Exhibit No. __ (IDM-1T)
Docket No. UG-20_____
Witness: Isaac D. Myhrum

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 ISAAC D. MYHRUM

June 19, 2020

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I. INTRODUCTION

Q. Please state your name, business address, and present position.

A. My name is Isaac D. Myhrum and my business address is 8113 W. Grandridge Blvd., Kennewick, WA 99336. My present position is Regulatory Analyst II in the Regulatory Affairs Department with Cascade Natural Gas Corporation ("Cascade" or "Company").

Q. Would you briefly describe your duties?

A. Yes. Among my duties, I am responsible for preparing regulatory reports, tariff and compliance filings, and other regulatory filings for Cascade that are filed with the Washington Utilities and Transportation Commission ("Commission") and the Public Utility Commission of Oregon ("OPUC"). I also provide regulatory advice and knowledge to others within the Company.

Q. How long have you been employed by the Company?

A. I have been employed by the Company since August 2016.

Q. Would you please briefly describe your educational background and professional experience?

Yes. I graduated from Washington State University with a Bachelor of Arts degree in Business Administration with an emphasis in Accounting in 2014, and I received a Bachelor of Science degree in Political Science with an emphasis in Economics from the University of Idaho in 2005. Prior to joining the Company, I was employed as an Accountant for public accounting firms Nilson & Oord PLLC and Clifton Larsen Allen LLP. Since joining Cascade, I have attended several regulatory courses and conferences, including Center for Public Utilities Rate School hosted by New Mexico State University in 2016, as well as other events sponsored by the National Association of Regulatory Utility Commissioners. I have previously filed testimony before this Commission in the Company's most recent rate case, Docket UG-190210, and in a case currently before the OPUC, Docket UG 390.

II. SCOPE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to introduce and support several exhibits in this proceeding, including the Company's Summary of Revenues and its related Revenue Adjustments. I will also testify to the Company's revenue distribution methodology, Cost Recovery Mechanism ("CRM") revenues, weather normalization adjustments and their impacts on billing determinants, rate spread and rate design, and the filing's impacts on the authorized margin per customer under the Company's decoupling mechanism.

Q. Are you sponsoring any exhibits in this proceeding?

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

Exhibit No. __(IDM-2), Summary of Revenues by Rate Schedule

Exhibit No. __(IDM-3), Revenue Adjustments

Exhibit No. __(IDM-4), Revenue Distribution

Exhibit No. __(IDM-5), Decoupling Mechanism, Authorized Revenue Per Customer

III. SUMMARY OF REVENUES BY RATE SCHEDULE

Q. Would you please describe Exhibit No.___(IDM-2) entitled "Summary of Revenues by Rate Schedule"?

A. Yes. The Summary of Revenues by Rate Schedule in Exhibit No.___(IDM-2) provides a comparison of revenues at current rates with those the Company expects under proposed rates. Specifically, Exhibit No.___(IDM-2) presents the Company's Per Books Revenue for the twelve months ending December 31, 2019, listed by rate schedule ("Per Books Revenue" labeled column "(D)"). The Per Books Revenue amounts include all of the components of the current rates for each rate schedule, including gas costs, non-gas costs, taxes, and billing adjustments. The Per Books Revenue total matches the 2019 total operating revenues subtotal presented in Company witness Maryalice Peters' testimony.[1] I will describe each section of the Exhibit No.___(IDM-2) in detail in my testimony below.

Q. Please describe the "Current" section of the Summary of Revenues by Rate Schedule Exhibit (columns labeled "A" through "D").

A. The section labeled "Current" provides information regarding the Company's current rates in four columns labeled "A" through "D". It contains descriptions of rate schedules utilized by the Company, and revenues received for the period from January 1, 2019 through December 31, 2019.

1. Column A "Rate Description" – Lists each rate schedule utilized by the Company in 2019. Descriptions include Basic Service Charges, Delivery Charges, Average Cost of Gas, as well as Non-Gas Revenue items including taxes and other adjustments.
2. Column B "Billing Determinants" – Lists the billing determinant counts of each schedule within the Company in 2019. The billing determinants are customer counts (i.e., "Bills") and volumetric usage calculations (i.e., "Therms"). The billing determinants were calculated by dividing the associated Per Books Revenue figure

[1] CNGC Exh. No. MCP-2 – ROO Summary Sheet, column (1), Total Operating Revenues.

in column "D" by the associated rate in column "C". This provides an accurate calculation of determinants and ties directly to Per Books Revenue.

