

Exhibit No. __ (MPP-1T)
Docket No. UG-17____
Witness: Michael P. Parvinen

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,
Respondent.

DOCKET UG-17_____

**CASCADE NATURAL GAS CORPORATION
DIRECT TESTIMONY OF MICHAEL P. PARVINEN**

August 31, 2017

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LAST GENERAL RATE CASE, DOCKET NO. UG-15228611

I. INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Michael P. Parvinen. My business address is 8113 W. Grandridge Blvd.,
3 Kennewick, Washington 99336-7166. My e-mail address is
4 michael.parvinen@cngc.com.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Cascade Natural Gas Corporation (“Cascade” or “Company”) as
7 the Director of Regulatory Affairs. In this capacity, I am responsible for the
8 management of all economic regulatory functions at the Company.

9 **Q. How long have you been employed by Cascade?**

10 A. I have been employed by Cascade since September 2011. Prior to joining Cascade I
11 was employed by the Washington Utilities and Transportation Commission
12 (“WUTC” or “Commission”) for nearly 25 years. I was employed as a Regulatory
13 Analyst, later as a Deputy Assistant Director, and lastly as the Assistant Director of
14 the Energy Section.

15 **Q. What are your educational and professional qualifications?**

16 A. I graduated from Montana College of Mineral Science and Technology in May of
17 1986, with a Bachelor of Science degree in Business Administration with an
18 emphasis in accounting.

19 I have testified numerous times before both the WUTC and the Public Utility
20 Commission of Oregon (“OPUC”). I have also analyzed or assisted in the analyses of
21 numerous other utility rate filings, and participated in many utility rulemaking
22 proceedings before the WUTC. Finally, I attended the Seventh Annual Western
23 Utility Rate Seminar in 1987 and the 1988 Annual Regulatory Studies Program,
24 sponsored by the National Association of Regulatory Utility Commissioners.

25

II. SCOPE AND SUMMARY OF TESTIMONY

1 **Q. What is the purpose of your testimony in this docket?**

2 A. My testimony will cover two primary areas. First, I will address the revenue
3 requirements and supporting calculations. Secondly, I will discuss the steps Cascade
4 has taken or is taking to fulfill its commitments under the settlement agreement filed
5 by the parties to Docket No. UG-152286 (“Settlement Agreement”).

6 **Q. Are you sponsoring any exhibits in this proceeding?**

7 A. Yes. I am sponsoring the following exhibits, which are described in my testimony:

8 Exhibit No. __ (MPP-2) Results of Operation Summary Sheet

9 Exhibit No. __ (MPP-3) Revenue Requirement Calculation

10 Exhibit No. __ (MPP-4) Conversion Factor Calculation

11 Exhibit No. __ (MPP-5) Summary of Proposed Adjustments to Test Year
12 Results

13 Exhibit No. __ (MPP-6) 2017 Plant Additions

III. REVENUE REQUIREMENT AND RATE REQUEST PROPOSAL

14 **Q. Please summarize the results of the proposed revenue requirements for the**
15 **Washington jurisdiction.**

16 A. After taking into account all proposed adjustments, Cascade’s current rate of return
17 (“ROR”) is 6.38 percent, as shown in Exhibit No. __ (MPP-2). The incremental
18 revenue necessary to achieve the recommended ROR of 7.60 percent is \$5,884,984
19 also shown in Exhibit No. __ (MPP-2). The calculation of the incremental revenue is
20 also provided in Exhibit No. __ (MPP-3). The overall base revenue increase
21 requested is 2.71 percent.

