

**EXHIBIT NO. JT-1T
DOCKET UG-152286**

**WITNESSES: Michael P. Parvinen
Betty A. Erdahl
Glenn Watkins
Edward A. Finklea
Shawn Collins**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**CASCADE NATURAL GAS
CORPORATION,**

Respondent.

DOCKET UG-152286

JOINT TESTIMONY OF

**Michael P. Parvinen
Betty A. Erdahl
Glenn Watkins
Edward A. Finklea
Shawn Collins**

Joint Testimony in Support of Settlement

May 27, 2016

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1 I. INTRODUCTION

2
3 Q. What is the purpose of this Prefiled Joint Testimony?

4 A. This Prefiled Joint Testimony (“Joint Testimony”) recommends that the
5 Washington Utilities and Transportation Commission (“Commission”) approve
6 the Full Settlement Agreement (“Agreement”) in this case between Cascade
7 Natural Gas Corporation (“Cascade” or the “Company”), Staff of the Washington
8 Utilities and Transportation Commission (“Staff”), the Public Counsel Unit of the
9 Washington State Attorney General’s Office (“Public Counsel”), the Northwest
10 Industrial Gas Users (“NWIGU”), and The Energy Project (“TEP”) (individually,
11 “Party”; collectively, “Parties”). Because all Parties to this docket support this
12 Agreement, it is a “full settlement” pursuant to WAC 480-07-730(1). The
13 Agreement is the embodiment and the culmination of a significant expenditure of
14 time and effort by the Parties, and all Parties believe that approval of the
15 Agreement is consistent with the public interest. The purpose of this Joint
16 Testimony is to present the common recommendations of the Parties and request
17 that the Commission approve the Agreement in its entirety.

18
19 Q. Please state your names, titles, and the party you represent in this matter.

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

- 21 • Michael P. Parvinen, Director of Regulatory Affairs, Cascade
- 22 • Betty A. Erdahl, Regulatory Analyst, WUTC Staff
- 23 • Glenn Watkins, Senior Economist with Technical Associates, Inc.,
24 witness for Public Counsel
- 25 • Edward A. Finklea, Executive Director, NWIGU
- 26 • Shawn Collins, Director, The Energy Project

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Q. Are you sponsoring Joint Testimony in support of the Agreement filed with this Commission on May 13, 2016?

A. Yes. This Joint Testimony recommends approval of the Agreement by the Commission. The Agreement represents a compromise among differing points of view. Concessions were made by all Parties to reach a reasonable balancing of interests. As will be explained in the following Joint Testimony, the Agreement received significant scrutiny and is supported by sound analysis and sufficient evidence. Its approval is in the public interest. The Agreement is attached and has been marked as Attachment A.

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

A. My name is Michael P. Parvinen. I am employed by Cascade as the Director of Regulatory Affairs, and I am responsible for the management of all economic regulatory functions at the Company. Please see Exhibit No. ____ (MPP-1T) filed on December 1, 2015, for testimony describing my education and relevant experience.

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

A. My name is Betty Erdahl and my business address is the Richard Hemstad Building, 1300 S. Evergreen Park Drive SW, Olympia, Washington 98504. I am a

1 Regulatory Analyst employed by the Commission, and I served as the lead analyst
2 on this case. I graduated from Washington State University in 1988 with a
3 Bachelor of Arts degree in Accounting. I have also completed relevant
4 coursework such as the "Basics of Regulation" offered by New Mexico State
5 University, Rate Making Process Technical Program, as well as Utility
6 Ratemaking: The Fundamentals and the Frontier. I worked in the financial sector
7 prior to joining the Commission in 1991. At the Commission, I have been
8 responsible for auditing the books and records of regulated companies, analyzing
9 cost of service studies, examining affiliated interest transactions, and developing
10 and presenting Staff recommendations concerning filings by regulated companies
11 at Commission open public meetings and adjudications. I have testified before
12 this Commission many times throughout my employment.

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

16 A. My name is Glenn Watkins. I am a Principal and Senior Economist with Technical
17 Associates, Inc., which is an economics and financial consulting firm with offices
18 in Richmond, Virginia. Except for a six month period during 1987 in which I was
19 employed by Old Dominion Electric Cooperative, as its forecasting and rate
20 economist, I have been employed by Technical Associates continuously since 1980.

21 During my career at Technical Associates, I have conducted revenue
22 requirement, cost of service, rate design, cost of capital, and load forecasting
23 studies involving numerous gas, electric, water/wastewater, and telephone

1 utilities, and have provided expert testimony in Alabama, Arizona, Delaware,
2 Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts,
3 Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Vermont, Virginia,
4 South Carolina, Washington, and West Virginia. I hold a B.S. in economics from
5 Virginia Commonwealth University and an M.B.A. from the same institution. I
6 am also a Certified Rate of Return Analyst and a member of several professional
7 organizations.

8
9 **Q. Mr. Finklea, please provide information pertaining to your educational**
10 **background and professional experience.**

11 A. My name is Edward A. Finklea. My business address is 545 Grandview Drive,
12 Ashland, OR 97520. I currently serve as NWIGU's Executive Director. I recently
13 served as an adjunct professor of Law and Economics at Lewis and Clark Law
14 School. Prior to my current position, I was Senior Counsel for Nisource Corporate
15 Services, serving as regulatory counsel for an interstate pipeline on matters before
16 the Federal Energy Regulatory Commission. From 1986 until 2008, I was in the
17 private practice of law and NWIGU was one of my clients. In that capacity, I
18 represented NWIGU in all regulatory interventions concerning Williams Gas
19 Pipeline West and TransCanada Gas Transmission Northwest, and before state
20 regulatory commissions concerning regulation of the five regional natural gas
21 local distribution companies.

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

3 A. My name is Shawn Collins. I have a BA from Eastern Illinois University and have
4 been working on issues impacting low-income populations since 2002 through
5 Community Action Partnership organizations and a variety of other
6 nongovernmental entities. I have been employed with TEP for one year, and have
7 been the Director since August of 2015. I have provided testimony on behalf of
8 TEP in Dockets UE-150204/UG-150205 and UE-152253. I can provide my
9 curriculum vitae on request, which fully outlines my professional experience.

10

11 **Q. Would you briefly summarize the Agreement?**

12 A. Yes. As part of the Agreement, Cascade's annual revenues would increase by
13 \$4.0 million, down from the Company's original request of \$10.5 million. The
14 Agreement's overall increase in revenue is 1.6 percent compared to Cascade's
15 original request of a 4.2 percent increase, and the agreed overall rate of return
16 ("ROR") is 7.35 percent.

