

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-240008

CASCADE NATURAL GAS CORPORATION
DIRECT TESTIMONY OF NICOLE A. KIVISTO

March 29, 2024

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LIST OF EXHIBITS

Exh. NAK-2	S&P Global October 2023 Research Update
Exh. NAK-3	S&P Global November 2023 Research Update
Exh. NAK-4	Fitch Ratings August 2023 Rating Action Commentary

I. INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Nicole A. Kivisto and my business address is 1200 W Century Ave,
3 Bismarck, North Dakota 58503.

4 **Q. By whom are you employed, for how long, and in what capacity?**

5 A. Effective January 6, 2024, I became the President and Chief Executive Officer
6 (“CEO”) of MDU Resources Group, Inc. (“MDU Resources”). I also continue to
7 serve as the President and CEO of Cascade Natural Gas Corporation (“Cascade” or
8 “Company”), Intermountain Gas Company (“Intermountain”), and Montana-Dakota
9 Utilities Co. (“Montana-Dakota”), all subsidiaries of MDU Resources, as well as
10 Great Plains Natural Gas Co. (a division of Montana-Dakota) collectively the MDU
11 Utilities Group and positions I have held since January 2015. In total, I have worked
12 for MDU Resources/Montana-Dakota for twenty-eight years.

13 **Q. Please briefly describe your educational background and professional
14 experience.**

15 A. I hold a bachelor’s degree in accounting from Minnesota State University Moorhead.
16 I was Vice President Operations of Montana-Dakota and Great Plains Natural Gas
17 Co., divisions of MDU Resources, from January 2014, until assuming the role of
18 MDU Utilities Group CEO in January 2015. Prior to that, I was the Vice President,
19 Controller, and Chief Accounting Officer for MDU Resources for nearly four years
20 and held other finance-related positions prior to that.

1 **Q. Have you provided testimony before the Washington Utilities and**
2 **Transportation Commission (“Commission”)?**

3 A. Yes. I testified before this Commission in Cascade’s most recent Washington general
4 rate case, Docket UG-210755, as well as Dockets UG-200568, UG-190210, UG-
5 170929, and UG-152286. I have also testified before the Public Utility Commission
6 of Oregon in Cascade’s most recent Oregon rate cases, Dockets UG 390, UG 347 and
7 UG 305. Additionally, I have provided testimony in North Dakota, South Dakota,
8 Minnesota, Montana, Wyoming, and Idaho in support of MDU Utilities Group
9 utilities.

II. SCOPE AND SUMMARY OF TESTIMONY

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

11 A. My testimony provides an overview of Cascade’s corporate profile, followed by a
12 summary of the Company’s first multiyear rate plan filed with this general rate case. I
13 will describe the work Cascade has made to integrate equity into Cascade’s proposals.
14 The testimony and exhibits submitted in this filing demonstrate the steps the
15 Company has taken to shift from traditional cost-based ratemaking to ratemaking that
16 applies an equity lens and incorporates principles of energy justice.

17 I will also explain the primary drivers leading to this request for rate relief and
18 address the work accomplished since Cascade’s most recent general rate case, Docket
19 UG-210755. Finally, I will introduce the Company witnesses who will provide
20 testimony and other evidence in support of the Company’s proposals.

1 **Q. Are you sponsoring any exhibits in this proceeding?**

2 A. Yes, I sponsor the following exhibits:

3 Exh. NAK-2 S&P Global October 2023 Research Update

4 Exh. NAK-3 S&P Global November 2023 Research Update

5 Exh. NAK-4 Fitch Ratings August 2023 Rating Action Commentary

III. COMPANY OVERVIEW

6 **Q. Please provide a brief overview of Cascade Natural Gas.**

7 A. Cascade was originally formed in 1953 to serve smaller and predominantly rural
8 communities in the Pacific Northwest with natural gas. As of December 2023,
9 Cascade provides natural gas distribution service in 95 communities in Washington
10 and Oregon, serving 316,929 customers, of which 232,973 are in Washington.
11 Cascade's headquarters are located in Kennewick, Washington. Although Cascade
12 serves 67 communities in Washington, most of the communities are quite small. The
13 largest communities served by Cascade in Washington are Bellingham, Mt. Vernon,
14 Bremerton, Tri-Cities, and Yakima.

