

**Exh. JH-1T
Docket UG-200568
Witness: Joanna Huang**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**CASCADE NATURAL GAS
CORPORATION,**

Respondent.

DOCKET UG-200568

TESTIMONY OF

Joanna Huang

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Pro Forma Wage Adjustment

November 19, 2020

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1 **I. INTRODUCTION**

2

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

4 A. My name is Joanna Huang, and my business address is 621 Woodland Square Loop
5 SE, Lacey, Washington 98503. My business mailing address is P.O. Box 47250,
6 Olympia, Washington 98504-7250. My business email address is
7 Joanna.Huang@utc.wa.gov.

8

9 **Q. By whom are you employed and in what capacity?**

10 A. I am employed by the Washington Utilities and Transportation Commission
11 (Commission) as a Regulatory Analyst in the Energy Regulation Section of the
12 Regulatory Services Division.

13

14 **Q. How long have you been employed by the Commission?**

15 A. I have been employed by the Commission since June 1996.

16

17 **Q. Please state your qualifications to provide testimony in this proceeding.**

18 A. I received a Master of Accounting degree from Washington State University in 1991
19 and a Bachelor of Business Administration degree with a major in Accounting from
20 National Chung-Hsing University, Taiwan, in 1987. Prior to my employment at the
21 Commission, I was employed by the Washington State Department of Revenue as an
22 Excise Tax Examiner. I performed desk audits on Business and Occupation tax
23 returns.

1 I began my employment with the Commission in June 1996. My work
2 generally includes financial, accounting, and other analyses for general rate case
3 proceedings and other tariff filings by the electric and natural gas utilities regulated
4 by the Commission. I attended the National Association of Regulated Utility
5 Commissioners Annual Utility School in 1996 and 2001. In addition, I have
6 attended numerous training seminars and conferences regarding utility regulations
7 and operations.

8
9 **Q. Have you testified previously before the Commission?**

10 A. Yes. I testified in Avista Corporation d/b/a Avista Utilities (Avista) general rate
11 cases in Dockets UE-190334 and UG-190335, Dockets UE-170485 and UG-170486,
12 Dockets UE-160228 and UG-160229, Dockets UE-140188 and UG-140189, Dockets
13 UE-120436 and UG-120437, Dockets UE-090134 and UG-090135, and Dockets UE-
14 991606 and UG-991607; Puget Sound Energy (PSE) general rate cases in Dockets
15 UE-090704 and UG-090705, and in Dockets UE-072300 and UG-072301; a PSE
16 Power Cost Only Rate Case in Docket UE-130617; Pacific Power general rate cases
17 in Dockets UE-152253, UE-130043 and UE-032065; and a Northwest Natural Gas
18 Company (NW Natural) purchased gas adjustment tariff filing in Docket UG-
19 111233.

20 I have also participated in Staff's investigation in the following general rate
21 cases and other matters: Docket UE-011595, Dockets UE-050482 and UG-050483,
22 Dockets UE-070804 and UG-070805, Dockets UE-100467 and UG-100468, and
23 Dockets UE-110876 and UG-110877 (Avista); Docket UG-152286 and Docket UG-

1 060256 (Cascade Natural Gas Corporation); Docket UG-080546 and Docket UG-
2 031885 (NW Natural); and Dockets UE-070725 and UG-130137, UE-170033/UG-
3 170034 (PSE).

4

5 **II. SCOPE AND SUMMARY OF TESTIMONY**

6

7 **Q. What is the scope and purpose of your testimony?**

8 A. The purpose of my testimony is to provide Staff’s recommendation on pro forma
9 wages. I address the Pro Forma Wage Adjustment, Adjustment P-2, sponsored by
10 Cascade Natural Gas Corporation (Cascade or Company) witness Maryalice C.
11 Peters.

12

13 **Q. Please summarize your recommendations.**

14 A. I recommend that the Commission include in its revenue requirement calculation a
15 three percent wage increase for 2020 for non-union employees, rather than the four
16 percent requested by Cascade. I do not contest the three percent 2020 wage increase
17 for Cascade’s union employees.

18 I also recommend the Commission reject the additional three percent wage
19 increase for union employees and the four percent wage increase for non-union
20 employees that Cascade proposes for 2021.

21

22

23

1 **Q. Upon what basis do you make these recommendations?**

2 A. The basis for the recommendation to increase by three percent is that this reflects
3 actual wage increases already paid and is therefore appropriate. However, the
4 additional one percent for non-union employees (total four percent increase)
5 represents discretionary based expenses (such as compression, equity issues,
6 affirmative action items, and promotions) and therefore should not be included in
7 wage calculations. This analysis is more fully discussed below in Section III. B.

8 Cascade's proposed 2021 wage increases for both union and non-union
9 employees do not conform to the Commission's rule on pro forma adjustments,
10 WAC 480-07-510(3)(c)(ii), which requires changes to test year costs to be known
11 and measurable. The 2021 wage increases Cascade includes in its revenue
12 requirement calculation are neither known nor measurable; the increases have not
13 occurred, and Cascade has not provided evidence indicating wage increases are
14 outside of the Company's ability to control.

15
16 **Q. What is the effect of Staff's Adjustment?**

17 A. Staff's Adjustment P-2 decreases net operating income by \$649,310 and increases
18 the revenue requirement by \$860,226. As compared to Cascade's updated request
19 filed on July 24, 2020, Staff's Pro Forma Wage Adjustment P-2 decreases the
20 Company's requested revenue requirement by \$1,254,476.¹

21

22

¹ Huang, Exh. JH-2 at 1.