17 The Company proposed a decoupling mechanism in its original request,
18 and the Agreement reached by the Parties supports decoupling for most of the
19 Company's customer classes. Under the Agreement, annual increases from
20 decoupling will not exceed 3.0 percent and any balances beyond that 3.0 percent
21 cap will be carried over to the following year. An important element in the
22 Agreement is the provision that Cascade will conduct an independent audit of its
23 decoupling program following three years of the program's implementation and

1 will take into account insights gleaned from the independent audits that will be
2 conducted over the coming years by other utilities in Washington of their
3 decoupling mechanisms.

4 The Company is also committing, in the Agreement, to undertake certain
5 steps before filing its next general rate case. An integral step included in these
6 commitments is a load study that the Company will initiate before its next general
7 rate case in order to determine the class core responsibilities of daily therms at the
8 city gates. This information is needed for the accurate construction of future cost
9 of service studies.

10 As part of the Agreement, measures for conservation and reporting are
11 specifically outlined to create a schedule and commitments for the Company's
12 conservation program going forward. Additionally, funding will be increased for
13 the Company's programs aimed at assisting its low-income customers. Funding
14 for Cascade's low-income program, the Washington Energy Assistance Fund
15 ("WEAF"), will be increased for the 2016-2017 program year to \$1,047,000 and
16 will increase over the next five years by 5.1 percent each year, resulting in a
17 funding level of \$1,276,000 for the program year 2020-2021.

18 Later in our testimony, we discuss in more detail the elements of the
19 Agreement, specifically, the accounting adjustments, decoupling, modifications to
20 rate-spread/rate design, as well as conservation and low-income programs.

21

1 **Q. What is the proposed effective date of the Agreement?**

2 A. The Parties have requested implementation of the Agreement on September 1,
3 2016, which represents a change to the original filing, which would have resulted
4 in rates becoming effective on November 1, 2016. This proposed effective date is
5 an integral part of the Agreement and was one of the trade-offs among the many
6 concessions made on a variety of issues by the Parties. Another of the integral
7 trade-offs is that the Company will make its purchased gas adjustment (“PGA”)
8 and gas cost deferral amortization filings by August 1, 2016, to be effective on
9 September 1, 2016, to coincide with the September 1, 2016, implementation date
10 for the increase to base rates.

11

12 **II. BACKGROUND**

13

14 **Q. Please describe the Company’s initial filing in this proceeding.**

15 A. On December 1, 2015, Cascade filed a general rate case requesting a revenue
16 increase of \$10,514,548, or 4.17 percent. The filing was based on an historic
17 twelve-month period ended June 30, 2015. The Company’s request was based on
18 a proposed ROR of 7.65 percent, a debt/equity ratio of 50/50, a return on equity
19 (“ROE”) of 10 percent and a return on debt of 5.295 percent. The Company
20 proposed to spread the requested revenue increase by allotting the entire increase
21 to residential customers, resulting in an increase, in dollars per month, per average
22 residential customer of \$4.87 (at an average usage of 54 therms). The

1 Commission suspended the filing and commenced discovery by Order 01, dated
2 December 21, 2015.

3

4 **Q. Did the Parties conduct discovery on the Company's filing?**

5 A. Yes. Pursuant to Order 01, Staff and Public Counsel conducted extensive
6 discovery on the Company's direct testimony. The Company responded to 226
7 data requests. Other parties had access to, and were able to review and analyze,
8 that discovery. Additionally, the Parties conducted a number of technical
9 conferences during which clarifying information was discussed.

10

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

12 A. Yes. The Parties met on the established settlement conference date, April 14,
13 2016, ultimately reaching the comprehensive settlement presented below. All
14 Parties support the settlement.

15

16 **III. ELEMENTS OF THE AGREEMENT**

17

18 **Q. Please describe the scope of the Agreement and its key aspects.**

19 A. The Agreement is a full settlement of the issues presented in this proceeding and
20 all Parties join the Agreement. The Agreement recommends a revenue
21 requirement increase and overall ROR that are both lower than proposed by the
22 Company in its original filing. The Agreement sets forth the Parties' agreements
23 on the Company's decoupling mechanism, rate spread and rate design. The

1 Agreement also sets forth agreements related to the Company's conservation plan,
2 WEAFF, and the filing of the Company's next general rate case.

3

4 **A. Revenue Requirement Increase**

5

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

7 A. The Parties agree that the Commission should authorize Cascade to implement
8 rate changes designed to increase annual revenues from Washington customers by
9 \$4 million, or 1.6 percent of total revenue.

10

11 **B. Effective Date of Revenue Requirement Increase**

12

13 **Q. When will this rate increase be effective?**

14 A. The Parties recommend that the agreed rate changes become effective on
15 September 1, 2016. This earlier effective date was an integral part of the
16 compromise that took place during the negotiation of this Agreement. While the
17 Parties agree to reduce the revenue requirement from \$10.5 million to \$4 million,
18 the Parties also agree that the Company will begin receiving the increased revenue
19 at an earlier date.

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C. Early Purchase Gas Adjustment Filing

Q. Why did the Parties agree that the PGA should be filed earlier than normal this year with an effective date of September 1, 2016?

A. Normally, the PGA rate effective date is November 1 each year. Cascade shows that gas costs have decreased and there will be a refund to customers in the PGA filing this year. This is an integral part of the Agreement because it allows the Company to begin receiving its increase in revenues earlier than the statutory effective date of its initial filing, and the other parties can accept the earlier increase in rates because the PGA refund will offset the rate increase for delivery costs and may even exceed the rate increase.

D. Cost of Capital

Q. What is the agreed upon overall ROR?

A. The overall ROR that the Parties agreed to is 7.35 percent. The Parties believe that this is fair to customers and sufficient for Cascade to attract capital at a reasonable cost. This ROR sets the threshold for determining any sharing in the decoupling true-up filing each year.

1 **E. Decoupling**

2

3 **Q. Please describe the issues addressed related to decoupling.**

4 **A.** The Agreement reflects five requirements related to Cascade’s proposed
5 decoupling:

- 6 1. The earnings threshold is the agreed upon overall ROR of 7.35 percent
7 and the first decoupling true-up filing, effective November 1, 2017, will be
8 subject to the 2016 Commission Basis Report (“CBR”);
- 9 2. The subsequent decoupling filing will be subject to the 2017 CBR and
10 effective November 1, 2018;
- 11 3. The deferred balance will accrue interest at the Federal Energy Regulatory
12 Commission interest rate;
- 13 4. The annual increase from decoupling will not exceed 3 percent, with any
14 balances beyond 3 percent carried over to the following year;
- 15 5. Cascade will conduct an independent audit of its decoupling program after
16 three years of implementation.

17 Decoupling will apply to the residential, commercial, and industrial
18 customer schedules, which are the same bundled gas customers that currently
19 have access to the Company’s conservation programs. Transportation and Special
20 Contract customers are not subject to decoupling in large part because those
21 classes pay their fixed costs through customer or basic charges.