IV. CASCADE'S MULTIYEAR RATE PLAN

15 **A. Overview**

16 **Q. Please describe Cascade's requested increase in this filing.**

17 A. Cascade's first multiyear rate plan, governed by RCW 80.28.425, reflects the
18 changing regulatory landscape in which the Company operates. Cascade's filing
19 proposes a conservative (two-year) multiyear period that attempts to balance the

1 competing goals of providing safe, reliable, affordable service to customers with
2 reducing carbon emissions. Decarbonizing a natural gas utility and providing
3 affordable energy to customers while also maintaining a healthy utility is a
4 challenging proposition and Cascade’s efforts are reflected in its case.

5 This filing also demonstrates Cascade’s shifting perspective from traditional
6 cost-of-service ratemaking towards incorporating equity considerations, which is a
7 step away from pure cost-causation principles and a move from treating all customers
8 within a class equally toward seeking equitable outcomes for all.

9 Cascade is mindful of the cost impact that this multiyear rate plan will have on
10 customers and includes a discussion of the efforts made to provide assistance to low-
11 income customers served by the Company.¹ In addition, Cascade proposes a set of
12 performance measures as required by RCW 80.28.425, while also being mindful of
13 the work the Commission is doing in Docket U-210590 to develop a policy statement
14 addressing alternatives to traditional cost of service rate making, including
15 performance measures or goals, targets, performance incentives, and penalty
16 mechanisms.

¹ See the Direct Testimony of Daniel L. Tillis, Exh. DLT-1T.

1 **B. Cascade’s Progress on Equity and Energy Justice**

2 **Q. How has the Company addressed equity in this rate case?**

3 A. The Commission provides specific guidance in Order 09 issued in Cascade’s most
4 recent general rate case, Docket UG-210755 (“Final Order 09”)² related to the
5 expectation that the Company will consider energy justice and equitable outcomes for
6 all its customer groups in all planning and proposals going forward. As Final Order
7 09 states, “Energy justice is focused on: (1) ensuring that individuals have access to
8 energy that is affordable, safe, sustainable, and affords them the ability to sustain a
9 decent lifestyle; and (2) providing an opportunity to participate in and have
10 meaningful impact on the decision-making processes.”³

11 Cascade has begun integrating equity into all aspects of the Company’s work,
12 but this is an iterative process that will require continued efforts and additional
13 changes to business-as-usual. Cascade began internalizing equity into its planning and
14 decision making by developing a new position to lead the Company’s efforts. The
15 Company was fortunate to find an individual with extensive professional experience
16 working directly with some of the most highly impacted communities in Cascade’s
17 service territory. The Vice President, Regulatory Affairs and Customer Service was
18 also named as the executive sponsor of the Company’s equity initiatives. This
19 structure of oversight provides leadership and guidance at the highest levels of the

² *WUTC v. Cascade Nat. Gas Corp.*, Docket UG-210755, Order 09 Approving and Adopting Settlement Agreement Subject to Conditions (Aug. 23, 2022) (Final Order 09).

³ Final Order 09 at ¶ 18.

1 Company for the significant changes necessary to shift from having a traditional cost-
2 of-service company mind frame to applying an equity lens to all business decisions.

3 Cascade’s next step in integrating equity was to establish an Equity Advisory
4 Group (“EAG”) comprised of community members that represent highly impacted
5 communities, named communities, and black, indigenous, and people of color
6 (“BIPOC”) communities within Cascade’s service territory. Cascade meets monthly
7 with its EAG. The work of the EAG is described in more detail in the direct
8 testimony of Noemi Ortiz, Exh. NO-1T.

9 Cascade has also begun mapping the highly impacted communities within its
10 service territory. This mapping will allow the Company to look for correlations with
11 billing and service data that might point to inequities that require restorative justice
12 and allow the Company to solicit feedback from communities that may be impacted
13 by projects or initiatives.

14 Cascade’s efforts to incorporate equity considerations into its work will be an
15 ongoing process. The Company has made significant progress in internalizing energy
16 justice. The focus of 2023 has been on developing procedural justice by building the
17 structures and relationships to facilitate collaboration with highly impacted
18 communities. This includes creating and meeting with the EAG and bringing equity
19 considerations to other established advisory groups, such as the Technical Advisory
20 Group for the Integrated Resource Plan. As described more fully in the direct
21 testimony of Noemi Ortiz, Exh. NO-1T, it is within these collaborative forums that

1 Cascade will present the data that identifies inequities (distributive justice) and then
2 seek to mitigate them (restorative justice).

