

Exh. JT-1T
Docket UG-190210
Witnesses: Michael P. Parvinen
Betty A. Erdahl
Sarah E. Laycock
Bradley G. Mullins
Shawn M. Collins

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**CASCADE NATURAL GAS
CORPORATION,**

Respondent.

DOCKET UG-190210

JOINT TESTIMONY OF

Michael P. Parvinen
Betty A. Erdahl
Sarah E. Laycock
Bradley G. Mullins
Shawn M. Collins

Joint Testimony in Support of Settlement

September 20, 2019

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1 **I. INTRODUCTION**

2

3 **Q. Please state your names, titles, and the party you represent in this matter.**

4 A. Our names, titles, and representation are as follows:

- 5 • Michael P. Parvinen, Director of Regulatory Affairs, Cascade Natural Gas
- 6 Corporation (“Cascade” or “Company”)
- 7 • Betty A. Erdahl, Regulatory Analyst, regulatory staff of the Washington
- 8 Utilities and Transportation Commission (“Staff”)
- 9 • Sarah Laycock, Regulatory Analyst, Public Counsel Unit of the
- 10 Washington State Attorney General’s Office (“Public Counsel”)
- 11 • Bradley G. Mullins, Consultant, Alliance of Western Energy Consumers
- 12 (“AWEC”)
- 13 • Shawn M. Collins, Director, The Energy Project

14

15 **Q. Mr. Parvinen, please provide information pertaining to your educational**
16 **background and professional experience.**

17 A. My name is Michael P. Parvinen. I am employed by Cascade as the Director of
18 Regulatory Affairs, and I am responsible for the management of all economic
19 regulatory functions at the Company. Please see Exh. MPP-1T at pages 1-2, filed
20 on April 2, 2019, for testimony describing my education and relevant experience.

21

1 **Q. Ms. Erdahl, please provide information pertaining to your educational**
2 **background and professional experience.**

3 A. My name is Betty Erdahl and I am a Regulatory Analyst employed by the
4 Washington Utilities and Transportation Commission (“Commission”). Please see
5 Exh. JT-2 for a description of my educational background and relevant
6 experience.

7
8 **Q. Ms. Laycock, please provide information pertaining to your educational**
9 **background and professional experience.**

10 A. My name is Sarah Laycock, and I am employed as a Regulatory Analyst with
11 Public Counsel. Please see Exh. JT-3 for a description of my educational
12 background and relevant experience.

13
14 **Q. Mr. Mullins, please provide information pertaining to your educational**
15 **background and professional experience.**

16 A. My name is Bradley G. Mullins, and I am an independent energy and utilities
17 consultant representing large energy consumers before state regulatory
18 commissions. I am appearing in this matter on behalf of AWEC. Please see Exh.
19 JT-4 for a description of my educational background and relevant experience.

20

1 **Q. Mr. Collins, please provide information pertaining to your educational**
2 **background and professional experience.**

3 A. My name is Shawn Collins, and I am the Director of The Energy Project. Please
4 see Exh. JT-5 for a description of my educational background and relevant
5 experience.

6

7 **Q. Are you sponsoring joint testimony in support of the Settlement Agreement**
8 **(“Settlement”) between the Parties to this docket?**

9 A. Yes. This Prefiled Joint Testimony (“Joint Testimony”) recommends that the
10 Commission approve the Settlement between Cascade, Staff, Public Counsel,
11 AWEC, and The Energy Project (collectively referred to as the “Parties,” and
12 individually referred to as a “Party”) to resolve the issues raised in Docket UG-
13 190210. The Settlement represents a compromise among the Parties’ differing
14 points of view, and all Parties made concessions to reach a reasonable balancing
15 of interests. As will be explained in the following Joint Testimony, the Settlement
16 received significant scrutiny and is supported by sound analysis and sufficient
17 evidence. Its approval is in the public interest. The Settlement is attached and has
18 been marked as Exhibit JT-6.

19

20 **Q. Please summarize the Joint Testimony.**

21 A. This Joint Testimony discusses the filing by Cascade that initiated this docket and
22 the terms of the Settlement, which resolves all issues raised by that filing.

