BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,
Complainant,

v.

CASCADE NATURAL GAS CORPORATION,
Respondent.

CASCADE NATURAL GAS CORPORATION
SUPPLEMENTAL DIRECT TESTIMONY OF MARYALICE C. PETERS

July 24, 2020
Q. Are you the same Maryalice C. Peters who filed direct testimony in Exhibit MCP-1T as part of Cascade Natural Gas Corporation’s (“Cascade” or “the Company”) initial filing (“Initial Filing”)?

A. Yes, I am.

Q. Why is Cascade 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, Cascade discovered a metering error and that seven large volume customers will be migrating rate schedules prior to the rate effective date in this case, and so Cascade is providing these updates and corrections as part of its Supplemental Filing. The metering error and migration of the large volume customers is described in greater detail in the supplemental testimony of Isaac D. Myhrum, Exhibit No.__(IDM-6T).

Q. What is the purpose of your Supplemental Testimony?

A. The purpose of this Supplemental Testimony is to explain the revenue requirement impacts resulting from the updates and corrections presented in Mr. Myhrum’s supplemental testimony, which include:

(1) annualize cost recovery mechanism (“CRM”);

(2) restate revenue adjustment;

(3) restate end of period; and

(4) 2020 new customer revenue adjustment.
I also present the Company’s per books rate base, starting with an AMA presentation and then describing a restating adjustment to present rate base on an EOP basis. As a result of these adjustments, I am updating the values I presented in my direct testimony and exhibits to reflect the updated impacts of the Company’s proposed revenue requirement.

Q. Are you sponsoring any exhibits with your Supplemental Testimony?

A. Yes. The supplemental exhibits accompanying my Supplemental Testimony are intended to update and replace the exhibits included in the Initial Filing. 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

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<th>Description</th>
<th>Initial Filing</th>
<th>Supplemental Filing</th>
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<tr>
<td>Result of Operations Summary Sheet</td>
<td>Exhibit No. __(MCP-2)</td>
<td>Exhibit No. __(MCP-8)</td>
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<td>Revenue Requirement Calculation</td>
<td>Exhibit No. __(MCP-3)</td>
<td>Exhibit No. __(MCP-9)</td>
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<td>Summary of Proposed Adjustments to Test Year Results</td>
<td>Exhibit No. __(MCP-5)</td>
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IMPACTS OF UPDATES TO OVERALL RATE INCREASE

Q. How do the updates described in Mr. Myhrum’s supplemental testimony impact the original revenue requirement of $13,830,451 or 5.28 percent?

A. The updates described in Mr. Myhrum’s supplemental testimony increase the overall revenue requirement to $14,281,139 or 5.46 percent, which is a difference of $450,688 or 0.18 percent between the Initial Filing and the Supplemental Filing.
Q. With this Supplemental Filing, is the Company proposing to increase its requested revenue requirement to reflect these updates?

A. No. While the updates support an increase to the Company’s revenue requirement, the Company is not adjusting the original request proposed in its Initial Filing. However, as is typical in rate cases, there may be upward or downward adjustments to the Company’s filed case during the pendency of the Commission’s review, and to the extent that there may be other updates or corrections resulting in downward adjustments to the Company’s revenues as this case progresses, the Company believes that the need for additional revenues presented in this Supplemental Filing may be considered up to the amount of the Company’s original request.

Q. Please describe the revisions made to Exhibit No. __ (MCP-8).

A. Column (1) includes the actual Washington booked figures for the test year, which is the 12 months ending December 31, 2019. The rate base allowance on line 19 through 22 is highlighted in yellow and presents rate base using the Company’s AMA balance sheet instead of on an EOP basis, as was reflected in the Initial Filing. Restating rate base had no impact on revenue requirement.

Q. Please describe the revised contents of Exhibit No. __ (MCP-9).

A. Exhibit No. __ (MCP-9) shows the calculation of the new revenue increase of $14,281,139 or 5.46 percent. This change in revenue is highlighted in yellow, on line 7 within Exhibit No.__(MCP-9). As mentioned earlier, the revenue increase is due to the metering error and migration of the large volume customers that is described in the supplemental testimony of Isaac D. Myhrum.
Q. Please briefly describe each adjustment that was updated in Exhibit No. __ (MCP-10)?

A. All of the adjustments listed below are changes attributable to correcting the metering error and the migration of the large volume customers and the corrections have been marked in yellow in Exhibit No.___(MCP-10).

The first column, column (R-1), entitled “Annualize CRM Adjustment,” the total annualized revenues attributed to Cascade’s pipeline replacement CRM and recovered from rate schedules 503, 504, 505, 511, 570, and 663, in the Initial Filing resulted a decrease to net operating income of $2,188,637. The updated adjustment in the Supplemental Filing is a decrease to net operating income of $2,192,117, which is a decrease of $3,480 from the Initial Filing.

Column (R-3), entitled “Restate Revenue Adjustment,” is the amount required to annualize revenues at current rates. In the Initial Filing, this adjustment reflected an increase in net operating income of $11,270,119. The result of Supplemental Filing adjustment is an increase in net operating income of $11,263,913, which is an increase of $6,206 from the Initial Filing.

Column (R-4), entitled “Restate End of Period (EOP) Adj.,” is supported by Cascade witness, Mr. Myhrum, who describes the difference and the proposed adjustment. The result of this adjustment is a decrease in net operating income of $1,620,083. The Initial Filing adjustment was a decrease of $1,297,874, a decrease of $322,209 to net operating income.
The depreciation expense adjustment is calculated by annualizing the depreciation expense applied to the end of period plant. The rate base net impact of the “Restate End of Year” adjustment is a revenue requirement increase of $4,308,762.

Column (P-3), entitled “Pro Forma Plant Additions,” 2020 new customer revenue adjustment. This adjustment is the net income effect of the revised new customer revenue is an offsetting revenue increase results in a decrease in operating income of $2,790,997 in the Supplemental Filing. In the Initial Filing this adjustment was also a decrease in operating income of $2,782,708, which is a decrease to net income of $8,289 in comparison with the Initial Filing.

Q. Does this conclude your Supplemental Testimony?

A. Yes.