3 **C. Cascade’s Request for a Rate Increase**

4 **Q. Please summarize the rate relief requested in this multiyear plan.**

5 A. Cascade is proposing a test year of the twelve-month period that ended December 31,
6 2023, including restating and pro-forma adjustments. The filing date of March 29,
7 2024, ensures that the selected test year is no older than six months from the date
8 initial testimony is filed as required by Final Order 09. The multiyear rate plan then
9 includes provisional requests for calendar years 2024 (Rate Year 1) and 2025 (Rate
10 Year 2). Cascade is seeking to increase revenues by \$43.8 million in Rate Year 1 and
11 by \$11.7 million in Rate Year 2. This request represents a revenue increase of 11.59
12 percent in Rate Year 1 and 2.75 percent in Rate Year 2. Table 1 below shows the rate
13 request for each year of the multiyear rate plan.

Table 1: Cascade’s Proposed Two-Year Rate Plan

	Test Year (Rates Effective March 1, 2025)	Rate Year 1 (Rates Effective March 1, 2025)	Total for Rates Effective March 1, 2025	Rate Year 2 (Rates Effective March 1, 2026)
Revenue Requirement	\$30,458,350	\$13,371,323	\$43,829,673	\$11,669,242
Margin Revenue Increase	20.91%	9.08%	29.78%	6.04%
Overall Revenue Increase	8.08%	3.53%	11.59%	2.75%

1 As discussed in the direct testimony of Zachary L. Harris, Exhibit ZLH-1T, the
2 Company is also proposing to establish new rate adjustment tariffs related to its
3 COVID-19 and Commission Fee deferral balances, with rates effective March 1,
4 2025. The total revenue increases associated with the COVID-19 and Commission
5 Fee recovery adjustments are approximately \$4.2 million (1.12 percent) and \$0.9
6 million (0.23 percent), respectively. Combined with the proposed March 1, 2025,
7 change to base rates, the change to billed revenues is a total of \$48.9 million, or 13.18
8 percent.

9 Cascade is obligated to serve persons and corporations with natural gas.⁴ The
10 rate increase requested in this filing is necessary for the Company to continue to meet
11 its obligation to provide safe and reliable service to its Washington customers through
12 necessary infrastructure investments, as well as through cost adjustments needed to
13 keep pace with inflationary pressures.

14 **Q. What return on equity and capital structure is Cascade proposing in this case?**

15 A. Cascade is proposing a 10.5 percent return on common equity and a capital structure
16 that includes 50.285 percent equity. The capital structure and costs of debt and
17 common equity result in an overall rate of return requested by Cascade of 7.894
18 percent. Support for the rate of return request is provided in the direct testimony of
19 Ann E. Bulkley, Exh. AEG-1T, and the direct testimony of Tammy J. Nygard, Exh.
20 TJN-1T.

⁴ RCW 80.28.110.

1 **Q. Why is a hypothetical capital structure appropriate in the multiyear rate plan?**

2 A. The proposed capital structure for the two-year period is based on Cascade's actual
3 and targeted capital structure. To mitigate customer bill impacts, the Company's 2023
4 Purchased Gas Adjustment ("PGA"), Docket UG-230745, authorized the recovery of
5 unusually high gas costs over a two-year period rather than the traditional one-year
6 period. When the Company's 2023 actual equity ratio is normalized to remove the
7 debt used to fund these higher-than-normal PGA deferred balances, the proposed
8 equity ratio of 50.285 percent is actually less than the normalized 2023 equity ratio of
9 50.422 percent.

10 **Q. What are the primary drivers behind the Company's need for a base rate**
11 **increase?**

12 A. The main drivers of the proposed base rate increase in this case are rate base growth
13 since the Company's last general rate case, growth in operations and maintenance
14 ("O&M") expenses, and growth in depreciation expense. Cascade's rate base has
15 increased by nearly \$150 million since the test year in the Company's last general rate
16 case (Docket UG-210755). Most of the growth in rate base is related to the
17 Company's investments in the safe, reliable distribution system that is used to provide
18 energy to customers throughout the year, but especially on the coldest days.

19 For the first and second provisional years, the main drivers of the revenue
20 requirement increase are estimated additions to plant in service in 2024 and 2025.

