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BEFORE THE WASHINGTON STATE

UTILITIES AND TRANSPORTATION COMMISSION

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| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, |) | |
| |) | DOCKET NO. UG-060256 |
| |) | |
| Complainant, |) | Volume VI |
| |) | Pages 152 to 349 |
| vs. |) | |
| |) | |
| CASCADE NATURAL GAS CORPORATION, |) | |
| |) | |
| Respondent. |) | |
| <hr/> | | |
| |) | |
| COST MANAGEMENT SERVICES, INC., |) | Docket No. UG-061256 |
| |) | |
| Complainant, |) | |
| |) | |
| vs. |) | |
| |) | |
| CASCADE NATURAL GAS CORPORATION, |) | |
| |) | |
| Respondent. |) | |
| <hr/> | | |

A hearing in the above matter was held on
October 12, 2006, from 9:30 a.m. to 2:40 p.m., at 1300
South Evergreen Park Drive Southwest, Room 206, Olympia,
Washington, before Administrative Law Judge ANN
RENDAHL and CHAIRMAN MARK H. SIDRAN and Commissioner
PATRICK J. OSHIE and Commissioner PHILIP B. JONES.

Joan E. Kinn, CCR, RPR
Court Reporter

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1 P R O C E E D I N G S

2 JUDGE RENDAHL: Good morning, I'm Ann
3 Rendahl, an Administrative Law Judge with the Washington
4 Utilities and Transportation Commission, presiding this
5 morning together with Chairman Mark Sidran and
6 Commissioners Patrick Oshie and Philip Jones. We're
7 here before the Washington Utilities and Transportation
8 Commission this morning, Thursday, October the 12th, for
9 a hearing in Docket Number UG-060256 concerning Cascade
10 Natural Gas Corporation's request for an increase in
11 rates. The hearing will address a multiparty settlement
12 of issues in the case and cross-examination of witnesses
13 on the remaining disputed issue, decoupling.

14 Let's take appearances from the parties
15 beginning with the Company.

16 MR. VAN NOSTRAND: Thank you, Your Honor, on
17 behalf of Cascade Natural Gas Corporation, James M. Van
18 Nostrand.

19 JUDGE RENDAHL: Thank you.

20 And for Staff.

21 MR. TRAUTMAN: Gregory J. Trautman, Assistant
22 Attorney General, for Commission Staff.

23 JUDGE RENDAHL: And Public Counsel.

24 MS. KREBS: Judith Krebs, Assistant Attorney
25 General for the Public Counsel Section of the Attorney

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1 General's Office.

2 JUDGE RENDAHL: Thank you.

3 For the Northwest Industrial Gas Users.

4 MR. STOKES: Good morning, my name is Chad

5 Stokes from the law firm Cable Huston.

6 JUDGE RENDAHL: Thank you.

7 For the Northwest Energy Coalition.

8 MS. GLASER: Yes, good morning, it's Nancy

9 Glaser representing the Coalition.

10 JUDGE RENDAHL: Thank you.

11 And for The Energy Project.

12 MR. PURDY: Yes, Brad Purdy representing The

13 Energy Project.

14 JUDGE RENDAHL: And for Cost Management

15 Services.

16 MR. CAMERON: Good morning, Your Honor,

17 Chairman, Commissioners, John Cameron of Davis Wright

18 Tremaine for CMS.

19 JUDGE RENDAHL: Good morning.

20 Are there any other parties appearing either

21 in the hearing room or over the bridge line that wish to

22 state an appearance at this time?

23 Okay, well, there are a few preliminary

24 matters we need to take care of, and one of those is I

25 understand from the parties that they have stipulated to

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1 the admission of all of the exhibits in the draft
2 exhibit list I circulated yesterday; is that correct?

3 MR. VAN NOSTRAND: Correct, Your Honor.

4 JUDGE RENDAHL: So we have marked as Exhibits
5 1 and 2 the settlement agreement and the narrative
6 statement accompanying the settlement. Exhibits 10
7 through 20 are designated for Mr. Stevens, David
8 Stevens, those include the prefiled testimony exhibits
9 and cross exhibits. For Mr. Stoltz Exhibits 21-T
10 through Exhibit 88. And for Katherine Barnard Exhibits
11 91-T through Exhibit 143. For Mr. James Haug we have
12 Exhibits 151-T through 153. For Dr. Roger Morin we have
13 Exhibits 161-T through Exhibit 188. For Matthew
14 McArthur we have Exhibits 191-T through 198. For
15 Dr. Philip Mote we have Exhibits 201-T through 204. For
16 Mr. Lamar Dickey we have Exhibits 211-T through 215.
17 For witness F. Jay Cummings we have Exhibits 220-T
18 through 230. For Donald Schoenbeck we have Exhibits
19 231-T through 233. For witness David Hawk we have
20 Exhibits 241-T through 246. For witness Michael Brosch
21 we have Exhibits 251-T through Exhibit 273. For witness
22 Jim Lazar we have Exhibits 281-T through 309. For
23 witness Steven Weiss we have Exhibits 311-T through 330.
24 And for witness Theodore Lehmann we have Exhibits 341-T
25 through 348. For witness Charles Eberdt we have

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1 Exhibits 351-T through 358. For witness Michael
2 Parvinen we have Exhibits 361-T through 384. For
3 witness David Parcell we have Exhibits 391-T through
4 419. For witness Joelle Steward we have Exhibits 421-T
5 through 437. For witness Yohannes Mariam we have
6 Exhibits 441-T through 471. For witness Gene Waas we
7 have Exhibits 481-T through 482. Then we have an
8 illustrative exhibit which is the public comment exhibit
9 provided by Public Counsel, that is 491. And then there
10 are Bench request responses marked as 501 through 506.
11 Are there any objections to admitting those exhibits
12 into evidence?

13 Hearing no objection, all of the exhibits
14 will be admitted.

15 Okay, the next issue is to turn to the
16 stipulation settlement in this case, and is there any
17 party who is going to make a brief statement or overview
18 of the settlement?

19 MR. TRAUTMAN: Yes, Your Honor.

20 JUDGE RENDAHL: Mr. Trautman.

21 MR. TRAUTMAN: Thank you, Your Honor,
22 commissioners, we're pleased to present this multiparty
23 settlement to the Commission. This is the result of
24 several rounds of negotiations between the parties
25 starting July 25th and commencing up to the present, and

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1 we have had several rounds in the last two weeks of
2 negotiations, and as a result consensus has been reached
3 by many of the parties on several issues in this case.
4 In fact, there are only two issues remaining in which
5 there is any dispute. One is the decoupling dispute
6 upon which we will have cross-examination this afternoon
7 and also the cost of capital issue on which Public
8 Counsel has reserved the right to take a position
9 different than that in the settlement.

10 As a brief summary of the settlement,
11 Cascade's original filing sought a general rate increase
12 of \$11.7 Million or 4.47%. The settlement provides for
13 an agreement on revenue requirement between Staff and
14 the Company for an increase of \$7 Million or 2.69%, and
15 this result was reached by incorporating a fair, just,
16 and reasonable balancing of the various revenue
17 requirement adjustments that were proposed by both the
18 Staff and the Company.

19 The settlement also contains an agreement on
20 the cost of capital that is in the middle of the range
21 between the positions of Staff and Company on this
22 issue. As I noted earlier, Public Counsel has reserved
23 the right to present a position on cost of capital
24 different from that in the settlement.

25 There is also a comprehensive agreement

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1 between Staff, Public Counsel, the Northwest Energy
2 Coalition, and The Energy Project on a range of
3 miscellaneous service charges which have been a rather
4 contentious issue in this case, but we have reached
5 agreement, no party objects to that portion of the
6 settlement.

7 There is also an agreement in the settlement
8 between the Staff, Company, Public Counsel, the
9 Northwest Energy Coalition, and The Energy Project to
10 include \$800,000 in low income funding for low income
11 customers plus any public utility tax credit that's
12 received as additional funding. The Company also agrees
13 to commence a collaborative effort with Staff, The
14 Energy Project, and other interested parties to track
15 low income issues and gather pertinent data.

16 The settlement provides for an agreement
17 between Staff, the Company, and the Northwest Industrial
18 Gas Users on rate spread issues. No party opposes this
19 portion of the settlement agreement.

20 Furthermore, there's an agreement between the
21 various parties on rate design issues, and this includes
22 an agreement to keep the basic charge for the
23 residential service at \$4.

24 Finally, the settlement includes an agreement
25 between Staff, the Company, and the Northwest Energy

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1 Coalition to implement a partial decoupling mechanism
2 for a three year pilot period. This mechanism includes
3 only the non-weather related effects that cause changes
4 in customer usage such as customer conservation and
5 energy efficiency improvements. In connection with the
6 decoupling mechanism, the Company is required to convene
7 a conservation advisory group of all interested parties
8 and to file a conservation plan with the Commission for
9 approval. This plan will need to contain targets,
10 benchmarks, and possible penalties and incentives.
11 Public Counsel has reserved the right to oppose this
12 portion of the settlement agreement and to cross-examine
13 witnesses on this issue.

14 So that's a brief summary of the provisions
15 in the settlement. We're pleased to present this to the
16 Commission, and we have several panels available to
17 answer questions that you may have on the subject.

18 JUDGE RENDAHL: Thank you very much.

19 All right, at this time unless there is
20 anything further we need to discuss I think we need to
21 convene the first panel, which means that counsel that
22 are seated at the table will need to move. So let's be
23 off the record while we bring the first panel up.
24 Before we go off the record though, those witnesses are
25 Mr. Eberdt, Mr. Weiss, Mr. Parvinen, Ms. Steward,

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1 Mr. Stoltz, and Mr. Lazar.

2 Okay, let's be off the record.

3 (Discussion off the record.)

4 JUDGE RENDAHL: If you could each of you
5 starting from my left going to my right please state
6 your name and the party you represent or the party
7 you're appearing for today, and you need to move the
8 microphone in front with the button up so we can hear
9 you.

10 MR. WEISS: Your Honor, my name is Steven
11 Weiss representing Northwest Energy Coalition.

12 JUDGE RENDAHL: All right.

13 MR. STOLTZ: Your Honor, I am Jon Stoltz
14 representing Cascade Natural Gas.

15 JUDGE RENDAHL: Okay.

16 MR. PARVINEN: Michael Parvinen for
17 Commission Staff.

18 MS. STEWARD: Joelle Steward for Commission
19 Staff.

20 MR. EBERDT: Charles Eberdt for The Energy
21 Project.

22 MR. LAZAR: Jim Lazar for Public Counsel.

23 JUDGE RENDAHL: Okay, I'm going to administer
24 an oath to all of you simultaneously.

25 (Witnesses CHARLES M. EBERDT, STEVEN D.

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1 WEISS, MICHAEL P. PARVINEN, JOELLE R.
2 STEWARD, JON T. STOLTZ, and JIM LAZAR were
3 sworn.)

4 JUDGE RENDAHL: With that, we will begin with
5 this panel which is addressing issues related to low
6 income assistance, miscellaneous fees and charges, and
7 basic charges. Do the Commissioners have any questions
8 for the panel on this particular topic?

9 COMMISSIONER OSHIE: I guess I will start,
10 Judge.

11

12 Whereupon,

13 CHARLES M. EBERDT, STEVEN D. WEISS, MICHAEL P. PARVINEN,
14 JOELLE R. STEWARD, JON T. STOLTZ, and JIM LAZAR
15 having been first duly sworn, were called as witnesses
16 herein and were examined and testified as follows:

17 E X A M I N A T I O N

18 BY COMMISSIONER OSHIE:

19 Q. I would like some clarification on a couple
20 of points. One, maybe the first point, and, Mr. Stoltz,
21 I think you would be certainly perhaps the best witness
22 to answer this, but the \$800,000 in annual funding, what
23 the state, you know, this refers, the settlement
24 agreement refers to it being included in the revenue
25 requirement, but is that to be -- how is it going to --

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1 is it going to be a separate tariff that's assessed or
2 -- and to be filed by the Company as a rider to the
3 existing rate tariffs for the other classes? I mean how
4 does the Company plan to aggregate the funds, if you
5 will, to meet the \$800,000 agreement?

6 A. (Mr. Stoltz) It is not a separate tariff, it
7 will be part of the revenue requirements and developed
8 as part of the preserved rate that will be embedded in
9 rates.

10 Q. And if the -- so maybe you can explain then
11 how if the \$800,000 will be made immediately available
12 to LIHEAP or to whatever, to CTED, how it --
13 implementation in other words, is it going to be
14 effected by the accumulation of funds over time, or is
15 this going to be funded up front by the Company to be
16 made available for the next heating season, or is this
17 something that will accumulate, the \$800,000, over the
18 period of a rate year and then be made available for the
19 purposes that are called for in the agreement?

20 A. (Mr. Stoltz) We are planning to provide 1/12
21 of it monthly, so we will disburse \$800,000 over the
22 year starting 1/12 each month.

23 Q. As far as then, let me move on to the other
24 piece, which is the collection of information, and this
25 is a question maybe better asked of the other witnesses

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1 that are here. What do you expect to get from that, and
2 where will it, you know, what conclusions do you hope to
3 reach, and what will see we see at the Commission level
4 from the information that you gather?

5 Mr. Eberdt.

6 A. (Mr. Eberdt) This is Chuck Eberdt. We find
7 that there's really a dearth of information about low
8 income customers in general, and the unfortunate thing
9 about any of these data tracking processes is that we
10 can really only identify the ones that we already serve,
11 so that's a bit of a problem for us. But what we're
12 hoping is that we can maybe detect some patterns in
13 payment behavior or collection or, I'm sorry, connection
14 and disconnection, or disconnection and reconnection is
15 what I really mean to say, patterns and things like that
16 that might help us identify a better way to target the
17 low income households and make some distinctions between
18 differences of low income households that may respond
19 differently to a change in program design.

20 Q. There's no mention in the settlement, of
21 course it was an issue at least at some level in the
22 case, with regard to the prior obligation rule. Is that
23 not addressed at all by the -- it's not addressed in the
24 settlement, so is that something that one of the
25 parties, maybe it's the Company, that will perhaps

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1 address this in a separate rulemaking or initiative of
2 that type?

3 A. (Mr. Stoltz) Yes, that is currently our
4 plan, that we will continue to look at the rule and
5 perhaps try to launch an investigation of the rule.

6 Q. As far as -- and the funds to be distributed
7 proportionately among the service areas, how is that
8 proportionate, as to the number of customers then and
9 then it will be allocated 1/12 will be divided by the
10 number of customers and then distributed amongst the
11 diverse service areas of the company, is that my
12 understanding?

13 A. (Mr. Stoltz) We will turn the funds over to
14 CTED, who has a process already established for
15 disbursing the funds.

16 A. (Mr. Eberdt) This is Chuck Eberdt again. If
17 I may suggest, we have looked at that a couple of
18 different ways. In the Puget case we originally
19 distributed the funding across the service territory
20 prorated by their gas customers, and one of the things
21 we discovered in that case was their distribution of gas
22 customers does not necessarily correspond with their
23 distribution of low income gas customers. I would
24 expect that to be very true in Cascade's case because
25 they're serving Chelan and Moses Lake, which are two

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1 areas that have some of the cheapest electric utility
2 rates in the country, and so I would anticipate that
3 they wouldn't really have a whole lot of gas low income
4 customers there. Gas in those areas is primarily
5 targeted at new construction, which doesn't tend to be
6 low income. So my recommendation would be to actually
7 distribute the funds, allocate the funds proportionally
8 according to where LIHEAP gas is spent in their service
9 territory, but we have not actually discussed that with
10 the utility at this point.

11 COMMISSIONER OSHIE: No further questions,
12 Your Honor.

13 JUDGE RENDAHL: Thank you.

14 Commissioner Jones.

15

16 E X A M I N A T I O N

17 BY COMMISSIONER JONES:

18 Q. Just a follow on to that question, this is
19 Commissioner Jones, what would happen then if the LIHEAP
20 formula were to change through an act of Congress? I
21 think it's been the subject of some debate, the funding
22 levels go up and down, but I'm more specifically talking
23 about the allocation mechanism. Would that be something
24 that you would be involved with consultatively with
25 CTED, or how would that work?

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1 A. (Mr. Eberdt) Yeah, we would certainly be
2 involved in that discussion. Changes in the LIHEAP
3 formula that we anticipate might actually be more of a
4 redistribution nationally so that more money goes to the
5 south than the north. I don't know that that would
6 actually change the way money gets distributed within
7 the state. What money we get may be different, but I
8 don't know that it would actually change the allocation
9 within the state.

10 Now there has been for a long time discussion
11 about whether the state formula for allocation should
12 change. I really don't have a clear idea how that would
13 affect this discussion at this point.

14 Q. One question on miscellaneous service charges
15 and fees, and this is directed to Mr. Stoltz, what is a
16 new premises charge?

17 A. (Mr. Stoltz) That's for a new constructed
18 home for example or a brand new customer to the
19 Company's facilities, distribution system.

20 Q. So it's just a brand new gas customer?

21 A. (Mr. Stoltz) That's right.

22 Q. Totally separate from a line extension charge
23 or anything related to that?

24 A. (Mr. Stoltz) That's correct.

25 Q. So the proposed fee, what is the proposed fee

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1 now, excuse me, what is the current fee now?

2 A. (Mr. Stoltz) I don't have that information
3 in front of me right now.

4 COMMISSIONER JONES: That's all I have.

5 JUDGE RENDAHL: All right, I have a few
6 questions to follow up from Commissioner Oshie.

7

8 E X A M I N A T I O N

9 BY JUDGE RENDAHL:

10 Q. In terms of the low income assistance fund,
11 are you already meeting, Mr. Stoltz, with CTED in
12 preparation assuming that this aspect of the settlement
13 might be approved, is that something you're already
14 doing, or is it something you will wait to do, to
15 implement until there's some decision from the
16 Commission?

17 A. (Mr. Stoltz) We have not yet met with CTED.
18 We will certainly do so soon. My regulatory staff is
19 kind of limited, therefore we have been concentrating on
20 the case more than on the implementation phase, but we
21 will commence that activity very shortly.

22 Q. Okay. And then in terms of the question
23 about the data collection that's in the settlement, is
24 there an intent that there is a study or a report that's
25 going to be prepared as a result of collecting this

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1 information, any one of the witnesses, is that the
2 intent of that data collection effort?

3 A. (Mr. Eberdt) Well, I would assume that there
4 would be some manner of reporting that would be
5 established through the process. Just collecting the
6 data doesn't do us a whole lot of good unless we look at
7 it and see how it's behaving. In a previous utility
8 case where we have set this up, I believe PacifiCorp is
9 planning on collecting that data and aggregating it
10 monthly.

11 Is that correct, Joelle?

12 A. (Ms. Steward) Yes.

13 A. (Mr. Eberdt) And that seems reasonable to
14 us, because it's going to be a picture that develops
15 over time. We're not going to know from just one
16 snapshot what's really happening, we need to be able to
17 see what comes out of the data over time to know what's
18 really going on.

19 Q. So my understanding is that data would be
20 provided to all the parties in this proceeding, is that
21 correct, or all the folks that are a part of the
22 collaborative discussions on the collection of data?

23 A. (Mr. Eberdt) I would assume that's
24 reasonable. I don't know whether all the parties in the
25 case are that interested in it, but certainly all

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1 parties to the discussion of how to do it I would expect
2 would get that report.

3 Q. So that would include Commission Staff?

4 A. (Mr. Eberdt) I think it would be a very bad
5 oversight if it didn't.

6 Q. And is that something that the Commissioners
7 will also see, is that something that will be filed with
8 the Commission, is that part of the intent?

9 A. (Mr. Stoltz) We haven't discussed that kind
10 of detail, but we certainly would be amenable to making
11 that available to the Commissioners as well.

12 Q. And at some point in time is there an
13 evaluation aspect of this in terms of -- or is that part
14 of the discussion in the collaborative after collecting
15 data or beginning to collect data what the evaluation
16 stage would be?

17 A. (Mr. Eberdt) Well, I would assume that that
18 would be a question that we would look at down the road
19 to decide if it's actually worthwhile, what we're doing
20 is worthwhile. So it hasn't actually been part of the
21 discussion at this point, but if it seems to be
22 something that we should do, then we will probably want
23 to do that.

24 JUDGE RENDAHL: Just going to look at my
25 notes for a minute.

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1 All right, I don't have any further questions
2 for this panel. Are there any other questions from the
3 Commissioners before we let the panel go?

4 All right, well, thank you for very much for
5 appearing this morning, you may be off the stand.

6 We'll call up our next panel, which is a
7 panel addressing rate spread, let's be off the record
8 while we shift witnesses, those witnesses are
9 Mr. Schoenbeck, Mr. Stoltz, and Ms. Steward.

10 (Discussion off the record.)

11 JUDGE RENDAHL: Mr. Stoltz and Ms. Steward
12 have already been sworn in, so, Mr. Schoenbeck, could
13 you please state your full name and the party you are
14 appearing for today.

15 MR. TROTTER: My name is Donald Schoenbeck,
16 that's S-C-H-O-E-N-B-E-C-K, and I'm here today on behalf
17 of the Northwest Industrial Gas Users.

18 JUDGE RENDAHL: Thank you.

19 (Witness Donald Schoenbeck was sworn.)

20 JUDGE RENDAHL: Okay, Ms. Steward and
21 Mr. Stoltz, you remain under oath.

22 And so this panel is addressing the rate
23 spread portions of the settlement agreement, which is
24 Exhibit 1 in this proceeding, and the rate spread
25 portion of the settlement is at Paragraph 16 of Exhibit

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1 1, page 13.

2 So are there any questions from the
3 Commissioners to this panel of witnesses on the issue of
4 rate spread in the settlement?

5 You may step down.

6 That's a very short panel. And I believe you
7 are all the same panel members for the rate design
8 excepting basic charges issue as well, so you're
9 re-empaneled for the next panel, and the rate design
10 issues begin on Paragraph 17 of the settlement
11 agreement, which is Exhibit 1, page 14.

12 So are there any questions from the
13 Commissioners on the rate design aspect of the
14 settlement?

15

16 Whereupon,

17 JOELLE R. STEWARD, JON T. STOLTZ, and DONALD SCHOENBECK,
18 having been first duly sworn, were called as witnesses
19 herein and were examined and testified as follows:

20 E X A M I N A T I O N

21 BY JUDGE RENDAHL:

22 Q. I have one brief question, and this may
23 either be to Mr. Stoltz or Mr. Schoenbeck, it concerns
24 the fuel in kind issue, which is 17a(iii) on page 15.
25 Will this fuel in kind aspect of the settlement

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1 agreement be included in part of the Company's tariff,
2 and will it specify when customers will need to or when
3 the Company will need to let the customers know of their
4 in kind contribution?

5 A. (Mr. Stoltz) Yes, it will be part of our
6 tariff. And as the customers who are all nominating
7 their gas supplies today make that combination, we will
8 remind them that it has to be increased by the loss of
9 income out of the distribution system fuel. So what
10 they will do is look at their needs and multiply it by
11 the pipeline transportation fuel in kind reimbursement
12 and the Company's fuel in kind reimbursement, which will
13 mean that they will have to provide something like 102%
14 of their expected use at the bill.

