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1           BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2   COMMISSION

3 WASHINGTON UTILITIES AND           )  
4 TRANSPORTATION COMMISSION,       )  
5                                   Complainant,            )  
6 vs.                                       ) Docket No. UE-050482  
7                                        )                   UG-050483  
8 AVISTA CORPORATION d/b/a            )  
9 AVISTA UTILITIES,                    ) Volume II  
10                                   Respondent.            ) Pages 18 - 84  
11 \_\_\_\_\_)                                        )

9   A public hearing in the above matter  
10 was held on October 11, 2005, at 5:00 p.m., at Ramada Inn  
11 Spokane Airport, before Administrative Law Judge KAREN  
12 CAILLE.

13   The parties were present as follows:

14   AVISTA CORPORATION, by DAVID J. MEYER,  
15 Chief Counsel and Vice President, East 1411 Mission  
16 Avenue, MSC-13; Post Office Box 3727, Spokane, Washington  
17 99220; telephone (509) 495-4316.

18   WASHINGTON UTILITIES AND TRANSPORTATION  
19 COMMISSION, by CHRIS SWANSON, 1400 South Evergreen Park  
20 Drive Southwest, Post Office Box 40128, Olympia,  
21 Washington 98504; telephone (360) 664 1187

22   NORTHWEST INDUSTRIAL GAS USERS, by MICHAEL  
23 LITTLE, Executive Director of Customers.

24   PUBLIC COUNSEL, by SIMON FFITCH, Assistant  
25 Attorney General, 900 Fourth Avenue, Suite 2000, Seattle,  
Washington 98164; telephone (206) 389-2055

THE ENERGY PROJECT, by RONALD L. ROSEMAN,  
Attorney at Law, 2011 14th Avenue East, Seattle,  
Washington 98112; telephone (206) 324-8792.

Mark Sanchez, CSR

Court Reporter

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1                   COMMISSIONER SIDRAN: Good evening, and welcome  
2 to the Washington Utilities public hearing on the Avista  
3 Corporation's general rate case related to increases in  
4 electricity and natural gas rates. I'm Mark Sidran,  
5 chairman of the Commission. And I'm joined by my  
6 colleagues on my right, Commissioner Phillip Jones, and on  
7 my left Commissioner Patrick Oshie, and at the end of the  
8 table is our administrative law judge, Karen Caille.  
9 We're delighted to be here in Spokane. We want you to  
10 know that we explored a number of possible venues. We  
11 hope this is convenient for the public. We realize it  
12 might have been more convenient in downtown Spokane,  
13 perhaps, but we were unable to find a venue that was  
14 reasonably priced. So ever mindful and prudent, we are  
15 here and we are pleased that you have come, and look  
16 forward to hearing your comments. Judge Caille is going  
17 to conduct this hearing on behalf of the commission, and I  
18 will ask her now to explain the ground rules for this  
19 public hearing and we will take your comments. Judge  
20 Caille.

21                   JUDGE CAILLE: Thank you, Chairman Sidran. First  
22 I'm going to call the case. This is the Avista Rate Case,  
23 it's Docket Nos. UE-050482 and UG-050483. We are convened  
24 in Spokane, Washington for a public hearing, and it is  
25 Tuesday October the 11th, 2005, and it is approximately

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1 5:00 p.m. My role this evening will be to facilitate this  
2 hearing. The commissioners' role will be to listen to  
3 your comments. This public hearing is held as a part of  
4 the Commission's formal hearing process as it considers  
5 the Multi-Party Settlement Agreement submitted by Avista,  
6 Commission staff, Northwest Industrial Gas Users, and The  
7 Energy Project. Two of the parties in this proceeding,  
8 Public Counsel and Industrial Customers of Northwest  
9 Utilities, oppose the proposed settlement. In a moment I  
10 will ask the parties in support of the proposed settlement  
11 to explain to you the terms of that settlement, and then I  
12 will ask the -- those in opposition to explain their  
13 position. I would like to make clear that this public  
14 hearing is not about the proposed purchase gas adjustment  
15 for Avista. I believe that hearing is being conducted  
16 somewhere else, I think it's in Coeur d'Alene tonight. So  
17 just so you know, this is about the Avista rate case.

18 The Commission's hearing process is one where we  
19 take both technical testimony from the parties who  
20 formally appear before us, and we also take public  
21 testimony and evidence from members of the public in  
22 sessions such as the one we have tonight.

23 The purpose of this hearing this evening is to  
24 provide the commissioners with information that they can  
25 use to make a decision about whether this settlement is in

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1 the public interest and will provide rates that are fair,  
2 just, reasonable and sufficient. The comments this  
3 evening will be given under oath and recorded, and your  
4 comments will become part of the formal record that  
5 will be the basis for the Commission's decision.

6 I am going to ask counsel to make your formal  
7 appearance at this time, which means that they will state  
8 on the record who they are and who they represent. And I  
9 will ask counsel to also introduce any representatives  
10 that are here with you tonight. And let's begin with Mr.  
11 Meyer.

12 MR. MEYER: Thank you, your Honor. My name is  
13 David Meyer and I'm counsel for the company. And thank  
14 you for being here tonight, we're always happy to hear  
15 from our customers. And we do want to know what you think  
16 about this. Kelly Norwood, please stand up. Kelly is the  
17 vice president in charge of rates and regulation, and we  
18 have a number of others. I'm gonna ask them to stand, I  
19 won't separately introduce them. Please stand if you're  
20 from Avista. And the reason I do that is during a break  
21 or at the conclusion of these proceedings, if you have  
22 questions about what you've heard or other service related  
23 questions, we're here to help provide an answer. Thank  
24 you.

25 JUDGE CAILLE: Mr. ffitich.

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1           MR. FITCH: My name is Simon Fitch, I'm an  
2 assistant attorney general with the Office of Public  
3 Counsel. We're the representative of the consumers in the  
4 case.

5           MR. SWANSON: And my name is Chris Swanson,  
6 assistant attorney general as well, and I'm here on behalf  
7 of the Commission staff who is also a party to this  
8 proceeding.

9           JUDGE CAILLE: And do we have any other parties  
10 in the room? Okay. Yes.

11          MR. LITTLE: I'm Michael Little, I'm executive  
12 director of customers of Northwest Industrial Gas Users.

13          JUDGE CAILLE: Thank you.

14          MR. ROSEMAN: I'm Ron Roseman, I'm an attorney  
15 that represents the Energy Project in this proceeding.

16          JUDGE CAILLE: Thank you very much. All right.

17 As Mr. --

18          COMMISSIONER SIDRAN: Judge Caille, if you'll  
19 indulge me. I think it might be helpful to explain to  
20 people, since it probably is not obvious that the reason  
21 we have two assistant attorneys general here, is that one  
22 represents the public counsel section of that office, as  
23 Mr. Fitch indicated, on behalf of consumers, residential  
24 consumers and small business consumers. When Mr. Swanson  
25 says he represents the Commission staff, we sit as

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1 commissioners separately from the staff members of the  
2 Commission, who have a role as a party to this proceeding  
3 to evaluate the proposal in this case of Avista and to  
4 come to a conclusion on the merits. They've done that.  
5 As Judge Caille mentioned, they have entered into a  
6 proposed settlement. We sit now, in effect, as a tribunal  
7 in which the staff, represented by Mr. Swanson, is a party  
8 like any other party. But I think it is always confusing  
9 to people to have the Commission staff, even though they  
10 are part of the Commission they sit on the other side of  
11 the table, if you will, from where we sit today, as  
12 commissioners, and they have their own attorney  
13 representing them in this proceeding. Thank you.

14 JUDGE CAILLE: Thank you. And Mr. Meyer had  
15 alluded, there are representatives from our consumer  
16 services division outside in the hall, I believe that's  
17 where they are, who can also answer questions. And they  
18 will be available during the break, as well as company  
19 representatives Mr. ffitch and Mr. Swanson. Experience in  
20 taking public comment has taught us that each speaker  
21 should be limited to three minutes so that we can have  
22 time to get to everyone. Those of you who have spoken in  
23 public before know that three minutes is actually quite a  
24 lot of time. And if some of the other speakers are  
25 running over, please excuse me if I interrupt and ask you

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1 to sum up. It is not necessary for to you repeat the  
2 comments of another speaker already. If you agree with  
3 those comments, you can just step up and say that you  
4 agree to those comments and the Commission will give as  
5 much meaning to that as if you had made the -- those  
6 comments again. And if you have any written comments or  
7 materials this evening, please provide a copy of those to  
8 Mr. ffitch, who will add them to our exhibit of public --  
9 written public comments.

10 Next I am going to call upon Mr. Swanson to give  
11 the audience a summary of what the settlement is about and  
12 the status of the case up to this point. Mr. Swanson.

13 MR. SWANSON: Thank you, your Honor. As the  
14 chairman explained, I represent the Commission staff which  
15 is a party in this proceeding. And one of the Commission  
16 staff's role is when a company files rate case, that is  
17 requests a rate increase, we take a look at the company's  
18 books, and their financial situation and the rates they're  
19 charging currently. I'm being asked by some of the  
20 audience to raise my voice, so I'll attempt to do that.  
21 I'm gonna stand up maybe that'll help me to speak a little  
22 louder. So as I was saying, the company files for rate  
23 increase. And based on their filing, the staff, as well  
24 as the other parties, examine the company's books. I  
25 determine whether or not that party believes that the rate

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1 increase is appropriate.

2           In this case staff, the company Northwest  
3 Industrial Gas Users and Energy Project came to a  
4 settlement based on settlement negotiations that occurred  
5 following a review of the company's books. What the  
6 company originally filed for was a revenue increase of  
7 \$35.8 million. The settlement reduces this amount by  
8 \$13.7 million, resulting in a recommended revenue  
9 requirement increase of \$22.16.

10           Now, this case had two components; electric case  
11 and also a gas case. As you probably know, Avista does  
12 both of those utilities. In the gas case, the company  
13 sought to increase their revenue by \$2.9 million in their  
14 original filing. The settlement reduces this amount to  
15 \$1.9 million, resulting in a recommended gas revenue  
16 requirement of \$968,000. And as part of the original  
17 filing in this case, the company, in addition to seeking a  
18 certain amount of money they feel will be adequate for  
19 them to serve you, the customers, they also file what  
20 they're gonna charge each individual customer group, and  
21 they spread out that revenue requirement in terms of rate  
22 increase for each of the customer groups. And I'm not  
23 gonna go into detail about each of those groups, I think  
24 public counsel's provided a handout that explains some of  
25 that in detail, including residential electricity rates



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1 which would climb an average of 9.5 percent under the  
2 settlement, and gas rates, which could go up .68 percent  
3 under the settlement.

