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 BEFORE THE WASHINGTON STATE

 2 UTILITIES AND TRANSPORTATION COMMISSION

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 4 WASHINGTON UTILITIES AND )

 TRANSPORTATION COMMISSION, )

 5 ) Docket No. UG-152286

 Complainant, )

 6 )

 v. )

 7 )

 CASCADE NATURAL GAS CORPORATION, )

 8 )

 Respondent. )

 9 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

10 SETTLEMENT AGREEMENT HEARING, VOLUME II

11 PAGES 15 - 71

12 ADMINISTRATIVE LAW JUDGE GREGORY J. KOPTA

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15 9:06 A.M.

16 JUNE 14, 2016

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18 Washington Utilities and Transportation Commission

 1300 South Evergreen Park Drive Southwest, Room 206

19 Olympia, Washington 98504-7250

20

 REPORTED BY: RYAN ZIEGLER, RPR, CCR #3348

21

 Buell Realtime Reporting, LLC

22 1325 Fourth Avenue

 Suite 1840

23 Seattle, Washington 98101

 206.287.9066 | Seattle

24 360.534.9066 | Olympia

 800.846.6989 | National

25 www.buellrealtime.com

0016

 1 A P P E A R A N C E S

 2

 ADMINISTRATIVE LAW JUDGE:

 3

 GREGORY J. KOPTA

 4 Utilities and Transportation Commission

 P.O. Box 47250

 5 1300 South Evergreen Park Drive Southwest

 Olympia, Washington 98504

 6 360.664.1136

 7

 WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION:

 8

 CHAIRMAN DAVID W. DANNER

 9 COMMISSIONER ANN E. RENDAHL

 COMMISSIONER PHILIP B. JONES (via bridge line)

10 1300 South Evergreen Park Drive Southwest

 P.O. Box 47250

11 Olympia, Washington 98504

 360.664.1160

12

13 FOR COMMISSION STAFF:

14 BRETT P. SHEARER

 ANDREW J. O'CONNELL

15 Assistant Attorneys General

 1400 South Evergreen Park Drive Southwest

16 P.O. Box 40128

 Olympia, Washington 98504

17 360.664.1186

 bshearer@utc.wa.gov

18 aoconnell@utc.wa.gov

19

 FOR PUBLIC COUNSEL:

20

 LISA W. GAFKEN

21 Senior Assistant Attorney General

 Public Counsel Division

22 800 Fifth Avenue

 Suite 2000

23 Mail Stop TB-14

 Seattle, Washington 98104

24 206.389.2055

 lisag@atg.wa.gov

25

0017

 1 A P P E A R A N C E S (cont.)

 2

 FOR CASCADE NATURAL GAS CORPORATION:

 3

 LISA F. RACKNER

 4 JOCELYN C. PEASE

 McDowell Rackner Gibson, PC

 5 419 Southwest 11th Avenue

 Suite 400

 6 Portland, Oregon 97205

 503.595.3922

 7 lisa@mrg-law.com

 jocelyn@mrg-law.com

 8

 9 FOR THE ENERGY PROJECT:

10 BRAD M. PURDY (via bridge line)

 Law Office of Brad M. Purdy

11 2019 North 17th Street

 Boise, Idaho 83702

12 208.384.1299

 bmpurdy@hotmail.com

13

14 FOR NORTHWEST INDUSTRIAL GAS USERS:

15 TOMMY A. BROOKS

 Cable Huston, LLP

16 1001 Southwest Fifth Avenue

 Suite 2000

17 Portland, Oregon 97204

 503.224.3092

18 tbrooks@cablehuston.com

19

20

21 \* \* \* \* \*

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 1 OLYMPIA, WASHINGTON; JUNE 14, 2016

 2 9:06 A.M.

 3 --o0o--

 4

 5 JUDGE KOPTA: Let's be on the record in

 6 Docket UG-152286, captioned Washington Utilities and

 7 Transportation Commission versus Cascade Natural Gas

 8 Corporation.

 9 We are here today for a hearing on the

10 settlement agreement among all parties to take statements

11 from counsel and also to hear witness testimony in support

12 of the settlement and give the Commissioners an opportunity

13 to question the settlement as well as the testimony in

14 support.

15 I am Gregory J. Kopta, the administrative law

16 judge who will be presiding with the Commissioners, and

17 with me on the bench are Chairman David Danner and

18 Commissioner Ann Rendahl. Commissioner Jones, we are

19 hoping, will be on the bridge line to join us in due

20 course.

21 So let's begin with taking appearances,

22 beginning with the Company.

23 MS. RACKNER: Good morning. Thank you. I am

24 Lisa Rackner on behalf of Cascade Natural Gas with the law

25 firm of McDowell, Rackner, and Gibson.

0021

 1 JUDGE KOPTA: Thank you.

 2 For Staff?

 3 MR. SHEARER: Brett Shearer, assistant

 4 attorney general, here on behalf of Commission Staff, and

 5 with me is my colleague Andrew O'Connell.

 6 JUDGE KOPTA: And for Public Counsel?

 7 MS. GAFKEN: Good morning. Lisa Gafken,

 8 assistant attorney general, appearing on behalf of Public

 9 Counsel.

10 JUDGE KOPTA: And for Northwest --

11 MR. BROOKS: Good morning. Tommy Brooks,

12 Cable Huston, for the Northwest Industrial Gas Users.

13 JUDGE KOPTA: And for The Energy Project?

14 MR. PURDY: Brad Purdy.

15 JUDGE KOPTA: All right. Anyone else wishing

16 to make an appearance? Hearing none.

17 First order of business is to complete the

18 evidentiary -- evidentiary record. As far as exhibits go,

19 we have the settlement agreement, as well as the supporting

20 testimony; and as I understand it, the Company would also

21 like to introduce its original filing as part of the record

22 in this proceeding, so --

23 CHAIRMAN DANNER: Somebody's calling.

24 COMMISSIONER RENDAHL: Somebody's calling.

25 JUDGE KOPTA: Is that --

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 1 COMMISSIONER RENDAHL: Should we go off the

 2 record for a little bit?

 3 JUDGE KOPTA: Yeah. Let's go off the record

 4 for a moment.

 5 (Pause in the proceedings.)

 6 JUDGE KOPTA: Let's be back on the record.

 7 All right. We were talking about exhibits.

 8 So we have what's been identified as Exhibit JT-1T, which

 9 is the joint testimony in support of the settlement

10 agreement, including Attachment A, which is the settlement

11 agreement. And are there any objections to admitting those

12 documents into the record? They are admitted.

13 And, Ms. Rackner, I will ask you to provide a

14 list of the documents that are exhibits that you would like

15 to have introduced from the Company's original filing.

16 MS. RACKNER: Yes. Thank you.

17 Cascade would like to offer the testimony and

18 exhibits that were listed in the exhibit list that was

19 filed with the Commission on February 26th, 2016, and I'm

20 happy to read them into the record, if that's helpful.

21 JUDGE KOPTA: I don't really want to take

22 time to do that. We'll just use that reference, and we'll

23 provide that document to the court reporter so that we can

24 have that be part of the record.

25 Any objection to admitting those -- that

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 1 testimony and those exhibits? Hearing none, they are

 2 admitted.

 3 All right. Then let us proceed with opening

 4 statements, and let's begin with the Company.

 5 Ms. Rackner?

 6 MS. RACKNER: Thank you. Good morning, Chair

 7 Danner, Commissioner Rendahl, and Commissioner Jones, if he

 8 has joined us, and ALJ Kopta.

 9 My name is Lisa Rackner. I'm here on behalf

10 of Cascade, and I would like to just provide a little bit

11 of background on the Company and its view of the settlement

12 in this case.