15 JUDGE RENDAHL: Okay, are there any other
16 questions for the panel?

17 Okay, well, thank you, you may step down.

18 Let's be off the record while we take our
19 next panel.

20 (Discussion off the record.)

21 JUDGE RENDAHL: Let's be back on the record
22 for a moment. The next panel we were intending to take
23 is the decoupling or SRIAM panel, and I know Mr. Brosch
24 was going to call in, we were estimating given the time
25 estimates the parties had given us that we would be

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1 starting at about 10:30. Is Mr. Brosch available, do
2 you want to let him know?

3 Mr. Brosch, are you on the bridge line?

4 Do you want to let him know that we're -- so
5 let's be off the record and take a 5 minute break while
6 we bring Mr. Brosch on, you may step down if you wish.

7 (Discussion off the record.)

8 JUDGE RENDAHL: We're going to change things
9 around a bit and take the panel on revenue requirement
10 and cost of capital, and those witnesses on the panel
11 are Mr. Parvinen for Staff and Mr. Stoltz. Dr. Morin
12 and Mr. Parcel will not be, we understand there may not
13 be any questions, so they are not here or on the bridge
14 line.

15 Mr. Parvinen, you were previously sworn in,
16 as Mr. Stoltz, you remain under oath.

17 Are there any questions from the
18 Commissioners about revenue requirement or cost of
19 capital issues in the settlement agreement?

20

21 Whereupon,

22 MICHAEL P. PARVINEN and JON T. STOLTZ
23 having been first duly sworn, were called as witnesses
24 herein and were examined and testified as follows:

25

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1 E X A M I N A T I O N

2 BY JUDGE RENDAHL:

3 Q. Let me look briefly at my notes here.

4 I have a question concerning Paragraph 12 of
5 the settlement agreement, which is Exhibit 1, on page 7
6 addressing the pro forma adjustments, and this would be
7 the pro forma adjustment addressing the federal income
8 tax rate, which is (x). The question has to do with
9 there were disputed adjustments relating to the income
10 tax effect on pro forma capitalization and also the
11 income tax effect on pre-1981 assets. Is it the intent
12 to combine the agreement on those two adjustments in
13 this paragraph of the settlement agreement, does this
14 paragraph (x) address those two adjustments?

15 A. (Mr. Stoltz) I believe that it does. We
16 have certainly reflected the 34% tax and the pre-81
17 asset calculation. For the pro forma tax, income tax
18 effect of the capitalization, the settlement calls for
19 zero adjustment.

20 Q. Okay.

21 And, Mr. Parvinen, that's your understanding
22 as well?

23 A. (Mr. Parvinen) More or less, because since
24 we didn't really identify a capital structure in
25 developing this, it would be, well, it's virtually

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1 impossible to then come up with a pro forma debt
2 calculation, so we agreed to just remove that adjustment
3 in its entirety.

4 JUDGE RENDAHL: Okay, I don't believe I have
5 any additional questions on the issue of revenue
6 requirement or cost of capital, so you may step down.

7 And let's be off the record to determine if
8 Mr. Brosch is available.

9 (Discussion off the record.)

10 JUDGE RENDAHL: Mr. Brosch, the other members
11 of this panel have previously been sworn in, so even
12 though I can't see you, could you raise your right hand,
13 please. Actually, first could you state your name and
14 the party you represent for the court reporter.

15 MR. BROSCH: Yes, I'm Michael L. Brosch, and
16 I'm representing the Public Counsel's Office.

17 JUDGE RENDAHL: Thank you. You might need to
18 speak up a little more clearly so the court reporter can
19 take down anything you have to say.

20 (Witness MICHAEL L. BROSCH was sworn.)

21 JUDGE RENDAHL: Okay, well, let's go forward,
22 are there any questions for the panel, the witnesses on
23 the panel, concerning the issues in the settlement
24 agreement, which is Exhibit 1 in this proceeding, on
25 decoupling, and that discussion begins on page 10 of

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1 Exhibit 1 at Paragraph 15, are there any questions for
2 the witnesses?

3 Commissioner Oshie.

4 COMMISSIONER OSHIE: Thank you, Your Honor.

5

6 Whereupon,

7 JOELLE R. STEWARD, MICHAEL P. PARVINEN,

8 JON T. STOLTZ, STEVEN D. WEISS, and MICHAEL L. BROSCHE,

9 having been first duly sworn, were called as witnesses
10 herein and were examined and testified as follows:

11 E X A M I N A T I O N

12 BY COMMISSIONER OSHIE:

13 Q. Let's start perhaps by looking at what is
14 included in this, in the proposed decoupling mechanism,
15 let's start from there. Because there's, as you know,
16 there are a couple of proposals on the table, one was a
17 partial decoupler, another was weather related, and
18 weather related as the Company proposed it with some
19 added volumes to provide a cushion. So what's been
20 agreed to is apparently the partial decoupler as
21 proposed by Ms. Steward, and so the question that I have
22 is what volumes are included in the parties' minds, what
23 have they agreed to as to volumes included in the
24 decoupler?

25 A. (Ms. Steward) What's included are all the

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1 non-weather related changes in consumption. So that
2 would include any customer driven conservation, any
3 programmatic conservation from the Company programs,
4 elasticity which I tend to consider conservation as well
5 if it's negative elasticity, those sorts of changes.

6 Q. Any reduction in use would be captured?

7 A. (Ms. Steward) Any reduction or increase in
8 use that's not related to weather.

9 Q. So, for example, if someone who just retired
10 decided that they weren't going to live in Yakima for
11 the season but they're going to go down to Arizona, and
12 they're going to turn the pilot light -- they will leave
13 the pilot light on but turn it down to 50 degrees, there
14 would be a significant reduction in use, that would be
15 captured by this mechanism as reduced usage?

16 A. (Ms. Steward) Yes.

17 Q. And how do you or how would the parties
18 propose or maybe what's the understanding of how you
19 segregate, for example, the demand elasticity driven or
20 elasticity driven by cost changes for example or the
21 person going on vacation from weather related? I mean
22 I'm trying to -- you have a bundle of usage up or down,
23 so how do you separate one from the other?

24 A. (Mr. Stoltz) There would be no separation,
25 there will -- it would capture -- I'm sorry. There

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1 would be no separation, it would capture all changes in
2 consumption other than that caused by weather.

3 Q. Okay, that's what I don't -- I guess maybe I
4 don't understand that, Mr. Stoltz, because I don't know
5 how you can -- I'm trying to get my arms around how you
6 -- what, you know, perhaps it was clear when it included
7 weather because then all volume changes would be
8 captured, but at least from my standpoint I'm trying to
9 think how you, how the Company's going to segregate
10 weather related demand and demand that has been reduced
11 by conservation or vacations or price elasticity or
12 customer driven changes to their appliances.

13 A. (Mr. Stoltz) Okay, the process will be that
14 we will take the actual consumption, apply a weather
15 normalization to that consumption so that it's based
16 upon normal weather, and then compare that to what we
17 anticipated the consumption should have been, and that
18 difference will be what is captured as change in use and
19 be part of the deferral.

20 Q. And for the weather normalization component
21 of the calculation, you will use Cascade Natural Gas's
22 proposed methodology?

23 A. (Mr. Stoltz) Yes, that's correct.

24 Q. Okay, so that will tend to decrease customer
25 volumes?

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1 A. (Mr. Stoltz) We feel that it would be more
2 representative of what the weather impact is.

3 Q. And so if it decreases customer volumes, then
4 it would also -- it would tend to decrease the margin
5 revenues that would be included in the mechanism for
6 recovery?

7 A. (Mr. Stoltz) Yes, I believe that's the way I
8 would characterize it as well. It certainly has a
9 smaller co-efficient for the weather component, and
10 therefore that does minimize the change that comes about
11 from weather.

12 A. (Ms. Steward) And I would just point out in
13 Mr. Stoltz' Exhibit 14, which I don't have in front of
14 me so I don't know the exhibit number, but he shows the
15 difference in what the projected deferral would be, the
16 difference between Staff's weather normalization and the
17 Company's weather normalization.

18 JUDGE RENDAHL: Can you repeat what exhibit
19 number or Mr. Stoltz' exhibit.

20 MS. STEWARD: It's Exhibit Number 34, which
21 is JTS-14.

22 JUDGE RENDAHL: Thank you.

23 A. (Mr. Weiss) Commissioner Oshie, this is
24 Steven Weiss, one other difference, a compromise that
25 was made, was you probably remember all the discussion

0201

1 about new customers and how new customers would be dealt
2 with, we agreed for the purposes of stipulation that new
3 customers would simply be treated like old customers,
4 they wouldn't be separated out or treated differently,
5 so it's the Company's original proposal as far as new
6 customers are concerned.

7 BY COMMISSIONER OSHIE:

8 Q. Okay, that was my next question, Mr. Weiss,
9 thank you.

10 MS. KREBS: Your Honor, I think part of the
11 room couldn't hear Mr. Weiss's comments.

12 JUDGE RENDAHL: Okay, either the mike was not
13 on or you didn't speak directly into it, which is the
14 other sensitivity in the room.

15 MR. WEISS: Is this on?

16 JUDGE RENDAHL: That is on.

17 A. (Mr. Weiss) What I was saying was that the
18 other compromise that was made through the stipulation
19 is that new customers, there was quite a bit of
20 discussion about how to treat new customers because
21 their use is different than existing customers, but for
22 this stipulation we all agreed that new customers would
23 be treated the same as existing customers, which was the
24 original Company proposal.

25 BY COMMISSIONER OSHIE:

0202

1 Q. Okay, I want to move on to how this mechanism
2 works, and in order to get my arms around it, so to
3 speak, I broke it down into, you know, process
4 requirements, what the Company is required to do as far
5 as to get the mechanism up and operating on performance
6 requirements, and so I will start with what the process
7 requirements are. So as I understand it, and maybe this
8 will be a bit of a monologue here for a minute, but the
9 Company will convene the conservation advisory committee
10 or their group, the CAG, within 30 days of the entry of
11 a rate order; is that right?

12 A. (Mr. Stoltz) Yes, that's correct.

13 Q. Okay. And then based on whatever develops
14 from the advisory group, then you would file a
15 conservation and low income weatherization plan within
16 90 days of the convening of the advisory group?

17 A. (Mr. Stoltz) Yes, that's correct as well.

18 Q. And this is where it gets a little fuzzy, and
19 that the advisory group is responsible along with the
20 Company, or the Company's responsible, let's put it that
21 way, to file target goals for years 2008 and 2009, and
22 but there's nothing in the settlement that deals with
23 target goals for 2007. Now is there no targets expected
24 for that period because this is the -- it will be a
25 nascent program, Mr. Stoltz or Mr. Weiss?

0203

1 A. (Mr. Stoltz) Yes, I think that was the
2 thought process that went into the language of the
3 settlement. The Company, of course, hopes that we will
4 be able to establish some goals for 2007 as well, but
5 the parties felt that we would primarily use 2007 as
6 setting this up to go forward.

7 Q. So you're to file the conservation low income
8 weatherization plan within 90 days, what if there is a
9 disagreement among the advisory group as to its
10 components?

11 A. (Mr. Stoltz) The plan will still be the
12 Company's responsibility. If it's a contested plan, we
13 will certainly let the Commission know that when we file
14 the plan. But the advisory group, we will certainly
15 take into account the advice that that group gives us in
16 developing the plan.

17 Q. Within the plan, the settlement agreement
18 makes a reference to it shall, this is unusual language
19 I thought, but shall include possible penalties and
20 incentives. So maybe you can explain that, because does
21 that mean that there may or may not be penalties or
22 incentives in the conservation plan, Mr. Weiss?

23 A. (Mr. Weiss) Yes, I think the shall, probably
24 the wording is not good, it could possibly include
25 penalties and incentives, it might not, it might only

0204

1 include penalties, it might only include incentives, so
2 that's up to the committee to talk about and recommend.

3 On your last question, it has to be submitted
4 to the Commission for approval, so ultimately it's the
5 Company's plan, but the Commission has to approve it, so
6 if there is disputes, that's where you hear it.
7 Hopefully there won't be.

8 Q. Okay.

9 JUDGE RENDAHL: And just for the record,
10 we're referring to wording on page 12 of Exhibit 1,
11 which is part of Paragraph 15e(ii), the last sentence.

12 A. (Mr. Weiss) It should probably be the word
13 may.

14 Q. I'm not asking you to change the agreement,
15 I'm just asking you what you meant by it or what the
16 parties believe they have agreed to.

17 Okay, so the Commission approves the plan,
18 whether or not there's a disagreement, that will be
19 resolved at some date in the future, and then the
20 Company issues, and this is the action word that's in
21 the agreement, issues RFP's for this is a third party
22 implementation. Now maybe you can -- the third party
23 implementation, what's the -- why third party
24 implementation, isn't it anticipated the Company would
25 operate some of these programs on its own?

0205

1 A. (Mr. Stoltz) That was an option the Company
2 had. The Company does not have a significant staff to
3 pursue conservation opportunities now. We felt that a
4 third party who may be doing this business already would
5 be able to deliver conservation much quicker than having
6 the Company administer those programs. We do use the
7 Energy Trust of Oregon in our decoupling process that we
8 have down there because they are well established to
9 deliver conservation for the Company.

10 Q. How long, I guess maybe one follow up
11 question to that, Mr. Stoltz, and I, you know, there's
12 the Energy Trust is of course active in Oregon but not
13 here in Washington, it's not a question as to whether or
14 not you will get a response to the RFP, but perhaps the
15 question at least in my mind is how long will that take.
16 How long does the Company anticipate that from the
17 issuance, and the parties as well, from the issuance of
18 the RFP until there's a response that can be acted on?
19 Because this, I'm trying to really get a sense of when
20 all this is going to happen and how this program over
21 its three year period is going to take effect, so.

22 A. (Mr. Stoltz) There are entities that are
23 already contacting the Company that are interested in
24 becoming the third party administrator of these
25 programs, including Energy Trust of Oregon. They have

0206

1 authority to come up to Washington, establish a very
2 similar process up here. We don't know if they will be
3 the best third party to administer this, but we think
4 that we can turn around an RFP very quickly, because
5 there are many who are interested in providing that
6 service.

7 A. (Ms. Steward) And I would just add that what
8 we foresee is that for 2007 what we will decide, what
9 will be in the plan are some set benchmarks that they
10 have to achieve, you know, a short list, they have to
11 issue the RFP, they have to receive a short list by such
12 and such date, they have to have contracting done by
13 such and such date. And Paragraph e(iv) on page 12
14 talks about the, at the very bottom, the demonstration
15 by the end of 2007 that the Company has contracted with
16 a qualified third party.

17 COMMISSIONER JONES: Thank you, Commissioner
18 Oshie, to interrupt your line of questioning a bit.

19

20 E X A M I N A T I O N

21 BY COMMISSIONER JONES:

22 Q. I have a bit of a concern on third party
23 contracting, and it is as follows. The state of
24 California has a very aggressive conservation initiative
25 going, we have the Energy Trust of Oregon, you are

0207

1 fairly new I think in all objectivity in getting into
2 this game, and you are arguing that staff, Company staff
3 is not sufficiently robust to carry out this program.
4 So a concern that could be had is are there enough
5 reputable third party contractors, especially in gas
6 efficiency, not electric efficiency, out there that can
7 actually get the work done. So my question to you is,
8 did you actually carry out an assessment of who was
9 available? I mean you're saying people are coming to
10 you, but have you worked with these third party
11 contractors before, have they delivered energy savings
12 on a program where you are confident that they can
13 deliver on a timetable, or are you just kind of putting
14 this in because it's part of the settlement and you feel
15 you need to do it?

16 A. (Mr. Stoltz) We certainly are working with
17 the Energy Trust of Oregon on the gas side, and they
18 have been doing that for several years. As you probably
19 recall, Northwest Natural had their conservation
20 decoupling in effect since 2001, so they're very
21 experienced on the gas side down there, they know how to
22 administer the programs, and I don't believe the housing
23 stocks in Washington are much different than they are in
24 Oregon, I believe that they could implement decoupling
25 conservation opportunities very quickly.

0208

1 Q. Mr. Weiss or Ms. Steward, would you comment
2 on this, because you obviously agreed to that, and if
3 the benchmarks are not met, the Company, as I read
4 e(iv), the Company has to pay the penalty, the penalty
5 will be assessed on the Company of course.

6 A. (Mr. Weiss) Yes, the Energy Trust does not
7 have staff that installs insulation. They are a --
8 contract management is their model. They have a very
9 small staff, I think they have about 15, 17 people to do
10 the entire state, electric and gas, except for the
11 public utilities, and that model has worked very well.
12 Much of the conservation that is done on the gas side is
13 the same as from the electric side, it's ductwork, it's
14 insulation, it's that's sort of thing. The experience
15 with high efficiency furnaces, Cascade already has a
16 program that's more of a rebate type of thing. Many --
17 there's a lot of experience in the region for running
18 those kinds of programs. You get to the retailer and so
19 on, and you have the advertisements and the coupons and,
20 you know, all that kind of stuff. So we don't really
21 see -- we were quite easily convinced that this model
22 can work, and that's why we didn't have any problem
23 signing off.

24 Also, we expect in the collaborative process
25 that develops the plan that the first year will probably

0209

1 be fairly modest. We understand that this is new, this
2 is new for the Company, we're going to have to see what
3 things look like. So I imagine the penalties and so on
4 the first year will be with that understanding of what
5 the targets are and so on. So we hope to work very
6 collaboratively with the Company.

7 A. (Ms. Steward) I would just concur with that,
8 we have the gas infrastructure is a little more in a
9 nascent stage I think in the region, but we're -- the
10 contractors that have been doing the electric side,
11 they're building in the gas stuff. And as Mr. Weiss
12 said, it's not that different. And Puget Sound Energy,
13 they did an RFP, and although they didn't end up
14 contracting with any of them, but they did get I think
15 six offers on the gas side. So it is building, and I
16 think it is workable.

17

18 E X A M I N A T I O N

19 BY COMMISSIONER OSHIE:

20 Q. My next question is for Mr. Stoltz, and
21 really as I'm understanding now, fleshed out some
22 details on how the program is going to get started, so
23 let's talk about how the program is going to get funded.
24 Is this, do you anticipate filing tariffs at the end of
25 2007 to cover what you have expended through that period

0210

1 to get the program running, or are you going to file
2 tariffs as the --

3 (Bridge line interruption.)

4 BY COMMISSIONER OSHIE:

5 Q. Saved by the orchestra there, Mr. Stoltz.

6 A. (Mr. Stoltz) We will be filing DSM, demand
7 side management plans, as we do currently with our
8 integrated resource plan process. We certainly want to
9 pursue cost effective conservation for rate payer money
10 that will ultimately be the responsibility of the rate
11 payers. So we will invest in these DSM programs that
12 are cost effective similar to the mechanism we have in
13 place in the IRP's and recover those and defer those
14 expenses and recover them in future PGA type
15 applications.

16 Q. Is that when you would also anticipate filing
17 any tariff change that would result from the decoupling
18 mechanism, so it would be the PGA, any tariff riders to
19 pay for the conservation program, and any decoupling
20 margins that would be included would all be recovered at
21 the -- in one filing in other words?

22 A. (Mr. Stoltz) Yes, on one date so that there
23 would only be a single rate change.

24 Q. Okay, let's talk a little bit about the
25 performance requirements that are in the decoupling plan

0211

1 and decoupling mechanism. You know, there is -- do the
2 parties, maybe you have already answered this question,
3 Mr. Weiss, but do the parties expect any conservation
4 savings which would result in the implementation, if you
5 will, of the decoupling mechanism for 2007, and if so,
6 how much?

7 A. (Mr. Weiss) We expect that the decoupling
8 mechanism will go into effect after the Commission -- if
9 the Commission approves it with the order probably
10 around the first of the year I think is what's looked
11 at. The actual amount of conservation that's done in
12 2007 may be zero. Most of the -- all the benchmarks
13 that are here in 2007 are process benchmarks. We
14 discussed this a lot. It's hard to -- we don't have the
15 plan yet, we're just going to -- the group will just see
16 the Stellar Process's survey and potential, they will
17 have to develop the plan, have the plan submitted to the
18 Commission for approval, put out RFP's. We're hoping
19 that that could happen before the end of 2007, but we're
20 being realistic here, probably the conservation will
21 start in 2008.

22 A. (Ms. Steward) Although I have to disagree
23 with him a little bit. I don't think the savings will
24 be zero. The Company already has some programs, they
25 have some commercial programs that they started last

0212

1 year that are still being ramped up, they have low
2 income weatherization, and they have rebates for high
3 efficiency furnaces and water heaters. And so I think
4 we will come up with a target once we see the study that
5 -- something that we have expectation is that those
6 programs at least will be ongoing through 2007 and some
7 savings will be achieved.

8 Q. But I assume that the target that you
9 envision would be amounts incremental to what's already
10 being implemented by the Company, the programs and
11 measures in place today?

12 A. (Ms. Steward) For 2008 and 2009, they will
13 be incremental. For 2007 I'm sort of on a wait and see
14 on what we -- of how our discussions go in the plan, in
15 developing the plan, what sort of effort we see them
16 stepping up maybe for marketing or, you know, for the
17 current programs or if we want to turn those over to
18 third parties or how we want to do it.

19 Q. Let's get a sense here of what -- of when
20 those target dates, although the targets are set for
21 2008 and 2009, there's going to be review at the end --
22 within a 12 month period, and there's some -- maybe it
23 infers based on some of the language in the settlement
24 agreement that it would be on a calendar year basis. So
25 is that the way the parties envision it, is it 12 months

0213

1 after the original conservation plan or the, yeah, the
2 first conservation plan is filed and approved by the
3 Commission, is it broken down that way? I'm trying to
4 get a sense now of the three year pilot program and when
5 it starts and when it will end.

6 A. (Mr. Stoltz) I have -- I think it's the
7 Company's thought that that would be part of the
8 conservation plan that will be filed with the
9 Commission, so those kinds of details that have not been
10 worked out yet, when we would take measurements and
11 whether we want to do it on a basis that's coincident
12 with the rate changes or do we want to do it on a fiscal
13 year basis or a calendar year basis, I think those are
14 the kinds of details that will be developed in the
15 conservation plan that will be filed with the
16 Commission.

17 Q. And do all the parties, well, you have agreed
18 to a three year cap, but that was I believe in
19 Ms. Steward's, in her original testimony, but my
20 question, is three years enough time to really
21 understand the effect of the decoupling mechanism? Or I
22 mean for 2007 arguably there will be little, if any,
23 incremental conservation savings and programs set up by
24 the Company. 2008 I anticipate that would be ramped up.
25 So perhaps by the end of 2008 if everything works well,

0214

1 then you would have one, 2009, in which to really
2 analyze the effect of the decoupling mechanism and the
3 Company's conservation plan. Now is one year sufficient
4 to really get a good handle on how this decoupling
5 mechanism operates and its impact on the Company, its
6 corporate culture with regard to efficiency, or should
7 it be longer in order to get a better feel for how these
8 programs are accepted and being utilized by consumers?

