

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-21 _____

CASCADE NATURAL GAS CORPORATION

DIRECT TESTIMONY OF NICOLE A. KIVISTO

September 30, 2021

REVISED
DECEMBER 8, 2021

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF TESTIMONY 2

III. OVERVIEW OF CASCADE 3

IV. CASCADE’S REQUEST FOR A RATE INCREASE 3

V. REASONS FOR RATE INCREASE REQUEST 5

VI. ISSUES FROM THE FINAL ORDER IN CASCADE’S 2020 GRC..... 9

 A. Presentation of Evidence 9

 B. Customer Class Load Study 10

 C. COVID-19 and Other Customer Assistance Programs 11

VII. OTHER COMPANY WITNESSES 15

LIST OF EXHIBITS

1. Exh. NAK-2 - Cascade’s Load Study Plan and Staff’s Compliance Letter

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,
3 Bismarck, 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-
7 Dakota Utilities Co. (“Montana-Dakota”), all subsidiaries of MDU Resources Group, Inc.
8 (“MDU Resources”) as well as Great Plains Natural Gas Co. a division of Montana-
9 Dakota, 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
16 Moorhead. I have worked for MDU Resources/Montana-Dakota for twenty-four years
17 and have been employed in my current capacity as President and CEO since January
18 2015. I was Vice President-Operations of Montana-Dakota and Great Plains from January
19 2014 until assuming my present position.

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

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

7 A. Yes, I have previously testified before this Commission in Cascade’s most recent
8 Washington rate cases, Dockets UG-200568, UG-190210, UG-170929, and UG-152286.
9 I have also testified before the Public Utility Commission of Oregon in Cascade’s most
10 recent Oregon rate cases, Dockets UG 390, UG 347 and UG 305.

II. SCOPE AND SUMMARY OF TESTIMONY

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

12 A. My testimony provides an overview of Cascade’s corporate profile, followed by a
13 summary of Cascade’s limited issue rate request and a description of the primary drivers
14 leading to this request for rate relief. Finally, I address the issues identified by the
15 Commission in Order 05 of Cascade’s most recent general rate case, Docket UG-200568.
16 This discussion includes updates on (1) The presentation of testimony and evidence,
17 (2) Cascade’s work to design and implement a load study that would verify system usage
18 by class and help inform the allocation of costs between customer classes, and (3) the
19 impact of the COVID-19 global pandemic on Cascade and its customers.

III. OVERVIEW OF CASCADE

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

2 A. Cascade was originally formed in 1953 to serve smaller and predominantly rural
3 communities in the Pacific Northwest. Cascade now provides natural gas distribution
4 service in 96 communities in Washington and Oregon, serving over 305,000 customers,
5 of which 226,703 are in Washington. Cascade's headquarters are located in Kennewick,
6 Washington. Although Cascade serves 68 communities in Washington, most of the
7 communities are quite small. The largest communities served by Cascade in Washington
8 are Bellingham, Mt. Vernon, Bremerton, Tri-Cities, and Yakima. Cascade serves a non-
9 contiguous service territory with 331 dedicated employees.

IV. CASCADE'S REQUEST FOR A RATE INCREASE

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

11 A. With this application, Cascade is seeking to increase revenues by \$13.7 million. This
12 represents a margin revenue increase of ~~11.10~~11.07 percent, or an overall revenue
13 increase of ~~5.12~~5.11 percent. The Company is filing this limited issue rate case to address
14 the most significant drivers behind Cascade's continued under-earning, including actual
15 rate base investment as well as the 2021 wage increase. Because of the limited scope of
16 the case, the Company is proposing two options for a rate effective date. First, Cascade is
17 requesting a compressed hearing schedule to accommodate an effective date eight months
18 from the filing date. Alternatively, if the proceeding can be resolved through settlement,
19 then Cascade requests a rate effective date of April 1, 2022 to coincide with the reversal
20 of significant temporary surcharges currently embedded in sales customer rates. A

1 comprehensive discussion of the limited issue rate case is included in the testimony of
2 Company witness Mark Chiles.