4           The settlement also has a number of other  
5 components to it, including a rate of return and other  
6 mechanisms to help build equity in the company. It also  
7 deals with a number of issues that I'm not gonna get into  
8 detail here, because I think mainly the issue we're gonna  
9 talk about, and main issue for the folks at this hearing,  
10 is what are the rates gonna look at. And I believe that  
11 Mr. ffitch may do a good job of explaining how that all  
12 fits together. Thanks.

13           JUDGE CAILLE: And Mr. ffitch.

14           MR. ffITCH: Thank you, your Honor. I'll copy  
15 Mr. Swanson's stand-up. Again my name is Simon ffitch,  
16 I'm with the public counsel office. We are the department  
17 of the attorney general's office that is charged, by  
18 statute, with representing the customers before the  
19 Washington UTC, and we participate in most major rate  
20 cases and other significant cases advocating on behalf of  
21 residential and small business customers. And we  
22 participate in this case as well by retaining expert  
23 witnesses, accountants, financial experts, economists, to  
24 take a look at the company's books and evaluate the  
25 request.

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1           As has been indicated in previous comments we --  
2 based on our review, we do not support the current  
3 settlement that is before the Commission. The analysis  
4 that has been performed by our experts indicates to us  
5 that the maximum electric increase for the company should  
6 be only in the range of \$6.4 million, which is about a two  
7 and a half percent increase. And the gas rate should  
8 actually be reduced a small amount by little under  
9 \$150,000, which is a very small percentage. There is  
10 additional detail about this in a handout which most of  
11 you picked up at the front table, and contains information  
12 in a Q and A format about the case.

13           The case is going to be presented to the  
14 Commission next week for further testimony, and in this  
15 case next week, the witnesses that will be heard will be  
16 the various accountants and economists and other expert  
17 witnesses who have done the review of the evidence in the  
18 case, and there will be cross-examination of those  
19 witnesses. We will be present at that hearing, we will be  
20 putting on our evidence and witnesses. We will be asking  
21 questions of the company, the company witnesses, and then  
22 following that we will file written legal briefs with the  
23 Commission recommending our views on the case.

24           The other thing that we will be doing, as the  
25 judge suggested or mentioned, is that we do gather and

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1 collect all of the written public comments that are sent  
2 into the Commission that come to our office, and also that  
3 you may have to turn in tonight. And we put those  
4 together into a formal exhibit which was offered into the  
5 record so that the commissioners can have an opportunity  
6 to review those. So we don't have a formal cut-off date  
7 for written comment at this time, but with the final  
8 hearing happening next week, if folks have additional  
9 comments they want to make, they can send those in to  
10 comments@wutc.wa.gov, and that address is on the handout.  
11 And those really should come in within the next week in  
12 order to be included in the evidentiary exhibit that we'd  
13 offer.

14           So the only other comment I would make is that I  
15 will be here -- oh, I wanted to say. There are a lot of  
16 issues in the case that are -- I guess I'd use the word  
17 technical in nature when you start talking about  
18 accounting issues or rates of return, this kind of thing.  
19 It quickly gets somewhat complicated. We have tried to  
20 summarize the issues that we saw in the case in the areas  
21 of accounting, areas of cost and capital, and the area of  
22 rate spread, and also the company's energy recovery  
23 mechanism. And I put that in your handout, or in a  
24 handout that we prepared, so you can look at that. I'd be  
25 happy to talk to you afterwards about that or anything

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1 else you'd like to ask me. I'll be available. So thank  
2 you very much.

3 JUDGE CAILLE: Thank you, Mr. ffitch. We are now  
4 ready for the public comment portion. And what I'd like  
5 to do is swear everyone in at one time, so those of you  
6 who are going to testify this evening, if you would please  
7 stand and raise your right hand.

8 JUDGE CAILLE: And after I finish giving you the  
9 oath, please say "I do" if you affirm that you take this  
10 oath.

11 (Whereupon, the oath was administered.)

12 JUDGE CAILLE: When we call your name, please  
13 step up to the podium. And I am going to ask you a few  
14 preliminary questions just to identify who you are, and  
15 then you can begin your comments. Again, I'm going to ask  
16 that you keep your comments to three minutes. And I will  
17 be timing you. And please speak slowly and distinctly so  
18 the court reporter can record your comments. Let's begin  
19 with Mr. John Hill.

20 Good evening, Mr. Hill. Would you please state  
21 your name and spell your last name for the court  
22 reporter.

23 MR. HILL: My name is John Hill, my last name is  
24 spelled H-I-L-L.

25 JUDGE CAILLE: And where do you live, Mr. Hill?

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1                   MR. HILL: I live in Stevens County, specifically  
2 Kettle Falls.

3                   JUDGE CAILLE: And are you representing yourself  
4 tonight? Or a group?

5                   MR. HILL: No, ma'am. I'm representing East  
6 Washington Community Action.

7                   JUDGE CAILLE: And are you yourself a customer of  
8 Avista?

9                   MR. HILL: No, I'm not.

10                  JUDGE CAILLE: Okay. Go ahead with your  
11 comments.

12                  MR. HILL: Thank you. The Energy Project, in  
13 conjunction with the community action agencies, signed on  
14 to the original settlement, and we do think that that  
15 original settlement was a benefit to the community action  
16 agencies as far as our provision of LIRAP and the  
17 weatherization programs to our low income clients.  
18 Specifically in our case, in Stevens County. We don't  
19 believe that the settlement should be thrown out with any  
20 type of action with the rate case, that it provides good  
21 leverage for us in addressing energy conservation and  
22 energy assistance to our clients again. But I'm not gonna  
23 lobby on that specific issue and I'm not gonna take up  
24 your time with that. What I want to do is provide some  
25 information more than I do want to argue one side or the

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1 other.

2           As you can see from my sign-in sheet, I didn't  
3 put down that I was opposed or for this. What I'd like  
4 the Commission to understand is that when we get into the  
5 heating season and our weatherization projects that we  
6 have going on, is that we have a vital link to the Avista  
7 utility with their demand side management programs in the  
8 form of LIRAP and weatherization. This meeting right now  
9 is very fortuitous because we're starting our energy  
10 assistance season right now. We're starting to take  
11 appointments and we're starting to seek clients. And  
12 their number one question is, "How am I going to afford  
13 this if there's rate increases and if there's not enough  
14 support behind the rate increases to be able to help out  
15 the seniors, the disabled, and the underprivileged in our  
16 communities?" And that's what I would really like the  
17 Commission to take a look at, is what you're doing here  
18 and what Avista is asking for, and what the other parties  
19 are -- is there enough in there to support the  
20 underprivileged in our communities. Especially the  
21 seniors and disabled, who generally have a difficult time  
22 with paying their electrical bills and affording medicine  
23 and all those other things that develop to the quality of  
24 life. So if I have any edge here, if I have anything to  
25 impart, is to look at that essence of what the corporation

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1 provides to us and what they want to do, and how we do our  
2 jobs and how we serve our clients in conjunction with  
3 Avista. And I'd be happy to take any questions that you  
4 have, another couple seconds here.

5 COMMISSIONER SIDRAN: I'll take advantage of that  
6 invitation. While I think the Commission knows what LIRAP  
7 is and understands your comments, since this is a public  
8 hearing, would you take just a brief moment and instead  
9 of using the acronym, tell people what is LIRAP and what  
10 in particular in the settlement is being suggested as the  
11 investment in LIRAP by the company.

12 THE WITNESS: Certainly. Most individuals that  
13 have received any kind of energy assistance have received  
14 it through the LIHA program, which is the Low Income  
15 Heating Assistance program provided by the Health and  
16 Human Services, a part of the federal government. Avista  
17 mirrors that program with what they call LIRAP, which is  
18 the Low Income Rate Assistance Program. And in our case  
19 and in the settlement case, is that this was going to be  
20 increased by about 600,000 Avista territory wide. And as  
21 part of that, that means that we could serve more people;  
22 we would be able to provide the senior program an increase  
23 in funding from \$200 to \$300 to help, then, offset their  
24 energy costs. So the LIRAP program is a mirror of the  
25 LIHA program that we have available to us in the Avista

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1 territory. If we were to lose the LIRAP program, or to  
2 have it not continue to be funded or funded at a greater  
3 level, then we have to completely rely upon our LIHA fund.  
4 And before the LIRAP program, we were not able to serve  
5 our applicants that came in for energy assistance. We  
6 would probably be able to serve 75 to 80 percent of them.  
7 Right now we're serving 90 to 95 percent of our applicants  
8 in the Avista territory.

9 COMMISSIONER JONES: My understanding is that the  
10 company presently provides about \$3,000,000 a year in  
11 LIRAP, this low rate assistance funding program. This  
12 settlement offers to increase it by 600,000 per year for  
13 two years. So it's not 600,000; it's 1.2 million over  
14 two years.

15 MR. HILL: I'm sorry. I was thinking in project  
16 year/program year.

17 JUDGE CAILLE: Thank you very much.

18 MR. HILL: Thank you very much for the  
19 opportunity.

20 JUDGE CAILLE: Reverend Berrett Lindsey  
21 (Phonetic).

22 REV. LINDSEY: I'm Berrett -- I'm Reverend  
23 Berrett Lindsey, I live in Spokane on the South Hill, and  
24 have a church in Cheney.

25 JUDGE CAILLE: And are you a customer of



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1 Avista's?

2 REV. LINDSEY: I am.

3 JUDGE CAILLE: Go ahead with your comments.

4 REV. LINDSEY: Briefly, this is the first time  
5 I've ever come before this body certainly. And just want  
6 to urge, I was delighted, I must say, that the attorney  
7 general's office has a watchdog group that is willing to,  
8 on behalf of citizenry at large, do the very important  
9 part that they're representing here tonight. So I'm  
10 grateful for that as a taxpayer, as a citizen, as a  
11 consumer of utilities.