22 **Q. Please describe the contents of Exhibit No. __ (MPP-2).**

23 A. The figures shown in column (1) are the actual Washington booked figures for the
24 test year, which is the twelve months ended December 31, 2016. The Working
25 Capital figure on line 23 is a calculation from the Company’s actual average of

1 monthly average balance sheet. Column (2) is the summation of all adjustments, both
2 restating and pro forma, to achieve the pro forma results of operation. Each
3 adjustment that is included in column (2) is identified separately in Exhibit No. __
4 (MPP-5), and will be described later in my testimony. Column (3) is the sum of
5 columns (1) and (2) and represents the expected results of operations in the rate year
6 absent any rate change. Column (4) identifies the proposed revenue change and the
7 net income impact of the revenue increase. The proposed revenue increase is also
8 calculated in Exhibit No. __ (MPP-3). Column (5) is the results of operation
9 expected during the rate year with proposed rates.

10 **Q. What is the Company's proposed test year for this case?**

11 A. Cascade has selected the twelve months ended December 31, 2016, as the test period.
12 This 12-month period is the most recent complete period for which Cascade has data
13 available to perform its analysis and is most representative of the costs that will be
14 incurred by the Company in the rate year.

15 **Q. Please describe the contents of Exhibit No. __ (MPP-3).**

16 A. Exhibit No. __ (MPP-3) shows the calculation of the proposed revenue increase of
17 \$5,884,984 necessary to achieve the proposed rate of return of 7.60 percent.

18 **Q. Would you please describe Exhibit No. __ (MPP-4)?**

19 A. Exhibit No. __ (MPP-4) shows the calculation of the conversion factor which is
20 applied to the required net income to produce the required revenue increase. The
21 conversion factor takes into account revenue-sensitive items that change as revenue
22 changes, including uncollectibles, Commission fees, Washington Business and
23 Operating ("B&O") tax, and federal income taxes. The conversion factor is
24 calculated to be 0.62120.

1 **Q. Please describe Exhibit No. __ (MPP-5).**

2 A. Exhibit No. __ (MPP-5) shows each of the Company's proposed adjustments,
3 culminating in the total column shown in column (2). The Company is proposing
4 four restating adjustments and nine pro forma adjustments.

5 **Q. Can you please briefly provide a definition of restating and pro forma
6 adjustments?**

7 A. Yes. A restating adjustment is an adjustment to the actual booked operating results to
8 a basis acceptable for ratemaking. A pro forma adjustment is a known and
9 measurable change beyond the test year that is not offset by other factors.

10 Cascade is proposing four restating adjustments, identified as R-1 through R-4
11 in Exhibit No. __ (MPP-5), and nine pro forma adjustments identified as P-1 through
12 P-9, also identified in Exhibit No. __ (MPP-5).

13 **Q. Would you describe each of the adjustments included in Exhibit No. __ (MPP-
14 5)?**

15 A. Yes. The first column, column (R-1), entitled "Weather Normalization Adjustment"
16 is an adjustment to the test period results to reflect customer usage given normal
17 weather. This adjustment is described by Cascade witness Mr. Brian Robertson in
18 Exhibit No. __ (BR-1T). The result is an increase to net operating income of
19 \$3,077,609.

20 **Q. Continue with the description of the adjustments in Exhibit No. __ (MPP-5).**

21 A. Column (R-2), entitled "Promotional Advertising Adjustment" removes advertising
22 costs directed at promoting the Company brand or image rather than conservation or
23 safety, consistent with WAC 480-90-223. Cascade removed in its entirety the
24 amounts booked to FERC accounts 913 and 930.1. The result is an increase in net
25 income of \$35,566.

1 Column (R-3), entitled “Restate Revenue Adjustment” is described by
2 Cascade witness Ms. Maryalice C. Rosales. The result of this adjustment is a
3 decrease in net income of \$1,501,021.

4 Column (R-4), entitled “Low-Income Bill Assistance” removes from the test
5 period the booked expense prior to the implementation of the tracker tariff rate on
6 September 1, 2016, as established in the last general rate case, Docket No. UG-
7 152286. The result of this adjustment is an increase in net income of \$346,667.