3. Column C "Current Rate" - These are the authorized rates that were in effect in 2019 when the billing determinants were observed and the associated revenues were collected. The basic services charges and margin rates in effect in the calendar year 2019 were authorized by the Commission in the Company's previous general rate case in Docket UG-170929.[2]
4. Column D "Per Books Revenue 2019" – This is the Company's Per Books Revenue collected during the calendar year of 2019, presented by rate schedule.

Q. Please describe the "Schedule Merge" section of the Summary of Revenues by Rate Schedule Exhibit (columns labeled "E" through "G").

A. The columns in the "Schedule Merge" section present, for comparison purposes, the consolidation of billing determinants under the same rate schedule or customer billing determinants anticipated to move between rate schedules in 2020. The following are descriptions of the three columns in the Schedule Merge section:

1. Column E "Billing Determinants (Therms/Bills)" – This column presents billing determinants from discontinued or merged schedules to current schedules.
2. Column F "Rate" – This column contains the rates and charges associated with merged billing determinants.
3. Column G "Remove/Add" – The figures in column G are the product of merged or discontinued billing determinants (in column "I") multiplied by the associated

[2] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corporation*, Docket UG-170929, Order 06 (July 20, 2018).

"Rate" (Margin Rate or Basic Service Charge) in Column F.

Q. Please describe the rate schedules that were merged, as shown in columns "E" through "G" in the "Schedule Merge" section.

A. The Company's rate schedules "CNGW04LV", "CNGW05LV" and "CNGWA011LV" were merged with Rate Schedules 504, 505, and 511, respectively. These rate schedules are tracked separately in the Company's books but share identical basic services charges and delivery charges. The customer on "CNGW04LV" is a large volume customer that pays Rate Schedule 504 rates, while "CNGW05LV" is a large volume interruptible service customer paying Rate Schedule 505 rates. The same is true for large volume customers under "CNGWA011LV" who pay rates under Schedule 511.

The billing determinants associated with Cascade's Schedule 663 Transportation-Service-related rate schedules are also merged in this Exhibit to simplify the presentation and to demonstrate combined revenue impacts. For example, billing determinants and revenues for "Rate Schedule 6631", "Rate Schedule 6633" and "Rate Schedule 6635" are combined into one rate schedule section to better show revenue impacts. These rate schedules are tracked separately in the Company's books but share identical basic services charges and delivery charges.

Billing determinants associated with special contract Rate Schedule 906 are also merged with other rate schedules in 6631 because the customer associated with Schedule 906 was transferred to Rate Schedule 6631 in early 2020.

Q. Please describe the "Adjusted Current" section of the Summary of Revenues by Rate Schedule Exhibit (columns labeled "H" through "J").

A. This section presents adjusted billing determinants after the schedule merges and applies current charges to present adjusted Per Books Margin Revenues. This section contains the following three columns:

1. Column H "Adjusted Billing Determinants" – This column presents adjusted billing determinants after merged data has been included. It is the sum of Columns "B" and "E".
2. Column I "Rate" – This column presents the current basic services charges and other volumetric rates associated with adjusted current billing determinants. The basic services charges and margin rates currently in effect are based on the Company's last general rate case in Docket UG-190210.[3] Some margin rates were modified in the Company's housekeeping filing under Docket UG-200213.
3. Column J "Adjusted Per Books Margin Revenue" – This column presents Adjusted Per Books revenue by schedule. This is the product of the adjusted billing determinants in column "H" and the associated current rates in column "I".

Q. In the "Adjusted Current" section, how are the billing determinants "Bills and Therms" adjusted?

A. In column "H", billing determinants that were observed in 2019 in column "B" are applied to current rates in column "I". The current adjusted margin revenues are presented in column "J". In some cases, the billing determinants are adjusted to include merged billing determinants from other schedules.

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[3] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corporation*, Docket UG-190210, Order 05 (February 3, 2020).

Q. Regarding the "Adjusted Current" section, can you please describe the Weather Normalized Volume adjustment for schedules 503 and 504?