12 And I was struck by the information that came  
13 out of -- from the utility commission itself, that there  
14 was such a disparity in the viewpoint of what is a fair  
15 and reasonable increase on our utilities. It was a little  
16 breathtaking. And I want -- I got, from the public  
17 counsel section of the attorney general's office, this  
18 handout tonight. And I think it expresses my thoughts  
19 very succinctly and forthrightly and cogently, and I would  
20 think that it would represent, fairly, a number of other  
21 tax paying citizens and consumers of the utilities. So I  
22 just want to heartily commend to the commissioners to give  
23 some real serious consideration of the viewpoints  
24 expressed in this document, and to be willing to perhaps  
25 even look further at some of the issues that are raised

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1 that apparently haven't been totally resolved, some  
2 outstanding questions that are still worthy of some  
3 consideration. So I just strongly urge that and will look  
4 forward to whatever decisions are made. Thank you.

5 JUDGE CAILLE: Thank you. Mr. Gary Gow, is it?  
6 G-O-W. Good evening, Mr. Gow. Please state your name for  
7 the record.

8 MR. GOW: Gary Gow, G-O-W.

9 JUDGE CAILLE: And your address?

10 MR. GOW: 915 East Vicksburg, Spokane,  
11 Washington.

12 JUDGE CAILLE: And are you here representing  
13 yourself or a citizen group?

14 MR. GOW: Myself.

15 JUDGE CAILLE: And are you a customer of  
16 Avista's?

17 MR. GOW: Yes, I am.

18 JUDGE CAILLE: Please proceed with your  
19 comments.

20 MR. GOW: I'm just here to support the position  
21 of the public counsel and the customers of the Northwest  
22 Utilities. And I think that you folks are doing a good  
23 job of protecting our interests, and I appreciate it very  
24 much. Thank you.

25 JUDGE CAILLE: Thank you. Cheri Rogers. Good

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1 evening. Please state your name for the record.

2 MS. ROGERS: My first name is Cheri, C-H-E-R-I,  
3 Rogers.

4 JUDGE CAILLE: Your address?

5 MS. ROGERS: 4803 West Woodgrove Court, Spokane,  
6 Washington 99208.

7 JUDGE CAILLE: And are you here representing  
8 yourself?

9 MS. ROGERS: Yes. Myself and also my  
10 constituents. I am a city councilor representative in the  
11 city of Spokane, I represents District 3. And there are  
12 approximately 65,000 citizens in my district, and I'm here  
13 to speak against the Avista rate increase. And I support  
14 the position of the public counsel by the attorney  
15 general's office of Washington, and I am very thankful  
16 that you've taken this position and hired the expertise to  
17 look into this.

18 There's a large difference between Avista  
19 seeking a 22.1 million increase and you recommending 6.4  
20 million. And I just appreciate the facts and research  
21 that you did. My district includes the third district,  
22 which is one of the poorest in the city of Spokane, and we  
23 have a lot of low income people there who are already on  
24 the edge. And this may drive them more so. I know  
25 they've cut deals with the non-profits to save money,

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1 but the 1.8 million saved over two years is nothing  
2 compared to what the rate payers would lose, \$16 million  
3 over this increase. I want to say thank you and I support  
4 the attorney general's office. Thank you.

5 JUDGE CAILLE: Thank you. Larry Stuckart. If  
6 you'll please state your name and spell your last name for  
7 the record.

8 MR. STUCKART: It's Larry Stuckart  
9 S-T-U-C-K-A-R-T.

10 JUDGE CAILLE: And your address, Mr. Stuckart?

11 MR. STUCKART: I'm representing the Spokane  
12 Neighborhood Action Programs, and the business address is  
13 2116 East First. My home address is 4128 South Garfield  
14 Street.

15 JUDGE CAILLE: Thank you. You may proceed with  
16 your comments.

17 MR. STUCKART: I'm the executive director of  
18 Spokane Neighborhood Action Programs, or better known as  
19 SNAP. We are the community action agency for all of  
20 Spokane county. We advocate for and provide services for  
21 low income persons. In the early 1980s, one of our  
22 primary activities became assisting low income persons  
23 with payments on their heating bills and weatherizing  
24 their homes to lower these payments in the long run. Last  
25 year, we assisted 10,313 different low income households

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1 with non-emergency heating assistance. This is both the  
2 elusive LIRAP and LIHA programs that have been referred  
3 to, but it's the combination of the two. This is a lot of  
4 people that -- according to the 2000 census we had over  
5 34,000 households in poverty in Spokane County, which  
6 means which federal assistance and the substantial  
7 assistance from Avista utilities, we were able to assist  
8 about 30 percent of those persons that would appear to be  
9 eligible.

10           Three years ago Avista developed, with the  
11 cooperation of the local community action agencies, the  
12 LIRAP program that you asked about. This LIRAP program is  
13 part of the energy assistance package that we offer to  
14 area residents. In Spokane, LIRAP accounts for assistance  
15 to 40 percent of those 10,313 people. So somewhere around  
16 4,000 people are assisted with the Avista program. We  
17 would only be helping 6,000 people with just the federal  
18 program. LIRAP is an essential part of the assistance  
19 available to Spokane low income residents. I cannot  
20 imagine the difficulties Spokane low income population  
21 would be experiencing without this program.

22           The hearing today concerns a proposed settlement  
23 for some of the parties that limits retail rate increases  
24 to, I've seen several differ numbers, but I think the last  
25 one I saw was 9.5 percent for electricity and less than a

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1 percent for gas. The settlement also includes an increase  
2 of 600,000 for the LIRAP program and 200,000 for the  
3 weatherization programs. These are across the area, not  
4 just for Spokane, and these are per year, the numbers that  
5 I'm using. This is a fair settlement for low income  
6 individuals. With the increases in the size of the energy  
7 assistance payments that will be caused by larger bills,  
8 we are going to be having difficulty. But we can expect  
9 this \$600,000 to allow us to continue to assist the same  
10 number of households that we assisted last year if this  
11 were the only increase that we were facing.

12           The problem that brings folks to this hearing is  
13 not the 9.5 percent electric hike that we're talking  
14 about, but it's the double digit hikes that they've talked  
15 about in the newspaper and on the news. At the community  
16 action agencies, we've most gratefully acknowledged the  
17 work of the governor in proposing additional low income  
18 energy assistance dollars for this season. Naturally, we  
19 and our associates have made it clear that resources will  
20 be wholly inadequate this heating season. Congress has  
21 not yet passed an appropriation for the energy assistance  
22 program for this heating season that we're already in,  
23 where we've already started staffing, where we have people  
24 working. We do not know how much money we will have  
25 federally. We can count on what we have coming in on the

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1 LIRAP program, and that's what we'll have to start  
2 spending because the federal money is not available.

3           The prospect for poor people being able to pay  
4 bills is not pleasant. We plan for the worst. We can't  
5 expect the Washington Utilities Commission and the  
6 investor-owned utilities to solve all the problems and  
7 difficulties of low income people, but we must cooperate  
8 and be prepared to react to some really bad situations  
9 this year. In the long term, we need a tracking mechanism  
10 that adjusts and controls things, that helps it adjust  
11 quickly.

12           JUDGE CAILLE: Mr. Stuckart, can I ask to you  
13 summarize?

14           MR. STUCKART: I'm at the end. We can't count on  
15 the federal program, it goes up and down. We need to have  
16 some local program, but the federal program does need to  
17 assist us also.

18           JUDGE CAILLE: Thank you for your comment.  
19 Excuse me.

20           COMMISSIONER SIDRAN: That's fine. I would like  
21 just again to provide some contacts for people who may not  
22 be familiar with what Mr. Stuckart is referring to in  
23 relationship to the governor's proposal. Approximately a  
24 week or ten days ago, Governor Gregoire proposed spending  
25 \$7.6 million of funds that actually come from the

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1 utilities and from the Commission's previously collected  
2 penalties during enforcement proceedings, and allocate  
3 that \$7.6 million to programs similar to LIHA, the State's  
4 version of that program to provide assistance to  
5 approximately 17,000 households to help them meet rising  
6 costs during the winter heating season.

7 JUDGE CAILLE: Thank you. Mr. Dale Miller. If  
8 you'll please state your name for the record.

9 MR. MILLER: It's Dale Miller, and my last name  
10 is M-I-L-L-E-R.

11 JUDGE CAILLE: And your address?

12 MR. MILLER: My address is 401 South Graywold  
13 (Phonetic) Avenue, Uniontown, Washington.

14 JUDGE CAILLE: And are you here representing  
15 yourself?

16 MR. MILLER: I'm here -- I am an Avista customer,  
17 so I am representing myself. But I'm formally  
18 representing the Community Action Center for Whitman  
19 County.

20 JUDGE CAILLE: Thank you.

21 MR. MILLER: In Whitman County, we have 16  
22 incorporated communities and seven unincorporated  
23 communities spread out over 2,000 square miles. Over 25  
24 percent of our residents live on incomes below the poverty  
25 level. And of course they're getting squeezed



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1 tremendously by the increasing energy and transportation  
2 costs. That's obviously increasing a lot faster than  
3 their income. I don't have the expertise to sit down and  
4 figure out whether not an increase should be 9.79 percent  
5 or 3.2 percent or 4.5 percent. I just know that it's  
6 gonna hurt the low income people in our community. The  
7 concept of increasing the weatherization funding and the  
8 energy assistance funding at the same time you're  
9 increasing the rate makes a lot of sense, and I strongly  
10 support that. We figured out the last time we looked at  
11 the numbers that it took us, at our present rate of doing  
12 weatherization, it would take us 25 years to weatherize  
13 all the houses for the low income people who now qualify  
14 for weatherization assistance, so we can use every penny  
15 you can send our way. That's my comments.

16 JUDGE CAILLE: Thank you very much. Mr. Walter  
17 Nelson? Okay. Larry and Cindy Shockey (Phonetic),  
18 there's a question right here. Do you wish to make a  
19 comment?

20 MR. SHOCKEY: Not at this time.

21 JUDGE CAILLE: All right thank you. Flo Tilmans.

22 MS. TILMANS: My name is Flo, that's what I go  
23 by. Flo Tilmans, T-I-L-M-A-N-S.

24 JUDGE CAILLE: And your address?

25 MS. TILMANS: 18721 East Boone Avenue No. 17 in

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1 Spokane Valley.

2 JUDGE CAILLE: And are you a --

3 MS. TILMANS: I'm an Avista customer, yes.

4 JUDGE CAILLE: Go ahead with your comments.

5 MS. TILMANS: And I'm not speaking for anyone but  
6 anyone that also falls in my category.

7 JUDGE CAILLE: Thank you.

8 MS. TILMANS: And I have talked to several  
9 people. And if we have a rate increase of 9.5 percent on  
10 our electricity, and even if it goes down to two percent  
11 and the gas raises up to five percent, that's ten percent  
12 increase in their utility bill. I don't know what people  
13 have done as far as finding out how many people are way  
14 below \$500 a month income, but there are a tremendous  
15 amount of them out there. They don't always speak up.  
16 And you know, the most people in this county are at  
17 minimum wage, which is at the maximum \$7.50 an hour. I  
18 don't know how many of you people up there could live on  
19 \$7.50 an hour and pay out not only ten percent increase in  
20 your utility bill, but another hundred percent increase in  
21 your gas for your car because you have to go to work, you  
22 have to make a half-way decent living.