9 A. (Ms. Steward) Well, the decoupling and the
10 constant plan, how I view it, I mean they're separate
11 but they're -- they're related but they're also kind of
12 separate. The decoupling removes the disincentive and
13 allows recovery of the lost margin. But removing that
14 disincentive does not automatically say a causal
15 relationship with the Company pursuing conservation, and
16 so that's why we have added this condition for the
17 Company to pursue conservation. Conservation has to be
18 ramped up. I mean I think we all know that, and we all
19 expect that to occur. And so we -- I think after three
20 years, we will have a pretty good idea of how well the
21 Company's contracting processes are going, you know, how
22 well their commitment is going to conservation. I think
23 we can see that in three years.

24 And the decoupling, the reason I wanted to
25 keep that to three years is because I would like to keep

0215

1 it a little bit more constrained as we study these and
2 make sure that we don't have unintended consequences.
3 And I think the relationship between costs and sales
4 versus costs and the number of customers, which is what
5 was shifting with the decoupling mechanism, that has
6 been found to be on a short-term basis one is no better,
7 sales is no better a determinate of cost than the number
8 of customers. But that's on a short-term basis, so I
9 want to keep the decoupling on a short-term basis,
10 particularly now when we're first starting out.

11 Does that answer your question?

12 Q. I guess it does, Ms. Steward.

13 A. (Ms. Steward) I'm not supposed to ask you
14 questions I guess.

15 Q. No, no, it's -- I just -- it's the three
16 years, it seemed to me at least in the context of a
17 program that's going to be ramped up, you really don't
18 get a good understanding of how the programs have
19 developed their effectiveness and the Company's
20 effectiveness at implementation. It seems as if you
21 would want, to me at least, a longer period, but, you
22 know, the parties have agreed to three years, the
23 question I asked is to get a sense of why, and you
24 answered the question.

25 Mr. Weiss.

0216

1 A. (Mr. Weiss) Yes, in Oregon when Northwest
2 Natural did decoupling and then ramped up conservation
3 as part of that, again in a related agreement, they used
4 the Energy Trust, but the Energy Trust had not done gas,
5 so the Energy Trust had to ramp up, took quite a bit of
6 time before they developed their targets, developed
7 their programs, and so probably it wasn't much more than
8 two years of actual implementation. And then the, as
9 you saw there was an exhibit, the Christensen report,
10 analyzed was the evaluation at the end, and they were
11 able to come to fairly good conclusions. I note on page
12 11, c, there are those -- there is a way for the Company
13 to ask that the mechanism be extended if they wish, and
14 that includes an evaluation. We also made sure that
15 even if, for whatever reasons, we decided not to extend
16 decoupling that the evaluation should still take place
17 so that we can get some lessons learned from it.

18 Q. Okay.

19 A. (Ms. Steward) And I would add that for this
20 utility, I think the third party contracting will
21 actually help speed things up since they don't have
22 in-house staff knowledgeable really on how to deliver
23 the programs and how to be more aggressive on it,
24 whereas Avista and PSE, they had in-house staff working
25 on the electric side, so they were able to leverage that

0217

1 for the gas side when the time came to increase their
2 efforts on the gas side. For this company, you know,
3 they don't have that, and so going to third parties who
4 already have that experience will speed things up.

5

6

E X A M I N A T I O N

7 BY COMMISSIONER JONES:

8 Q. This is Commissioner Jones, just to follow up
9 on that, page 11, Mr. Weiss, I would like all panelists
10 to respond to this if possible, it calls for a thorough
11 evaluation of the mechanism performed by a "independent
12 consultant". Just generally, are you expecting, when
13 you put in language like that, are you expecting
14 something like the Christensen study, is that what
15 you're kind of referring to, a nationally known
16 economics consulting firm to come in and do this?

17 A. (Mr. Weiss) Yes.

18 Q. Are you aware, Ms. Steward, that in that
19 report that the commission posed some specific questions
20 in its order approving the demand, the acronyms are all
21 different, aren't they, what's it called, DMN?

22 A. (Ms. Steward) Yeah.

23 Q. Demand, what is it, demand margin?

24 A. (Ms. Steward) Marginal normalization.

25 Q. Oh, good.

0218

1 JUDGE RENDAHL: Before we go farther, there
2 have been references to the Christensen report, and I
3 have been looking through the exhibit list to identify
4 the exhibit number, either now or at some point later it
5 would be helpful to have an exhibit number for that
6 unless somebody knows off the top of their head.

7 MS. STEWARD: Do we have it in the record?

8 JUDGE RENDAHL: Nobody can hear you, we will
9 discuss this at a break, but it would be helpful to have
10 that explained.

11 Okay, please go ahead.

12 BY COMMISSIONER JONES:

13 Q. Are you aware, Ms. Steward or other
14 panelists, that there was a -- the commission posed some
15 questions for the study in its order approving the
16 mechanism for Northwest Natural, so my question is if --
17 and one of those questions dealt with this, you know,
18 disaggregating the impacts of price elasticity,
19 conservation, economic activity. As I understand it,
20 Ms. Steward, the economists were not able to come up
21 with a crisp answer on that, is that your understanding
22 of the report as well?

23 A. (Ms. Steward) On disaggregating, I'm sorry?

24 Q. Trying to analyze what the savings came from,
25 which specific activity it came from, additional

0219

1 conservation.

2 A. (Ms. Steward) Oh, yes, yes, I mean it's --
3 that would be difficult for us, and I think, you know,
4 something we have to talk about when we sit down to work
5 through what we want in the evaluation plan and
6 evaluation report, I think we're trying, but I'm not
7 going to put a lot of confidence in it. And I think we
8 do have, I'm looking for it, but we will be filing a
9 plan within I thought it was 60 days but I'm not finding
10 the language, that the Commission will have the
11 opportunity to review as well, and so we would also be
12 looking for Commission input into elements that you
13 would want further study on.

14 COMMISSIONER JONES: The only purpose of
15 asking that question was to get an idea of what kind of
16 study the parties who settled this were looking for and
17 that these answers, even if the Commission puts it in
18 the order or even if you ask it in your planning process
19 under the CAG, I think at least for this Commissioner
20 it's difficult even for an economist, a nationally known
21 economist, to go in and really try to understand what
22 was due to what, that's my only point, thank you.

23 JUDGE RENDAHL: Okay, at this point I just
24 have a question --

25 COMMISSIONER OSHIE: Just one last question.

0220

1 JUDGE RENDAHL: -- do you have any more
2 questions?

3 COMMISSIONER OSHIE: Just one.

4 JUDGE RENDAHL: You have one.

5 Commission Jones, do you have additional
6 questions, and, Chairman Sidran, do you have any
7 questions on this topic?

8 Okay, what I think we will do is we'll take
9 the last question, and then we'll have our break.

10

11 E X A M I N A T I O N

12 BY COMMISSIONER OSHIE:

13 Q. My final question is addressed to all of the
14 panel members, but I think, Mr. Stoltz, we can perhaps
15 start with you. What is this program that is envisioned
16 at least in its rough form, the conservation plan,
17 what's it going to cost?

18 A. (Mr. Stoltz) I don't think that we have
19 enough information to estimate the cost. We are still
20 having a conservation potential study completed for us
21 so that we have some sort of idea of what opportunities
22 are available to us. We do think that using a third
23 party will probably incur some administrative expenses
24 in the \$200,000 to \$400,000 range, so we will have to
25 evaluate that compared to the conservation potential

0221

1 that's available to make sure that it remains cost
2 effective, so we will have to do some evaluations as we
3 get more information on the conservation potential.

4 Q. Mr. Weiss, do you have a sense of what this
5 program may cost?

6 A. (Mr. Weiss) Well, I would again I guess have
7 to compare it with Oregon, once the program was up and
8 running, Oregon is, depending if you include low income
9 weatherization and so on, it's about 1 1/4% of revenues,
10 which for this company would be \$3 Million or something
11 annually, so that's probably -- I also note that in
12 Oregon the Energy Trust has a waiting list and has been
13 able to lower its incentives, the popularity has been
14 very great, so they have been able to spread the money
15 further, because obviously with high prices people want
16 to take part in these programs.

17 Q. Ms. Steward, do you have an opinion?

18 A. (Ms. Steward) I don't want to speculate on
19 what the cost would be, but I think Mr. Weiss is right
20 that, you know, 1%, around 1% is about what our other
21 utilities are spending on their gas conservation
22 programs, and so that would be, you know, about what
23 we're looking at. But before we get that potential
24 assessment, it's hard to speculate, but I would expect
25 it to be around there.

0222

1 COMMISSIONER OSHIE: All right, thank you.

2 JUDGE RENDAHL: All right, are there any
3 other questions for this panel?

4 With that, you are excused, and we will be
5 off the record until about 11:05.

6 (Recess taken.)

7 JUDGE RENDAHL: All right, let's be back on
8 the record after our morning recess. We're going to
9 start now with the cross-examination of the Company's
10 witness, David Stevens, and since all of the exhibits
11 have been admitted by stipulation earlier today, there's
12 no need to lay foundation for any witness I don't
13 believe, I think we can go straight to the
14 cross-examination.

15 So, Mr. Stevens, if you would come on up.

16 One other preliminary issue, at the break we
17 identified the Christensen report as Exhibit 317, and
18 there's been a request for the Company to submit the
19 entire report, so Mr. VanNostrand will send the full
20 report to the Commission and all parties.

21 With that, Mr. Stevens, could you state your
22 full name and the party you are appearing on behalf of.

23 MR. STEVENS: Sure, my name is David Stevens,
24 S-T-E-V-E-N-S, and I'm on behalf of Cascade Natural Gas
25 Corporation.

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1 JUDGE RENDAHL: Thank you, could you raise
2 your right hand, please.

3 (Witness DAVID STEVENS was sworn.)

4 JUDGE RENDAHL: Okay, thank you very much.

5 THE WITNESS: Thank you.

6 JUDGE RENDAHL: Please go ahead, Ms. Krebs.

7 MS. KREBS: Thank you very much.

8

9 Whereupon,

10 DAVID STEVENS,
11 having been first duly sworn, was called as a witness
12 herein and was examined and testified as follows:

13 C R O S S - E X A M I N A T I O N

14 BY MS. KREBS:

15 Q. Hello, Mr. Stevens.

16 A. Good morning.

17 Q. Isn't it true that if decoupling is approved
18 Cascade will likely receive additional revenues without
19 a rate case?

20 A. Could you clarify your question for me,
21 please.

22 Q. I will repeat it.

23 A. Okay, thank you.

24 Q. I know you were drinking some water, so.

25 Isn't it true that if decoupling is approved,

0224

1 Cascade will likely receive additional revenue without a
2 rate case?

3 A. Well, if decoupling is approved, what will
4 occur is the Company will have the ability to recover
5 those declining consumption volumes that are associated
6 with conservation and other factors, so that would be
7 true.

8 Q. So that would be revenue that you're
9 describing?

10 A. Correct, it would be revenue.

11 Q. Thank you.

12 And that additional revenue could be
13 collected each year for the next three years, correct?

14 A. That is correct, depending upon what occurs
15 with the possible penalties and things associated with
16 the plan, the conservation plan, but that's correct.

17 Q. Thank you.

18 And it's true that during those three years,
19 Cascade could enjoy revenue growth for other reasons;
20 isn't that true?

21 A. That would be true, Cascade does enjoy a
22 pretty healthy growth rate in its zones where it serves
23 its customers, that's correct.

24 Q. Or it could enjoy a decline in its costs
25 during that same period?

0225

1 A. Hypothetically, yes. I would tell you that I
2 think that's much less likely by virtue of the fact that
3 we've been pretty cost conscious over the past ten
4 years, that's how we've avoided going into a rate case.
5 I think the odds are decline in cost I think will be
6 much less likely than the opposite, which would be
7 growth in customers.

8 Q. But it's possible, yes?

9 A. Theoretically possible, yes.

10 Q. Okay. Whether costs go down or other
11 revenues go up, tracker revenues will go up regardless;
12 isn't that true?

13 A. If you're talking about the tracker revenues
14 associated with decoupling, that would be correct.
15 Decoupling would be totally separate from the others
16 because there's no requirement for a rate case
17 associated with them.

18 Q. That was my next question.

19 A. Sorry.

20 Q. Oh, no. So essentially it would be without a
21 rate case, those revenues would go up without a rate
22 case?

23 A. That would be correct.

24 Q. Turning to your testimony, your direct
25 testimony, which is 10-T.

0226

1 JUDGE RENDAHL: Actually, that would be 11-T.

2 MS. KREBS: Oh, sorry.

3 JUDGE RENDAHL: 10 is your exhibit circulated
4 yesterday.

5 MS. KREBS: Thank you very much, that would
6 be 11-T, thank you.

7 BY MS. KREBS:

8 Q. You say in your direct testimony, and I will
9 point you to page 8, line 17, are you there?

10 A. Yes, ma'am.

11 Q. Okay. If you can look at your testimony:
12 To remedy the underrecovery of the
13 company's costs and better align
14 ourselves with our customers in their
15 efforts to conserve, Cascade has
16 developed a rate stabilization mechanism
17 that will decouple fixed cost recovery
18 from volume.

19 Is that correct?

20 A. That is correct.

21 Q. And there you're talking about the decoupling
22 proposal before the Commission today; is that right?

23 A. That would be correct, with the exception
24 that when we originally filed it, obviously it had a
25 weather component, but that would be correct.

0227

1 Q. So you believe that this proposal will align
2 yourselves with customers?

3 A. Yes, I do.

4 Q. Okay.

5 A. I mean what that -- I mean, if I may?

6 Q. Yes.

7 A. You know, our view is that to take away the
8 disincentive to the corporation from the standpoint of
9 pursuing conservation, everything is done on a
10 volumetric basis, the disincentive the corporation has
11 to conserve, it directly impacts the bottom line. And
12 so this way, while we have been doing conservation
13 programs and we will continue to do so, bottom line is
14 this takes that away.

15 Q. So let's examine the alignment between
16 customers and the Company brought on by decoupling a
17 little more. The decoupling proposal agreed to by the
18 parties in this case tracks reductions in per customer
19 usage, correct?

20 A. That would be correct.

21 Q. If I recall, you were at the public hearing
22 in Bellingham, were you not?

23 A. Yes, ma'am, I was.

24 Q. I don't know if you remember all of the
25 testimony, but there was one in particular that I

0228

1 remember, you may remember as well, and I want to read
2 it to you, you should have it in front of you, it's on,
3 well, page 13 but in the transcript it's page 127
4 beginning at line 23.

5 A. Okay, I believe I have it.

6 JUDGE RENDAHL: Ms. Krebs.

7 MS. KREBS: Yes.

8 JUDGE RENDAHL: The page 127 is on the
9 left-hand side along the numbering?

10 MS. KREBS: Yeah, sorry, so 127 begins on the
11 prior page, so it's best to look at --

12 JUDGE RENDAHL: Page 12?

13 MS. KREBS: Yeah, and then go to page 13.

14 JUDGE RENDAHL: Okay.

15 MS. KREBS: I'm sorry, yeah, it's between 127
16 and 128.

17 BY MS. KREBS:

18 Q. The witness was Carol Whitling, and she says:
19 I live here in Bellingham, and I'm a
20 Cascade customer. I would like to say
21 that I moved to Bellingham a year ago,
22 and as a retiree on a fixed income, and
23 I spent my first year here discovering
24 that the place I rented wasn't
25 insulated, and that is my problem with

0229

1 my landlord. But I did spend a lot of
2 time at the library, because I wanted to
3 conserve on using the heat, and I was
4 concerned about how much it would cost
5 since the rate had gone up 25, I think
6 25% last year. And I just wanted to say
7 I was totally flabbergasted when it
8 talked about there being an impingement
9 on people who are trying to conserve.
10 It just didn't make any sense to me that
11 as a customer I would be getting charged
12 a higher rate for being careful about my
13 use of the natural gas in the place that
14 I live and that industrial and
15 commercial people would be getting a
16 break. I'm not very good at economics,
17 but it just didn't make sense to me that
18 here I try to turn off lights for the
19 electrical company, and I try not to
20 turn the gas on too long, and I just
21 don't understand why I should be
22 penalized for conserving or trying to
23 conserve on the use.

24 Do you remember that testimony?

25 A. Not specifically, I do remember the general

0230

1 gist of the testimony now that I have read it.

2 Q. Okay. You do agree that people like
3 Ms. Whitling, people who turn down the thermostat or go
4 to the library to save gas, could pay higher rates on
5 your decoupling if per customer usage continues to
6 decline?

7 A. You mean pay higher rates than what they
8 would have under a historical methodology without
9 decoupling?

10 Q. Yes.

11 A. That would be correct.

12 Q. And that per customer usage could decline in
13 part exactly because of Ms. Whitling's sacrifices, yes?

14 A. I think from this standpoint it sounds like
15 she's already done the conservation, and since we would
16 be setting off at this point, the likelihood -- people
17 like her, potentially yes, to answer your question
18 directly, but in her particular case that may not be the
19 case. And also from the standpoint of the landlord not,
20 you know, insulating the home, I hope would be that we
21 would be able to fund programs to target landlords and
22 people like that so that we could do some things in
23 addition to what she's doing from a personal sacrifice
24 standpoint to help conserve.

25 Q. I understand that, but the perverse incentive

0231

1 that I'm trying to point out is if Ms. Whitting goes to
2 the library more than she did this year because it's
3 colder, per customer usage could go down more, and the
4 company could recover more from that?

5 A. Could recover that as a conservation portion,
6 that is correct.

7 Q. You also agree that customers who spend their
8 own money on conservation investments will likely pay
9 higher rates because of decoupling for the same reason?

10 A. That would be correct.

11 Q. And again for the same reason, conservation
12 actually contributes to the per customer decline and
13 therefore again raises revenues to the company?

14 A. Again, as long as I clarify that the rate
15 that you're talking about raising the rates, if you
16 will, or raising the income to the company, that's
17 relative to a company that does not get decoupling, then
18 I would agree, correct.

19 Q. Thank you. Would you rather I use the term
20 revenues, is that --

21 A. No, that's okay.

22 Q. Okay. And so one might say that customers
23 are penalized for their own efforts to reduce usage
24 under decoupling; am I right?

25 A. I guess from -- you could word it that way, I

0232

1 wouldn't. I would say that they're doing the
2 conservation in order to achieve a much greater return
3 for themselves by virtue of the -- because the bottom
4 line is they will get the full value of their
5 conservation. The cost or the incremental cost of the
6 decoupling I think would be significantly less than
7 that, but I would say it would go against those savings,
8 correct.

9 Q. Let's talk more about the Company seeking to
10 align itself with customers in their efforts to
11 conserve, okay?

12 A. Okay.

13 Q. Cascade's not against investing in
14 conservation programs that reduce gas usage, is it?

15 A. No.

16 Q. You're not discouraging customers from using
17 their own resources to reduce energy usage?

18 A. That would be correct.

19 Q. And you haven't opposed efforts to improve
20 energy efficiency through better appliance standards or
21 building codes?

22 A. That would also be correct.

23 Q. If we could turn back to your testimony,
24 11-T, and this time page 3, line 2, okay?

25 A. Yes, ma'am.

0233

1 Q. There you say:
2 Cascade's customer base grew at a pace
3 of 3% to 5%, which is significantly more
4 than the national average. This high
5 level of growth was made possible by the
6 overall population growth in the
7 Company's service area and the low level
8 of market saturation for natural gas in
9 the Northwest.

10 Is that a correct reading?

11 A. That is a correct reading.

12 Q. So you would agree that Cascade's rate of
13 customer growth is 3% to 5%, and that is above the
14 national average?

15 A. I would agree with that.

16 Q. Thank you.

17 Now if you could turn to I believe it's
18 Exhibit 20, which is the annual report.

19 A. Oh, okay, thank you.

20 Q. And if you could turn to page 14, Paragraph
21 4, please.

22 JUDGE RENDAHL: And page 14 would be the
23 number in the upper right-hand corner?

24 MS. KREBS: I'm sorry, no, it would be on the
25 actual annual report, sorry about that.

0234

1 JUDGE RENDAHL: So that's page 20 in the
2 upper right-hand corner?

3 MS. KREBS: Yes, thank you.

4 A. Are you in the overview section; is that
5 correct?

6 BY MS. KREBS:

7 Q. I'm not quite sure where it starts, let me
8 look.

9 A. Okay.

10 Q. This is if you look on the top right it's
11 page 20, and if you look on the bottom it's page 14,
12 it's under item 7, management's discussion and analysis
13 of financial conditions; do you see that?

14 A. Yes, I do.

15 Q. So it's the next page after that.

16 A. Okay.

17 Q. There you say, prospects for continuing
18 strong residential and commercial customer growth are
19 excellent. Do you agree with that statement?

20 A. Yes, I do.

21 Q. Moving to the third line:

22 Good potential also exists for
23 converting homes and businesses located
24 on or near the Company's current line to
25 gas from other fuels as well as

0235

1 expanding the system into adjacent
2 areas. Customer growth in this sector
3 has been about double the average of
4 U.S. gas utilities.

5 Is that accurate?

6 A. That is accurate.

7 Q. Okay. And so you would agree that Cascade is
8 proud of its large customer growth, wouldn't you?

9 A. Sure, I would.

10 Q. If you could turn back to your testimony,
11 direct testimony in 11-T, and that would be page 3, line
12 15, and I'm going to be asking more questions about the
13 annual report, so just to keep it out there.

14 A. I will do that.

15 Q. Thanks. On page 3, line 15, you say:

16 With the onset of new executive
17 management in the past year, the Company
18 implemented changes in our corporate
19 culture, emphasizing the feasibility and
20 profitability of our strong growth.

21 Do you see that?

22 A. Yes, I do.

23 Q. So again, growth is good, yes?

24 A. Profitable growth is good.

25 Q. Okay. Would you agree that in 2005 you added

0236

1 10,500 new customers roughly?

2 A. I would agree with that as a rough number,
3 that is correct.

4 Q. And you would agree that the year prior,
5 2004, you added 8,000 new customers?

6 A. I unfortunately do not remember that.

7 Q. Okay. So if you look in the annual report.

8 A. Okay.

9 Q. And I will tell you what the top right page
10 number is.

11 A. Thank you.

12 Q. Page 23 on the top right.

13 A. Actually, if you don't mind telling me the
14 page number, I'm actually looking at the actual annual
15 report, so.

16 Q. Okay, page 17.

17 A. Thank you.

18 Q. And if you look down to the third paragraph,
19 I believe that contains a customer count of 8,013
20 increase; is that correct?

21 A. On page 17, I'm having a hard time following,
22 finding it, I'm sorry.

23 Q. Where it says 2004 versus 2003; do you see
24 that?

25 A. On page 17 I'm looking at operating margin

0237

1 unless I have a bad page number by accident.

2 JUDGE RENDAHL: Okay, let's be off the record
3 for a moment while we determine the proper page.

4 (Discussion off the record.)