13 Cascade filed this case in December of 2015,

14 and it was the Company's first case since 2006. Since the

15 last rate case, the Company has experienced several

16 changes. First, it merged with Montana-Dakota Utilities in

17 2007. It moved its headquarters from Seattle to Kennewick.

18 The consolidation of operations with MDU has

19 resulted in efficiency savings in the form of shared senior

20 management, a unified call center, a joint billing

21 facility, and uniform customer account information and

22 software.

23 Also during this time, the Company

24 significantly increased its safety and reliability in

25 related investments and infrastructure. The rate base in

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 1 this case, in the original filing, was 58 million more than

 2 its existing rate case -- rate base at the time, which

 3 represented a 25 percent increase. Customer growth, on the

 4 other hand, had slowed, as well as customer usage, which

 5 has declined.

 6 Nevertheless, the Company was able to go nine

 7 years without a rate case by taking advantage of the

 8 synergy savings that were offered to the Company through

 9 the merger.

10 But what drove the need to recover -- for

11 this case was the need to recover investments in

12 infrastructure and increases in O&M. The Company's been

13 able to recover some of its infrastructure investments

14 through the CRM, but there have been infrastructure costs

15 that were not captured by the CRM. Over time, the

16 Company's O&M costs have also increased.

17 The Company's initial case requested an

18 increase of 10.5 million, which represented about a

19 4.17 percent increase, and through the workings of the

20 parties, the help of the parties to identify corrections

21 and updates to the initial filing, and through compromise

22 achieved through the settlement conference, the parties

23 have agreed to an increase of 4 million, which represents

24 an increase of about 1.16 percent of total revenue.

25 From the Company's perspective, the

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 1 settlement fairly resolves the issues in the case and it

 2 also accomplishes several important items. The revenue

 3 increase is modest, but the Company believes it will be

 4 adequate to cover at least a significant portion of the

 5 Company's expense and ensures that the Company will be able

 6 to operate and earn a reasonable return until its next rate

 7 case filing.

 8 A key element was the implementation of

 9 decoupling. The mechanism proposed by the Company is

10 similar to that -- that is in place for both Avista and

11 PSE. It's important to the Company; it will break the link

12 between usage and cost recovery and will remove any

13 disincentive to invest in conservation and efficiency.

14 Additionally, the decoupling will allow the

15 Company to maintain a low basic charge while still allowing

16 the Company to recover the costs incurred to serve its

17 customers.

18 And third, the settlement includes

19 improvements to the Company's low-income program, the

20 Washington Energy Assistant Fund -- Assistance Fund, and to

21 the Company's conservation program.

22 The terms agreed to in the settlement will

23 provide a consistent source of funding for these programs

24 while still allowing the Company to serve its customers.

25 The settlement also includes ongoing participation with

0026

 1 stakeholders to help ensure the implementation of the

 2 programs.

 3 The Company appreciates the hard work of

 4 Staff and the parties in participating in the settlement,

 5 and here today this morning we have Michael Parvinen,

 6 Cascade's director of regulatory affairs, who will be the

 7 witness in support of the joint testimony. He will be

 8 available to answer any questions you may have. Thank you.

 9 JUDGE KOPTA: Thank you, Ms. Rackner.

10 I guess we'll go around the table.

11 Mr. Brooks?

12 MR. BROOKS: Sure. Again, for the record,

13 Tommy Brooks for the Northwest Industrial Gas Users.

14 I think the best way to look -- or to

15 understand NWIGU's approach to the settlement is to

16 actually go back to the filing that Cascade had before this

17 general rate case when they were going to increase rates

18 for most classes by about a little under 3 percent due to

19 the -- based on the Commission Basis Report.

20 And we came to the Commission asking for that

21 not to be approved because of things like that it had been

22 since 2006 since there had been a general rate case,

23 because we hadn't had a general rate case since the merger.

24 And what we asked for and what the Commission granted was

25 the opportunity to do something that was based on a more

0027

 1 robust recent record and actually had some of the data that

 2 we could do cost-based rates on.

 3 So part of this is to say thank you to the

 4 Commission for the decision that it made in that earlier

 5 case, because it allowed us to get to this case and

 6 actually do a little bit of review with the numbers, and

 7 when you -- when you look at Cascade's filing, you can see

 8 what difference that made.

 9 I think in the earlier filing, the

10 transportation customers were going to be stuck with, like,

11 over 7, maybe even 10 percent rate increase. With this

12 filing, one that's based on a cost-of-service study,

13 Cascade had actually proposed a zero percent increase on

14 industrial customers.

15 So it shows how, looking at those

16 cost-of-service numbers, that's what you need in order to

17 make an informed decision, and so that's -- that was our

18 starting point, and that -- and that's what we looked at.

19 We did -- we moved from that position and

20 were willing to -- to agree to a small increase for

21 industrial customers, but still to meet our -- one of our

22 main goals, which is to eventually achieve rate parity

23 among the classes.

24 So while it would have gone closer to

25 achieving parity to go with the Company's filing, we still

0028

 1 did make a step toward that with the way the parties were

 2 able to agree to divide up the increase among the

 3 residential versus everyone else.

 4 We also made a big step with we kept the

 5 special contracts class at a zero percent increase, and

 6 based on both the Company's analysis, and I believe the

 7 initial analysis that Staff had done, that was the -- the

 8 class that was most out of whack, about 150 percent, and so

 9 we made that part of it.

10 So I think that -- that really captures, you

11 know, kind of the -- the attitude that we came to the table

12 with and some of the goals we wanted to achieve. And then

13 we were, I think, in sync with the rest of the parties of

14 trying to find a rate of return that looks like it

15 reflects, you know, more of what other companies around the

16 region are receiving.

17 Of course, it's a -- it's a black-box

18 settlement. We don't have the specifics. You know,

19 everyone has a different version of how they -- what they

20 think is behind that rate of return, but knowing the

21 numbers that have to go into that, we're -- we all must be

22 pretty close in terms of how we're thinking.

23 And then the -- I think, you know, the

24 Company being willing to come off of their original revenue

25 increase, and they made a lot of movement in that

0029

 1 direction, we are willing to go in that spirit of

 2 compromise, and that's it.

 3 JUDGE KOPTA: All right. Thank you.

 4 Ms. Gafken?

 5 MS. GAFKEN: Good morning, Chairman,

 6 Commissioners, and -- and Judge.

 7 Public Counsel does support the settlement

 8 agreement that is being proposed for consideration here

 9 today. I'm going to take a few minutes just to highlight

10 some of the key components of that settlement and -- and

11 how we were coming at those components.

12 In particular, it provides for a lower

13 revenue requirement than what was being requested. The

14 revenue requirement that is presented in the settlement

15 agreement is more in line with the analysis that Public

16 Counsel had done throughout the -- the case, and it fits

17 with what we believe is a reasonable outcome in the matter.

18 The rate spread issue is dealt with in a fair

19 manner. It provides with -- for some sharing among most of

20 the classes, and it also leaves the customer charge so that

21 on the -- the rate design side of things, it leaves the

22 customer charge unchanged, which Public Counsel sees as a

23 large benefit.

24 The settlement does provide for a decoupling

25 mechanism for forecast aid. The decoupling mechanism is

0030

 1 consistent with the Commission's policy statement in

 2 U-100522, and it's also consistent with the other

 3 mechanisms that have been approved for other utilities in

 4 the state.

 5 Of particular note for Public Counsel,

 6 there's key customer protections that are built into that

 7 decoupling mechanism, including an earnings test that is

 8 different than what the Company filed, but more similar to

 9 the other approved mechanisms.

10 It also provides for a third-party review

11 after a few years to evaluate, how did the mechanism

12 perform? Is it doing the things that -- that it's supposed

13 to be doing? And -- and how are the customers faring? Is

14 there any harm?