8 Column (P-1), entitled “Interest Coordination Adjustment” adjusts federal
9 income taxes for the effect of the average debt rate used to calculate the rate of return
10 applied to the proposed rate base shown in Exhibit No MPP-1, column (3), line 27.
11 The result is a decrease in net income of \$274,827.

12 Column (P-2), entitled “Pro Forma Wage Adjustment” has four components.
13 The first component is the annualization of the 2016 increase effective April 1, 2016
14 for union employees. The second component layers on the 2017 actual wage
15 increases for non-union and union employees. The third component adds in the 2018
16 estimated increases for the union and non-union employees. The non-union increase
17 is estimated to be 4 percent, the same level granted in 2017. However, the increase
18 won’t be known until sometime in December, 2017. The Company will update the
19 calculation to reflect the actual non-union increase awarded at a later date. The 2018
20 union increase is estimated to be 3.1 percent, the same as 2017. However, the
21 contract is currently under negotiations and is anticipated to be in place prior to the
22 completion of this docket.

23 The forth component is a reflection of the 2017 and 2018 wage increase
24 associated with employees that are allocated to Cascade rather than directly assigned.
25 In general, all non-union employees receive the same level of increases as approved
26 by the Board of Directors. The result is a decrease in net income of \$934,593.

1 Column (P-3), entitled “Pro Forma Plant Additions” reflects the Company’s
2 budgeted level of capital additions expected to go into service by December 31, 2017,
3 well before the anticipated effective date of the current filing, June 1, 2018. The
4 proposed projects are limited to only those projects that are non-revenue producing
5 and will not be included in the 2017 annual Cost Recovery Mechanism (CRM).
6 Exhibit No. ____ (MPP-6) identifies each project, the proposed in service date, most
7 current proposed budget amount, and most importantly an explanation on the
8 investment. These are non-revenue producing upgrades and have no material
9 offsetting factors except for one project. As the cost and timing of these projects is
10 budgeted and estimated at this point, Cascade will update the actual costs and
11 standing of each project as the case proceeds. The intent is adding into rate base only
12 those projects that will be used and useful by the time rates from the current
13 proceeding go into effect.

14 **Q. Please describe the one revenue-producing project and the Company’s approach**
15 **to making a pro forma adjustment for this project.**

16 A. One project going into service was developed to provide reliability for all existing
17 customer’s peak needs and also to meet a specific customer’s expanding load. In
18 order to properly pro form the plant addition, Cascade is including the anticipated
19 annual increase in revenue from the added customer load.

20 **Q. Are Cascade’s pro forma capital additions consistent the Commission’s**
21 **guidelines set forth in Docket No. UE-140762?**

22 A. Yes. In Docket No. UE-140762, the Commission reaffirmed that its “long-standing
23 practice is to consider post-test-year capital additions on a case-by-case basis
24 following the used and useful and known and measurable standards while exercising

1 the considerable discretion these standards allow in the context of individual cases.”¹

2 The Commission elaborated:

3 The known and measurable test requires that an event that causes a change in
4 revenue, expense or rate base must be known to have occurred during, or
5 reasonably soon after, the historical 12 months of actual results of operations,
6 and the effect of that event will be in place during the 12-month period when
7 rates will likely be in effect. Furthermore, the actual amount of the change must
8 be measurable. This means the amount typically cannot be an estimate, a
9 projection, the product of a budget forecast, or some similar exercise of
10 judgment – even informed judgment – concerning future revenue, expense or
11 rate base.²

12 Cascade expects that its pro forma capital additions will be placed in service and used
13 and useful during the suspension period, and anticipates that costs will become
14 known and measurable over the course of this proceeding. Although Cascade is
15 including estimates for the pro forma capital additions in this initial filing, Cascade
16 expects to be able to provide actual costs for all projects in its rebuttal filing.
17 Additionally, Cascade has included supporting justification for each project included
18 in the 2017 Pro Forma Plant Addition adjustment. The supporting documentation is
19 included in Exhibit No. ____ (MPP-6).