A. In column H, the volumetric billing determinants (i.e., "Therms") in the Residential Service Rate Schedule 503 and General Commercial Service Rate Schedule 504 are given an adjustment to true them to weather normalized volumes. The adjusted volumes serve as the basis for the adjusted volumetric margin revenues presented in the section. I discuss the Company's weather normalization methodology and adjustments in greater detail beginning on page 14 of this testimony.

Q. Please describe the "2019 EOP Determinants at Current Rates" section of the Summary of Revenues by Rate Schedule Exhibit (columns labeled "K" through "L").

A. This section presents billing determinants and associated revenues adjusted to 2019 End of Period ("EOP") test year levels. This revenue presentation is consistent with the Company's EOP methodology utilized in Docket UG-190210 and is presented here for comparison purposes. This section also presents the difference between Adjusted Per Books Margin Revenues and Adjusted 2019 EOP Margin Revenue, which is the EOP Revenue Adjustment. This section contains the following three columns:

1. <u>Column K "Billing Determinants (Therms/Bills)"</u> – This column presents billing determinants adjusted to calculated 2019 EOP customer and volumetric usage levels.
2. <u>Column L "Adjusted EOP Margin Revenue"</u> – This column presents revenues associated with 2019 EOP billing determinants at current rates.
3. <u>Column M "EOP Revenue Adjustment"</u> – This column presents the difference

between the revenues associated with 2019 EOP billing determinants, column "L", and previous revenues presented as Adjusted Per Books Margin Revenue in column "J".

Q. Can you please describe how the billing determinants in column K are adjusted?

A. Yes. Billing determinants in this section are adjusted to reflect 2019 EOP customer counts; specifically, the customer counts as of December 31, 2019. This has an impact on both basic service charge revenues and volumetric margin revenues because the basic assumption is that 2019 EOP customer counts have been annualized.

Q. Will you describe in greater detail how the 2019 EOP calculations are performed?

A. Certainly. In workpaper IDM WP-1.3 entitled "End of Period Calculations," I demonstrate how volumetric usage would be calculated had 2019 EOP customer counts been observed for the entirety of 2019.

The first table of the workpaper labeled, "2019 Monthly Therms – Actual (Normalized) Therms / Ave Use Per Month", shows weather normalized volumes (for Rate Schedules 503 and 504 only) and actual volumes for all core and non-core schedules. This section also calculates a monthly average of therm usage based on actual customer count calculations for each class. In other words, normalized and actual usage is divided by customer counts to determine a baseline average usage per month for each rate schedule.

The second section of the workpaper labeled, "2019 Annualized Usage Using End of Period Customer Counts" calculates monthly average usage using 2019 EOP customer counts. This is done by multiplying the average therm usage per month, calculated in the first section, by the end customer counts as of December 31, 2019.

The resulting sum of this calculation for all months produces the adjusted 2019 EOP therms amount for each rate schedule which is used in Exhibit No.__(IDM-2), column "K" for 2019 EOP therm determinants.

The 2019 EOP customer count (i.e., "Bills) in column "K" is calculated by taking the number of customers observed as of December 31, 2019 and multiplying by twelve.

The cumulative revenue impact of these 2019 EOP adjustments is presented in Exhibit No.__(IDM-2) column "M", row 584. It is also presented as a key revenue adjustment, in Exhibit No.__(IDM-3), "Revenue Adjustments", labeled R-4.

Q. Please describe the CRM section of the Summary of Revenues by Rate Schedule Exhibit (columns labeled "N" through "P").

A. This section presents adjustments associated with the Company's CRM adjustment by rate schedule. This section contains the following three columns:

1. <u>Column N "Billing Determinants (Therms/Bills)"</u> – This column presents the 2020 EOP billing determinants used to calculate CRM revenues per schedule. It should be noted that the CRM adjustments for Schedules 570 and 6631 utilize 2019 EOP billing determinants. They each utilize 2019 EOP for different reasons. Schedule 570 utilizes 2019 billing determinants because no new customers are projected for 2020, while 6631 schedules are not benefitted by the Company's 2020 growth related investments. The rationale of the use of 2020 EOP billing determinants is explained in more detail beginning on page 11, line 21.
2. <u>Column O "Rate"</u> – This column presents the CRM rate associated with each rate schedule.