1 **Q. Please discuss how Cascade is managing costs in an effort to mitigate the impact**
2 **of increased costs on its customers.**

3 A. Since the acquisition of Cascade by MDU Resources, the Company has been part of a
4 One Vision, One Utility process, which has resulted in synergistic savings in the form
5 of joint senior management, a unified customer service center, joint billing and
6 payment processing, uniform accounting systems, combined engineering support, and
7 shared information technology resources. In the three years since 2020, which was the
8 test year in the Company's last general rate case (Docket UG-210755), Cascade has
9 implemented a cost review initiative to help mitigate the impact of economy-wide
10 inflationary pressures. Cascade's Officer Team drives this initiative. All departments
11 in the Company were tasked with reviewing existing processes to uncover
12 opportunities for increased efficiencies to minimize O&M increases and potentially
13 provide cost savings. Company-wide, a manager must make a business case for any
14 job opening before the position is allowed to be filled. This has resulted in re-
15 organizing work in some cases, restructuring teams, and utilizing technology
16 solutions where they make sense. A good example of a technology solution that is
17 providing cost savings is the Work and Asset Management System deployment
18 discussed in the direct testimony of Hart Gilchrist, Exh. HG-1T.

19 Other process reviews that have resulted in cost savings include an analysis of
20 telephone and cell phone costs, a review of vehicles for underutilization, a review to
21 determine whether the Company has excess equipment, a review and assessment of
22 materials and outside services for potential efficiencies and savings, and a review of

1 facilities to determine the efficiency of building use. The building review resulted in
 2 consolidating the Customer Experience Team into an existing facility that was
 3 underutilized, which allowed for the sale of the building that had been used by the
 4 Customer Experience Team. Although the associated rate base was not located in
 5 Washington, this move resulted in a reduction of the operations and maintenance
 6 expense on the building that would have been allocated to Washington. A further cost
 7 saving initiative requires all travel be approved at the vice president level. Cascade is
 8 encouraging the use of Microsoft Teams as a replacement for all non-essential travel.

9 **Q. What are the average residential and commercial customer bill impacts and the**
 10 **percent increase resulting from the proposed rate increase?**

11 A. Table 2 below shows the bill impact and percent change of the proposed base rate
 12 increase for the Company’s residential and commercial customers.

Table 2: Average Customer Bill Impacts

Customer Class	Current Bill	March 1, 2025			March 1, 2026		
		Proposed Bill	Monthly Increase	Percent Change	Proposed Bill	Monthly Increase	Percent Change
Residential	\$74.47	\$83.87	\$9.40	12.62%	\$85.61	\$1.74	2.08%
Commercial	\$355.05	\$370.74	\$15.69	4.42%	\$376.69	\$5.95	1.60%

13 **Q. Please provide a high-level summary of the Company’s rate design proposals.**

14 A. The Company’s proposed rate design includes (1) increases in the monthly basic
 15 service charges for all customer classes to better reflect the underlying costs of
 16 providing basic customer service, and (2) increasing the demand rate for rate schedule

1 663 customers to better reflect the underlying unit demand costs associated with this
2 customer class. The increases will be made in two steps over the course of the
3 multiyear plan. The direct testimony of Ronald J. Amen, Exh. RJA-1T, provides
4 further details on Cascade’s proposed price changes.

5 As described in the direct testimony of Zachary L. Harris, Exh. ZLH-1T,
6 Cascade has not increased its basic service charges since 2017. The cost of service
7 study described in the direct testimony of Ronald J. Amen provides a sound basis to
8 update the fixed component of rates. The Company was also mindful of the impact of
9 its recent Climate Commitment Act (“CCA”) recovery filing when contemplating rate
10 design for this multiyear rate plan. The CCA recovers all compliance costs through a
11 volumetric per therm rate. Increasing the basic service charge will help to balance the
12 volumetric rate increases from the CCA recovery, while better aligning the collection
13 of the fixed costs of ensuring the distribution system is available to provide service
14 under peak conditions even as overall system demands may decline over time to meet
15 decarbonization targets.

16 **Q. What is the proposed basic service charge increase for Cascade’s customers?**

17 A. For the Company’s Residential customers, Cascade is proposing an initial increase in
18 the basic service charge from the current \$5.00 to \$10.00 effective March 1, 2025. A
19 second increase to \$11.50 is proposed for rates effective March 1, 2026.

20 Under the proposal, the Company’s Commercial customers would see an
21 increase in the basic service charge from the current \$13.00 to \$20.00 effective March
22 1, 2025. A second increase to \$25.50 is proposed for rates effective March 1, 2026.

1 The proposed changes to all customer classes for each rate effective period are
2 described in detail in the direct testimony of Ronald J. Amen, Exh. RJA-1T.