1 In the end, the Agreement establishes a decoupling mechanism for
2 Cascade that reflects the Commission’s decoupling policy statement¹ and the
3 decoupling mechanisms already in effect for Puget Sound Energy (“PSE”) and
4 Avista Corporation (“Avista”). The Company’s original proposal maintained prior
5 conservation practices and included a 100-basis-point threshold on earnings
6 sharing. The Agreement changes both of these terms. Cascade’s decoupling
7 mechanism will now include an annual true-up mechanism with an earnings test
8 based on the Commission-set ROR. The Company also commits to file annual
9 conservation plans and achieve 100 percent of its annual conservation target. The
10 Parties agree that the proposed decoupling mechanism is a fair, just, and
11 reasonable outcome that balances the interests of cost recovery, conservation, and
12 protection for ratepayers. The Parties therefore request that the Commission adopt
13 the decoupling proposal as outlined in the Agreement.

14
15 **F. Rate Spread**

16
17 **Q. Please explain the rate spread that was agreed to for settlement purposes.**

18 A. The Parties do not agree on the results of a single cost of service study; however,
19 for purposes of settlement, the Parties agree to spread the rate increase of \$4
20 million as explained below. The residential class will be responsible for 75

¹ *In the Matter of the Wash. Utils. & Transp. Comm’n. Investigation into Energy Conservation Incentives, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed their Conservation Targets, November 10, 2010.*

1 percent of the total proposed revenue increase, or \$3 million of the \$4 million
2 dollar increase. This will mean that the resulting bill increase after gas costs for an
3 average residential customer will be \$1.39, or 2.55 percent.² The Parties agreed
4 that there would be no increase for the Special Contracts class. As for the
5 remaining 25 percent of the increase (or \$1 million of the \$4 million increase), it
6 will be split amongst all the other classes including Commercial, Industrial,
7 Interruptible, and Transportation on an equal percentage of margin basis.

8 The Company's original request apportioned the entire rate increase to the
9 residential class. The Agreement changes the apportionment between the classes,
10 as well as changing the overall impact of the rate increase: instead of 100 percent
11 of a \$10.5 million increase being apportioned only to residential customers, the
12 \$4 million increase agreed to by the Parties is split so that residential customers
13 bear an increase of only \$3 million, or 75% of the increase, and the other
14 customer classes accept a portion of the increase in the amount of \$1 million, or
15 25%. The Parties agreed that this rate spread between the classes is a fair, just,
16 and reasonable sharing of the increase in rates and request that the Commission
17 adopt this rate spread as outlined in the Agreement.

² This percentage (2.55 percent) is the basis for the annual increases to the WEAFF; the Parties agreed that WEAFF funding would increase by twice the percentage of the proposed bill increase for an average residential customer in this rate case (2.55 percent), for annual increase of 5.1 percent. See *infra* Section III.H. See also Agreement, ¶ 42.

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G. Conservation

Q. Please explain the Parties' agreement regarding the Company's conservation program.

A. The Parties agreed on commitments by the Company to a number of measures, requirements, and schedules related to its conservation efforts. The Parties all believe that these commitments solidify the conservation efforts that Cascade is already undertaking and adds structure and accountability to them.

First, Cascade will make an annual filing for its conservation plan for the next calendar year, an annual filing of its conservation achievement report for the previous year, as well as an annual filing of its conservation tariff adjustment.

Cascade has also agreed to provide drafts of all filings to its conservation advisory group for review 30 days before the filing date. The annual conservation plan will be filed by the Company no later than December 1 of each year³ and is required to include: the Company's conservation target for the ensuing year by program and customer class; the programs and measures that the Company will employ to achieve its target; the projected conservation budget by program and customer class; an estimate of the conservation portfolio's cost effectiveness; and a list of all measures offered under the conservation programs and the unit energy savings values and customer incentives for each. The annual conservation report will be

³ As the Commission has offered to other companies that it regulates, Staff believes that Cascade should also be offered the option to file its annual conservation plan earlier than December 1 so that the Company could avoid being included on the calendar year's final Open Meeting, when many of its representatives may have winter plans.

1 filed by the Company no later than June 1 of each year and is required to include
2 details of: the previous year's conservation achievement by program and customer
3 class, including low-income weatherization; all program evaluations completed
4 during the program year; the total expenditures for the previous year by program
5 and customer class; and the cost-effectiveness calculations for the previous year's
6 conservation portfolio. The cost recovery tariff will be filed by the Company no
7 later than October 1 of each year, with a requested effective date of November 1,
8 and is required to include information regarding: the total forecast budget for the
9 prior year by program; the total expenditures during the prior year by program;
10 the total dollar amount that the Company is seeking to recover; the overall rate
11 increase or decrease; the total monthly bill increase or decrease for the average
12 customer; and work papers that support the Company's calculations.

13 Second, the Agreement commits Cascade to achieve at least 100 percent
14 of its annual conservation target. This memorializes what the Cascade is already
15 doing and is consistent with other companies.

16 Third, the Agreement outlines the expectations for Cascade's interaction
17 and work with its conservation advisory group. The Company is committing to
18 meet with this advisory group at least quarterly in meetings that can be held
19 telephonically if the advisory group agrees. At these quarterly meetings, the
20 advisory group will discuss topics such as conservation potential assessments,
21 proposed tariff revisions, annual conservation plans, annual conservation reports,
22 proposed program changes, marketing and communications strategies, evaluation,
23 measurement and verification, and low-income weatherization.

1 In addition to quarterly meetings with the conservation advisory group, the
2 Agreement commits Cascade to provide all of its conservation plans, reports, and
3 tariff filings to the conservation advisory group at least 30 days prior to any filing
4 with the Commission. For example, should the Company file its annual
5 conservation plan on November 15, the Company must have provided the annual
6 conservation plan to the conservation advisory group no later than October 16.
7 This commitment supports the involvement of the conservation advisory group in
8 the Company's conservation efforts and ensures that the conservation advisory
9 group will have ample time to consider, evaluate, and make meaningful responses
10 regarding the Company's conservation filings.

11 The Company will also work with the conservation advisory group to
12 develop an evaluation, measurement, and verification framework for analyzing its
13 conservation program. This is consistent with what other companies are already
14 doing, and completes the necessary planning and reporting elements required for
15 prudent management of conservation resources.

