

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION)	DOCKET UG-200755
)	
Complainant,)	
)	
v.)	
)	
CASCADE NATURAL GAS)	
CORPORATION)	
)	
Respondent.)	
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EXH. BGM-3

Revenue Requirement Calculations

**OPPOSITION TESTIMONY OF BRADLEY G. MULLINS
ON BEHALF OF
ALLIANCE OF WESTERN ENERGY CONSUMERS**

April 25, 2022

Gas Revenue Requirement Summary (\$000)

Line	Adj. No.	Description	Multi-Party Settlement @ AWEC CoC			AWEC Proposed		
			Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)
1		Per Book Results (Y/E Dec. 2020)	24,684	420,308	5,300	\$24,684	420,308	5,300
<i>Restating Adjustments:</i>								
2	R-1	Annualize CRM Adjustment	(636)	-	843	(636)	-	843
3	R-2	Promotional Advertising Adjustment	108	-	(143)	108	-	(143)
4	R-3	Restate End of Period Adjustment	(1,055)	53,527	6,236	1,113	53,527	3,365
5	R-4	Restate Wages Adjustment	(59)	-	78,739	(59)	-	79
6	R-5	Restate Incentives	1,256	-	(1,663)	1,256	-	(1,663)
7	R-6	Remove 50% Director Fees	141	-	(186)	145	-	(193)
8	R-7	Remove Supplemental Schedules	(161)	-	214	(161)	-	214
9	R-8	Restate Late Payment Charges Adjustment	272	-	(360)	272	-	(360)
10	R-9	Removal of FP-319072 & FP-319209	41	(3,396)	(362)	41	(3,396)	(362)
11	R-10	Reclass Rate Base (AWEC DR 5)	(6)	(28)	5	(6)	(28)	5
12	A2	Uncollectible Accounts	-	-	-	62	-	(82)
13	A3	Working Capital	-	-	-	-	(1,346)	(122)
14	A4	COVID Contra Revenue	-	-	-	466	-	(617)
15	A5	Protected EDIT	-	-	-	1,606	-	(2,128)
Restated Results			24,584	470,412	9,962	28,890	469,066	4,137
<i>Pro Forma Adjustments:</i>								
16	P-1	Interest Coordination Adjustment	(93)	-	124	(100)	-	133
17	P-2	Annualize Revenue Adjustment	1,063	-	(1,407)	3,257	-	(4,314)
18	P-3	Pro Forma Wage Adjustment	(605)	-	801	(605)	-	801
19	P-4	MAOP Deferral Amortization	(346)	-	458	(346)	-	458
20	A6	CRM Over-Collection Amort	-	-	-	852	-	(1,128)
21		Pro Forma Results	24,602	470,412	9,938	31,948	469,066	87
22					Multi-Party Settlement		Calculated	87
23					Calculated CoC Impact			(755)
24					Multi-Party Settlement at AWEC CoC			9,938

Gas Revenue Requirement Summary (\$000)

Line	Adj. No.	Description	Impact of AWEC Adjustments				AWEC Position
			Pre-Tax Net Oper. Income	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	
1		Per Book Results (Y/E Dec. 2020)					
<i>Restating Adjustments:</i>							
2	R-1	Annualize CRM Adjustment	-	-	-	-	
3	R-2	Promotional Advertising Adjustment	-	-	-	-	
4	R-3	Restate End of Period Adjustment	2,744	2,168	-	(2,871)	Oppose
5	R-4	Restate Wages Adjustment	-	-	-	-	
6	R-5	Restate Incentives	-	-	-	-	
7	R-6	Remove 50% Director Fees	6	5	-	(6)	Oppose
8	R-7	Remove Supplemental Schedules	-	-	-	-	
9	R-8	Restate Late Payment Charges Adjustment	-	-	-	-	
10	R-9	Removal of FP-319072 & FP-319209	-	-	-	-	
11	R-10	Reclass Rate Base (AWEC DR 5)	-	-	-	-	
12	A2	Uncollectible Accounts	78	62	-	(82)	Propose
13	A3	Working Capital	-	-	(1,346)	(122)	Propose
14	A4	COVID Contra Revenue	590	466	-	(617)	Propose
15	A5	Protected EDIT	2,033	1,606	-	(2,128)	Propose
		Restated Results	5,451	4,306	(1,346)	(5,825)	
<i>Pro Forma Adjustments:</i>							
16	P-1	Interest Coordination Adjustment	(9)	(7)	-	9	
17	P-2	Annualize Revenue Adjustment	2,778	2,195	-	(2,907)	Oppose
18	P-3	Pro Forma Wage Adjustment	-	-	-	-	
19	P-4	MAOP Deferral Amortization	-	-	-	-	
20	A6	CRM Over-Collection Amort	1,078	852	-	(1,128)	Propose
21		Pro Forma Results	9,299	7,346	(1,346)	(9,851)	
22							
23							
24							