20 **Q. What is the impact of the Pro Forma Plant Adjustment?**

21 A. The net income effect of the rate base additions, for depreciation expense, property
22 taxes, and an offsetting revenue increase is a decrease of \$280,075. The rate base
23 impact is an increase of \$17,820,193.

¹ *Wash. Utils. & Transp. Comm’n v. Pac. Power*, Docket UE-140762, *et al.*, Order 08, ¶165 (Mar. 25, 2015).

² *Id.* at ¶167 (internal citations omitted).

1 **Q. Please continue with the description of the columns included in Exhibit No. ____**
2 **(MPP-5), starting with Rate Case Costs included in Column (P-4).**

3 A. Column (P-4), entitled “Rate Case Costs” reflects the impacts of incremental costs
4 associated with filing this general rate case over what was booked in 2016 for the last
5 general rate case, Docket No. UG-152286. These costs will be updated later in the
6 case as they become known and better estimated. The net income impact is a
7 decrease in net income of \$194,033.

8 Column (P-5) entitled “Pro Forma Compliance Department” reflects the
9 addition of a new department at the Company that will be tasked with ensuring that
10 Cascade is in full compliance with all state and federal pipeline safety regulations and
11 other relevant requirements. The department—which is named System
12 Integrity/System Management—has the responsibility of assuring the Cascade is in
13 compliance with all state and federal pipeline safety matters. The new department
14 consists of a director and two engineers. The Company expects that the addition of
15 this department will help avoid future instances such as those that resulted the
16 complaint filed in Docket No. PG-150120. The net income impact of this adjustment
17 is a decrease of \$181,736.

18 Column (P-6) entitled “MAOP Deferral Amortization” provides for a ten year
19 amortization of the anticipated deferred balance associated with the approval in
20 Docket No. UG-160787 of Cascade’s request for deferred accounting treatment of
21 incremental costs to implement the Maximum Allowable Operating Pressure
22 (“MAOP”) Determination and Validation Plan submitted to the Commission on April
23 29, 2016, under Docket No. PG-150120. Amortization would begin as of the
24 effective date of this general rate increase. The deferred balance is anticipated to be
25 \$9,590,868. The net income effect is a reduction of \$623,406.

1 **Q. How does Cascade propose to treat costs associated with the implementation of**
2 **the settlement in Docket No. PG-150120 (“MAOP Settlement”) going forward?**

3 A. Cascade proposes to continue to use a deferral account to not only track additional
4 expenditures associated with the implementation of the MAOP Settlement, but also to
5 track recovered costs. Cascade will update the amortization amount in future rate
6 cases as additional costs are incurred and revenues recovered.

7 **Q. Why is Cascade proposing a ten year amortization period?**

8 A. A period of ten years was selected to reduce the impact to customers and to amortize
9 over an approximation of the remaining life of the pipeline segments at issue in the
10 complaint. Virtually all of the 116 segments in question were installed prior to 1970
11 (“Pre Code”) and many prior to Cascade’s acquisition of the distribution system in
12 1954 (“Pre CNGC”). Anything installed Pre Code is at least forty-seven years old
13 and anything Pre CNGC is at least sixty-one years old. Mains have roughly a sixty
14 year life. While this was not an exact calculation, it presents a rough approximation
15 of the remaining useful life of the pipe segments at issue and supports the use of a ten
16 year amortization.

17 Cascade witness Mr. Eric Martuscelli will describe the reasons why recovery
18 of these costs is appropriate. Cascade witness Mr. Ryan Privratsky will describe the
19 types and level of costs being incurred to implement the MAOP Settlement.

20 **Q. Please continue with the description of adjustments included in Exhibit No. __**
21 **(MPP-5).**

22 A. Column (P-7), entitled “Miscellaneous Charge Changes” accounts for proposed
23 changes to certain miscellaneous fees in Schedule 200. Cascade witness Ms. Jennifer
24 G. Gross describes the proposed changes in greater detail in Exhibit No. __ (JGG-
25 1T). This adjustment reduces net income by \$63,142.

