
8 people, as people with already burdens from higher taxes
9 on the homes and increase and all this other, and the
10 money is not going to go up on a limited income. Even
11 though I work part time to make ends meet, you know. We
12 have a lot of limited income families out there.

13 Thank you.

14 MR. FFITCH: Thank you very much.

15 Are there any questions for Ms. Barringer?

16 THE WITNESS: Thank you.

17 JUDGE MOSS: Thank you, Ms. Barringer.

18 MR. FFITCH: Dan, I apologize if I don't get
19 this right, Dan Sierrinen.

20 JUDGE MOSS: And, Mr. ffitch, perhaps you
21 could have the witnesses spell their sir names for the
22 record.

23 MR. FFITCH: All right, thank you, Your
24 Honor.

25

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1 Whereupon,

2 DAN SIEKKINEN,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5 E X A M I N A T I O N

6 BY MR. FFITCH:

7 Q. Mr. Sierrinen, would you state your name, and

8 please spell your last name for the record.

9 A. Okay, my name is Dan Siekkinen, and that's

10 S-I-E-K-K-I-N-E-N.

11 Q. And where do you live, Mr. Siekkinen?

12 A. I'm in Olympia.

13 Q. And are you a Puget Sound Energy customer?

14 A. Yes, gas and electric.

15 Q. And are you a residential or --

16 A. Residential, yes.

17 Q. And you're not a business customer also?

18 A. Correct.

19 Q. All right. And are you an employee or

20 shareholder of Puget Sound Energy?

21 A. No.

22 Q. Okay. Please go ahead and make your

23 statement.

24 A. Okay. First, I thank the Commission for

25 giving us the time to make statements tonight. I speak

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1 on behalf of myself. I'm a professional engineer, a
2 retired senior manager from the oil and gas industry
3 after 24 years, and a current student at Evergreen State
4 and a Masters in the environmental studies program. And
5 as I said before, I'm also a customer of Puget Sound
6 Energy.

7 I speak to support green energy tonight,
8 which is renewable, sustainable, and non-air polluting
9 energy, non-hydrocarbon based energy. I understand
10 Puget Sound is starting a voluntary program where
11 customers like me can pay a little extra per month and
12 ensure that a portion of our electricity comes from
13 green energy sources, and I hope that this rate review
14 does not eliminate that part of the program.

15 As you well know, green energy is currently
16 burdened by the price elasticity of oil, gas, and coal,
17 which acts in reality to hold back competitive
18 technologies from getting developed. Oil, gas, and coal
19 are also underpriced when you consider the externality
20 costs that their use causes society, namely air
21 pollution and health and agricultural and other
22 environmental effects that come from that. These
23 problems are all together avoided with green energy
24 sources.

25 And as I said, green energy does need near

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1 term support to increase its deployment and to gain a
2 real foothold in the energy sector. And I hope this
3 voluntary green energy program that Puget Sound and the
4 other utilities are now offering is a first step to show
5 enough public support for green energy that could lead
6 into further policies being implemented to support the
7 further development and deployment of green energy
8 technologies, which will lead to lower costs and make it
9 a competitive source for electricity for Washington, the
10 Pacific Northwest, and around the world.

11 In closing, I trust the Commission to
12 thoroughly review the rate case and approve accordingly
13 to what you find in there, but I do ask that you ensure
14 that the green energy voluntary program does continue.

15 CHAIRWOMAN SHOWALTER: Thank you,
16 Mr. Siekkinen, and I will just let you know that it's
17 state law that all utilities in the state offer their
18 customers green energy, that is energy from renewable
19 resources, so that program will continue regardless of
20 this case.

21 THE WITNESS: So it's not at risk, thank you.

22 BY MR. FFITCH:

23 Q. Thank you, Mr. Siekkinen, I appreciate your
24 statement. And do you have a position on the interim
25 rate increase itself other than your interests in the

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1 green tariff?

2 A. Yes, I would support the interim rate
3 increase. I understand that the permanent rate increase
4 is going through further review, and I have not reviewed
5 the details to where I have a position on what is
6 justified or what is not, but I trust the Commission and
7 the Staff to review that and make decisions accordingly.

8 MR. FFITCH: All right, thank you.

9 THE WITNESS: Thank you.

10 MR. FFITCH: Bernie Hughes.

11

12 Whereupon,

13 BERNIE HUGHES,

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

16 E X A M I N A T I O N

17 BY MR. FFITCH:

18 Q. Ms. Hughes, would you please state your name
19 and spell your last name for the record.

20 A. My name is Bernie Hughes, and it's spelled
21 H-U-G-H-E-S.

22 Q. And Ms. Hughes, where do you live?

23 A. I live in Auburn.

24 Q. And are you a residential or a small business
25 customer of Puget Sound Energy?

1169

1 A. Residential.

2 Q. Are you a shareholder or employee of the
3 company?

4 A. I am not.

5 Q. And are you speaking on your own behalf
6 tonight or on behalf of an organization?

7 A. I am speaking on behalf of a client.

8 Q. And who is the client?

9 A. The client's name is Tammy, she has asked
10 that her last name not be given.

11 Q. All right. And what is your role in terms of
12 speaking on behalf of the client?

13 A. I am the Multiservice Center's Low Income
14 Home Energy Assistance Program Director. It's a
15 community action agency out of Federal Way. My staff
16 and I administer the services to low income residents
17 who live in South King County, and I will be speaking on
18 behalf of what she has specifically asked me to tell
19 you.

20 Q. All right, you may go ahead and make your
21 statement.

22 A. Dear, sir or madam is the way she puts it:

23 I am writing to share my concern with
24 you about the 21.6 interim rate hike
25 Puget Sound Energy is proposing for

1170

1 electricity. I am a Puget Sound Energy
2 customer. I am also a divorced mother
3 of two special needs children. The
4 needs of my children are extreme, and
5 because of their disabilities and no
6 parental support from their father, I
7 must stay home to care for them full
8 time.
9 We live on a month to month budget.
10 There have been many months we have had
11 to live on \$500 budget. I'm sure you
12 can imagine how difficult it is to pay
13 your rent on this amount and have any
14 money left over for bills. The past two
15 winters have hit my family especially
16 hard. We have had no money to pay for
17 power or heat. It has been only because
18 of the Energy Assistance Program that
19 our power was not shut off. I am very
20 thankful for this assistance to my
21 family.
22 Please do not allow this rate hike to go
23 into effect. My family will have to
24 face going without heat and electricity
25 if Puget Sound Energy is allowed to

1171

1 continue to increase the rates they
2 charge their customers. Thank you for
3 taking the time to give some thoughts to
4 my concerns.

5 And on the other half of this, I administer
6 the Federal Energy Assistance Program, and this is just
7 one of the many hundreds of stories that we hear from
8 the families who we serve. There is also another group
9 of people that we are now beginning to see through our
10 energy assistance programs, and that's the people who do
11 not -- who are not in the 125% of federal poverty level,
12 they're just above that.

13 CHAIRWOMAN SHOWALTER: Please slow down a
14 little bit.

15 A. These are people who are just above the
16 federal poverty level. These are our seniors. We're
17 seeing many, many of these households who want to come
18 in for energy assistance, but they don't qualify, but we
19 are seeing a great group of these people. A rate hike
20 of this type would probably devastate all of these
21 people.

22 Thank you.

23 Q. Thank you. Did you wish to leave any written
24 statement for the record?

25 A. Yes, and she was going to fax this to you. I

1172

1 have given her everything to fax. She was faxing the
2 letter. Yes, I will give this to you.

3 Q. All right. Or if you wish, you can leave it
4 here on the table.

5 A. Okay.

6 Q. If you prefer to do that.

7 A. All right.

8 Q. Or send it to one of the addresses on the
9 pink sheet.

10 A. Okay, thank you.

11 MR. FFITCH: Charles Shelan.

12 CHAIRWOMAN SHOWALTER: And just a reminder
13 while Mr. Shelan is coming up, the reporter is trying to
14 take down every word, and the faster you speak, the
15 faster her hands and brain has to fly. So try to keep
16 the pace slow enough for her, and that's pretty fast
17 actually, but you can tell just by glancing at her how
18 hard she's struggling.

19 MR. SHELAN: You don't need to type this
20 down, but I've always admired the work of you court
21 reporters and looked at you in amazement. You are
22 typing it, oh, well, that's a kudos for you.

23

24

25

1173

1 Whereupon,

2 CHARLES SHELAN,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5 EXAMINATION

6 BY MR. FFITCH:

7 Q. Mr. Shelan, can I get you to state your name,
8 and spell your last name.

9 A. Charles Shelan, S-H-E-L-A-N.

10 Q. And are you a Puget Sound Energy customer?

11 A. I am.

12 Q. And are you an employee or shareholder of the
13 company?

14 A. I am not.

15 Q. And what type of customer are you,
16 residential or business?

17 A. I'm a residential customer as well as a small
18 business customer.

19 Q. All right.

20 A. Through a non-profit organization.

21 Q. And are you speaking on behalf of yourself or
22 an organization tonight?

23 A. No, organization.

24 Q. All right. Please go ahead and make your
25 statement.

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1 A. Good evening, members of the Commission. My
2 name is Charles Shelan, and I serve as the Executive
3 Director of the Community Youth Services here in
4 Thurston County. Our agencies serve primarily low
5 income individuals, and the testimony I have heard is
6 very compelling from the ladies from Auburn.

7 I understand that Puget Sound Energy is
8 applying for the interim rate increase. I am testifying
9 in favor of the increase and testifying in favor of it
10 because of Puget Energy's willingness to implement a low
11 income time of use program for low income customers.
12 This program is designed for consumers with low incomes
13 and will provide off peak hour discounts greater than
14 presently given. In addition, the program will provide
15 increased consumer education and weatherize more homes
16 that are low income homes. The program has the
17 potential according to Puget Sound Energy to provide
18 relief to 100,000 low income consumers within their
19 service territory.

20 So I feel a rate increase is warranted as the
21 prices they have had to pay to wholesale generators have
22 increased dramatically in the last year due to the
23 energy crisis. I realize too that's abating, and we're
24 probably going to be having a glut of energy on the
25 market as all of these generators are coming on line

1175

1 over the next couple of years. So maybe they can be
2 looking at rate decreases down the road, but right now
3 to get them through this temporary crisis, I do
4 encourage the Commission to grant a rate increase.

5 MR. FFITCH: Thank you very much for your
6 statement.

7 Robert Pregulman.

8

9 Whereupon,

10 ROBERT PREGULMAN,
11 having been first duly sworn, was called as a witness
12 herein and was examined and testified as follows:

13 E X A M I N A T I O N

14 BY MR. FFITCH:

15 Q. Mr. Pregulman, please state your name, and
16 spell your last name for the record.

17 A. Robert Pregulman, P-R-E-G-U-L-M-A-N.

18 Q. And are you a Puget Sound Energy customer?

19 A. No, I'm not.

20 Q. And are you an employee or shareholder of the
21 company?

22 A. No, I'm not.

23 Q. Are you speaking on your own behalf tonight
24 or on behalf of an organization?

25 A. An organization.

1176

1 Q. What is the organization?

2 A. The organization is the Washington Public
3 Interest Research Group.

4 Q. Thank you, you may make your statement.

5 A. Great, thank you. Madam Chair,
6 Commissioners, thank you for giving us the opportunity
7 to speak tonight. For the record, my name is Robert
8 Pregulman, I'm the executive director of the Washington
9 Public Interest Research Group. We're a non-profit,
10 non-partisan environmental and consumer advocacy group
11 based in Seattle with 27,000 members across the state,
12 and I'm here tonight to ask you to deny Puget Sound
13 Energy's request for an interim rate increase of 21.6%
14 to fund its misguided plan to continue to underfund
15 conservation programs and continue its investments in
16 dirty, environmentally harmful, and limited sources of
17 energy.