3 **Q. Describe Cascade's business strategy.**

4 A. Cascade is focused on operating with integrity; a commitment to its customers and
5 communities; operational excellence through a safety culture; a responsible approach
6 to operating costs, capital investments and environmental stewardship; and being
7 employee driven by being a great and safe place to work. Energy is fundamental to
8 support Washington residents and the businesses and industries where they work.
9 Cascade has an ongoing mission to provide safe, reliable energy delivery to its
10 customers. At the same time, the state of Washington is in the midst of a complex
11 energy transition. During the 2021-2022 legislative session, Washington State
12 lawmakers passed the Climate Commitment Act, codified in Chapter 70A.65 of the
13 Revised Code of Washington. The Climate Commitment Act seeks to reduce
14 greenhouse gas emissions by 95 percent of the state's 1990 emissions levels by 2050
15 through the implementation of a cap-and-invest program designed to meet the state's
16 aggressive emissions reduction targets.

17 Carbon emissions mitigation will only be successful if it can be done in a way
18 that does not diminish the ability of residents, businesses, and industry to access the
19 energy that fuels modern life. Cascade has an important role to play in the
20 achievement of Washington's decarbonization commitments. The Company is
21 dedicated to utilizing its existing assets and deploying new assets to support statewide
22 decarbonization efforts while also meeting Cascade's duty to serve customers in its

1 Washington service territory. The clean energy transition will require significant
2 investment. It is critical to maintain the safe, reliable natural gas service provided by
3 the Company's existing distribution system. At the same time, Cascade is currently
4 undertaking a comprehensive planning exercise to determine the best path to utilize
5 its knowledge and assets to support Washington's decarbonization goals. As outlined
6 in further detail in the direct testimony of Scott W. Madison, Exh. SWM-1T,
7 Cascade's intent is to proactively formulate a plan for making durable, direct capital
8 investments in decarbonization measures that could prove more impactful to
9 customers within the Company's service territory over the long term than purchasing
10 allowances from the Department of Ecology as compliance instruments for the
11 Climate Commitment Act.

12 **Q. Has the Company historically earned its authorized rate of return?**

13 A. No. Cascade has experienced chronic underearning since 2015 due to its continued
14 program of capital investment to improve the safety and reliability of the system and
15 significant regulatory lag. Table 3 below provides the Company's achieved rate of
16 return compared to its authorized rate of return based on the Company's annual
17 Commission Basis Reports with adjusted Net Operating Income and AMA rate base.
18 As the direct testimony of Jacob Darrington discusses, the Company's achieved rate
19 of return did not improve in 2023. The rate of return based on actual results of
20 operations was 5.56 percent, while the rate of return based on adjusted results of
21 operation was 4.20 percent, which are both well below Cascade's currently
22 authorized rate of return.

Table 3: Cascade's Results of Operations (in percentages)

Year	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Authorized (A)	8.85	7.35	7.35	7.31	7.31	7.24	6.95	6.85
Rate of Return (B)	5.73	6.83	6.39	6.58	5.89	6.19	6.14	5.43
(B - A)	-3.12	-0.52	-0.96	-0.73	-1.42	-1.07	-0.81	-1.42

1 **D. Cascade's Financial Performance**

2 **Q. Is the Company facing financial challenges?**

3 A. Yes. Cascade's cost of doing business in Washington continues to increase, despite
4 the Company's efforts to control costs and increase efficiency. In addition, ratings
5 agencies have become concerned with Cascade's financial performance. On October
6 10, 2023, S&P Global ("S&P") revised its stand-alone credit profile ("SACP") on
7 Cascade downward from 'bb+' to 'bbb' reflecting expectations that Cascade's stand-
8 alone financial measures will remain consistently below previous levels.

9 The S&P credit rating action is provided as Exh. NAK-2. Cascade funds from
10 operations ("FFO") to debt is consistently below S&P's target of 13 percent to 15
11 percent. S&P expects Cascade's stand-alone FFO to debt will reflect 10-12 percent
12 through 2024.

13 In November 2023, S&P lowered its issuer credit ratings on Cascade by one
14 notch from BBB+ to BBB with a Negative Outlook. See Exh. NAK-3. Even though
15 Cascade's SACP is bb+, Cascade is viewed as core to MDU Resources. As a result,
16 Cascade benefits from the credit rating of the larger organization and is upgraded to

1 the MDU Resources credit rating of BBB. Similarly, in August 2023, Fitch Ratings
2 (“Fitch”) revised Cascade’s Outlook to Negative from Stable. See Exh. NAK-4.