1 Column (P-8), entitled “CRM adjustment” adjusts from the average of
2 monthly average test year investment for approved Cost Recovery Mechanism
3 (“CRM”) investments to the same level included in the most recent annual CRM
4 filing (Docket No. UG-160788). The adjustment recognizes a full year impact of the
5 investment as included in Docket No. UG-160788. The pro forma adjustment in
6 column P-9 recognizes a full year of the revenue from the same CRM filing. This
7 adjustment, along with the revenue adjustment in column P-9, fully matches the
8 revenue with the investment. This adjustment decreases net income by \$50,707 and
9 increases rate base by \$2,978,481.

10 Column (P-9), entitled “Pro Forma Revenue” adjusts weather normalized
11 volumes to the most current rates. Included in this adjustment is the annualization
12 effect of the most current CRM rates, the most current special contract rates, and the
13 most recent general rate case. This adjustment is further described in the testimony of
14 Ms. Rosales. This adjustment increases net income by \$3,242,702.

15 **Q. Please describe Exhibit No. __ (MPP-6).**

16 A. Exhibit No. __ (MPP-6) identifies each project included in the Company’s request.
17 The intent of the analysis is to comply with the Commission’s previous guidance
18 regarding the parameters for the inclusion in rate base of pro forma adjustments based
19 on the most recent updated capital budget. The first column identifies the funding
20 project number. The second column identifies the funding project name. The third
21 column identifies the expected in-service date. The fourth column identifies the
22 primary FERC account number for the project. The fifth column identifies the most
23 up to date expected cost of the project. The sixth column identifies the Washington
24 portion of the project. The seventh column identifies the amount included in the
25 current request for recovery. Finally, the eighth column identifies the footnote which
26 provides the support for inclusion or exclusion in the current request for recovery.

1 **Q. Please explain where the justification or support for including each project is**
2 **included in Exhibit No. ____ (MPP-6).**

3 A. The support or identified benefit of adding each project is included on Pages 4 – 7 of
4 the exhibit.

IV. LOW-INCOME BILL ASSISTANCE PROGRAM

5 **Q. Is the Company proposing a change to its Low-Income Bill Assistance program?**

6 A. No.

7 **Q. Please explain.**

8 A. In the Company's last general rate case, Docket No. UG-152286, many changes were
9 made to the program and funding levels. The effects of those changes have not even
10 been in place for a full year yet as of the filing of this case.

11 **Q. Even though the changes have not been in place for long, does Cascade have any**
12 **initial conclusions regarding the modifications to the low-income program?**

13 A. So far, it appears that the program changes were very positive. In fact, the changes
14 have resulted in the Company seeking a request to allow for funding beyond the
15 program cap approved in the Settlement Agreement.

V. COMPLIANCE WITH THE SETTLEMENT AGREEMENT IN CASCADE'S LAST GENERAL RATE CASE, DOCKET NO. UG-152286

16 **Q. Did Cascade commit to fulfill certain obligations as a result of the Settlement**
17 **Agreement filed in its last general rate case, Docket No. UG-152286?**

18 A. Yes. Cascade agreed to the following items:

- 19 • Early implementation of the 2016 Purchase Gas Adjustment ("PGA") filing to
20 offset the impact of the general rate case.
- 21 • Third party audit of the decoupling program.
- 22 • Initiate a load study prior to next rate case.
- 23 • Implementation of changes to Cascade's conservation program, including
24 filing an annual plan, annual report, holding quarterly meetings, providing

1 advanced notice of filings to Conservation Advisory Group (“CAG”),
2 developing a framework for analysis of Cascade’s conservation program, and
3 investigating and developing a proposal to remove barriers to low-income
4 weatherization.

