

Exhibit No. __ (NAK-1T)
Docket No. UG-20____
Witness: Nicole A. Kivisto

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-20_____

**CASCADE NATURAL GAS CORPORATION
DIRECT TESTIMONY OF NICOLE A. KIVISTO**

June 19, 2020

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I. INTRODUCTION

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

2 A. My name is Nicole A. Kivisto. My business address is 400 North Fourth Street, Bismarck,
3 North Dakota 58501.

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

5 A. I am the President and Chief Executive Officer (“CEO”) of Cascade Natural Gas
6 Corporation (“Cascade or Company”), Intermountain Gas Company, and Montana-Dakota
7 Utilities Co. (“Montana-Dakota”), all subsidiaries of MDU Resources Group, Inc. (“MDU
8 Resources”) as well as Great Plains Natural Gas Co. a division of Montana-Dakota,
9 collectively the MDU Utilities Group.

10 **Q. Please describe your duties and responsibilities.**

11 A. I have executive responsibility for the development, coordination, and implementation of
12 strategies and policies related to operations of the above-mentioned companies that, in
13 combination, serve over 1.1 million customers in eight states.

14 **Q. Would you briefly describe your educational and professional background?**

15 A. Yes. I hold a Bachelor’s Degree in accounting from Minnesota State University Moorhead.
16 I have worked for MDU Resources/Montana-Dakota for twenty-four years and have been
17 employed in my current capacity as President and CEO since January 2015. I was Vice
18 President-Operations of Montana-Dakota and Great Plains from January 2014 until
19 assuming my present position.

20 Prior to that, I was the Vice President, Controller and Chief Accounting Officer for
21 MDU Resources for nearly four years and held other finance-related positions prior to that.

1 **Q. Have you previously written or presented testimony on behalf of Cascade before the**
2 **Washington Utilities and Transportation Commission (“Commission”) or any other**
3 **commission?**

4 A. Yes, I have previously testified before this Commission in Cascade’s most recent
5 Washington rate cases, Dockets UG-190210, UG-170929, and UG-152286. I have also
6 testified before the Public Utility Commission of Oregon in Cascade’s most recent Oregon
7 rate cases, Dockets UG 390, UG 347 and UG 305.

II. SCOPE AND SUMMARY OF TESTIMONY

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

9 A. My testimony covers numerous subject areas, including an overview of Cascade’s
10 corporate profile, a brief summary of the Company’s rate request, and a description of the
11 primary drivers leading to this request for rate relief. I also provide background on
12 Cascade’s increased spending on system improvements and describe measures the
13 Company has taken to control costs and increase operating efficiencies, allowing it to
14 reduce the impact of this request. Additionally, I provide an overview of the impacts of
15 the COVID-19 global pandemic on Cascade and its customers. Finally, I provide the
16 Commission with an update on Cascade’s work to design and implement a load study that
17 would verify system usage by class and help inform the allocation of costs between
18 customer classes.

III. OVERVIEW OF CASCADE

19 **Q. Please briefly provide an overview of the Company.**

20 A. Cascade was originally formed in 1953 to serve smaller and predominantly rural
21 communities in the Pacific Northwest. Cascade now provides natural gas distribution

1 service in 96 communities in Washington and Oregon, serving 299,000 customers, of
2 which 222,000 are in Washington. Cascade's headquarters are located in Kennewick,
3 Washington. Although Cascade serves 68 communities in Washington, most of the
4 communities are quite small. The largest communities served by Cascade in Washington
5 are Bellingham, Mt. Vernon, Bremerton, Tri-Cities, and Yakima. Cascade serves a non-
6 contiguous service territory with 331 dedicated employees.