5 JUDGE RENDAHL: Do you have the correct page,
6 Mr. Stevens?

7 THE WITNESS: Yes, ma'am, I believe so.

8 JUDGE RENDAHL: Okay, go ahead, Ms. Krebs.

9 BY MS. KREBS:

10 Q. And underneath where it says 2004 versus
11 2003, do you see that paragraph?

12 A. Yes, I do.

13 Q. And it identifies in 2004 that Cascade had an
14 8,000, about 8,000 additional customers?

15 A. That is correct on an average number of
16 customers billed basis, that is correct.

17 Q. Okay. Looking at the annual report, the
18 prior page, and that would be 22 on the top right.

19 A. Okay.

20 Q. There is a discussion under 2005 versus 2004
21 about Cascade's margin for 2005 and especially in
22 relation to 2004; do you see that?

23 A. Yes, I do.

24 Q. Okay. There you say:

25 Operating margin revenue minus gas costs

0238

1 and revenue taxes is primarily a
2 function of customer growth and gas
3 usage per customer.

4 Is that an accurate reading?

5 A. That is an accurate reading.

6 Q. You then identify in the context of the
7 addition of 10,500 customers the margin from those
8 customers, and I will read that sentence:

9 The net addition of approximately 10,500
10 billed residential and commercial
11 customers in 2005 contributed
12 approximately let's say \$3.1 Million of
13 additional margin compared to fiscal
14 2004.

15 Is that accurate?

16 A. That is an accurate reading.

17 Q. Then you go on to say:

18 This was mostly offset by reductions in
19 gas usage per residential and commercial
20 customers of 3.8% and 4.4% respectively,
21 which reduced margins by about \$2.5
22 Million.

23 Is that accurate?

24 A. That is an accurate statement.

25 Q. You then say:

0239

1 The addition of more efficient homes and
2 businesses reduced consumption per
3 consumer, and slightly warmer weather
4 compared to last year drove the lower
5 consumption rates.

6 Did I read that accurately?

7 A. That is correct.

8 Q. Okay. If you could turn to page 19 of the
9 annual report, and that's on the right side, I will
10 point it to you under, it's the second paragraph under
11 opportunities and challenges.

12 A. Yes, I see it.

13 Q. Okay. There you say:

14 Overall revenues and margins are also
15 negatively impacted by higher efficiency
16 in new home and commercial building
17 construction, higher efficiency in gas
18 burning equipment, and customers taking
19 additional measures to reduce energy
20 usage.

21 Is that correct?

22 A. That is correct.

23 Q. You then go on to say:

24 The increasing costs of energy in recent
25 years, including the wholesale cost of

0240

1 natural gas, continues to encourage such
2 measures.

3 Is that accurate?

4 A. That is accurate.

5 Q. Thanks for your patience in going through all
6 that, I hope it didn't feel like a shareholder meeting.

7 A. That's okay.

8 Q. Okay. So I just want to make clear, margin
9 in 2005 mostly from new customers was \$3 Million; is
10 that correct?

11 A. That would be correct. You're talking about
12 the margin increase relative to the new customer
13 additions?

14 Q. Yes.

15 A. That is correct.

16 Q. At the same time, you identify that gas per
17 usage, excuse me, gas usage per customer declined 3.8%
18 to 4.4%, correct?

19 A. That's correct, it's 3.8% relative to
20 residential customers and the 4.4% relative to
21 commercial customers, that would be correct.

22 Q. Thank you for that clarification.

23 And I just want to recap, and you can tell me
24 after each one whether or not it's true. The decline in
25 per customer usage that you have identified in your

0241

1 annual report was due to I'm going to say, one, the
2 addition of more efficient homes and businesses, yes?

3 A. That would be correct.

4 Q. Slightly warmer weather compared to the year
5 prior?

6 A. That would also be correct.

7 Q. Higher efficiency in new home and commercial
8 building?

9 A. That would also be correct.

10 Q. And then customers taking additional measures
11 to reduce energy usage?

12 A. I would agree with that also.

13 Q. And the increasing price of wholesale gas?

14 A. Probably a causal relationship to the
15 customers taking the new measures, but I would agree
16 with that also.

17 Q. Now do you have in front of you what is
18 Public Counsel demonstrative Exhibit 10, it says core
19 margins 1996 through 2005? I believe counsel can give
20 it to you if --

21 A. Okay, yeah, I don't believe I do have that
22 particular exhibit, I don't think that was one of mine,
23 so.

24 Q. No, it was developed afterwards.

25 A. Okay, I will need to receive that if I can.

0242

1 JUDGE RENDAHL: Let's be off the record for a
2 minute.

3 (Discussion off the record.)

4 JUDGE RENDAHL: Mr. Stevens, have you had a
5 chance to take a look at what's been admitted as Public
6 Counsel Exhibit 10?

7 THE WITNESS: Yes, I did look at the exhibit
8 yesterday.

9 JUDGE RENDAHL: Okay.

10 THE WITNESS: I just did not have it with me,
11 I didn't realize -- because it wasn't one of my
12 exhibits, I'm sorry.

13 JUDGE RENDAHL: No problem.

14 Ms. Krebs.

15 BY MS. KREBS:

16 Q. I wanted to just ask you if you disputed any
17 of these numbers on this chart. This is in fact a
18 response from Cascade to Public Counsel, and it is your
19 margins for 1996 to 2005; do you dispute anything that's
20 on this chart?

21 A. No, I wouldn't have a reason to dispute the
22 numbers on this chart at all.

23 Q. Looking at the difference between first 2005
24 and 2004, in 2005 you had what's rounded margin of \$1.7
25 Million; isn't that correct?

0243

1 A. Are you talking about the difference in
2 margin, because I believe that's what you're referring
3 to?

4 Q. Yes.

5 A. Okay, so the difference in margin between
6 2004 and 2005, that is correct.

7 Q. And between 2003 and 2004 you have \$1.6
8 Million, same thing?

9 A. That is correct.

10 Q. Okay. So we have already established from
11 the annual report that in 2005 weather was warmer,
12 correct?

13 A. That is correct, than 2004, slightly warmer I
14 believe it said.

15 Q. Customer sponsored conservation increased?

16 A. That is correct.

17 Q. Wholesale prices went up?

18 A. That is correct.

19 Q. Appliances in new structures became more
20 efficient?

21 A. That is correct.

22 Q. And all of this resulted in the lower gas
23 consumption per customer that you highlighted in your
24 annual report of a 3.8% reduction at least in
25 residential and I believe either 4.4% or 4.7% in

0244

1 commercial, that is the result of those factors?

2 A. That would be correct, I do believe it's 4.4%
3 for commercial.

4 Q. Thank you. Even with all that, Cascade's
5 margin in 2005 was higher than 2004; isn't that correct?

6 A. That would be correct. The one clarification
7 if I can make it, because I did look at this data
8 request yesterday, is this data request is on a calendar
9 year basis, and we report earnings on a fiscal year
10 basis, and so we are sort of talking apples and oranges,
11 so I would agree in general that it's higher, but not
12 necessarily by this amount.

13 MS. KREBS: Thank you very much, I have
14 nothing further.

15 JUDGE RENDAHL: Okay, thank you very much,
16 Mr. Stevens, unless there are any questions, any
17 redirect from the Company for this witness.

18 MR. VAN NOSTRAND: No, Your Honor.

19 JUDGE RENDAHL: Any questions from the Bench
20 for this witness?

21 Commissioner Jones.

22

23 E X A M I N A T I O N

24 BY COMMISSIONER JONES:

25 Q. Good morning, Mr. Stevens.

0245

1 A. Good morning, Commissioner.

2 Q. How long have you been CEO of Cascade Natural
3 Gas?

4 A. Started in April of 2005, so relatively
5 recent.

6 Q. I think in your first, in your direct
7 testimony you talked about corporate culture and the
8 changes in corporate culture that you have instituted
9 since becoming CEO; could you just summarize those for
10 the Bench, at least for this Commissioner?

11 A. Yes, sir. Basically one of the biggest
12 changes and one of the things that you will see in the
13 testimony is we wanted to ensure that we had taken every
14 possible alternative we could to avoid having to file a
15 rate case. The Company had been out for a number of
16 years, a lot of people I think were concerned about
17 that, but our internal view has been that if we can keep
18 costs in line and not have to file a rate case, that's
19 the best alternative if we can possibly do so. We
20 looked at those, tried to find any costs we could find,
21 that was probably the first thing we did. We tried to
22 insure that we instilled a very cost conscious culture,
23 not saying Cascade wasn't cost conscious, I think they
24 were or I don't think they would have stayed out of rate
25 cases for ten years.

0246

1 Secondly I would say the thing we did is we
2 really spent a lot of time on the issue of ensuring that
3 all of our growth was economic and profitable. We
4 wanted to ensure that we never did anything that would
5 be a -- that would generate a benefit, if you will, to a
6 developer at a cost to the ultimate consumer. So we did
7 some things along those lines to ensure, which we did on
8 a periodic basis already, it was nothing new that we
9 created, so they're all really related to cost control
10 and ensuring that the growth itself is profitable and
11 done as properly as we can under the rules.

12 Q. And how did you institute such, you know, as
13 a CEO coming in you must have had some challenges, how
14 did you institute both, if you will, the carrot and the
15 stick, the incentives for senior management and the
16 employees to carry out these changes and the
17 disincentives?

18 A. The incentives are the board was very fair in
19 my view of bringing the incentive plan to the
20 corporation, it went throughout all employees in the
21 corporation with the exception of those within the
22 collective bargaining agreement who had not ever wanted
23 to have those forms of incentives, so we had a global
24 incentive plan that covered every other employee in the
25 corporation. We walked around, we went around and spent

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1 a lot of time educating employees as to why it was
2 important to ensure that we were cash positive and not
3 increasing our debt on a continual basis, which we had
4 been doing prior to 18 months ago. Since then, we have
5 been reducing our debt and driving ourselves back to a
6 50/50 cap structure.

7 And then I would say on the disincentive
8 side, what we did is basically I put in a new
9 performance review process and methodology for how we
10 would handle performance and not -- and lack of
11 performance, people that weren't willing to live by the
12 new rules.

13 Q. Now this brings me to my question about a
14 decoupling mechanism. I think in response to Public
15 Counsel's questions it's quite clear, and I think it's
16 basic economics, that there are two ways to achieve
17 margins, margin improvement. One is to reduce cost, and
18 you just described what you did since becoming CEO, and
19 the other is to increase margins by increased sales,
20 correct?

21 A. That is correct, under the current
22 methodology of rates, that is correct.

23 Q. And wouldn't you say that it's very common in
24 the business world that when you increase margins you
25 try to increase sales, you instruct your -- you provide

0248

1 incentives and you provide goals for management and
2 staff to increase sales?

3 A. That would be correct in a normal business
4 world. I will tell you that we no longer have that in
5 our company. We no longer have incentive plans for our
6 sales forces directly related to that. Everybody is on
7 a I call it a Three Musketeers plan, it's all for one
8 and one for all, it's basically global goals on safety,
9 customer service, and then bottom line income, so we
10 don't have a particular association to sales. Now I'm
11 not going to say that we don't have sales people out
12 trying to sell more gas, because that would be an
13 incorrect statement, we definitely do that, but
14 primarily trying to attract new customers to the system,
15 new gas and electric customers and sales associated with
16 that.

17 Q. So this gets to the heart of my specific
18 question here on the decoupling mechanism. If the
19 Commission were to approve a decoupling mechanism as
20 proposed in the settlement, what sorts of additional
21 changes would you provide in I say corporate culture but
22 more specifically in terms of the incentives and the
23 goals for your senior management team and staff to
24 implement what I would think would be a fairly dramatic
25 change in the way you look at margins to satisfy the

0249

1 needs of your shareholders as well as your customers?

2 A. It's a great question, I don't know that
3 we've put it to the point of putting anything in
4 writing, but I will give you my perspective if I can, if
5 I may. My view is that the culture of the company
6 historically and if you look at historical rates, and
7 I'm going to go back a number of years, has been exactly
8 to your point, which is drive sales in any form or
9 fashion that you can. I will tell you that Cascade
10 contrary to maybe some, you know, testimony within this
11 particular hearing, but I think Cascade has done a very
12 admirable job in light of the size of its staff in
13 trying to do integrated resource planning and demand
14 side management. Saying that, I would tell you that
15 from a cultural standpoint, I think the biggest change
16 is going to be to teach every employee that our drive
17 now is to try to conserve gas, which is almost
18 counterintuitive to a person that's spent a lifetime in
19 the utility business. I believe the best way to educate
20 is to go around, talk to all the employees, explain on a
21 repetitive basis. And then from an incentive basis,
22 honestly I have not put much thought into how we would
23 construct something from an incentive standpoint.

24 Q. Have you had a chance to talk to other
25 executives in the country in the gas LDC world, local

0250

1 distribution company world, that have instituted similar
2 mechanisms and how they instituted programs to incent
3 and motivate their employees and senior management to do
4 this?

5 A. To an extent. The one I have spent the most
6 time with would be Northwest Natural Mark Dodson, I have
7 had discussions with him. We did not get to the point
8 of having good incentives for senior management. We did
9 talk about how to drive culturally the belief that
10 driving down consumption was not going to be an adverse
11 impact to the employees themselves and ultimately to the
12 company, because that's a cultural item that we have to
13 overcome, but we did not get to the point of incentives
14 for senior executives.

15 Q. Thank you. Next line of questioning is under
16 capital expenditure plan for the next five years. I
17 think in your direct testimony you talk about the CapEx,
18 capital expenditure plans for the next five years. I'm
19 a little confused about the numbers between Washington
20 and Oregon, and so if you could clarify for the record
21 what your total CapEx plan including both safety and
22 reliability in the system is for the next five years?

23 A. Okay, if you can give me just a minute.

24 In the Washington portion of our service
25 territory we have \$37 Million associated with what we

0251

1 define as safety and reliability projects over the next
2 five years.

3 Did that answer your question? I'm sorry, I
4 may have missed part.

5 Q. And those are revenue producing or
6 non-revenue producing?

7 A. No, sir, those would all be non-revenue
8 producing.

9 Q. And then what would be the revenue producing
10 capital expenditure plan for the next five years?

11 A. The investment in what we would call revenue
12 producing over time, which is in distribution mains and
13 services, is approximately \$85 Million over the next
14 five years.

15 Q. Adding those two together is, if you would
16 follow my math here, that is approximately \$122 Million?

17 A. That would be correct.

18 Q. Has this been approved by the board of
19 directors?

20 A. No, sir, the board approves budgets on an
21 annual basis.

22 Q. Has this information been shared with Wall
23 Street, and what is the reaction from Wall Street
24 analysts? I think in one of your appendixes to a Public
25 Counsel data request there was a conference call with

0252

1 analysts that was transcribed, what is the reaction from
2 analysts when they look at a CapEx plan of this size?

3 A. I would say that the analysts would have
4 been, and let me back up a little bit, would have been
5 much more concerned had we not been able to improve our
6 debt to equity ratio over the last 18 months to the
7 level we have been able to. I would say today I don't
8 believe we would get real adverse opinions on this. You
9 know, they consider this part of doing business, and so
10 as long as we're not going to significantly adversely
11 drive our debt to equity ratio, I don't think we would
12 have any major adverse impacts from analysts.

13 Q. Have you talked with the analysts about a
14 proposed decoupling structure in the current rate case
15 in the state of Washington, and what is the reaction,
16 what sort of questions have you gotten back from
17 analysts as to, you know, whether they like it or not?

18 A. I would tell you that as a general statement
19 analysts are going to believe that anything that gives
20 you a little bit more predictability, and when we would
21 have discussed it, we would have discussed it in the
22 format that we originally filed it, which was both
23 weather normalization and decoupling combined, which is
24 not the settlement that we're putting forth today, they
25 view anything that gives you a little more stability

0253

1 obviously gives you less risk relative to the associated
2 ability to pay back debt and things like that, so they
3 view it positively.

4 Q. Do they ask you specific, I mean how specific
5 do they get in their questions in terms of what
6 Commissioner Oshie and I were asking the witnesses
7 about, is it more of a general issue?

8 A. Yes, sir, it's much more general. By virtue
9 of our size, we're not followed extremely closely by a
10 number of analysts, so the number of questions we get
11 are pretty general.

12 Q. How many analysts follow your company stock
13 today?

14 A. There's arguments on one of them, so I'm
15 going to say three would be the best guess today.

16 Q. Have you had any challenges in attracting
17 capital in terms of long-term debt or in equity since
18 you have been the CEO?

19 A. No, sir, we have not actually attracted any
20 capital since I have been CEO. There was a trunch of
21 debt prior to me coming on board as CEO I believe in
22 April of '05, it could have been March, since that time
23 all we have done is actually tried to improve our
24 debt-equity ratio and pay down debt to the extent we
25 could.

0254

1 COMMISSIONER JONES: Thank you, that's all I
2 have.

3 JUDGE RENDAHL: Are there any other questions
4 from the Bench for Mr. Stevens?

5 All right.

6 MR. VAN NOSTRAND: Your Honor, if I could
7 clarify something with Mr. Stevens for the record.

8 JUDGE RENDAHL: Please go ahead.

9

10 R E D I R E C T E X A M I N A T I O N

11 BY MR. VAN NOSTRAND:

12 Q. Mr. Stevens, if you could look at your direct
13 testimony, page 7, lines 26 and 27, I believe you
14 referred to \$85 Million in new distribution mains and
15 services; was that throughout the Company or just
16 Washington?

17 A. I'm sorry, you are correct, it was throughout
18 the Company, the number for Washington only was \$58
19 Million.

20 Q. Thank you.

21 A. Thank you for clarifying that.

22 MR. VAN NOSTRAND: I have nothing further,
23 Your Honor, thank you.

24 JUDGE RENDAHL: All right, is there anything
25 further for this witness?

0255

1 All right, well, thank you very much,
2 Mr. Stevens, you may now step down, and I think this is
3 an appropriate time to break for lunch, and we will take
4 our next witness, Mr. Stoltz, when we reconvene at 1:30,
5 thank you very much, Mr. Stevens.

6 MS. KREBS: Your Honor, it's certainly your
7 call, but it's not going to be a very long cross of
8 Mr. Stoltz, but it's up to you.

9 JUDGE RENDAHL: Let's go forward then, let's
10 be off the record.

11 (Discussion off the record.)

12 JUDGE RENDAHL: Mr. Stoltz, you remain under
13 oath from this morning, earlier this morning, and your
14 exhibits have been admitted, so I don't believe there's
15 any need to lay foundation for your testimony, so let's
16 go ahead, Ms. Krebs.

17 MS. KREBS: Thank you.

18

19 Whereupon,

20 JON T. STOLTZ,
21 having been previously duly sworn, was called as a
22 witness herein and was examined and testified as
23 follows:

24

25 C R O S S - E X A M I N A T I O N

0256

1 BY MS. KREBS:

2 Q. Hello, Mr. Stoltz.

3 A. Hello.

4 Q. I just want to follow up first on something
5 that came up during the panel discussion, there was a
6 question about the tariff rider for conservation; do you
7 recall that language?

8 A. Yes, I do.

9 Q. Now this isn't a tariff rider for
10 conservation, is it?

11 JUDGE RENDAHL: Mr. Stoltz, is your
12 microphone on, the button up, thank you.

13 THE WITNESS: It is now.

14 JUDGE RENDAHL: Thank you.

15 A. I'm sorry, would you repeat the question.

16 BY MS. KREBS:

17 Q. Isn't the decoupling tariff rider for lost
18 margins per customer?

19 A. Yes, it is.

20 Q. So it's not solely a conservation tariff?

21 A. That's correct.

22 Q. This is not, for instance, a tariff that
23 incents the Company to provide conservation?

24 A. That's correct, it removes the disincentive
25 to promote conservation.

0257

1 Q. Thank you.

2 Turning to your testimony, your rebuttal
3 testimony, if you will, and that's 30-T, if you could
4 look at page 21.

5 A. I have that.

6 Q. Okay, the last three words of, I'm sorry,
7 that's, yes, that's page 21, the last three words, and
8 it says:

9 Just because usage declines for reasons
10 other than a utility sponsored program
11 does not mean that the utility's
12 shareholders need to suffer.

13 Do you see that?

14 A. Yes, I do.

15 Q. Okay. So is it your position that so long as
16 shareholders don't suffer, it's okay for rate payers to
17 pay higher rates between rate cases when, for instance,
18 they successfully invest in conservation measures?

19 A. Certainly if they have a successful
20 conservation measure, they're going to be paying less
21 because they get to avoid the cost of gas supplies as
22 well for every therm that they save.

23 Q. When that occurs, you heard the conversation
24 earlier about Ms. Whitling, correct?

25 A. Yes, I did.

0258

1 Q. Okay. So you agree that Ms. Whitling in her
2 instance not doing anything but self conservation by I
3 guess we could call it deprivation, in her case, yes,
4 she'll be paying less, but the tariff rider will, in
5 fact, raise her rates or raise the revenue the Company
6 gets from her "deprivation"?

7 A. Certainly the cap filing could result in
8 increases to all customers to pay for the decline in use
9 per customer that occurred in the previous 12 months.
10 However, if the region is successful in driving
11 conservation and reducing the demand, then there's
12 opportunities to reduce the wholesale cost of gas. As
13 Ms. Steward put in her testimony, the conservation
14 potential in the Northwest could drive the cost of
15 natural gas down by as much as 38%. That would be much
16 more significant than the small incremental change that
17 we may implement through the cap program.

18 Q. If you could turn to Exhibit 20, and that
19 would be page 6 of Exhibit 20. I'm sorry, let me give
20 you the page, the correct right-hand page.

21 JUDGE RENDAHL: This is the annual report?

22 MS. KREBS: Yes.

23 JUDGE RENDAHL: Do you have that, Mr. Stoltz?

24 THE WITNESS: I do not.

25 JUDGE RENDAHL: Okay, let's be off the record

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1 for a moment.

2 (Discussion off the record.)

3 JUDGE RENDAHL: Mr. Stoltz, I note you have
4 the original version, so, Ms. Krebs, you will need to
5 refer to the page on the bottom, not the upper
6 right-hand corner.

7 MS. KREBS: Sorry about that, I'm just trying
8 to find my notes, that would be page 6.

9 JUDGE RENDAHL: Page 6 on the bottom?

10 MS. KREBS: Yes.

11 BY MS. KREBS:

12 Q. Oh, I'm sorry, I'm just trying to find the
13 paragraph that I'm going to ask about.

14 For the sake of brevity, I will just ask the
15 question. Isn't it true that if, in fact, Cascade loses
16 customers to some other energy source that that too
17 would be picked up by the tracker?

18 A. No, I don't believe so. What the tracker
19 does is take actual customer count by month. So if a
20 customer is no longer a customer, they will no longer be
21 an actual customer on this calculation.

22 Q. Let's go back, losing a customer does not
23 necessarily mean losing the whole customer. For
24 instance, you could loose the customer on one aspect of
25 their energy usage versus another; isn't that true?

0260

1 A. Certainly customers are free to change out
2 their equipment, and it's possible that they could
3 change out some gas burning equipment for other energy
4 fuels, and we would lose that component.

5 Q. And that would get picked up in the tracker,
6 would it not?

7 A. It would.

8 Q. Thank you.

9 Again, if we could turn to the annual report,
10 page 14, and this would be the seventh paragraph down,
11 there you say, we continue to pursue operating
12 efficiencies and cost reductions; do you see that
13 paragraph?