3 **Q. Why is the Company filing a limited issue rate case at this time?**

4 A. Cascade's cost of doing business in Washington continues to increase, despite the
5 Company's measures to control costs and increase efficiency. The years prior to the
6 purchase of Cascade by MDU Resources Group Inc. in 2007 saw declining investment in
7 the system and an accumulation of deferred maintenance. Since 2008, the Company has
8 invested over \$453 million, primarily to improve the safety and reliability of its
9 distribution system in Washington. While much progress has been made over this period,
10 Cascade must maintain its focus on system improvements and estimates it will invest
11 more than \$178 million to ensure system safety and reliability between 2022 and 2026.
12 Further, the Company continues to experience increases in labor and personnel costs.
13 Because Cascade has identified capital expenditures and labor costs as the primary
14 drivers behind the increasing costs of maintaining a safe and reliable system, the
15 Company has limited this rate proceeding to recovery of these actual costs. The costs
16 include capital projects placed into service in 2020 that were used and useful by
17 December 31, 2020, as well as 2021 wage increases that were known and measurable at
18 the time of filing.

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

20 A. The Company's filing uses a historical test year based on the twelve-month period that
21 ended December 31, 2020. The 2020 test year was selected because it is the most recent,
22 appropriate, and supportable period to represent the period in which rates will be in
23 effect. Capital projects that were completed and placed in service by the end of 2020 are

1 included in the Company's requested rate base. Company witness Maryalice Gresham
2 provides further discussion of the test period in her Direct Testimony, Exh. MCG-1T.

3 **Q. Are there any other issues included in this filing?**

4 A. The Company has identified the need for a debt issuance in 2022. Because the debt
5 issuance is projected to result in a decrease in the cost of debt, Cascade has included the
6 estimated lower cost of debt of 4.54 percent in the capital structure approved in
7 Commission Order 05. This results in a 6.93 percent rate of return for Cascade as
8 outlined in the testimony of Company witness Tammy Nygard.

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

11 A. Cascade's rate filing will result in a bill increase of \$~~2.89~~2.88 per month for the average
12 residential customer using 54 therms per month, or a ~~5.34~~5.33 percent increase. As a
13 result, the average residential customer's bill will increase from \$54.08 per month to
14 \$~~56.97~~56.96. The rates for all other customer classes would increase as a result of this
15 filing as well. The testimony of Company witness Pamela Archer details the proposed
16 rate changes to all customer classes.

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. Cascade's need for a rate increase at this time is primarily the result of the progressive
20 and significant impact of regulatory lag on cost recovery, and therefore earnings. In
21 Cascade's recent general rate case ("GRC"), Docket UG-200568, I testified that the

1 combination of significant rate base investments, increased pressures on operating and
2 maintenance (“O&M”) expenditures, and the impacts of regulatory lag will likely require
3 the Company to file sequential rate cases in future years. This rate case reflects that
4 continued expectation and represents Cascade’s efforts to mitigate the impacts of
5 regulatory lag by recovering only actual test year costs – bridging the gap –until a more
6 comprehensive rate proceeding can be filed in late 2022 or 2023. Company witness Mark
7 Chiles discusses the limited issue rate case, including the multiyear rate plan requirement,
8 in his testimony.

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

11 A. Yes. Cascade’s management takes seriously the need for efficiency and cost-
12 effectiveness when making decisions that increase the safety and reliability of Cascade’s
13 system. Cascade acknowledges the issues raised by the Commission in Final Order 05 in
14 Cascade’s 2020 GRC, and the Company has executed cost saving measures in addition to
15 implementing the reduced rates established in the 2020 GRC. Since the acquisition of
16 Cascade by MDU Resources, the Company has been part of a One Vision, One Utility
17 process that has resulted in synergistic savings in the form of joint senior management, a
18 unified customer service center, joint billing and payment processing, uniform accounting
19 systems, combined engineering support, and shared information technology resources.
20 Even with these economies, however, Cascade has never met its authorized Rate of
21 Return, and earnings have been below target for the last six years. The testimony of
22 Company witness Mark Chiles further addresses the Company’s underearning.