IV. CASCADE'S REQUEST FOR A RATE INCREASE

7 **Q. Please summarize Cascade's requested increase in this filing.**

8 A. Cascade's cost of doing business in Washington is increasing, despite the Company's
9 efforts to control costs and increase efficiency. Since 2008, the Company has invested
10 over \$456.3 million, primarily to improve the safety and reliability of its distribution
11 system in Washington. While much progress was made over this period, Cascade must
12 maintain its focus on system improvements and estimates it will invest more than \$428
13 million to ensure system safety and reliability between 2020 and 2024. Further, the
14 Company continues to experience increases in labor and personnel costs, general inflation
15 across its business lines, and to some degree customer growth.

16 Cascade's rate base growth and increased operating expenses since its last filed rate
17 case require it to request an overall revenue increase of \$13,830,451 or 5.3 percent. The
18 Company's proposed increase is based on an overall rate of return of 7.54 percent based
19 on a weighted capital structure of 50.4 percent common equity, 49.6 percent long-term
20 debt, and a return on equity of 10.3 percent.

21 **Q. Please describe the test year in the Company's filing.**

1 A. The Company's filing uses a historical test year based on the twelve-month period that
2 ended December 31, 2019. The 2019 test year was selected because it is the most recent,
3 appropriate, and supportable period to represent the period in which rates will be in effect.
4 In addition, certain capital projects expected to be complete and in service by the end of
5 2020 have also been included in the Company's requested rate base. Company witness
6 Maryalice Peters provides further discussion of the test period in her testimony.

7 **Q. Please describe the rate spread and rate design proposed in the Company's filing.**

8 A. The Company's proposed tariffs reflect its application of an equal percent of margin
9 increase to each rate class, except for Special Contracts. This proposed rate treatment is
10 consistent with the Commission's order in Docket UG-170929.¹ No changes to rate
11 design—including the customer charge—are proposed by Cascade. Again, this treatment
12 is consistent with the Commission's order in Docket UG-170929.²

13 **Q. What is the average customer bill impact resulting from the proposed rate increase?**

14 A. Cascade's rate filing will result in a bill increase of \$2.86 per month for the average
15 residential customer using 56 therms per month. As a result, the average customer's bill
16 will increase from \$56.72 per month to \$59.58.

V. REASONS FOR RATE INCREASE REQUEST

17 **Q. Please describe the factors influencing Cascade's decision to seek a rate increase at
18 this time.**

19 A. As I expressed earlier in my testimony, there are several factors that have contributed to
20 the Company's decision to file a general rate case. When examined as a whole, the

¹ *Wash. Utils. & Transp. Comm'n v. Cascade Nat. Gas Corp.*, Docket UG-170929, Order 06 at ¶ 66 (July 20, 2018).

² *Id.*

1 combination of significant rate base investments, increased pressures on operating and
2 maintenance (“O&M”) expenditures, and the progressive and deleterious impact of
3 regulatory lag on cost recovery, and consequently earnings, require the Company to file
4 this rate case and likely sequential rate cases in future years.

5 **Q, Is Cascade proposing any sort of mechanism in this case in response to the**
6 **Commission’s policy statement in Docket U-190531?**

7 A. No. While the Company truly appreciates the Commission’s approach and
8 recommendations in the policy statement, Cascade has decided not to propose a
9 mechanism at this time due to the uncertainty related to the COVID-19 global pandemic
10 and related impacts to the Company’s capital projects planning. Cascade will reevaluate
11 the possibility of making a proposal in its next general rate case. In the meantime,
12 regulatory lag will continue to be an issue for Cascade and will likely require its next
13 general rate filing shortly after the conclusion of this docket. Mr. Parvinen provides
14 additional testimony regarding Cascade’s views on the Commission’s policy statement.

15 **Q. Has Cascade made all reasonable efforts to control costs in order to avoid the need to**
16 **file a new rate case?**

17 A. Yes. Cascade’s management takes seriously the need for efficiency and cost-effectiveness
18 when making decisions on new investments or operational expenses. As examples,
19 Cascade has found synergy savings since its acquisition by MDU Resources. These
20 savings have been produced by streamlining senior management, forming both a unified
21 customer service center and a joint billing facility, restructuring processes to create
22 efficiencies, and investing in uniform accounting and customer information system
23 software. The Company also takes seriously its obligation to deliver safe, reliable, and

1 efficient service to its customers, and I can assure the Commission that Cascade has and
2 will continue to take the steps necessary to fulfill this obligation.