23 And then this increase is not just gonna stop at  
24 our houses, it's going to be increased for the commercial  
25 and all of the people downtown that we do business with.

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1 So they're not gonna eat that; they're gonna pass it onto  
2 us. So we're gonna be paying for their utility bills as  
3 well. It's not gonna stop there. And I know it has to  
4 start stopping soon, because they don't get raises in this  
5 community. You know, if they're living on minimum wage,  
6 that's all they get. There are no other raises out there.  
7 And even with Social Security they might get a two percent  
8 raise, but Medicare is gonna take ten percent of that back  
9 to pay for Medicare. And now they've got the new program  
10 out there for Medicare part D. There's just too many  
11 people in this entire country, not just Spokane or Spokane  
12 Valley or the state of Washington, that are in hurtsville.  
13 And when we see and hear about CEOs and big corporations  
14 that are getting so much money and we're still the ones  
15 that are paying for it, it makes us ill. And it's gotta  
16 find a way to stop, because we can't afford to keep paying  
17 for them to be able to have a fun life and we sit here and  
18 struggle with nothing and keep paying and paying and  
19 paying. It's just gotta stop someplace.

20 I don't disapprove of somebody making a buck.  
21 I'm all for, you know, someone making a dollar, because  
22 I'd like to make an extra dollar myself. But I haven't  
23 been able to. And I still work, at my age, a 40-hour  
24 workweek. I go to work every day, five days a week. And  
25 I happen to be 75 years of age. There are not a lot of 75

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1 years of age people out there that can work a 40-hour  
2 workweek, but I can't afford to stay home on my Social  
3 Security. And I know there's a lot of other people that  
4 are really struggling on their Social Security. I don't  
5 care if it's 300, 500, 700, they're still struggling with  
6 that Social Security and they don't always get the help.  
7 They don't always get that help. And I think it's  
8 necessary that they be looked at and looked out for. In a  
9 lot of your foreign countries your seniors, hey, they're  
10 the cream of the crop over there. And we're down here at  
11 the bottom in this country. I've always felt that maybe  
12 they should be lining us up after we reach 65 and shooting  
13 us all. You know, maybe that's what they want, because  
14 they're treating us like we don't count for anything.  
15 They'll dole out to us but they don't treat us as human  
16 beings, as if we count for anything. And I'm just -- I  
17 have to say my piece whether it helps any or not. It  
18 probably won't, but I still have to come up and say my  
19 piece. Thank you.

20 JUDGE CAILLE: Thank you.

21 UNIDENTIFIED: Give 'em hell, Flo.

22 JUDGE CAILLE: Mr. Gary Douglas. If you'll state  
23 your name for the record, please.

24 MR. DOUGLAS: Gary Douglas.

25 JUDGE CAILLE: And your address, Mr. Douglas?

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1 MR. DOUGLAS: PO Box 2, Spirit Lake, Idaho.

2 JUDGE CAILLE: And are you an Avista customer?

3 MR. DOUGLAS: No, I'm not.

4 JUDGE CAILLE: And are you representing yourself  
5 or an organization this evening?

6 MR. DOUGLAS: I'm representing the United States  
7 Steel Workers Local 167 out of Inland Empire Paper  
8 Company.

9 JUDGE CAILLE: Thank you. Proceed with your  
10 comments.

11 MR. DOUGLAS: Good evening. My name's Gary  
12 Douglas, I'm employed at Inland Empire Paper Company, and  
13 currently vice president of the United States Steel Worker  
14 Union Local 167 that represents 90 members. The dramatic  
15 increase in Avista's power rates will virtually affect our  
16 business and community, and Spokane community in general.

17 I'm asking you tonight to review this case.  
18 This Commission should seriously review all of Avista's  
19 finances. We the people are not to be made accountable  
20 for Avista's downfalls. I have concerns that if this  
21 \$24,000,000 increase is granted, it will affect my job and  
22 the jobs of 90 other employees and their families, not to  
23 mention the other industries and people of this community.  
24 Inland Empire Paper Company and its employees have had a  
25 positive influence in this community for nearly 90 years.

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1 Many tax paying dollars are pumped back into the local  
2 economy due to our existence. It would be a travesty to  
3 lose a company due to unjustified increases by Avista. I  
4 am confident this Commission will do what is best for the  
5 businesses and the citizens of the Inland Empire region.  
6 Thank you.

7 JUDGE CAILLE: Thank you, Mr. Douglas. Chris  
8 Seymour. Mr. Chris Seymour. Please state --

9 MR. SEYMOUR: Chris Seymour, S-E-Y-M-O-U-R.

10 JUDGE CAILLE: And your address?

11 MR. SEYMOUR: I live in Colville, I work in  
12 Kettle Falls.

13 JUDGE CAILLE: And are you representing yourself  
14 this evening?

15 MR. SEYMOUR: I am Avista customer, but I'm  
16 representing Boise Cascade.

17 JUDGE CAILLE: Proceed with your comments.

18 MR. SEYMOUR: I'm the production manager for  
19 Boise Cascade's Kettle Falls operations. We are the  
20 second largest employer in the area. We have two pine  
21 lumber facilities and a plywood facility in that area. My  
22 annual operating expenses are roughly \$37,000,000. Of  
23 that, 23,000,000 is for payroll expenses. Purchasing  
24 electricity counts for my second largest operating  
25 expense, so we put back tremendous amounts of funds into

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1 that area. When I heard the announcement of additional  
2 energy rate increases, it had me concerned over the  
3 survivability of my operations and the welfare of my  
4 employees and my community.

5           The wood products industry has been hard hit  
6 over the past few years due to cost increases due to  
7 market erosion from a significant increase in imports and  
8 product substitution. Most noticeably, we've suffered  
9 from energy rate increases. We've also suffered from  
10 freight increases as well as healthcare costs. At Boise,  
11 we sell a commodity product to our customers who are free  
12 to chose from a variety of suppliers. And a big portion  
13 of those suppliers are from outside the state, and they're  
14 not subject to the potential rate increase I'm subject to.  
15 In order to combat our cost increases, we've gone out and  
16 focused on energy conservation, and we've put in energy  
17 conservation projects and we've continued to identify  
18 potential energy saving solutions. We've also instituted  
19 unfortunately curtailments. We've also recently curtailed  
20 a shift in automation to reduce employees, and we've also  
21 utilized vendors and consultants to work on process  
22 improvement and efficiencies. My electrical costs at the  
23 Kettle Falls operations have risen 60 percent from 2000 to  
24 2004. This is a far greater increase than our other  
25 businesses in nearby regions. We suffer from high energy

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1 rate compared to our competitors, and the proposal from  
2 Avista will increase my rates an additional nine percent.  
3 I'm concerned with my ability to absorb further  
4 substantial cost increases.

5           The traumatic increases in Avista's rates have  
6 adversely affected my operations, and they are adversely  
7 affecting the community. Stevens County currently has an  
8 unemployment rate of 8.5 percent, which is among one of  
9 the highest in the state. Additional energy rate  
10 increases today will continue to weaken my  
11 competitiveness, and they will continue to affect the  
12 welfare of my employees and my community. I ask of you,  
13 the Commission, please to consider full review of Avista's  
14 request and ensure that it is reasonable, prudent and  
15 just. I implore to you ensure that Avista is doing  
16 everything they can to control their costs like I am, and  
17 to explore other alternatives that are available, other  
18 than just rate escalation.

19           Unlike regulated utilities, Boise is unable to  
20 pass along their cost increases to our customers. A rate  
21 increase such as the one proposed by Avista will affect my  
22 operations, my employees, and it's going to affect my  
23 community. I thank you for the time. Thank you for  
24 listening to me. I did have a letter I would like to  
25 submit on behalf of my regional manager, Tom Ensco



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1 (Phonetic). Mr. Ensco was unavailable to speak here  
2 tonight, unfortunately he is in Le Grand, Oregon  
3 announcing indefinite layoffs of 70 employees due to  
4 energy increases in that area.

5 JUDGE CAILLE: If you will please give your  
6 letter to Mr. ffitich. Thank you. Thank you for your  
7 comments. Mr. Wayne Anderson. And if you'll state your  
8 name for the record, please.

9 MR. ANDRESEN: Wayne Andresen, last name is  
10 spelled A-N-D-R-E-S-E-N.

11 JUDGE CAILLE: And are you here to testify on  
12 your own behalf? Or are you representing --

13 MR. ANDRESEN: I'm representing a company, Inland  
14 Empire Paper Company.

15 JUDGE CAILLE: And are you yourself an Avista  
16 customer?

17 MR. ANDRESEN: Yes.

18 JUDGE CAILLE: All right. Proceed with your  
19 comments.

20 MR. ANDRESEN: As I said, my name is Wayne  
21 Andresen, and I'm president and general manager of Inland  
22 Empire Paper Company. We're a paper facility located in  
23 Millwood, Washington, and we are Avista's largest  
24 electrical customer in the state of Washington. Our  
25 primary product is newsprint, and we're manufacturing

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1 slightly over 500 tons a day of newsprint. We're sending  
2 90 percent of that paper out of the area; we ship as far  
3 away as Detroit, Michigan, El Paso, Texas, San Diego.  
4 We're a national supplier and we compete with the other 49  
5 newsprint mills that manufacture newsprint in North  
6 America.

7           Newsprint is a commodity in a shrinking market.  
8 And as you just heard, being a commodity is not something  
9 that we can pass added cost onto, such as added electrical  
10 rates. Our business is shrinking, newsprint industry as a  
11 whole is shrinking. It started to go down in the late  
12 '90s and in 2000. 2001 when 9-11 hit, had a precipitous  
13 drop. And in fact in 2002 and 2003, we and everybody else  
14 that was in the newsprint business lost money for over two  
15 years. Recently there's been a slight recovery, but that  
16 recovery is only coming at the expense of jobs in other  
17 communities, in that we've lost about a million and a half  
18 tons of newsprint, metric tons of newsprint capacity in  
19 North America just in the last year and a half. And that  
20 is continuing to get things imbalanced, and to drive the  
21 price up so the few remaining people that are in business  
22 can survive.