3. Column P "CRM Revenue" – This column presents the CRM revenue associated with each rate schedule. The revenue is the product of 2020 EOP billing determinants in column "N" and the CRM rates presented in column "O". As stated previously, Schedules 570 and 6631 utilize 2019 EOP billing determinants to calculate the CRM revenue adjustment.

Q. Please describe in greater detail the revenues associated with the CRM section in Exhibit No.___(IDM-2), Column "P".

A. This section annualizes CRM revenues by applying rates that were effective on March 1, 2020, to 2020 EOP billing determinants. As stated previously, Schedules 570 and 6631 utilize 2019 EOP billing determinants to calculate the CRM revenue adjustment. The CRM adjustment is the total of annualized CRM revenues expected from schedules 503, 504, 505, 511, 570, and 663 less the actual CRM revenues from these schedules in 2019. The total CRM adjustment is also shown in Exhibit No. __ (IDM-3), "Revenue Adjustments," as the Total Annual CRM Adjustment, R-1.

Q. Please describe the purpose of the CRM and explain why amounts recovered under the mechanism change on an annual basis.

A. The CRM provides recovery for certain safety-related investments, in particular for replacement of pipeline facilities with elevated risk to the public. Consistent with the Commission's policy statement in Docket UG-120715, Cascade provides annual updates to the Commission regarding its capital investments that are recoverable under the CRM. The current rates were approved in compliance with the Company's last general rate case under Docket UG-190210. The effective date of the current CRM rates was March 1, 2020. Cascade filed its most recent CRM update on May 29, 2020, in Docket UG-200493.

Q. Please describe the "2020 EOP Customer Adjustment" section of the Summary of Revenues by Rate Schedule Exhibit (columns labeled "Q" through "S").

A. This section presents 2020 EOP customer billing determinants associated with revenues at current rates. The 2020 customer counts are utilized consistent with and supporting the testimony by Company witness Michael Parvinen.[4] This section contains the following three columns:

1. Column Q "Billing Determinants (Therms/Bill)" – This column presents adjusted billing determinants utilizing 2020 EOP customer counts and select usage based on Company projections from its Integrated Resource Planning Department.
2. Column R "Adjusted 2020 Margin Revenue" – This column presents 2020 margin revenue by schedule at current rates. This is the product of the 2020 EOP billing determinants in column "Q" and the associated current rates in column "I". The sum of the 2020 EOP adjustments for each schedule equals the total 2020 EOP Customer Adjustment found in column "S', row "584".
3. Column S "2020 EOP Adjustment" – This column presents the adjustment/difference between the revenues associated with 2020 EOP billing determinants at current rates, column "R", and revenues at current rates using 2019 EOP billing determinants in column "L".

Q. What is the Company's rationale for using the "2020 EOP Customer Adjustment" for revenue adjustment purposes?

[4] CNGC Exh. No. MPP-1T – Section IV "Proposed Pro Forma Plant Additions".

A. Consistent with Company witness Michael Parvinen's testimony,[5] the Company is proposing the inclusion of growth-related investments in this case. Cascade is seeking to reduce regulatory lag associated with the recovery of these growth-related investments and therefore also seeks to recognize offsetting revenues, customer counts and billing determinants that are expected by December 31, 2020, consistent with the matching principle.

Q. Which schedules and adjustments utilize 2020 EOP billing determinants?

A. 2020 EOP customer billing determinants (bills and therms) are used for schedules 503, 504, 505, and 511. Schedules 570 and 663 do not utilize 2020 EOP billing determinants. Since the Company does not project new customers being added to Schedule 570 in 2020, adjustments related to Schedule 570 utilize 2019 EOP customer counts. The Company's proposed growth-related investments involve firm gas schedules only, therefore transportation schedules under Schedule 663 or special contracts are not included in the 2020 EOP revenue adjustment.

The 2020 EOP customer billing determinants are used in the sections of Exhibit No.___(IDM-2) entitled "Cost Recovery Mechanism CRM" (columns "N" through "P"), "2020 EOP Customer Adjustment" (columns "Q" through "S") and "Proposed" (columns "T" through "V").

The cumulative revenue impact of the 2020 EOP adjustments is presented in Exhibit No.__(IDM-2), column "S", row 584. It is also presented as a key pro-forma revenue adjustment, in Exhibit No.__(IDM-3), "Revenue Adjustments", labeled P-3.