15 The rate of return is a black box, but it

16 does recognize the change in cost of capital since the

17 Company's last rate case in 2006.

18 With respect to the conservation program, the

19 settlement agreement goes a long way here in terms of

20 building a more consistent structure that's more in line

21 with what we see with other utility conservation programs

22 and other utility advisory groups, so we see that as a

23 large benefit. There's also built in more clear

24 accountability with respect to Cascade's conservation

25 program.

0031

 1 The last thing that I'll highlight is the

 2 low-income assistance program terms, and you know, again,

 3 we see that as a vital part of the settlement agreement.

 4 The settlement agreement provides for certain design

 5 components, so looking at how money is distributed among

 6 the -- the Community Action Agencies and also addressing

 7 funding levels over a multi-year period.

 8 Importantly, an advisory group has been

 9 created under the settlement agreement, and you know,

10 coming off of our work with Avista and their low-income

11 advisory group, Public Counsel's quite excited about this,

12 and we're looking forward to the good work that'll go into

13 that advisory group with -- with this Company.

14 So some components are black box. There's

15 other components of the settlement agreement that are more

16 fully expressed or laid out. Overall, the settlement

17 agreement provides an appropriate balance between

18 shareholder interests and ratepayer interests and results

19 in a fair, just, and reasonable -- fair, just, reasonable,

20 and sufficient rate.

21 The Company also has a reasonable opportunity

22 under the settlement to earn its settlement return -- rate

23 of return. Because the settlement is in the public

24 interest, Public Counsel recommends that the Commission

25 adopt the settlement agreement.

0032

 1 And our witness, Glenn Watkins, is on the

 2 line and will be available to answer questions that the

 3 Commission may have. Thank you.

 4 JUDGE KOPTA: All right. Thank you,

 5 Ms. Gafken.

 6 Mr. O'Connell or Mr. Shearer?

 7 MR. SHEARER: Thank you, Your Honor. Good

 8 morning, Commissioners. Good morning, Your Honor.

 9 As you know, today, the parties are

10 presenting a full settlement agreement for your

11 consideration. Staff would encourage the Commission to

12 look at both the numeric- -- numerical results and the

13 long-term achievements that are embedded in that agreement.

14 Each of those factors, alone and in combination, strongly

15 suggest that this agreement is a fair and reasonable

16 outcome for all the parties involved.

17 The numerical results, you've heard a little

18 bit already, but they do jump out. We have a

19 six-and-a-half-million-dollar reduction from the Company's

20 initial request. We have a pro -- limited pro forma plant

21 additions that, from Staff's perpect- -- perspective,

22 conform to Commission precedent and general regulatory

23 principles. We have a reduction of 30 basis points to the

24 Company's requested rate of return.

25 The long-term achievements embedded in the

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 1 agreement are equally important. There's a decoupling

 2 mechanism that complies with the UTC policy statement and

 3 recent Commission precedent with other companies; a rate

 4 spread and rate design that moves towards parity; a

 5 formalized conservation program that will bind the Company;

 6 a significant and consistent increase for low-income

 7 assistance; dramatic improvements to the Company's

 8 recordkeeping, data collection, and data reporting to this

 9 Commission.

10 So the combination of all of these points

11 strongly point to the fact that the parties' agreement is

12 in the public interest. Staff certainly believes that is

13 the case and asks this Commission to adopt the agreement

14 without condition.

15 And Ms. Erdahl, Betty Erdahl, will be Staff's

16 witness here today, and she's available for questions.

17 JUDGE KOPTA: All right.

18 MR. SHEARER: Thank you.

19 JUDGE KOPTA: Thank you, Mr. Shearer.

20 And, Mr. Purdy, do you have a brief statement

21 on behalf of The Energy Project?

22 MR. PURDY: I do have a brief statement, Your

23 Honor.

24 I first wish to thank you for your

25 accommodation in allowing me to participate telephonically.

0034

 1 It's no small matter to The Energy Project in -- in terms

 2 of cost savings, so --

 3 JUDGE KOPTA: Okay. Mr. Purdy, could you

 4 speak up just a little bit? We're having a little bit of a

 5 hard time hearing you.

 6 MR. PURDY: Thank you.

 7 Okay. Is that -- is that better?

 8 JUDGE KOPTA: That's better.

 9 MR. PURDY: Thank you, and thank you to --

10 thanks to the Commissioners for allowing me to participate

11 in this manner.

12 For the last ten years, the Community Action

13 Agencies have been operating the Washington Energy

14 Assistance Fund, a/k/a WEAF, and the low-income

15 weatherization program in Cascade's service territory.

16 This rate case represents the first time

17 since the initiation of these two programs that any

18 substantial changes have been recommended to their

19 structure, and we are confident that these changes will

20 provide more meaningful benefits to eligible Cascade

21 customers.

22 So to highlight the portions of the

23 settlement that are of particular interest and benefit to

24 low-income customers and therefore Energy Project's

25 objectives, I start with noting that we support the

0035

 1 adoption of the -- the following four goals that Cascade

 2 has agreed to adopt to guide decisions in all respects or

 3 aspects of program design.

 4 The first one being, keeping customers

 5 connected to energy service, providing assistance to more

 6 customers than currently served, lowering the energy burden

 7 of program participants, and collecting data necessary to

 8 assess program effectiveness and to inform ongoing policy

 9 discussions.

10 The establishment -- in terms of the

11 establishment of the low-income energy assistance advisory

12 group, I thought that Ms. Gafken did a very good job of --

13 of summing that up and agree with what she said. Cascade

14 will establish an advisory group involving key stakeholders

15 including, of course, Public Counsel, Commission Staff, The

16 Energy Project, Cascade, obviously, and representatives --

17 very importantly, representatives from the agencies.

18 In terms of needs assessment, the purpose of

19 the study is to identify the number of households in --

20 that are in poverty in Cascade's service area in

21 Washington. This is an issue, of course, that we are

22 working on with -- with Pacific Power & Light and -- and

23 I'm sure other utilities in Washington as well.

24 The Company and the Community Action Agencies

25 can use the results of the study to better direct resources

0036

 1 to the areas with the greatest need.

 2 Cascade will also remove the monthly spending

 3 cap for each agency, and this is a really important point

 4 that my client will certainly be able to answer technical

 5 questions on, but the -- the existing monthly cap makes it

 6 very, very difficult to spend out the funding, which is one

 7 reason why, for instance, WEAF has not done -- has

 8 underspent in past years, because during high-use months,

 9 i.e. winter months, there is a cap, and there is need that

10 exceeds that cap. In low-use months, there's -- there's

11 not as much need, so -- so removing that cap is of

12 tremendous importance to -- to The Energy Project.

13 And as far as customer outreach and

14 education, the Company -- the Company has agreed to consult

15 with the low-income advisory group to develop and implement

16 a plan to strengthen outreach to potentially qualified

17 customers, make them aware of this -- of the various

18 assistance programs and hopefully get them signed up.

19 And in terms of the five-year plan for

20 funding increases, which is, I would note, somewhat similar

21 to what was done in Pacific Power & Light roughly five

22 years ago for their low -- assistance program, the funding

23 level for WEAF will increase by 5.1 percent annually for

24 the next five years, and I -- I hope that most parties

25 agree, anyway, that -- and certainly the Commission, that

0037

 1 the -- that the Pacific Power & Light program was a

 2 success, and I'm sure it will be for Cascade as well.

 3 Finally, with respect to low-income

 4 weatherization assistance, the Company will, in cooperation

 5 with the Conservation Advisory Group and representatives

 6 from the agencies, investigate the barriers that exist to

 7 low-income weatherization within its -- its Washington

 8 service territory and develop a proposal for overcoming

 9 those barriers.

10 The Company and stakeholders may consider

11 approaches that Cascade has employed in other states, such

12 as the low-income weatherization pilot tariff currently

13 operating in Oregon.

14 So having said that, The Energy Project

15 supports this settlement and recommends that it be

16 approved. Thank you.