16 Last, the Agreement also requires some interaction between the
17 Company's conservation efforts and its efforts with its low-income customers. In
18 concert with the conservation advisory group and the Community Action
19 Agencies ("CAAs") who work with low-income customers, the Company will
20 investigate the barriers to low-income weatherization within its Washington
21 service territory and develop a proposal for overcoming those barriers. The
22 Company and stakeholders will be allowed to take into consideration the
23 approaches that Cascade has employed in other states, such as the low-income

1 weatherization pilot tariff currently operating in Oregon. The Company and
2 stakeholders will present a proposal to the Commission no later than
3 December 31, 2016, regarding how they believe the barriers to low-income
4 weatherization could be overcome in Cascade's Washington service territory. The
5 Parties agree that this investigation and proposal is necessary to ensure
6 weatherization programs are available to all customers. Particularly with the
7 implementation of decoupling, it is necessary to pay special attention to the
8 effects on low-income customers.

9
10 **H. Low-Income Energy Assistance (WEAF)**

11
12 **Q. Please explain what the Parties agreed to regarding the Company's WEAF**
13 **program.**

14 **A.** The Parties agreed to a number of updates to the design of the Company's WEAF
15 program for low-income energy assistance, guided by four program goals: (1)
16 keeping customers connected to energy service, (2) providing assistance to more
17 customers than are currently served, (3) lowering the energy burden of program
18 participants, and (4) collecting data necessary to assess program effectiveness and
19 inform ongoing policy discussions.

20 First, the Agreement establishes an advisory group ("Low-Income Energy
21 Assistance Advisory Group" or "low-income advisory group") on the Washington
22 Energy Assistance Fund ("WEAF"). This low-income advisory group will involve
23 key stakeholders in the Company's low-income program including Public

1 Counsel, Staff, The Energy Project, Cascade's Staff, and representatives from the
2 CAAs. The Agreement also commits the Company to consultation with this low-
3 income advisory group for evaluation of program performance, addressing
4 ongoing concerns, determining program budget, and exploring alternative
5 program designs. This low-income advisory group has a role in many of the
6 settlement commitments regarding the Company's low-income program. In
7 particular, the Parties agree that the low-income advisory group will give a
8 recommendation for the yearly WEAFF program budget.

9 Second, the Company commits to filing a program tariff and a cost
10 recovery tariff on the WEAFF and any subsequent updates to the tariffs in
11 consultation with the low-income advisory group. The program tariff filing will,
12 at a minimum, specify the program description, qualification criteria, a list of the
13 CAAs, program funding level, and benefit level. To fund the WEAFF, the
14 Company will collect surcharges from ratepayers through a cost recovery tariff
15 that it will file as part of the rate case compliance filing. Any unspent amounts in
16 the WEAFF collected through these surcharges will be returned to ratepayers the
17 following year in the form of credits through a true-up mechanism. Likewise, if
18 the actual WEAFF expenditure exceeds the amounts collected, the deficiency will
19 be collected through the cost recovery tariff in the form of additional surcharges
20 the following year. The Parties agree that the low-income advisory group will
21 give a recommendation for the yearly WEAFF program budget. This "true-up"
22 update to the WEAFF program tariff is expected to be filed at the same time as the
23 Company's PGA filing, but will be filed under a separate docket. The first WEAFF

1 cost recovery tariff will take effect on September 1, 2016, coinciding with the
2 Agreement's effective date for the rate increase and the Company's PGA.

3 As of April 30, 2016, the WEAFF program has an unspent balance of
4 \$394,129, accumulated over the current year and past years. The Parties agree that
5 the balance at the end of August 2016 will be the beginning balance for the
6 WEAFF program and that the low-income advisory group will decide how this
7 balance may be spent. The Parties agree that up to \$50,000 of the WEAFF
8 beginning balance may be used to conduct a needs assessment study to identify
9 the number of households in poverty in Cascade's service area in Washington.
10 Using the information from the needs assessment study, the Company and the
11 CAAs can better direct the low-income program resources to those areas with the
12 greatest need. The Company will contract with Eastern Washington University for
13 this study, unless the low-income advisory group agrees that some other entity
14 may conduct the study. Inquiries about the ongoing current balance of funds for
15 the WEAFF program are permitted and the Company must provide this balance
16 upon request by any stakeholder.

17 Currently, the WEAFF program receives \$800,000 per year recovered in the
18 Company's general rates. The Agreement removes this amount from general rates
19 and the Parties agree that the future WEAFF program funding will be collected
20 exclusively through the WEAFF recovery tariff. The funding level for the program
21 shall be increased to \$1,047,000 beginning September 1, 2016, for the 2016-2017
22 program year. The funding increases each year for the next five years by 5.1
23 percent – this percentage increase is twice that of the bill increase for an average

1 residential customer proposed in this Agreement.⁴ Even if the Commission
2 amends this Agreement in a way that affects the bill increase for the average
3 residential customer, the Parties agreed that 5.1 percent is the appropriate annual
4 increase for the next five years, and recommend that this percentage increase stay
5 the same. All Parties believe that this is an appropriate and necessary increase to
6 the Company's low-income program funds and will significantly help the
7 Company reach more customers in poverty to reduce their energy burden. The
8 figures included below specify the funding level agreed to by the Parties for each
9 of the upcoming five program years.

10	2016 – 2017	\$1,047,000
11	2017 – 2018	\$1,100,000
12	2018 – 2019	\$1,156,000
13	2019 – 2020	\$1,215,000
14	2020 – 2021	\$1,276,000

15 These amounts represent a cap on the Company's WEAFF cost recovery
16 tariff for each program year, or the Company's maximum yearly WEAFF program
17 budget. The Parties agree that Cascade may file a petition with the Commission to
18 adjust these amounts in the future. The low-income advisory group will advise
19 Cascade on its WEAFF budget and the amount to be collected through the WEAFF
20 surcharge.

21 Third, the Parties share the concern that the program may not be reaching
22 as many low-income customers as desired. To that end, the Parties agree that

⁴ See Agreement, ¶ 41.

1 certain efforts should be taken. First, the Company will consult with the low-
2 income advisory group to develop and implement a plan to strengthen customer
3 outreach and education in order to advise more potentially qualified low-income
4 customers of the availability of the Company's WEAFF program. Second, an
5 evaluation of the Company's low-income WEAFF program will be conducted if
6 low-income customer participation remains low, based upon whether the number
7 of customers receiving WEAFF benefits or the amount of WEAFF funds actually
8 disbursed to these low-income customers does not materially increase by the end
9 of the 2016-2017 program year as compared to the 2015-2016 program year. The
10 low-income advisory group may consider whether it would be beneficial to
11 employ an independent third party to conduct the program evaluation using part
12 of the WEAFF funding. The key for the program's evaluation is to identify areas
13 for improvement in the program and align the program design with the program
14 goals.

