Exhibit No.__ (IDM-6T)
Docket No. UG-200568
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-200568

CASCADE NATURAL GAS CORPORATION

SUPPLEMENTAL DIRECT TESTIMONY OF ISAAC D. MYHRUM

July 24, 2020

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I. INTRODUCTION

Q. Are you the same Isaac D. Myhrum who filed direct testimony in Exhibit IDM-1T as part of Cascade Natural Gas Corporation's ("Cascade" or the "Company") initial filing ("Initial Filing")?

A. Yes, I am.

Q. Why is the Company making a supplemental filing ("Supplemental Filing")?

A. In the Initial Filing, Cascade presented its per books rate base on an end-of-period ("EOP") basis. Prior to the Prehearing Conference in this case, Staff requested that Cascade provide supplemental testimony instead presenting rate base on an average of monthly averages ("AMA") basis. Additionally, around that same time the Company became aware of two issues requiring an update to the projected volumes and related revenue calculations: (1) a meter reading error for a transportation customer on rate Schedule 663, and (2) two large volume customers (each with multiple accounts) requesting to change from Schedule 511 to Schedule 663.

Q. What is the purpose of your supplemental direct testimony ("Supplemental Testimony")?

A. The purpose of my Supplemental Testimony is to update the Company's original proposed volumes and associated revenues to reflect a metering error correction with a transportation customer and to reflect the impacts of seven large volume accounts transferring from rate Schedule 511 to rate Schedule 663.

Q. Please summarize your Supplemental Testimony.

A. In my Supplemental Testimony, I present the Company's updated projected volumes and related revenue calculations to address the correction of the metering issue and migration of seven accounts to Schedule 663. As a result of these changes, the Company proposes revisions to three restating and one proforma revenue adjustment. These changes also affect the Company's revenue requirement calculation.

Q. Are you providing supplemental exhibits with this Supplemental Testimony?

A. Yes. The supplemental exhibits accompanying my Supplemental Testimony are intended to update and replace the exhibits included in the Company's Initial Filing, and the new information presented in the supplemental exhibits is shown with yellow highlighting. For ease of reference, Table 1 (below) provides a crosswalk from the Initial Filing to the exhibit labeling for the supplemental exhibits:

Table 1. Supplemental Exhibit Crosswalk

Description	**Initial Filing**	**Supplemental Filing**
Summary of Revenues by Rate Schedule	Exhibit No. __(IDM-2)	Exhibit No. __(IDM-7)
Revenue Adjustments	Exhibit No. __(IDM-3)	Exhibit No. __(IDM-8)
Revenue Distribution	Exhibit No. __(IDM-4)	Exhibit No. __(IDM-9)
Decoupling Mechanism, Authorized Revenue Per Customer	Exhibit No. __(IDM-5)	Exhibit No. __(IDM-10)

II. METER ERROR CORRECTION FOR SCHEDULE 663 CUSTOMER

Q. Please describe the metering error that the Company identified.

A. Cascade recently became aware of a meter reading error for a transportation customer on rate Schedule 663, which impacted volumes recorded and attributable to the customer between January 2019 and May 2020. Specifically, a meter multiplier—which is a piece of equipment that adjusts the pressure of the gas supply from the meter to recorded volume flow for larger customers to reflect the correct amount—was calculating volumes higher than the customer actually consumed. The metering error resulted in a larger volume of therms on the customer's bills and an overcollection of revenue. The Company has since recalibrated the equipment to resolve the incorrect readings and refunded the customer the billing error difference.

Q. What was the amount of the billing correction in therms and margin revenue?

A. The metering error between the months of January 2019 through May 2020 resulted in misreading of 1,496,916 therms; of which 1,030,368 was related to 2019 activity and 466,548 to 2020 activity. Based on these volumes, the total margin revenue impact is $11,945, with $8,223 related to 2019 and $3,723 related to 2020.

Q. Were these incorrect billing determinants included in the Company's Initial Filing?

A. Yes, they were included in the calculations for the 2019 EOP therm calculations for the Delivery Charge > 500,000 block rate of Schedule 663 in Exhibit IDM-2.

Q. Please describe the updates provided in "Revenue Summary" Exhibit IDM-7 to address the metering error.

A. The Company has created a new section within Exhibit IDM-7 entitled "2019 Customer Billing Correction" to show the revenue impacts of the 2019 portion of the billing correction.[1] The 2019 billing correction is based on the 1,030,368 therm adjustment and when multiplied by the associated Delivery Charge Rate (> 500,000 therms - $0.00798) produces a margin revenue adjustment of $8,223 for 2019. The 2019 adjustment is presented on line 315. The amount of $8,223 is incorporated into the Company's updated "Total Revenue Adjustment – R3" in the amount of approximately $14,922,776.