23           Newsprint consumption is continuing to drop. In  
24 fact just this year, January through August, we're down  
25 5.3 percent compared to a year ago. So the market is not

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1 great for newsprint at this time. And with internet and  
2 everything else that's going on, we don't ever see a real  
3 robust return. But we do believe in a few years it will  
4 level off. Inland Empire Paper Company's profitability  
5 during this recent time period, since 9-11 and early 2000  
6 up to now, has been greatly impacted. And it's been  
7 impacted not only due to lack of demand, but also due to  
8 our very uncompetitive electric rates that we enjoy here  
9 in Spokane compared to our competitors.

10 I can substantiate that statement by stating  
11 that we belong to a group called the Pulp and Paper  
12 Products Consul, which we report all of our cost numbers  
13 to which includes power wages, raw materials, everything  
14 on an annual basis. And they put together a report for  
15 the North American Newsprint Association. Now, I said  
16 there were 49 mills in North America that are producing  
17 paper, and of those I believe it's around 46 mills that  
18 actually participate, so it is a very broad cross section  
19 of the population out there producing paper. Out of -- of  
20 that number, there's 39 mills that buy electricity from  
21 non-affiliated electrical utilities. We're sort of close  
22 to the bottom of the list; we're fifth from the highest in  
23 North America as far as power costs right now. In fact,  
24 in Canada our competitors paid on average of \$31.795  
25 megawatt hour. In the U.S. our competitors paid 33.795

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1 per megawatt hour. And right here in good ole Spokane,  
2 we're paying to Avista \$41 currently. So it hurts us way  
3 above and beyond our competitors.

4           Electricity accounts for than 18 percent of our  
5 manufacturing costs. We can't survive in the long term  
6 compared to our competitors. Just since 2001, the  
7 increases that Avista has got has cost our company  
8 \$7,051,026.26, just in the increase. Not the base rate,  
9 but the increases that we've had to pay the last few  
10 years. Obviously the days of inexpensive power for  
11 industry in the Pacific Northwest are gone. In fact, the  
12 opposite is now true. Statistics for our industry show  
13 we have some of the most expensive rates, as I just  
14 stated. Rates of return for investor-owned utilities in  
15 the state of Washington are set to help them maintain  
16 financial viability.

17           JUDGE CAILLE: Mr. Andresen, I need you to  
18 surmise.

19           MR. ANDRESEN: Okay. The increases here, we  
20 contribute to the economy \$11,000,000 in wage as long  
21 we're responsible for \$200 million in the local economy.  
22 Eastern Washington conducted a study for us. We're  
23 responsible for almost 700 jobs in this community. And  
24 not only that, but since we go outside of the community,  
25 we're bringing in about 110,000,000 of outside dollars,

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1 we're not just regenerating dollars that are in the  
2 community.

3           What I'm asking in summary is that you view all  
4 of the people that have participated in the  
5 judgment -- or I mean in the decision, not just Avista and  
6 the UTC staff. And we believe that you need to listen to  
7 everybody. And if there is a negotiated settlement,  
8 everybody needs to be involved in it, not just the entities  
9 that have been involved in it. But what we really urge  
10 you to do, as a Commission, is reveal all the information  
11 that has been committed and determine what the proper  
12 increase is.

13           JUDGE CAILLE: Thank you. Mr. Steve Anderson.  
14 If you'll please state your name for the record.

15           MR. ANDERSON: My name is Steve Anderson,  
16 A-N-D-E-R-S-O-N.

17           JUDGE CAILLE: And your address, Mr. Anderson?

18           MR. ANDERSON: My home address is 9474 Maple  
19 Street Southeast, Moses Lake, Washington.

20           JUDGE CAILLE: And are you here on your own  
21 behalf or on behalf of an organization?

22           MR. ANDERSON: I am here representing JR Simplot  
23 Company, a fellow Washington food processing facility.

24           JUDGE CAILLE: Please proceed.

25           MR. ANDERSON: My name is Steve Anderson, I have

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1 been the plant manager/unit director at the Washington  
2 food processing facility for five years. Our facility  
3 employs 450 people. We produce frozen potato products,  
4 about 80 percent of which are exported to the Pacific Rim;  
5 to Philippines, Japan, mainland China, Singapore and  
6 Korea. We use locally grown potatoes from a four-county  
7 area in Washington, using about approximately 9,000 tons  
8 of potatoes grown by Washington farmers and agricultural  
9 producers per week. My electrical bill at current rates  
10 is over \$2,000,000 a year. I spend over \$7,000,000 a year  
11 in natural gas to support the facility. Our tax base is  
12 almost \$1,000,000 for Adams County. We are the second  
13 largest employer in the city of Othello, we're the second  
14 largest employer in the county in Adams County, with  
15 grower solutions and other Simplot organizations, land and  
16 livestock, Simplot transportation, and other food  
17 processing concerns. We're the largest employer in Adams  
18 County. We are a commodity business; we cannot pass along  
19 cost increase to our customers. They have -- we have been  
20 unsuccessful in doing that. We compete not only with  
21 Simplot - in the Midwest, they have lower electric rates  
22 than we do in the Northwest - but I compete with  
23 competitors in Australia, mainland China, and other  
24 companies in the Northwest.

25           We have been on an aggressive cost cutting

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1 program to compete in this market. We've invested well  
2 over \$12,000,000 in this facility in the last five years  
3 all for cost cutting measures to offset input costs, not  
4 to increase profit. We have an aggressive gas hedging  
5 policy that allows us to maintain gas rates far below  
6 market and keep us competitive. And we need -- I'm here  
7 tonight to ask the Commission, Simplot expects and needs  
8 our electric utilities supplier to have the same  
9 aggressive measure company Simplot takes to control its  
10 costs. Simplot looks to the Commission to ensure that  
11 Avista prudently manages its costs.

12 I want to focus on (Inaudible) of Avista has  
13 acquired more gas fire generation. I understand Avista  
14 recently acquired the second half of Coyote 2 plant in  
15 Oregon, and (Inaudible) to recover in the request the  
16 capital and the fuel costs of that facility. As everyone  
17 is aware, natural gas prices have been very volatile. JR  
18 Simplot consumes significant quantities of natural gas and  
19 addresses this price through a sophisticated hedging  
20 program. The Commission needs to determine whether Avista  
21 has taken all reasonable steps to hedge its gas fuel  
22 costs. If not, then those additional costs should be  
23 borne by Avista's shareholders and not rate payers.

24 JUDGE CAILLE: I need no ask you to summarize  
25 your comments.

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1                   MR. ANDERSON: I'm done. If there's any  
2 questions you would like to address, I'd be happy to  
3 answer.

4                   JUDGE CAILLE: Thank you. MR. Robert Apple.  
5 Good evening. Please state your name for the record.

6                   MR. APPLE: Robert W. Apple, commonly known as  
7 Bob.

8                   JUDGE CAILLE: Your address, Mr. Apple?

9                   MR. APPLE: 2909 Upriver Court in Spokane,  
10 Washington.

11                   JUDGE CAILLE: Are you here on behalf of an  
12 organization or on behalf of yourself?

13                   MR. APPLE: Myself, my business, and my  
14 constituents, which represent one third of the city of  
15 Spokane, roughly 65,000 people, as a city councilman for  
16 District 1.

17                   JUDGE CAILLE: All right. Please proceed with  
18 your comments.

19                   MR. APPLE: It's tough to know where to start.  
20 In talking with my constituents, it's clear they can't  
21 afford the rate increases that are going on. For those of  
22 you who aren't aware, Spokane is known as a poverty  
23 pocket. We have a huge number of retirees. People come  
24 from throughout the region to Spokane, and generally to  
25 retire. And it is Spokane, but also, unfortunately, it is



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1 a cause that results in difficulty. We're not receiving  
2 any grants or state funding that we used to receive to  
3 help offset the difficulties of problems as you've heard,  
4 especially with rate increases and other costs to these  
5 people who are on fixed incomes or low income. So it has  
6 become very difficult to make ends meet. We hear about  
7 the horror stories across the country and, quite frankly,  
8 I don't think Spokane or Washington needs to be put in  
9 that position. When I look at this rate increase, I  
10 specifically see a needless rate increase. Knowing full  
11 well that our attorney generals determined it to be  
12 unreasonable for the most part, I see as even more so.  
13 Much of the rate increase that we have suffered over the  
14 last few years is unreasonable. The actual costs for  
15 generating the electricity have not substantially  
16 increased. Most of the fixed facilities for the dams in  
17 Washington state have been around for 50 years. Certainly  
18 they need improvements and have been maintained, but they  
19 do not justify these huge rate increases. I realize that  
20 the federal government does raise the rates as well. And  
21 I do realize that we're also talking about other than just  
22 hydroelectric energy. But all things considered, we have  
23 lost major industries in this state such as aluminum,  
24 which consume huge amounts of the electricity and would  
25 naturally drive up the cost. That is now gone. It was

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1 used as an excuse to raise rates previously to the  
2 citizens because they needed to fill the void. Basically  
3 an in-fill as legislatures tend to excuse it, and they  
4 received it. Now things have leveled off, and instead of  
5 returning the money or keeping the rates, you know, down,  
6 when there may be even merit for some increase, we're  
7 being faced with double digit rate increase requests,  
8 which is something unreasonable and needless.

9 I hope that you will see that and I hope that  
10 you will deny all the rate increase requested here. Force  
11 this company to come back to you next year, bring out the  
12 complete breakdown of their company, profits, where the  
13 money is spent. And actually look. Because as a small  
14 business owner, I also recognize that most businesses are  
15 living on a greatly reduced profit margin. We are cutting  
16 jobs, we are cutting costs, and we are suffering as well  
17 as our employees and as well as our community, who derives  
18 the wealth of the revenue from the taxes that are going  
19 down. Because we are being -- our revenue is being  
20 siphoned off and taken away in excess profits. This must  
21 stop. The community cannot afford it. You can either  
22 plan to have money come into the city to subsidize those  
23 in dire need which is a downhill cycle, in my mind, or you  
24 can realize that these rate increases have got to be cut  
25 back.

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1           JUDGE CAILLE: May I ask to you summarize your  
2 comments now?

3           MR. APPLE: Okay. I am just hopeful you will  
4 realize, as far as business is concerned, the community  
5 and health and well being of the entire region, we cannot  
6 continue to see those increases in all aspects of business  
7 and in our living. And I hope you will consider that and  
8 not allow any increase. Thank you.