[5] *Ibid.*

Q. Please explain how the Company calculated the 2020 EOP customer billing determinants shown in column "Q".

A. The 2020 EOP customer projections used by the Company in this case are shown in Table A of the workpaper "2020 New Customers", IDM WP-1.7. Table B of the workpaper "2020 New Customers", IDM WP-1.7 presents 2020 customer projections based on growth factors modeled by the Company in its 2018 Integrated Resource Plan (IRP), Docket UG-171186.[6] The values in table A are based on the monthly growth rates modeled in Table B. Row 16 of Table A contains the December 2020 customer counts, which are the basis of the 2020 EOP adjustments in Exhibit No.___(IDM-2), shown in column "Q" for schedules 503, 504, 505, and 511.

A table at the bottom of the workpaper "End of Period Calculations", IDM WP-1.3 entitled "2020 Annualized Usage Using Projected Customer Counts" calculates customer usage by month utilizing expected 2020 customer counts in December 2020. The table uses actual average customer usage in 2019 per month multiplied by 2020 EOP customer counts. The sum of all calculations for projected months are presented in column "N" and becomes the basis for therm usage in Exhibit No.___(IDM-2), shown in column "Q" for schedules 503, 504, 505, and 511.

Q. Please describe the "Proposed" section of the Summary of Revenues by Rate Schedule Exhibit (columns labeled "T" through "V").

A. This section presents the Company's proposed rates for each schedule in this case and the associated revenue utilizing 2020 EOP billing determinants. This section compares

[6] *Cascade Natural Gas Corporation 2018 Integrated Resource Plan*, Docket UG-171186 (WUTC acknowledgement July 8, 2019).

revenues at current rates with proposed rates to calculate the "2019 Revenue Adjustment" per schedule. This section contains the following three columns:

1. <u>Column T "Proposed Rates"</u> – This column presents the proposed rates in this case for each of the Company's schedules.
2. <u>Column U "Revenue at Proposed Rates"</u> – This column presents the revenue associated with proposed rates utilizing 2020 EOP billing determinants. It is the product of Proposed Rates in column "T" and the 2020 EOP Billing Determinants in column "Q". As stated previously, Schedules 570 and 6631 utilize 2019 EOP billing determinants.
3. <u>Column V "2019 Revenue Adjustment"</u> – This column presents the difference between the Revenue at Proposed Rates in column "U" and the previous 2020 EOP Margin Revenue presented in column "R". The Company's proposed revenue requirement is presented here by rate schedule.

Q. Please describe generally the Weather Normalization data related to Exhibit No.__(IDM-2).

A. Exhibit No.__(IDM-2) utilizes revenue adjustments for Schedules 503 and 504 based on the proposed weather normalization methodology presented by Company witness Brian Robertson. Actual customer usage observed in 2019 for Schedules 503 and 504 are adjusted to weather normalized therm values. This adjustment is called the "Weather Normalized Volume Adjustment". For the operating year 2019, the adjustment results in a reduction of 179,086 therms for Schedule 503 and a reduction of 1,851,009 therms for Schedule 504. These therm adjustments are presented in column "H" labeled "Adjusted Billing Determinants." The therm adjustments are multiplied by current margin rates to produce revenue adjustments of ($55,648) and ($484,594) for Schedules 503 and 504, respectively.

My workpaper, IDM WP-1.5, labeled "Weather Normalization" contains the actual 2019 monthly volumetric usage for Schedules 503 and 504 with adjustments to normalized values proposed by Mr. Robertson. Weather normalized usage is not applied to other schedules in this rate proceeding.

Q. Is the Company proposing an updated weather normalization methodology in this case?

A. Yes. While the Company's proposed methodology for calculating weather normalized therms in this general rate case generally remains in conformity with the final order and settlement agreement from the Company's 2015 general rate case and reaffirmed by the 2017 general rate case, the Company is proposing a minor adjustment to the methodology. Mr. Robertson has provided detailed support and discussion for the Company's updated proposal in his Direct Testimony, Exhibit No.___(BLR-1T).[7] Proposing improvements to such methodologies is in keeping with Order 06 of Docket UG-170929 which states, "The Company reserves the right to bring forward an alternative weather normalization methodology in future rate cases." [8]

IV. REVENUE ADJUSTMENTS

Q. Would you please describe Exhibit No.___(IDM-3) entitled "Revenue Adjustments"?

[7] CNGC Exh. No. BLR-1T at 2.
[8] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corporation*, Docket UG-170929, Order 06 at ¶ 81 (Jul. 20, 2019).