[1] Myhrum, Exhibit IDM-7, "Revenue Summary", Columns "K" through "M", labeled "2019 Customer Billing Correction". See lines 315 and 584 in this section containing the specific 2019 adjustment.

The 2020 adjustment was calculated to be $3,723 based on 466,548 therms multiplied by the block rate per therm of $0.00798. The 2020 adjustment is shown in the section labeled “2020 EOP Customer Adjustment” and presented on line 315 in Column “Y”. The adjustment is incorporated into the total updated proforma “2020 EOP Customer Adjustment” (P-3) shown on line 584 in the column labeled “Y” of approximately $1,281,027.

Q. Why do these specific revenue adjustments only affect usage above the five hundred thousand (Delivery Charge > 500,000) therms block?

A. The adjustment only applies to the block rate in excess of five hundred thousand therms because the customer in question still consumed above 500,000 therms for each of the months in question even after the meter error correction was made.

Q. Please describe the proposed EOP volumetric revenue updates related to the meter error correction.

A. The Company adjusted Schedule 663 therm calculations to account for the meter error correction for billing determinants above 500,000 therms. This adjustment impacted the average monthly therms greater than 500,000 that is multiplied by EOP customer count.

Q. What effect do the adjusted billing determinants have on the revenue calculations presented in Exhibit IDM-7?

A. The recalculated 2019 EOP billing determinants related to the meter error correction are shown in Exhibit IDM-7 on row 315 of column “N”. The related revenue adjustment is factored into the subtotal 2019 EOP Adj in column “P” in row “584” and the combined total 2019 EOP Adjustment (R-4) of $923,295.

Q. Are there any other revenue impacts in Exhibit IDM-7 affected by the meter error

correction?

A. Yes. The alternative 2019 EOP billing determinants in Exhibit IDM-7 are used to calculate the CRM adjustment (R-1) and "Proposed" rates in Columns "Z" through "AB" beginning on row 111.

III. REVENUE IMPACTS OF SCHEDULE CHANGE FOR CERTAIN LARGE VOLUME CUSTOMERS

Q. Please provide a brief summary of the recent history of service for the large volume customers at issue in this Supplemental Filing.

A. On October 1, 2019, seven Cascade customer accounts moved from Transportation Gas Service on Schedule 663 to Large Volume General Rate Service on Schedule 511. In late June 2020, five of those customer accounts, which belong to a single large volume customer, notified the Company of their intention to return to Schedule 663 beginning on October 1, 2020. Recently, a second customer holding the remaining two accounts, indicated they would also be requesting to return to Schedule 663 by the end of 2020.

Q. What is the impact of the migration of these seven customers from Schedule 511 to 663 as it relates to the Company's projected volumes and related revenue calculations in this case?

A. The seven customers combined consumed more than 14 million therms in 2019, and the two months of recorded activity in 2019 on Schedule 511 represents 2,846,104 therms. Because the rates charged under Schedule 511 are a greater per therm charge than similar rates under Schedule 663 and because the seven accounts in question consumed nearly the same quantity of therms in 2019 as the rest of all Schedule 511 customers combined, the updated volumes projected for Schedules 511 and 663 will in turn impact projected revenues for these rate classes.

Q. Where is the 2019 activity related to these seven large volume customers in question presented in the Company's exhibits?

A. The 2019 activity is shown in Exhibit IDM-7 in Schedule "CNGWA011LV" ("011LV"). The 2019 activity of service under Schedule 663 was included with all merged Schedule 663 revenues in Exhibit IDM-7 starting on row 312. When the customers in question began receiving natural gas service under the Schedule 511 rate on October 1, 2019, the Company recorded this change as 011LV, which is shown in Exhibit IDM-7 beginning on line 243.

Q. Please describe the new information related to the migration of customers between Schedule 511 and 663 that is presented in "Revenue Summary" Exhibit IDM-7.

A. In Exhibit IDM-7, Revenue Summary, the Company prepared a new section entitled "2019 Revenue Migration"[2] which shows the transfer of recorded therms in the amount of 2,846,104 from Schedule 011LV to the adjusted billing determinants under Schedule 663. In that section, the migrating therms from 011LV are shown beginning on line 111 and transferred to Schedule 663 beginning on line 312. The transfer of therms from rates under 011LV to Schedule 633 results in a revenue reduction of $134,104, as shown in column "S" on line 584. This amount is subtracted from the "Total 2019 EOP Adj" amount $1,057,399 in Column "P", row 584 for a combined "Total 2019 EOP Adj" (R-4) of $923,295.

Q. Can you describe the proposed EOP volumetric revenue updates related to the transfer from Schedule 011LV to Schedule 663?

[2] Myhrum, Exhibit IDM-7, "Revenue Summary", Columns "Q" through "S", labeled "2019 Revenue Migration".