15 Fourth, the Parties agree that the customer eligibility and funding-award
16 procedures should be updated. In general, the Company's WEAFF program will
17 use the federal Low-Income Home Energy Assistance Program's qualification
18 criteria, but because the Parties believe that this low-income support should be
19 provided to any customer in need regardless of their citizenship status, the WEAFF
20 program will not require any disclosure of documentation showing proof of legal
21 residency. Currently, there is a \$500 cap for the maximum WEAFF grant that can
22 be awarded to a household for each year. The Parties agree that this cap should
23 remain for the time being, but that the low-income advisory group should evaluate

1 this per-household cap going forward. Additionally, the Parties agree that
2 excessive funding for individual households should be prevented. For this
3 purpose, the Parties agree that there should be a credit balance threshold of \$300
4 per household that will prevent or postpone any WEAFF grant to a household with
5 a current credit balance of at least \$300 until a portion of that credit balance has
6 been used to support the needs of the customer. The aim of this threshold is to
7 ensure that a customer's unused credit balance will not limitlessly accumulate and
8 that funds will be efficiently distributed to other customers in need. The purpose
9 is not to deny needed funding but to ensure the opposite: that the dollars
10 distributed to low-income customers are actually spent in support of those
11 customers' needs.

12 Fifth, the Agreement updates how the Company's WEAFF program
13 allocates funding to the CAAs and how the CAAs are reimbursed. Formerly, there
14 was a monthly spending cap placed on each CAA. Now, the Parties agreed that
15 this monthly spending cap should be removed and that, additionally, no CAA may
16 be denied qualified grants (funds) for their disbursement to low-income customers
17 unless the combined total annual disbursement from all of the CAAs reaches the
18 cap for the program year (i.e., the maximum yearly WEAFF program budget).
19 Formerly, the CAAs' program delivery cost reimbursement was determined as 20
20 percent of the total annual disbursements to customers by the CAA. The Parties
21 agree that this method of reimbursing the CAAs is no longer appropriate and that
22 it should be modified such that the CAAs are reimbursed by receiving \$75 per
23 household for each household that a CAA processes for a WEAFF benefit.

1 Sixth, the Agreement expresses the understanding of the Parties that
2 exploring possible alternative program designs could yield benefits and insights
3 into the Company's low-income program. The Parties agree that stakeholders
4 should collaborate to explore the options of a rate discount program or a
5 percentage of household income payment plan program that could complement
6 the Company's current low-income and WEAFF grant program. Also, the Parties
7 agree that the Company will have the option of requiring the verification of a
8 person's income every two years instead of once every year.

9 Lastly, the Agreement commits the Company to certain annual reporting
10 requirements regarding its low-income program. The Parties agree that the
11 Company will be required to file with the Commission an annual report on its
12 low-income program and make that annual report available to other stakeholders
13 by January 15 of each year. The annual report must include the actual program
14 cost, including support provided to customers, reimbursement for CAAs' program
15 delivery cost, and the Company's administrative costs for implementing the
16 WEAFF program. The low-income advisory group will specify any additional
17 contents that should be included in the report. As part of its annual recovery tariff
18 filing, the Company will also file an annual budget for its low-income program
19 for the following program year.

1 **I. Commission Basis Report**

2

3 **Q. Please explain the Parties' agreement regarding the Company's CBR.**

4 A. The Agreement outlines the improvements the Parties contemplate for the
5 Company's CBR. The Parties agree that the Company will present its CBR
6 consistently each year and will update its Investor-Supplied Working Capital
7 ("ISWC") calculation. The Company's ISWC will, going forward, be calculated
8 by the same methodology used by the Company in Docket UG-060256. The
9 Company will also categorize its ISWC accounts to allow for net pension assets,
10 but must exclude any accounts that independently earn returns and should be
11 booked to non-operating investment. The Company will generally review all its
12 accounts included under ISWC and re-categorize these accounts as necessary.

13 Regarding the Company's weather normalization, the Agreement includes
14 a number of updates. The Agreement commits the Company to use 10 years of
15 usage compared to weather data over the same period in order to determine
16 normalization coefficients. The weather data will include both actual temperature
17 and "normal" temperature benchmarks published by the National Oceanic and
18 Atmospheric Administration. The Company will also: refine regression models to
19 exclude insignificant monthly heating degree day variables; include a trend
20 variable in the regression models when appropriate, correcting common statistical
21 problems such as serial correlations; identify outliers by comparing predicted
22 usage with actual usage as well as double-checking data accuracy and re-
23 specifying regression models if necessary; and, use an alternative way of

1 reporting monthly usage if unbilled therms are not trued-up monthly, such as
2 aligning heating degree days with billing cycles on a monthly basis rather than
3 using monthly usage data that includes gross estimates of unbilled therms. Staff is
4 willing to provide technical assistance to the Company regarding these updates to
5 the Company's weather normalization.

6
7 **J. Next General Rate Case**

8
9 **Q. Please explain the Parties' agreement regarding steps that the Company**
10 **must take prior to its next general rate case.**

11 A. There are requirements that must be met by the Company prior to its filing of its
12 next general rate case. Foremost, the filing of its next general rate case is
13 contingent on a load study being initiated and the unbilled revenues being
14 properly calculated and identified by revenue type (gas cost revenue, margin
15 revenue, and any other revenue source). The load study is intended to account for
16 the individual core class responsibilities for daily therms, as measured at the city
17 gates. This information will be valuable in the construction of future cost of
18 service studies. The Parties agree the Company may recover as a period cost the
19 cost of a load study in the test year of a future rate case.

20 Additionally, the Agreement commits the Company to a number of
21 administrative and accounting updates that the Parties expect to be implemented
22 prior to the Company's filing of its next general rate case. The Company must
23 separate its conservation revenues and its WEAFF program revenues from the

1 Weighted Average Cost of Gas (“WACOG”) for reporting purposes. Regarding
2 any unbilled revenues, the Company will use a methodology and accounting for
3 any unbilled revenues in accordance with accepted industry practices in which
4 unbilled revenues are trued-up monthly and verified for reasonableness. Lastly,
5 the Company will identify booked revenues for accounting purposes between true
6 gas cost revenue, margin revenue, and all other revenue sources.

7
8 **IV. THE AGREEMENT SATISFIES THE PARTIES’ INTERESTS**
9 **AND IS CONSISTENT WITH THE PUBLIC INTEREST**
10

11 **Q. What are the legal standards that must be satisfied with respect to any**
12 **settlement?**

13 A. The Commission’s charge is to regulate in the public interest. The Commission’s
14 settlement approval standards are set forth in WAC 480-07-750(1), providing that
15 “[t]he Commission will approve [a] settlement[] when doing so is lawful, when
16 the settlement terms are supported by an appropriate record, and when the result is
17 consistent with the public interest” The settlement, if approved, must result
18 in rates that are fair, just, reasonable, and sufficient.⁵ As such, the Commission
19 must not only assure fair rates to any company’s customers, but also provide any
20 company with rates that will be sufficient to cover its prudently incurred costs and
21 an opportunity to recover a reasonable return on its investment. The Agreement in
22 this case represents the Parties’ best efforts to arrive at an end result that satisfies
23 these requirements.