17 JUDGE KOPTA: Thank you, Mr. Purdy.

18 And just for clarity of the record, your

19 reference to WEAF, capital -- all caps, W-E-A-F, would you

20 tell us what that stands for.

21 MR. PURDY: Yes. Yes. I'm sorry.

22 Washington Energy Assistance Fund.

23 JUDGE KOPTA: Thank you. All right. I

24 believe that concludes counsels' statements.

25 Can I have your witnesses up here so that we

0038

 1 can swear them in and have them available for questions

 2 from the Commissioners?

 3 COMMISSIONER JONES: And, Judge Kopta, I've

 4 joined the conference line. This is Commissioner Jones.

 5 JUDGE KOPTA: Thank you, Commissioner Jones.

 6 Before you sit down -- and I will assume that

 7 Mr. Watkins is standing -- will you raise your right hand.

 8

 9 SHAWN COLLINS, BETTY ERDAHL, ED FINKLEA, MICHAEL PARVINEN,

10 and GLENN WATKINS, witnesses herein, having been first

11 duly sworn on oath, were examined and

12 testified as follows:

13

14 JUDGE KOPTA: You may be seated. All right.

15 If you would, introduce yourselves and identify who you are

16 here representing. We'll begin with Ms. Erdahl.

17 MS. ERDAHL: I'm Betty Erdahl with Commission

18 Staff.

19 MR. COLLINS: Shawn Collins, director of The

20 Energy Project.

21 MR. PARVINEN: Mike Parvinen, director of

22 regulatory affairs for Cascade Natural Gas.

23 MR. FINKLEA: Ed Finklea, the executive

24 director of the Northwest Industrial Gas Users.

25 JUDGE KOPTA: And Mr. Watkins?

0039

 1 MR. WATKINS: Yes. Glenn Watkins, consultant

 2 to Public Counsel.

 3 JUDGE KOPTA: All right. Thank you.

 4 We have the joint testimony, so I don't think

 5 we need anything at this point, but we'll open it up to

 6 questions from the Commissioners.

 7 Chairman, would you like to begin?

 8 CHAIRMAN DANNER: All right. Thank you.

 9 I guess the first question I have is with

10 regard to parity among rate classes, and everybody's

11 talking about how we're making progress towards that. How

12 do you see this playing out? What is the endgame over the

13 next decade? How are we going to achieve that? It's just

14 rate case by rate case, or what -- was there any discussion

15 of that?

16 MR. PARVINEN: As -- Mike Parvinen. We -- we

17 actually did not have discussion on where it would go in

18 the future, but I would anticipate that, based on the cost

19 of service or the various parties' versions of the cost of

20 service, that you would see similar movement in future rate

21 cases, which are anticipated to be fairly frequent, so

22 there will be opportunities to keep moving in that

23 direction.

24 CHAIRMAN DANNER: Okay. Anyone else?

25 MR. WATKINS: Yes. Commissioner, this is

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 1 Glenn Watkins. If I may also add, as part of the

 2 settlement, the Company will be conducting a more robust

 3 load study to provide all of the parties with more complete

 4 data, if you will, on class loads, which is a fundamental

 5 aspect of -- of the allocated cost to the various cost

 6 study.

 7 So at least in my opinion, it would -- it

 8 would be premature to set forth a specific timetable as to

 9 how or when we're going to move towards parity, because a

10 lot of that will depend on the results of -- of the

11 cost-of-service study, and then --

12 (Bridge line interruption.)

13 MR. WATKINS: -- depends on how costs should

14 be allocated.

15 JUDGE KOPTA: Would you repeat that last

16 sentence, Mr. Watkins? Whenever you hear that long beep,

17 we can't hear you.

18 MR. WATKINS: Oh, okay. Yeah. I don't know

19 what that was from.

20 So with that being said, going forward, we

21 should have some more robust data with respect to loads,

22 but you know, with that, different parties have different

23 opinions on how costs should be allocated, the -- the

24 age-old disagreements and controversy surrounding cost

25 allocations.

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 1 But not with -- but even with the

 2 Commission's generally preferred peak-and-average approach,

 3 that -- we will be having more complete load data going

 4 forward.

 5 CHAIRMAN DANNER: All right. Thank you. I

 6 was really just -- I was just wondering if there had been

 7 conversations on it, because several of the parties hit on

 8 it in their -- in their -- counsel, when they were making

 9 their opening comments.

10 The other question I have relates to the

11 program tariff on the WEAF, the Washington Energy

12 Assistance Fund. So it says in the settlement that, going

13 forward, any unspent funds will be returned to ratepayers

14 the next year, and I was wondering, even though the funds

15 may be unspent in any given year, the need continues.

16 I mean, we know that the need is there and

17 that the need will be there, and was any thought given to,

18 instead of returning this money to ratepayers, simply

19 putting it into an escrow fund or something where we know

20 that it will be used for this purpose? And if it's -- you

21 know, weatherization is something that -- that I believe it

22 does take a while to -- to weatherize people's homes and --

23 but -- but the need isn't going away.

24 Was there any talk about doing something that

25 would basically put this money aside for this purpose as

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 1 opposed to saying, "We have it for now, and we'll return it

 2 to ratepayers later"?

 3 MR. PARVINEN: We did have some discussion.

 4 I mean, that's one of the elements that's built into the --

 5 into the stipulation is that the advisory group will decide

 6 how that -- how the current pot of money will be used. On

 7 an ongoing basis, it was more, if we did not achieve the

 8 budget, that we would flow those monies back to ratepayers.

 9 But certainly the advisory group could --

10 could decide to do otherwise with it. There's things built

11 into this that allows for -- that currently doesn't exist:

12 How to get -- identify the program to customers better,

13 whether through some sort of advertising or -- or program

14 that the funds could be used for those types of -- of

15 mechanisms to get better information out to customers to

16 get more customers taking advantaging of the program.

17 CHAIRMAN DANNER: Would the parties object or

18 oppose if -- if we were to say, "Why don't we put that

19 money into a separate account and hold onto it for

20 weatherization?" Because, again, we know that the need is

21 there and, if the funding is there, that it will eventually

22 be used for the purpose for which it was collected.

23 MR. COLLINS: If -- if I may, I think one of

24 the goals -- to answer your question, I would be in support

25 of that. I think as part of the settlement, what The

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 1 Energy Project was looking for is a mechanism for

 2 delivering weatherization that's going to be more

 3 effective, and I think Cascade has kind of struck upon

 4 something in Oregon that's working well, and we're hoping

 5 that we can adopt a similar program here in Washington

 6 State that would allow for more people to be receiving

 7 weatherization.

 8 And working with UTC Staff, part of our

 9 conversation was the existing funds that are remaining

10 from -- that are unspent, how to utilize those. One -- one

11 thing that we arrived at was a study to better understand

12 the distribution of low-income households throughout the

13 service territory that I think will help inform the service

14 delivery.

15 Certainly, providing funds for weatherization

16 is -- is important in both reducing the need for -- the

17 incidences of high -- high bills on low-income households,

18 so -- so we would certainly be in support of that.

19 CHAIRMAN DANNER: Okay. And you -- would you

20 prefer that to having the provisions in the settlement for

21 returning the money to ratepayers?

22 MR. COLLINS: I think from past history of --

23 of how the program was operated with those funds being

24 set -- the unspent funds being set up and then rolled over

25 to next year, there have been difficulties with the

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 1 accounting of those and utilization, so I think we're --

 2 we're open to that. I would not say it's necessarily a

 3 preference at this point.

 4 CHAIRMAN DANNER: Okay. But it's not an

 5 objection?

 6 MR. COLLINS: No.

 7 CHAIRMAN DANNER: I mean, I understand you're

 8 all here to support the settlement and the settlement has

 9 that provision in it. I'm just -- this -- this is one

10 where I look at it and I think I would rather -- I would

11 rather have that money, basically, if we can figure out the

12 proper accounting for it, to -- to set it aside and make

13 sure that it's going to be used for the purpose for which

14 it was collected.