VI. COVID-19 IMPACTS

3 **Q. How is the COVID-19 pandemic impacting Cascade and its customers?**

4 A. Cascade has implemented appropriate measures to ensure that it continues to operate safely
5 and that the Company's customers continue to receive essential gas service during this
6 challenging time. To that end, the Company has temporarily suspended the collection of
7 late payment charges for its customers and has implemented a moratorium on service
8 disconnections for non-payment related to customer hardships resulting from the COVID-
9 19 pandemic. Our Customer Experience team also works with customers to establish
10 longer-than-normal repayment plans where appropriate. In addition, the Commission
11 recently approved Cascade's proposed Hardship Economic Assistance Receivable
12 Temporary ("HEART") program, which helps customers who have lost their income due
13 to the pandemic receive energy assistance.³

14 **Q. What is the HEART program?**

15 A. The HEART program is a temporary modification to Cascade's Washington Energy
16 Assistance Fund ("WEAF"), and provides that residential natural gas customers having
17 trouble paying their bills may apply for hardship grants of up to \$400 from current WEAF
18 funds, and the existing cap of \$500 per program year per household has been lifted.
19 Additionally, through the HEART program, the low-income verification requirements to
20 qualify for Cascade's WEAF program have been relaxed so that customers experiencing a

³ *In the Matter of the Request of Cascade Nat. Gas Corp. for Less Than Statutory Notice in Connection with Tariff Revisions*, Docket UG-200355, Order 01 at ¶ 13 (Apr. 23, 2020); Docket UG-200355, Initial Filing Cover Letter at 2 (Apr. 16, 2020).

1 sudden loss of income can receive aid quickly.

2 **Q. Has Cascade considered the impact of filing a general rate case during these trying**
3 **times?**

4 A. Yes, and we understand that our customers may now (or will soon) be experiencing
5 economic hardship resulting from the COVID-19 pandemic, and that the prospect of a rate
6 increase may be difficult for the Company's customers. We carefully considered the
7 appropriate timing for our filing and ultimately determined that the rate increase is
8 necessary in order to meet our customers' needs by maintaining safe, reliable service and
9 to provide timely recovery of our investments and costs. While there is uncertainty
10 regarding how long Cascade and its customers will be impacted by the COVID-19
11 pandemic and the magnitude of the impacts, Cascade is optimistic that the situation will be
12 improved by the time rates go into effect on or near May 20, 2021.

VII. CUSTOMER SUPPORT PROGRAMS

13 **Q. How does Cascade support customers that have difficulty paying for the natural gas**
14 **service provided to them by the Company?**

15 A. With the support of the Commission, Cascade currently provides its customers with several
16 bill assistance and conservation programs designed to assist customers in meeting their
17 energy bill obligations.

18 Regarding bill assistance, Cascade's WEAFF and its Winter Help programs provide
19 needed bill assistance to low-income customers. Cascade also offers its customers a
20 program called the Budget Payment Plan, which serves to reduce bill volatility associated
21 with seasonal fluctuations in usage.

22 The WEAFF program has been successful and was updated to better serve low-

1 income customers. To this end, the Commission approved the Company's request to
2 increase the program's spending cap. As a result, the program's 2018-2019 funding was
3 set at \$1,329,400 and it is projected to grow to \$1,467,400 by program year 2020-2021. In
4 addition, the program is allowed an incremental 5% soft cap should additional funds be
5 needed. Cascade is also prepared to request an increase in the cap if the demand for
6 assistance as a result of COVID-19 exceeds the current cap.

