

BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)
Docket No. UG-152286
Complainant,)
v.)
CASCADE NATURAL GAS CORPORATION,)
Respondent.)

SETTLEMENT AGREEMENT HEARING, VOLUME II
PAGES 15 - 71
ADMINISTRATIVE LAW JUDGE GREGORY J. KOPTA

9:06 A.M.
JUNE 14, 2016

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EXHIBIT INDEX
VOLUME II

EXHIBITS FOR IDENTIFICATION ADMITTED

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1 OLYMPIA, WASHINGTON; JUNE 14, 2016
2 9:06 A.M.
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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.

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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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<p>1 testimony and those exhibits? Hearing none, they are 2 admitted.</p> <p>3 All right. Then let us proceed with opening 4 statements, and let's begin with the Company.</p> <p>5 Ms. Rackner?</p> <p>6 MS. RACKNER: Thank you. Good morning, Chair 7 Danner, Commissioner Rendahl, and Commissioner Jones, if he 8 has joined us, and ALJ Kopta.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>23 Also during this time, the Company 24 significantly increased its safety and reliability in 25 related investments and infrastructure. The rate base in</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>
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<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>25 From the Company's perspective, the</p>	<p>1 stakeholders to help ensure the implementation of the 2 programs.</p> <p>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.</p> <p>9 JUDGE KOPTA: Thank you, Ms. Rackner.</p> <p>10 I guess we'll go around the table.</p> <p>11 Mr. Brooks?</p> <p>12 MR. BROOKS: Sure. Again, for the record, 13 Tommy Brooks for the Northwest Industrial Gas Users.</p> <p>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.</p> <p>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</p>

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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

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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

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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

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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.