Cascade Natural Gas Corp. - AWEC Recommendation
Washington Jurisdiction
Twelve-Months ended December 31, 2020
Summary of Adjustments

Line No	Description			AWEC Opposed		AWEC Opposed		AWEC Opposed		AWEC Opposed		AWEC Proposed
		Annualize CRM Adjustment	Promotional Advertising Adjustment	Restate End of Period Adjustment	Restate Wages Adjustment	Restate Incentives	Remove 50% Director Fees	Remove Supplemental Schedules	Restate Late Payment Charges Adjustment	Removal of FP-319072 & FP-319209	Reclass Rate Base (AWEC DR 5)	Uncollectible Accounts
		R-1	R-2	R-3	R-4	R-5	R-6	R-7	R-8	R-9	R-10	A2
1	Operating Revenues											
2	Natural Gas Sales	(842,800)	-	1,473,457	-	-	-	(147,087,606)	-	-	-	-
3	Gas Transportation Revenue											
4	Other Operating Revenues	-	-	-	-	-	-	2,880,261	360,422	-	-	-
5	Total Operating Revenues	(842,800)	-	1,473,457	-	-	-	(144,207,344)	360,422	-	-	-
6												
7	Operating Expenses											
8	Nat. Gas/Production Costs	-	-	-	-	-	-	(134,273,488)	-	-	-	-
9	Revenue Taxes	(34,150)	-	59,704	-	-	-	(5,843,282)	14,604	-	-	-
10	Production	-	-	-	-	-	-	-	-	-	-	-
11	Distribution	-	-	-	66,959	-	-	-	-	-	-	-
12	Customer Accounts	(3,124)	-	5,461	2,880	-	-	(534,487)	1,336	-	-	(77,898)
13	Customer Service	-	-	-	-	-	-	(6,204,366)	-	-	-	-
14	Sales	-	(350)	-	-	-	-	-	-	-	-	-
15	Administrative and General	-	(136,186)	-	70	(1,589,503)	(184,098)	-	-	-	-	-
16	Depreciation & Amortization	-	-	-	-	-	-	-	-	(52,136)	6,999	-
17	Regulatory Debits											
18	Taxes Other Than Income	-	-	-	5,348	-	-	2,852,640	-	-	-	-
19	State & Federal Income Taxes	(169,160)	28,673	295,741	(15,804)	333,796	38,661	(42,916)	72,341	10,949	(1,470)	16,359
20	Total Operating Expenses	(206,434)	(107,863)	360,907	59,453	(1,255,708)	(145,438)	(144,045,899)	88,281	(41,188)	5,529	(61,539)
21												
22	Net Operating Income	(636,366)	107,863	1,112,550	(59,453)	1,255,708	145,438	(161,446)	272,140	41,188	(5,529)	61,539
23												
24	Rate Base											
25	Total Plant in Service			64,721,608				-		(3,430,026)	384,554	
26	Total Accumulated Depreciation			(11,134,767)				-		26,068	(412,101)	
27	Customer Adv. For Construction			285,230				-		-		
28	Deferred Accumulated Income Taxes			(344,708)				-		8,031		
29	Working Capital Allowance			-				-				
30	Total Rate Base	-	-	53,527,363	-	-	-	-	-	(3,395,927)	(27,547)	-
31												
32	Revenue Requirement Effect	\$843	(\$143)	\$3,365	\$79	(\$1,663)	(\$193)	\$214	(\$360)	(\$362)	\$5	(\$82)

**Cascade Natural Gas Corp. - AWEC Recommendation
Washington Jurisdiction
Twelve-Months ended December 31, 2020
Summary of Adjustments**