A. Yes. Exhibit No.___(IDM-3) is a summary document of the Restating Revenue adjustments found at the bottom of Exhibit No.___(IDM-2), "Summary of Revenues by Rate Schedule" and also of the Restating Adjustments in Exhibit No.___(MCP-5), "Summary of Proposed Adjustments To Test Year Results," furnished by Company witness Maryalice Peters.

The following are the Restating Revenue Adjustments:

1. R-1 – Total Annual CRM Adjustment
2. R-3 – Total Restate Revenue Adjustment
3. R-4 – Total Restate 2019 EOP Adjustment

The following is a Pro Forma Revenue Adjustment:

4. P-3 – Total Restate 2020 EOP Adjustment

I will describe each adjustment below.

Q. Please describe "R-1 Total Annual CRM Adjustment".

A. As discussed earlier in this testimony, the CRM adjustment is the total of annualized CRM revenues expected under schedules 503, 504, 505, 511, 570 and 663, less the actual CRM revenues received by the Company under these schedules in 2019. This adjustment aligns these revenues to the associated 2020 EOP billing determinants. As stated previously, Schedules 570 and 6631 utilize 2019 EOP billing determinants. The adjustment and calculation are shown in Exhibit No.___(IDM-2), "Summary of Revenues by Rate Schedule", column "P", row 584. It is presented as restating Revenue Adjustment (R-1) in Exhibit No.___(MCP-5). The total adjustment is ($2,899,573).

Q. Please describe "R-3 Total Restate Revenue Adjustment".

A. In short, the Restate Revenue Adjustment is the amount required to fully annualize revenues at current rates. While the total in Column "J" in Exhibit No.___(IDM-2) shows Adjusted Per Books Margin Revenues of $109,752,998, this amount does not fully capture the effects of revenues effectively booked in Unbilled Margins and Cap Adjustments. The Company also subtracts the 2019 total booked margin from column "D", ($98,705,687), to accurately calculate the total adjustment. After Unbilled Margins and Cap Adjustments have been accounted for the total Restate Revenue Adjustment is $14,930,999.

Q. Would you please describe what is meant by "Unbilled Margins" and "Cap Adjustments" in adjustment R-3?

A. Certainly. "Unbilled Margins" describes the netting of December 2019 current unbilled margin revenue with January 2019 previous month margin revenue. Netting these seemingly disparate revenue amounts is important because it captures the effect of net margin revenues that were realized in 2019 but were not fully represented in the Company's books because of timing differences. The resulting negative amount, ($338,287) is subtracted from the adjustment. The calculation is shown in my workpaper, IDM WP-1.6 entitled "WACAP2019", in the column labeled "AC", row "167".

The "Cap Adjustment" is a reference to the total revenues booked in 2019 under the Company's Washington Rule 21, "Decoupling Mechanism". These revenues are added back to the Restating Revenue Adjustment R-3 because the Company's current margin rates capture the effects of decoupling and because the test year billing determinants are already adjusted to weather normalized volumes. Failure to include these revenues in the Company's current annualized revenue adjustment would have the effect of unduly lowering the margin revenue adjustment. The resulting amount of all 2019 Cap revenues collected, $4,221,975, is therefore added back to the adjustment.

Q. Please describe adjustment R-4 "Total Restate 2019 End of Period (EOP) Adjustment".

A. The adjustment grosses up Adjusted Per Books Revenue at current rates to 2019 EOP test year revenue utilizing 2019 EOP customer counts and billing determinants. The resulting R-4 revenue adjustment is $1,350,168.

