

Exhibit No. __ (MCP-7T)
Docket No. UG-200568
Witness: Maryalice C. Peters

**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 MARYALICE C. PETERS

July 24, 2020

1 **Q. Are you the same Maryalice C. Peters who filed direct testimony in Exhibit MCP-**
2 **1T as part of Cascade Natural Gas Corporation’s (“Cascade” or “the Company”)**
3 **initial filing (“Initial Filing”)?**

4 A. Yes, I am.

5 **Q. Why is Cascade making a supplemental filing (“Supplemental Filing”)?**

6 A. In the Initial Filing, Cascade presented its per books rate base on an end-of-period
7 (“EOP”) basis. Prior to the Prehearing Conference in this case, Staff requested that
8 Cascade provide supplemental testimony instead presenting rate base on an average of
9 monthly averages (“AMA”) basis. Additionally, Cascade discovered a metering error
10 and that seven large volume customers will be migrating rate schedules prior to the rate
11 effective date in this case, and so Cascade is providing these updates and corrections
12 as part of its Supplemental Filing. The metering error and migration of the large
13 volume customers is described in greater detail in the supplemental testimony of Isaac
14 D. Myhrum, Exhibit No.__(IDM-6T).

15 **Q. What is the purpose of your Supplemental Testimony?**

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

- 19 (1) annualize cost recovery mechanism (“CRM”);
20 (2) restate revenue adjustment;
21 (3) restate end of period; and
22 (4) 2020 new customer revenue adjustment.

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

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

7 A. Yes. The supplemental exhibits accompanying my Supplemental Testimony are
8 intended to update and replace the exhibits included in the Initial Filing. For ease of
9 reference, Table 1 (below) provides a crosswalk from the Initial Filing to the exhibit
10 labeling for the supplemental exhibits:

11 **Table 1. Supplemental Exhibit Crosswalk**

Description	Initial Filing	Supplemental Filing
Result of Operations Summary Sheet	Exhibit No. __ (MCP-2)	Exhibit No. __ (MCP-8)
Revenue Requirement Calculation	Exhibit No. __ (MCP-3)	Exhibit No. __ (MCP-9)
Summary of Proposed Adjustments to Test Year Results	Exhibit No. __ (MCP-5)	Exhibit No. __ (MCP-10)

12

13 **IMPACTS OF UPDATES TO OVERALL RATE INCREASE**

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

16 A. The updates described in Mr. Myhrum's supplemental testimony increase the overall
17 revenue requirement to \$14,281,139 or 5.46 percent, which is a difference of \$450,688
18 or 0.18 percent between the Initial Filing and the Supplemental Filing.

1 **Q. With this Supplemental Filing, is the Company proposing to increase its requested**
2 **revenue requirement to reflect these updates?**

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

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

12 A. Column (1) includes the actual Washington booked figures for the test year, which is
13 the 12 months ending December 31, 2019. The rate base allowance on line 19 through
14 22 is highlighted in yellow and presents rate base using the Company's AMA balance
15 sheet instead of on an EOP basis, as was reflected in the Initial Filing. Restating rate
16 base had no impact on revenue requirement.

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

18 A. Exhibit No. __ (MCP-9) shows the calculation of the new revenue increase of
19 \$14,281,139 or 5.46 percent. This change in revenue is highlighted in yellow, on line
20 7 within Exhibit No.__(MCP-9). As mentioned earlier, the revenue increase is due to
21 the metering error and migration of the large volume customers that is described in the
22 supplemental testimony of Isaac D. Myhrum.

1 **Q. Please briefly describe each adjustment that was updated in Exhibit No. __ (MCP-**
2 **10)?**

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

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

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

17 Column (R-4), entitled “Restate End of Period (EOP) Adj.,” is supported by
18 Cascade witness, Mr. Myhrum, who describes the difference and the proposed
19 adjustment. The result of this adjustment is a decrease in net operating income of
20 \$1,620,083. The Initial Filing adjustment was a decrease of \$1,297,874, a decrease of
21 \$322,209 to net operating income.

1 The depreciation expense adjustment is calculated by annualizing the
2 depreciation expense applied to the end of period plant. The rate base net impact of
3 the “Restate End of Year” adjustment is a revenue requirement increase of \$4,308,762.

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

10 **Q. Does this conclude your Supplemental Testimony?**

11 A. Yes.