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<p>1 The last thing that I'll highlight is the</p> <p>2 low-income assistance program terms, and you know, again,</p> <p>3 we see that as a vital part of the settlement agreement.</p> <p>4 The settlement agreement provides for certain design</p> <p>5 components, so looking at how money is distributed among</p> <p>6 the -- the Community Action Agencies and also addressing</p> <p>7 funding levels over a multi-year period.</p> <p>8 Importantly, an advisory group has been</p> <p>9 created under the settlement agreement, and you know,</p> <p>10 coming off of our work with Avista and their low-income</p> <p>11 advisory group, Public Counsel's quite excited about this,</p> <p>12 and we're looking forward to the good work that'll go into</p> <p>13 that advisory group with -- with this Company.</p> <p>14 So some components are black box. There's</p> <p>15 other components of the settlement agreement that are more</p> <p>16 fully expressed or laid out. Overall, the settlement</p> <p>17 agreement provides an appropriate balance between</p> <p>18 shareholder interests and ratepayer interests and results</p> <p>19 in a fair, just, and reasonable -- fair, just, reasonable,</p> <p>20 and sufficient rate.</p> <p>21 The Company also has a reasonable opportunity</p> <p>22 under the settlement to earn its settlement return -- rate</p> <p>23 of return. Because the settlement is in the public</p> <p>24 interest, Public Counsel recommends that the Commission</p> <p>25 adopt the settlement agreement.</p>	<p>1 agreement are equally important. There's a decoupling</p> <p>2 mechanism that complies with the UTC policy statement and</p> <p>3 recent Commission precedent with other companies; a rate</p> <p>4 spread and rate design that moves towards parity; a</p> <p>5 formalized conservation program that will bind the Company;</p> <p>6 a significant and consistent increase for low-income</p> <p>7 assistance; dramatic improvements to the Company's</p> <p>8 recordkeeping, data collection, and data reporting to this</p> <p>9 Commission.</p> <p>10 So the combination of all of these points</p> <p>11 strongly point to the fact that the parties' agreement is</p> <p>12 in the public interest. Staff certainly believes that is</p> <p>13 the case and asks this Commission to adopt the agreement</p> <p>14 without condition.</p> <p>15 And Ms. Erdahl, Betty Erdahl, will be Staff's</p> <p>16 witness here today, and she's available for questions.</p> <p>17 JUDGE KOPTA: All right.</p> <p>18 MR. SHEARER: Thank you.</p> <p>19 JUDGE KOPTA: Thank you, Mr. Shearer.</p> <p>20 And, Mr. Purdy, do you have a brief statement</p> <p>21 on behalf of The Energy Project?</p> <p>22 MR. PURDY: I do have a brief statement, Your</p> <p>23 Honor.</p> <p>24 I first wish to thank you for your</p> <p>25 accommodation in allowing me to participate telephonically.</p>
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<p>1 And our witness, Glenn Watkins, is on the</p> <p>2 line and will be available to answer questions that the</p> <p>3 Commission may have. Thank you.</p> <p>4 JUDGE KOPTA: All right. Thank you,</p> <p>5 Ms. Gafken.</p> <p>6 Mr. O'Connell or Mr. Shearer?</p> <p>7 MR. SHEARER: Thank you, Your Honor. Good</p> <p>8 morning, Commissioners. Good morning, Your Honor.</p> <p>9 As you know, today, the parties are</p> <p>10 presenting a full settlement agreement for your</p> <p>11 consideration. Staff would encourage the Commission to</p> <p>12 look at both the numeric- -- numerical results and the</p> <p>13 long-term achievements that are embedded in that agreement.</p> <p>14 Each of those factors, alone and in combination, strongly</p> <p>15 suggest that this agreement is a fair and reasonable</p> <p>16 outcome for all the parties involved.</p> <p>17 The numerical results, you've heard a little</p> <p>18 bit already, but they do jump out. We have a</p> <p>19 six-and-a-half-million-dollar reduction from the Company's</p> <p>20 initial request. We have a pro -- limited pro forma plant</p> <p>21 additions that, from Staff's perfect- -- perspective,</p> <p>22 conform to Commission precedent and general regulatory</p> <p>23 principles. We have a reduction of 30 basis points to the</p> <p>24 Company's requested rate of return.</p> <p>25 The long-term achievements embedded in the</p>	<p>1 It's no small matter to The Energy Project in -- in terms</p> <p>2 of cost savings, so --</p> <p>3 JUDGE KOPTA: Okay. Mr. Purdy, could you</p> <p>4 speak up just a little bit? We're having a little bit of a</p> <p>5 hard time hearing you.</p> <p>6 MR. PURDY: Thank you.</p> <p>7 Okay. Is that -- is that better?</p> <p>8 JUDGE KOPTA: That's better.</p> <p>9 MR. PURDY: Thank you, and thank you to --</p> <p>10 thanks to the Commissioners for allowing me to participate</p> <p>11 in this manner.</p> <p>12 For the last ten years, the Community Action</p> <p>13 Agencies have been operating the Washington Energy</p> <p>14 Assistance Fund, a/k/a WEAFF, and the low-income</p> <p>15 weatherization program in Cascade's service territory.</p> <p>16 This rate case represents the first time</p> <p>17 since the initiation of these two programs that any</p> <p>18 substantial changes have been recommended to their</p> <p>19 structure, and we are confident that these changes will</p> <p>20 provide more meaningful benefits to eligible Cascade</p> <p>21 customers.</p> <p>22 So to highlight the portions of the</p> <p>23 settlement that are of particular interest and benefit to</p> <p>24 low-income customers and therefore Energy Project's</p> <p>25 objectives, I start with noting that we support the</p>

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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

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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, WEAFF 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 WEAFF 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

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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 WEAFF, 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

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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?

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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 WEAFF, 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 unbilled 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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CERTIFICATE

STATE OF WASHINGTON
COUNTY OF KING

I, Ryan Ziegler, a Certified Shorthand Reporter in
and for the State of Washington, do hereby certify that the
foregoing transcript of the proceedings held June 14, 2016,
is true and accurate to the best of my knowledge, skill, and
ability.

IN WITNESS WHEREOF, I have hereunto set my hand
and seal this June 27, 2016.

RYAN ZIEGLER, RPR, CCR _____