15 MR. PARVINEN: Well, I would also comment

16 that, well, our -- our low-income conservation program,

17 there's not a barrier on -- on funds for that. It's

18 what -- what is actually achieved is then recovered through

19 the tariff, so it's -- I don't see it as having a

20 tremendous benefit.

21 What is lacking on the conservation side is,

22 what are the barriers to success? And that's what the

23 advisory group is -- will be working on is how to remove

24 those, similar to what we did now on the WEAF. We've taken

25 a major step forward in removing the barriers to success,

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 1 and quite frankly, I don't see us as having a pot of

 2 dollars at the end that would go back to customers.

 3 I think we're going to have more -- more

 4 restrictions of staying under the -- the balance at the end

 5 of the year. But again, I think the conservation program

 6 doesn't have the bar- -- or doesn't have the dollar

 7 limitations that prevents us from -- from being successful.

 8 There's other factors.

 9 CHAIRMAN DANNER: Ms. Erdahl?

10 MS. ERDAHL: And Staff wouldn't oppose the

11 money staying in the fund either. I think part of the

12 appeal was there's been a balance in the fund for years,

13 but I agree with the Company in that there needs to be an

14 effort to determine how the money can be best spent in

15 reaching out to people, and so I suspect in the future

16 we'll -- hopefully, if we're reaching the people who need

17 the money, we won't have a balance there.

18 But the intent was, the amount of money that

19 can be spent will be available. Certainly, if they

20 under-collect, there would be a trip mechanism so the

21 Company could collect what they need to pay for the prior

22 year, and so we just basically did it both ways. They

23 over-collect, they return the money; they under-collect --

24 kind of like the PGA in the conservation filings, so --

25 CHAIRMAN DANNER: Yeah.

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 1 MS. ERDAHL: -- and interest is applied to

 2 the balance that's sitting there, and it will be accounted

 3 for in a separate manner and very easy to identify going

 4 forward, so.

 5 CHAIRMAN DANNER: Yeah. So, I mean, my

 6 concern is -- I mean, it just seems to me that whatever

 7 program you set up, the need is going to exceed the

 8 funding, and I know that with weatherization it's a slow-go

 9 game, but it's one that, you know, you're -- you've got to

10 constantly push that rock uphill.

11 And what I'm hearing is it's probably not a

12 big benefit to create a separate account as opposed to just

13 giving it back to ratepayers or truing it up, but that --

14 that's the concern I was -- I was raising, so -- you look

15 like you have a comment on it.

16 MR. COLLINS: Yeah. And just -- just to

17 follow up on that, I think, you know, where -- I don't want

18 to be in a position to say no to any additional resources

19 that are going to go to low-income houses. I want to

20 make -- make that clear.

21 And I think having the additional dollars

22 there, so long as we have an enhanced or a new -- a newer

23 mechanism for delivery of weatherization, I think those

24 funds could be utilized. But without that, I would just

25 worry that if the -- the funds collected for that purpose

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 1 and no changes are made to the existing weatherization

 2 program, that those funds would not be spent. So that --

 3 just a little caveat there, I think.

 4 CHAIRMAN DANNER: All right. Thank you.

 5 The last question I have -- or maybe I

 6 should -- are you --

 7 COMMISSIONER RENDAHL: I have --

 8 CHAIRMAN DANNER: I was going to ask about --

 9 COMMISSIONER RENDAHL: You go ahead.

10 CHAIRMAN DANNER: All right.

11 We have -- we have here a black-box

12 settlement, and I was -- I was concerned whether this --

13 whether you think there's enough here that this would be

14 the benchmark for an expedited rate filing or something in

15 a future rate case. Is that -- is it your position that

16 you could do something like that built on this case?

17 Mr. Parvinen?

18 MR. PARVINEN: I don't think so, and I -- and

19 I say that simply because there were a lot of the

20 conditions that came out of the settlement that are for the

21 next rate case with the anticipation that that would be

22 filed sooner rather than later, so I think now is probably

23 not the time to -- to do that. There's still enough things

24 up in the air, but I would have to look at -- at things.

25 Part of it was, we did identify how the

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 1 weather normalization will be done for the Commission Basis

 2 Report, and that was one of the big factors in this rate

 3 case, so that would be a major item, so -- now I'm

 4 backpedaling, because I hadn't thought -- I hadn't actually

 5 thought it all the way -- all the way through.

 6 It wasn't contemplated by the parties or

 7 discussed whether that was an option that parties would be

 8 open to or consider.

 9 CHAIRMAN DANNER: Okay. Thank you.

10 That's all I have.

11 Commissioner Rendahl?

12 COMMISSIONER RENDAHL: Good morning. I have

13 a couple of questions on the load study.

14 So first, the -- so the settlement requires

15 the Company to initiate this load study or, in the joint

16 testimony, it says the parties also agree the Company will

17 secure a study prior to the filing of its next general rate

18 case, but there's no commitment to finalize or finish it

19 before a date certain.

20 Is the intent to -- so I'm confused about

21 the -- the intent of the settlement to have a completed

22 load study with a cost-of-service study before the next

23 rate case, or -- or not. So I guess I need help in

24 interpreting what that section means and how it's going to

25 play out, what the intent was there.

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 1 MR. PARVINEN: All right. For the next rate

 2 case, we probably won't have a complete load study to the

 3 extent that -- that I think Staff is contemplating.

 4 One of the reasons is, is to have that

 5 specific data available by the next rate case -- right now,

 6 the Company's kind of contemplating filing a rate case

 7 early next year based on 2016 results. So if we were to do

 8 a load study, we wouldn't even have a full winter of data.

 9 So it's going to take time to actually get the data.

10 So the goal is to have the data-gathering

11 capabilities in place so that we can start gathering that

12 data, in other words, have the -- the study initiated, but

13 there's really no way to have it complete before the next

14 rate case.

15 COMMISSIONER RENDAHL: Okay. So the next

16 rate case would not involve a new cost-of-service study

17 based on a new load study? Or may include a

18 cost-of-service study, but not based on a new load study?

19 MR. PARVINEN: We may have better data -- as

20 we're working with Staff and the parties to identify what

21 do we really want this load study to work at, look like,

22 and work with, we may have data or a way to gather it that

23 will work better than what we did this last case, and that

24 may be incorporated in the next rate case, but -- so it's a

25 little open-ended --

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 1 COMMISSIONER RENDAHL: Okay.

 2 MR. PARVINEN: -- in my mind, just because I

 3 don't think it's specifically identified.

 4 The parties haven't sat down and said, "Okay.

 5 What are our capabilities of gathering data?" I know if we

 6 want to go to a certain extent, it could cost us millions

 7 of dollars to put in metering -- metering capabilities to

 8 get the data that may be contemplated, but that may not be

 9 a realistic approach.

10 So we would be looking at, what kind of data

11 is available? How can we gather it? What is -- what is

12 the most useful? What is acceptable usage? That'll still

13 be the conversations with -- with -- at least with Staff,

14 who -- on what they had in mind and what our capabilities

15 are.

16 COMMISSIONER RENDAHL: Okay. So before I ask

17 the same question to the other parties or maybe ask them to

18 comment on -- on what you just testified to, is it your

19 intent to be working collaboratively with the other parties

20 in developing the load study, or -- because you implied

21 that you'd be wanting to know what their interests were in

22 what data was collected.

23 MR. PARVINEN: So -- yeah, certainly to

24 establish what the expectations are. The last thing we

25 want to do is to -- is to go out, do a study, and come back

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 1 and say, "Oh. This wasn't what we were contemplating."