9           JUDGE CAILLE: Thank you for your comment. Mr.  
10 Nick Beamer. If you'll state your name for the record  
11 please.

12           MR. BEAMER: My name is Nick Beamer (Phonetic).

13           JUDGE CAILLE: And your address?

14           MR. BEAMER: My address is 1611 East 20th Avenue.  
15 That's my home address.

16           JUDGE CAILLE: And are you testifying tonight on  
17 your own behalf or behalf of an organization?

18           MR. BEAMER: I'm testifying on behalf of an  
19 organization, the Advocacy Partnership for Community  
20 Long-Term Care.

21           JUDGE CAILLE: Thank you please proceed.

22           MR. BEAMER: Okay. The Advocacy Partnership for  
23 Community Long-Term Care was formed to bring together  
24 advocates for in-home and community-based services for  
25 long-term care in Eastern Washington. I'm here tonight to

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1 tell you that the Advocacy Partnership supports the  
2 position of the public counsel section of the Washington  
3 attorney general's office with respect to the Avista  
4 general rate case increase. We believe that with all of  
5 the information that has been provided, that his position  
6 is the one that really represents the best interest of the  
7 public. However, we do recognize also that Avista has  
8 been a good partner with the community in addressing the  
9 needs of the low income with respect to energy assistance  
10 and also weatherization. So we are not opposed to the  
11 part of the settlement that would provide additional money  
12 for low income energy assistance. Where would we suggest  
13 you find that money? You we would suggest you find it in  
14 the rate of return. We feel that rate of return is much  
15 more generous than it should be. And that's where we  
16 would suggest the money come from. Thank you very much.  
17 I have a letter that I can leave with you that expresses  
18 what I summarized.

19 JUDGE CAILLE: If you would please, Mr. Beamer,  
20 just give it to Mr. ffitich.

21 MR. BEAMER: Thank you.

22 JUDGE CAILLE: I have a maybe for Ms. Kitty  
23 Klitzke (Phonetic).

24 MS. KLITZKE: Klitzke, thank you.

25 JUDGE CAILLE: If you'll please state your name

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1 and spell your last name or the court reporter.

2 MS. KLITZKE: My name's Kitty Klitzke, it's  
3 K-L-I-T-Z-K-E.

4 JUDGE CAILLE: And are you here to testify on  
5 your own behalf or on behalf of an organization?

6 MS. KLITZKE: I'll testify on my own behalf. I'm  
7 listening on behalf of an organization.

8 JUDGE CAILLE: All right. And are you an Avista  
9 customer?

10 MS. KLITZKE: Yes, I am.

11 JUDGE CAILLE: Please proceed with your  
12 comments.

13 MS. KLITZKE: As a low income person myself, I  
14 happen to be an AmeriCorps volunteer. I don't know if you  
15 know how poor that makes me, but it makes me quite poor.  
16 It's interesting to me to listen to everyone's comments.  
17 I feel like businesses and poor people in Spokane have the  
18 same opinion about this, and we do support the opinion of  
19 the public counsel and as an environmentalist. I think it  
20 would be interesting to see Avista have to innovate in the  
21 way that these businesses that are having problems have  
22 had to innovate with their energy consumption. They feel  
23 very pressured by the rates to try and do better with  
24 their energy conservation so they can save jobs in this  
25 community. If Avista felt pressured by the cost of rising

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1 oil, coal, fuel prices, to innovate and perhaps find  
2 renewable sources of energy that would stabilize their  
3 costs, maybe they could make more money and we wouldn't  
4 have to bear the brunt of their expenses.

5 I'm just saying if you look at what the cost or  
6 what the items that they're trying to transfer the cost  
7 onto the consumers are, is that really helping them help  
8 us? Is it really helping them find more stable ways of  
9 providing us electricity? Or are they just maintaining  
10 the way that they normally get their profits? Are they  
11 having to innovate like these other businesses? Are they  
12 having to innovate like their consumers? Or are they just  
13 doing the maintenance on stuff that's already providing  
14 them profit? I might even agree to a tiny, tiny rate  
15 increase if they were trying to find something that would  
16 make my energy consumption a little more -- more stable  
17 and sustainable of a source. But it doesn't look like  
18 that's what they're trying to do. They're just passing on  
19 their normal costs to us. And they do have a fine rate of  
20 return. I don't think that small non-profits that try to  
21 help people conserve energy should be feeling threatened  
22 by the funding that Avista already gives them, feeling  
23 that that the funding is threatened because Avista wants  
24 to make a rate increase. I don't think they should be  
25 having to come up here and be worried. I think it should

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1 be normal status quo for them to provide that kind of  
2 assistance to these non-profits that try to help people.  
3 And I think that they should use it out of their rate of  
4 return just like Mr. Beamer said.

5 JUDGE CAILLE: Thank you. Mr. Cliff Mann.

6 MR. MANN: My name's Clifford Mann, I live in  
7 North Central. I'm a customer but I'm just representing  
8 myself.

9 JUDGE CAILLE: All right. Please proceed with  
10 your comments.

11 MR. MANN: I guess I support the public counsel  
12 section's position. But I want to know why the rate  
13 spread favors big business. I think that's grossly unfair  
14 to small businesses, independent businesses and the people  
15 who bear them in Spokane.

16 JUDGE CAILLE: Thank you. Mr. Marshall Smith.

17 MR. SMITH: My name is Marshall Smith, S-M-I-T-H.  
18 I live at 303 East Mission Avenue. I am a customer, but  
19 I'd like to clarify that a customer invokes the concept of  
20 free market economy, and I think of myself as a hostage to  
21 Avista because I don't have a choice. Sorry, I have a  
22 cold. And it's probably cause 'cause I keep my heat down  
23 'cause the rates are so high. It's also getting warm in  
24 here, and I think it's from the Avista people back here  
25 taking all the heat. Your experts, have they figured out

0065

1 that the CEO makes 32 times the lowest average of an  
2 individual? And I'm quoting from a letter to the editor  
3 in the Spokesman Review. 906,675 their CEO made in 2004.  
4 It doesn't mention the 15 percent bonus he got for  
5 increasing rip-off rate. Most European and Asian  
6 companies have a ten to one ratio. Their executives are  
7 getting 32 times the average income. Our governor makes,  
8 what, 150,000? Well, mayor 25,000 less. Well gee, their  
9 CEO makes six times what our governor makes, and I think  
10 our governor has a lot more employees and a lot more  
11 responsibility than some CEO down there on Mission Avenue.  
12 One of my points is, in looking at their books and  
13 experts, I believe Avista contributes to certain charities  
14 and social organizations which are disruptive to our  
15 societal structure. And I recommend you look at what they  
16 use their charities for and I consider them unsafe to the  
17 destruction of American values. I believe they have a  
18 social agenda. Just my opinion. That's about all I have.  
19 I would comment that I recognize Mr. Sidran from his front  
20 page picture on the weekly of many years ago. I'm glad  
21 he's left his accoutrements behind. Commissioner Jones,  
22 I think I recognize you from someplace in Seattle, but I  
23 can't remember it. And I recommend to Mr. Apple he get  
24 with the -- Mr. Apple go with the Inland paper guy to  
25 solve some of his problems. Thank you.



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1 JUDGE CAILLE: Thank you. Mr. H. Stein.

2 MR. STEIN: Henry Stein, S-T-E-I-N, individual,  
3 live in Spokane, Washington. I don't represent --  
4 represent myself. I'm an Avista customer.

5 JUDGE CAILLE: Thank you please proceed.

6 MR. STEIN: The last time I put a paper  
7 together, it's been a few years ago. Fairchild Air Force  
8 Base was our largest employer, city of Spokane itself was  
9 our second largest, and Sacred Heart Hospital was our  
10 third largest employer. That tells you where we are  
11 financially. Coming up with a 3.8 increase for retired  
12 military, the largest increase in 15 years, gentlemen.  
13 I have a financial background of about 30 years, retired  
14 comp troller (Inaudible) association. Sometimes I'm  
15 called out to go into businesses and look into them. I  
16 find that businesses that are competitive and have  
17 competition must adjust. They adjust their spending, they  
18 adjust their operation. And city governments that do not  
19 have competition do not adjust finances or business  
20 operations until, financially, they're made to. Our city  
21 has a what, 4.5 percent cost increase every year, 2.5  
22 profit every year? We're going bankrupt. There's no  
23 competition for Avista here. We have one provider. Used  
24 to be Washington Water Power. (Inaudible) public utility  
25 business is bad, per se. The capital operation of a

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1 company, the overhead when it does not contribute to the  
2 product that they're selling or the customer, is the basis  
3 for breaking up Dupont and Ma Bell. Companies must  
4 reorganize their financial spending. City governments,  
5 too. And their labor. Now, labor's a tough one here  
6 because of unions. Dell and General Motors, 185,000  
7 employees are firing, 50,000 employees overseas. They  
8 don't want to fight the labor unions. The airlines have  
9 dumped the pension plan, GM has dumped their pension plans  
10 next, and cut their healthcare. Those are the same things  
11 enterprises, companies, governments here, the city of  
12 Spokane must do also. If they don't, all they do is raise  
13 taxes, all they do is raise the price. I have rentals.  
14 We keep our rentals we keep our renters eight and nine,  
15 ten years. If I want to have to pay income tax, I'd get  
16 nothing for it. I'm better off keeping my rent as it is  
17 and keeping my renters eight, nine and ten years. I  
18 belong to an organization I'm not representing, has 600  
19 landlords in Spokane. When I go to the meeting and talk  
20 to landlords, renters cannot afford what's happening here.  
21 My renters can -- we haven't raised the rent for three  
22 years. And I don't have to. And if we do, I gotta pay it  
23 out in income taxes. Either that or capitalized something  
24 else. Put it in driveways. But if you gotta pick a  
25 living, being a landlord is tougher business, and this

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1 rate increase is gonna be passed right down to the  
2 renters. You got a 17 percent utility tax now, it's going  
3 to 20 percent. Isn't it ever end -- never-ending thing.  
4 Businesses that I look into have got to take and cut their  
5 spending. You have perks. Why do you need good public  
6 relations? Why do you need excessive advertising? Why do  
7 you need all that for something that has no substitute;  
8 electricity and gas?