1 **Q. Please discuss the impact of capital expenditures on the need for a rate increase.**

2 A. Cascade continues to correct years of declining investment that occurred before the
3 purchase of the Company by MDU Resources. These investments are a necessary part of
4 the Company's obligation to deliver safe, reliable, and efficient service to its customers.
5 Projects such as the Walla Walla Gate Project, which eliminates bypass during cold
6 weather events and addresses supply issues, are critical in providing excellent service to
7 customers. The capital expenditures outlined in this filing are also critical as we work
8 toward a clean energy future. New energy sources such as renewable natural gas
9 ("RNG") and hydrogen that will be vital in reaching our state's climate goals will be
10 delivered to customers through our safe, reliable energy distribution system. Company
11 witness Patrick Darras provides detailed information on 2020 capital investments in his
12 testimony.

13 **Q. Please elaborate on Cascade's Clean Energy plans.**

14 A. Cascade is reviewing opportunities to invest in RNG projects, which will enable the
15 Company to acquire RNG for its customers. The Company works to fuel the Pacific
16 Northwest with natural gas every day, and its commitment is to do that in a sustainable
17 way to meet the demands of the region's growing population. RNG is produced from
18 organic materials like food, agricultural and forestry waste, landfills, and wastewater. As
19 these materials decompose, they produce methane that can be captured, conditioned to
20 pipeline quality, and delivered in the existing pipeline system to homes and businesses
21 where it can be used in existing appliances and equipment. It can also be used in natural
22 gas vehicles. This process closes the loop on waste and provides a renewable energy
23 option for the natural gas system, in the same way that wind and solar are used to

1 generate renewable electricity. There is also the ability to create renewable hydrogen,
2 through the power to gas process, from wind and solar energy that would otherwise go to
3 waste and distribute the clean hydrogen gas through Cascade's pipeline network. This
4 turns the problem of waste into a powerful climate solution using Cascade's pipeline
5 network already in place.

6 **Q. Please provide an overview of the Company's efforts to maintain a safe and reliable**
7 **system through a high-quality, skilled workforce.**

8 A. Put simply, to ensure safe and reliable service, Cascade must provide fair compensation
9 to attract and maintain a high-quality workforce. While many of Cascade's personnel
10 have been able to work remotely during the COVID-19 pandemic, the Company's
11 essential employees have continued reporting to work onsite (with increased safety
12 measures) to ensure the provision of safe and reliable service. We are proud of the
13 dedication that Cascade's employees have shown during this difficult time to ensure that
14 the quality, safety, and security of essential gas service remains unaffected by the broader
15 economic disruptions.

16 However, the region was facing a tight labor market even before the pandemic,
17 and COVID-19 has amplified many of those challenges. Cascade must compete for labor
18 with companies that now allow remote work from anywhere.

VI. ISSUES FROM THE FINAL ORDER IN CASCADE’S 2020 GRC

1 **Q. How does Cascade respond to the issues raised by the Commission in the Final**
2 **Order of the Company’s 2020 GRC?**

3 A. The Executive Team heard the Commission loud and clear, and the Company is working
4 to correct the issues raised by the Commission in its Final Order. Specifically, this rate
5 case addresses feedback regarding three major concerns: (1) the presentation of testimony
6 and evidence, (2) Cascade’s load study, and (3) the impact of the COVID-19 global
7 pandemic on Cascade and its customers.

8 **A. Presentation of Evidence**

9 **Q. Please explain how the Company will address the issue regarding the presentation of**
10 **testimony and evidence:**

11 A. Cascade acknowledges that it is necessary to provide clear evidence presented in a timely
12 manner such that all parties can understand, evaluate, and respond to the Company’s rate
13 request. The Company takes to heart the Commission’s characterization of Cascade’s
14 2020 GRC testimony and exhibits as “haphazard”¹, and has taken steps to ensure it
15 presents complete, clear and accurate information in this proceeding. Also, in this rate
16 case Cascade has limited the scope of its rate recovery to actual costs, presented in a
17 comprehensive but clear manner, and supported by relevant and cogent evidence.

¹ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-200568, Order 05 at ¶ 204 (May 18, 2021).