23 Additionally, this Joint Testimony recommends that the Commission approve the
24 Settlement in its entirety and without modification or additional conditions.

1 **II. BACKGROUND**

2

3 **Q. Please describe the Company's initial filing in this proceeding.**

4 A. On March 29, 2019, Cascade filed with the Commission revisions to its currently
5 effective Tariff WN U-3, which governs its provision of natural gas services in
6 Washington State. Cascade sought through its filing, which it based on a calendar
7 2018 test year, to increase rates by approximately \$12,700,000.

8

9 **Q. What rate of return did Cascade use to calculate its requested revenue**
10 **increase?**

11 A. Cascade requested a rate of return of 7.73 percent. It arrived at that request based
12 on its proposed return on equity of 10.3 percent, a cost of debt of 5.155 percent,
13 and a capital structure evenly divided between long-term debt and equity.

14

15 **Q. Did Cascade specify how it would seek to distribute the increased charges**
16 **amongst its customers?**

17 A. Yes. Cascade did not alter any of the basic charges for its rate schedules and it
18 assigned to each schedule, except for Special Contracts, an equal percent of
19 margin increase. By doing so, Cascade faithfully carried out the terms of the
20 Commission's final order in Cascade's most recent general rate case, Docket UG-
21 170929.

1 **Q. Did the Commission allow Cascade’s tariff revisions to become effective as a**
2 **matter of law?**

3 A. No. The Commission suspended the tariff revisions pending the outcome of an
4 investigation into their fairness, justness, reasonableness, and sufficiency by order
5 issued April 3, 2019.

6

7 **Q. Did the Parties conduct discovery on the Company’s filing?**

8 A. Yes. The order suspending the tariff revisions authorized Parties to the docket to
9 conduct discovery under the Commission’s rules. The statutory and intervening
10 Parties, Staff, Public Counsel, AWEC, and The Energy Project, have since
11 conducted extensive discovery on the Company’s direct testimony. The Company
12 responded to 223 data requests. All Parties had access to, and were able to review
13 and analyze, that discovery.

14

15 **Q. Did the Parties engage in settlement discussions?**

16 A. Yes. The procedural schedule set by the Commission for this matter required the
17 Parties to meet on two occasions to discuss potential settlement. Pursuant to that
18 order, the Parties met on July 17, 2019, for an initial settlement conference. The
19 Parties continued the discussion begun at that conference over the next several
20 weeks as each refined its litigation position through discovery. These discussions
21 ultimately resulted in the Settlement.

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III. ELEMENTS OF THE SETTLEMENT

Q. Please describe the scope of the Settlement and its key aspects.

A. The Settlement is a full settlement of the issues presented in this proceeding and all Parties join the Settlement. The Settlement specifies Cascade’s capital structure, return on equity (ROE), and cost of debt. It also provides for a black box revenue requirement increase and spreads that revenue requirement increase in accordance with the Commission’s final order in Docket UG-170929.

A. Revenue Requirement

Q. Please describe the revenue requirement increase agreed upon by the Parties.

A. The Settlement provides for a \$6,500,000 increase to Cascade’s revenue requirement.

Q. How did the Parties reach the agreed-upon revenue requirement?

A. Each of the Parties concluded that the agreed revenue requirement increase was a reasonable compromise of their positions considering litigation risk. Each party, however, arrived at the agreed increase in a different way, and the Parties did not agree upon a specific methodology or specific adjustments to reach the revenue requirement reflected in the Settlement.

1 **Q. Given that the Parties did not agree to specific adjustments, how does the**
2 **Settlement's black box revenue requirement increase affect future**
3 **Commission proceedings?**

4 A. The Settlement explicitly provides that no particular adjustment is included in the
5 revenue requirement agreed to by the Settling Parties. It also explicitly preserves
6 the ability of the non-Company Parties to challenge the inclusion of plant
7 investment in rates in a future proceeding.

8

9 **Q. What is the effective date of the revenue requirement increase provided for**
10 **by the Settlement?**

11 A. The Settlement will be implemented consistent with the rate effective date for this
12 proceeding, March 1, 2020.

13

14 **B. Cost of Capital**

15

16 **Q. Please describe the Parties' agreements regarding cost of capital.**

17 A. The Settlement provides for a capital structure comprised of 49.1 percent equity
18 and 50.9 percent long-term debt, with a return on equity of 9.4 percent and a cost
19 of debt of 5.155 percent.