9 JUDGE CAILLE: Mr. Stein, may I ask you to  
10 summarize your comments?

11 MR. STEIN: And I agree with all the other  
12 comments made for those who disagree with it also.

13 JUDGE CAILLE: Thank you. If you have anything  
14 written --

15 MR. STEIN: I've already sent my e-mail and my  
16 letter to your web site.

17 JUDGE CAILLE: Thank you. I'm having difficulty  
18 reading this next name. The street address is 2400 --

19 MR. DILLEY: Me.

20 JUDGE CAILLE: Wilbur.

21 MR. DILLEY: I'm sorry.

22 JUDGE CAILLE: That's okay. Please step forward.  
23 And your name is?

24 MR. DILLEY: My name is Troy Dilley, D-I-L-L-E-Y,  
25 2400 North Wilbur Road Apartment 150.

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1 JUDGE CAILLE: And are you here to testify --

2 MR. DILLEY: Myself. Myself. Sorry about that.

3 JUDGE CAILLE: Please proceed.

4 MR. DILLEY: Okay. In our apartment complex, we  
5 have fireplaces. A lot of people are using fireplaces  
6 because they're trying to cut heating costs, which is  
7 baseboard heating, which draws the most electricity. And  
8 now Avista wants, what is it, 9.5 percent? And I talk to  
9 a lot of people who live in the resident apartment  
10 building, and there ain't a way they can afford that.  
11 It's ridiculous. Give you an example. I went to --  
12 called Modern Electricity (Phonetic), their competitor, a  
13 smaller outfit than Avista. Their rate increase is, like,  
14 4.4 to our something percent. Avista is five -- I don't  
15 know, I could be wrong. Five something percent. I  
16 could -- I don't know if that's right or not. But this  
17 has got to be stopped, as it is because every year or  
18 every other year, I hear Avista wants more money, you  
19 know, more revenue. Somebody told me that office workers  
20 there at their office on Mission makes \$12 an hour. Their  
21 utility workers make 20. Up and up. Keeps on going up.  
22 Me and my wife are on Social Security. We make \$935 a  
23 month. Section 8, which we're on, since the federal  
24 government cut HUD funding, it went up \$94 for our rent  
25 because of it. And I talked to our worker there who said

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1 even next year it will be even more because the federal  
2 government will cut even more of HUD funding. And then  
3 they talk about energy assistance. They got a phone.  
4 What -- I tried last year, you can't even get through it.  
5 It's just a constant busy signal. You can't get through.  
6 I tried. They say once a week they do it. And try for  
7 hours trying to get through, nothing. So I think Avista  
8 needs to, like most businesses do, if they're not making  
9 enough money, most businesses will lay off some workers.  
10 Well, lay off some workers then. Worse comes to worse.  
11 And thank you very much.

12 JUDGE CAILLE: Thank you. Mr. John O'Rourke. If  
13 you'd please state your name for the record.

14 MR. O'ROURKE: John O'Rourke, I'm representing  
15 the Citizens Utility Alliance of Washington. We have over  
16 2700 members across the state. I am an Avista customer.

17 JUDGE CAILLE: Thank you. Please proceed.

18 MR. O'ROURKE: Thank you for having this hearing,  
19 and welcome to Spokane. First, I wanted to say that we do  
20 endorse the increase in low income heating assistance and  
21 weatherization programs contained in the proposed  
22 settlement. However, I think you understand that even  
23 with the increases in this funding, for instance there  
24 will only be enough funding to help, I think it's just  
25 less than 1/3 of the people eligible for heating

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1 assistance payments in Spokane. And given that the  
2 increase in this case, the proposed increase, the coming  
3 giant increases in natural gas, I think it's not alarmist  
4 to say that the state of Washington faces rate increase  
5 shock in a power cost energy. And so what can we do? I'm  
6 asking you as commissioners to do all you can on the state  
7 level, whether through new rules or proposed legislation,  
8 to ease the burden on Washington's low income households.  
9 We as a state need to develop a mechanism where when rates  
10 increase, low income assistance increases automatically,  
11 too. I think this is referred to as indexing. There is  
12 an increase built into this one rate increase, but the gas  
13 increase that's coming down the pipe, there's no increase  
14 built into that. So automatically when this goes into  
15 effect, the effectiveness of the low income programs  
16 decreases. Another thing I would hope you consider is  
17 supporting new rules or new laws on payment plans for  
18 those houses that are in arrearage. Payments need to be  
19 based on income. I think you all are aware that people  
20 who were forced to pay 15, 20, 30 percent of their income  
21 on power for payment plan, that won't succeed. They will  
22 get disconnected. And so people on payment plans need the  
23 right to pay back at a manageable amount on their payment  
24 plan. And if you could do whatever you could do on a  
25 statewide level to advocate for that would be -- we would

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1 be very grateful. And of course, before if we want to  
2 develop effective programs for low income people to stop  
3 the shut-offs, we need tracking and reporting of utility  
4 arrearages. What are the statistics out there? How do we  
5 design a program to protect low income folks? And  
6 finally, we just heard testimony that the current rate,  
7 one gentleman mentioned his weatherization program will  
8 weatherize all the available households within 25 years.  
9 Why can't we pick that up? The cheapest power is power  
10 you don't have to produce. If we can increase  
11 weatherization funding, we can lower demand, and perhaps  
12 lower rates. Thanks very much.

13 JUDGE CAILLE: Thank you. Ms. Donna Batch  
14 (Phonetic).

15 MS. BATCH: Thank you. My name is Donna Batch,  
16 I'm a member of the Davenport City Council. I put down  
17 the city council, the city services address, Post Office  
18 Box 26 Davenport.

19 JUDGE CAILLE: And are you -- you testifying  
20 tonight on behalf of your constituents?

21 MS. BATCH: That and myself.

22 JUDGE CAILLE: Thank you.

23 MS. BATCH: I don't think people realize what a  
24 rate increase will do to small towns. We only have 1700  
25 people in Davenport, and a lot of them are on fixed

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1 incomes. We don't have a tax base that can support a  
2 large increase. Thank you.

3 JUDGE CAILLE: Thank you for your comment. A  
4 maybe for Kirk Besmer (Phonetic). No? Pat Evans.

5 MS. EVANS: My name is Pat Evans, I live in  
6 Stevens County at 3475 Clark Lake Road in Hunters,  
7 Washington. I've been listening to everybody here  
8 tonight, and there's a lot more costs that are going on.  
9 Our fuel costs are increasing. For me to come here to  
10 Spokane is about a 200-mile round trip, so my shopping now  
11 has been cut down. I do not travel as much. I'm retired;  
12 I'm on Social Security and a small pension. There's the  
13 utility costs which we're going to have going up. I know  
14 we will have some go up on it, I don't know what, but I  
15 know we will face that. After that, our food costs will  
16 go up because the farmers use fuel, the processors use  
17 fuel, the businesses use fuel. All our commodity costs  
18 will be rising with the fuel, and the fuel in natural gas  
19 and electricity in the gasoline that we pay for at the  
20 pumps. This is gonna affect all our jobs in the state of  
21 Washington and in the United States of America. They've  
22 been affected so badly, I mean every time I listen to BBS,  
23 somebody else is going bankrupt. That's jobs. That's  
24 people's livelihood. And not old people like me; young  
25 people. People that are just starting out from college



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1 can't find jobs. So we have to look at what are we doing  
2 with our costs. There's other means to increase our  
3 power. We don't have to just rely on the power of the  
4 electric company. In Stevens County, there's plenty of  
5 people that live off the grid. I have a neighbor, he's  
6 sort of a hermit. He lives on a couple solar panels.  
7 Sure Dan doesn't run big generators and things like that,  
8 but he lives economically and he makes due. I think in  
9 this new environment, we are going to have to make due a  
10 lot more. But I think the state of Washington and the  
11 utility companies and all governments have to start  
12 looking at how can people improve their living conditions.  
13 Solar power is coming on with -- they're putting it on the  
14 sides of buildings and it's getting much cheaper. Hydro  
15 power. I have a creek that runs through my place with  
16 four water falls in it. I could put in a wheel if my  
17 husband would agree. We don't have fish. We do have fish  
18 in our lake, but we don't have them on our creek. And I'm  
19 sure I could sell a lot of power back to Washington Water  
20 Power, or at least bring my bills down. We have to start  
21 innovating we can't just say, "Well, we're coming in with  
22 another power increase." No. No. No. Washington Water  
23 Power wants to sell me a block of wind for a dollar. Why  
24 aren't they saying, "We got a block of wind and we're  
25 gonna bring your utility bills down." We have wind in

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1 Eastern Washington; go down on the Palouse. I mean, I  
2 garden, I'm in the Lilac Society here in Spokane. I know  
3 people who are living down there and they have a fit  
4 because the wind is always blowing and it's wrecking their  
5 plants. So it is possible in Eastern Washington to sell a  
6 lot of wind power. We sell hydro power, but I think it  
7 all goes down to California. I don't know where it's  
8 going. But, you know, we've got big dams. And for some  
9 reason, I mean, I live off Lake Roosevelt and it's always  
10 up and down and up and down and so forth. Anyway. I have  
11 read -- I read Mother Earth News because they talk about  
12 power. And this issue that came out in April and May,  
13 they talked about states and power utility companies.  
14 These states that are working with citizens giving them 50  
15 percent discount to put in solar power, to put in wind  
16 power if they're in an area where they can do wind power.  
17 Delaware had 50 percent off the cost of wind or solar for  
18 residential, up to 22,500. New York state had a utility  
19 company that was giving a 25 percent tax credit on PC  
20 installations. Florida was doing all kinds of power  
21 deductions. Vermont, Massachusetts, New Jersey, Rhode  
22 Island. So it's time for us to start looking at how  
23 can we help our citizens. It's citizens that live in  
24 apartments, citizens that own their own homes, citizens  
25 that rent homes. You're here for citizens, you're not

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1 here for power companies. And power companies are here  
2 for citizens, they're not here for -- they think they're  
3 here for their investors. But in the long run, if they  
4 don't take care of the citizens, they won't be able to  
5 take care of their investors.

6 JUDGE CAILLE: May I ask to you please summarize  
7 your comments?

8 MS. BATCH: Yes.

9 JUDGE CAILLE: Thank you.

10 MS. BATCH: The comment that Mr. O'Rourke made, I  
11 just love; the cheapest power is the power you don't have  
12 to produce. Thank you very much.