14 A. No, I don't.

15 Q. I'm sorry, on page 14 at the bottom.

16 JUDGE RENDAHL: Let's be off the record.

17 (Discussion off the record.)

18 JUDGE RENDAHL: Mr. Stoltz, do you see page
19 14?

20 THE WITNESS: I do now, yes.

21 JUDGE RENDAHL: Okay, thank you.

22 BY MS. KREBS:

23 Q. Do you see the line, we continue to pursue
24 operating efficiencies?

25 A. Yes, I do.

0261

1 Q. Okay. So any future operating efficiency or
2 cost reduction would have no effect on the decoupling
3 surcharge; isn't that right?

4 A. That would be correct until we file a rate
5 case three years from now to try to renew the cap pilot.

6 Q. So all in all, any gas usage decline per
7 customer for whatever reason gets picked up in the
8 tracker?

9 A. It would for the two rate schedules that that
10 covers, yes, that's correct.

11 Q. So that effectively shifts the entire risk of
12 reduced sales from shareholders to at least the two
13 schedules, 503 and 504, who would be covered by the
14 tracker?

15 A. Yes, that's correct.

16 MS. KREBS: I have nothing further.

17 JUDGE RENDAHL: Okay, is there any redirect
18 for the witness?

19 MR. VAN NOSTRAND: Just a couple questions,
20 Your Honor.

21

22 R E D I R E C T E X A M I N A T I O N

23 BY MR. VAN NOSTRAND:

24 Q. Mr. Stoltz, you just responded to the
25 question any reduction for any reason, any reduction in

0262

1 use per customer for any reason would be picked up by
2 the tracker, does the tracker pick up changes in usage
3 per customer due to weather related impacts?

4 A. No, it does not.

5 Q. So could you reply to that question taking
6 into account the scope of the tracker?

7 MS. KREBS: Objection, that's a leading
8 question.

9 JUDGE RENDAHL: Can you rephrase your
10 question, Mr. Van Nostrand.

11 BY MR. VAN NOSTRAND:

12 Q. Mr. Stoltz, does there need to be a reduction
13 in usage for owner conservation related impacts picked
14 up by the tracker?

15 A. That's all that the current version of the
16 conservation alliance plan covers is conservation.
17 Weather is not -- changes in margin due to weather
18 variation is not picked up in that.

19 Q. And does the usage per customer, that figure
20 is normalized for weather before any of the impacts of
21 conservation are taken into account, correct?

22 A. Yes, that is correct.

23 MR. VAN NOSTRAND: Thank you, I have no
24 further questions, Your Honor.

25 JUDGE RENDAHL: Any recross, Ms. Krebs?

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R E C R O S S - E X A M I N A T I O N

3

BY MS. KREBS:

4

5

6

Q. Mr. Stoltz, if you take the weather component out of the tracker, don't you need a methodology to take the weather component out?

7

A. Yes, we do.

8

9

10

Q. And it is possible if that methodology isn't perfect to not be able to account for reductions due to weather; isn't that true?

11

12

13

14

15

A. The methodology looks at the total change in use per customer and tries to allocate part of the change due to the change in weather, how weather varies from normal, and the rest of it is assigned to the conservation side.

16

17

18

Q. But human beings being what they are, we may not be able to carve the entire weather component out of the tracker; isn't that true?

19

20

A. It is only as good as the methodology that is used.

21

22

Q. And isn't it true that that methodology was disputed in this case up until the settlement agreement?

23

A. That is correct.

24

MS. KREBS: Thank you very much.

25

JUDGE RENDAHL: Okay, are there any questions

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1 from the Bench?

2 Commissioner Jones.

3

4 E X A M I N A T I O N

5 BY COMMISSIONER JONES:

6 Q. This is Commissioner Jones. Mr. Stoltz,
7 could you turn to Exhibit 34 I think, JTS-14 of your
8 testimony, I think it's in the rebuttal side, and this
9 compares I think what Ms. Steward referred to this
10 morning on the panel, the difference between the Cascade
11 weather co-efficient and the Staff weather co-efficient.

12 A. Yes, I have that.

13 Q. Can you explain to at least this Commissioner
14 what this purports to show? I understand it to be based
15 on certain assumptions. You were trying to show in this
16 exhibit the difference between your original cap, that
17 Cascade Alliance or whatever you call it cap, your
18 proposal versus the Staff proposal; is that correct?

19 A. Yes, this takes the same consumption with the
20 same heating degree days and applies the Company's
21 weather co-efficient and calculates the variance due to
22 weather, and the remainder as I just indicated would be
23 assigned to the conservation side. Then it also takes
24 the same information but uses Staff's co-efficient for
25 weather and determines how much that methodology would

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1 assign to weather, and therefore the remaining portion
2 would have been assigned to conservation, and this shows
3 that the weather normalization methodology used in this
4 calculation is very credible.

5 Q. So can I understand this comparison if, in
6 terms of the settlement proposal, which adopts the
7 Company's proposal on weather normalization but as I
8 understand it roughly the Staff's proposal on the
9 decoupling, is this analysis still correct, or can we
10 look at the Staff weather coefficient and assume that
11 that is the correct attribution to the conservation
12 variance that would be true during this three year
13 period?

14 A. The upper portion of each of these blocks is
15 the Cascade methodology, that is the methodology that is
16 before you today as part of this settlement. We would
17 be using the Company's weather normalization
18 co-efficient.

19 Q. I see.

20 A. To determine the conservation side.

21 Q. So let's go to the top of that table, so what
22 you're saying is that the Cascade weather co-efficient,
23 that number on the line conservation deferral balance
24 where you're estimating the deferral balance starting
25 with \$489,000 for October '06, you're saying that that

0266

1 line is correct for the purpose of the settlement?

2 A. The methodology behind that line is correct.

3 Of course we were using guesses for what actual
4 consumption is for October 2006.

5 Q. Correct.

6 A. But yes, the methodology is right.

7 Q. Okay. Are you going to update this at all
8 based on the settlement agreement based on heating
9 degree days and other assumptions that may have changed
10 in the settlement agreement or not?

11 A. This is a depiction of the accounting that
12 would go on once it is approved, so yes, we will use the
13 actual therms consumed by customers, the actual heating
14 degree days experienced by customers in calculating the
15 monthly deferrals.

16 COMMISSIONER JONES: Okay, that's all I have.

17 JUDGE RENDAHL: Okay, are there any other
18 questions for Mr. Stoltz from the Bench?

19 Okay, with that, thank you very much,
20 Mr. Stoltz, you're excused, and we will now take our
21 lunch recess, we will be off the record until 1:30,
22 thank you.

23 (Luncheon recess taken at 12:05 p.m.)

24

25 A F T E R N O O N S E S S I O N

0267

1 (1:30 p.m.)

2 JUDGE RENDAHL: Let's be back on the record
3 after our lunch recess, and our next witness is
4 Ms. Joelle Steward for Staff, and again the exhibits
5 have been admitted, so there's no need to do any
6 foundation for the witness.

7 Are you ready, Ms. Krebs?

8 MS. KREBS: Yes, I am, thank you.

9 JUDGE RENDAHL: Please go ahead.

10

11 Whereupon,

12 JOELLE R. STEWARD,

13 having been previously duly sworn, was called as a
14 witness herein and was examined and testified as
15 follows:

16 C R O S S - E X A M I N A T I O N

17 BY MS. KREBS:

18 Q. Good afternoon, Ms. Steward.

19 A. Good afternoon.

20 Q. Ms. Steward, you are the witness for Staff
21 for the decoupling proposal?

22 A. Yes.

23 Q. And is it fair to say that the Company
24 adopted your decoupling proposal with some modifications
25 as part of the settlement?

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1 A. Yes.

2 Q. Now if I ask you something and it's different
3 under the settlement than what you proposed, can you let
4 me know?

5 A. Yes, I will.

6 Q. Thank you. You actually initially urged the
7 Commission to reject Cascade's decoupling proposal;
8 isn't that correct?

9 A. Yes.

10 Q. Instead you recommended a partial decoupling
11 mechanism; is that correct?

12 A. Yes.

13 Q. And that mechanism would recover variations
14 in sales that are intended to be non-weather related; is
15 that right?

16 A. Yes.

17 Q. Now when you say variations in sales, what
18 you mean is variations in sales on a per customer basis,
19 correct?

20 A. Yes.

21 Q. You don't mean variations in the Company's
22 total sales volumes?

23 A. Correct.

24 Q. And that will still be the case under the
25 decoupling agreement proposed to the Commission?

0269

1 A. Yes.

2 Q. You also say in your testimony that the
3 decoupling mechanism will remove Cascade's disincentive
4 to promote energy conservation by restoring lost margin
5 due to customers' non-weather related changes in usage;
6 is that correct?

7 A. Yes.

8 Q. With regard to lost margin, again Staff's
9 proposal restores lost margin on an average customer for
10 looking at average customer usage; is that correct?

11 A. Yes, essentially.

12 Q. Now wouldn't you agree that currently Cascade
13 is in terms of total sales volume in terms of total
14 margin not losing margin?

15 A. Total margins, total sales volumes, may
16 increase each year on a weather normalized basis I
17 assume you're talking about?

18 Q. Why don't we look at what is in the record as
19 Public Counsel 10.

20 A. I do not have a copy of that.

21 Q. We will take care of that.

22 A. I do now.

23 Q. Have you had a chance to look at this before?

24 A. Yes.

25 Q. What I'm referring to is the question of

0270

1 whether Cascade's overall margin has gone down and will
2 be going down in the future as a total sales volume?

3 A. Looking at this, that Exhibit 10 here?

4 Q. Exhibit 10 or from what you have reviewed in
5 the record.

6 A. Well, it will be dependent on weather, so.

7 Q. So --

8 A. As it shows, it sort of jumps around.

9 Q. But you would agree that in the last two
10 years Cascade has not lost margin?

11 A. Overall margin revenues, no.

12 Q. Thank you. And you are aware that the
13 projections, and I can point you to --

14 MS. KREBS: If we can, may we be off the
15 record for a second, please?

16 JUDGE RENDAHL: Let's be off the record.

17 (Discussion off the record.)

18 JUDGE RENDAHL: All rights, let's be back on
19 the record.

20 BY MS. KREBS:

21 Q. Now you were here for the testimony earlier
22 from the witnesses about all their causes of declines in
23 customer usage, were you not?

24 A. Yes.

25 Q. And did you disagree with any of the items

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1 that were discussed, for instance increasing wholesale
2 prices, tighter efficiency in appliances and homes,
3 weather, any of the things that were identified, did you
4 disagree with any of them?

5 A. I don't disagree with those, no.

6 Q. Okay, I want to focus a little bit on
7 weather. Specifically we know that weather has an
8 effect on per customer usage, right?

9 A. Yes.

10 Q. And the proposal that was adopted that is
11 before the Commission as was Staff's proposal removes
12 usage variations resulting from weather from its
13 decoupling mechanism; isn't that correct?

14 A. Yes.

15 Q. Now the Company had originally proposed a
16 weather component in the decoupling plan.

17 A. Yes.

18 Q. Is that right?

19 A. Yes.

20 Q. Isn't it true that even if weather isn't
21 included in the decoupling proposal or plan, there still
22 needs to be a methodology for weather adjustment
23 calculations to account for and isolate usage variations
24 due to weather?

25 A. Correct, and we have adopted the Company's

0272

1 methodology.

2 Q. And in your testimony you adopted
3 Dr. Mariam's weather methodology, did you not?

4 A. In my filed testimony, yes, my prefiled.

5 Q. Yes, thank you. And the Company disputed the
6 methodology proposed by Dr. Mariam?

7 A. I believe they did and -- for litigation,
8 yes.

9 Q. And again, Staff has accepted the Company's
10 methodology for the purposes of the decoupling agreement
11 or stipulated decoupling agreement?

12 A. Right, for the purposes of the settlement we
13 have adopted that for the decoupling mechanism and for
14 current or for the rates revenue requirements that we
15 agreed upon for the settlement.

16 Q. Isn't it possible that without an accurate
17 methodology for calculating the effect of weather on
18 usage, the Company could be significantly overrecovering
19 for lost margin strictly caused by weather?

20 A. I guess it's the accurate methodology, it's a
21 statistical methodology, so how well you say it's
22 accurate, you know, it's statistics. Dr. Mariam is the
23 expert on that topic, but it is -- I guess I need you to
24 repeat the question.

25 Q. Sure, no problem. The question is, without

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1 an accurate methodology for calculating the effect of
2 weather on usage, couldn't the Company significantly
3 overrecover for lost margins that are strictly caused by
4 weather?

5 A. Since it's the same methodology we're using
6 for setting rates, that consistency helps balance, you
7 know, any accuracy or inaccuracy is my understanding.

8 Q. But when you use weather normalization for
9 rates, you use it in relationship to the test year, do
10 you not?

11 A. Right.

12 Q. And wouldn't you agree that on a year in,
13 year out basis, weather fluctuations cause the greatest
14 changes in gas usage?

15 A. Probably, yes.

16 Q. I want to talk to you a little bit about
17 basic rate making. In a rate case certain elements are
18 updated within a test year to see if the Company's
19 revenue is adequate to recover its expenses and provide
20 an adequate return on investment. Wouldn't you agree
21 that the following elements are updated as part of a
22 rate case, customer levels, sales volumes, expenses,
23 rate base, and cost of capital?

24 A. Yes, those are all elements in a rate case.

25 Q. And I think, I just want to clarify, earlier

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1 when Commissioner Oshie asked the question about whether
2 or not three years is enough for the pilot, I believe
3 what I heard your answer to be was that there were
4 certain variables such as these that could become
5 different or change such that the balance is no longer
6 kept; is that correct?

7 A. I didn't specifically say that, and I thought
8 his questions were tied, the three years was tied to the
9 conservation plan, but yes, I was tying that then to the
10 three years for the decoupling mechanism, and yes, as I
11 discuss in my testimony, one of the reasons for the
12 three years is that we're concerned about that matching
13 principle over a period of time. On a short-term basis,
14 the previous research that was done on decoupling in the
15 early '90's looked at that relationship between cost and
16 sales and cost and customers and found that on that
17 short-term basis one was no better determinate of cost
18 than the other, one being sales versus the number of
19 customers. So on a short-term basis, that's why we're
20 willing to go forward with the decoupling in order to
21 remove that disincentive for conservation.

22 Q. Now isn't it true that even with the three
23 year pilot, the Company will likely receive additional
24 revenues each year for three years without a rate case
25 test year review of overall revenues and costs?

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1 A. We will receive the costs that were
2 authorized in this rate case for the customers in this
3 rate case since these are largely fixed costs for those
4 three years in spite of the declining usage or in light
5 of the declining usage.

6 Q. Maybe I need to clarify and ask the question
7 differently.

8 Do you agree that revenues could go up for
9 other reasons in the three year period?

10 A. Yes.

11 Q. And you agree that costs maybe through
12 efficiencies could go down during the three year period?

13 A. It's a possibility.

14 Q. And you agree that the Company will continue
15 to receive money through the decoupling tracker
16 regardless of whether either of those things happen?

17 A. Yes.

18 Q. And isn't it true that without an overall
19 review of revenue and costs, there's really no way to
20 see if a mismatch problem exists?

21 A. Well, we'll see that at the end of the period
22 when they file a new rate case if they choose to file
23 one to keep the mechanism going. It would be no
24 different than if we went to a straight fixed variable
25 sort of method of recovering margin per customer since

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1 these are fixed costs generally that we're dealing with.

2 Q. I believe you have just acknowledged and I
3 just want to be clear about this.

4 A. Okay.

5 Q. That there could be a moment in time prior to
6 the three years expiring in which there is a mismatch
7 between the revenues that the Company is receiving and
8 its expenses and again in relation to perhaps its
9 authorized rate of return?

10 A. Yes, which is the way -- I mean to keep --
11 you're not going to keep it in line constantly because
12 you have all these different factors going into both
13 sides that are constantly in flux, so that's the case as
14 it is now. With decoupling we're just giving that
15 recovery of that cost that we have authorized in this
16 rate case.

17 Q. So you would agree that it's possible for the
18 Company to receive a windfall before the three years
19 expire?

20 A. I would not characterize it as a windfall. I
21 mean we're looking at, you know, in simulations we have
22 done, both the Company and myself, you know, we're
23 looking at something on the order of less than 1% of
24 revenue for those individual customer classes.

25 Q. Assuming that a windfall did occur within the

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1 next three years after implementation should the
2 Commission approve the decoupling plan --

3 MR. TRAUTMAN: Objection, vague, I don't know
4 what is meant by the term windfall.

5 Q. I will let the witness define it since she
6 answered the question.

7 Ms. Steward, do you have a definition of
8 windfall?

9 A. I said it wasn't a windfall because it's less
10 than 1%. I don't know what you mean by windfall, I'm
11 just saying I don't characterize it as what I have seen
12 in the simulations as a windfall.

13 JUDGE RENDAHL: Ms. Krebs, can you rephrase
14 the question.

15 MS. KREBS: Yes.

16 BY MS. KREBS:

17 Q. Is it possible that the Company could receive
18 revenues in excess of what it rightly deserves?

19 A. I would disagree. Otherwise I would not have
20 proposed this mechanism.

21 Q. Okay. Let's say within the three year period
22 the Company does receive in excess of what it rightly
23 deserves, and the Company does not seek a rate case
24 within those three years, as it probably would not,
25 isn't it true that in order to rematch Cascade's

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1 revenues and costs, the Company would need to be brought
2 in on a complaint either by the Commission or someone
3 else?

4 A. I think I lost you through the course of that
5 question, I'm sorry.

6 Q. If there is a mismatch during the three year
7 period, and the Company doesn't come in on a rate case,
8 which they probably won't, isn't it true that the only
9 way to solve the mismatch problem is for either the
10 Commission or some other party to file a complaint?

11 A. And I'm not sure how you would define a
12 mismatch. I mean we know costs and revenues, they're
13 going to be in flux, so I mean are you looking in terms
14 of what they're actually earning on rate of return as
15 being something other than what is authorized in this
16 rate case?

17 Q. Well, currently, as you well know, Cascade in
18 Oregon has just been brought in on a show cause for
19 overearning. Let's just say it's a situation like that.
20 We don't have show cause authority in Washington.

21 A. And so your question was, we would have to
22 file a complaint; is that correct?

23 Q. Yes, is that the way in which the issue would
24 have to be resolved?

25 A. I believe so.

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1 MS. KREBS: I have nothing further.

2 JUDGE RENDAHL: Okay, is there any redirect
3 for the witness, Mr. Trautman?

4 MR. TRAUTMAN: Yes.

5

6 R E D I R E C T E X A M I N A T I O N

7 BY MR. TRAUTMAN:

8 Q. Ms. Steward, now are you a lawyer?

9 A. No.

10 Q. And so is your answer on what types of legal
11 remedies based on any legal basis or knowledge?

12 A. No, in fact, I was wondering about that as I
13 answered that, but.

14 MR. TRAUTMAN: Thank you.

15 JUDGE RENDAHL: Anything further?

16 Okay, are there any questions for Ms. Steward
17 from the Bench?

18 Commissioner Oshie.

19

20 E X A M I N A T I O N

21 BY COMMISSIONER OSHIE:

22 Q. I would like to follow up on Ms. Krebs'
23 cross-examination, because it helps me to understand how
24 this mechanism is going to work. I know when the
25 Company had proposed its mechanism, they would keep a,

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1 you know, there would be a deferral, if you will, of
2 revenues up or down. And if the revenues were down
3 below base line, then there would be a tariff rider that
4 would compensate them. If the revenues were above, then
5 there was the possibility that the rate payers would get
6 a credit. And at least it's my understanding based on
7 your testimony and in answer to cross-examination from
8 Ms. Krebs that under, you know, the settlement proposal,
9 which is basically adopting your recommendation or
10 Staff's recommendation, Ms. Steward, is that there's no
11 possibility even if the Company were -- if we had an
12 extremely cold set of winters let's say in the more
13 radical example and that the Company, to use Ms. Krebs'
14 words, overearned for the period in which the mechanism
15 would be in place, that that difference in other words
16 in the -- of what -- between base line revenues and its
17 achieved revenues would -- none of that would be
18 credited back to the customer with the mechanism that
19 you have recommended to us through the settlement.

20 A. If it was due to the weather, no.

21 Q. Well, I guess that's if it's due to the
22 weather?

23 A. Right.

24 Q. So in other words, it can only go -- there
25 can only be a deficit that's contemplated by this

0281

1 mechanism?

2 A. It's likely to be a deficit, although
3 Mr. Stoltz' exhibit, his number 14, which I think is
4 Exhibit 34, shows that the first year, and I don't know
5 all the assumptions he put in there about customer count
6 and the volumes, but it showed actually a negative
7 balance, so that would be your credit, and that was even
8 excluding weather, but that's just based on their
9 assumptions that they use for their forecasting.

10 Q. And why in your opinion then would it be good
11 policy, would your proposed mechanism and the settlement
12 parties' proposed mechanism be good policy to adopt if
13 it doesn't at least provide some kind of protection
14 against circumstances in which the Company would earn
15 more than what's in the base line? And I'm assuming
16 then that it would also include earning more than its
17 rate of return, perhaps significantly more based on the
18 weather, and then be also credited with the benefit of
19 margins that were not recovered through the decoupling
20 mechanism. Do I have it straight? I mean is there --
21 are there two moving pieces here, let's put it that way?
22 There's deficits accruing through the decoupling
23 mechanism which are returned to the company, and then
24 there could be in addition increased sales which accrue
25 to the benefit of the company as well and the -- and so

0282

1 there's -- do I have that understanding, am I correct?

2 A. If it's really cold and their sales go up,
3 the piece that's related to sales is not captured in the
4 mechanism, so yes. But I guess I see the mechanism as
5 balanced both ways in that, you know, they're at risk
6 for it for the weather if it's too warm or if it's too
7 cold, and so, you know, with a weather normalization
8 methodology, hopefully they have equal chance of, you
9 know, of that happening either way. But the recovery of
10 the costs, since in a rate case we look at the costs on
11 a weather normalized basis in setting rates, so that's
12 what we're going back to in setting the decoupling by
13 allowing recovery of those costs assuming normal
14 weather.

15 Q. Isn't the Company made -- isn't it only
16 neutral to energy efficiency declining volumes when it
17 is -- when it earns sufficient revenues to cover those
18 volumes, the reduced sales as a result of the declining
19 volumes?

20 A. It's made whole for the, yes, for the reduced
21 sales due to efficiency.

22 Q. And so if it earns, if in a cold weather
23 situation if it would earn more than that, it's made --
24 it is made whole?

25 A. Yes.

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1 Q. Plus some, plus whatever the addition may be
2 over base line?

3 A. For cold weather, yes.

4 Q. Yeah.

5 A. Like currently exists, yes.

6 Q. I want to go back to a question that I didn't
7 ask of the panel, and unfortunately you're the only
8 witness that's left available other than Mr. Weiss and I
9 will probably ask him as well, but what do the parties
10 envision as far as the cost test to determine efficient,
11 you know, the most cost effective programmatic or other
12 energy efficiency measures?