18 The energy crisis last winter taught
19 consumers and businesses across the state of Washington
20 two very important lessons. Number one, we must broaden
21 our energy portfolios to include a variety of power
22 generating sources. If we continue to rely on a limited
23 number of energy sources, as Puget Sound Energy does,
24 that are susceptible to market fluctuations, these are
25 sources like coal and natural gas, or forces of nature,

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1 like draught, then we will not only continue to harm the
2 environment, but also we will continue to be vulnerable
3 to future energy shortages due to the conditions that we
4 had last year.

5 Secondly, last year overwhelming proved that
6 conservation is the most effective way to ensure that
7 Washington citizens have a clean, cheap, and safe supply
8 of energy. Most consumers did get this message. While
9 citizens had no control over how utilities invested
10 their money in power generation sources, one of the
11 major reasons that Washington was able to get through
12 the energy crisis last winter was the fact that citizens
13 heeded the calls of utilities and elected officials to
14 significantly reduce the amount of energy they used.
15 Even Puget Sound Energy asked its customers to cut back
16 their electricity usage by 10%.

17 Unfortunately, Puget Sound Energy does not
18 seem to be practicing what it preaches. While Puget
19 used to be a national leader in energy conservation,
20 they have according to their own data cut their
21 conservation programs by approximately 90% since 1993.
22 By cutting its investments in conservation, Puget left
23 itself vulnerable to wild swings in the price of energy.
24 Of course, that wasn't a problem as long as energy
25 prices stayed low, but when energy prices skyrocketed,

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1 utilities like Puget that shortsightedly cut their
2 investments in conservation programs were hit the
3 hardest.

4 Surprisingly, Puget wants to continue to
5 avoid investing in conservation programs by promoting a
6 program to encourage its customers to use more energy
7 during off peak hours. While that may be good for some
8 people, as some people have testified tonight, there are
9 a whole host of people who are unable because of time
10 and financial constrictions to participate in the
11 program. And shifting energy from one time of day to
12 another is not conservation. Doing more with less is
13 conservation.

14 Puget's proposal does little, if anything, to
15 improve its investments in conservation or diversify its
16 sources of energy. If Puget wants its customers to
17 shoulder the burdon for its poor judgment decisions
18 while continuing to invest money in ways that will
19 continue to leave its customers vulnerable to wild
20 market fluctuations in energy prices and increase its
21 reliance on dirty energy sources, we don't think that's
22 fair. It's bad planning, it's bad business, and it's a
23 bad way to treat rate payers. We have done our part,
24 the public has done its part, its time for Puget to do
25 its part by investing more in conservation and renewable

1179

1 energy programs, and we don't think that a rate
2 increase is warranted until they do that.

3 Thank you for the opportunity to speak
4 tonight.

5 MR. FFITCH: Thank you, Mr. Pregulman.

6 Katherine Fleming indicates maybe she would
7 like to speak.

8 MS. FLEMING: No comment at this time.

9 MR. FFITCH: All right.

10 Robert Knapp, Junior.

11

12 Whereupon,

13 ROBERT H. KNAPP, JR.,

14 having been first duly sworn, was called as a witness

15 herein and was examined and testified as follows:

16 E X A M I N A T I O N

17 BY MR. FFITCH:

18 Q. Mr. Knapp, would you state your name and
19 spell your last name for the record, please.

20 A. My name is Robert H. Knapp, Junior,
21 K-N-A-P-P.

22 Q. And where are you from?

23 A. I live at 3811 Pifer Road in Olympia.

24 Q. Are you a Puget Sound Energy customer?

25 A. I am.

1180

1 Q. Residential or business?

2 A. Residential.

3 Q. And are you a company employee or
4 shareholder?

5 A. Not at all.

6 Q. And are you speaking on your own behalf
7 tonight or on behalf of an organization?

8 A. On my own behalf.

9 Q. Thank you, you may make your statement.

10 A. My statement has mostly been made by
11 Mr. Siekkinen. In fact, I'm here to speak up for the
12 continuation of the green power program that Puget
13 Energy offers. I understand that this is a state
14 mandated program, and I think it's worth mentioning in
15 any case tonight, because in the course of juggling the
16 much larger amounts of money that are involved in this
17 rate case, it's conceivable that inattention would lead
18 to this valuable program, this purely voluntary, low
19 cost program being knocked off the table or receding
20 from the attention of the Commission and the company.
21 And so to that small extent, I would like to do my bit
22 to see that it continues.

23 I think it's long overdue that individual
24 citizens have a chance to help make a market for clean
25 and renewable energy. I think the country needs such a

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1 market to be created. And this program, which is well
2 in line with the emerging national consensus about the
3 structure and the charges, seems an important, although
4 it's very small in financial terms, an important feature
5 of Puget's program.

6 Thank you very much.

7 Q. Thank you, Mr. Knapp. I think perhaps again,
8 the reassurance here is as the Chairwoman mentioned,
9 that state law requires the company, this company and
10 others, to have a green tariff program.

11 A. It requires there to be a program, but having
12 been a member of various organizations in my life, I
13 know that there's minimal fulfillment of obligations,
14 and there's more than minimal, and I'm hoping that both
15 the spirit and the financial condition of the company
16 will permit it to continue offering a vigorous program.

17 Q. And do you have a position on the interim
18 rate increase?

19 A. No position in detail, just a hope that the
20 final result will allow this portion of the program to
21 continue.

22 MR. FFITCH: All right, thank you very much
23 for your testimony.

24 Lucy Kindermann.

25

1182

1 Whereupon,

2 LUCY KINDERMANN,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5 E X A M I N A T I O N

6 BY MR. FFITCH:

7 Q. And Ms. Kindermann, would you please state
8 your name, and spell your last name for the court
9 reporter.

10 A. Lucy Kindermann, K-I-N-D-E-R-M-A-N-N.

11 Q. And where are you from, Ms. Kindermann?

12 A. Lacey.

13 Q. Sorry, Lacey, Washington?

14 A. Lacey, uh-huh.

15 Q. And are you a Puget Sound Energy customer?

16 A. Yes, I am.

17 Q. Residential or business?

18 A. Residential.

19 Q. And are you an employee or shareholder of the
20 company?

21 A. No.

22 Q. Are you speaking on your own behalf tonight
23 or on behalf --

24 A. I'm speaking on my own behalf and for low
25 incomes, not low, fixed income seniors. I am one of

1183

1 those fixed income seniors who you have a limited
2 income. My children have done everything possible to
3 cut my electric bill down. We have the energy lights, I
4 have done everything humanly possible, but so many
5 people can not afford those lights, and they're
6 extremely expensive. If the power company could help
7 people get those into their homes, I think it would help
8 a lot. And this year I have been able to keep my energy
9 by saving where it was last year, but I know I am
10 volunteering at Community Action Council on the energy
11 program, and there's so many people that fall in that
12 income that you are above the level, and you have no
13 help available to you, and I think our seniors and low
14 income people need a little bit of extra help.

15 That's about it.

16 MR. FFITCH: Thank you very much,
17 Ms. Kindermann.

18 THE WITNESS: Thank you.

19 MR. FFITCH: John Coleman.

20

21 Whereupon,

22 JOHN COLEMAN,
23 having been first duly sworn, was called as a witness
24 herein and was examined and testified as follows:

25

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1 Challenges PSE Rate Increase, Gregoire Tells PSE Don't
2 Pass Rate Woes on to Rate Payers. Checking into this
3 article, I noticed that they quote three companies who
4 had cut their rates, and Pacific Gas and Electric caught
5 my eye because they're in Chapter 11 bankruptcy. They
6 have been in and out of bankruptcy since the '80's. And
7 so I looked at Montana Power and Avista, and they're
8 both diversified into telecommunications. And I had to
9 wonder, you know, what is the newspaper doing. So I
10 inquired of the reporter who wrote the article and of
11 the editor, and I received no response.

12 The article appeared the next day, State
13 Scolds Puget Energy, in the Bellingham Herald, and that
14 sounds pretty biased to me, but I did notice that they
15 did not repeat on the AP wire those three companies that
16 were mentioned. And I had to wonder, is not the
17 newspaper business a large consumer of electricity, are
18 they not speaking in their own self interest.

19 The Attorney General's office appears to
20 support the public. However, when I did go to the web
21 site, I made inquiries of both the Attorney General's
22 Office on how they derived the rate and Puget Sound
23 Energy. This is what I found. Large segments of this
24 are blacked out. They're not -- there's no information
25 here, and I have to wonder what that's about. I thought

1186

1 maybe it was in the attached schedules, which I also
2 printed up. And it's been hatchmarked over or again
3 blacked out. So is this in my interests as a public
4 person? I don't think so.

5 You have testimony from a large number of
6 industries. I have read some of that on the web. And
7 it's basic to economics that people work in their own
8 best interest, and it appears that's what has happened
9 here. They hire consultants, and the consultants give
10 you the information that will support their clients.
11 The bottom line to the Attorney General's expert's
12 testimony is that he wants to cut the dividend by 40%,
13 or as they put it, 60% of the existing. Now I don't
14 believe that's in the best interests of the company or
15 the customers for that to happen.

16 What we do know is that the company has kept
17 the price of residential electricity below the cost of
18 living in increases for a decade, and that the cost of
19 electricity here is well below the national average. I
20 came here from Tennessee with TVA, and my rates are
21 about half, my electrical residential rates are half of
22 what they were there, and that's Tennessee Valley. The
23 company has kept the rates down during the California
24 crisis. If you know people in California who have been
25 through this, you know what their rates have gone

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1 through. You know that the company has done a
2 tremendous job in managing. The loss of hydropower from
3 draught has caused the rates to rise. The economic
4 situation has caused the rates to rise in the short
5 term. And the California situation has really created
6 problems in the entire electrical market.

7 It appears that Puget Sound Energy is going
8 to suffer for its good work, for keeping its prices
9 down. Because the prices have been kept down
10 historically, they have been able to pay good dividends.
11 But when the stock price is driven down as it has been
12 lately by these articles in the paper, then it appears
13 that they give tremendous returns. But without the
14 problems that they have had, the stock price would be
15 higher, and the rate of return would be more average.

16 The word average is going to come up, it has
17 come up in testimony from the experts, and average to me
18 is not what I want. I want superior service, and I
19 believe we have it now. Anyone who has lived with brown
20 outs and black outs, which I have, and that's with
21 higher rates, would know that these are not acceptable.
22 Verizon, the telephone company, just sent me a thing
23 today and said in their service levels, they quoted the
24 number of people who had not received service in 90 days
25 showing that that had gotten better. Well, would a 90

1188

1 day service level be acceptable?

2 JUDGE MOSS: Mr. Coleman, I have to interrupt
3 you, you have used up your five minutes.

4 THE WITNESS: One last statement.

5 JUDGE MOSS: Very quickly, please, wrap up.

6 A. The people who will be here in the time to
7 come will not be politicians or consultants, they will
8 be the people from Puget Sound Energy.

9 Thank you very much.

10 CHAIRWOMAN SHOWALTER: I just want to make a
11 comment on the portions that have been blacked out as
12 confidential. In general, it's the company that has
13 asserted information to be confidential, either because
14 it's competitively sensitive or because to reveal it to
15 some group prior to revealing it to the whole world
16 would violate the Securities and Exchange Commission
17 rules governing stock market rules. And then when the
18 parties in the case use that information, they too need
19 to black out the same information.

20 It is a concern to the Commission, and as we
21 go through the proceeding, we often try to pin down
22 exactly what really is or isn't necessary to be
23 confidential. Sometimes there are numbers that were
24 confidential at the time they were written, but now it's
25 a past fact and can be revealed. And we do try to

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1 minimize the amount of information that's kept
2 confidential, but there are considerations on the other
3 side of the question.

4 Commissioner Hemstad.

5 COMMISSIONER HEMSTAD: I just want to
6 emphasize so that you and anyone else understands,
7 because looking at the information, the confidentiality
8 is driven by the company, not by the other parties.

9 THE WITNESS: It seems questionable then that
10 the Attorney General would put that on the web site
11 without those instructions.

12 COMMISSIONER HEMSTAD: I think what you're
13 seeing on the web site is simply the information that is
14 filed with us.