20

1 **Q. How did the Parties determine the agreed-to capital structure?**

2 A. The capital structure agreed to in the Settlement reflects Cascade's actual capital
3 structure as of December 31, 2018.¹

4

5 **Q. How did Parties determine the agreed-to return on equity?**

6 A. The Settlement leaves unchanged the return on equity authorized by the
7 Commission in Cascade's last general rate case, which is consistent with the
8 authorized returns on equity for other regulated natural gas utilities in
9 Washington.²

10

11 **Q. How did the Parties determine the agreed to cost of debt?**

12 A. The cost of debt agreed to in the Settlement is Cascade's actual weighted cost of
13 debt.³

14

15 **Q. What is the agreed-to overall ROR?**

16 A. The Settlement provides for an overall rate of return of 7.24 percent.

17

18 **Q. How did the Parties determine the overall rate of return?**

19 A. The Parties reached that result through applied mathematics. The overall rate of
20 return is the sum of the weighted return on equity and weighted cost of debt.

21

¹ Nygard, Exh. TJN-1T at 4.

² *Wash. Utils. & Transp. Comm'n v. Cascade Nat. Gas. Corp.*, Docket UG-170929, Order 06 ¶¶ 58-60 (July 20, 2018).

³ Nygard, Exh. TJN-1T at 2-3.

1 **Q. Do the Parties believe that the agreed-to rate of return appropriately**
2 **balances the interests of Cascade’s shareholders and its customers?**

3 A. Yes. The Parties believe that this is fair to customers and sufficient for Cascade to
4 attract capital at a reasonable cost.

5
6 **C. Cost of Service, Rate Spread, Rate Design**

7
8 **Q. Please explain the rate spread that was agreed to for settlement purposes.**

9 A. The Settlement provides that its revenue requirement increase will be spread on
10 an equal percent of margin basis to each schedule with the exception of Special
11 Contracts. It also provides for no changes to the basic charges currently in effect.

12
13 **Q. How did the Parties come to agree on that rate spread and rate design?**

14 A. The Settlement adopted the rate spread and rate design proposed by Cascade in its
15 initial filing in this docket. Those proposals, in turn, implemented the rate spread
16 and rate design terms found in the Commission’s final order in Docket UG-
17 170929, Cascade’s last general rate case. In that case, the Commission required
18 Cascade to freeze basic charges and spread any revenue requirement increase on
19 an equal percent of margin basis for all schedules except Special Contracts until
20 Cascade performed a load study or load analysis to measure the actual usage of its
21 customers.⁴

22

⁴ *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas. Corp.*, Docket UG-170929, Order 06 ¶¶ 65-67 (July 20, 2018).

1 **D. Conservation**

2

3 **Q. Please describe the Parties' agreement regarding conservation.**

4 A. Cascade proposed that the Commission relieve it of its obligation to meet certain
5 conservation targets, an obligation resulting from the settlement of its 2015
6 general rate case filing, Docket UG-152286. The Settlement provides that the
7 terms from the 2015 general rate case regarding conservation targets shall remain
8 in effect.

9

10 **Q. Why is the Parties' agreement regarding conservation reasonable?**

11 A. In 2019 the legislature enacted new legislation, House Bill (HB 1257), that
12 largely moots Cascade's request.⁵

13

14 **IV. THE SETTLEMENT SATISFIES THE PARTIES' INTERESTS**

15 **AND IS CONSISTENT WITH THE PUBLIC INTEREST**

16

17 **Q. Is the Settlement consistent with the public interest?**

18 A. The Settlement represents a careful balance of the interests of Cascade's
19 ratepayers and its shareholders. Specifically, the Settlement provides for a
20 revenue requirement that sets fair rates for Cascade's customers but also is
21 sufficient to offer Cascade the chance to recover its prudently incurred costs and
22 earn a reasonable return on its investment.

⁵ See Laws of 2019, ch. 285, § 11.