3 Fitch’s reports states,

4 Fitch believes the Washington regulatory compact remains somewhat
5 challenging; authorized ROE’s tend to be at or below prevailing
6 industry averages and the use of average rate base valuations and
7 historical test years exacerbates regulatory lag. This hinders Cascade’s
8 ability to materially improve its ROE and Fitch notes the utility has
9 been earning below its authorized return for several years. A timely
10 cadence of future rate case filings coupled with expectations for
11 balanced regulatory outcomes should help improve earned returns and
12 alleviate persistent regulatory lag.⁵

13 The Fitch report states that Cascade’s FFO leverage measures are expected to weaken
14 to an average of 6.2X through 2024 as capital spending peaks but improve thereafter
15 with timely recovery easing financial pressures. Fitch expects leverage to strengthen
16 to 5.0X in 2025-2026, reflecting a weaker financial profile than its peers.⁶

17 **Q. Why are credit ratings important to Cascade?**

18 **A.** Utilities require ready access to capital markets in all types of economic
19 environments. The capital-intensive nature of Cascade’s business necessitates the
20 ability to obtain funding from the financial markets under reasonable terms at regular
21 intervals. To have this ability, investors need to understand the risks related to any of
22 their investments.

23 To help investors assess the creditworthiness of a company, firms such as
24 S&P and Fitch developed their own standardized ratings scales, otherwise known as

⁵ Exh. NAK-4 at p. 6.

⁶ Exh. NAK-4 at p. 6.

1 credit ratings. These credit ratings indicate the creditworthiness of a company and
2 assist investors in determining if they want to invest in a company and its
3 comparative level of risk compared to other investment choices. The credit rating can
4 also affect the type of investor who will be interested in purchasing the debt.
5 Investment risks include, but are not limited to, liquidity risk, market risk, operational
6 risk, regulatory risk, and credit risk. These risks are considered by S&P, Fitch, and
7 investors in assessing Cascade's creditworthiness.

8 **Q. Does Cascade's credit rating matter to customers?**

9 A. Yes. It is important for Cascade to maintain an investment grade credit rating so it is
10 able to access debt at reasonable rates. If Cascade's credit ratings were to fall below
11 investment grade, it would cause additional harm to the risk perception of the
12 Company in debt markets. The Company's borrowing costs would increase
13 substantially. A downgrade would immediately raise Cascade's cost of short-term
14 borrowing and would increase the cost for future long-term borrowings. Given the
15 current negative outlook from S&P and Fitch, the Company is concerned an adverse
16 regulatory outcome would put additional pressure on its financial metrics and may
17 result in a credit rating downgrade. A downgrade would also negatively impact MDU
18 Resources' stock price, decreasing the value the Company would receive for
19 issuances in the equity markets.

20 **Q What factors affect a company's credit rating?**

21 A. There is an expectation that companies will meet certain financial performance
22 standards. This expectation is measured by the financial and liquidity ratios published

1 by the rating agencies. The Company is doing what it can to improve its financial
2 performance through the cost review initiative and One Vision, One Utility process
3 outlined previously. As discussed in the rating agencies' analyses, however, another
4 important piece of the rating is based on regulatory factors such as regulatory lag and
5 weak regulatory outcomes. Cascade believes this multiyear plan provides an excellent
6 opportunity for improvement on both fronts. A financially strong Company will be
7 better positioned to meet the challenges and opportunities of the energy transition,
8 while continuing to provide the safe and reliable service our existing customers
9 deserve. Cascade believes this multiyear rate plan coupled with the end of period
10 treatment for rate base outlined in the testimony of Lori A. Blattner, Exh. LAB-1T,
11 will stabilize and improve the Company's credit ratings.

12 **E. Cascade's Low-Income Programs**

13 **Q. How has Cascade addressed provisions related to low-income programs included**
14 **in its last general rate case?**

15 A. Since its last general rate case, the Company worked in collaboration with external
16 parties to develop a new comprehensive low-income bill assistance and arrearage
17 management program named the Cascade Arrearage Relief and Energy Savings
18 ("CARES") program. In addition, Cascade partnered with its CARES Advisory
19 Group to develop and begin piloting a "trusted messenger" outreach program that
20 enables Cascade's Community Action Agencies to partner with community-based
21 organizations to communicate benefits of the new CARES program to hard-to-reach
22 communities within Cascade's service territory. Cascade has increased the

1 participation in the community-based organization pilot program from five to eight
2 Community Action Agencies in the past two years. The CARES program and related
3 outreach are described in greater detail in the testimony of Daniel L. Tillis, Exh.
4 DLT-1T.