 2 So we don't want to go out with our own

 3 envision- -- you know, envisionment of what that end

 4 product would look like when that's not what the other

 5 parties had envisioned. So -- so there will be a meeting

 6 of the minds so that we're all clear on what that final

 7 product should look like so that we get to a good result.

 8 COMMISSIONER RENDAHL: Okay. And --

 9 MR. PARVINEN: And --

10 COMMISSIONER RENDAHL: Go ahead.

11 MR. PARVINEN: I'm sorry for interrupting,

12 but some of those conversations have already started taking

13 place too.

14 COMMISSIONER RENDAHL: Okay. Good.

15 So any -- any thoughts from the other

16 witnesses? Mr. Watkins or folks here in the room?

17 MR. WATKINS: No -- no, ma'am. I just agree

18 and support those things Mr. Parvinen said. It simply

19 takes time to collect the data, and it -- it takes a fair

20 amount of time to properly structure any load study.

21 So this was a -- this was discussed at length

22 throughout the settlement process, and quite frankly, we

23 just didn't want to box the Company into a commitment that

24 they couldn't hold up to if they have filed a rate case in

25 the not too distant future.

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 1 COMMISSIONER RENDAHL: Thank you.

 2 MR. WATKINS: Which is understandable, as far

 3 as I'm concerned.

 4 COMMISSIONER RENDAHL: Ms. Erdahl, you wanted

 5 to say something?

 6 MS. ERDAHL: I'd agree with -- I'd agree with

 7 Mr. Watkins. We're sensitive to the time that it takes to

 8 do the load study and the period of time that it should

 9 cover in the heating season, and so we're happy that we're

10 moving forward and getting data that we feel is critical in

11 the future, and it'll be used as soon as it's available,

12 so.

13 COMMISSIONER RENDAHL: Okay. Thank you.

14 And then one more question about the load

15 study. It also requires the Company to capture geographic

16 properties of the core usage classes. What exactly does

17 that reflect?

18 Maybe start with you, Mr. Parvinen? Or

19 another party if that was not something the Company had

20 offered.

21 MR. PARVINEN: I'll stall while Staff gets

22 some consultation, because this wasn't a criteria -- this

23 was a criteria more from -- from the Staff. And again,

24 I -- I viewed it as, "Okay. This is something we can agree

25 to as -- as, you know, identifying what those parameters of

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 1 the study will look like and see what we can do to achieve

 2 that."

 3 COMMISSIONER RENDAHL: Okay. So --

 4 MR. PARVINEN: I think -- I think it comes

 5 down to -- and I'll let Staff correct me, but -- because

 6 we're so -- our Company is so geographically diverse

 7 through Washington, I think our loads look different in

 8 Longview than they look in Yakima, so I think it's trying

 9 to get those different characteristics built into the

10 study.

11 COMMISSIONER RENDAHL: Okay. Any other party

12 want to weigh in in addition to Staff?

13 MS. ERDAHL: Okay. So from Staff's

14 perspective, basically, we just -- well, we reached a

15 settlement that we're very comfortable with and propose

16 accepting.

17 We're uncomfortable with the cost study that

18 was presented, and we didn't have the data available to do

19 the cost study in the manner that we would like to do it.

20 So once we can get this information -- it's important --

21 the information we'd like to get is what is the usage or --

22 or what class is the gas going to for each class at the

23 city gates?

24 And the Company does have different locations

25 spread out through the state, and so it's -- it's just

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 1 trying to identify what class is getting how much at each

 2 location, and that would help us determine the cost for

 3 each class.

 4 COMMISSIONER RENDAHL: Okay. Thank you.

 5 Any -- any other witness wants to -- want to

 6 comment on that?

 7 Mr. Finklea?

 8 MR. FINKLEA: Yes. Thank you, Commissioner.

 9 I -- we do agree that the load study will

10 help inform cost of service, but cost of service is also

11 very much about how one serves firm loads and how -- how

12 peaks are incurred in this industry, so we think that cost

13 studies can be done.

14 If there is a rate case before the load study

15 is -- is finished, we think informed cost of service can

16 still be conducted, but we do understand why it's

17 foundational to have load -- a load study performed.

18 And Cascade's -- as Mr. Parvinen observed,

19 Cascade has a very diverse service territory because it's

20 on both sides of the Cascades, so it has communities where

21 there's much more winter peak than other communities, so

22 that is something that would help inform cost of service.

23 COMMISSIONER RENDAHL: Thank you.

24 I have some additional questions, but,

25 Commissioner Jones, if you have questions you'd like to ask

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 1 or -- or Chairman Danner, I turn to either of you.

 2 COMMISSIONER JONES: Thank you. Yeah. I --

 3 Commissioner Rendahl, I just have a couple short ones, if I

 4 could.

 5 The establishment of the Low-Income Energy

 6 Assistance Advisory Group in paragraph -- what is it? --

 7 28, my first question is for Public Counsel. Now,

 8 Ms. Gafken, you -- you signed this agreement on behalf of

 9 Public Counsel; correct?

10 MS. GAFKEN: That is correct, Commissioner

11 Jones.

12 COMMISSIONER JONES: And I'm just wondering,

13 with the changes going on in your office and everything, as

14 this is kind of outside of the settlement, but both with

15 the IRP advisory process group and now this new advisory

16 group, are you going to have adequate resources to help out

17 on this? Because your -- your expertise on low income is

18 always appreciated in those groups.

19 MS. GAFKEN: Yes. We will have the

20 expertise. Of course, today we are down two analysts and

21 we have .6 of a reg- -- of a regulatory analyst at this

22 point; however, we are rebuilding, and we will have the

23 expertise in place.

24 You know, for the time being -- and maybe I'm

25 sharing a little too much, but for the time being, you

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 1 know, I was involved with the Avista low-income advisory

 2 group along with our analyst Lea Fisher, and so at this

 3 point, you know, I'm -- I'm currently working on -- on the

 4 Avista advisory group even though that is more of an

 5 analyst assignment.

 6 And I would assume that the same would be the

 7 case with -- with the Cascade advisory group as it's

 8 getting started, that I would be the one that would be

 9 participating in that. And then as we bring on new

10 analysts, then -- then I would pass that on to -- because

11 it does fit more into the analyst function.

12 But yes, Public Counsel is -- is fully

13 engaged in this issue and does see this as an important

14 one.

15 COMMISSIONER JONES: Good. Well, thank you

16 for that.

17 And who's going to be doing this for Staff,

18 specifically the low-income advisory group issues?

19 MS. ERDAHL: That would be someone from

20 Deborah Reynolds' group, and I'm guessing it would be Jing

21 Liu. I'm not sure.

22 COMMISSIONER JONES: Okay.

23 MS. ERDAHL: She worked on it in this case,

24 but I'm not sure if she'll carry on.

25 COMMISSIONER JONES: And you have adequate

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 1 Staff resources? Because I know we have a big job with

 2 Cascade's IRP as well, which we asked them to -- you know,

 3 we're stepping into a new time line on that and we rejected

 4 the last one, so this is an additional workload. I just

 5 want to make sure that Staff has adequate resources too.

 6 MS. ERDAHL: Deborah Reynolds is walking to

 7 the front of the room.

 8 COMMISSIONER JONES: Okay.

 9 And then my last question is for

10 Mr. Parvinen. How are you going to post the agendas, post

11 materials, and make sure that this Low-Income Energy

12 Assistance Advisory Group is a very inclusive, transparent

13 process? Are you going to do things on a website? Or how

14 are you going to make sure that the CAA, Staff, Public

15 Counsel, Energy Project, everybody is in the loop on this?

16 MR. PARVINEN: Well, I guess I'll -- I'll do

17 my best at answering that question.

18 I mean, most of it is -- it is an advisory

19 group, so as we move forward, we'll have an identified

20 group of participants, you know, from each -- each of the

21 parties where just -- I -- I imagine it more through

22 e-mail, e-mail and sharing of documents and agendas and

23 support, and then meetings and minutes from those meetings

24 would be shared amongst the group.