1 **A. Statement of Cascade**

2

3 **Q. Mr. Parvinen, what are the primary factors driving the Company's need for**
4 **a natural gas rate increase?**

5 A. As identified in the testimony of Nicole Kivisto, the main drivers for the rate case
6 are significant capital investment, increased pressure from operating and
7 maintenance expense, and impacts associated with regulatory lag.⁶

8

9 **Q. Please explain whether the Settlement satisfies the interests and concerns of**
10 **Cascade.**

11 A. The Settlement is a fair resolution of most of Cascade's interest and concerns, and
12 provides a reasonable result for all Parties. While Parties did not agree to specific
13 adjustments, from Cascade's perspective, the derivation of the overall revenue
14 requirement amount was generally consistent with the Commission's prior
15 ratemaking treatment for major issues such as plant and wages.

16

17 **Q. Did the Settlement address regulatory lag for Cascade's plant investment?**

18 A. No. The Company's year-over-year capital investment has been the single
19 biggest driver for filing rate cases, and due to timing issues, there is a significant
20 amount of capital investment that is not reflected in the overall revenue
21 requirement amount, but that will be completed before rates will become effective.

22 Unfortunately, because of the harsh impact of regulatory lag, the Company

⁶ Kivisto, Exh. NAK-1T at 4-5.

1 expects that it will need to file another rate case shortly after the resolution of this
2 case. The Company understands that in Docket U-190531, the Commission is
3 currently conducting a review of its approach to the ratemaking treatment for
4 plant that is constructed and goes into service during the pendency of a rate case
5 (or even after rates become effective), and looks forward to further participation
6 in that proceeding.

7
8 **Q. Please explain why Cascade believes the Settlement is in the public interest.**

9 A. Yes. The settlement is a compromise of positions that results in a fair outcome to
10 all Parties and reduces the costs associated with litigation and is therefore, in the
11 public interest.

12
13 **Q. Does the Settlement result in a fair and reasonable outcome?**

14 A. Yes. The Settlement was the result of give and take in settlement negotiations,
15 and is a compromise of the positions and concerns raised by all Parties. Cascade
16 weighed its potential litigation risk with its desired outcome and concluded that
17 the Settlement results in a balanced outcome that is fair and reasonable.

18
19 **Q. Does this complete your testimony on behalf of Cascade?**

20 A. Yes.

21

1 **B. Statement of Commission Staff**

2

3 **Q. Ms. Erdahl, please explain why the Settlement satisfies the interests and**
4 **concerns of Staff.**

5 A. Staff's interest in this proceeding was to ensure additional revenues provided to
6 the Company were justified. The revenue requirement increase agreed to in the
7 Settlement satisfies that interest.

8 The agreed-upon increase of \$6.5 million in revenues represents a
9 reduction of 49 percent relative to the Company's original request of \$12.7
10 million, and is in line with the revenue increase Staff determined to be justified
11 through its own independent analysis.

12 Although the Parties agreed that a \$6.5 million increase was reasonable,
13 the Parties did not agree on the specifics of how that amount was calculated.
14 However, from Staff's perspective, the \$6.5 million increase represented
15 significant reductions to expenses and pro forma plant adjustments relative to the
16 Company's original request. Additionally, the settled-upon revenue requirement
17 includes agreement related to the Company's cost of capital - most notably the
18 Company's return on equity (ROE) will remain at 9.4 percent, even though the
19 Company had proposed a 10.3 percent ROE. This Agreement results in an ROR
20 of 7.24 percent which is a decrease from the authorized ROR in Cascade's 2017
21 rate case of 7.31 percent.

22 In addition to providing a justified but fair revenue increase, the
23 Settlement includes agreement that rates will continue to be spread to each
24 schedule on an equal percent of margin basis with no changes to the basic charge,

1 maintaining the current rate structure until the Company completes a load study
2 and allowing Parties to continue to make progress on cost of service issues in the
3 ongoing cost of service rulemaking, Dockets UE-170002 and UG-170003.

4 Additionally, while the Company proposed to eliminate certain pre-
5 existing requirements related to conservation acquisition, the Settlement requires
6 the Company to maintain its obligation to meet certain conservation targets that
7 were agreed upon in Cascade's 2015 general rate case. The continuation of the
8 conservation targets for all cost-effective conservation ensures customers continue
9 to benefit from least-cost resource planning.