15 THE WITNESS: Well, I believe a
16 recommendation was to visit the web site earlier in this
17 meeting.

18 CHAIRWOMAN SHOWALTER: Yes.

19 THE WITNESS: And I'm saying that if you go
20 to that web site, you're not going to get information
21 from the Attorney General's site.

22 CHAIRWOMAN SHOWALTER: Well, it's the case
23 that the Attorney General is bound by the same
24 requirement. In fact, there are confidential -- we
25 require all the parties to sign confidentiality

1190

1 agreements so that whatever is legitimately confidential
2 remains so. But we try to be fairly vigilant about what
3 needs to be and what doesn't need to be confidential.
4 Commissioner Hemstad's point is that the only
5 information that is confidential is company information
6 that then is carried through to the other parties'
7 briefs and testimony.

8 THE WITNESS: Thank you for your time.

9 MR. FFITCH: Thank you, Mr. Coleman.

10 Donna Ewing.

11

12 Whereupon,

13 DONNA EWING,

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

16 E X A M I N A T I O N

17 BY MR. FFITCH:

18 Q. Ms. Ewing, would you state your name and
19 spell your last name.

20 A. My name is Donna Ewing, E-W-I-N-G.

21 Q. And where are you from, Ms. Ewing?

22 A. My address is Olympia, and I live in the
23 county.

24 Q. Are you a customer of Puget Sound Energy?

25 A. I am for both electricity and gas.

1191

1 Q. And are you a residential or a business
2 customer?

3 A. Residential.

4 Q. And are you a Puget Sound Energy employee or
5 shareholder?

6 A. Neither.

7 Q. And tonight are you speaking on your own
8 behalf or on behalf of an organization?

9 A. On my own behalf.

10 Q. Please go ahead and make your statement.

11 A. Thank you.

12 Madam Chair, members of the Commission, Your
13 Honor, thank you for the opportunity to speak about this
14 rate increase. I have several concerns about issues
15 that Puget Sound Energy is not addressing that I think
16 they should consider before requesting a rate increase.

17 Emphasis should be on conservation. Puget
18 Sound Energy's contributions to conservation have
19 dropped 90% in the past nine years. In addition to not
20 saving energy, that many more tons of greenhouse gas
21 emissions and air pollutants have gone skyward. I am
22 paying this company to offset my carbon emissions for
23 every kilowatt hour that we're using, and it would help
24 if the company did some of the same.

25 Puget Sound Energy is the only for profit

1192

1 utility in Washington that doesn't have a low income
2 assistance program. Since the federal program only
3 helps one out of five low income families, it would be
4 very beneficial to the community to have Puget Sound
5 Energy add to what we citizens contribute each month to
6 the Salvation Army's Warm Home Fund.

7 I am a small time stock investor, and in the
8 past, I owned Puget Sound Energy's stock. But after 11
9 years, when I checked to see which power company was
10 investing in clean energy, Puget Sound Energy was not
11 one of them. I sold their stock and at that time chose
12 a company that is concerned about the future of our
13 planet as well as our offspring by looking at more
14 environmentally friendly ways to produce energy, which
15 they sell.

16 The fact that the 21.6% rate increase is
17 requested but stock dividends have not dropped, Puget
18 Sound Energy's conservation majors are dropping, not
19 rising, and the requested increase is occurring before
20 wholesale energy prices demand it, I am opposed to this
21 large increase at this time. It does not seem
22 justified. Thank you.

23 MR. FFITCH: Thank you, Ms. Ewing.

24 Gary Burk.

25 MR. BURK: I have, you know, a handout here

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1 that I would like to give all four of you and you,
2 Mr. ffitch, and then this -- is there -- I don't
3 identify, is there a Puget individual here too?

4 MR. FFITCH: I think there are folks here
5 from the company. If you would like to give me the
6 handout, I can pass that up, and we will offer that, I
7 will place a copy here to be placed in the record also.

8

9 Whereupon,

10

GARY BURK,

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

13

E X A M I N A T I O N

14 BY MR. FFITCH:

15 Q. Mr. Burk, could you state your name and spell
16 your last name for the record.

17 A. Do you want to do this without the questions?
18 My name is Gary Burk, two four letter words, G-A-R-Y,
19 B-U-R-K. I live on Moore Street in South Olympia. I am
20 a residential customer now only, but in the past I was a
21 commercial customer in my business. I think 40 years
22 ago I had four shares of Washington Natural Gas that I
23 got from an aunt for a Christmas present sometime in the
24 mid '50's, but other than that, I have not owned any
25 Washington Gas or Puget Sound Power and Light stock at

1194

1 any time. That covers everything, right?

2 Q. And are you speaking on your own behalf?

3 A. Yes, I'm speaking on my own behalf, I'm a
4 residential customer with an all electric heat pump
5 house, which means I also do air conditioning in the
6 summertime. That's partly because, as Commissioner
7 Hemstad knows, I grew up as third generation in the
8 family heating and air conditioning business here in
9 town, and in fact did this design and installed this
10 building. I was the one that turned the switch on here
11 because they had the night unoccupied mode here in the
12 hearing room today.

13 In that mode in the air conditioning business
14 20 some years ago, I did -- was the contractor to do the
15 first commercial conservation project in the state of
16 Washington for Puget Power. I did at that time also in
17 the early '80's while we were pursuing that process, and
18 I would ask a question perhaps, it was my understanding
19 that a lot of that funding was coming from Bonneville as
20 part of their projects, and I'm -- that's perhaps why
21 the -- we have heard these quotes about the 90% drop in
22 nine years. In that time in the '80's, I did come to
23 this Commission to testify, because we were in the same
24 situation where some folks wanted to drop the
25 conservation plan to cut down on the rate increase, and

1195

1 I testified in favor of a rate increase at that time.

2 As you can see by my outline, to me, you
3 know, and Mr. Coleman I believe it was said the same
4 thing, you know, here is -- this thing doesn't have
5 anything to do with the fact that Puget has the lowest
6 customer cost in their general, was it G&A, general
7 administration that you guys call it, of any company in
8 the Northwest, second and one category in the U.S.
9 Doesn't say anything about that. It just talks about
10 the dividend. To me, dividends are an investor concern
11 for Mr. Coleman to make a decision about whether if they
12 drop the \$60 Million off and you only get \$1 a share
13 instead of \$1.84 whether you keep the stock because it
14 drops to 15. That's one of the technical advisors that
15 you guys had testify here for. Rates and/or income are
16 a business concern, and to me, you've got to be able to
17 do some of that.

18 I also believe very strongly that the
19 personal energy management time of use, and I will talk
20 about that in a minute when we get to the charts, are
21 required investments and should not be reduced or
22 eliminated, as has been suggested I guess by looking at
23 I believe it's the last or next to last question of
24 Mr. Swofford's testimony of Puget Power last week. I
25 don't know whether that was you, Mr. ffitch, that asked

1196

1 that question when they were testifying last week. Are
2 you the one that asked the Puget Power people the
3 questions when they're responding to -- Lisa Steel's
4 name was mentioned on some of the previous questions,
5 and then here's one that says, what if you stopped
6 investing in capital and O&M such as PEM time of use.
7 And I don't know whether those are your questions, but
8 I'm just asking him what -- why don't you stop doing
9 that until you have the rate increase. Well, very
10 simply, I think he stated it, we shouldn't be taking
11 that off the table, because I'm going to show you what
12 you go can do when you get that price signal.

13 I brought this up about my background
14 because, you know, one would expect that having done
15 heat loss calculations for home furnaces in -- before I
16 was eight years old that I should not have been this
17 foolish to not figured out how to do this. If you take
18 a look, and I first want to talk about the rate
19 increases. You guys are familiar with this chart on
20 page 2, because it comes from your source. This is a
21 chart of the rate increases in the last two years from
22 January '93, or four years rather, from January '98
23 until last month of the public and private utilities
24 other than Pacific Power, which has a small part of the
25 Yakima area.

1197

1 Q. I'm sorry, Mr. Burk, I would just caution you
2 that it's kind of tough for the court reporter to get
3 down what you're saying if your back is turned, so.

4 A. Okay, I didn't know my voice needed the
5 microphone, that's never been a problem.

6 Any of us who have listened and looked at the
7 paper even when I was back in Washington D.C. for three
8 months last year knows that Seattle City Lights had four
9 consecutive rate increases in the calendar year 2001.
10 Puget has only had the typical winter summer. Now let's
11 go to chart number 2.

12 JUDGE MOSS: Mr. Burk, I will caution you,
13 you only have about 30 seconds.

14 A. Then look at those pieces and see what the
15 average kilowatt cost consumption has done, those from
16 the left chart or the monthly average kws from January
17 of 2000 to January of 2002. Go to chart number 3, and
18 you will see the monthly cost has dropped from \$270 in
19 2000 to \$170 in 2002. You will see the line talks about
20 the average kw cost of both those kws for those months
21 going across. You will also note that my July bill last
22 year in 2001 was \$25, and I only paid 3 cents a kilowatt
23 for it, because under that plan you guys put in effect
24 last May, they were giving me 5 cents a kilowatt.

25 JUDGE MOSS: Mr. Burk, I'm going to have to

1198

1 stop you now in fairness to others, please, I will ask
2 you to --

3 A. My summary if you ask this question, I'm in
4 favor of an interim increase.

5 JUDGE MOSS: Thank you, sir.

6 A. Because of the redaction, we don't know what
7 that is actually about. Second --

8 JUDGE MOSS: Thank you, Mr. Burk, I really do
9 have to ask you to stop now so others can have their
10 opportunity.

11 A. I was just going to mention where the money
12 comes from, sir.

13 CHAIRWOMAN SHOWALTER: Mr. Burk, you need to
14 sit down.

15 THE WITNESS: Okay, thank you.

16 MR. FFITCH: Thank you, Mr. Burk, and the
17 written materials will be made a part of the record.

18 Next I will call Maizie Franco.

19

20 Whereupon,

21 MAIZIE FRANCO,

22 having been first duly sworn, was called as a witness

23 herein and was examined and testified as follows:

24

25

1199

1 E X A M I N A T I O N

2 BY MR. FFITCH:

3 Q. And, Ms. Franco, would you state your name
4 and spell your first and last name for the record,
5 please.

6 A. My name is Maizie Franco, F-R-A-N-C-O.

7 Q. And could you also spell your first name for
8 the reporter, please.

9 A. Yes, M-A-I-Z-I-E.

10 Q. Thank you. And where are you from,
11 Ms. Franco?

12 A. I am from Federal Way, Washington.

13 Q. And are you a Puget Sound Energy customer?

14 A. Yes, gas and electricity.

15 Q. And that's a residential customer?

16 A. Yes, and I am also a PME user. I am signed
17 up since May.

18 Q. All right, that's the time of use program?

19 A. Yes, the personal energy management program.

20 Q. Are you a shareholder or employee of Puget
21 Sound Energy?

22 A. No, I am not.

23 Q. And tonight are you speaking on your own
24 behalf or on behalf of an organization?

25 A. I am speaking on behalf of a person who is

1200

1 not able to be here tonight.

2 Q. All right. You may go ahead and make your
3 statement, and just tell us who that person is, and go
4 ahead and give your statement.

5 A. Her name is Antoni, and she is 82 years old,
6 and she is not able to make the trip here.

7 Good evening, Madam Chairwoman,
8 Commissioners, and Your Honor. My name is Maizie, and I
9 am an energy assistance outreach case counselor for the
10 Multiservice Center, and I work with the elderly,
11 homebound, disabled and low income residents in South
12 King County. I will be speaking on behalf of a well
13 spoken and spry elderly client who is unable to make the
14 trip tonight. She had hoped she would be talking to the
15 commission members via a phone conversation today so she
16 could speak for herself, but apparently that was not
17 available.

