

CONTESTED ISSUES

CASCADE NATURAL GAS GENERAL RATE CASE DOCKET UG-200568
ISSUES MATRIX—October 2, 2020

ISSUE	CASCADE NATURAL GAS	COMPANY Supplemental Filing	COMPANY Rebuttal Filing	COMMISSION STAFF	PUBLIC COUNSEL	PARTY	AWEC	THE ENERGY PROJECT
<i>Overall Revenue / Rate Increase</i>	\$13,830,451 5.3%	Revised: \$14,281,139 5.460%						
<i>Capital Structure and Cost of Capital</i>	<p>Capital Structure Long-term Debt: 49.6% Preferred Stock: 0% Common Equity: 50.4%</p> <p>Cost of Capital: Long-term Debt: 4.745% Preferred Stock: 0% Common equity: 10.30%</p> <p>Overall Rate of Return: 7.54% Capital structure, cost of long-term debt, and cost of preferred stock are addressed in Exhibit No. __ (TJN-1T)</p>							
<i>Per Books Results</i>	The actual Washington booked figures for the test year, which is the twelve months ended December 31, 2019. Exhibit No. __ (MCP-2)							
<i>R-1 Annualize CRM Adjustment</i>	<p>Adjusts to the total annualized revenues attributed to Cascade’s pipeline replacement cost recovery mechanism (“CRM”) and recovered from rate schedules 503, 504, 505, 511, 570, and 663. The result is a decrease to net operating income of \$2,188,637. Exhibit No. __ (MCP-5) This adjustment is described in Exhibit No. __ (IDM-1T)</p>	<p>Revised: Decrease to net operating income of \$2,192,117. Exhibit No. __ (MCP-10) Updated billing determinants to project impacts of proposed rates. Exhibit No. __ (IDM-7) This adjustment is described in Exhibit No. __ (IDM-6T)</p>						
<i>R-2 Promotional Advertising Adjustment</i>	Removes advertising costs more aimed at promoting the company brand or image rather than conservation or safety. The result is an increase in net income of \$21,876. Exhibit No. __ (MCP-5)							

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<p>R-3 Restate Revenue</p>	<p>Removes from revenue amounts that are out of period or will not be realized in the rate year. Examples are bill corrections, net unbilled revenues, deferral revenues, etc. The result of this adjustment is an increase in net income of \$11,270,119. Exhibit No. ___(MCP-5) This adjustment is described in Exhibit No. ___(IDM-1T)</p>	<p>Revised: Increase in net income of \$11,263,913. Exhibit No. ___(MCP-10) 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 in Exhibit No. __ (IDM-6T).</p>					
<p>R-4 Restate End of Period (EOP) Adjustment</p>	<p>This section presents billing determinants and associated revenues adjusted to 2019 End of Period (“EOP”) test year levels. This revenue presentation is consistent with the Company’s EOP methodology utilized in Docket UG-190210 and is presented here for comparison purposes. This section also presents the difference between Adjusted Per Books Margin Revenues and Adjusted 2019 EOP Margin Revenue, which is the EOP Revenue Adjustment. The result of this adjustment is a decrease in net operating income of \$1,297,874. Exhibit No. ___(MCP-5) EOP billing determinants are also addressed in Exhibit No. ___(IDM-1T)</p>	<p>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. Revised: Decrease in net operating income of \$1,620,083. The rate base impact is an increase of \$21,636,113. Exhibit No. ___(MCP-10) Exhibit No. ___(MCP-7T) Exhibit No. ___(IDM-6T)</p>					
<p>R-5 Restate Wages</p>	<p>This adjustment annualizes wage increases for union employees for 2019. This adjustment reduces net operating income by \$68,514. Exhibit No. ___(MCP-5)</p>						