5 **Q. Will the CARES program be impacted by this multiyear rate plan?**

6 A. As outlined in the direct testimony of Daniel Tillis, Exh. DLT-1T, the Company
7 intends to increase the budget for CARES by, at minimum, double the percentage
8 increase in residential base rates approved for each year of the multiyear plan. In
9 addition, at the conclusion of this proceeding, the Company will review the bill
10 discount rates included in the CARES program. Cascade will propose adjustments to
11 the bill discount rates if it is determined the rates result in an energy burden over the
12 target. These two actions will help ensure that the rate increases proposed in this
13 multiyear rate plan do not disparately impact Cascade's low-income customers.

14 **F. Customer and Community Service**

15 **Q. How does Cascade's customer satisfaction compare to other similarly situated**
16 **utilities?**

17 A. Cascade has a consistent track record of high rankings within the J.D. Power
18 Residential Natural Gas Customer Satisfaction Study. Over the last eleven years,
19 Cascade placed either first or second in the West Midsize segment, ranking first six
20 times and second five times.

1 Six factors influence a utility's ranking within the study: Safety & Reliability, Billing
2 & Payment, Price, Corporate Citizenship, Communications, and Customer Care.
3 Cascade's success within the J.D. Power study is a testament to the commitment of
4 each employee, from the top down, to serve Cascade's communities. For more detail
5 on this, see the direct testimony of Daniel L. Tillis, Exh. DLT-1T, as well as Exh.
6 DLT-2, J.D. Power Summary for Cascade Natural Gas.

7 **Q. How does Cascade serve communities within its service territory?**

8 A. Cascade believes serving its community – beyond providing safe, reliable, and
9 affordable energy – is essential to building a strong America. The Company has a
10 long history of encouraging and supporting its employees as they engage with
11 community-based organizations and non-profits. Cascade also provides financial
12 support to the important work of many local organizations.

13 **Q. What are some of the ways the Company supports the communities it serves?**

14 A. Cascade is committed to living its tagline of, "In the Community to Serve." Each
15 year, employees spend many hours volunteering with various organizations across the
16 Company's Washington service territory. Employee volunteer activities in the
17 Northwest Region include United Way organizations, Stanwood-Camano YMCA and
18 Stanwood-Camano Arts Advocacy Commission, Kitsap Musical Children's Theater,
19 and various baseball and soccer clubs. In Cascade's Central Region employees
20 volunteer with Second Harvest, Special Olympics, Meals on Wheels, Head Start,
21 various women's shelters, veteran's organizations, and multiple youth organizations
22 ranging from pre-school through high school.

1 Further, the MDU Resources Foundation (“Foundation”) also provides
2 support to the communities Cascade serves. The goal of the Foundation is to help
3 Cascade’s neighbors make its communities better places to live and work. The
4 Foundation provides annual scholarships to 15 colleges and universities within the
5 state of Washington. In addition to the employee support of Second Harvest, the
6 Foundation has also provided donations over a five-year period of \$50,000 to support
7 proper nutrition for low-income and minority households. Beyond Second Harvest,
8 the Foundation provides one-time grants to non-profit organizations throughout
9 Cascade’s service territory. Total Foundation grants from 2019-2023 were over
10 \$304,000. Organizations receiving a \$2,500 to \$10,000 donation in 2023 included
11 FORGE Youth Mentoring, Junior Achievement of WA, Lutheran Community
12 Services NW, Yakima Union Gospel Mission, and Youthnet. Cascade’s culture of
13 employee volunteerism and the financial support of the Foundation demonstrate the
14 Company’s commitment to be “In the Community to Serve.”

15 **Q. What are some of the ways the Company’s Customer Experience Team (“CXT”)**
16 **continues to provide excellent customer service?**

17 A. Cascade’s Customer Experience Team (“CXT”) provides customers multiple options
18 to communicate with the Company in the manner most convenient for the customer.
19 This includes phone, email, mail, and online options. In addition, Cascade is staffed
20 to handle emergency calls 24 hours a day, seven days a week, which allows Cascade
21 to respond quickly to customer requests and emergency situations. Further, the CXT
22 is adapting to rapidly evolving customer preferences by increasing and improving

1 online self-service options on its website. The testimony of Daniel L. Tillis, Exh.
2 DLT-1T, discusses the excellent customer service provided by Cascade in greater
3 detail.