10 Based on Staff's extensive review of the Company's filing, Staff believes
11 this Agreement, taken as a whole and with consideration of the issues Staff
12 intended to present if the case were to be fully litigated, meets the Commission's
13 settlement approval standard and, ultimately, results in rates that are fair, just,
14 reasonable, and sufficient.

15
16 **Q. Please explain why Staff believes the Settlement is in the public interest.**

17 A. This Settlement reflects a compromise between all the interested Parties and
18 represents an increase that maintains the financial integrity of the utility –
19 providing the Company with an opportunity to earn its authorized rate of return –
20 while protecting rate payers from an increase that is not more than necessary and
21 justified. The agreed-upon, fair ROE protects ratepayers by not providing higher
22 returns to Cascade, as the Company originally requested. Further, the agreed upon
23 revenue requirement provides an implied constraint on plant growth, providing

1 the Company with the incentive to institute further discipline in its capital
2 investment decisions, in turn benefitting ratepayers over the long run.

3 Lastly, the agreement to maintain conservation targets, from Cascade's
4 2015 general rate case filing, benefits customers by requiring Cascade to acquire
5 the lowest-cost resource to serve customer need. To relieve the Company from its
6 obligation to meet these conservation targets would be a step backward. In fact,
7 2019 legislation requires all natural gas local distribution companies to set targets
8 to achieve all conservation measures that are available and cost-effective by
9 2022.⁷ This Settlement represents agreement that the company will continue to
10 pursue resources consistent with prior agreements, and will do so in advance of
11 the 2022 deadline established in new legislation.

12

13 **Q. Does this complete your testimony on behalf of Staff?**

14 A. Yes.

15

16 **C. Statement of Public Counsel**

17

18 **Q. Ms. Laycock, what is the purpose of your testimony in this proceeding?**

19 A. I am testifying in support of the Joint Settlement Agreement (Settlement), filed in
20 this docket on September 20, 2019. My testimony will describe why Public
21 Counsel believes the Settlement is in the public interest.

22

⁷ Laws of 2019, ch. 285, §11.

1 **Q. Please generally describe why Public Counsel believes the Settlement**
2 **Stipulation is in the public interest.**

3 A. This Settlement is the result of negotiations between all Parties in this proceeding,
4 and as such, represents a reasonable compromise among the Parties' positions.
5 Public Counsel believes that the resulting revenue requirement and other terms of
6 the Settlement are fair, just, reasonable, and in the public interest.

7
8 **Q. Please summarize the terms in the settlement that Public Counsel believes**
9 **are fundamental to the settlement.**

10 A. Public Counsel supports all terms of the agreement, which include:

- 11 • Cost of Capital: includes a capital structure of 49.1 percent equity and 50.9
12 percent long-term debt, Return on Equity (ROE) of 9.4 percent, cost of
13 long-term debt at 5.155 percent, and an overall Rate of Return (ROR) at
14 7.24 percent.⁸
- 15 • Revenue Requirement: increased by 6,500,000.⁹
- 16 • Basic Charges: The basic charges will stay the same for each schedule as
17 required by the Commission's final order in Docket UG-170929.
- 18 • Rate Spread: Any revenue changes approved by the Commission in its
19 final order will be applied on an equal percentage of margin basis to each
20 schedule, except Special Contracts, as required by the Commission's final
21 order in Docket UG-170929.

⁸ Joint Settlement Agreement at 3.

⁹ Joint Settlement Agreement at 2.

1 • Conservation provisions: The Parties agree that the terms from the
2 settlement in Docket UG-152286 regarding conservation will remain in
3 effect.

4

5 **Q. Does Public Counsel recommend approval of the Settlement?**

6 A. Yes. Public Counsel recommends that the Commission approve the Settlement as
7 it resolves all contested issues in this docket, and is supported by all Parties to this
8 docket. The Settlement represents a compromise between all Parties and is in the
9 public interest.