Line No	Description	AWEC Proposed	AWEC Proposed	AWEC Proposed	Restating Adjustments
		Working Capital A3	COVID Contra Revenue A4	Protected EDIT A5	
1	Operating Revenues				
2	Natural Gas Sales	-	-	-	(146,456,949)
3	Gas Transportation Revenue	-	-	-	-
4	Other Operating Revenues	-	-	-	3,240,683
5	Total Operating Revenues	-	-	-	(143,216,266)
6					
7	Operating Expenses				
8	Nat. Gas/Production Costs	-	-	-	(134,273,488)
9	Revenue Taxes	-	-	-	(5,803,123)
10	Production	-	-	-	-
11	Distribution	-	-	-	66,959
12	Customer Accounts	-	-	-	(605,831)
13	Customer Service	-	-	-	(6,204,366)
14	Sales	-	-	-	(350)
15	Administrative and General	-	(589,799)	-	(2,499,517)
16	Depreciation & Amortization	-	-	-	(45,138)
17	Regulatory Debits	-	-	-	-
18	Taxes Other Than Income	-	-	(2,033,473.370)	824,514
19	State & Federal Income Taxes	-	123,858	427,029	1,118,055
20	Total Operating Expenses	-	(465,941)	(1,606,443.962)	(147,422,284)
21					-
22	Net Operating Income	-	465,941	1,606,444	4,206,018
23					
24	Rate Base				
25	Total Plant in Service				61,676,136
26	Total Accumulated Depreciation				(11,520,800)
27	Customer Adv. For Construction				285,230
28	Deferred Accumulated Income Taxes				(336,677)
29	Working Capital Allowance	(1,346,246)			(1,346,246)
30	Total Rate Base	(1,346,246)	-	-	48,757,643
31					
32	Revenue Requirement Effect	(\$122)	(\$617)	(\$2,128)	(\$1,163,229)

**Cascade Natural Gas Corp. - AWEC Recommendation
Washington Jurisdiction
Twelve-Months ended December 31, 2020
Summary of Adjustments**

Line No	Description	AWEC Opposed				AWEC Proposed		Proforma Adjustments
		Interest Coordination Adjustment	Annualize Revenue Adjustment	Pro Forma Wage Adjustment	MAOP Deferral Amortization	CRM Over-Collection Amort	Removal & Retirements (Indirect Plant Benefit)	
		P-1	P-2	P-3	P-4	A6	P-6	
1	Operating Revenues							
2	Natural Gas Sales	-	4,313,926	-	-	-	-	4,313,926
3	Gas Transportation Revenue							-
4	Other Operating Revenues	-	-	-	-	-	-	-
5	Total Operating Revenues	-	4,313,926	-	-	-	-	4,313,926
6								
7	Operating Expenses							
8	Nat. Gas/Production Costs	-	-	-	-	-	-	-
9	Revenue Taxes	-	174,800	-	-	-	-	174,800
10	Production	-	-	4,498	-	-	-	4,498
11	Distribution	-	-	384,519	438,115	-	-	822,634
12	Customer Accounts	-	15,989	35,884	-	-	-	51,873
13	Customer Service	-	-	22,907	-	-	-	22,907
14	Sales	-	-	-	-	-	-	-
15	Administrative and General	-	-	263,680	-	-	-	263,680
16	Depreciation & Amortization	-	-	-	-	-	-	-
17	Regulatory Debits	-	-	-	-	(1,078,208)	-	(1,078,208)
18	Taxes Other Than Income	-	-	54,429	-	-	-	54,429
19	State & Federal Income Taxes	100,077	865,859	(160,843)	(92,004)	226,424	-	939,512
20	Total Operating Expenses	100,077	1,056,648	605,074	346,111	(851,784)	-	1,256,125
21								
22	Net Operating Income	(100,077)	3,257,278	(605,074)	(346,111)	851,784	-	3,057,801
23								
24	Rate Base							
25	Total Plant in Service					-	-	-
26	Total Accumulated Depreciation					-	-	-
27	Customer Adv. For Construction					-	-	-
28	Deferred Accumulated Income Taxes					-	-	-
29	Working Capital Allowance					-	-	-
30	Total Rate Base	-	-	-	-	-	-	-
31								
32	Revenue Requirement Effect	\$132,541	(\$4,313,926)	\$801,358	\$458,388	(\$1,128,100)	\$0	(\$4,049,740)

Cascade Natural Gas Corp. - AWEC Recommendation
Washington Jurisdiction
Twelve-Months ended December 31, 2020
Results of Operations Summary Sheet