7 The Budget Payment Plan allows customers to opt in and make a flat payment for
8 a period of time, thus flattening or leveling their monthly bill. Cascade has found that this
9 plan makes it easier for customers to budget for their payments. As of December 31, 2019,
10 there were 21,201 Washington customers participating in the Budget Payment Plan,
11 comprising approximately 9.5% percent of Cascade's customer base.

12 Finally, Cascade provides conservation programs for all customers, as well as
13 conservation programs through community action agencies specifically designed for low-
14 income customers. The Company's conservation program budgets have seen a marked
15 increase in the past few years, as shown in Table 1 below:

16 **Table 1. Conservation Program Budgets, 2017-2020**

Year	Budget Amount
2017	\$3.6 million
2018	\$5.1 million
2019	\$6.1 million
2020	\$7.6 million

17 As shown in Table 1 above, the program budget—which includes program delivery costs,
18 the incentives offered to customers, and work with our regional partner, the Northwest

1 Energy Efficiency Alliance—has increased by more than one hundred percent in the last
2 three years.

3 **Q. Have customers responded positively to the programs and services offered by the**
4 **Company?**

5 A. Yes. I am proud to inform the Commission that Cascade finished first in J.D. Power's
6 2019 Gas Utility Residential Customer Satisfaction Survey for not only mid-size gas
7 utilities but for all participating utilities. The Company's outstanding achievement was
8 due to the exceptional work of our employees and Cascade's focus on providing safe,
9 reliable and efficient service to our customers.

VIII. UPDATE ON CUSTOMER CLASS LOAD STUDY

10 **Q. Please describe Cascade's agreement to conduct a load study for the purpose of**
11 **determining commodity usage by core customer classes.**

12 A. As part of the settlement of the Company's 2017 rate case, Docket UG-170929, the
13 Company agreed to design and conduct a study that would allow it to more accurately
14 assess commodity usage among its core customer classes.⁴ Upon completion, the study
15 will be used to verify system usage by class and to help inform the allocation of costs
16 between the classes. For purposes of this case, the Company has spread the proposed
17 increase on an equal percent of margin to each class except for Special Contracts, as called
18 for in the settlement.⁵

19 **Q. Did the Commission establish a deadline for completion of the study?**

⁴ See Docket UG-170929, Order 06 at ¶¶ 69-72 (July 20, 2018).

⁵ See *id.* at ¶ 69.

1 A. No, it did not. The Commission’s final order observed that the parties’ settlement
2 contained no deadline for the study’s completion and it approved the settlement terms, as
3 written.⁶ It did, however, comment on the rate spread restrictions noted above, stating that
4 the settlement agreement imposed “appropriate parameters and restrictions on the
5 allocation of future rate increases until such time as a load study or detailed load analysis
6 is complete.”⁷ Cascade appreciates the Commission’s willingness to allow the Company
7 the time necessary to carefully consider and design the load study.

8 **Q. Please explain the Company’s philosophy regarding the parameters of its load**
9 **study.**

10 A. From the Company’s perspective, an acceptable load study should be designed to balance
11 the study’s objectives with its overall cost, including necessary system and back office
12 modifications. To this end, the flexibility provided by the Commission’s order has
13 allowed Cascade the opportunity to consider its options, weigh expected costs, and assess
14 the range of benefits.

15 **Q. Has Cascade settled on a study design consistent with these principles?**

16 A. Yes, the Company has examined its options and based on its preliminary analysis, believes
17 the load study can be completed in less time and at a lower cost using newly installed
18 equipment and existing personnel.

19 **Q. Please explain Cascade’s plans to use new technology and existing personnel to**
20 **perform the load study.**

⁶ See *id.*

⁷ *Id.* at ¶ 72.

1 A. We are currently considering the use of newly installed Encoder Receiver Transmitters
2 (“ERT”) in combination with reprogramming Mobile Meter Reading (“MMR”) equipment
3 to take the readings necessary to effectively determine customer class usage over a
4 designated period. By using the combination of ERT and MMR equipment, the Company
5 believes it can minimize the study’s costs and maximize its benefits. Importantly, the
6 Company also believes this approach will produce results that can be easily compared and
7 used, over a reasonable period.