1 **Q. Have you prepared any exhibits in support of your testimony?**

2 A. Yes. I prepared Exhibits JH-2 through JH-5. Exh. JH-2 shows Staff's recalculation
3 of Adjustment P-2, Pro Forma Wage Adjustment. Exh. JH-3 is the Company's
4 response to UTC Staff Data Request No. 10 related to union employees' wage
5 increase for 2021. Exh. JH-4 is the Company's response to UTC Staff Data Request
6 No. 13 related to non-union employees' **budgeted** wage increase for 2020. Exh. JH-
7 5 is the Company's response to UTC Staff Data Request No. 14 related to non-union
8 employees' wage increase for 2021.

9

10 **III. DISCUSSION**

11

12 **A. Uncontested Adjustments**

13

14 **Q. Did you review any adjustments that you are not contesting?**

15 A. Yes. I reviewed and do not contest Restating Adjustments Restate Wages R-5 and
16 Executive Incentives R-6. I also reviewed and do not contest state allocation factors
17 that apply to all adjustments.

18

19 **B. Pro Forma Wage Adjustment, P-2**

20

21 **Q. Did you review any adjustments that you are contesting?**

22 A. Yes. I reviewed and contest the Company's Pro Forma Wage Adjustment, P-2.

23

24

1 **Q. Please summarize your proposed adjustment for 2020 and 2021 Pro Forma**
2 **Wage Adjustment for both union and non-union employees.**

3 A. The following table is a comparison of Cascade and Staff positions for 2020 and
4 2021 Pro Forma Wage Adjustment for both union and non-union employees.

5

Parties	Categories	2020	2021
Cascade	Union	3 %	3 %
	Non-Union	4%	4 %
Staff	Union:	3 %	0 %
	Non-Union	3 %	0 %

6

7 **Q. Please describe the nature of Company Pro Forma Wage Adjustment, P-2.**

8 A. Cascade's Pro Forma Wage Adjustment, P-2, includes two parts.

9 1. Pro forma wage increases for 2020 – The Company applied a three percent
10 wage increase for union employees and a four percent increase for non-union
11 employees.

12 2. Pro forma wage increases for 2021 – The Company applied an additional
13 three percent wage increase for union employees and an additional four
14 percent wage increase for non-union employees.

15

16 **Q. Do you agree with the Company's pro forma wage increase for 2020?**

17 A. No. Although I accept Cascade's three percent escalation for the union wage
18 increase, I contest the Company's four percent escalation for non-union wages.

1 **Q. Why do you disagree with the Company’s four percent escalation of non-union**
2 **wages for 2020?**

3 A. Staff’s primary concern is with the additional one percentage point increase Cascade
4 requests for its non-union employees for 2020; while the Company applied a three
5 percent adjustment to union wages, it applied a four percent adjustment to non-union
6 wages.

7 Although wage increases for 2020 could certainly meet the Commission’s
8 known and measurable standard, Cascade does not show that the full four percent
9 increase for non-union employees reflects the actual increase in wages for 2020.

10 Rather, in response to discovery, Cascade acknowledged that the four percent
11 increase comes from the Company’s budget.² Cascade indicated that the extra one
12 percent is to address compression, equity issues, affirmative action items, and
13 promotions.³

14 Cascade applied this extra one percent to **all** non-union employees, while
15 compression, equity issues, affirmative action items, and promotions issues in reality
16 only applied to a fraction of employees. More importantly, the extra one percent
17 increase is not a cost that Cascade’s ratepayers should be asked to pay. These costs
18 are fully within the Company’s ability to control, which is exactly what it should do
19 considering the economic circumstances many of Cascade’s customers face due to
20 the COVID-19 pandemic.

21
22

² Huang, Exh. JH-4.

³ *Id.*

1 **Q. Do you agree with the Company's wage adjustment for 2021?**

2 A. No, I do not.

3

4 **Q. Why do you disagree with the Company's wage adjustment for 2021?**

5 A. Cascade's 2021 wage adjustment for both union and non-union employees does not
6 meet the Commission's known and measurable standard.⁴ These wage increases have
7 not yet occurred, and moreover, Cascade has not demonstrated that they must occur.
8 In response to discovery, Cascade acknowledges that the wage increase is based on a
9 tentative 2021 budget,⁵ and that wages for union employees have not yet been
10 negotiated for 2021.⁶

11 Staff is also concerned by Cascade's disregard for the economic
12 circumstances its customers face due to the COVID-19 pandemic. While Cascade's
13 customers struggle, the Company wants them to pay for wage increase after wage
14 increase for Cascade's employees. Cascade requests that the Commission require
15 Cascade's customers to pay for not only the three percent wage increase in 2019 and
16 a three to four percent wage increase in 2020,⁷ but also for *another* three and four
17 percent wage increase for union and non-union respectively in 2021. Cascade's
18 decision to aggressively increase employees' wages does not seem reasonable to
19 Staff.

20

⁴ See Panco, Exh. DJP-1T at 5-6 for a discussion of the known and measurable standard.

⁵ Huang, Exh. JH-5.

⁶ Huang, Exh. JH-3.

⁷ For 2020, Cascade requests recovery of a three percent wage increase for union employees and a four percent wage increase for non-union employees. Peters, Exh. MCP-1T at 6:19-20.

1 **Q. Please explain Staff's Pro Forma Wage Adjustment P-2.**

2 A. Staff's Adjustment P-2 reduces the 2020 wage increase for non-union employees
3 from four percent to three percent, and completely removes the 2021 wage increase
4 for both union and non-union employees.

5

6 **Q. Have you prepared a revised adjustment related to Pro Forma Wage
7 Adjustment, P-2?**

8 A. Yes. Exh. JH-2 shows Staff's calculation.

9

10 **Q. Does this conclude your testimony?**

11 A. Yes.

12