13 A. We'll use the total resource cost, as we do
14 with the other utilities, as well as the utility cost
15 test.

16 Q. And how do they interact? In other words,
17 there are two independent tests to determine cost
18 effectiveness.

19 A. But some of the same inputs.

20 Q. Okay.

21 A. Yeah, the total resource test looks at the
22 total value of the savings to customers and the Company
23 against the cost, the total cost of the measure,
24 including any incentives and any customer costs the
25 customers may incur for the measures. The utility cost

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1 test just looks at the cost to the utility, so it only
2 takes the value to the utility and the cost to the
3 utility.

4 Q. And which test is simpler to, if you will,
5 implement and understand?

6 A. The utility cost test is simpler, but it's
7 only a partial picture, and so we look at the total
8 resource cost test as well, which is the broader
9 societal view.

10 COMMISSIONER OSHIE: Okay, I don't have any
11 further questions, thank you.

12 JUDGE RENDAHL: Commissioner Jones.

13

14 E X A M I N A T I O N

15 BY COMMISSIONER JONES:

16 Q. Ms. Steward, I do have a question, and that
17 relates to a Commission role in looking at the plan to
18 be filed by the advisory group. I think it's in 15e of
19 the settlement, and the last sentence under (ii) says,
20 the plan shall include, I don't know if this is becoming
21 may, the plan shall include possible penalties and
22 incentives and shall be submitted to the Commission for
23 approval. What is meant by approval, and how do you
24 envisage the Commission both examining the plan in all
25 its details, and then in terms of the deferral that's to

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1 be proposed, if there is to be one, when would that be
2 proposed? Just describe for us how you see this
3 approval process working and the form in which it would
4 come to us.

5 A. First of all for the deferral, I think what
6 you're referring to is the decoupling, that will take
7 place coincident with the PGA, so it will be the same
8 sort of process we use with the PGA, a tariff filing for
9 new rates, and that would go before you on an open
10 meeting.

11 The Commission approval of the plan, I think
12 that will -- I see the plan as being filed in compliance
13 with the Commission order in this case, so they would
14 make that filing I see it in this docket, and then it
15 would need to be acknowledged in some way. I think
16 Staff would make a recommendation, as we do with, this
17 is my interpretation, but, you know, to the Judge that
18 they have complied. If there is controversy, we would
19 probably separate that out and bring it to you and
20 redocket it with an open meeting, for an open meeting
21 item.

22 Q. So in general it would be similar to a
23 compliance filing?

24 A. I think so, that's how I envision it.

25 Q. And if the Commission were to approve this

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1 mechanism and if the Commission were to include specific
2 items for compliance in the order, then you would expect
3 when this plan is to be submitted -- is this plan to be
4 submitted by Staff or the advisory group?

5 A. By the Company on behalf of the advisory
6 group I think.

7 Q. So when the Company submits this plan, they
8 would presumably be responding to all the specific
9 criteria listed in the order?

10 A. Yes.

11 COMMISSIONER JONES: Okay, that's all I have.

12 JUDGE RENDAHL: Commissioner Oshie.

13 COMMISSIONER OSHIE: If I can follow up on
14 that, Judge Rendahl.

15

16 E X A M I N A T I O N

17 BY COMMISSIONER OSHIE:

18 Q. Ms. Steward, so you believe that the
19 conservation plan approval would be similar to the
20 approval process, if you will, or acknowledgment process
21 that the Commission undertakes when it reviews the
22 integrated resource plan filed by the Company?

23 A. No, not an integrated resource plan, no. I'm
24 saying this is in compliance with the order, so they
25 would need more like a compliance filing that would need

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1 some sort of recognition from -- like we do with the
2 tariff filings that they make in compliance with the
3 order.

4 JUDGE RENDAHL: Generally, I think I can
5 comment, I think that under a compliance filing, if any
6 party disagrees with a compliance filing, they will
7 weigh in, and then the Commission will issue a letter or
8 an order indicating that the filing was made in
9 compliance, or if not, what needs to occur.

10 COMMISSIONER OSHIE: Follow up on that, Judge
11 Rendahl.

12 JUDGE RENDAHL: I hope that clarifies.

13 BY COMMISSIONER OSHIE:

14 Q. Then, Ms. Steward, what happens then as I
15 understand it then there would be one filing that covers
16 years 2007, 2008, and 2009, all of which would be
17 considered a compliance filing, and what happens then to
18 the integrated resource planning process of the company
19 going forward? It filed its last in 2004 I understand,
20 so one is due or it might be in the hopper this year and
21 one due 2008, so how -- there we would only acknowledge
22 the energy efficiency components of the IRP, but here
23 because -- but here we would have to consider a
24 compliance filing? How do they, you know, how are they
25 related, you know, how is the interplay envisioned by

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1 you?

2 A. Well, between the resource plan and the
3 conservation plan?

4 Q. Yes.

5 A. I think the conservation plan, I think we'll
6 have some, after we have seen the Stellar Processing
7 report on potential assessment, we will have a good idea
8 of what they should go for for conservation savings.
9 And so I see the plan as setting up, and Mr. Weiss may
10 disagree with me on this, and so, you know, this would
11 be a discussion we will have I think when we get
12 together with the conservation advisory group, but I
13 think we'll have a rough idea and we'll have an overall
14 goal for the Company to achieve over the course of the
15 three years.

16 In resource planning, which there is a plan
17 due shortly in, you know, probably the first quarter of
18 next year perhaps, we'll have the input from that
19 Stellar Processing, and it will hopefully be somewhat
20 coincident. I mean our process for working through the
21 conservation plan and working on that least cost
22 planning process, there will be some coordination there.
23 But I think maybe more detail, well, I think the timing
24 is right and they will be coordinated.

25 But I think in the plan we may have an

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1 overall target, and then each year we may refine that is
2 sort of how I see it. Because that's how we kind of
3 deal with the other utilities to note that, okay, we're
4 having problems capturing these savings from this and
5 that program, we may need to readjust that. And so I
6 can see that over the course of the three years we would
7 tweak the conservation plan to take into account new
8 information that comes in.

9 The resource planning process will look at
10 the inputs from the same Stellar Processing and take
11 what's cost effective, and I think that's what we'll
12 ultimately be pursuing. But then the resource plan, you
13 know, is a high level, you know, guide for us in what
14 they should be achieving for an overall portfolio.

15 COMMISSIONER OSHIE: All right, thank you.

16 JUDGE RENDAHL: Chairman Sidran.

17

18 E X A M I N A T I O N

19 BY CHAIRMAN SIDRAN:

20 Q. Good afternoon. I just want to clarify my
21 understanding about the weather issue. As I understand
22 it, in the settlement proposal weather is taken out of
23 this decoupling equation, and it therefore is treated as
24 it is now, which is to say the rates are based on
25 normalized weather and the Company bears the risk of

0290

1 warmer weather and the benefit of colder weather, and
2 it's going to be if we adopt this the same as it is
3 today?

4 A. That is correct.

5 Q. Thank you.

6 A. The risk stays with the Company.

7 CHAIRMAN SIDRAN: That's all.

8 JUDGE RENDAHL: All right, are there any
9 other questions for the witness?

10 All right, well, thank you, Ms. Steward, you
11 may step down, and we'll take the next witness,
12 Mr. Weiss.

13 Let's be off the record.

14 (Discussion off the record.)

15 JUDGE RENDAHL: Mr. Weiss, you remain under
16 oath from this morning.

17 THE WITNESS: Yes.

18 JUDGE RENDAHL: And there is no need to lay
19 foundation as your testimony and exhibits are already in
20 evidence.

21 So, Ms. Krebs, you may go ahead.

22 MS. KREBS: Yes, thank you.

23

24

25 Whereupon,

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1 STEVEN D. WEISS,
2 having been previously duly sworn, was called as a
3 witness herein and was examined and testified as
4 follows:

5 C R O S S - E X A M I N A T I O N

6 BY MS. KREBS:

7 Q. Hi, Mr. Weiss.

8 A. Hello, good afternoon.

9 Q. Building on a theme, by my count you use the
10 term windfall in your direct testimony in seven
11 different places. I can give you the cites if you like,
12 but is that right, does that sound about right?

13 A. Yes.

14 Q. Can you define for me what you meant by that
15 word?

16 A. What I mean is a receipt of profit that is
17 unrelated to the Company's actions and that would not --
18 and in this particular context would not have occurred
19 absent the decoupling proposal. So you look at what
20 would have happened under conventional current rate
21 making, and then you look at what would have happened in
22 decoupling, and if there is additional net revenues to
23 the Company that didn't have anything to do with cost
24 cutting or, you know, their own activities, that that
25 would be a windfall.

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1 Q. Thank you.

2 It's not your position that the only way to
3 increase utility sponsored conservation is through
4 decoupling, is it?

5 A. No. As many people have said, we think it
6 removes the disincentive to be aggressive toward
7 conservation, but it's not an incentive in itself.

8 Q. So there are other ways to encourage utility
9 sponsored conservation?

10 A. Yes.

11 Q. So you would agree that the integrated
12 resource planning process or IRP process when done
13 properly could increase utility sponsored conservation?

14 A. Well, the integrated resource planning
15 process is, and excuse me if I'm not as familiar with
16 Washington regulations, but I understand it's an
17 acknowledgement process, that it doesn't carry a whole
18 bunch of weight. That is, if the Company doesn't meet
19 the goals, and I could be corrected for this, please, if
20 it doesn't meet conservation goals, there's no real
21 penalties that occur, but with the caveat I'm not
22 familiar with Washington regulations very much.

23 Q. Would you say generally --

24 A. So generally it helps, I mean yes, you should
25 do planning, but it doesn't ensure that the conservation

0293

1 gets done.

2 Q. But that's one way?

3 A. It helps, yes, you need planning, yes.

4 Q. You would agree that direct incentives could
5 increase utility sponsored conservation, don't you?

6 A. Yes, they can increase, but direct incentives
7 don't capture all opportunities.

8 Q. That wasn't my question.

9 A. Okay.

10 Q. My question was, do you think it encourages
11 utility sponsored conservation?

12 A. Yes, it does.

13 Q. In fact, you're supporting in the PSE case an
14 electric direct incentive program, correct?

15 A. Yes.

16 Q. I would like to direct you to your direct
17 testimony, and that is 311-T, page 14.

18 A. Yes.

19 Q. On line 8 you say:

20 It is imperative that the Company be
21 both encouraged and required to promote
22 reduced energy usage.

23 Do you see that?

24 A. Yes.

25 Q. And you still agree with that statement?

0294

1 A. Yes.

2 Q. And would you agree that a direct incentive
3 to increase utility sponsored conservation would
4 encourage utility sponsored conservation?

5 A. Yes, but it can have unintended consequences.

6 Q. You agree though that it would encourage
7 utility sponsored conservation, do you not?

8 A. Yes, it can, yes.

9 Q. Okay. Now talking about an IRP program with
10 actual -- with teeth, you would say that that would be
11 requiring companies to do utility sponsored
12 conservation, correct?

13 A. Yes.

14 Q. So both of those things together would, in
15 fact, meet your imperative, would it not?

16 A. Well, it would be -- it would encourage the
17 Company to fund and supervise or whatever company
18 sponsored conservation. There are many other types of
19 conservation as well.

20 Q. So it's not your position that decoupling is
21 the only way to promote utility sponsored conservation,
22 just to be clear?

23 A. Yes, it's just one part.

24 Q. Okay. Now is it your position that
25 decoupling is the only way to change the corporate

0295

1 culture?

2 A. A fixed variable where -- a fixed variable
3 rate design where there's a high fixed charge that
4 covers the fixed costs of the company can also -- also
5 has the same effect of removing the disincentive,
6 because the Company is not harmed by changes in usage
7 per customer.

8 Q. I thought your testimony was high fixed
9 charges actually has the unintended effect or intended
10 effect of raising gas usage, because essentially that
11 initial charge is what has been referred to as an all
12 you can eat charge?

13 A. Yes, unless I misinterpreted your previous
14 question. I think the way I heard your previous
15 question was that would it remove the Company's
16 disincentive, and I agree it does remove the Company's
17 disincentive, but it also has those unintended
18 consequences which you're mentioning, so it's a proposal
19 that we disagree with, we would not support, but it does
20 remove the disincentive.

21 Q. I think it was because my question was vague,
22 so I will try to make it a little bit more specific.

23 A. Okay.

24 Q. Is it your testimony that decoupling is the
25 only way to remove the corporate culture of not doing

0296

1 conservation?

2 A. Well, you're still asking it the same way.

3 It does remove, it does change the corporate culture,
4 but it has the unintended consequences of giving a very
5 poor price signal to customers, and then customers don't
6 have as much of an incentive to do their own
7 conservation, and they don't even have as much incentive
8 to sign up with the Company sponsored conservation. So
9 it does solve the Company's problem, but it doesn't
10 solve the problem of trying to get more conservation.

11 Q. Okay, so you have identified what you think
12 are two ways that the corporate culture can be changed.
13 I'm using your term because it's in your testimony.

14 A. Yes.

15 Q. So you let me know if I'm using it wrong.

16 A. Okay.

17 Q. My understanding is what you're referring to
18 is changing the way people think about things, is it
19 not?

20 A. Yes, and but more directly it's not just
21 changing how they think about things, it's changing how
22 their actions affect their bottom lines. Corporations
23 are beholden to their shareholders, they should be,
24 that's the way it's organized. And if they take actions
25 which harm their bottom line, that's a disincentive, and

0297

1 so there are two ways of removing that disincentive.
2 One way is very positive toward conservation,
3 decoupling. Another way changes the corporate culture,
4 but it's not very good for conservation, and that's a
5 high fixed charge. So they both change the corporate
6 culture, removing the disincentive to -- the company is
7 not harmed if people reduce use under both programs, but
8 which works better to actually get conservation done,
9 decoupling, much, much better.

10 Q. I just want to stop you, I wasn't going to
11 ask -- I didn't -- until this came up -- you seemed to
12 disagree with Ms. Steward who in her testimony says the
13 point of decoupling is to make the Company indifferent.

14 A. Yes.

15 Q. To conservation. So you agree with that
16 statement?

17 A. Yes, I do.

18 Q. Okay, I thought I heard something
19 differently, so I wanted to make sure that was right.

20 Now, Mr. Weiss, you testified in the recent
21 Puget case, did you not?

22 A. Yes.

23 Q. Now wouldn't you say that Puget has a
24 corporate culture that supports conservation?

25 A. They seem to, yes.

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1 Q. And, in fact, Puget doesn't have decoupling?

2 A. I know my testimony was I would expect that
3 it would be hard for them to continue to take actions
4 that are aggressive in conservation when every single
5 kilowatt hour or therm saved affects their bottom line.
6 So yes, they seem to be doing this in spite of the
7 disincentive they have, yes.

8 Q. And you would agree that they're far ahead of
9 Cascade?

10 A. Yes.

11 Q. Let's turn to your direct testimony again,
12 page 5.

13 A. Yes.

14 Q. On line 11 talking about in a world without
15 decoupling, you say:

16 Not only does this foster a corporate
17 culture that opposes direct utility
18 investment in programs that reduce
19 energy use, but also it further
20 motivates the utility to discourage
21 customer financed reduction measures and
22 to oppose efforts to tighten building
23 codes and appliance standards.

24 Do you see that?

25 A. Yes.

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1 Q. Okay, if you could turn to page 20, please.

2 A. Yes.

3 Q. I'm sorry, 20 of the cross rebuttal, which is
4 I believe 314-T.

5 MS. KREBS: Is that right?

6 JUDGE RENDAHL: Yes, that's correct, 314-T.

7 MS. KREBS: Thank you.

8 A. Okay.

9 BY MS. KREBS:

10 Q. Line 9, there you say:

11 In addition, Mr. Brosch underestimates
12 the impact of a large utility in
13 affecting non-conservation program
14 policies that incent customers to reduce
15 usage: appliance standards, building
16 codes and zoning, tax policies, public
17 education, market transformation,
18 regulatory policies (such as planning
19 criteria) et cetera. It is my
20 experience that utilities can be very
21 formidable opponents to enacting and
22 encouraging such policies; just as their
23 support can be crucial.

24 Is that an accurate reading?

25 A. Yes.

0300

1 Q. You have no evidence of Cascade fighting for
2 increased usage by opposing better appliance standards,
3 do you?

4 A. Not Cascade. Cascade is a very small
5 company, especially in Oregon. My experience is more
6 with Pacific and PG&E, and I have been in the
7 legislature and found them to be very important players
8 either on your side or not on your side, and especially
9 including when it comes to these types of issues.

10 Q. I was going to ask you about --

11 A. I have, but not with Cascade.

12 Q. You have no evidence --

13 A. No.

14 Q. -- that Cascade opposed increased appliance
15 standards?

16 A. No.

17 Q. Or stronger building codes and zoning?

18 A. No.

19 Q. Opposed tax policies that encourage
20 conservation?

21 A. No. As I said, I don't have any experience
22 with Cascade.

23 Q. So you have no evidence of this at all with
24 regard to Cascade?

25 A. That's true.

0301

1 Q. Now going back to the discussion about a
2 windfall, and the definition that I heard was receipt of
3 a profit unrelated to actions that would not have --
4 that otherwise they wouldn't have gotten, is that --

5 A. Yes.

6 Q. Wouldn't you agree that your testimony does
7 not contain an actual financial analysis of Cascade
8 Natural Gas, past, present, or future?

9 A. That is true.

10 Q. And wouldn't you agree that your testimony
11 does not make a prediction about Cascade's actual future
12 financial condition with or without decoupling?

13 A. That's true.

14 MS. KREBS: Thank you, I have nothing
15 further.

16 JUDGE RENDAHL: Is there any redirect for the
17 witness?

18 MS. GLASER: No.

19 JUDGE RENDAHL: Okay, are there any questions
20 for the witness from the Bench?

21 Commissioner Jones.

22

23

24

25

0302

1 E X A M I N A T I O N

2 BY COMMISSIONER JONES:

3 Q. Good afternoon, Mr. Weiss.

4 A. Good afternoon.

5 Q. Back to this question on corporate culture
6 that has been sparked by Public Counsel's questions, I
7 think looking at your testimony and thinking about this,
8 could you define what you mean by decoupling mechanism
9 in corporate culture; I think you talk about alignment
10 issues, don't you?

11 A. Yes.

12 Q. Could you explain that as to your belief in
13 how a decoupling mechanism aligns the interests of the
14 stakeholders?

15 A. What decoupling does is allows at every level
16 the utility to work with the customer to help the
17 customer save money. This is right down to the very
18 first contact the Company has with the customer when the
19 customer calls up and says, I'm having trouble paying my
20 bill, what do I do. The account representative can say,
21 well, we'll put you on the -- get you signed up for an
22 audit, and we'll have people out there looking at your
23 energy usage, and we'll help you find the best program
24 to reduce your usage, and we've got these rebates over
25 here, we've got this program over there. It's a way --

0303

1 it gives, sort of a cliché'd word, but empowers the line
2 people, the front office people, to really help the
3 customers.

4 And they're supported by management in doing
5 that, because I think most corporations know that they
6 want to be on the same side of their customers. I ran a
7 small business for about 15 years, a bicycle shop, but
8 you want your customers to be happy, you want your
9 customers to talk to other people, you want your
10 customers to do well. And when you are faced with the
11 fact that if you recommend something to a customer it
12 comes out of your shareholders' pockets, that's a very
13 difficult position to be in. And there are a few
14 utilities have decided for whatever, leadership, perhaps
15 Puget is one of them, that they are going to buck that
16 pressure and they're going to be on the side of the
17 customer anyway and take the heat from their
18 shareholders. And that's wonderful, and if they can
19 keep that up, great, but I doubt that they can keep it
20 up. They have a fiduciary responsibility to increase
21 profits, and that's a potent weapon or a potent pressure
22 on them at all times.

23 Q. And isn't it true that increased profits
24 primarily come from increased sales?

25 A. Yes, without decoupling, yes.

0304

1 Q. So when you talk about "corporate culture", I
2 hear you talking more about the alignment of the
3 interests of the shareholders and the customers; is that
4 correct, or are you including management and management
5 incentives? Because when I directed some questions to
6 Mr. Stevens, I was talking more about internal corporate
7 incentives.

8 A. I'm thinking more of internal corporate
9 culture, the management, the policies they have when
10 they're talking to customers, policies they have to look
11 for new ideas, to work in the legislature, to tighten
12 standards, and so on. It's just a whole attitude that
13 they're not afraid of lost sales any more, and generally
14 people in these businesses want to be on the side of
15 their customers.

16 Q. You're quite familiar with the Northwest
17 Natural Gas decoupling mechanism, are you not?

18 A. Yes.

19 Q. Could you compare Northwest Natural prior to
20 the adoption of the decoupling mechanism with this
21 company, Cascade Natural Gas, in terms of its corporate
22 culture; are they similar, are they different?

23 A. I think they were similar until they saw
24 decoupling as a good possibility. They -- I think --
25 and I can't speak for the utilities, but I sense that

0305

1 the utilities have a little bit of a chicken and egg
2 problem, they feel that if they don't demonstrate any
3 conservation aggressiveness or commitment, then they're
4 afraid that if they go to their commission and ask for
5 decoupling that they will be turned down as you're only
6 doing it for the money and so on, you're not really
7 committed to conservation. And then on the other hand,
8 if they decide to really be aggressive on conservation
9 and they go to the commission, the commission will
10 naturally ask, well, why should we give you decoupling,
11 you're doing everything you need to do anyway. So it's
12 sort of a tough place to be in.

13 Northwest Natural decided about a year ahead
14 of time, and I do not know whether decoupling was a part
15 of it, but I think it was in talking to some of the
16 middle management people, that they knew this was
17 coming, they decided on the first path, they decided to
18 ramp up programs, show that they were really interested,
19 show that they were going to be capable, and then ask
20 for the decoupling. I think that Cascade sort of was
21 looking around in deciding what to do, and I'm -- I have
22 been impressed with their -- with what they have done in
23 Oregon, but it's easy in Oregon, all you do is write a
24 check to the Energy Trust, that's the way you show your
25 commitment, so it's a little bit harder here.

0306

1 Q. In your prefiled direct testimony, you
2 proposed a decoupling plan that's I would say in several
3 respects significantly different than what's in the
4 settlement agreement; is that correct?

5 A. Yes.

6 Q. So I would like to talk about two aspects of
7 that. One is weather. In your original plan in your
8 prefiled direct, you proposed including weather in the
9 decoupling mechanism, correct?

10 A. Yes.

11 Q. What has made you change your mind other
12 than, well, what has made you change your mind in terms
13 of weather and in terms of supporting this particular
14 mechanism in the settlement?

15 A. Weather is I think a low hanging fruit that
16 provides immediate benefits to both customers and the
17 Company. It removes a huge risk, meaning that you can
18 lower the cost of capital immediately. That ends up in
19 consumers' pockets. It's a perfect hedge against
20 customers overpaying or underpaying because they work
21 against each other. In a cold winter under conventional
22 rate making, customers overpay, a windfall for the
23 Company. And when there's a warm winter, the customers
24 underpay and the Company hurts. When you put in a
25 weather adjustment, these two counteract each other,

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1 it's a swap, a risk swap, it's a complete win-win.