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<p>R-6 <i>Executive Incentives</i></p>	<p>This adjustment removes all incentive compensation paid to the Company’s executive group. The result is an increase in net operating income of \$972,281. Exhibit No. ____ (MCP-5)</p>							
<p>P-1 <i>Interest Coordination Adjustment</i></p>	<p>Adjusts federal income taxes for the effect of the average debt rate used to calculate the rate of return applied to the proposed rate base shown in Exhibit No MCP-2, column (3), line 24. The result is a decrease in net income of \$91,861. Exhibit No. ____ (MCP-5)</p>							
<p>P-2 <i>Pro Forma Wage Adjustment</i></p>	<p>Four components: The first component is the annualization of the 2019 increase effective April 1, 2019 for union employees. The second component layers on the 2020 actual wage increases for non-union and union employees. The third component adds in the 2021 estimated increases for the union and non-union employees. The non-union increase is estimated to be 4 percent, the same level granted in 2019 and 2020. However, the actual increase for 2021 won’t be known until sometime in December 2020. The Company will update the calculation to reflect the actual non-union increase awarded at a later date. The 2021 union increase is estimated to be 3 percent, the same as 2019. The fourth component is a reflection of the 2020 and 2021 wage increase associated with employees that are allocated to Cascade rather than directly assigned. In general, all non-union employees receive the same level of increases as approved by the Board of Directors. The result is a decrease in net income of \$1,596,205. Exhibit No. ____ (MCP-5)</p>							

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<p>P-3 Pro Forma Plant Additions</p>	<p>Reflects the Company’s budgeted level of capital additions expected to go into service by December 31, 2020. The proposed projects are both non-revenue and revenue producing and will not be included in the 2020 annual Cost Recovery Mechanism (CRM). Exhibit No. ___ (MCP-6) identifies each project, the proposed in-service date, most current proposed budget amount, and most importantly an explanation on the investment. Company witness Mr. Patrick Darras, Exhibit No. ___ (PCD-1T), testifies regarding the project details and costs. Although one of the projects is complete and uses the actual cost, the cost and timing of most of these projects are budgeted and estimated. Therefore, Cascade will update the actual costs and standing of each project as the case proceeds. As Company witness Mr. Michael Parvinen, Exhibit No ___ (MPP-1T), explains, the Company’s intent is to add into rate base only those projects that will be used and useful by the time rates from the current proceeding go into effect. The net income effect of the rate base additions, for depreciation expense, property taxes, and an offsetting revenue increase is a decrease of \$2,782,708. The rate base impact is an increase of \$64,780,798. Exhibit No. ___ (MCP-5)</p>	<p>This adjustment is the net income effect of the updated new customer revenue is an offsetting revenue increase results in a decrease in operating income of \$2,790,997. Exhibit No. ___ (MCP-10)</p>						
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<p>P-4 MAOP Deferral Amortization</p>	<p>A nine year amortization of the anticipated deferred balance associated with the approval in Docket No. UG-160787 of Cascade’s request for deferred accounting treatment of incremental costs to implement the Maximum Allowable Operating Pressure (“MAOP”) Determination and Validation Plan submitted to the Commission on April 29, 2016, under Docket No. PG-150120. Cascade’s general rate case, Docket UG-170929, all parties agreed that Cascade should recover pre-code pipe replacement expenses from customers over a 10-year amortization period, beginning on August 1, 2018. The deferred balance is anticipated to be \$13,212,465. The net operating income effect is a reduction of \$731,342. Exhibit No. ___ (MCP-5)</p>							
<p>Rate Spread/Rate Design</p>	<p>The Company’s proposed rate spread and design methodologies remain the same as those approved by the Commission in Order No. 05 of Docket UG-190210. In that case, the parties agreed to “apply the revenue changes approved by the Commission on an equal percentage of margin, except for Special Contracts.” The Company’s basic service charges for each rate schedule will remain unchanged, a requirement stipulated in the final order of a previous Cascade rate case, Docket UG-170929. Exhibit No. ___ (IDM-1T)</p>							

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<p><i>Decoupling Baseline Calculations</i></p>	<p>Consistent with the methodology approved in Order No. 04 in Docket UG-152286, the authorized margin revenue per customer per month revised to reflect the proposed changes in revenue requirement. This methodology was also reaffirmed in the final order of the Company's prior general rate case, Docket UG-170929. Exhibit No. ___ (IDM-1T) Exhibit No. ___ (IDM-5)</p>	<p>Updated monthly baseline decoupling calculations for all decoupled rate schedules. Exhibit No. ___ (IDM-10) The monthly baseline calculations were adjusted to reflect the impacts of seven large volume accounts transferring from rate Schedule 511 to rate Schedule 663. Exhibit No. ___ (IDM-6T)</p>						
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