Line No	Description	Actual Results of Operations	Restating Adjustments	Restated Results of Operations	Proforma Adjustments	Adjusted Results of Operations	Revenue Change to Base Rates	After Base Rate Change
	A	B	C	D = B + C	E	F = D + E	G	H = F + G
1	Operating Revenues							
2	Natural Gas Sales	239,620,241	(146,456,949)	93,163,293	4,313,926	97,477,219	87,443	97,564,662
3	Gas Transportation Revenue	25,108,663	-	25,108,663	-	25,108,663		25,108,663
4	Other Operating Revenues	783,349	3,240,683	4,024,032	-	4,024,032		4,024,032
5	Total Operating Revenues	265,512,254	(143,216,266)	122,295,988	4,313,926	126,609,914	87,443	126,697,357
6								
7	Operating Expenses							
8	Nat. Gas/Production Costs	134,273,488	(134,273,488)	(0)	-	(0)		(0)
9	Revenue Taxes	22,359,047	(5,803,123)	16,555,924	174,800	16,730,724	3,543	16,734,267
10	Production	321,353	-	321,353	4,498	325,851		325,851
11	Distribution	20,522,671	66,959	20,589,630	822,634	21,412,263		21,412,263
12	Customer Accounts	5,675,689	(605,831)	5,069,857	51,873	5,121,731	324	5,122,055
13	Customer Service	6,424,242	(6,204,366)	219,876	22,907	242,783		242,783
14	Sales	19,846	(350)	19,496	-	19,496		19,496
15	Administrative and General	19,311,205	(2,499,517)	16,811,689	263,680	17,075,368		17,075,368
16	Depreciation & Amortization	26,511,110	(45,138)	26,465,973	-	26,465,973		26,465,973
17	Regulatory Debits	-	-	-	(1,078,208)	(1,078,208)		(1,078,208)
18	Taxes Other Than Income	4,379,802	824,514	5,204,316	54,429	5,258,745		5,258,745
19	State & Federal Income Taxes	1,029,886	1,118,055	2,147,942	939,512	3,087,454	17,551	3,105,005
20	Total Operating Expenses	240,828,339	(147,422,284)	93,406,055	1,256,125	94,662,180	21,418	94,683,598
21								
22	Net Operating Income	24,683,915	4,206,018	28,889,933	3,057,801	31,947,734	66,025	32,013,759
23								
24	Rate Base							
25	Total Plant in Service	891,749,971	61,676,136	953,426,107	-	953,426,107		953,426,107
26	Total Accumulated Depreciation	(403,973,529)	(11,520,800)	(415,494,328)	-	(415,494,328)		(415,494,328)
27	Customer Adv. For Construction	(3,317,763)	285,230	(3,032,534)	-	(3,032,534)		(3,032,534)
28	Deferred Accumulated Income Taxes	(77,188,638)	(336,677)	(77,525,315)	-	(77,525,315)		(77,525,315)
29	Working Capital Allowance	13,038,376	(1,346,246)	11,692,130	-	11,692,130		11,692,130
30	Total Rate Base	420,308,417	48,757,643	469,066,060	-	469,066,060		469,066,060
31								
32	Rate of Return	5.87%		6.16%		6.81%		6.82%

Cascade Natural Gas Corp. - AWEC Recommendation
Washington Jurisdiction
Twelve-Months ended December 31, 2020
Revenue Requirement Calculation

Line No	Description	Calculations
	A	B
1	Adjusted Rate Base	\$469,066,060
2	Rate of Return	6.83%
3	Required Return (ln 1 x ln 2)	<u>\$32,013,759</u>
4	Adjusted Net Income	<u>\$31,947,734</u>
5	Required Net Income Increase (ln 3 - ln 4)	\$66,025
6	Conversion Factor	<u>0.75506</u>
7	Revenue Increase Required (ln 5 / ln 6)	<u>\$87,443</u>
8		
9	Test Year Adjusted Base Revenue	\$126,609,914
10		
11	Margin Revenue Change	0.07%

Cascade Natural Gas Corp. - AWEC Recommendation
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Twelve-Months ended December 31, 2020
Conversion Factor for Revenue Sensitive Costs

Line No	Description A	Calculations B
1	Revenues	1.00000
2	Operating Revenue Deductions	
3	Uncollectible Accounts	0.00371
4	State B&O Tax	0.03852
5	Commission Fees	0.00200
6	Interest expense	
7	State Taxable Income	0.95577
8		
9	State Income Tax	0.00000
10		
11	Federal Taxable Income	0.95577
12		
13	Federal Income Tax @ 21%	0.20071
14		
15	Total Income Taxes	0.20071
16		
17	Total Revenue Sensitive Costs	0.24494
18		
19	Conversion Factor	0.75506
20		
21		
22	<u>Combo-State & Federal Income Tax</u>	
23	State	0.00000
24	Federal	0.21000
25		
26	State and Federal Effective Tax Rate	0.21000