18 Her name is Antoni, and she is 82 years old,
19 and with her permission has asked me to relay this
20 message to you all today. When she was told that Puget
21 Sound Energy was requesting a 21.6% interim increase in
22 electricity rates, she was distressed and immediately
23 expressed, I can barely pay my energy bills now, I don't
24 know how I would pay the extra amount. It is too much
25 for the income I live on, and I know I won't be able to

1201

1 afford to pay for electricity. Please tell them that I
2 am 82 years old and have lived alone since my husband
3 died years ago. I live on Social Security and a
4 survivor's benefit that equals \$749 a month. My
5 apartment rent is \$565 a month, which leaves me \$184 per
6 month for food, bills, medical costs, water, phone,
7 transportation, et cetera. I try not to use as much
8 electricity and pay my bill first, but I am barely able
9 to buy the essential necessities to live on. I don't
10 eat much anymore because I am trying to save on the cost
11 of food to help cover some of my medical expenses that I
12 have now that I am older. I also express my gratitude
13 for receiving energy assistance from the Multiservice
14 Center this winter, because this has helped me to keep
15 warm during the winter. I don't know how I would live
16 without it during the winter.

17 That's the end of her comment to me. I have
18 had the opportunity to work with her the last couple of
19 years, and she is just a representative of many of the
20 people that I deal with on a daily basis.

21 Q. Thank you. Do you have a further statement?

22 A. No.

23 MR. FFITCH: Thank you very much.

24 David Schaffert, do I have that right?

25 MR. SCHAFFERT: Yes, you do.

1202

1

2 Whereupon,

3

DAVID SCHAFFERT,

4 having been first duly sworn, was called as a witness

5 herein and was examined and testified as follows:

6

E X A M I N A T I O N

7

BY MR. FFITCH:

8

Q. Mr. Schaffert, please state your name and
9 spell your last name.

10

A. Certainly, David Schaffert,
11 S-C-H-A-F-F-E-R-T.

12

Q. And where are you from, Mr. Schaffert?

13

A. My address is 7232 Boston Harbor Road. My
14 business address is 1600 East Fourth Avenue, the Olympia
15 Thurston Chamber.

16

Q. And are you a Puget Sound Energy customer?

17

A. Yes, I am.

18

Q. And is that a residential or business
19 customer or both?

20

A. It is both.

21

Q. And are you an employee or shareholder of
22 Puget Sound Energy?

23

A. I am neither.

24

Q. And are you speaking on your own behalf
25 tonight or on behalf of an organization?

1203

1 A. I'm speaking on behalf of the Olympia
2 Thurston Chamber.

3 Q. All right, please go ahead and make your
4 statement.

5 A. Thank you. Madam Chair, Commissioners, and
6 Judge Moss, good evening. After hearing quite a few of
7 the testimony pro and con, it's hard not to feel
8 empathetic any time cost of living, cost of life goes
9 up. It is hard on some people, and I would recognize
10 that.

11 However, tonight I'm here to represent a
12 business organization that has been around for 128
13 years, the first and the oldest in the state of
14 Washington. The Chamber supports PSE's interim rate
15 increase for three reasons. First, Puget Sound Energy
16 must have the ability to cover the unforeseen high costs
17 of power. It is vital to this community that the
18 providers of power is in a healthy financial position.
19 Not being able to adjust pricing to market changes puts
20 a company such as Puget Sound Energy in a position of
21 uncertainty.

22 Infrastructure investment, number 2. Puget
23 Sound Energy can not maintain a high confidence in its
24 ability to have profits. If it does not receive
25 profits, businesses and citizens of Thurston County will

1 suffer. Why? The ability to maintain, leverage
2 capital, and expansion of new infrastructure is a
3 paramount component in being able to serve this
4 community. Without the ability to predict profits or at
5 least have control of profits, there will be no risk in
6 venture of that capital.

7 Number 3, innovative options for customers,
8 and that has been discussed several times already this
9 evening. The rate increases provide citizens and
10 businesses innovative ways to use power when it is most
11 affordable. These efforts need to be applauded and
12 encouraged.

13 And in closing, just recently, the Washington
14 Competitive Council appointed by the governor released
15 its conclusions and solutions on our state's
16 competitiveness. Under physical infrastructure, it
17 states:

18 The recent energy crisis has financially
19 weakened many of Washington's utilities.

20 Their financial viability and access to
21 capital are essential to their ability
22 to provide Washington's energy needs.

23 I.e., keep rates low, keep the infrastructure
24 there.

25 As a recommendation, Council states:

1205

1 Washington state should promote a
2 regulatory and political environment
3 that supports the financial health of
4 the state's utilities.

5 I would contend granting the interim rate
6 increase is in line with the council's recommendations.
7 In general, our economy is flat, the state's revenues
8 are in a tailspin, I will note other than the revenues
9 they are receiving on the utility taxes. There is no
10 better time to ensure the health of Puget Sound Energy,
11 a private utility.

12 That concludes my remarks.

13 CHAIRWOMAN SHOWALTER: I have a question,
14 since you represent businesses and those businesses are
15 also customers who pay their electric bills, do you have
16 any concerns on the other side of the equation, that is
17 the businesses whose energy bills would go up?

18 A. Well, there is always an issue of how to
19 defray the cost of doing business, just as there would
20 be within a household. The real issue or concern for an
21 organization with as broad of constituency as the
22 Chamber of Commerce is what is the best for the entire
23 whole of the community, including all businesses. And
24 if Puget Sound Energy can not invest in infrastructure
25 or if they are concerned about taking chances to invest

1206

1 in infrastructure and if that power is not available in
2 a timely manner or if it's not available in the amount
3 or the needs of an industry or a business, then we are
4 hurting ourselves. But yes, it is an issue, the chamber
5 is a broad constituency.

6 CHAIRWOMAN SHOWALTER: Thank you.

7 JUDGE MOSS: Thank you.

8 MR. FFITCH: Thank you, Mr. Schaffert.

9 Dian Quinn.

10

11 Whereupon,

12 DIAN K. QUINN,

13 having been first duly sworn, was called as a witness

14 herein and was examined and testified as follows:

15 E X A M I N A T I O N

16 BY MR. FFITCH:

17 Q. Ms. Quinn, would you state your name and
18 spell your last name.

19 A. My name is Dian Quinn, Q-U-I-N-N.

20 Q. And where are you from, Ms. Quinn?

21 A. I'm from Federal Way, Washington.

22 Q. And are you a Puget Sound Energy customer?

23 A. I am.

24 Q. And a residential or business customer?

25 A. Residential.

1207

1 Q. And are you speaking on -- are you an
2 employee are shareholder of Puget Sound Energy?

3 A. I am not.

4 Q. And are you speaking on your own behalf
5 tonight?

6 A. Yes, sir.

7 Q. Please go ahead and make your statement.

8 A. Good evening, Madam Chair, Chairwoman,
9 Councilmen, Excuse me, Commissioners. I would just like
10 to let you know that I have three children, a
11 grandchild, and a mentally disabled father that I care
12 for at this time. I am a single parent. I am also a
13 community jobs intern. I am also a Puget Sound Energy
14 customer who is at this point struggling with the costs
15 that I have with my electrical at this time. I can't
16 even imagine what I will be able to do or to cut back on
17 in order to pay for these costs if we do have this 21.6%
18 increase. Puget Sound Energy introduced the personal
19 energy management, which has worked wonderful for me,
20 honestly. But now it seems that the efforts that we
21 have all put forth to use the personal energy management
22 is going to be put back into the high costs that we will
23 have to pay after we have all tried so hard to do this
24 personal energy management program.

25 Well, basically what I want to say is I think

1208

1 that if they're going to propose the interim increase
2 that I think that for the people of this big corporation
3 or the people that have this possibility, capabilities,
4 would at least be able to offer some type of an
5 assistance for low income or fixed income customers or
6 even possibly come up with a better solution than an
7 interim increase and get back to the basics as energy
8 conservation. That's always worked for me. It's not
9 been a problem. I have been able to handle the cost of
10 my energy. With this 21.6, I honestly don't feel that
11 that's going to be a possibility. It's just going to be
12 a little bit rough. I'm not the only person that's in
13 this boat, as we can see.

14 But that's pretty much what I had to say.

15 Thank you.

16 MR. FFITCH: Thank you, Ms. Quinn.

17 Steve Miller.

18

19 Whereupon,

20 STEVE MILLER,

21 having been first duly sworn, was called as a witness

22 herein and was examined and testified as follows:

23 E X A M I N A T I O N

24 BY MR. FFITCH:

25 Q. Mr. Miller, would you please state your name

1209

1 and spell your last name for the record.

2 A. Steve Miller, M-I-L-L-E-R.

3 Q. And where are you from, Mr. Miller?

4 A. Olympia.

5 Q. And are you a Puget customer?

6 A. Yes, I am.

7 Q. A residential customer?

8 A. Residential.

9 Q. And are you an employee or shareholder of
10 Puget Sound Energy?

11 A. No, I'm not.

12 Q. And tonight are you speaking on your own
13 behalf?

14 A. Yes.

15 Q. Thank you, please go ahead and give your
16 statement.

17 A. I am here to support Puget Sound Energy's
18 request for an interim increase. As a private citizen,
19 I picked up the paper this week and read a headline that
20 says the state projects a \$1.6 Billion revenue
21 shortfall. And in my day job of being in work force
22 education in a community college, I received numerous
23 lay off notices, and saying, wow, this is kind of a
24 crazy time to be asking for any kind of an increase for
25 anything. So I asked myself, is this justifiable. And

1210

1 the answer I come up with is, yes, definitely, it is.
2 Because it offers the opportunity for individuals to
3 save energy and money.

4 And, of course, I'm talking about the
5 personal energy management program, that if the interim
6 rate increase is approved, it's my understanding that it
7 will allow Puget Energy to expand this program. This
8 program provides for conservation and redistribution of
9 use to off peak periods with lower cost incentives for
10 the customer. The personal energy management program
11 increased my personal awareness. I'm currently in that
12 plan. And it allows me to have some determination as to
13 when I want to use the energy and the cost, I can
14 control the cost of that energy.

15 Since beginning my participation in the
16 personal energy management program, my energy bill has
17 decreased from \$113 a month to \$64 a month, a savings of
18 \$49 a month. It appears that the interim rate increase
19 would raise my bill from \$64 a month to \$73 a month, the
20 \$9 figure that's on the pink sheet. But this would
21 still allow me to realize a net savings of \$40 per month
22 as to what I was paying before I went on the personal
23 energy management program. So I think if people are
24 educated and allowed to experience this program, they
25 could conceivably save money even with the rate

1211

1 increase.

2 Investors are asked to risk their money for
3 an anticipated return. For at least two quarters, it
4 appears that the Puget Sound Energy investors have lost
5 money. And I know an investment means you accept a
6 risk, and that's the risk that they have accepted. But
7 if there's no return, conceivably investors could leave
8 a company, the company could go under. If Puget Sound
9 Energy were to go under, it seems reasonable that a new
10 energy provider would be allowed to set their rates at a
11 level that would allow them to cover their operating
12 expenses plus provide a return on investors' money. I
13 would expect that our current energy provider would be
14 extended the same opportunity.

15 As a private citizen, I believe everyone
16 should have the opportunity presented by the personal
17 energy management program. And as an educator, I
18 believe allowing a requested rate increase is a smart
19 thing to do. Thank you.

20 CHAIRWOMAN SHOWALTER: Thank you.

21 MR. FFITCH: Thank you, Mr. Miller.

22 Beverly Walker, or excuse me, Don Carr.

23

24

25

1212

1 Whereupon,

2 DON CARR,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5 E X A M I N A T I O N

6 BY MR. FFITCH:

7 Q. Mr. Carr, please state your name and spell
8 your last name.

9 A. Don Carr, C-A-R-R.

10 Q. And where are you from, Mr. Carr?

11 A. Olympia, Washington.

12 Q. And are you a Puget Energy customer?

13 A. Yes, I am.

14 Q. And is that a residential customer or
15 business?

16 A. Residential.

17 Q. Are you a Puget Energy employee or
18 shareholder?

19 A. Interesting question, I was a 27 plus year
20 employee of Puget Sound Energy, recently terminated for
21 trying to do the right thing on behalf of the public. I
22 still retain a few Puget stock. Haven't sold them just
23 because they're not worth anything at the moment, but I
24 intend to get rid of them soon.

