Exhibit No. ___ T(MPP-1T)
Docket No. UG-060256
Witness: Michael P. Parvinen

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **CASCADE NATURAL GAS CORPORATION,** **Respondent.**	**DOCKET NO. UG-060256**

ERRATA TO

TESTIMONY OF

MICHAEL P. PARVINEN

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

September 25, 2006

Q. Please summarize staff's recommendation in this docket.

A. Staff recommends that the Commission:

1) Increase Cascade's retail gas service revenues by $1,564,132 based on an overall rate of return of 8.33 percent. This results in a net $321,588 decrease to adjust retail rates after recognizing miscellaneous service charge revenue increases;

2) Accept the miscellaneous service charge changes and new items as proposed by the company and as modified by staff;

3) Reject Cascade's request for a waiver of the "Prior Obligation" rule on the basis that a waiver is an inappropriate response to a few abusers;

4) Reject Cascade's request for its proposed Safety and Reliability Infrastructure Adjustment Mechanism (SRIAM) as approval would set bad precedent regarding single-issue ratemaking. Furthermore, the mechanism is not needed because there is no extraordinary amount of total investment being incurred during the proposed length of the mechanism;

5) Accept staff's proposed partial decoupling mechanism for a three-year trial period to eliminate the disincentive to pursue conservation. Reject the component tied to recovery of margins associated with weather changes as this component does not coincide with staff's objective on decoupling and, as structured, the proposed mechanism increases bill volatility for customers;

6) Accept staff's consistently applied and Commission-accepted weather normalization calculation based on 30-year NOAA data, as opposed to the company's simple linear statistical model approach based on 55 years of estimated data to trend weather changes reflecting global warming.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes, I sponsor the following exhibits:

Exhibit No. ___ (MPP-2) Calculation of Revenue Requirements
Exhibit No. ___ (MPP-3) Results of Operation
Exhibit No. ___ (MPP-4) Working Capital Calculation

Exhibit No. ___ (MPP-5) Miscellaneous Service Charges
Exhibit No. ___ (MPP-6) Optional Gas Management Service LSN Order and Staff Memo
Exhibit No. ___ (MPP-7) Company Responses to Staff Data Requests Nos. 87, 123, 124, 132, 146, 147, 148, and 213

III. REVENUE REQUIREMENT

Q. Please begin by briefly describing Exhibit No. ___ (MPP-2), Calculation of Revenue Requirements.

A. This exhibit shows the calculation of the required revenue increase to earn an 8.33 percent rate of return and is shown on Line 7, entitled "Increase Revenue Requirement" in the amount of $1,564,132. This number is reduced by the amount of revenues that will be collected by the increases or assignment of miscellaneous charges and fees in the amount of $1,885,720. Line 9, entitled "Increase Revenue Requirement Assigned to Rate Schedules," is negative $321,588. This represents the amount of revenues to be passed back to rate payers in the form of decreases to the retail rate schedules.

Q. Turning to Exhibit No. ___ (MPP-3), would you please describe this exhibit?

Page 1 of Exhibit No. ___ (MPP-3), first column (b), entitled "Statement of Operations Per Books," reflects the test year (October 2004 to September 2005) amounts and indicates that Cascade earned a rate of return of 6.81 percent. The 6.81 percent rate of return is different than the 6.60 percent, as reflected as the per books rate of return on Exhibit No. ___ (JTS-2), Schedule 1 of 1, Page 1 of 4, due to a difference in the

The second component relates to the new CEO and CFO. The company's proposed adjustment included a full year's effect of the salaries for the new officers; however, the company neglected to remove the test period salaries actually paid to the new officers. This resulted in a double-counting of salaries. Staff removed the partial-year salaries.

The third component relates to staff removing from the level of salaries certain items that should not be borne by the ratepayers. These items include a monthly allowance for lease or purchase of a car, and payment of club dues and other expenses.

Staff's proposed wage adjustment is an increase in expense of $188,561, as compared to the company's $517,034.

Restate Test Period for Normal Weather

Dr. Mariam addresses the calculation and methodology for this adjustment. Staff's proposed adjustment increases test period revenues by $2,258,046, as compared to the company's $730,779.

Restate Per Books to Actual Uncollectibles

Staff has adjusted the company's per books accrual for uncollectibles to the actual incurred write-offs for the test period. This is a standard ratemaking adjustment and in this case results in an expense decrease of $191,006.

Pro Forma Wages & Related Costs

The only difference in this adjustment from that proposed by the company is the impact of applying wage increases to different test year wage amounts. The test year wage amounts are different as described in the Restated Wages and Related Costs