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

6 A. Put simply, to ensure safe and reliable service, Cascade must provide fair
7 compensation to attract and retain a high-quality workforce. The Company employs a
8 Total Rewards Philosophy that is designed to minimize costs while allowing the
9 Company to attract and retain qualified employees. Like many other organizations
10 across the country, Cascade has struggled to recruit, train, and retain personnel in the
11 current competitive job market. The Company has successfully implemented various
12 programs to attract and maintain a high-quality workforce, including a retirement
13 plan, an employee incentive compensation plan, and competitive wages. For more
14 detail on Cascade's initiatives to attract and retain employees, see the direct testimony
15 of Kirsti Hourigan, Exh. KBH-1T.

V. OTHER COMPANY WITNESSES

16 **Q. Would you please introduce and provide a brief description of each of the**
17 **witnesses filing testimony on behalf of Cascade in this proceeding?**

18 A. Yes. The following additional witnesses present direct testimony on behalf of
19 Cascade:

20 Scott Madison, Executive Vice President of Business Development and Gas
21 Supply, addresses high-level considerations related to Cascade's ongoing efforts to

1 support Washington’s greenhouse gas emission reduction goals and compliance with
2 the Climate Commitment Act while also meeting its duty to serve customers in
3 Cascade’s Washington service territory.

4 Noemi Ortiz, Manager of Energy Efficiency Programs, presents the work
5 Cascade has done to integrate an equity lens into the Company’s decision-making
6 processes pursuant to Final Order 09.

7 Lori Blattner, Director of Regulatory Affairs, details Cascade’s multiyear rate
8 plan and how it complies with applicable rules, policy statements, and orders as well
9 as discussing the Company’s proposal to eliminate its pipeline cost recovery
10 mechanism.

11 Tammy Nygard, Controller, reviews the Company’s capital structure and
12 addresses the Company’s cost of debt and the overall rate of return.

13 Ann Bulkley, Principal at The Brattle Group, presents evidence and provides a
14 recommendation regarding the appropriate return on equity for the Company and
15 assesses the reasonableness of its proposed capital structure for ratemaking purposes.

16 Jacob Darrington, Manager of Regulatory Affairs, discusses the Company’s
17 proposed revenue requirement and supporting calculations.

18 Stephanie Sievert, Vice President, Chief Accounting Officer, and Controller,
19 explains the Company’s pension plan and recommended pension expense.

20 Kirsti Hourigan, Director of Human Resources, discusses the Company’s
21 Total Rewards Philosophy for retaining a high quality, well-trained workforce,
22 increases in wages and benefits, and the Company’s proposed wage adjustments.

1 Daniel Tillis, Director of Customer Services, presents testimony regarding
2 Cascade’s vigorous efforts to implement and inform customers of its several low-
3 income and bill discount programs and activities. Daniel L. Tillis also discusses how
4 the Company is applying an equity lens on its customer service activities to identify
5 inequities so that mitigating measures can be developed in collaboration with the
6 Company’s various advisory groups, partners, and community members.

7 Brian Robertson, Manager of Supply Resource Planning, presents and
8 discusses the results of the weather normalization study Cascade performed for this
9 rate case.

10 Patrick Darras, Vice President of Engineering and Operations Services,
11 supports the Company’s major capital system investments since the last rate case
12 (Docket UG-210755) and system investment additions for 2024 through 2025, and he
13 discusses the Company’s public awareness and damage prevention efforts.

14 Eric Martuscelli, Vice President of Field Operations, discusses Cascade’s
15 capital investments related to growth installation and replacement projects as well as
16 fleet services.

17 Hart Gilchrist, Vice President of Safety, Process Improvement and Operations
18 Systems, discusses the Company’s work and asset management system deployment,
19 GIS system upgrade implementation, and other provisional plant additions.

20 Ronald Amen, Atrium, presents the Company’s load study, cost of service
21 study, proposed changes to Cascade’s rate design, and resulting customer bill
22 impacts.

1 Zachary Harris, Regulatory Affairs Manager, presents an update on the
2 Company's fixed network deployment, provides support of Cascade's rate design
3 proposals, outlines proposed temporary recovery mechanisms for the COVID-19 and
4 Commission Fee deferrals, discusses Cascade's proposals related to its decoupling
5 mechanism, and presents proposed changes to Cascade's tariff structure.

VI. CONCLUSION

6 **Q. Does this conclude your direct testimony?**

7 **A. Yes.**