25 Q. So are you here today on your own behalf?

1213

1 A. Yes, I am.

2 Q. Please go ahead and make your statement.

3 A. I have some stories that I couldn't begin to
4 tell in five minutes that I have experienced over the 27
5 plus years I spent with Puget, but one that is very
6 important and that I would like to present to you
7 tonight is --

8 CHAIRWOMAN SHOWALTER: Mr. Carr, before you
9 begin your story, we are interested and this is a
10 hearing on whether Puget should or shouldn't be granted
11 the interim rate increase. So if it relates to that
12 issue, please continue. If it does not relate to that
13 issue, please don't.

14 A. I understand that, and it does, I believe.

15 I believe that the records and the documents
16 that are being supplied, in fact I more than believe, I
17 have personal firsthand knowledge and evidence that many
18 of the records and documents being supplied to the
19 Commission are less than 100% accurate, and some of them
20 are outright falsified information. I lost my job at
21 Puget Sound Energy for refusing to participate in that
22 program.

23 And I worked a little bit with the
24 Commission, brought this information to the Commission
25 soon after I lost my job because of that. I have spoken

1214

1 a few times with Mr. ffitch, Counselor ffitch on the
2 matter. But I have major concerns about granting a rate
3 increase on documentation that I know portions of it are
4 not correct and are inaccurate. And I know of
5 documentation in the past that has not been totally
6 accurate, and I know that this one that I'm bringing to
7 your attention to date has not been investigated, and I
8 have some pretty good documentation to prove what I
9 bring to you. So I believe that definitely does pertain
10 to a rate increase, because the information you're
11 receiving is not necessarily totally accurate.

12 CHAIRWOMAN SHOWALTER: And have you spoken
13 with Mr. ffitch about it?

14 THE WITNESS: I have spoken to Mr. ffitch
15 about it, and I have the utmost respect for him, he's
16 very -- but in all honesty, the answer he gave me, and I
17 don't believe I can quote, maybe Mr. ffitch can remember
18 his quote, but I believe it was something to the effect
19 that the dollar amount that I was talking about was
20 something to the effect of a small drop in a big bucket
21 or something of that nature. Maybe you remember the
22 quote better, but it was something to that effect.

23 CHAIRWOMAN SHOWALTER: Thank you, he is the
24 appropriate person to bring your information to.

25 THE WITNESS: Right.

1215

1 MR. FFITCH: I will be happy to talk with you
2 at a break or after the hearing also if you would like
3 to do that.

4 THE WITNESS: Okay, thank you.

5 MR. FFITCH: E. W. Proctor.

6

7 Whereupon,

8

E.W. PROCTOR,

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

11

E X A M I N A T I O N

12 BY MR. FFITCH:

13

Q. Mr. Proctor, please state your name, and
14 spell your last name for the record.

15

A. My name is Terry Proctor, and my last name is
16 spelled P-R-O-C-T-O-R.

17

Q. And where are you from, Mr. Proctor?

18

A. From Seattle.

19

Q. And are you a Puget Sound Energy customer?

20

A. I am for gas.

21

Q. For gas residential customer?

22

A. Residential customer.

23

Q. And are you an employee or a shareholder of
24 the company?

25

A. Not an employee, I am a shareholder.

1216

1 Q. And are you speaking on your own behalf
2 tonight?

3 A. I am.

4 Q. All right, please go ahead and make your
5 statement.

6 A. I have a short prepared statement here, but
7 in listening to some of the other people speak, I had a
8 kind of spontaneous thought I wanted to share, and that
9 is at hearing some of the hardship situations that have
10 been presented to the Commission tonight, it seems to me
11 that their energy costs is only one small part of their
12 great needs, that they probably don't have enough money
13 for food in many situations from the sounds of some of
14 these budgets that they're living on, and they're
15 suffering in a lot of ways. An energy increase will be
16 one of them, but they need help. And while I know this
17 is not the correct forum to discuss this, I think this
18 state desperately needs to reduce the sales tax and
19 institute an income tax that taxes the people who can
20 afford to pay to help support the people that can't, so
21 I just wanted to start off with that, but that wasn't
22 part of my prepared remarks.

23 I'm a shareholder of Puget Sound Energy, and
24 like most utility stock owners, I bought shares of the
25 stock for its reliable dividend payments. Puget Sound

1217

1 Energy has not asked for a general rate increase since
2 1993, nor has its gas subsidiary asked for a rate
3 increase since 1995. From 1992 through 2001,
4 commissioners at Washington Utilities and Transportation
5 Commission, you folks, have seen your annual earnings
6 rise 30% from \$73,000 to \$81,000 a year in 1992, to
7 \$97,000 to \$106,000 a year in 2001, and you are
8 projected to receive a further increase in 2002. During
9 this same period, the dividend payout at Puget Sound
10 Energy has risen just 3%, from \$1.79 in 1992 to \$1.84 in
11 2001.

12 Investors like me who provide the capital for
13 Puget Sound Energy to operate on count on this dividend
14 each quarter. Today our income is at risk because you
15 sitting comfortably in your bureaucratic jobs getting
16 your annual increases think that Puget Sound Energy
17 should consider cutting its dividend. An investor who
18 purchased shares in Puget Sound Energy in July of 1992
19 for \$27 a share for its 6% dividend at that time finds
20 the share is worth less than \$21 today. As a long-term
21 investor in a great award winning utility and as a
22 taxpayer who pays your annual salary increases, which
23 I'm certain that you deserve, I implore you to provide
24 the rate relief necessary to restore the investment
25 community's confidence in this utility and to provide a

1218

1 stable income to shareholders.

2 Thank you.

3 MR. FFITCH: Thank you, Mr. Proctor, if you
4 have a written statement that you would like to offer
5 for the record, you can place it here on the table.

6 THE WITNESS: Should I put my name on it?

7 MR. FFITCH: If you put your name and address
8 on there, that would be fine.

9 Tom Williams.

10 We're two in a row on the in favor side, so I
11 will make up for it next time on the other side.

12

13 Whereupon,

14 TOM WILLIAMS,

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

17 E X A M I N A T I O N

18 BY MR. FFITCH:

19 Q. Mr. Williams, please state your name give
20 your last name for the record.

21 A. My name is Tom Williams, W-I-L-L-I-A-M-S, I
22 live in Tumwater, have for 21 years. I am not a Puget
23 Sound employee. And only way I would own stock is if it
24 happened to be in some of the mutual funds I invest in.
25 I am speaking on behalf of myself.

1219

1 Q. Are you a customer of Puget Sound?

2 A. I am a Puget Sound Energy customer, all
3 electric home.

4 Q. All right, please go ahead and make your
5 statement.

6 A. Thank you for the opportunity to come and
7 speak this evening. Last year I had an opportunity as
8 Mr. Miller and I were part of a citizens' advisory group
9 that worked with Puget Sound Energy on their pilot
10 program for PEM, personal energy management. To be
11 honest with you, I walked in there very, very skeptical.
12 I didn't think it would work, mostly because I didn't
13 think my wife and I would bother to change our
14 lifestyles, but I was convinced otherwise, surprisingly,
15 and my wife and I got on the band wagon, and we did all
16 sorts of nifty little things, and we saved significantly
17 somewhere in the neighborhood of between 18% and 22% per
18 month because of utilizing PEM. As I understand from
19 what I have read and followed in some of this particular
20 issue, one of the purposes for this interim rate
21 increase is to be able to expand PEM and to help defray
22 and defer the need to create more generational
23 facilities. I support that very wholeheartedly.

24 As a business person, I have been basically
25 in private business and owning my own business at

1220

1 different times, I have worked for municipalities and
2 I'm presently working for a consulting engineering firm.
3 It is important that we make certain that our private
4 businesses are vibrant. Judge Moss mentioned one of the
5 balances that you commissioners are charged with trying
6 to do is to make sure the balance between the needs of
7 the company and the needs of the citizens are met.
8 That's a very difficult choice I'm sure. But I am in
9 favor of this particular rate increase.

10 And I would also like to bring up one point I
11 haven't heard tonight is that this is an interim rate
12 increase. Yes, it's going to do some things, but it's
13 from, if I remember right, March to October. And simply
14 to defray the costs and allow PEM to be expanded, and I
15 would wholeheartedly suggest or hope that you would look
16 in favor of that.

17 Thank you.

18 Q. I have a question, Mr. Williams, just because
19 you're the second witness that has talked about the
20 connection between expanding the PEM program and the
21 interim rate increase.

22 A. Mm-hm.

23 Q. And I guess I just wanted to ask if there was
24 a specific place where you got that information, that by
25 allowing the rate increase, that would essentially be

1221

1 primarily for the purpose or would be a very significant
2 measure to expand the personal energy management
3 program?

4 A. Part of it is doing some research on the
5 Puget Sound Energy web site for one, but the other piece
6 of it is more speculation on my part is what I would --
7 I know from being part of the citizens' advisory group,
8 they have to go put a smart meter in a house to be able
9 to make this system work. Those cost -- that's a fairly
10 significant investment, and I understand the original
11 pilot program did about 100,000 of their customers, and
12 they're looking to do the other 800,000 electric
13 customers, and that's where -- that came directly off
14 the Puget Sound Energy web site.

15 MR. FFITCH: Okay, thank you very much.

16 COMMISSIONER HEMSTAD: I have just one
17 comment too, I think you're the second person to suggest
18 this is an interim increase with at least the inference
19 that therefore it would end. The company is asking for
20 an interim increase currently but then with permanent
21 increases to occur say towards the end of the year. In
22 other words, this is not a one shot short-term
23 environment. They're asking for an interim increase to
24 take care of what they believe are current financial
25 needs, but then with permanent increased rates to go

1222

1 into effect in October.

2 THE WITNESS: And that's the one that's still
3 yet to be ruled on, correct?

4 COMMISSIONER HEMSTAD: Yes, both of them have
5 yet to be ruled on.

6 THE WITNESS: Okay.

7 MR. FFITCH: Thank you.

8 JUDGE MOSS: Mr. ffitch, I think our court
9 reporter at least needs a break for a few minutes, and
10 perhaps it would do us all good to stretch our legs, and
11 so we will take a five minutes recess until a quarter
12 after the hour on the wall clock.

13 (Recess taken.)

14 CHAIRWOMAN SHOWALTER: Let's please be
15 seated.

16 MR. FFITCH: Your Honor, looking at the --

17 CHAIRWOMAN SHOWALTER: Just one moment.

18 MR. FFITCH: Sorry.

19 CHAIRWOMAN SHOWALTER: Wait until everybody
20 is ready.

21 Will you please be seated.

22 I just want to express my appreciation for
23 everyone who is still here, the die hards, you're all
24 missing Michelle Quan and the closing of the Olympics,
25 and I think that it does demonstrate your interest in

1223

1 this proceeding, and we do appreciate it.

2 MR. FFITCH: And, Your Honor, I was just
3 going to advise the Bench that by my count there's
4 approximately eight to ten speakers left that we haven't
5 heard from at this point.

6 JUDGE MOSS: All right, Mr. ffitch, thank
7 you.

8 MR. FFITCH: Let me next call Pat Metcalf.

9

10 Whereupon,

11 PAT METCALF,
12 having been first duly sworn, was called as a witness
13 herein and was examined and testified as follows:

14 E X A M I N A T I O N

15 BY MR. FFITCH:

16 Q. Would you please state your name and spell
17 your last name.

18 A. Pat Metcalf, M-E-T-C-A-L-F, Rainier,
19 Washington resident.

20 Q. All right, and are you a Puget Sound Energy
21 customer?

22 A. Yes.

23 Q. Residential customer?

24 A. Yes.

25 COMMISSIONER HEMSTAD: I didn't hear, where

1224

1 do you live?