1 **B. Customer Class Load Study**

2 **Q. Please provide some background on the Customer Class Load Study process.**

3 A. Cascade participated in the 2017 cost of service collaborative, which evolved into a cost
4 of service study rulemaking in Dockets UE-170002 and UG-170003 (consolidated). The
5 cost of service study rulemaking concluded in July 2020, with the adoption of final rules
6 codified in WAC 480-85-010 through WAC 480-85-070. Cascade was active throughout
7 the rulemaking and supports the final rules, which establish the cost of service study
8 (“COSS”) methodology designed to streamline, improve, and promote efficiency in
9 analyzing rate cases, clarity of presentation, and ease of understanding.

10 **Q. Is the Company submitting a cost of service study in this proceeding?**

11 A. No. In its Final Order in Cascade’s 2020 GRC, the Commission referenced the recently-
12 concluded COSS rulemaking and acknowledged that the Company cannot file a COSS
13 until it first completes a load study that shows daily estimates of customers’ natural gas
14 use.² The Commission then established specific deadlines for Cascade to complete its
15 load study.³

16 **Q. Please provide a status update for the Company’s Customer Class Load Study.**

17 A. Cascade has made significant progress in the complex process of developing a load study
18 that will serve as a basis for the Company’s future COSS. The Company is committed to
19 completing and filing a load study by September 21, 2022, as directed by the
20 Commission in its Final Order in the 2020 GRC. On August 20, 2021, the Company filed
21 a progress report and written plan for completing the load study, and Commission Staff

² *Id.* at ¶ 381.

³ *Id.* at ¶ 385-86.

1 agreed that Cascade is prioritizing the completion of the load study and recommended
2 that the Commission find Cascade in compliance with Order 05.⁴ In addition, Cascade
3 held a meeting on September 10, 2021, with all intervenors from its 2020 GRC to discuss
4 the written plan, share preliminary findings based on Cascade's February 2021 winter
5 event, and acquire feedback about the load study plan and preferred methodology. See
6 Exh NAK-2 for both Cascade's Load Study Plan and Staff's Compliance Letter.

7 **C. COVID-19 and Other Customer Assistance Programs**

8 **Q. How is the COVID-19 pandemic continuing to impact Cascade and its customers?**

9 A. COVID-19, and the rise of the Delta variant, continues to influence Cascade's operations
10 and impact our customers. Cascade's employees are taking appropriate measures to
11 operate safely and within recommended health guidelines, so the Company's customers
12 continue to receive essential gas service. Last year the Company temporarily suspended
13 the collection of late payment charges for its customers and voluntarily implemented a
14 moratorium on service disconnections for non-payment related to customer hardships
15 resulting from the COVID-19 pandemic. Most of these measures are set to be lifted on
16 October 1, 2021. The collection of late payment charges will continue to be waived for
17 180 days following the resumption of service disconnections. Cascade is currently
18 conducting a vast outreach campaign to educate all Washington customers and inform
19 them of available financial assistance opportunities and payment plan options.

⁴ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-200568, Staff Compliance Letter Regarding Load Study Progress Report and Written Plan (Sept. 17, 2021).

1 **Q. How has the Company responded to the needs of vulnerable customers during the**
2 **pandemic?**

3 A. The Company recognizes the impact COVID-19 has had on both the overall economy
4 and the Company’s most vulnerable customers, and we understand the economic impact
5 of COVID-19 was a significant consideration in the Commission’s Final Order in Docket
6 UG-200568. In approving the Company’s request for End of Period rate treatment, the
7 Commission stated, “Without EOP rate base treatment, Cascade will likely continue to
8 under-recover in the rate effective period due to the extreme economic volatility caused
9 by the COVID-19 pandemic, which remains ongoing.”⁵ Additionally, the Commission
10 recognized that COVID-19 has had a significant impact on the ability of many customers
11 to pay their bills.⁶

12 The Company has implemented several customer support programs aimed at
13 lessening the burdens caused by COVID-19 and easing the financial impact of increased
14 rates. For example, the Commission approved Cascade’s proposed Hardship Economic
15 Assistance Receivable Temporary (“Big HEART”) program, which helps customers who
16 have lost their income due to the pandemic receive energy assistance.⁷

17 **Q. What is the Big HEART grant program?**

18 A. The Big HEART grant program is a temporary COVID-19 bill assistance program.
19 Residential natural gas customers having trouble paying their bills may apply for Big
20 HEART hardship grants of up to \$2,500 per account.