2 However, the one problem is that unless you
3 have a computer system, a billing system that can handle
4 real time or within the month adjustments, such as
5 Northwest Natural or Puget can do this, you have a
6 deferral problem where the surcharge or the credit
7 doesn't appear until the next year. And so you can have
8 the unintended problem of a warm winter followed by a
9 cold winter where you're going to have a surcharge on
10 top of a cold winter when people are having trouble
11 paying their bills anyway. That's a good argument, and
12 I don't have any great fix for it.

13 The fixes that we have suggested and the
14 Company has suggested was caps. You say, well, you cap
15 it at 3% or some number, or you give the Commission or
16 the Company permission to perhaps spread that deferral,
17 if it's a real big number, spread it over two years or
18 something, so there's sort of mitigation ways. I think
19 that's good. I think the cost of capital reduction
20 covers most surcharges except for the warmest years, so
21 that's probably still a win-win.

22 But given that problem, which has nothing to
23 do with conservation, that's our main reason for being
24 here, it was kind of a pet issue, it's something that I
25 think is just easy money that we should try to get, but

0308

1 it doesn't have anything to do with conservation and the
2 decoupling. And Northwest Energy Coalition's main goal
3 is to encourage conservation, and so the other part of
4 decoupling is important enough that we're willing to
5 drop weather for now. We do want the evaluation that
6 will take place at the end of the pilot to look at the
7 issue a little more, because I still think it's worth
8 doing, and maybe their computer system will be upgraded
9 by then, I hope we can do it.

10 Q. The second issue, Mr. Weiss, was you talked
11 about customers and the alignment of customers and
12 management in this decoupling mechanism, but you just
13 admitted that perhaps a warm winter following a cold
14 winter, there could be considerable impact on a
15 customer, correct?

16 A. With a weather adjustment, yes.

17 Q. And are you -- and in your proposal you
18 proposed a 3% cap?

19 A. Yes.

20 Q. On any changes. And in this -- in the
21 settlement agreement this language that says the Company
22 shall consider the rate impact of annual surcharges,
23 it's not required, it's consider, and it's for the
24 Company to consider, and it talks about perhaps
25 extending the amortization period beyond two years which

0309

1 would limit -- which would mitigate the impact on the
2 customer, correct?

3 A. Yes, but remember there's something else that
4 is perhaps much bigger happening in that same time frame
5 is the gas cost judgment.

6 Q. The PGA?

7 A. The PGA. And, for instance, let's say the
8 PGA is going down, then you could say, oh, well, we can
9 afford even a fairly big surcharge this year, more than
10 3%, you know, if it came to that. Whereas if the PGA
11 was positive and you had a number of rate increases, you
12 might say, well, let's spread this out for two or three
13 years and, you know, let's take a look at it at that
14 time. So I think that's a good safety net. However,
15 without weather, as Ms. Steward noted, most of the
16 simulations show 1%. I mean this is not a big -- it's
17 the weather that causes the big surcharges and credits
18 and so on. Without weather, the chance of a huge
19 surcharge are very small.

20 COMMISSIONER JONES: Thank you, that's all I
21 have, Judge.

22 JUDGE RENDAHL: Thank you.

23 Are there any other questions for the
24 witness?

25

0310

1 E X A M I N A T I O N

2 BY COMMISSIONER OSHIE:

3 Q. Just one question I believe, Mr. Weiss, and
4 that has to do with the cost test that at least in your
5 opinion you envision using to evaluate the conservation
6 plan measures or programs.

7 A. Yes, our coalition has always taken the
8 position that the total resource cost test should be the
9 controlling factor, and that would include not just
10 today's prices, but a long-term marginal look that is --
11 we believe that the cost effective level should include
12 environmental externalities. Many companies have used
13 the 10% adder that the council has been using, and it
14 should use the long run incremental cost, which given
15 sort of projections of increased gas prices might be a
16 little higher than the current cost of gas. But yes,
17 it's the total resource cost test. Now once you pass
18 that test, it should be in -- that measure should be
19 included. Of course, you try to acquire that at the
20 lowest cost possible, and so -- and that's where the
21 utility cost test is always a good indication, but our
22 position is the utility cost test should only be
23 informational, should not be a screen, that the total
24 resource cost test should be the only true screening.

25 Q. In your opinion, is the field of programs or

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1 energy efficiency measures enhanced or narrowed by using
2 the utility cost test?

3 A. It is narrowed considerably.

4 Q. And so the total resource cost test in
5 contrast would expand the possible programs and measures
6 to be implemented by the Company that are cost
7 effective?

8 A. Right. There's two questions, it's whether a
9 measure should be included in your program, and then how
10 much you should pay for that measure. The second
11 question, how much you pay for the measure, the utility
12 cost test is a good indicator, you don't really want to,
13 you know, if a measure has -- is just barely meets the
14 total resource cost test, but the only way you can give
15 it is by giving away, you know, let's say windows or
16 something meets the cost test, and the only way you can
17 get people to sign up is if you give them free windows,
18 you might say, you know, let's look at some other
19 possibilities. So the utility cost test is a good test
20 for looking at how much you should pay, but it shouldn't
21 be determinate of what is a cost effective measure. You
22 just might not pick it. You've got to look at your
23 budget and say, we don't have the budget to give away
24 windows, even if they're cost effective, we're not going
25 to do it, we're going to do other stuff.

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1 Q. And one of the uncertainties, if you will, or
2 I suppose there's always a way of trying to determine
3 value, but with the total resource cost test it's hard
4 to determine a value for those externalities?

5 A. Yes, it is, I agree, and so there have been a
6 lot of studies and surrogates and things. Like I said,
7 the council just throws up their hands and says, we'll
8 just call it 10%. And at least we said something. I
9 mean you could look at carbon, another way is,
10 especially with natural gas, you could look at what
11 carbon adders utilities are using in their IRP's. I
12 think PacifiCorp is using \$8 a ton, so you could use
13 that as the carbon cost adder on the gas side. I'm sure
14 we'll fight about that in the committee if the
15 Commission accepts this.

16 COMMISSIONER OSHIE: All right, thank you
17 very much.

18 JUDGE RENDAHL: Chairman Sidran.

19

20 E X A M I N A T I O N

21 BY CHAIRMAN SIDRAN:

22 Q. Good afternoon.

23 Do you think that decoupling has any
24 differential impact on low income customers?

25 A. Again, let's take the weather out of it so

0313

1 that's not an issue. The numbers I saw, and I have
2 asked Mr. Stoltz about this about his territory, seem to
3 say that low income customers have a usage pattern about
4 the same as other customers. I had thought perhaps one
5 would think maybe low income customers are in big drafty
6 old houses, and they can't afford to fix them, and so
7 they have huge bills, and so you think, oh, gee, they're
8 high users. But many, many low income customers are
9 closing off all their rooms, and they're only keeping
10 one room and so on, they're actually quite low users. A
11 lot of older elderly single people live very, very
12 frugally, and they don't use much at all. So when
13 surveys have been done, it turns out that the usage
14 really is kind of like the usage of everybody else. And
15 so my answer to that question always is any program
16 which can increase funding for low income weatherization
17 and for energy assistance is that's where you got to go,
18 and then you aim it, you focus on the big drafty old
19 houses and that sort of thing. But it can, a big user
20 is going to have a slight -- could have like we have
21 been talking about a 1% or 1 1/2% rate increase that
22 they would not have had otherwise.

23 Q. I guess just to follow up, I haven't seen any
24 studies on this so I don't pre-judge it, but it seems to
25 me that low income users are more likely to be renters

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1 than non-low income users?

2 A. Yes.

3 Q. And that low income users, as you suggest,
4 have already conserved because of price pressure perhaps
5 as much as they can conserve?

6 A. Yes.

7 Q. All right, thank you.

8 A. I think so. You also have the problem of low
9 income customers moving a lot, and they have other costs
10 that hit them like disconnections, they get behind in
11 their bills and so on. So again, weatherization, low
12 income assistance programs can lower those costs as
13 well.

14 CHAIRMAN SIDRAN: Thank you.

15 JUDGE RENDAHL: Are there any other questions
16 for the witness?

17 All right, with that, thank you very much,
18 Mr. Weiss, you may step down.

19 Are there any issues we need to discuss now
20 before we end the hearing?

21 MS. KREBS: We were going to distribute those
22 two exhibits.

23 JUDGE RENDAHL: All right, at this point
24 let's be off the record, and then we'll discuss
25 remaining administrative details, and then we will be

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1 done, so we will be off the record.

2 (Discussion off the record.)

3 JUDGE RENDAHL: Just very briefly we
4 discussed the possibility of expediting the briefing
5 schedule, and I have asked the parties to let me know
6 after conferring amongst themselves what schedule, if
7 they wish to amend the schedule, the briefing schedule,
8 to let me know what that schedule would be.

9 With that, this hearing is adjourned, thank
10 you very much.

11 (Hearing adjourned at 2:40 p.m.)

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1 E X H I B I T L I S T

2 STIPULATIONS

3 Multiple Parties

4 1 Settlement Agreement, filed 10/11/06

5 2 Narrative Statement Regarding Settlement

6 Agreement, filed 10/11/06

7 CASCADE NATURAL GAS CORPORATION

8 DAVID W. STEVENS

9 11-T DWS-1T: Prefiled Direct Testimony (filed
10 2/14/06)

11 12-T DWS-2T: Prefiled Rebuttal Testimony (filed
12 9/12/06)

13 CROSS-EXAMINATION EXHIBITS

14 Public Counsel

15 10 Core Margins 1996-2005, based on Cascade's
16 response to Public Counsel Data Request 10

17 13 Cascade's Response to WUTC Staff Data Request
18 No. 113

19 14 Cascade's Response to WUTC Staff Data Request
20 No. 191

21 15 Cascade's Response to WUTC Staff Data Request
22 No. 192

23 16 Cascade's Response to WUTC Staff Data Request
24 No. 208

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| 1 | 17 | Cascade's Response to Public Counsel Data |
| 2 | | Request No. 47 |
| 3 | 18 | Cascade's Response to Public Counsel Data |
| 4 | | Request No. 48 |
| 5 | 19 | Cascade's Response to Public Counsel Data |
| 6 | | Request No. 93 |
| 7 | 20 | Cascade 2005 Annual Report |
| 8 | JON T. STOLTZ | |
| 9 | 21-T | JTS-1: Prefiled Direct Testimony (filed |
| 10 | | 2/14/06) |
| 11 | 22 | JTS-2: Summary of Rate Application |
| 12 | 23 | JTS-3; Restate Revenues and Gas Cost at |
| 13 | | Current Rate |
| 14 | 24 | JTS-4: Removal of Non-Core Competitive |
| 15 | | Services Revenues and Costs |
| 16 | 25 | JTS-5: Restate Gas Cost for Lost and |
| 17 | | Unaccounted For Gas |
| 18 | 26 | JTS-6: Weather Normalization Adjustment |
| 19 | 27 | JTS-7: Proforma Industrial Contract Changes |
| 20 | 28 | JTS-8: Estimated Rate Case Expense |
| 21 | 29 | JTS-9: Revenue Requirements & Revenue Under |
| 22 | | Proposed Rates |
| 23 | 30-T | JTS-10T: Prefiled Rebuttal Testimony (filed |
| 24 | | 9/12/06) |
| 25 | 31 | JTS-11: Update Estimated Rate Case Expense |

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1 32 JTS-12: Per Degree Day Coefficient
2 33 JTS-13: Comparison of Staff's Calculated Heat
3 Sensitive Load to Actual Heat Sensitive Load
4 34 JTS-14: Capital Deferral Comparison
5 35 JTS-15: Cost of Service
6 CROSS-EXAMINATION EXHIBITS
7 Commission Staff
8 36 Cascade's Response to Staff Data Request No.
9 228
10 37 Cascade's Response to Staff Data Request No.
11 229
12 38 Cascade's Response to Staff Data Request No.
13 230
14 39 Cascade's Response to Staff Data Request No.
15 231
16 40 Article--"What is 'Normal' Temperature?"
17 41 Article--"United States Climate Normals,
18 1971-2000--Inhomogeneity Adjustment
19 Methodology" (Provided in response to Cascade
20 Data Request No. 50)
21 Public Counsel
22 42 Cascade's Response to WUTC Staff Data Request
23 No. 64
24 43 Cascade's Response to WUTC Staff Data Request
25 No. 66

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| 1 | 44 | Cascade's Response to WUTC Staff Data Request |
| 2 | | No. 165 |
| 3 | 45 | Cascade's Response to WUTC Staff Data Request |
| 4 | | No. 204 |
| 5 | 46 | Cascade's Response to WUTC Staff Data Request |
| 6 | | No. 212 |
| 7 | 47 | Cascade's Response to WUTC Staff Data Request |
| 8 | | No. 213 |
| 9 | 48 | Cascade's Response to WUTC Staff Data Request |
| 10 | | No. 214 |
| 11 | 49 | Cascade's Response to NVEC Data Request No. 8 |
| 12 | 50 | Cascade's Response to NVEC Data Request No. 18 |
| 13 | 51 | Cascade's Response to NVEC Data Request No. 19 |
| 14 | 52 | Cascade's Response to NVEC Data Request No. 21 |
| 15 | 53 | Cascade's Response to Public Counsel Data |
| 16 | | Request No. 6 |
| 17 | 54 | Cascade's Response to Public Counsel Data |
| 18 | | Request No. 26 |
| 19 | 55 | Cascade's Response to Public Counsel Data |
| 20 | | Request No. 46 |
| 21 | 56 | Cascade's Response to Public Counsel Data |
| 22 | | Request No. 64 |
| 23 | 57 | Cascade's Response to Public Counsel Data |
| 24 | | Request No. 78 |
| 25 | | |

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| 1 | 58 | Cascade's Response to Public Counsel Data |
| 2 | | Request No. 79 |
| 3 | 59 | Cascade's Response to Public Counsel Data |
| 4 | | Request No. 80 |
| 5 | 60 | Cascade's Response to Public Counsel Data |
| 6 | | Request No. 81 |
| 7 | 61 | Cascade's Response to Public Counsel Data |
| 8 | | Request No. 82 |
| 9 | 62 | Cascade's Response to Public Counsel Data |
| 10 | | Request No. 83 |
| 11 | 63 | Cascade's Response to Public Counsel Data |
| 12 | | Request No. 84 |
| 13 | 64 | Cascade's Response to Public Counsel Data |
| 14 | | Request No. 85 |
| 15 | 65 | Cascade's Response to Public Counsel Data |
| 16 | | Request No. 86 |
| 17 | 66 | Cascade's Response to Public Counsel Data |
| 18 | | Request No. 87 |
| 19 | 67 | Cascade's Response to Public Counsel Data |
| 20 | | Request No. 88 |
| 21 | 68 | Cascade's Response to Public Counsel Data |
| 22 | | Request No. 89-Revised |
| 23 | 69 | Cascade's Response to Public Counsel Data |
| 24 | | Request No. 96 |
| 25 | | |

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| 1 | 70 | Cascade's Response to Public Counsel Data |
| 2 | | Request No. 97 |
| 3 | 71C | Cascade's Response to Public Counsel Data |
| 4 | | Request No. 107 (CONFIDENTIAL) |
| 5 | 72 | Cascade's Response to Public Counsel Data |
| 6 | | Request No. 114 |
| 7 | 73 | Cascade's Response to Public Counsel Data |
| 8 | | Request No. 116 |
| 9 | 74 | Cascade's Response to Public Counsel Data |
| 10 | | Request No. 118 |
| 11 | 75 | Cascade's Response to Energy Project Data |
| 12 | | Request No. 1 |
| 13 | 76 | Cascade's Response to Energy Project Data |
| 14 | | Request No. 4 |
| 15 | 77 | Cascade's Response to Energy Project Data |
| 16 | | Request No. 5 |
| 17 | 78 | Cascade's Response to Energy Project Data |
| 18 | | Request No. 10 |
| 19 | 79 | Cascade's Response to Energy Project Data |
| 20 | | Request No. 12 |
| 21 | 80 | Cascade's Response to Energy Project Data |
| 22 | | Request No. 13 |
| 23 | 81 | Cascade's Response to Energy Project Data |
| 24 | | Request No. 14 |
| 25 | | |

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1 82 Cascade's Response to Energy Project Data
2 Request No. 16
3 83 Cascade's Response to Energy Project Data
4 Request No. 18
5 Cost Management Services, Inc.
6 84 Code of Federal Regulations, Title 18,
7 Conservation of Power and Water Resources
8 85C Cascade's Responses to CMS Data Request Nos.
9 5, 6, 18 & 19 (CONFIDENTIAL)
10 86 Cascade's Responses to CMS Data Request Nos.
11 1, 3, 7, 10 & 11
12 87 Cascade's Response to CMS Data Request Nos.
13 14, 16, 17, 20, 23 & 24
14 Energy Project
15 88 Cascade's Responses to Energy Project Data
16 Request Nos. 1-33
17 KATHERINE J. BARNARD
18 91-T KJB-1T: Prefiled Direct Testimony (filed
19 2/14/06)
20 92 KJB-2: Statement of Operations per Books
21 93 KJB-3: Revenue Sensitive Cost Conservation
22 Factor
23 94 KJB-4: Removal of Severance & Executive
24 Transition Related Expense
25 95 KJB-5: Restatement of Payroll & Related Costs

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| 1 | 96 | KJB-6: Restatement of Washington Property |
| 2 | | Taxes |
| 3 | 97 | KJB-7: Restatement for Changes in Franchise |
| 4 | | Fees |
| 5 | 98 | KJB-8: Removal of Certain Promotional |
| 6 | | Expenses |
| 7 | 99 | KJB-9: Proforma Public Awareness Program |
| 8 | | Adjustment |
| 9 | 100 | KJB-10: Proforma Wage & Related Costs |
| 10 | | Adjustment |
| 11 | 101 | KJB-11: Proforma Insurance Expense Adjustment |
| 12 | 102 | KJB-12: Proforma Postal Rate Change |
| 13 | | Adjustment |
| 14 | 103 | KJB-13: Proforma Property Tax Adjustment |
| 15 | 104 | KJB-14: Proforma Membership/Dues Adjustment |
| 16 | 105 | KJB-15: Proforma Amortization of Gain on |
| 17 | | Propane Air Plant |
| 18 | 106 | KJB-16: Proforma Adjustment for Gas |
| 19 | | Management Upgrade |
| 20 | 107 | KJB-17: Proforma Adjustment for Integrated |
| 21 | | Resource Planning Costs |
| 22 | 108 | KJB-18: Proforma Adjustment for CIS Mainframe |
| 23 | | Upgrade |
| 24 | 109 | KJB-19: Proforma Conservation Advertising |
| 25 | | Adjustment |

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1 110 KJB-20: Proforma Low Income Bill Assistance
2 Program Expenses
3 111-T KJB-21-T: Prefiled Rebuttal Testimony (filed
4 9/12/06)
5 112 KJB-22: Revised Proforma Mainframe Upgrade
6 CROSS-EXAMINATION EXHIBITS
7 Public Counsel
8 113 Cascade's Response to WUTC Staff Data Request
9 No. 51
10 114 Cascade's Response to WUTC Staff Data Request
11 No. 55
12 115 Cascade's Response to WUTC Staff Data Request
13 No. 56
14 116 Cascade's Response to WUTC Staff Data Request
15 No. 57
16 117 Cascade's Response to WUTC Staff Data Request
17 No. 60
18 118 Cascade's Response to WUTC Staff Data Request
19 No. 128
20 119 Cascade's Response to WUTC Staff Data Request
21 No. 130
22 120 Cascade's Response to WUTC Staff Data Request
23 No. 133
24 121 Cascade's Response to WUTC Staff Data Request
25 No. 134

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| 1 | 122 | Cascade's Response to WUTC Staff Data Request |
| 2 | | No. 135 |
| 3 | 123 | Cascade's Response to WUTC Staff Data Request |
| 4 | | No. 181 |
| 5 | 124 | Cascade's Response to WUTC Staff Data Request |
| 6 | | No. 186 |
| 7 | 125 | Cascade's Response to WUTC Staff Data Request |
| 8 | | No. 189 |
| 9 | 126 | Cascade's Response to WUTC Staff Data Request |
| 10 | | No. 202 |
| 11 | 127 | Cascade's Response to NVEC Data Request No. 3 |
| 12 | 128 | Cascade's Response to NVEC Data Request No. 4 |
| 13 | 129 | Cascade's Response to NVEC Data Request No. 6 |
| 14 | 130 | Cascade's Response to NVEC Data Request No. 7 |
| 15 | 131 | Cascade's Response to NVEC Data Request No. 9 |
| 16 | 132 | Cascade's Response to Public Counsel Data |
| 17 | | Request No. 10 |
| 18 | 133 | Cascade's Response to Public Counsel Data |
| 19 | | Request No. 11 |
| 20 | 134 | Cascade's Response to Public Counsel Data |
| 21 | | Request No. 12 |
| 22 | 135 | Cascade's Response to Public Counsel Data |
| 23 | | Request No. 13 |
| 24 | 136 | Cascade's Response to Public Counsel Data |
| 25 | | Request No. 74 |

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1 137 Cascade's Response to Public Counsel Data
2 Request No. 75

3 138 Cascade's Response to Public Counsel Data
4 Request No. 76

5 139 Cascade's Response to Public Counsel Data
6 Request No. 92

7 140 Cascade's Response to Public Counsel Data
8 Request No. 94

9 141 Cascade's Response to Public Counsel Data
10 Request No. 108

11 142 Cascade's Response to Public Counsel Data
12 Request No. 109

13 143 Cascade's Response to Public Counsel Data
14 Request No. 110

15 JAMES E. HAUG

16 151-T JEH-1T: Prefiled Direct Testimony (filed
17 2/14/06)

18 152 JEH-2: Increase in Federal Income taxes from
19 Non-normalized Depreciation Differences on
20 Pre-1981 Fixed Assets

21 153 JEH-3: Income Tax Adjustment for Proforma
22 Capitalization

23 DR. ROGER A. MORIN

24 161-T RAM-1T: Prefiled Direct Testimony (filed
25 2/14/06)

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| 1 | 162 | Appendix A to Prefiled Direct Testimony - |
| 2 | | CAPM, Empirical CAPM |
| 3 | 163 | Appendix B to Prefiled Direct Testimony - |
| 4 | | Flotation Cost Allowance |
| 5 | 164 | RAM-2: Resume |
| 6 | 165 | RAM-3: Gas Utilities in Beta Estimates |
| 7 | 166 | RAM-4: Moody's Gas Risk Premium Analysis |
| 8 | 167 | RAM-5: Gas Analysts' Growth Forecast |
| 9 | 168 | RAM-6: Gas - Value Line Growth Forecasts |
| 10 | 169 | RAM-7: Distribution Utility Companies |
| 11 | 170 | RAM-8: Electric - Value Line Growth |
| 12 | | Projections |
| 13 | 171 | RAM-9: Electric - Analysts' Growth |
| 14 | | Projections |
| 15 | 172 | RAM-10: Gas - Common Equity Ratios |
| 16 | 173-T | RAM-11T: Prefiled Rebuttal Testimony (filed |
| 17 | | 9/12/06) |
| 18 | | CROSS-EXAMINATION EXHIBITS |
| 19 | | Commission Staff |
| 20 | 174 | Response to Staff Data Request No. 13 |
| 21 | 175 | Response to Staff Data Request No. 14 |
| 22 | 176 | Response to Staff Data Request No. 20 |
| 23 | 177 | Response to Staff Data Request No. 21 |
| 24 | 178 | Response to Staff Data Request No. 22 |
| 25 | 179 | Response to Staff Data Request No. 176 |