10

11 **Q. Please explain why Public Counsel supports the agreed upon revenue**
12 **requirement.**

13 A. In the Company’s original application, Cascade requested an increase of
14 \$12,708,529 million to the current revenue requirement.¹⁰ Public Counsel
15 supports the agreed upon revenue requirement because it reduces the requested
16 revenue requirement by \$6,208,529. For settlement purposes, Public Counsel
17 believes the resulting increase to the revenue requirement is acceptable.

18

19 **Q. Please explain why Public Counsel agrees with the Cost of Capital in the**
20 **Settlement.**

21 A. Public Counsel supports the agreed upon capital structure of 49.1 percent equity,
22 50.0 percent long term debt, 5.155 percent cost of long-term debt, ROE of 9.40

¹⁰ Kivisto, Exh. NAK-1T at 3.

1 percent, and an ROR of 7.161 percent. The Company initially proposed an ROE
2 of 10.3 percent, which Public Counsel would have contested as much too high.
3 Settlement discussions resulted in a lower ROE of 9.4 percent and associated
4 capital structure.¹¹ Public Counsel believes this result is a reasonable compromise
5 between the Parties.

6
7 **Q. Please explain why Public Counsel supports the rate design and rate spread**
8 **terms in the Settlement.**

9 A. Public Counsel supports the rate design and rate spread terms, as they are in line
10 with the Commission's final order from Docket UG-170929. The Commission
11 required Cascade to leave customer basic charges unchanged and spread any rate
12 change be spread on an equal percentage of margin basis until Cascade conducts a
13 load study. Because the load study is not completed, it is appropriate to carry
14 forward the terms of the Commission's final order in Docket UG-170929.

15
16 **Q. Please discuss why Public Counsel supports the energy conservation**
17 **provisions.**

18 A. Cascade Natural Gas had initially requested to be relieved of their conservation
19 commitment from docket UG-152286, which required Cascade to meet its
20 conservation targets.¹² Through settlement discussions, the Parties agreed that this
21 requirement would remain. Public Counsel supports this provision, as we believe

¹¹ Kivisto, Exh. NAK-1T at 3.

¹² Parvinen, Exh. MPP-1T at 12.

1 it holds the Company more accountable for their work on conservation.
2 Additionally, recently passed legislation House Bill 1257 requires Cascade to
3 establish conservation targets effective by 2022, so removing Cascade's
4 commitment from Docket UG-152286 would be inappropriate.

5
6 **Q. Why does Public Counsel believe the Settlement is in the public interest?**

7 A. The Settlement is the result of negotiations and compromise among the settling
8 Parties. Provisions agreed upon such as a lower ROE, a conservation requirement,
9 and a total revenue requirement that will have a lower impact on customers than
10 the Company's original request, while providing Cascade with fair, just,
11 reasonable, and sufficient rates. Public Counsel's concerns have been addressed
12 such that we are satisfied that the Settlement is in the public interest.

13
14 **Q. What is Public Counsel's overall recommendation?**

15 A. Public Counsel recommends that the Commission approve the Settlement without
16 condition.

17
18 **D. Statement of AWEC**

19
20 **Q. Mr. Mullins, please explain why the Settlement satisfies the interests and
21 concerns of AWEC.**

22 A. Based on its review of Cascade's filing and through the discovery process, AWEC
23 was most concerned with Cascade's requested return on equity, its significant
24 investment in plant, cross charges from its parent company MDU Resources;

1 several revenue requirements adjustments and rate spread and rate design.
2 Although the Settlement does not reflect all of the issues AWEC planned to address
3 in testimony because of the black box nature of the settlement, the overall increase
4 is in line with the adjustments AWEC would have proposed in testimony and
5 through the litigation process. Accordingly, the overall result is fair and provides
6 a significant benefit to customers.

7
8 **Q. Please explain why AWEC believes the Settlement is in the public interest.**

9 A. AWEC believes the Settlement is in the public interest and recommends the
10 Commission approve the Settlement because the best interests of Cascade's natural
11 gas customers are served by the underlying fair compromise on return on equity,
12 certain revenue requirement adjustments reflected in the black box settlement and
13 rate spread and design issues. While the signing Parties may each hold different
14 positions on how they arrived at Cascade's gas revenue requirement addressed in
15 the Settlement, AWEC supports the Settlement because it has decreased the original
16 gas revenue requirement increase of \$12.7 million by \$6.2 million—which results
17 in a revenue requirement increase of \$6.5 million. AWEC supports the Settlement
18 as an overall result that is a fair compromise between Cascade and its customers.