25 COMMISSIONER JONES: Okay.

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 1 MR. PARVINEN: Haven't really contemplated

 2 posting things on the website or anything.

 3 COMMISSIONER JONES: Yeah. There's very

 4 little in the settlement agreement on this, so

 5 Mr. Parvinen --

 6 (Bridge line interruption.)

 7 JUDGE KOPTA: Commissioner Jones, you're --

 8 you got garbled on that last comment. Could you repeat

 9 that, please?

10 COMMISSIONER JONES: The reason I raise this

11 is that there have been some challenges with the advisory

12 group processes of other utilities regarding IRPs, and I

13 think in terms of best practices, some of the other

14 utilities have found that posting -- creating a website or

15 a portion of the website for the advisory group and making

16 sure documents are posted in a timely manner, agendas are

17 posted so that nobody is surprised, is kind of a good

18 practice. So I would -- I guess I'm asking -- I'm urging

19 you to consider something like that.

20 And that's my last comment or question.

21 Thank you.

22 JUDGE KOPTA: All right. Thank you,

23 Commissioner Jones.

24 And I believe Staff, Ms. Erdahl, has an

25 additional comment in response to one of your questions

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 1 about resources.

 2 MS. ERDAHL: So, Commissioner Jones, Kathy

 3 Scanlan is a new hire who's under Deborah Reynolds, and she

 4 is actually going to be the Cascade point person for low

 5 income and probably conservation. And then we also have

 6 two new hires who are positions that opened, so we do feel

 7 that we have the resources available.

 8 COMMISSIONER JONES: And then, Ms. Erdahl,

 9 who's the lead on the IRP for Cascade? Is that -- is that

10 Mr. Cebulko? Is that...

11 MS. ERDAHL: That would be Kathy.

12 COMMISSIONER JONES: That would be Kathy as

13 well. Okay.

14 MS. ERDAHL: Initiation by fire.

15 COMMISSIONER JONES: She's stepping right

16 into it.

17 MS. ERDAHL: Yes, she is.

18 COMMISSIONER JONES: Okay. Thank you.

19 JUDGE KOPTA: All right. Thank you,

20 Commissioner Jones.

21 Commission Rendahl, did you have some more

22 questions?

23 COMMISSIONER RENDAHL: I do.

24 So in terms of decoupling, the -- appreciate

25 the parties working closely on developing a decoupling

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 1 proposal that's consistent with some of the other company's

 2 decoupling provisions.

 3 And while we don't need to have a

 4 cookie-cutter, some of our other proceedings with other

 5 companies have raised questions, so I'm -- in another

 6 proceeding, the Staff had proposed creating a trigger, a

 7 mechanism to trigger a rate adjustment when the deferral

 8 balance in the balancing account gets to a certain

 9 threshold.

10 Was there any reason the parties haven't

11 included a trigger in this particular -- as a component in

12 Cascade's decoupling mechanism? Did that discussion come

13 up in this -- in your discussions?

14 MR. PARVINEN: Discussion did not come up.

15 COMMISSIONER RENDAHL: Okay.

16 MR. PARVINEN: Not -- not in that fashion. I

17 mean, it -- we talked about the rate cap and so forth, but

18 we did not talk about triggers along the way.

19 COMMISSIONER RENDAHL: So nothing -- so when

20 the balancing account -- the balancing account can -- has

21 the potential to get quite large, so there's -- so there

22 was no discussion of a trigger for when you might consider

23 dealing with that balance?

24 MR. PARVINEN: No. No. There was -- no.

25 There was no discussion on that, but there is built in -- I

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 1 mean, there's a cap of 3 percent, so regardless of the

 2 annual balance, it couldn't charge customers more than --

 3 than 3 percent. And if it were in the refund direction,

 4 then there is no cap in the refund. It would be refunded.

 5 COMMISSIONER RENDAHL: No. I unders- -- I

 6 understand that.

 7 Ms. Erdahl, did you have something you wanted

 8 to add?

 9 MS. ERDAHL: I would just add that we did

10 assure that interest is applied. It's not -- it's at the

11 FERC rate, which isn't really high, but the same is true of

12 the PGA filings; interest accrues, there's a large balance

13 over the last year or two, and -- I think this year, to be

14 refunded to customers, and it was modeled after that.

15 COMMISSIONER RENDAHL: Okay. So -- so in

16 thinking about the PGA, so in the -- in the joint

17 testimony, the parties have agreed to sync up the filing of

18 the PGA earlier than normal to sync up with the effective

19 date of the -- of the rates in this gen- -- in this

20 proposed settlement. And the testimony, as I recall,

21 mentions that it could either kind of wash out or even

22 exceed any -- any return to customers on the PGA.

23 Do you have a -- I'm looking directly at

24 Mr. Parvinen. Do you have the idea right now of the amount

25 in the PGA and what that might look like? We have a couple

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 1 more months to go before this filing, but...

 2 MR. PARVINEN: Right. Right. At this point,

 3 I believe our -- our commodity deferral balance is about a

 4 $15 million refund, but at the same time, we also have a

 5 refund rate currently in place, so I think the net

 6 difference will be approximately a $5 million refund to

 7 customers just on the deferral side.

 8 But we also anticipate, based on gas costs as

 9 we know them today, which could change over the next couple

10 of months, a significant reduction on the PGA. So it's my

11 anticipation that the -- the effects of the PGA will more

12 than offset the increase of -- from the general rate case.

13 COMMISSIONER RENDAHL: Okay. So more than

14 offset whatever the proposed increase from the settlement?

15 MR. PARVINEN: Correct.

16 COMMISSIONER RENDAHL: Okay. I don't have

17 any other questions -- actually I do have one question

18 about the unbilled revenues.

19 So in -- on page 15 of the settlement, it

20 references the obligation of the Company to employ an

21 accounting procedure for unbilled revenues to be trued up

22 monthly and verified for reasonableness. Are these

23 unbilled revenues related to metering issues or billing

24 timing issues? Can you explain a little bit about that?

25 MR. PARVINEN: Yeah. The unbilleds is more

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 1 of a calculation each month based on -- it's anticipating

 2 what usage occurred in a month compared to what was

 3 actually billed in the month, and you create your unbilled

 4 calculation. Then in the next month, that number is

 5 reversed and you go through the generation again.

 6 There was an incident -- incident that

 7 occurred in the test year where there was -- that

 8 calculation of that monthly unbilled, quite frankly, just

 9 got out of whack, and then it was trued up in -- in June,

10 which happened to be the last month of our test period.

11 Because it was significant usage -- I mean,

12 it doesn't change your annual usage, but it did impact what

13 was reflected for monthly usage to where it looked -- June

14 looked really small usage because of a true-up in that

15 month.

16 So what this is contemplating is that --

17 really quite frankly, it puts it on the Company to, each

18 month, pay attention to what that unbilled calculation is,

19 and does the methodology make sense? Is it accurate? Is

20 it correct? And -- and more importantly, does it make

21 sense so that it properly reflects what the anticipated

22 unbilled actually is.

23 COMMISSIONER RENDAHL: I guess my question is

24 more the cause of the unbilled revenues. So how -- if

25 you're metering, how -- why is there unbilled revenues?

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 1 MR. PARVINEN: Well, the unbilled is for --

 2 is for -- what it is, is because we have 20 billing cycles

 3 within a month, none of -- none of them are true month to

 4 month, so it's not -- so you don't get January usage for

 5 January, because there's 20 billing cycles throughout

 6 January. So you may only have half of January and half of

 7 December.

 8 So -- but to get January's actual usage for

 9 January, you have to do an unbilled calculation to go,

10 "Okay. So those customers that were billed in the middle

11 of January, how much gas did they use for the rest of

12 January?" That's what the unbilled is, to calculate what

13 has been used but hasn't been billed for yet.

