

1 **Q. Did AWEC correctly identify the amount of unbilled revenue that was**
2 **included in the test year?**

3 A. No. When AWEC calculated the Total 2020 Unbilled Revenue in Table 3, page
4 13 of Exh. BGM-1T, unbilled revenue associated with the decoupling mechanism
5 was incorrectly added to the total unbilled revenue. Instead, the unbilled revenue
6 associated with the decoupling mechanism should have been reversed the way it
7 was in Cascade's initial filing, as reflected in Exh IDM-2 and Exh MCG-5
8 (adjustment P-2). Next, AWEC should have removed the unbilled revenue of
9 \$1,492,986 associated with the supplemental schedules because it was removed in
10 Cascade's initial filing, as reflected in Exh MCG-5 (adjustment R-7). These two
11 unbilled revenue items were correctly excluded from Cascade's initial filing, and
12 AWEC incorrectly treated them both in the calculation of Total 2020 Unbilled
13 Revenue.

14 **Q. What about the remaining unbilled revenue?**

15 A. The remaining unbilled revenue of \$ 1,413,568 ~~637,012~~ is mainly associated with
16 large volume customers, who typically are billed at the beginning of the following
17 month. In this case, most of the unbilled revenue is associated with Schedule 511
18 large volume customers since non-core customers, Schedule 663 customers and
19 Special Contract customers, had a positive \$84,526 of unbilled revenue that
20 increased revenues and decreased revenue requirement.

1 **Q. Why should the remaining \$ 1,413,568 ~~637,012~~ of unbilled revenue be**
2 **reflected in the Settlement?**

3 A. According to Leonard Saul Goodman, when a regulated company is unable to bill
4 all its customers in the test year, it properly adjusts year-end test year revenue for
5 unbilled revenue.² At the time the unbilled revenues were recorded on the
6 Company's books, shareholders had advanced the cash necessary to fund the costs
7 of the service represented by the unbilled revenues. Consequently, the post-test
8 year unbilled revenues should be included to match the costs incurred in the test
9 year. AWEC even illustrates this situation in Table 2 of its testimony, when it
10 shows costs incurred that should be matched with the revenues those costs
11 represent while removing prior post-test year revenues associated with prior
12 services rendered. The Full Multi-Party Settlement accounts for this unbilled
13 revenue in a manner consistent with public policy and the Commission's
14 matching principle.

15 **3. End of Period Depreciation**

16 **Q. AWEC proposes the use of actual accrued calendar year 2020 depreciation**
17 **expense. Is that proposal valid?**

18 A. No. It creates a mismatch between depreciation expense and the associated plant.
19 As outlined in the Direct Testimony of Company witness Nicole Kivisto, one of

² The Process of Ratemaking by Leonard Saul Goodman, 1998, Public Utilities Report, Inc., pg. 257.