2 A. Rainier.

3 Q. And are you a Puget Sound Energy employee or
4 shareholder?

5 A. No.

6 Q. And tonight are you speaking on your own
7 behalf?

8 A. On behalf of Thelma Jones and myself.

9 Q. All right.

10 A. Thelma Jones is a close friend of mine, or
11 was. She passed away January of 2001 from hypothermia.
12 She couldn't afford to heat her whole house. She could
13 only afford to heat one room. She went to her bedroom,
14 which she couldn't afford to heat, passed out on the
15 bed, was found three days later. Couldn't survive.
16 Everybody is concerned about their problems. How many
17 people are going to die? I heard this morning that
18 1,000 people were being laid off from Boeing. Are we
19 going to see children in this situation if they can't
20 afford electricity. All the conservation in the world
21 isn't going to make more electricity and bring the price
22 down. And as Mr. Hemstad said, the increase is not
23 going to go down. It always goes up. The prices never
24 come down. You're the only people who can speak for the
25 average citizen. So I ask that you do what you can to

1225

1 increase the amount of electricity and keep the prices
2 low. That's the only thing that's going to help.

3 Thank you.

4 MR. FFITCH: Thank you for your testimony,
5 Ms. Metcalf.

6 Stacey Waterman, oh, I see that you have
7 indicated you don't wish to speak tonight.

8 Jerry Parker.

9

10 Whereupon,

11 JERRY PARKER,

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

14 E X A M I N A T I O N

15 BY MR. FFITCH:

16 Q. Mr. Parker, please state your name and spell
17 your last name for the record.

18 A. Gerald Parker, P-A-R-K-E-R.

19 Q. And where are you from, Mr. Parker?

20 A. Olympia, Washington.

21 Q. And are you a Puget Sound Energy customer?

22 A. Gas and electric.

23 Q. And as a residential customer?

24 A. Yes.

25 Q. Are you an employee or shareholder of the

1226

1 company?

2 A. No, I'm not.

3 Q. And are you speaking on your own behalf
4 tonight?

5 A. Yes, I am.

6 Q. Please go ahead and make your statement.

7 A. Thank you. At one time I got involved in
8 energy matters, and I read all the reports, all the
9 three inch thick documents, had all the facts in my
10 head. I have since relied more on general information,
11 and my comments tonight are based just on general
12 information that's in the common press and some general
13 principles that I think bear on the case, all related to
14 market discipline.

15 I believe in market discipline. It seems to
16 me that from what I understand, Puget guessed wrong on
17 conservation versus generation. They cut their
18 conservation programs way back and bet it on generation.
19 They certainly have that right. They were wrong on the
20 effect of the energy crisis this summer, underestimating
21 the ability of individuals to cut back on their energy
22 use in the face of prices. I don't think that they have
23 a real sharp pencil for elasticity of demand. That was
24 certainly an issue in the WPPSS debacle in the 20 years
25 ago. It seems to me that they didn't learn very much.

1227

1 Again, that's their right, but I don't think
2 that we should be rewarding them for bad decisions, not
3 so much because it's not fair, but because it will
4 continue to get bad decisions. So I think that you have
5 to exercise the market discipline.

6 And the third point, also an economic point,
7 would be that in effect they're charging average costs
8 rather than marginal costs to new users, and the result
9 is not only inefficiency when you don't use marginal
10 cost pricing or use at least marginal cost signals, but
11 it means that those of us who have been paying our bills
12 for a good deal of our lives are in effect subsidizing
13 the infrastructure required to bring new people on line.
14 There should be a hook up fee that represents that full
15 cost of added capacity. It shouldn't be spread over the
16 entire consumer base.

17 So that's the extent of my comments. Much
18 briefer than in the past. But again, to summarize,
19 reward them for good decisions and punish them for bad
20 decisions. Until that's done, we're going to have
21 hearings like this every year. Thank you.

22 MR. FFITCH: Thank you, Mr. Parker.

23 K. Behnam-Guilani.

24

25

1228

1 Whereupon,

2 KAMRAN BEHNAM-GUILANI,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5 E X A M I N A T I O N

6 BY MR. FFITCH:

7 Q. Could you please state your name and spell

8 your name for the court reporter, please.

9 A. Yes, my name is Kamran Behnam Guilini, first
10 name is K-A-M-R-A-N, last name is B-E-H-N-A-M -

11 G-U-I-L-A-N-I.

12 Q. And where are you from?

13 A. Olympia.

14 Q. And are you a Puget Sound Energy customer?

15 A. I am.

16 Q. And are you a residential customer?

17 A. Yes.

18 Q. And are you an employee or shareholder of
19 Puget Sound Energy?

20 A. No.

21 Q. And are you speaking on your own behalf
22 tonight?

23 A. I am.

24 Q. Please go ahead and give your statement.

25 A. Good evening, I'm here to express my support

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1 for the concept of time of use rates. I support that
2 concept, because the time of use rates will shift some
3 load from on peak to off peak, and that shift will have
4 two advantages. First, the need for new facilities will
5 be reduced or deferred. That reduces capital
6 expenditure, and that therefore would reduce the cost to
7 the consumers. Second, as the load is shifted from on
8 peak to off peak, the base load units, the inexpensive
9 units, will be used more often, and the peaking units,
10 those are the expensive units, will be used less often
11 in a corresponding manner. This is going to reduce the
12 variable cost, which for the most part is the fuel cost,
13 and that too will be passed on to the consumers.

14 There is a third reason, and that's the
15 fairness issue, and that is that the customers whose
16 conduct bring about these advantages are going to be
17 rewarded by lower rates, and those who don't will be
18 charged a higher rate. The concept of time of use rate
19 in my opinion is an important step towards smart user
20 energy. I support it strongly, and I urge you to do the
21 same. Thank you for listening to my views.

22 MR. FFITCH: Thank you, Mr. Guilani.

23 THE WITNESS: Thank you.

24 MR. FFITCH: David Lindeblom.

25 MR. LINDEBLOM: Sitting here madly taking

1230

1 notes, and I can't do it to myself.

2

3 Whereupon,

4 DAVID C. LINDEBLOM,

5 having been first duly sworn, was called as a witness

6 herein and was examined and testified as follows:

7 EXAMINATION

8 BY MR. FFITCH:

9 Q. Please state your name and spell your last
10 name for the record.

11 A. My name is David Lindeblom, it's
12 L-I-N-D-E-B-L-O-M.

13 Q. Thank you. And are you a Puget Sound Energy
14 customer?

15 A. Yes, I am.

16 Q. And where are you from?

17 A. I live in Lacey, Washington. I own some
18 property in rural Thurston County.

19 Q. Are you a residential customer?

20 A. Yes, I am.

21 Q. Are you an employee or shareholder of Puget
22 Sound Energy?

23 A. No, I am not.

24 Q. And are you speaking on your own behalf
25 tonight?

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1 A. Yes, I am.

2 Q. Please go ahead and give your statement.

3 A. Well, I heard we can't applaud tonight, and I
4 wrote down I hope we can laugh or cry, and that speaker
5 we just had, I maybe shouldn't have made light of that,
6 but -- and we have had some of that. I noticed that
7 some of the previous people here include the technical
8 and the personal, and they include things that probably
9 the WUTC has no control over, but they said it anyway,
10 so here goes.

11 I subscribe to the Bonneville Power
12 Administration Newsletter, and so I'm fairly well
13 informed on power issue in the region, but not the
14 technical aspects, engineering and all of that, and not
15 the accounting aspects so much either. I hope indeed
16 that what I say doesn't impact my further relationships
17 with PSE.

18 I am a retired school teacher. I make -- I
19 receive less income than a starting teacher in this
20 state, which is low enough. When I think of rate
21 increases, I wonder, the place is growing by leaps and
22 bounds in population, they are getting more and more
23 income all the time. I have electric baseboard. Back
24 in those days when my house was built, everybody was
25 encouraged to use more and more and more electricity. I

1232

1 have to use wood supplement to make the ends meet. As I
2 get older, it's harder to do this, and therefore I have
3 to use more electric power, and my wood is free and low
4 quality. I conserved a lot of power.

5 You know, I was going to say on a limited
6 income, I have never had a new car, I have never had a
7 new house, I'm trying to get one, house that is. I have
8 -- when I retired September '98, I will not get an
9 increase from my September '98 salary until 2011.
10 That's nine years from now before I get an increase, and
11 I consider myself probably a little bit better off than
12 some other people.

13 I conserved, I got my home insulated with
14 Puget Power at that time funding a floor insulation,
15 attic insulation, all the rest of that sort of stuff.
16 It did stop the air circulation around the floors, it
17 increased the moisture, and now I got carpenter ants and
18 powder post beetles.

19 I keep my thermostat at 55 to 60 except on
20 the coldest days outside when I might try to boost it up
21 to 65. Every night we sit around wrapped up in blankets
22 in our living room with the bedrooms 50 or lower. When
23 the 10% cut special rate came in here recently last
24 summer or something, it benefited only those who had
25 been wasting energy all along and could cut back and

1233

1 save. Those of us that have been cutting back all along
2 couldn't cut any more. I did manage to get one month
3 out of it because I was on vacation, and my power, you
4 know, I flipped off the master switch. Maybe you could
5 increase it to businesses that are always running lights
6 24 hours a day, advertising signs 24 hours a day, and
7 all the rest of that.

8 PSE needs to tighten their ship. They used
9 to be a friendly company. I remember helping defend
10 them against a PUD takeover years and years ago. There
11 are a few polite and friendly people on board, but
12 there's even one PSE official that called me a rather
13 impolite name on my voice mail, I'm threatening to play
14 it back to the president of the company some day,
15 because I happened to misplace his phone number. They
16 have misplaced a \$1,092, and my income per month is
17 \$1,200, they misplaced a \$1,092.18 payment, they charged
18 it to the wrong account after I paid it on the original
19 account. And today, just opened my mail before coming
20 up here, and they have corrected that and added another
21 \$500 error in from a wrong account. It's really hard to
22 correct these things with people that are not so polite.

23 They generate their own electricity. They
24 weren't that affected by last winter's increase. When
25 people cut their -- did their conserving, I wouldn't be

1234

1 surprised if they benefited by selling at a higher price
2 elsewhere. I don't know.

3 JUDGE MOSS: Mr. Lindeblom, I'm going to ask
4 you to wrap up in the next few seconds.

5 A. I have a major issue, I suppose I will have
6 to write it down for you. I will brief it. They have
7 made, nobody has mentioned this, they have made a major
8 land grab in the last three years because they have
9 rewritten their easement forms in 1998 to where they can
10 stretch the size of easement property and take over and
11 get free land. I was the third one in the region to
12 find that out, and I did negotiate a separate one for
13 myself, but a lot of people out there think, oh, it's
14 just a standard form, you sign it, and they don't know
15 that Puget Power has the right to build a substation in
16 the middle of their back yard.

17 JUDGE MOSS: Mr. Lindeblom, your time is up,
18 thank you.

19 THE WITNESS: Can I submit three documents?

20 JUDGE MOSS: Please do.

21 CHAIRWOMAN SHOWALTER: And while you're doing
22 that, Mr. Lindeblom, if you are having trouble resolving
23 any dispute with the company, you are welcome to call
24 our Commission. We have a panel of helpers that can
25 sometimes help resolve a problem.

1235

1 THE WITNESS: I have made use of that, and I
2 got my easement thing settled, but there's a lot of
3 other people out there hurting.

4 MR. FFITCH: You can set the document there,
5 and we will collect those at the end of the evening,
6 thank you.

7 Fred Michelson.

8

9 Whereupon,

10 FRED MICHELSON,
11 having been first duly sworn, was called as a witness
12 herein and was examined and testified as follows:

13 E X A M I N A T I O N

14 BY MR. FFITCH:

15 A. My name is Fred Michelson. I live in
16 Olympia. I'm a Puget Sound residential user for gas and
17 electric. M-I-C-H-E-L-S-O-N.