⁵ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-200568, Order 05 at ¶ 170 (May 18, 2021).

⁶ *Id.* at ¶ 204.

⁷ *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 **Q. What other steps has the Company taken in response to the COVID-19 pandemic?**

2 A. Cascade provides additional assistance through its Washington Energy Assistance Fund
3 (“WEAF”) program for eligible low-income customers that can receive aid up to
4 \$500 per program year per household. Further, Cascade has been active in the
5 Commission’s Docket U-200281, *In the Matter of the Response to the COVID-19*
6 *Pandemic*. As part of that proceeding, and as directed by the Commission in its 2020
7 GRC Final Order,⁸ Cascade is in consultation with its WEAF Advisory Group to develop
8 a Disconnection Reduction Program to be filed with the Commission by May 18, 2022.
9 Cascade plans to present a draft proposal of the Disconnection Reduction Program at an
10 upcoming WEAF Advisory Group meeting. The Company strongly supports the goal of
11 minimizing disconnections, and the Disconnection Reduction Program will help keep
12 customers connected to vital services.

13 **Q. Are there other ways Cascade supports customers that have difficulty paying for the**
14 **natural gas service provided to them by the Company?**

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

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

⁸ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-200568, Order 05 at ¶ 204 (May 18, 2021).

1 The WEAFF program has been successful and was updated to better serve low-
2 income customers. To this end, the Commission approved the Company's request to
3 maintain the program's spending cap at 2020-2021 levels. As a result, the program's
4 2021-2022 funding was set at \$1,467,400, which is allowed an incremental 5% soft cap
5 should additional funds be needed. Cascade plans to file a status report on the WEAFF
6 program on April 1, 2022.

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 July 31, 2021,
10 there were 21,874 Washington customers participating in the Budget Payment Plan,
11 comprising approximately 9.7% 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, 2017-2021**

Year	Budget Amount
2017	\$3.8 million
2018	\$5.1 million
2019	\$6.1 million
2020	\$7.6 million
2021	\$8.5 million

1 The program budget has increased by more than one hundred percent in the last
2 four years. It includes program delivery costs, the incentives offered to customers, and
3 work with the Company’s regional partner, the Northwest Energy Efficiency Alliance.

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

6 A. Yes. Cascade has consistently scored in the top tier of natural gas utilities in the J.D.
7 Power annual surveys over the last several years and finished first in J.D. Power’s 2019
8 Gas Utility Residential Customer Satisfaction Survey for not only mid-size gas utilities
9 but for all participating utilities. Cascade continued its tradition of superior customer
10 service in 2020 finishing in second place behind Intermountain Gas Company. Cascade
11 was also recognized by Escalent in 2021 as the “Easiest to Do Business With” of all
12 utilities in the U.S. Escalent also ranked Cascade First in the “Environmental Champion”
13 category and Second in “Most Trusted Brand”. The Company’s outstanding
14 achievements are due to the exceptional work of our employees and Cascade’s focus on
15 providing safe, reliable and efficient service to our customers.

VII. 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 review the Company’s capital structure and
21 address the Company’s cost of debt and the overall rate of return.

1 Mr. Patrick Darras, Vice President – Engineering & Operations Services, will
2 support the Company’s 2020 actual capital expenses.

3 Mr. Mark Chiles, Vice President – Regulatory Affairs & Customer Service, will
4 describe the details and bill impacts of this Limited Issue Rate Case as well as the
5 Company’s request for End of Period (EOP) rate base.

6 Mr. James Kaiser, Director of Human Resources, will discuss the Company’s
7 proposed wage adjustments related to retaining a high quality, well-trained workforce.

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

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

12 Mr. Isaac Myhrum, Regulatory Analyst, will describe the details and provide
13 support for the Company’s proof of revenue.

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

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

17 A. Yes.