Q. Please describe adjustment P-3 "Total Restate 2020 End of Period (EOP) Adjustment".

A. As previously stated in this testimony and in Company witness Mr. Parvinen's testimony, Exhibit No.__(MPP-1T), the Company in this case seeks to reduce regulatory lag associated with the recovery of certain growth-related investments and therefore is implementing a pro-forma revenue adjustment based on 2020 projected customer billing determinants. The Company's proposed 2020 EOP revenue adjustment is the difference between the Adjusted 2020 Margin Revenue Calculation in Column "R" and the 2019 Adjusted EOP Margin Revenue in column, "L". With this adjustment the Company seeks to capture the revenue effect of additional customers which the Company anticipates will begin receiving natural gas services in 2020. It should be noted that this adjustment only applies to schedules that the Company projects will realize additional customers in the coming year. As such, schedules in which new customers are not forecasted or new investments are not "growth-related" are excluded from the adjustment, specifically Schedules 570 and

6631. The resulting P-3 revenue adjustment on associated schedules in column "S' is $1,094,926.

V. RATE SPREAD & RATE DESIGN

Q. What methodology does the Company propose to determine Rate Spread and Rate Design in this case?

A. The Company's proposed rate spread and design methodologies remain the same as those approved by the Commission in Order No. 05 of Docket UG-190210. In that case, the parties agreed to "apply the revenue changes approved by the Commission on an equal percentage of margin, except for Special Contracts."[9] The Company's basic service charges for each rate schedule will remain unchanged, a requirement stipulated in the final order of a previous Cascade rate case, Docket UG-170929.[10]

Q. Would you please describe Exhibit No.__(IDM-4) "Revenue Distribution"?

A. Yes. This Exhibit demonstrates how the Company has equitably applied its requested revenue increase across each schedule, excluding special contracts. This is accomplished by taking the Company's Required Revenue increase from Exhibit No.___(MCP-3) and allocating it based on each class's percentage of overall margin revenues, excluding special contract revenues. For classes that allow for block usage, the revenue requirement is also allocated based on the block's contribution to overall margin revenues, excluding special contract revenues.

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[9] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corporation*, Docket UG-190210, Order 05 at ¶ 16 (February 3, 2020).
[10] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corporation*, Docket UG-170929, Order 06 at ¶ 72 (July 20, 2018).

In Exhibit No.__(IDM-4), column "k", the percentage of margin revenue increase per schedule demonstrates that the Company has indeed applied an equal percentage of the margin increase to each schedule and overall. The resulting percentage increase is applied to the "Current Rate(s)" in column "d" to calculate proposed margin rates per customer class and corresponding usage blocks. These proposed rates flow to Exhibit No.__(IDM-2), "Revenue Summary", and their effective recovery of the revenue requirement is demonstrated in the "Proposed" revenue columns of the Exhibit. The total revenue requirement distribution by schedule is proven out in Exhibit No.__(IDM-2), column "V", row 584.

As I mentioned previously, the Company by order is not permitted to change any basic service charges at this time. Therefore, revenue distribution increases are not applicable to these charges.

VI. DECOUPLING BASELINE CALCULATIONS

Q. Would you please describe Exhibit No.__(IDM-5) entitled "Decoupling Mechanism, Authorized Revenue Per Customer"?

A. Yes. Consistent with the methodology approved in Order No. 04 in Docket UG-152286, Exhibit No.___(IDM-5) presents the authorized margin revenue per customer per month revised to reflect the proposed changes in revenue requirement. This methodology was also reaffirmed in the final order of the Company's prior general rate case, Docket UG-170929.[11]

Q. How is the authorized margin revenue per customer in Exhibit No.__(IDM-5) calculated?

[11] *Id.* at ¶ 83.

A. The monthly authorized margin revenue per customer is derived by dividing the annual proposed Margin Revenue per customer class as shown in Table 1, Column 1, by the 2020 EOP test year therms per customer class presented in Table 1, Column 2. This produces the rates as shown in Table 1, Column 3. Note that Schedule 570 data in Tables 1 and 2 utilizes 2019 EOP billing determinants, because it is not subjected to 2020 billing determinants as discussed earlier.

These rates are then multiplied by the monthly 2020 EOP test year therms per customer class shown in Table 2 and then divided by the 2020 EOP customer count in Table 1, Column 4, to determine the authorized annual revenue per customer per month, shown in Table 3.

Q. Has the Company submitted proposed tariff changes to reflect the new authorized margin revenues per customer?

A. Yes. The proposed authorized margin revenue per customer from Exhibit No.__(IDM-5) is also presented in the Company's proposed tariff, Seventh Revision Sheet No. 25, Rule 21, "Decoupling Mechanism".

Q. Does this conclude your testimony?

A. Yes.