- 5 • Implementation of modifications to Cascade’s Low-Income Energy
6 Assistance program, including adoption of goals, establishing an advisory
7 group, updating Cascade’s tariff, rolling the existing balance over as the new
8 beginning balance for Washington Energy Assistance Fund (“WEAF”)
9 program, performing a needs assessment, implementing design eligibility and
10 funding procedures, evaluating the program, performing customer outreach,
11 consideration of alternative designs, and annual reporting.
- 12 • Improvements to the annual Commission Basis Report; including the investor
13 supplied working capital (“ISWC”) calculation and weather normalization
14 calculation.
- 15 • Separate conservation revenues and WEAF revenues from the Weighted
16 Average Cost of Gas (“WACOG”).
- 17 • Employ an industry accepted practice for determining unbilled revenues.
- 18 • Bifurcate booked revenue, margin revenue, and all other revenue sources.

19 **Q. Can you provide a status update on each of these items, starting with the early**
20 **implementation of the PGA?**

21 A. Certainly. On August 1, 2016, Cascade filed its annual PGA and deferral
22 amortization filing under Docket No. UG-160972. The result was a nearly \$18
23 million reduction in revenue effective September 1, 2016, compared to the general
24 rate increase of \$4 million effective on the same date.

25 The Company agreed to a third-party audit of the decoupling mechanism. The
26 audit is not scheduled to take place until after the third full year of the decoupling

1 mechanism. The third full year will be complete at the end of 2019, accordingly, no
2 action on the audit has occurred to date.

3 The Company agreed to initiate a load study before filing its next general rate
4 case. The Company has taken the first steps in the load study by initiating what is
5 internally referred to as a “citygate study.” The data collected from the citygate study
6 will serve as the foundation for the load study. Mr. Robertson provides additional
7 information regarding the status of the load study.

8 The Company agreed to a number of commitments regarding modifications to
9 its conservation program. Some of the commitments formalized processes already
10 being performed, while others were new. The processes already being performed are
11 not discussed in detail; I will instead focus on changes Cascade has made to fulfill the
12 commitments from the Settlement Agreement. Cascade filed its annual plan by
13 December 1, 2016, and filed its annual report by June 1, 2017, which is consistent
14 with the filing schedule for other energy companies. Since the effective date of the
15 Company’s last rate case on September 1, 2016, Cascade has held three quarterly
16 CAG meetings with others already scheduled for the remainder of 2017.
17 Additionally, Cascade has scheduled quarterly CAG meetings for the full calendar
18 year in advance of the start of the year to ensure maximum likelihood of stakeholder
19 availability and participation. Thus far, stakeholder availability and participation in
20 the quarterly CAG meetings has been good. Cascade has supplied all reports and
21 filings to the CAG at least thirty days prior to filing the reports and filings with the
22 Commission. While providing advance copies has been difficult on Cascade’s staff
23 due to the substantial decrease in the time between the data becoming available and
24 the time by which Cascade must prepare and finalize the reports and filings, Cascade
25 acknowledges the benefit of providing advance copies, which has been more open
26 and productive dialogue regarding Cascade’s conservation program.

1 **Q. The last item listed under conservation is low-income weatherization; can you**
2 **describe the outcome of this item?**

3 A. Yes. The Company worked with the CAG as well as our low-income community
4 action agencies to develop a low-income weatherization program intended to result in
5 weatherizing more homes. Cascade formalized its low-income weatherization
6 proposal in a tariff filing made on December 29, 2016, which essentially allows for
7 full payment of measures included in the Washington State Department of
8 Commerce's Weatherization Priority List. The tariff became effective on February 1,
9 2017. As was experienced when Cascade implemented a similar tariff in Oregon, it
10 seems to take the community action agencies time to adapt to the new program.