19 AWEC also finds the Settlement to be in the public interest as the spread of
20 the gas rate increase is done on an equal percent of margin basis, which is an
21 appropriate outcome based on the cost of service collaborative that will address cost
22 of service issues in Washington.

23 For the reasons set forth above, AWEC believes the Settlement is in the
24 public interest and should be approved by the Commission.

1 **Q. Does this complete your testimony on behalf of AWEC?**

2 A. Yes.

3

4 **E. Statement of The Energy Project**

5

6 **Q. Mr. Collins could you please summarize the purpose of your testimony?**

7 A. The purpose of my testimony is to provide support for approval of the Joint
8 Settlement Agreement (Settlement) in this docket, filed with the Commission on
9 September 20, 2019. My testimony focuses on the elements of the Settlement that
10 impact low-income populations within Cascade's service territory and explains
11 why The Energy Project (TEP) believes the Settlement is in the public interest.

12

13 **Q. Please discuss why The Energy Project supports the settlement.**

14 A. A major benefit of the settlement for low-income customers is the significant
15 reduction, by approximately one-half, in the original size of Cascade's rate
16 request, mitigating the bill impact for low-income households. An important
17 aspect of this revenue requirement settlement from TEP's perspective is the
18 agreement that the return on equity will not be increased, as requested by
19 Cascade, but will remain unchanged from the last general rate case.

20 The Energy Project also supports the rate spread and rate design elements
21 of the settlement. These provisions implement the Commission's final order in
22 the Commission's order in the Cascade 2017 General Rate Case. A key aspect of
23 the 2017 order was that Cascade's basic charge for residential customers was
24 frozen for future cases, following a modest increase in that case. The freeze will

1 remain in place until Cascade completes a load study. This benefits low-income
2 customers because increases in fixed customer charges (basic charges) have a
3 disproportionate impact on low-volume users and are harmful to energy efficiency
4 incentives. The freeze also helps provides rate stability for customers.

5 The settlement in this case does not specifically address Cascade's low-
6 income weatherization and bill-assistance programs. Several issues needing
7 attention were recently addressed in the Cascade 2017 GRC settlement and in
8 subsequent work by Cascade's low-income Advisory Group. Cascade's
9 Washington Energy Assistance Fund (WEAF) continues to operate pursuant to a
10 five-year funding program established in the 2015 General Rate Case. For the
11 low-income weatherization program, it is TEP's understanding that Cascade is
12 committed to providing adequate funds for all the eligible low-income
13 weatherization projects that agencies are able to deliver annually, so that it is not
14 necessary to address specific budget levels in this case.

15
16 **Q. Does The Energy Project support approval of the Settlement?**

17 A. Yes. For the reasons discussed, TEP believes that the Settlement is in the public
18 interest. The Energy Project recommends that the Settlement be approved by the
19 Commission.

20
21 **Q. Does this conclude The Energy Project's testimony?**

22 A. Yes.
23

1
2
3 **V. CONCLUSION**

4 **Q. What is the effect of the Settlement reached by the Parties?**

5 A. The Settlement represents a negotiated compromise among the Parties. Thus, the
6 Parties have agreed that no particular Party shall be deemed to have approved the
7 facts, principles, methods, or theories employed by any other in arriving at these
8 stipulated provisions. In addition, the Parties have the right to withdraw from the
9 Settlement if the Commission makes any additional material conditions or rejects
10 any material part of the Settlement.

11 **Q. What do the Parties recommend that the Commission do with respect to the
12 Settlement?**

13 A. The Parties recommend that the Commission adopt this Settlement in its entirety
14 and without condition because doing so is in the public interest because the
15 Settlement would produce rates that are fair, just, reasonable, and sufficient with
16 respect to the Company and its ratepayers.

17
18 **Q. Does this conclude the Parties' Joint Testimony in support of the Settlement?**

19 A. Yes.