A. Yes, the Company transferred 2,846,104 therms and seven customers recorded in 011LV to Schedule 663 and re-calculated 2019 and 2020 EOP billing determinants which when combined with the previously mentioned meter error produced new billing determinants shown in Exhibit IDM-7 in the updated Schedule 511 starting in row 111 and combined Schedule 663 starting in row 312 in column "N". The adjustment is factored into the subtotal 2019 EOP Adj in column "P" in row "584" in the amount of $1,057,399 and the combined total 2019 EOP Adjustment (R-4) of $923,295.

Q. What other revenue projections are affected by the updated billing determinants for Schedule 663?

A. The alternative 2019 billing determinants are also used to forecast revenues from the Schedule 511 and Schedule 663 CRM adjustments. This is shown in Exhibit IDM-7 in the section labeled "Cost Recovery Mechanism CRM" and the final CRM adjustment in column "V", row 584 of ($2,904,184). Finally, the updated billing determinants are also used to project the revenue impacts of proposed rates as presented in Exhibit IDM-7 in the Section labeled "Proposed" for Schedules 511 and Schedule 663 in updated Columns "Z" through "AB".

IV. OVERALL IMPACT

Q. What is the revenue impact of all updates included in this Supplemental Testimony?

A. The difference between the updates included in this Supplemental Testimony and the Initial Filing is approximately $253,606. The resulting effect on the Company's calculation of its revenue requirement is an increase of $450,688. The updated restating and proforma adjustments are presented in Company Witness Maryalice Peters' supplemental Exhibit MCP-10, Summary of Proposed Adjustments to Test Year Results. They are also presented in my Exhibit IDM-8 – Revenue Adjustments. The differences between the Company's Initial Filing and its updated revenue adjustments are shown in Table 2 (below):

Table 2: Revenue Differences in Supplemental Filing vs. Initial Filing

Description	Initial Filing	Supplemental Filing	Difference
Total CRM Adjustment (R-1)	($2,899,573)	($2,904,184)	$4,611
Total Revenue Adjustment (R-3)	$14,930,999	$14,922,776	$8,223
Total 2019 EOP Adj. (R-4)	$1,350,168	$923,295	$426,873
Total 2020 EOP Adj. (P-3)	$1,094,926	$1,281,027	($186,101)
Total Difference			**$253,606**

Q. Have these proposed revenue adjustments impacted the Company's revenue requirement calculation in comparison with the proposed rates previously shown in in the Company's Initial Filing in Exhibit IDM-4?

A. Yes, the Company's updated revenue requirement calculation is $14,281,139, with updated rate impacts presented in Exhibit IDM-9. The updated revenue requirement is described further in the supplemental testimony of Company Witness Maryalice Peters in this Supplemental Filing. As discussed in Ms. Peters' testimony, however, the Company is not proposing to increase its revenue requirement request beyond the amount originally proposed in the Company's Initial Filing, $13,830,451.

Q. Have these proposed revenue adjustments impacted the Company's baseline decoupling calculations previously presented in the Company's Initial Filing in Exhibit IDM-5?

A. Yes. The updated monthly baseline decoupling calculations for all decoupled rate schedule are shown in Exhibit IDM-10, Decoupling Mechanism, Authorized Revenue Per

Customer. The monthly baseline calculations were adjusted to reflect the impacts of seven large volume accounts transferring from rate Schedule 511 to rate Schedule 663.

Q. Why is the Company utilizing EOP billing determinants in this case?

A. As discussed in opening testimony, Company witness Michael P. Parvinen stated that the Company, "proposes to include all major projects, or sections of multi-stage projects, that are projected to be in service by the end of 2020."[3] Therefore the Company is proposing the use of EOP billing determinants, especially for projected 2020 billing determinants, which is consistent with the time period in which certain capital additions are planned to be placed into service.

Q. In preparing this Supplemental Filing, did the Company identify any errors in its workpapers?

A. Yes, the Company identified two errors in IDM WP-1.3, End of Period Calculations. First, two Excel cells intended to calculate Schedule 511 Combined Average Usage, (cells labeled "L32 & M32)" did not include merged activity for November and December 2019. This correction did not impact revenue since the miscalculated cells were not referenced in EOP calculations. Secondly, a cell (labeled "O112") intended to calculate the number of 2019 EOP customers in Schedule 663 double-counted a single customer; this inflating 2019 EOP Billing determinants for that schedule. Thus, the revenue impact from double counting the single customer would be about $79,000 less for 2019 EOP and a flow-through impact of $1,337 less for the CRM, resulting in an overall revenue requirement impact for Schedule 663 of $9,839 less than the Initial Filing. In both cases, the errors were identified and corrected at the time of making this Supplemental Filing.

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[3] Parvinen, Exhibit No. MPP-1T at 5:13.

Q. Does this conclude your Supplemental Testimony?

A. Yes.