11 **Q. Can you provide an update on the low-income bill assistance obligations**
12 **identified above?**

13 A. Yes. First, the Company filed a tariff with the agreed modifications to the WEAFF
14 program arising out of the settlement. The modified program was designed to meet
15 the program goals also identified in the settlement. An advisory group consisting of
16 the rate case parties and each of the community action agencies was developed and
17 has been meeting quarterly, usually by conference call. Additionally, many email
18 exchanges have taken place to either provide information or to achieve consensus
19 when needed, such as for modification to the needs assessment study.

20 The needs assessment study was contracted for and initially completed in May
21 2017. In consultation with the advisory group, additional work is being performed to
22 analyze need for the program. So far, the total cost of the needs assessment is still
23 below the level of funds set aside for the assessment in the Settlement Agreement.

24 Cascade has been providing not only annual reporting but monthly reporting
25 to keep the agencies apprised of successes of the program and the status updates
26 regarding the current funding balance.

1 The topic of alternative design or approaches has not yet been directly
2 addressed. While there have been some initial conversations regarding observations
3 about program design or suggestions for modification, so far no particular design
4 alternative recommendation has been brought to the advisory group for full
5 consideration. Cascade recommends allowing the program to reach its potential
6 before assessing modifications to the program.

7 **Q. Please describe the commitments made regarding the presentation of the annual**
8 **Commission Basis Report (“CBR”).**

9 A. Cascade agreed to file the CBR using the ISWC calculation methodology approved in
10 the rate case from 2006. Cascade also agreed to calculate weather normalization in a
11 very specific manner. Cascade complied with these commitments in the CBR filing
12 submitted to the Commission on April 27, 2017.

13 **Q. Is Cascade using the same methodology for the ISWC and weather**
14 **normalization in this rate case?**

15 A. No. For ISWC the presentation is slightly different. The Commission has accepted
16 net pension costs as a working capital item in other rate cases since 2006 so Cascade
17 has updated its methodology to be consistent with the more current approved
18 calculations.

19 The weather normalization calculation proposed by the Company is consistent
20 with the methodology used in the Company’s IRP and financial planning. The
21 proposed methodology and support for modification is described by Mr. Brian
22 Robertson.

23 **Q. How has the Company addressed separating out the conservation and WEA**
24 **collections from revenues and gas costs?**

25 A. In our last general rate case there was confusion created by the way Cascade records
26 its deferral amortization revenues and it appeared there was a mismatch between

1 revenues and expenses. Cascade, in this case, has eliminated the issue by pricing all
2 weather normalized therms at the current WACOG on both the revenue and gas cost
3 side of the books. The result is an apples-to-apples comparison where all deferrals,
4 conservation cost recovery, WEAF recovery, and unbilled revenue have been
5 eliminated. In other words, the revenues match the gas cost expense and are priced at
6 the most current revenue and gas cost rates. Ms. Rosales provides testimony
7 describing this adjustment in Exhibit No. __ (MCR-1T).

8 **Q. How has the Company implemented an industry accepted approach to unbilled**
9 **revenue determinations?**

10 A. The Company uses an industry accepted approach to calculating its unbilled revenues.
11 The method is based on using actual monthly pipeline data to determine true
12 customer usage and compares the usage to the actual billed usage. The difference
13 between true customer usage and actual billed usage provides the amount of the
14 unbilled revenue. This is a very common approach and has been accepted by the
15 Company's outside auditor.

16 Because the Company is calculating its weather normalization adjustment
17 using pipeline data or more real-time usage, unbilled revenue is inherently already
18 included in the weather normalization calculation, therefore any net unbilled revenue
19 booked in the test period should be removed. Cascade has done this in the revenue
20 adjustment identified in the previous question.

21 **Q. And finally, regarding the last commitment, describe how the Company**
22 **bifurcates the booked revenue?**

23 A. The Company has internal reports that bifurcate booked revenues, but the books are
24 not necessarily fully bifurcated. Again, the Company has resolved the issue with the
25 revenue adjustment proposed by Ms. Rosales.

26 **Q. Does this conclude your testimony?**

1 A. Yes it does.