8 **Q. What is the Company’s expected timeline for completion of the load study?**

9 A. Cascade hopes to begin data collection over the 2020-2021 heating season, assuming the
10 final study design and anticipated equipment modifications can be completed over the
11 summer of 2020. I must caution, however, that the study’s completion will be weather
12 dependent.

13 **Q. Why does the completion of the load study depend on the weather?**

14 A. In order for the data to be relevant to design day, which is how the system is built, a peak
15 usage event would need to take place during the study period. Obtaining the peak usage
16 data requires the existence of a peak weather day, or even better, a number of peak or near-
17 peak days, to produce statistically meaningful data points. Therefore, the load study could
18 take more than one heating season to complete should peak day temperatures and loads fail
19 to occur.

20 **Q. Did the Company begin gathering data over the 2019-2020 heating season as
21 anticipated in Cascade’s last general rate case UG-190210?**

22 A. No. The installation of the ERTs was not completed in time to begin fully implementing
23 the programing and use of MMR. Cascade anticipates that this will occur in the winter of

1 2020 and 2021.

2 **Q. Will the Company share its data collection strategy with the Commission prior to**
3 **implementation?**

4 A. Yes, that is the Company's intent. When the final draft of the load study has been
5 prepared, the Company will present it to the Commission, interested parties, and
6 stakeholders for review and comment.

7 **Q. Did Cascade consider any alternative technologies to enhance the collection of**
8 **customer usage data for the load study?**

9 A. Yes, Cascade considered a Fixed Area Network ("FAN") to enhance the collection of
10 customer usage data and improve system operations, and construction of a FAN remains a
11 key objective for Cascade. At this time, the Company is scoping the network's design and
12 required technologies. Once this work is completed, Cascade will then turn to finalizing
13 the project's capital budget and timeline for construction. If a FAN is determined to be
14 cost-effective and technologically feasible, Cascade anticipates that its construction could
15 be complete by 2024 or 2025.

IX. OTHER COMPANY WITNESSES

16 **Q. Would you please introduce and provide a brief description of each of the witnesses**
17 **filing testimony on behalf of Cascade in this proceeding?**

18 A. Yes. The following additional witnesses are presenting direct testimony on behalf of
19 Cascade:

20 Ms. Tammy Nygard, Controller, will address the Company's capital structure, the
21 proposed cost of embedded debt, and the overall rate of return.

22 Ms. Ann E. Bulkley, Senior Vice President – Concentric Energy Advisors, will

1 discuss the requested overall return on equity for Cascade.

2 Mr. Patrick Darras, Vice President – Engineering & Operations Services, will
3 support the Company’s proposed 2020 plant additions.

4 Mr. Michael Parvinen, Director – Regulatory Affairs, will discuss the Company’s
5 consideration of the Commission’s policy statement in Docket U-190531 in the context of
6 the COVID-19 pandemic. He will also address the regulatory background underlying the
7 Company’s proposed pro forma capital additions.

8 Ms. Pamela Archer, Senior Regulatory Analyst, will discuss the proposed tariff
9 changes.

10 Ms. Maryalice Peters, Regulatory Analyst, will discuss the Company’s proposed
11 revenue requirement and supporting calculations.

12 Mr. Isaac Myhrum, Regulatory Analyst, will explain the summary of revenues by
13 customer class and the revenue analysis for the Cost Recovery Mechanism and the
14 Company’s unbilled revenue. He will also explain the baseline analysis for Cascade’s
15 Decoupling program. Mr. Myhrum’s testimony also covers the Company’s proposed rate
16 spread.

17 Mr. Brian Robertson, Supervisor – Resource Planning, will discuss the weather
18 normalization adjustment and methodology behind the calculation.

19 **Q. Does this conclude your pre-filed direct testimony?**

20 A. Yes.