18 Q. And are you an employee or shareholder of
19 Puget Sound Energy?

20 A. No, I am not.

21 Q. And are you speaking on your own behalf
22 tonight?

23 A. Right.

24 Q. Please go ahead and make your statement.

25 A. I don't know whether I'm against this or for

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1 it. I would guess I would have to tell you I'm against
2 it, so you won't have to resolve that later in the
3 speech. I think before you have a hearing like this,
4 you already know that you have a whole host of people
5 who can't afford to make ends meet, so you run into this
6 plethora of people who are really stretched, and they're
7 going to come here tonight and tell you some really
8 tough stories. Then you have on the other hand people
9 who have worked in the industry, who are familiar with
10 it, who were on the web site, they're inquisitive, they
11 like to read articles, and they think they know
12 something about energy, and that everything is fine and
13 Puget Sound needs to make a living. So here you have
14 completely both ends of the spectrum represented here
15 tonight, and that's what democracy is all about.

16 But the reason that I feel so unempowered is
17 because I don't have the information that I think we
18 really need. And I ask you, do you really understand
19 Puget Sound Energy's books, do you understand all the
20 subsidiaries, their holding companies and how they do
21 business, what they do with their money, how did they
22 get it, how much did they sold to California during the
23 power crunch that really didn't exist? Do you have a
24 complete handle on all of these things so you can sit
25 down and you see what percentage they're putting into

1237

1 green power? Do you understand how much conservation
2 that they are obtaining and applying to their own
3 budget? Do you understand exactly how they're set up so
4 that when you decide to make your decision on whether
5 this interim price increase goes through that you have a
6 full understanding of it?

7 I feel like we have no vision of how this
8 company is built and operates. Now I can go to a lot of
9 places to try to find that out. One of the gentlemen
10 said he doesn't think the documentation is correct. And
11 you said, well, you know, it's of a minor nature, so you
12 talk to this gentleman. If any documentation you have
13 from this company is not correct, that's your business,
14 and I expect you to get to the bottom of it. That's
15 what we are here paying you for.

16 I just have more questions than I have an
17 understanding of whether I'm for or against it, and I
18 don't get the feeling that the public at hand is getting
19 a complete view of how this company is set up and
20 operates and how they're using the fees that come in to
21 them to present a fair and finished product back to the
22 public. I don't know how you do that, but I certainly
23 don't think the things that I have read in the
24 newspapers from some gentleman saying, oh, this is
25 wrong, this is not right or seeing pie charts that they

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1 sent to me with my bill or so forth and so on. We need
2 a complete more visible understanding of how these
3 people do business.

4 How many millions and hundreds of millions of
5 dollars are being attributed to different things that
6 make a difference to us, the public who are paying the
7 rates. You've got a gentleman here who represents
8 27,000 people. You have another gentleman here saying
9 he represents all the businesses here, and he says that
10 therefore the increase. I would highly doubt that
11 people in -- I don't want to take exception to anybody
12 that's spoken tonight, but I would highly be surprised
13 if all of these business owners want this increase in
14 their electric bill.

15 I just would ask you that before you make a
16 decision on this, do you have all the information, are
17 you concerned that you have all of the stuff on the
18 books in front of you in order to make this decision?
19 If you don't, then make them put it out there for you.
20 I don't know how you get educated on Puget Sound Energy.
21 It's a huge company, and I'm not asking you how do you
22 do your job. I'm asking you to please do it in a manner
23 with which will give us the best results on return.

24 I know that these people sent a lot of energy
25 south during this crunch. I know they buy a lot of

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1 energy from Bonneville. Bonneville had to buy this
2 stuff at an incredible price on the spot market. That
3 affects all of us. That's why we're in the room
4 probably tonight. I wonder if they have done anything
5 or indicated to you that they're trying to see if they
6 can get some of this money back. Have they tried
7 through litigation, or do they have plans to do to get
8 any of this money back that they have had to use on a
9 spot market process or when they're buying from
10 Bonneville who had to go out on the spot market and buy
11 these enormous chunks of high rated energy?

12 I mean I'm just asking you to look at the
13 whole perspective across the board. Thank you.

14 CHAIRWOMAN SHOWALTER: I will just say a
15 little bit about the process that we have. Judge Moss
16 described it a little bit at the beginning, but there
17 are 17 parties in this case, or at least I believe in
18 this interim part of the case as well, and all the
19 lawyers for all of the parties demand information from
20 each other, but primarily from Puget. It was remarked
21 today in the hearing room that there have been 600
22 discovery requests. There is an enormous amount of
23 information that is exchanged back and forth, and then
24 the parties decide what to put in front of us.
25 Mr. ffitch is one of the parties.

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1 The information that is put in front of us is
2 testimony that's under oath, and there are many
3 exhibits, and we have, I don't know, I would say about
4 two feet of information. We have the ability to ask for
5 as much information as we need. Now this proceeding
6 that we're in now is an interim proceeding that's
7 expedited. In other words, we're making a preliminary
8 decision based on a shorter process than we will have
9 for the full rate case, in which even more information
10 will be exchanged. But the speaker is quite right,
11 there is much information to be learned, and it is
12 primarily up to the parties to seek it and then bring it
13 to us.

14 Commissioner Hemstad, did you have a question
15 or a comment.

16 COMMISSIONER HEMSTAD: Well, I was going to
17 say something along the same line, but just to make it
18 quite brief, the nature of a rate case is to elicit the
19 kind of information, not everything that the last
20 speaker was suggesting, but a broad array of information
21 from the company as to its capital investment and its
22 costs and how efficient it is in its operations in order
23 on a going forward basis to reset rates. That's what
24 the process is about. It is not perfect, but it
25 probably drills down into the bowels of the company in a

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1 way that no other state agency does in its operations.
2 That's what we do.

3 CHAIRWOMAN SHOWALTER: And the other thing I
4 will add is that this hearing is for the citizens and
5 others who are not parties to the case to come and
6 express their opinion. We have been sitting right here
7 all week, including on the State holiday, hearing the
8 testimony of the witnesses in the case who are put on by
9 the parties in the case. So there is, you know, a fair
10 amount of information that we are taking in. There will
11 be more as the interim case goes on.

12 Mr. ffitch.

13 MR. FFITCH: Thank you.

14 Next is Mike Harris.

15

16 Whereupon,

17 MIKE HARRIS,
18 having been first duly sworn, was called as a witness
19 herein and was examined and testified as follows:

20 E X A M I N A T I O N

21 BY MR. FFITCH:

22 Q. Mr. Harris, could you state your name and
23 spell your last name for the record.

24 A. Mike Harris, H-A-R-R-I-S.

25 Q. And are you a Puget Sound Energy customer?

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1 A. Yes.

2 Q. Is that a residential or business customer?

3 A. Both.

4 Q. And are you a Puget Sound Energy employee or
5 shareholder?

6 A. No.

7 Q. Are you speaking on your own behalf tonight
8 or on behalf of an organization?

9 A. Organization and myself.

10 Q. All right, and what is the organization?

11 A. Thurston County Fire Districts Number 9 and
12 11.

13 Q. All right. Please go ahead and make your
14 statement.

15 A. Thank you. I want to thank the commissioners
16 for allowing an opportunity for input. Try to keep this
17 brief. I administer two fire districts which together
18 are about 1/5 of Thurston County, although we're very
19 rural, so that's over 170 square miles of a 700 square
20 mile county. The effects of 747 we predict are going to
21 be pretty intense on us. We project that we're going to
22 have an 8% to 10% reduction within four years. That's
23 an overall revenue just from the effects of 747.
24 Because most of our funding is from property taxes, it's
25 going to be difficult for us to deal with rate hikes of

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1 any sort, not just the utility area.

2 And personally, I'm a 31 year public servant,
3 and I hope to retire in the next few months, so having
4 any spiraling costs such as rate hikes concerns me.

5 So why would I be up here representing or
6 advocating for a rate increase? It seems at odds. And
7 the biggest reason I can give you is that because I was
8 a Puget Sound Energy citizen advisory member, I feel
9 that I was informed. I know people that are opposed to
10 this having heard that I'm a PSE advisory member
11 probably feel that I'm a spokesperson for the company,
12 and I don't feel that way, although I certainly don't --
13 I can't respond to the previous speaker's comments about
14 how big is big and where's the money going and all of
15 that stuff. But I do think it's a pretty simple
16 business issue.

17 Having read the pink sheet, both the Attorney
18 General and Staff have said, well, we don't think a rate
19 increase is necessary, but if you're going to do it, do
20 it in this range, much less than PSE is asking for. And
21 I leave all of that stuff to you. I do trust the board.
22 I do think that you will find the right balance between
23 what the company's costs were versus what they should be
24 allowed to offset.

25 I would like to confine my comments, however,

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1 to what I feel is the need for the continuation of the
2 personal energy management program. I do believe that
3 PSE has shown that time of use costing is conservation.
4 When Bonneville is generating power, the clean power
5 that we enjoy, and some of us choose to offset our
6 washing machines, et cetera, to the evening, that
7 doesn't cause somebody to click on a coal plant or some
8 other dirtier form of energy. And so while this may be
9 the same amount of power is being used, in my mind, it's
10 a conservation effort, because it's much cleaner power,
11 and I like the concept very much.

12 But I'm one of those people that's not
13 involved in the program. I would very much like to see
14 the program expanded for more residential and more
15 commercial use. We have done many things at the fire
16 department and at my home to keep our energy costs down,
17 but we're not reaping any benefits from it, and so for
18 those reasons, we would like to see the PEM program
19 expanded. And I'm worried that a lack of a rate
20 increase will cause PSE to not do as much with that
21 program as they possibly could, so that worries me a
22 lot.

23 I think it's funny that Fred Meyer and other
24 big commercial companies nationwide would say to PSE,
25 you can't have a rate increase, you can't pass through

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1 your extraordinary costs to the consumer. That's
2 ludicrous on the face of it. Every company should be
3 allowed to do that. And I understand that there are
4 restrictions for utilities, but if you find that there
5 are extraordinary costs, I expect those to be passed
6 through to me as the consumer, both as an agency manager
7 and as a home user. I think it's funny that they would
8 say that. They would be the first to pass through costs
9 to us if they incurred them, and I'm sure they do it
10 every day.

11 JUDGE MOSS: Chief Harris, I will ask you to
12 sum up.

13 A. I think the personal energy management
14 program is one of the most amazing conservation programs
15 that anybody has come up with, and I would like to see
16 you not only urge them to continue it, but also to ask
17 the other utilities that you regulate to also delve into
18 that. And I think the green power part is a part of
19 that, and while it's a legislative thing, I'm familiar
20 with unfunded mandates, and I'm familiar with trying to
21 deal with unfunded mandates, and I think they're
22 struggling with that. Thank you.

23 MR. FFITCH: Thank you, Mr. Harris.

24 I will just say for the information of the
25 people attending, perhaps the handout was not entirely

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1 clear on this, but just to clarify the position of the
2 Kroger Company or the owner of QFC and Fred Meyer
3 stores, they're not actually -- they have not filed
4 testimony in this case on the rate increase itself.
5 Their recommendation has to do with how the money would
6 be collected and spread out between businesses and
7 residential consumers in the event there is an increase
8 granted. So just in fairness to them, I wanted to
9 clarify that. That may not be real clear from the
10 handout that you have.

11 Dennis Mekkers says maybe.

12 MR. MEKKERS: I would like to speak.

13 MR. FFITCH: All right.

14

15 Whereupon,

16 DENNIS MEKKERS,
17 having been first duly sworn, was called as a witness
18 herein and was examined and testified as follows:

19 E X A M I N A T I O N

20 BY MR. FFITCH:

21 A. My name is Dennis Mekkers. I live in Port
22 Orchard. I'm representing myself. I am a residential
23 customer. And I'm not an employee nor shareholder of
24 Puget Sound Energy.

25 Q. All right, please make your statement.

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1 A. We have heard a lot of discussion tonight
2 regarding the impacts of a rate increase and both
3 beneficial impacts to some and also detrimental impacts.
4 I'm not here because the effects of rate increase have
5 any impact on me. I can afford this rate increase. But
6 the compelling reason I'm here is because I'm very
7 concerned about why we are all here. I'm not sure
8 everyone understands why we're all here. I have my own
9 reasons, which I'm self convinced that we're here, and
10 they're very much similar to this gentleman's reasons.
11 He's either an economist or a water resources engineer,
12 or he's a very shrewd fellow with a lot of time on his
13 hands. So I'm here on principle alone, and I don't
14 believe that the rate payers should bear the burdon of
15 rectifying the financial situation of Puget Sound
16 Energy.