⁵ RCW 80.28.010

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A. Statement of Cascade

Q. What are the primary factors driving the Company’s need for a natural gas rate increase?

A. There is not one primary factor causing the rate increase, but rather a combination of increased rate base additions and increased pressures on operating and maintenance (“O&M”) expenditures. Over the past several years, the Company has made substantial investments to assure the safety and reliability of its system.⁶ While the Cost Recovery Mechanism (“CRM”) allowed the Company to recover some of its investments on an accelerated basis, not all of the investment has been included in the CRM. Moreover, despite the Company’s significant efforts to control costs, it has experienced increases in O&M expenditures.

Q. Please explain why the Agreement satisfies the interests and concerns of Cascade.

A. The Agreement provides a reasonable value for revenue requirement and cost of capital, and allows Cascade to focus on operations rather than continuing to expend time and resources on litigation. The revenue increase, while modest, is adequate to cover at least a portion of Cascade’s expense for plant additions and assures Cascade that it can continue to operate and earn a reasonable return until its next rate case filing.

⁶ Direct Testimony of Nicole A. Kivisto, Exhibit No. ____ (NAK-1T).

1 A key element of the Agreement, from Cascade's perspective, is the
2 implementation of decoupling. The approach for Cascade's decoupling
3 mechanism is consistent with the decoupling mechanisms currently used by
4 Avista and PSE. Decoupling will benefit the Company and its customers by
5 serving the following important purposes:

- 6 • Maintaining the current basic customer charge;
- 7 • Allowing the Company to recover the costs incurred to serve customers;
- 8 • Breaking the link between usage and cost recovery, thereby removing a
9 disincentive for the Company to invest in energy efficiency and provide
10 customers with access to conservation programs; and
- 11 • Balancing risk between the Company and customers by offering rate and cost
12 recovery stabilization to both.

13 Also important to Cascade are the improvements to the low-income and
14 conservation programs, which Cascade believes will provide significant benefits
15 to Cascade's customers and assure Cascade of adequate and consistent funding to
16 meet low-income and conservation program goals.

17
18 **Q. Please explain why Cascade believes the Agreement is in the public interest.**

19 **A.** The Agreement strikes a reasonable balance between the interests of Cascade and
20 its customers on all issues raised in Cascade's initial filing, including revenue
21 requirement, cost of capital, and rate spread. Cascade's early PGA filing will
22 offset the impact of the rate increase and the early implementation date for the
23 rate increase, reducing the overall impact to Cascade's customers.

1 The public interest is further served because the Agreement provides
2 significant benefits to Cascade's low-income customers through increased WEAF
3 program funding and additional program structure, which will help ensure that
4 Cascade meets its low-income program goals and reaches more customers in need
5 of energy assistance. The Agreement expands and provides additional structure
6 and accountability for Cascade's existing conservation program.

7 Overall, the Agreement reflects a compromise among the Parties, each
8 with differing interests, and achieves a fair and reasonable outcome. Cascade
9 believes that the Agreement is consistent with the public interest.

10

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

12 A. Yes.

13

14 **B. Statement of Commission Staff**

15

16 **Q. Please explain why the Agreement satisfies the interests and concerns of**
17 **Staff.**

18 A. Staff conducted a complete review of the case presented by the Company. During
19 the course of the review, Staff sent a total of 137 data requests and also reviewed
20 and analyzed responses to a total of some 226 data requests submitted by all the
21 Parties. Staff visited the Company's Kennewick office to view actual documents
22 and speak directly with Company personnel. Staff conducted numerous telephone
23 conference calls with Company personnel as well as staff members from Public

1 Counsel, NWIGU, and the Energy Project. Staff completed a comprehensive
2 analysis of the results of operations and created its own revenue requirement
3 model. Of particular importance in satisfying the interests and concerns of Staff is
4 the Agreement's reduction of the proposed revenue requirement of \$10.5 million
5 to \$4 million and the reduction of the proposed ROR from 7.65 percent to 7.35
6 percent. Staff also believes the Agreement provides for better data available to all
7 parties in future rate cases. Among other things, the Agreement also benefits rate
8 payers by memorializing processes related to conservation and low-income
9 requirements and targets.

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 – satisfies the interests of
13 Staff, meets the Commission's settlement approval standard, and, ultimately,
14 results in rates that are fair, just, reasonable, and sufficient.

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

17 A. This Agreement provides rates that are fair, just, and reasonable to customers of
18 Cascade, as well as providing the Company an opportunity to earn a fair return on
19 its investments. Staff's belief that the Agreement is in the public interest is based
20 on its comprehensive review of Cascade's filing, which included a review of the
21 Company's test year results of operations, proposed revenue requirement
22 including restating and pro forma adjustments, rate of return, cost of service, rate
23 design, decoupling plan, as well as conservation and low-income proposals. The

1 Agreement is the result of compromises by all Parties and was negotiated as a
2 comprehensive package. Staff believes the Agreement – taken as a whole and
3 with consideration of the issues Staff intended to present if the case were to be
4 fully litigated – provides a fair and reasonable outcome that is in the public
5 interest and will result in rates that are fair, just, reasonable, and sufficient.
6 Notably, the effective date of the rate increase in this Agreement is September 1,
7 2016, coinciding with the Company’s PGA filings, providing some balance
8 between the 1.6 percent increase in revenues and the anticipated gas cost refund
9 from the filling of the Company’s PGA that will be passed on to offset (at least
10 partially) the increase to ratepayers.

11
12 **Q. Does Staff support the increase to ratepayers agreed upon in this**
13 **Agreement?**

14 **A.** Yes. Staff supports the agreed upon increase to ratepayers of \$4 million. The
15 decrease from the Company’s original request of \$10.5 million is due primarily to
16 a couple reasons. One, the identified overall ROR is reduced to 7.35 percent,
17 acknowledging the substantial reductions in cost of capital since the Company’s
18 2006 rate filing. Two, given recent orders from other Washington regulated
19 utilities, Staff limited pro forma plant additions to the major projects that will be
20 in service prior to rates going into effect. Additionally, Staff determined there
21 could be a number of smaller adjustments to Cascade’s filed case. Overall, with
22 Staff’s estimation of the litigation risk posed by this case, Staff concluded that a
23 \$4 million revenue increase for delivery costs was reasonable.

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Q. What is appealing to Staff about the early implementation of the \$4 million revenue increase and the PGA filings as part of this Agreement?