13 COMMISSIONER JONES: Ms. Evans? Since you were  
14 so kind to drive 200 miles here, I'll just tell you about  
15 a couple things we're doing. The first thing is, we have  
16 a rule making going on on interconnection, and that is how  
17 solar panels and distributed sources of generation can  
18 connect to Avista's and other utilities' grid. It's a  
19 technical issue, but it's also a policy issue. So we're  
20 engaged in a rule making on that. The other thing is if  
21 you read Mother Earth News and other journals, the Federal  
22 Energy Bill contains some interesting provisions, what is  
23 called net metering and advance metering, where because it  
24 is difficult to meter on a time of use basis how much --  
25 how many kilowatt hours you use. But I would think that

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1 the Commission, and perhaps the governor and other state  
2 agencies, will be interested in that issue. So we'll be  
3 following up on that as well.

4 MS. BATCH: I appreciate Washington Utility  
5 Commission because I know you're standing up for the  
6 citizens. Thank you.

7 JUDGE CAILLE: Thank you. Marianne Sheafor. Ms.  
8 Sheafor, if you'll please state your name and spell your  
9 last name for the record.

10 MS. SHEAFOR: Marianne Sheafor, S-H-E-A-F-O-R.

11 JUDGE CAILLE: And are you here testifying on  
12 your own behalf or on behalf of an organization?

13 MS. SHEAFOR: I'm speaking on behalf of -- I am  
14 an Avista user, however I am here on behalf of Aging and  
15 Long-Term Care of Eastern Washington, the area agency on  
16 again for Spokane, Stevens, and Ponderay counties.

17 JUDGE CAILLE: Thank you.

18 MS. SHEAFOR: I'm a volunteer serving on their  
19 planning and management council, and I also serve on the  
20 Washington State Council on Aging. Well, as you know from  
21 past hearings about Avista, rate increases, we're very  
22 concerned about the adverse impact of increasing rates for  
23 home heating, cooling and lighting. Specifically we're  
24 concerned about the adverse rate impact increases present  
25 for frail, vulnerable seniors, as well as other

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1 individuals with disability who are trying to stay in  
2 their home and maintain their independence. The council  
3 supports the proposal advanced by the public counsel  
4 section of the Washington attorney general, which provides  
5 for much lower rates in residential electrical rates, 2.3  
6 percent, and in gas rates 1.5 percent, and does not oppose  
7 the low income part of the proposed settlement agreement.  
8 We understand that public counsel opposes the settlement  
9 proposed because it's more expensive for rate payers than  
10 it needs to be. We urge the Commission to carefully  
11 consider the accountant, economist, and financial expert  
12 reviews provided by public counsel and the issues raised  
13 based on their analyses. Elders and persons with  
14 disabilities living on fixed incomes are already making  
15 tough choices when Social Security increases are below  
16 increases in vital services. This proposed increased  
17 energy burden may result in a decline in health and safety  
18 by forcing trade-offs between heat, food, medicine,  
19 transportation, and other basic needs. Finally, Avista  
20 may see increased costs through more shut-offs and the  
21 resulting termination and reconnection costs. I want to  
22 close by thanking the Commission for scheduling this  
23 hearing in Spokane, and again urge them to adopt the  
24 public counsel proposal.

25 JUDGE CAILLE: Thank you for your comments. Ms.

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1 Marianne Moos?

2 MS. MOOSE: Yes.

3 JUDGE CAILLE: Would you please state your name  
4 and spell your last name for the court reporter.

5 MS. MOOS: I'm Marianne Moos, that's M-O-O-S.

6 JUDGE CAILLE: And are you here testifying on  
7 your own behalf?

8 MS. MOOSE: No. I'm for the Aging and Long-term  
9 Care of Eastern Washington, and I'm also a member of the  
10 State Council of Aging.

11 JUDGE CAILLE: Thank you. Please proceed.

12 MS. MOOS: All right. The PMC has a planning and  
13 managing advocacy committee, and the PMC voted to support  
14 the positive section of the settlement agreement, the  
15 improvements of Avista's programs to help low income  
16 customers with bills. The public counsel and the PMC  
17 position does not oppose this section of the settlement.  
18 In this settlement proposal, there is an increase of  
19 600,000 for low income rate assistance program. That's  
20 (Inaudible) and 200,000 for weatherization. The section  
21 next is LIRAP and the limited (Inaudible) review in  
22 Washington. LIRAP, the Washington Utilities Commission  
23 approved Avista's program low income rate assistance  
24 program effective May 1st, 2001. The (Inaudible) burden  
25 among those least able to pay energy bills. However,

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1 previous census data shows that approximately two and a  
2 half percent of Avista's customers are at or below 25  
3 percent of the federal poverty level. In parenthesis is  
4 19.17, that's a month, family of four. In the senior  
5 energy (Inaudible) I will give to you at the beginning in  
6 May of 2001. In the first year there were 416 grants; in  
7 the second year there were 580 grants; and the third year  
8 1,248 grants; and this past year, year four, was 1357. So  
9 our position is that even with the lower rate increase  
10 such as the public counsel proposes, these programs have  
11 had their impact severely reduced by the rate increases  
12 without program increases for over the last five years.  
13 Thank you.

14 JUDGE CAILLE: Thank you for your comment. Is  
15 there anyone else in the room who would like to address  
16 the Commission this evening? Please come forward. Did  
17 you stand up and were you previously sworn?

18 MR. FACKLER: Yes.

19 JUDGE CAILLE: Please state your name for the  
20 record.

21 MR. FACKLER: I'm Curtis Fackler, and that's  
22 F-A-C-K-L-E-R. I live on Arrowhead Road in Spokane, I'm  
23 an Avista client, and retired business person here in  
24 Spokane. And I'd like to take the advantage to say that  
25 the consumer is the one that always does it. It was

0081

1 mentioned that the largest employers in town are the city,  
2 the school district, the hospitals. And those rates get  
3 passed back to -- the consumer pays the city and the  
4 hospital and the school district. Spokane school district  
5 has to raise taxes to pay those bills. So it's important  
6 that we do that. My background is I have an MBA in  
7 finance. I spent 15 years in the securities business. In  
8 the last three years, Avista stock price has gone from \$10  
9 to \$18. They said they need this rate increase for  
10 investors. That seems to be a pretty good rate of return.  
11 Avista's margin is 33 percent. The industry is 2.9  
12 percent. Avista's net profit margin is 3.4 percent. The  
13 industry is 17.2. So to me that shows Avista is not being  
14 fairly efficient with their costs and everything. I think  
15 it needs to be looked at. Enron proved that energy is not  
16 a new technology, it's been around. Energy transmission  
17 has been around for a long time, close to a hundred years.  
18 It is not a new technology. We need to look at rates of  
19 return. I would imagine anybody in this room would love  
20 to have a 10.4 rate of return. Again, I think that's  
21 unrealistic. I agree with the attorney general's office,  
22 we need to look at a lower rate of return for their  
23 investors. I have thousands of investors that right now  
24 would love to get ten percent. So again, I think seven  
25 percent would be more in line with the industry.



0082

1           JUDGE CAILLE: Thank you. There was someone  
2 else. Please come forward. The gentleman in the back, I  
3 will get to you next.

4           MS. HALLETT: My name is Sue Hallett (Phonetic),  
5 I live at 725 West Orchard street in Colfax, I am an  
6 Avista customer, and I'm speaking on my own behalf.

7           JUDGE CAILLE: Thank you.

8           MS. HALLETT: I called my son the stockbroker  
9 this afternoon and I asked him -- Mr. ffitich had indicated  
10 that originally, the Avista request was for a profit  
11 margin of their shareholders of 11.5 percent, which had  
12 been generally negotiated down to 10.4. Asked my son  
13 about that. He said, "Yeah. Utilities get about ten  
14 percent return. The shareholders do." The only thing I  
15 would say, the rate increase is gonna make me  
16 uncomfortable. It's gonna cause human suffering to other  
17 people. And I would like to ask the Avista shareholders  
18 to participate in at least my discomfort and perhaps  
19 consider the 9.25 percent return on their investment  
20 rather than the 10.4 in the negotiated settlement. Thank  
21 you.

22           JUDGE CAILLE: Thank you for your comment. And  
23 the gentleman in the back.

24           MR. SCHELLING: I did not stand up, so I do.

25           JUDGE CAILLE: All right.

0083

1                   MR. SCHELLING: My name is Don Schelling,  
2 S-C-H-E-L-L-I-N-G, I live at 2109 East 17th Avenue in  
3 Spokane, 99203. I represent myself and a small company  
4 that I own. I have been following Avista and the multiple  
5 rate requests and (Inaudible) of the reality issues from  
6 the Commission for the last five years or so since I've  
7 owned my own business. All I ask for the Commission to do  
8 is to please take a look at the fiduciary responsibility  
9 that Avista has in there. One of those, and in specific  
10 was in 2001 about October, there was a temporary energy  
11 surcharge asked for. I think they asked for 39 percent,  
12 they were given 25 or 27 percent. It was -- it was for,  
13 it said, 19 months, 15 months. I (Inaudible) asking the  
14 Commission over and over after that sunset time if it  
15 would come back. I mean, did the thing actually sunset?  
16 Bottom line, it basically did not. Avista was found that  
17 they needed some more money, so it was set into play.  
18 However, the next year there were over 700 -- I believe I  
19 might be wrong on this number, somewhere between 5- and  
20 \$700,000 in salary increases to the top executives. I have  
21 a copy of that in here because it was made public because  
22 they they're a quasi public agency by the Journal of  
23 Business. And that was the VPs, the general counsel and  
24 the senior VPs and the presidents, all receiving massive  
25 increases. That is one year after this energy crisis

0084

1 brought on originally by the big freeze that we had. All  
2 I'm asking is that please take a look at the numbers that  
3 any business -- this is an oligopoly. That means they  
4 have very few competitors. I am a business who has many  
5 competitors. If I were to try anything like that, I would  
6 not be up here today, nor would any other business in this  
7 room. Thank you so much.

8 JUDGE CAILLE: Thank you for your comment.

9 MR. SCHELLING: If you want a copy, I can give  
10 you a copy of those salary increases that go along with my  
11 response from the Commission back in 2003.

12 JUDGE CAILLE: Thank you. Is there anyone else  
13 who wishes to address the Commission? All right. In  
14 closing then, I would like to thank everyone for your  
15 participation this evening and encourage those of you who  
16 are interested in further information about this  
17 proceeding to please sign up with our consumer services  
18 staff outside in the hall so that you're on a mailing list  
19 to receive future information. Thank you again, and this  
20 meeting is adjourned.

21

22 (Whereupon, the meeting adjourned at 6:45 p.m.)

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