17 I do not believe we're here because of
18 draught. If you look at where Puget's generating
19 projects are and the precip that we had last year,
20 stream flows, it's not a situation where their project
21 exists that it was a tremendously out of the ordinary in
22 terms of volume of water. We're not here because of a
23 lack of Puget Sound Energy's investment in conservation.
24 In fact, we're probably here because of conservation, a
25 phenomena which occurs in energy as well as water and

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1 it's written extensively about in literature, shows that
2 when there's a draught people conserve, and even when
3 the draught's over, people are still conserving, and it
4 has very detrimental financial impacts to the provider.
5 I believe we're here because of that. We have also been
6 reading the news. We're here because of industry
7 failure. We're here because of shortsighted marketing
8 policies. We're here because poor business practices
9 because of an over extended grid and PSE's lack of
10 corporate marketing strength. Therefore, the financial
11 burdon of rectifying the company's books does not rest
12 with me or other rate payers. They do not have
13 obligatory hand on my wallet, and I reject the idea that
14 they think they should.

15 I would support money, a rate increase, to
16 build capacity for Puget Sound Energy. I would support
17 a rate increase for them to isolate or extend more power
18 and influence over the regional grid. I would pay their
19 lawyers to go after Lay or others that have usurped or
20 finagled the industry to their own advantage at our
21 expense, but I can not support a rate increase to pay
22 for what Puget is expressing as their need. I would ask
23 that the Commission reject the interim rate increase.

24 Also given the flexibility in corporate
25 accounting methods, and I'm sorry, I'm lost, given the

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1 flexibility in corporate accounting methods, the
2 Commission can not grant a rate increase under emergency
3 conditions, that is without having full disclosure and
4 consideration of financial records. In addition, your
5 contingency on increasing equity is not a rigorous
6 safeguard to ensure that any rate increase is used only
7 to improve finances.

8 Similarly, I also would request that Utility
9 constrain Puget Sound Energy from using language such as
10 that offered in their January 2002 energy wise document
11 which characterizes one of their new pricing options as
12 similar to a home mortgage. That would be paying a
13 fixed annual rate for energy. There's nothing like a
14 mortgage. If I want a mortgage, I can negotiate rates
15 and attendant fees. I can choose the terms of the
16 contract, solicit bids from competitors, buy down the
17 burdon, gain tax incentives, discharge the debt entirely
18 when it's paid when I'm financially willing and able to
19 do so, or I can choose to forgo the mortgage entirely.
20 So I would hope you would constrain their use of their
21 language in describing their methods to their rate
22 payers.

23 JUDGE MOSS: Mr. Mekkers, that exhausts your
24 time, thank you.

25 THE WITNESS: Thank you very much.

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1 MR. FFITCH: Thank you, Mr. Mekkers.

2 Next speaker is James Pinkerton.

3

4 Whereupon,

5 JAMES PINKERTON,

6 having been first duly sworn, was called as a witness

7 herein and was examined and testified as follows:

8 E X A M I N A T I O N

9 BY MR. FFITCH:

10 A. My name is James Pinkerton. I am a Puget
11 Sound Energy residential user. I live in Thurston
12 County. I don't own any Puget Sound stock I don't
13 think. And I can afford the rate increase, but I'm here
14 against it. I'm also here to speak against the future
15 increase, the permanent increase, and I assume I'm
16 allowed to express my opinion here in general, is that
17 okay? Good.

18 I think that a for profit company for such a
19 basic human need is insane. Power is required for
20 schools, for hospitals, for government offices, and no
21 way is it just a luxury that we can arbitrarily have or
22 have not, we have to have it. Maybe 100 years ago it
23 could have been considered a luxury when we were using
24 candles and things like that at that time.

25 Mrs. Kindermann who is I believe gone said that they

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1 need a little bit of help, I would say that the majority
2 of people need a lot of help, not just a little bit.

3 On the board downstairs it says that since
4 1905 the UTC has been protecting the consumer. I have
5 some real basic issues with that concept. The very
6 first one is that a couple of years ago I asked a
7 question of the UTC and of PSE and lots of other people,
8 and nobody wanted to give me a very good answer, and
9 then I was threatened, intimidated, stone walled, I
10 could go on and on. But the question was more basic
11 than anything I have heard here tonight, and that is
12 that, you know, the UTC has a weights and measures
13 department that guarantees that when I buy a gallon of
14 gasoline, I get a gallon of gasoline.

15 And the way that they do that is to have an
16 agency that's not connected to the, in theory, not
17 connected to the gas companies that arbitrarily and
18 without prior notification stops at a gas station and
19 checks the gas pump to see if it's got a gallon of gas
20 when it registers a gallon of gas. Well, my question
21 two years ago was, how do I know that my power meter is
22 accurate or anybody else's.

23 As a taxpayer, I pay taxes to pay the power
24 bill of Fort Lewis and McChord and the hospitals and the
25 schools and all the government offices, and as a rate

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1 payer, of course I have to pay my own individual power
2 bill, which I think is awfully high, and I have an all
3 electric home by the way with a heat pump, and I think
4 in the winter time to have a livable temperature when I
5 work all day I spend about \$250 a month during the dead
6 of winter for my all electric home. And for a 1,700
7 square foot home, I think that's ridiculous.

8 But again, the problem that I have is that
9 two years ago I demanded from all kinds of agencies an
10 accounting of my power meter. I wanted to know that
11 when I bought a kilowatt of power, I got a kilowatt of
12 power. And it took me about two months just to get the
13 information that power meters are adjustable, they have
14 an adjustment screw on them. And I finally got PSE to,
15 again very ungratefully and very angrily, suggest to me
16 that if my power meter was off at all, it was off in my
17 favor, and how would I like them to come out and adjust
18 it back to where it should be. I considered that again
19 outrageous. So I'm against the rate increases.

20 Oh, by the way, one of the people that I
21 talked to at the UTC used to be a major person in a
22 power company, so I did not -- and this all -- this
23 person whose name I don't want to mention told me that
24 they're -- he gave me quite a few assurances that
25 they're working on it at the UTC, and that there was

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1 going to be some program in place very soon that would
2 guarantee that some independent person goes out and
3 measures these power meters. But anyway, nobody can
4 measure the power meters from what I know from PSE,
5 because they own them, and they will not let anybody
6 touch them, and they have locks on them. And we can
7 certainly get in trouble if we steal power from them,
8 but I'm not sure they're getting in trouble for stealing
9 power from us.

10 JUDGE MOSS: Mr. Pinkerton, your time is just
11 about up.

12 A. Okay, one last thing, again, major important
13 issue on this power thing. But the other thing is we're
14 asked to be conserving power, and we have this, you
15 know, few hundred foot poles just went up that people
16 aren't too happy about already, and I think the power
17 meter guard really should have a job, but when we are --
18 we're not saving any power. Anything that we conserve
19 simply is more power to be squeezed out to be sold for
20 profit to other agencies.

21 And one last thing, the BPA I believe was
22 produced or constructed through taxpayer funding. It's
23 a kind of a quasigovernmental business agency.

24 JUDGE MOSS: Mr. Pinkerton, that does exhaust
25 your time.

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1 THE WITNESS: Thank you very much, thank you
2 all.

3 MR. FFITCH: Thank you, Mr. Pinkerton.
4 Walter Jorgensen.

5

6 Whereupon,

7 WALTER JORGENSEN,
8 having been first duly sworn, was called as a witness
9 herein and was examined and testified as follows:

10 E X A M I N A T I O N

11 BY MR. FFITCH:

12 A. I'm not sure I can remember your questions,
13 so go ahead and ask them.

14 Q. All right. Please state your name and spell
15 your last name for the record.

16 A. My name is Walter Jorgensen,
17 J-O-R-G-E-N-S-E-N.

18 Q. And where are you from, Mr. Jorgensen?

19 A. Olympia.

20 Q. And are you a Puget Sound Energy customer?

21 A. Yes.

22 Q. Is that a residential or business customer?

23 A. A residential, I guess multiple residential,
24 bur residential, yeah.

25 Q. All right. And are you a Puget Sound Energy

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1 employee or shareholder?

2 A. No.

3 Q. Are you speaking on your own behalf tonight?

4 A. My own behalf.

5 Q. Please go ahead and give your statement.

6 A. Thank you. Madam Chairwoman, commissioners,

7 Your Honor. I'm particularly happy to be here tonight

8 because my power is out. I kid you not. As I was --

9 COMMISSIONER HEMSTAD: I might mention the
10 power was out on the west side when I was trying to get
11 here, that's why I was a few minutes late.

12 A. You see. And as I was stepping out the door,
13 the power went out, and so I went back and made at least
14 the one call on my cell phone to Puget Energy, and right
15 now, probably not the major concern in my life, but I
16 see by looking at the clock, I'm kind of wondering if my
17 VCR came on at 9:00 to record Drew Carey, but I will
18 figure that out when I get home.

19 Actually, I have a very singular point
20 tonight I guess, and that is the source of revenue for
21 Puget Energy and for just about any other energy
22 producer and quasiutility, and that is the source of
23 revenue for new infrastructure. Quite simply, as rate
24 payers, we pay for new infrastructure as it's needed and
25 put on line. Puget Energy, as I think I correctly

1 understand, is primarily an energy distributor rather
2 than a transmission or generating utility, but we need
3 all three kinds of infrastructure to produce our energy.
4 Someone had mentioned something about there were lots of
5 new users. Yes, there are lots of new users, but they
6 come on and they pay basically the same unit price, so
7 that doesn't provide new revenue for Puget Energy.

8 The amount of all of our monthly bills that
9 does go for constructing new infrastructure rather than
10 for continuing to provide power for us using the
11 existing infrastructure is about one third. I got that
12 about a year ago at a D.C. Ted meeting on smart growth,
13 and when they broke into small groups, I went to the
14 energy group, and it was heavily populated with Puget
15 Energy people, which was very good, because they were a
16 great source of information, and our session was one
17 that was built at least more on information than it was
18 on speculation. And they answered my question very
19 directly. I said, how much of my bill, basically how
20 much of what I pay, you know, on my bill is needed and
21 used for new infrastructure, and they said about a
22 third.

23 So I can't express strongly enough that I
24 think that as a regulating body, whatever mechanism it
25 takes for you to have your influence felt, it is that

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1 eventually you require Puget Energy as a utility to
2 charge a connection fee to new users. And I just
3 happened to have this with me by accident. I got it in
4 the mail and I had it in the car, and it's the Lott
5 newsletter. Even Lott charges a connection fee. It's
6 not enough, but at least they've got the concept right.
7 And this is something that will continue to aggravate
8 the increasing rate problem for rate payers until we get
9 new customers for water systems and for sewer systems
10 and energy systems and road systems and school systems
11 to buy into the game before they start paying on an
12 incremental basis. That's a big reason for the
13 excessive rates that we do pay. Thank you.

14 JUDGE MOSS: Thank you.

15 MR. FFITCH: Thank you very much.

16 I believe that concludes the names I have on
17 the sign up sheets, Your Honor. I don't think I see
18 anybody who is indicating I have missed their name.
19 According to my notes, I have completed calling all the
20 witnesses who signed up.

21 JUDGE MOSS: All right, thank you,
22 Mr. ffitich. Why don't we give you the evening to
23 assemble the various documents and perhaps make some
24 copies, and since we do have further hearing proceedings
25 again as 9:30 tomorrow morning, we could mark those and

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1 introduce them, or you can seek to introduce them into
2 the record at that time if that's agreeable with you.

3 MR. FFITCH: That's agreeable, Your Honor, I
4 will bring that up in the morning session.

5 JUDGE MOSS: Is there any further business
6 from the Bench?

7 CHAIRWOMAN SHOWALTER: I will just say thank
8 you all for coming and especially those of you who are
9 still here for staying, thank you.

10 JUDGE MOSS: We will be off the record.

11 (Hearing adjourned at 9:10 p.m.)

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