A. Staff supports the idea of filing the PGA early so that it coincides with the September 1, 2016, effective date of the Agreement. It is Staff's understanding that there is a gas cost balance that will be refunded to customers in this year's PGA filing. The gas cost refund will offset the increase of \$4 million to ratepayers if this Agreement is accepted.

Q. Does Staff support the parameters of decoupling in this Agreement?

A. Yes. Staff supports the Agreement on decoupling. The decoupling agreement made amongst the parties produces a decoupling mechanism that operates very much like those approved for PSE and Avista. Customers are protected from large increases through the 3 percent cap on rate increases. More customer protection is provided by the Company's agreement to use the authorized ROR, without any excess earnings increment, as the threshold for earnings sharing. This serves to ensure that the Company is not earning revenues far beyond those required to recover costs. The Parties agreed that the Company will secure a review of its decoupling program, to be informed by the successes and failures of the studies acquired by PSE and Avista.

1 **Q. Does Staff support the overall ROR of 7.35 percent?**

2 A. Yes. Staff believes the decrease from the Company's requested ROR of 7.65
3 percent to the settled ROR of 7.35 percent is reasonable when taken into
4 consideration with the rest of this Agreement and the rates of returns authorized
5 recently for other companies.

6

7 **Q. What is Staff's position regarding rate spread in this filing?**

8 A. Staff supports the Agreement on rate spread issues. The rate spread agreed to
9 amongst the Parties alleviates some of the parity concerns identified in the
10 Company's initial filing. Staff's preliminary analysis on cost of service, which did
11 not use design day, nonetheless found the same parity issues at work. The rate
12 spread settled amongst the Parties does not unduly burden any individual class of
13 customers, and results in reasonable margin rate increases.

14 The Parties also agreed that the Company will secure a study, prior to the
15 filing of its next general rate case, in which the 'core' customer classes'
16 contribution to daily peak is measured. The results of this study may inform future
17 cost of service studies. The procurement of this study will allow the Commission
18 to review cost of service studies that use design day as well as studies that do not
19 use design day.

20

1 **Q. Do the conditions related to conservation satisfy the interests of Staff?**

2 A. Yes. The conditions addressed in this Agreement generally reflect what is already
3 being done today by the Company and formalizes the processes of the
4 conservation program.

5

6 **Q. Does Staff support the Agreement with regard to Low-Income?**

7 A. Staff supports the Agreement on Cascade's WEAF. Cascade established the
8 WEAF to provide bill assistance to qualified low-income customers in 2006 in
9 compliance with Commission Order 5 issued in Docket UG-060256. The
10 Agreement will formalize the program process by adopting explicit program
11 goals, establishing an advisory group, publishing a tariff, implementing annual
12 true-up mechanism and requiring annual reports. The Agreement also specifies
13 key components of program design including funding cap, maximum grant, and
14 reimbursement of program delivery cost. Staff believes the Agreement addresses
15 all Parties' concerns with the existing WEAF and lays a foundation to improve
16 the program in a collaborative manner in the future.

17

18 **Q. What is Staff's position regarding the requirements prior to the Company**
19 **filing its next general rate case?**

20 A. Staff is satisfied with these requirements as support of the Company's next
21 general rate case. Cascade's last general rate case was in 2006. Prior to that,
22 Cascade's last fully-adjudicated general rate case in which competing cost of
23 service studies were considered by the Commission was in 1994. A load study is

1 helpful in the construction of a cost of service study, specifically one based on
2 actual usage. Particularly, the load study will help the Parties in determining
3 customer class responsibilities for daily gas consumption. The Company has
4 agreed to address issues in the revenue determination identified by Staff and
5 Public Counsel.

6
7 **Q. Does Staff agree with the CBR requirements?**

8 A. Yes. Staff supports the language; it will assure a consistent and appropriate CBR
9 for use in analyzing the decoupling filings.

10
11 **Q. Does Staff fully accept the conditions of this Agreement?**

12 A. Yes. Staff recommends that the Commission accept this Agreement in its entirety,
13 as being in the best interest of the ratepayers, satisfying the interests of Staff, and
14 reaching a result that is consistent with the public interest.

15
16 **Q. Does this complete your testimony on behalf of Staff?**

17 A. Yes.

18
19 **C. Statement of Public Counsel**

20
21 **Q. Please explain why the Agreement satisfies the interests and concerns of**
22 **Public Counsel.**

23 A. As part of my engagement, I conducted a detailed investigation of the Company's

1 application for an increase in its distribution margin rates. As part of my
2 investigation, I conducted detailed analyses of each of the Company's proposed
3 accounting and pro-forma adjustments as well as a detailed review of its historic
4 test year per books revenues, expenses, and rate base. As a result of my
5 investigation and analyses, I determined that an increase in Cascade's distribution
6 margin (non-gas) rates is warranted and necessary in order for it to earn a fair rate
7 of return on its investment, albeit less than the \$10.5 million requested by the
8 Company.

9 Furthermore, I examined the practices of this Commission as it relates to
10 specific issues in order to evaluate the reasonableness of various Company
11 proposed adjustments. As part of this investigation, I participated in numerous
12 informal conference calls with the Company and other parties concerning various
13 aspects of the Company's filing, particularly as it relates to revenue requirements.

14 As a result of my analysis and understanding of Commission practice and
15 prior Orders, I concluded that the agreed upon \$4 million increase in distribution
16 margin rates is within the range of reasonableness. The increase will allow the
17 Company an opportunity to earn a fair rate of return on its investment and
18 continue to provide safe and reliable service to its customers.

19 With regard to class rate spread and rate design, Public Counsel was
20 particularly concerned about the Company's proposal to assign the entire revenue
21 increase to the Residential class. Indeed, it has been several years since Cascade's
22 last general rate case, during which time the Company's investment in rate base
23 has increased significantly and certain expenses have increased. These cost

1 increases have been incurred to serve all classes of customers, making some
2 sharing of the rate increase across all rate schedules appropriate.

3 Public Counsel is satisfied with the Settlement Agreement wherein the
4 Residential class will absorb 75% of the Settlement revenue increase.
5 Additionally, the Settlement Agreement provides that Special Contracts receive
6 no increase, and for settlement purposes, Public Counsel accepts that result.
7 Finally, with respect to Residential customer charges, Public Counsel and I
8 strongly support Cascade's proposal not to increase these charges in this case. It is
9 Public Counsel's position and my opinion, that such charges should be maintained
10 at a minimal level.

11 Public Counsel is satisfied with the decoupling mechanism that is
12 proposed under the Settlement Agreement because it contains important ratepayer
13 protections similar to those found in the decoupling mechanism recently approved
14 for Avista Corporation. For example, the surcharge cannot exceed three percent
15 and Cascade will be subject to an earnings test that will benefit customers if
16 Cascade earns a return greater than 7.35 percent.