14 COMMISSIONER RENDAHL: So you have different

15 customers on different billing cycles? You have 20

16 different billing cycles?

17 MR. PARVINEN: Yes.

18 COMMISSIONER RENDAHL: Wow. Okay. Maybe

19 that's something you might want to look at.

20 MR. FINKLEA: Commissioner Rendahl, in

21 response to your question to Mr. Parvinen, I just wanted to

22 note that while sales customers would potentially see a net

23 decrease, net of their PGA, for the transportation

24 customers, it is an increase, and it will play as an

25 increase for those that will experience it.

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 1 Now, their delivered cost of gas might have

 2 gone done in the last year due to the decreases in

 3 commodity prices, but the bill they see from Cascade will

 4 go up.

 5 COMMISSIONER RENDAHL: Thank you,

 6 Mr. Finklea.

 7 Are there any other witnesses who wanted to

 8 respond to the questions I was primar- -- the conversation

 9 I was primarily having with Mr. Parvinen?

10 Okay. Thanks. Those are all the questions I

11 have.

12 JUDGE KOPTA: All right. Anything further,

13 Mr. Chairman?

14 CHAIRMAN DANNER: Well, I just have -- have

15 one.

16 You know, in the merger, the Commission

17 specified that the allocated shared corporate costs would

18 not be greater than what you would have had in -- if there

19 had been no merger. I just -- I didn't see anything in the

20 settlement that -- that addressed that. I was just

21 wondering if you can commit that that is so.

22 MR. PARVINEN: That is -- that is true. One

23 of the things that was set up in the -- in the merger

24 mechanism was an actual look at actual costs as compared to

25 what existed at the time of the merger.

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 1 So we took the actual administrative costs at

 2 the time of the merger, and then those are escalated by a

 3 CPI index that we compare to our -- our actual A&G costs

 4 every year. And every year since the merger, our actuals

 5 have been well under what was anticipated.

 6 So we did put that study, that annual

 7 study -- we do the calculation as part of the Commission

 8 Basis Report. We've done that, provided that information

 9 as released in the report, but we did a consolidation of

10 all of those reports in -- it was Mr. Chiles' testimony --

11 CHAIRMAN DANNER: Okay.

12 MR. PARVINEN: -- in this case.

13 As well as we also did a study comparing

14 Cascade's A&G costs to all other gas companies in -- in the

15 western region and the state and so forth to show that --

16 that our level of A&G costs on a stand-alone basis are

17 reasonable as compared to others.

18 CHAIRMAN DANNER: All right. Thank you very

19 much. That's all I have.

20 COMMISSIONER RENDAHL: And I actually have

21 one other question. Sorry.

22 In terms of the conservation plan, appreciate

23 the commitments in the settlement from all the parties

24 focused on conservation and having an annual plan and

25 report and similar to the way other companies have done

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 1 this, but we have had some concerns with the Company's

 2 conservation potential assessment in the IRP.

 3 What assurances do -- do we have that Cascade

 4 is going to use best practices to meet these conservation

 5 commitments? Is the -- is the conservation group, the IRP

 6 group, going to be that vehicle to make sure the Company

 7 follows its best practices?

 8 MR. PARVINEN: Yeah. The biggest thing I

 9 think is the -- the quarterly conservation advisory group

10 meetings. In the past, it's been much more ad hoc. Here,

11 it is very well defined that there will be quarterly

12 meetings and all presentations, filings, reports will be

13 presented to the CAG members 30 days prior to -- to

14 officially filing those with the Commission so that there's

15 opportunity to comment.

16 So there's a lot more accountability,

17 oversight, input built into this settlement that more or

18 less informally existed before.

19 COMMISSIONER RENDAHL: All right. Thank you.

20 And that's all I have.

21 JUDGE KOPTA: All right. I have one

22 logistical question.

23 Under the settlement agreement, Cascade has

24 agreed to file its purchased gas adjustment by August 1st.

25 When would you need an order from the Commission if we were

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 1 to approve the settlement in order to meet that deadline?

 2 MR. PARVINEN: Well, obviously, it'd be nice

 3 to have the order before August so that if there's

 4 something that comes out of the settlement that would

 5 affect the impact of that PGA, but in reality, we don't

 6 need it. We -- we could file the PGA if we have the order

 7 or not and assume that rates from the -- the general will

 8 also go into effect September 1.

 9 JUDGE KOPTA: So the primary deadline that

10 you're looking at is the September 1st effective date for

11 the rates that would result from the settlement agreement?

12 MR. PARVINEN: Yes.

13 JUDGE KOPTA: All right.

14 MR. PARVINEN: I mean, if I could ask for

15 something from the Commission, if there were going to be

16 significant modifications or modifications to the

17 settlement that would impact the requirement to file that

18 PGA, that we have an order before we actually file it,

19 which would be August 1.

20 JUDGE KOPTA: Okay. Anything further?

21 CHAIRMAN DANNER: No. I -- what I heard him

22 say is sooner is better.

23 JUDGE KOPTA: Well, I could have answered it

24 that way.

25 MR. PARVINEN: That's much clearer. Thank

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 1 you.

 2 JUDGE KOPTA: All right. Thank you to the

 3 panel of witnesses. We appreciate you coming and giving

 4 your testimony.

 5 Is there anything further from counsel at

 6 this point?

 7 MS. GAFKEN: Judge Kopta, I have one item.

 8 With respect to the public comment exhibit

 9 for this proceeding, we -- we have the public comment

10 hearings this -- happening this week. And I'm sorry. I

11 don't have a calendar in front of me, so I don't have a

12 specific date, but it --

13 CHAIRMAN DANNER: Yes. I believe --

14 MS. GAFKEN: -- my thought was that

15 we could --

16 CHAIRMAN DANNER: -- the one in Mount Vernon

17 is tonight --

18 MS. GAFKEN: That's right. And then

19 Friday --

20 CHAIRMAN DANNER: -- and Friday is Kennewick.

21 MS. GAFKEN: But my thought was, in terms of

22 the public comment exhibit, if we could file that not this

23 Friday but the following Friday, because people who are

24 coming to those public comment hearings may wish then to

25 submit a written -- written comment to the Commission.

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 1 And usually, you know, we -- we close it the

 2 date of the hearing, but the day of the hearing's today, so

 3 trying to be a little bit flexible there, it -- is the

 4 Commission open to -- to that idea?

 5 JUDGE KOPTA: Yes. I think that's our

 6 anticipation --

 7 CHAIRMAN DANNER: Yeah.

 8 JUDGE KOPTA: -- is that the -- and if you

 9 can do it by a week from this Friday, then that would be

10 terrific.

11 MS. GAFKEN: Okay.

12 JUDGE KOPTA: And we will label that as

13 Exhibit PC-1, and we'll admit that into the record as soon

14 as we receive it a week from Friday.

15 MS. GAFKEN: Fantastic. Thank you.

16 CHAIRMAN DANNER: I think that's a very

17 reasonable request, so.

18 MS. GAFKEN: Thank you.

19 JUDGE KOPTA: All right. Anything further?

20 Hearing nothing, we are adjourned. Thank you.

21 (Proceedings concluded at 10:14 a.m.)

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 1 C E R T I F I C A T E

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 3 STATE OF WASHINGTON

 4 COUNTY OF KING

 5

 6 I, Ryan Ziegler, a Certified Shorthand Reporter in

 7 and for the State of Washington, do hereby certify that the

 8 foregoing transcript of the proceedings held June 14, 2016,

 9 is true and accurate to the best of my knowledge, skill, and

10 ability.

11 IN WITNESS WHEREOF, I have hereunto set my hand

12 and seal this June 27, 2016.

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 RYAN ZIEGLER, RPR, CCR

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