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1 180 Response to Staff Data Request No. 177
2 181 Response to Staff Data Request No. 232
3 (without attachments)
4 182 Response to Staff Data Request No. 235
5 183 Response to Staff Data Request No. 236
6 184 Response to Staff Data Request No. 237
7 185 Response to Staff Data Request No. 238
8 186 Response to Staff Data Request No. 240
9 187 Response to Staff Data Request No. 241
10 188 Response to Staff Data Request No. 242
11 MATTHEW D. MCARTHUR
12 191-T MDM-1T: Prefiled Direct Testimony (filed
13 2/14/06)
14 192 MDM-2: Proforma Cost of Capital
15 193 MDM-3: Cost of Long-Term Debt
16 194 MDM-4: Proforma Capital Structure
17 195 MDM-5: Short-Term Borrowing Balance for
18 January 2006
19 196-T MDM-6T: Prefiled Rebuttal Testimony (filed
20 9/12/06)
21 197 MDM-7: Capital Structure
22 198 MDM-8: Historical Capital Structure
23 DR. PHILIP W. MOTE
24 201-T PWM-1T: Prefiled Direct Testimony (filed
25 2/14/06)

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1 202 PWM-2: Trends in Temperature & Precipitation
2 in the Pacific Northwest During the Twentieth
3 Century
4 203 PWM-3: Heating Degree Day Graphs
5 204 PWM-4: Normal Heating Degree Days for Cascade
6 Natural Gas Corporation
7 LAMAR MAXWELL DICKY
8 211-T LMD-1T: Prefiled Direct Testimony (filed
9 2/14/06)
10 212 LMD-2: Per Books Cost Allocation - 12 Months
11 Ended September 30, 2005
12 213 LMD-2 ADJ: Per Books Cost Allocation - 12
13 Months Ended September 30, 2005, Adjusted
14 CROSS-EXAMINATION EXHIBITS
15 Public Counsel
16 214 Cascade's Response to Public Counsel Data
17 Request No. 17
18 215 Cascade's Response to Public Counsel Data
19 Request No. 106
20 F. JAY CUMMINGS
21 220-T FJC-1T: Prefiled Direct Testimony (filed
22 2/14/06)
23 221 FJC-2T: Prefiled Rebuttal Testimony (filed
24 9/12/06)
25

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1 222 FJC-3: Proposed WNU-3 Sheet 25, Reflecting
2 Rule 21 - Safety and Reliability
3 Infrastructure Adjustment Mechanism
4 CROSS-EXAMINATION EXHIBITS
5 Public Counsel
6 223 Cascade's Response to Public Counsel Data
7 Request No. 119
8 224 Cascade's Response to Public Counsel Data
9 Request No. 120
10 225 Cascade's Response to Public Counsel Data
11 Request No. 121
12 226 Cascade's Response to Public Counsel Data
13 Request No. 122
14 227 Cascade's Response to Public Counsel Data
15 Request No. 123
16 228 Cascade's Response to Public Counsel Data
17 Request No. 124
18 229 Cascade's Response to Public Counsel Data
19 Request No. 125
20 230 Cascade's Response to Public Counsel Data
21 Request No. 126
22 NORTHWEST INDUSTRIAL GAS USERS
23 DONALD W. SCHOENBECK
24 231-T DWS-1T: Prefiled Responsive Testimony (filed
25 8/15/06)

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1 232 DWS-2: Qualifications and Background
2 233 DWS-3: Per Books Cost Allocation - 12 Mos.
3 Ended September 30, 2005 - Adjusted;
4 Commission Basis Summary Report
5 DAVID H. HAWK
6 241-T DHH-1T: Prefiled Responsive Testimony (filed
7 8/15/06)
8 CROSS-EXAMINATION EXHIBITS
9 Cascade Natural Gas
10 242 Response to Cascade Natural Gas Data Request
11 No. 27
12 243 Response to Cascade Natural Gas Data Request
13 No. 28
14 244 Response to Cascade Natural Gas Data Request
15 No. 34
16 245 Response to Cascade Natural Gas Data Request
17 No. 35
18 246 Response to Cascade Natural Gas Data Request
19 No. 39
20 PUBLIC COUNSEL
21 MICHAEL L. BROSCH
22 251-T MLB-1T: Prefiled Responsive Testimony (filed
23 8/15/06)
24 252 MLB-2: Summary of Qualifications
25 253 MLB-3: Prior Testimony Listing

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1 254 MLB-4: Cascade Response to Public Counsel
2 Data Request No. 35
3 255 MLB-5: Cascade Response to Public Counsel
4 Data Request No. 38
5 256 MLB-6: Cascade Response to Public Counsel
6 Data Request No. 30
7 257 MLB-7: Cascade Response to Public Counsel
8 Data Request No. 42
9 258 MLB-8: Cascade Response to Staff Data Request
10 No. 143
11 259 MLB-9: Cascade Response to Staff Data Request
12 No. 144
13 260 MLB-10: Cascade Response to Staff Data
14 Request No. 145
15 261 MLB-11: Cascade Response to Staff Data
16 Request No. 148
17 262 MLB-12: Cascade Response to Staff Data
18 Request No. 149
19 263-T MLB-13-T: Prefiled Cross Rebuttal Testimony
20 (filed 9/12/06)
21 264 MLB-14: August 8, 2006, Oregon Public Utility
22 Commission Staff Report
23 265 MLB-15: August 8, 2006, Press Release of
24 Oregon Public Utilities Commission
25

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1 CROSS-EXAMINATION EXHIBITS
2 Cascade Natural Gas
3 266 Response to Cascade Natural Gas Data Request
4 No. 39
5 267 Response to Cascade Natural Gas Data Request
6 No. 43
7 268 Response to Cascade Natural Gas Data Request
8 No. 46
9 269 Response to Cascade Natural Gas Data Request
10 No. 47
11 270 Response to Cascade Natural Gas Data Request
12 No. 48
13 271 Response to Cascade Natural Gas Data Request
14 No. 51
15 272 Response to Cascade Natural Gas Data Request
16 No. 65
17 273 Response to Cascade Natural Gas Data Request
18 No. 69
19 JIM LAZAR
20 281-T JL-1T: Prefiled Responsive Testimony (filed
21 8/15/06)
22 282 JL-2: Cost of Service Issues
23 283 JL-3: Rate Spread Results
24 284 JL-4: Residential Rate Design
25

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1 285-T JL-5T: Prefiled Cross Rebuttal Testimony
2 (filed 9/12/06)
3 286 JL-6: Cascade Response to Public Counsel Data
4 Request No. PC-64
5 287 JL-7: Excerpts of Gas Company Tariffs Filed
6 with California Public Utilities Commission
7 288 JL-8: Miscellaneous Fees and Charges
8 CROSS-EXAMINATION EXHIBITS
9 Cascade Natural Gas
10 289 Response to Cascade Natural Gas Data Request
11 No. 26
12 290 Response to Cascade Natural Gas Data Request
13 No. 29
14 291 Response to Cascade Natural Gas Data Request
15 No. 32
16 Commission Staff
17 292 Response to Staff Data Request No. 10
18 293 Response to Staff Data Request No. 12
19 294 Response to Staff Data Request No. 16
20 295 Response to Staff Data Request No. 27
21 296 Response to Staff Data Request No. 28
22 297 Response to Staff Data Request No. 36
23 298 Response to Staff Data Request No. 40
24 299 Response to Staff Data Request No. 41
25 300 Response to Staff Data Request No. 43

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1 301 Response to Staff Data Request No. 44
2 302 Response to Staff Data Request No. 45
3 303 Response to Staff Data Request No. 47
4 304 Response to Staff Data Request No. 48
5 305 Response to Staff Data Request No. 49
6 306 Response to Staff Data Request No. 50
7 307 Response to Staff Data Request No. 51
8 308 Response to Staff Data Request No. 52
9 309 Response to Staff Data Request No. 53
10 NW ENERGY COALITION
11 STEVEN D. WEISS
12 311-T SDW-1T: Prefiled Response Testimony (filed
13 8/15/06)
14 312 SDW-2: Qualifications
15 313 SDW-3: Excerpt of Preliminary Results,
16 Utility and Societal Benefits, Oregon Energy
17 Assistance Program Evaluation, M. Sami
18 Khawaja, Sharon Baggett, Quantec, LLC,
19 November 1, 2002
20 314 SDW-4T: Prefiled Rebuttal Testimony (filed
21 9/12/06)
22 CROSS-EXAMINATION EXHIBITS
23 Cascade Natural Gas
24 315 Response to Cascade Natural Gas Data Request
25 No. 2

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| 1 | 316 | Response to Cascade Natural Gas Data Request |
| 2 | | No. 3 |
| 3 | 317 | Response to Cascade Natural Gas Data Request |
| 4 | | No. 6 (including pages 48-54 of Christensen |
| 5 | | Report) |
| 6 | 318 | Response to Cascade Natural Gas Data Request |
| 7 | | No. 7 |
| 8 | 319 | Response to Cascade Natural Gas Data Request |
| 9 | | No. 9 |
| 10 | 320 | Response to Cascade Natural Gas Data Request |
| 11 | | No. 10 |
| 12 | 321 | Response to Cascade Natural Gas Data Request |
| 13 | | No. 18 |
| 14 | 322 | Response to Cascade Natural Gas Data Request |
| 15 | | No. 19 |
| 16 | 323 | Response to Cascade Natural Gas Data Request |
| 17 | | No. 22 |
| 18 | 324 | Response to Cascade Natural Gas Data Request |
| 19 | | No. 23 |
| 20 | 325 | Response to Cascade Natural Gas Data Request |
| 21 | | No. 26 |
| 22 | | Public Counsel |
| 23 | 326 | NWEC's Response to Cascade Data Request No. 11 |
| 24 | 327 | NWEC's Response to Cascade Data Request No. 12 |
| 25 | 328 | NWEC's Response to Cascade Data Request No. 13 |

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1 329 NWEC's Response to Cascade Data Request No. 16
2 330 NWEC's Response to Cascade Data Request No. 17
3 COST MANAGEMENT SERVICES, INC.
4 THEODORE S. LEHMANN
5 341-T TSL-1T: Prefiled Responsive Testimony (filed
6 8/15/06)
7 342 TSL-2: Professional Qualifications
8 CROSS-EXAMINATION EXHIBITS
9 Cascade Natural Gas
10 343 Response to Cascade Natural Gas Data Request
11 No. 2
12 344 Response to Cascade Natural Gas Data Request
13 No. 3
14 345 Response to Cascade Natural Gas Data Request
15 No. 4
16 346 Response to Cascade Natural Gas Data Request
17 No. 5
18 347 Response to Cascade Natural Gas Data Request
19 No. 8
20 348 Correspondence from D. Betzold to C. Washburn
21 re Rulemaking Review Natural Gas Decoupling,
22 Docket No. UG-050369, dated June 10, 2005
23
24
25

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1 THE ENERGY PROJECT

2 CHARLES M. EBERDT

3 351-T CME-1T: Prefiled Responsive Testimony (filed
4 8/15/06)

5 352-T CME-2T: Prefiled Rebuttal Testimony (filed
6 9/12/06)

7 CROSS-EXAMINATION EXHIBITS

8 Cascade Natural Gas

9 353 Response to Cascade Natural Gas Data Request
10 No. 2

11 354 Response to Cascade Natural Gas Data Request
12 No. 3

13 355 Response to Cascade Natural Gas Data Request
14 No. 4

15 356 Response to Cascade Natural Gas Data Request
16 No. 5

17 357 Response to Cascade Natural Gas Data Request
18 No. 6

19 358 Response to Cascade Natural Gas Data Request
20 No. 8

21 STAFF

22 MICHAEL P. PARVINEN

23 361-T MPP-1T: Prefiled Responsive Testimony
24 (Revised 9/25/06)

25

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1 362 MPP-2: Calculation of Revenue Requirements
2 (Revised 9/25/06)
3 363 MPP-3: Results of Operations (Revised
4 9/25/06)
5 364 MPP-4: Working Capital Calculation
6 365 MPP-5: Miscellaneous Service Charges
7 366 MPP-6: Optional Gas Management Service LSN
8 Order and Staff Memo
9 367 MPP-7: Company Responses to Staff Data
10 Requests No. 87, 123, 124, 132, 146, 147, 148,
11 and 213 (Revised 9/25/06)
12 CROSS-EXAMINATION EXHIBITS
13 Cascade Natural Gas
14 368 Response to Cascade Natural Gas Data Request
15 No. 72
16 369 Response to Cascade Natural Gas Data Request
17 No. 73
18 370 Response to Cascade Natural Gas Data Request
19 No. 74
20 371 Response to Cascade Natural Gas Data Request
21 No. 76
22 372 Response to Cascade Natural Gas Data Request
23 No. 84
24 373 Response to Cascade Natural Gas Data Request
25 No. 86

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1 374 Response to Cascade Natural Gas Data Request
2 No. 87
3 375 Response to Cascade Natural Gas Data Request
4 No. 88
5 376 Response to Cascade Natural Gas Data Request
6 No. 92
7 Public Counsel
8 377 WUTC Staff's Response to Public Counsel Data
9 Request No. 2
10 378 WUTC Staff's Response to Public Counsel Data
11 Request No. 17
12 379 WUTC Staff's Response to Public Counsel Data
13 Request No. 18
14 380 WUTC Staff's Response to Cascade Data Request
15 No. 71
16 381 WUTC Staff's Response to Cascade Data Request
17 No. 75
18 382 WUTC Staff's Response to Cascade Data Request
19 No. 77
20 383 WUTC Staff's Response to Cascade Data Request
21 No. 90
22 384 WUTC Staff's Response to Cascade Data Request
23 No. 91
24
25

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1 DAVID C. PARCELL
2 391-T DCP-1T: Prefiled Responsive Testimony
3 (Revised 8/22/06)
4 392 DCP-2: Qualifications
5 393 DCP-3: Schedule 2 - Economic Indicators
6 (Revised 8/22/06)
7 394 DCP-4: Schedule 3 - Cascade Natural Gas Corp.
8 Bond Ratings (Revised 8/22/06)
9 395 DCP-5: Schedule 4 - Yield Differentials
10 Between Baa and A Rated Securities (Revised
11 8/22/06)
12 396 DCP-6: Schedule 5 - Capital Structure Ratios
13 2001-2005 (Revised 8/22/06)
14 397 DCP-7: Schedule 6 - Comparison Companies
15 Common Equity Ratios & Capital Structure
16 Ratios (Revised 8/22/06)
17 398 DCP-8: Schedule 7 - Comparison Companies
18 Dividend Yield, Retention Growth Rates, Per
19 Share Growth Rates (Revised 8/22/06)
20 399 DCP-9: Schedule 8 - Standard & Poor's 500
21 Composite 20-Year U.S. Treasury Bond Yields
22 Risk Premiums (Revised 8/22/06)
23 400 DCP-10: Schedule 9 - Comparison Companies
24 CAPM Cost Rates Using Ibbotson Risk Premium
25 (Revised 8/22/06)

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1 401 DCP-11: Schedule 10 - Comparison Companies
2 Rates of Return on Common Equity, Market to
3 Book Ratios (Revised 8/22/06)

4 402 DCP-12: Schedule 11 - Standard & Poor's 500
5 Composite Returns and Market-to-Book Ratios
6 1992-2004 (Revised 8/22/06)

7 403 DCP-13: Schedule 12 - Risk Indicators
8 (Revised 8/22/06)

9 404 DCP-14: Schedule 13 - Cascade Natural Gas
10 Total Cost of Capital as of December 31, 2005,
11 Monthly Amounts of Short-Term Debt (Revised
12 8/22/06)

13 405 DCP-15: Schedule 14 - Cascade Natural Gas
14 Pre-Tax Coverage (Revised 8/22/06)

15 406 DCP-16 Schedule 15 - Risk Premium by Decade
16 (Revised 8/22/06)

17 CROSS-EXAMINATION EXHIBITS

18 Cascade Natural Gas

19 407 Response to Cascade Natural Gas Data Request
20 No. 3

21 408 Response to Cascade Natural Gas Data Request
22 No. 5

23 409 Response to Cascade Natural Gas Data Request
24 No. 6 (including Cascade Response to Staff
25 Data Request No. 27)

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1 410 Response to Cascade Natural Gas Data Request
2 No. 7
3 411 Response to Cascade Natural Gas Data Request
4 No. 8
5 412 Response to Cascade Natural Gas Data Request
6 No. 18
7 413 Response to Cascade Natural Gas Data Request
8 No. 22
9 414 Response to Cascade Natural Gas Data Request
10 No. 31
11 415 Response to Cascade Natural Gas Data Request
12 No. 32
13 416 Response to Cascade Natural Gas Data Request
14 No. 33
15 417 Response to Cascade Natural Gas Data Request
16 No. 34
17 418 RRA Regulatory Focus - Major Rate Case
18 Decisions - January-June 2006
19 419 Summary of Rate Cases Decided between 1/1/2005
20 and 12/31/2005
21 JOELLE R. STEWARD
22 421-T JRS-1T: Prefiled Responsive Testimony
23 (Revised 9/25/06)
24 422 JRS-2: Qualifications
25

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1 423 JRS-3: New Customer use (Cascade Response to
2 Public Counsel Data Request No. 77)
3 424-T JRS-4T: Prefiled Rebuttal Testimony (filed
4 9/12/06)
5 CROSS-EXAMINATION EXHIBITS
6 Cascade Natural Gas
7 425 Response to Cascade Natural Gas Data Request
8 No. 78
9 426 Response to Cascade Natural Gas Data Request
10 No. 79
11 427 Response to Cascade Natural Gas Data Request
12 No. 81
13 428 Response to Cascade Natural Gas Data Request
14 No. 82
15 429 Response to Cascade Natural Gas Data Request
16 No. 96
17 430 Response to Cascade Natural Gas Data Request
18 No. 97
19 Public Counsel
20 431 WUTC Staff's Response to Public Counsel Data
21 Request No. 7
22 432 WUTC Staff's Response to Public Counsel Data
23 Request No. 8
24 433 WUTC Staff's Response to Public Counsel Data
25 Request No. 9

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1 434 WUTC Staff's Response to Public Counsel Data
2 Request No. 10
3 435 WUTC Staff's Response to Public Counsel Data
4 Request No. 15
5 436 WUTC Staff's Response to Public Counsel Data
6 Request No. 16
7 437 WUTC Staff's Response to Cascade Data Request
8 No. 70
9 YOHANNES K.G. MARIAM
10 441-T YKGM-1T: Prefiled Responsive Testimony
11 (Revised 9/8/06, 9/25/06)
12 442 YKGM-2: Temperature Normalization Adjustment
13 (Revised 8/22/06, 9/25/06)
14 443 YKGM-3: Statistical Analysis of Temperature
15 Data (Revised 8/22/06)
16 CROSS-EXAMINATION EXHIBITS
17 Cascade Natural Gas
18 444 Response to Cascade Natural Gas Data Request
19 No. 37
20 445 Response to Cascade Natural Gas Data Request
21 No. 38
22 446 Response to Cascade Natural Gas Data Request
23 No. 41
24 447 Response to Cascade Natural Gas Data Request
25 No. 42

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| 1 | 448 | Response to Cascade Natural Gas Data Request |
| 2 | | No. 43 |
| 3 | 449 | Response to Cascade Natural Gas Data Request |
| 4 | | No. 44 |
| 5 | 450 | Response to Cascade Natural Gas Data Request |
| 6 | | No. 51 |
| 7 | 451 | Response to Cascade Natural Gas Data Request |
| 8 | | No. 53 |
| 9 | 452 | Response to Cascade Natural Gas Data Request |
| 10 | | No. 55 |
| 11 | 453 | Response to Cascade Natural Gas Data Request |
| 12 | | No. 56 |
| 13 | 454 | Response to Cascade Natural Gas Data Request |
| 14 | | No. 57 |
| 15 | 455 | Response to Cascade Natural Gas Data Request |
| 16 | | No. 58 |
| 17 | 456 | Response to Cascade Natural Gas Data Request |
| 18 | | No. 59 |
| 19 | 457 | Response to Cascade Natural Gas Data Request |
| 20 | | No. 60 |
| 21 | 458 | Response to Cascade Natural Gas Data Request |
| 22 | | No. 61 |
| 23 | 459 | Response to Cascade Natural Gas Data Request |
| 24 | | No. 62 |
| 25 | | |

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1 460 Response to Cascade Natural Gas Data Request
2 No. 63
3 461 Response to Cascade Natural Gas Data Request
4 No. 64
5 462 Response to Cascade Natural Gas Data Request
6 No. 65
7 463 Response to Cascade Natural Gas Data Request
8 No. 68
9 464 Response to Cascade Natural Gas Data Request
10 No. 98
11 465 Response to Cascade Natural Gas Data Request
12 No. 99
13 466 Response to Cascade Natural Gas Data Request
14 No. 100
15 467 Testimony of Yohannes K.G. Mariam, Docket Nos.
16 UE-060266, et al. dated July 25, 2006
17 468 NOAA/National Climatic Data Center article
18 entitled "United States Climate Normals,
19 1971-2000 Degree Day Computation Methodology"
20 dated January 15, 2003
21 469 National Climatic Data Center Strategic Plan
22 Entitled "New Priorities for the 21st Century"
23 470 NOAA/National Climatic Data Center website
24 printout of 1971-2000 Normals Product Suite
25

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1 471 Article by Nathaniel B. Guttman of National
2 Climate Data Center entitled "Statistical
3 Descriptors of Climate" dated June 1989

4 GENE L. WAAS

5 481-T GLW-1T: Prefiled Rebuttal Testimony (filed
6 9/12/06)

7 CROSS-EXAMINATION EXHIBITS

8 Public Counsel

9 482 WUTC Staff's Response to Public Counsel's Data
10 Request No. 36

11 ILLUSTRATIVE EXHIBIT

12 491 Public Counsel - Public Comment Exhibit

13 BENCH REQUEST RESPONSES

14 501 NW Energy Coalition - NWECC Response to Bench
15 Request No. 1 re: Access to Cascade's Cost
16 Model (Rcvd 8/30/06)

17 502 NWIGU - NWIGU Response to Bench Request No. 1
18 re: Access to Cascade's Cost Model (Rcvd
19 9/8/06)

20 503 Public Counsel - Public Counsel Response to
21 Bench Request No. 1 re: Access to Cascade's
22 Cost Model (Rcvd 8/31/06)

23 504 Staff - Staff Response to Bench Request No. 1
24 re: Access to Cascade's Cost Model
25 (Rcvd 9/8/06)

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1 505 Staff - Staff Response to Bench Request No. 2
2 re: ROE Adj. for Decoupling Mech. (Rcvd
3 9/8/06)

4 506 Staff - Staff Response to Bench Request No. 3
5 re: Details of ISWC Calculation (Rcvd
6 10/5/06)

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