17 The Settlement Agreement also contains terms regarding Cascade's
18 conservation program and low income assistance program that Public Counsel
19 supports.

20

21 **Q. Please explain why Public Counsel believes the Agreement is in the public**
22 **interest.**

23 A. As is the case with virtually every settlement, the negotiations involved a

1 compromise on positions and required give and take by all parties. It is my
2 opinion that the proposed Settlement is in the public interest because the ultimate
3 rates to customers are fair and reasonable. At the same time, the Settlement
4 provides the opportunity to earn a fair return to ensure that the Company will
5 continue to invest in its infrastructure in order to provide safe and reliable service
6 to its customers for the foreseeable future.

7 Additionally, the Settlement Agreement requires Cascade to complete
8 certain improvements to its internal data before filing its next rate case, which
9 should improve stakeholders' ability to evaluate rate filings in the future.

10

11 **Q. Does this complete your testimony on behalf of Public Counsel?**

12 A. Yes.

13

14 **D. Statement of NWIGU**

15

16 **Q. Please explain why the Agreement satisfies the interests and concerns of**
17 **NWIGU.**

18 A. NWIGU had the opportunity to review and analyze the Company's filing and to
19 understand the likely litigation positions of the other parties. Of primary interest
20 to NWIGU was the Company's cost of service analysis and the requested rate of
21 return.

22 NWIGU believes that the Company's cost of service analysis was done in
23 a manner that understates the disparity between industrial rate classes and other,

1 lower load factor rate classes. Even so, the Company's cost of service indicates a
2 large disparity to the detriment of industrial gas users. As Commission Staff's
3 testimony above indicates, its own preliminary cost of service analysis showed
4 similar disparities. The Agreement satisfies NWIGU's interests because it moves
5 rates slightly closer to parity. It does this by allocating no increase to the Special
6 Contracts customer class (which currently has the most disparate rates) and by
7 allocating a smaller percentage of the agreed-upon increase to industrial
8 customers.

9 The Agreement further satisfies NWIGU's interests through adoption of a
10 rate of return of 7.35%, which NWIGU believes is more reflective of the
11 approved rates of other local distribution companies in Washington.

12

13 **Q. Please explain why NWIGU believes the Agreement is in the public interest.**

14 A. NWIGU believes the Agreement is in the public interest and recommends the
15 Commission approve the Agreement because the best interests of Cascade's
16 customers are served by the underlying fair compromise on all of the issues
17 described in the Agreement. While the signing parties may each hold different
18 positions on the individual components of the Agreement, the overall decrease in
19 the requested revenue requirement from \$10.5 million to \$4 million benefits all
20 customers. Further, as I just described, the resulting rates are a move toward
21 parity among customer classes, which is important in implementing cost-
22 causation principles that are at the heart of fair, just and reasonable rates.

1 NWIGU also finds the Agreement to be in the public interest because the
2 agreed-upon revenue increase and rate of return reflect a reduction in risk
3 associated with the adoption of decoupling and current market conditions that
4 affect access to capital. Although each party may have a different view on the
5 impact such things as decoupling may have on specific components of a rate case,
6 it is important from NWIGU's perspective to see a revenue impact and rate of
7 return that accurately reflect those kinds of risk factors.

8 For the reasons set forth above, NWIGU believes the Agreement is in the
9 public interest and should be approved by the Commission.
10

11 **Q. Does this complete your testimony on behalf of NWIGU?**

12 **A.** Yes.
13

14 **E. Statement of The Energy Project**
15

16 **Q. Please explain why the Agreement satisfies the interests and concerns of The**
17 **Energy Project.**

18 **A.** The Energy Project began discussions with Cascade and CAA staff in September
19 of 2015 to address numerous potential modifications to the WEAFF program that
20 would allow for more low-income customers to be served in Cascade's service
21 territory. Subsequent discussions involving UTC staff, Public Counsel, Cascade
22 staff and CAA's led to the creation of a list of agreed upon program modifications
23 that address the concerns that The Energy Project had with regard to the

1 management, design, and implementation of the program. These modifications
2 have been included in the settlement document and an overview of them was
3 provided earlier in this testimony. It is the position of The Energy Project that the
4 Agreement addresses all of our interests and concerns pertaining to WEAFF and
5 the low-income conservation program at this time.

6
7 **Q. Please explain why The Energy Project believes the Agreement is in the**
8 **public interest,**

9 A. The Energy Project's position on the agreement is that it comprehensively
10 addresses the challenges that have been encountered in the programs that Cascade
11 manages for the benefit low-income customers. With the implementation of the
12 Agreement, the WEAFF program and the low-income conservation program,
13 which all Cascade customers contribute to, will operate more effectively and
14 efficiently. The Energy Project believes the Agreement – taken as a whole and
15 with consideration of the issues Staff intended to present if the case were to be
16 fully litigated – provides a fair and reasonable outcome that is in the public
17 interest and will result in rates that are fair, just, reasonable and sufficient.

18
19 **Q. Does this complete your testimony on behalf of The Energy Project?**

20 A. Yes.

1. **V. CONCLUSION**

2

3 **Q. What is the effect of the Agreement reached by the Parties?**

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

10

11 **Q. In conclusion, why is this Agreement “in the public interest?”**

12 A. This Agreement should be approved for the following reasons.

13 The Agreement strikes a reasonable balance between the interests of the
14 Company and its customers, including its low-income customers. As such, it
15 represents a reasonable compromise among differing interests and points of view.

16 The Company’s original filing in this case has been subjected to great
17 scrutiny through the discovery process: over five months have passed since the
18 case was filed and the Company has responded to approximately 226 data
19 requests.

20 All the Parties have been afforded ample opportunity to participate
21 meaningfully in the settlement process and the exchange of information. All

22 Parties participated fully and comprehensively in the settlement conference and

1 negotiations, leading to the eventual consensus Agreement presented now for the
2 Commission's consideration.

3 Any settlement, including this Agreement, reflects a compromise and is
4 the result of the give-and-take inherent in negotiations. In this case, the result of
5 the Parties' extensive settlement negotiations produces an Agreement, supported
6 by sound analysis and sufficient evidence, for the Commission's consideration.
7 All the Parties agree that Commission approval of this Agreement would be "in
8 the public interest" and would satisfy the requirement that rates be fair, just,
9 reasonable, and sufficient.

10

11 **Q. What action do the Parties recommend the Commission take with respect to**
12 **the Agreement?**

13 A. The Parties recommend that the Commission find that this Agreement is in the
14 public interest and would produce rates for the Company that are fair, just,
15 reasonable, and sufficient. Accordingly, the Parties recommend that the
16 Commission adopt this Agreement in its entirety.

17

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

20 A. Yes.