

**Exh. JH-1T  
Docket UG-240008  
Witness: Joanna Huang**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADE NATURAL GAS  
CORPORATION,**

**Respondent**

**DOCKET UG-240008**

**RESPONSE TESTIMONY OF**

**JOANNA HUANG**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Revenue Requirement Analysis,  
Working Capital Allowance in Test Year Result of Operation  
Director & Officers Adjustment, Interest Coordination Adjustment,  
Pro Forma Rate Case Expense Adjustment, Pro Forma Property Tax  
2024 and 2025 Provisional Plant Additions,  
Basic Charges to Residential Customers*

**September 25, 2024**

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. SCOPE AND SUMMARY OF TESTIMONY..... 3

III. REVENUE REQUIREMENT ..... 5

IV. CONTESTED ADJUSTMENTS ..... 9

    A. Working Capital Allowance in Test Year Result of Operations ..... 9

    B. Director & Officer Adjustment ..... 12

    C. Interest Coordination Adjustment ..... 14

    D. Pro Forma Rate Case Expense Adjustment..... 16

    E. Pro Forma Property Tax ..... 18

    F. 2024 and 2025 Provisional Plant Additions ..... 20

V. Basic Charges to Residential Customers ..... 20

## **LIST OF EXHIBITS**

- Exh. JH-2 Test Year Results of Operations Summary Sheet
- Exh. JH-3 Results of Multi-Year Rate Plan Summary Sheet
- Exh. JH-4 Multi-Year Rate Plan Revenue Requirement Calculation
- Exh. JH-5 Conversion Factor for Revenue Sensitive Costs
- Exh. JH-6 Summary of Adjustments
- Exh. JH-7 Cost of Capital Structure
- Exh. JH-8 Working Capital, Test Year Results of Operations
- Exh. JH-9 Director & Officer Adjustment
- Exh. JH-10 Interest Coordination Adjustment
- Exh. JH-11 Pro Forma Rate Case Expense Adjustment
- Exh. JH-12 Pro Forma Property Tax
- Exh. JH-13 2024 and 2025 Provisional Plant Additions

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Joanna Huang, and my business address is 621 Woodland Square Loop SE,  
5 Lacey, Washington, 98503. My business mailing address is P.O. Box 47250, Olympia,  
6 Washington, 98504-7250. My email address is joanna.huang@utc.wa.gov.

7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by the Washington Utilities and Transportation Commission  
10 (Commission) as a regulatory analyst in the Energy Regulation section of the Regulatory  
11 Services Division.

12

13 **Q. Would you please state your educational and professional background?**

14 A. I received a Bachelor of Business Administration degree with a major in Accounting  
15 from National Chung-Hsing University, Taiwan, in 1987, and a Master of Accounting  
16 degree from Washington State University in 1991. Prior to my employment at the  
17 Commission, I was employed by the Washington State Department of Revenue as an  
18 Excise Tax Examiner. I performed desk audits on Business and Occupation tax returns.

19 I began my employment with the Commission in June 1996. My work generally  
20 includes financial, accounting, and other analyses for general rate case proceedings and  
21 other tariff filings by the electric and natural gas utilities regulated by the Commission. I  
22 attended the National Association of Regulated Utility Commissioners Annual Utility

1 School in 1996 and 2001. In addition, I have attended numerous training seminars and  
2 conferences regarding utility regulations and operations.

3  
4 **Q. Have you testified previously before the Commission?**

5 A. Yes. I testified in Avista Corporation d/b/a Avista Utilities (“Avista” or “Company”)  
6 general rate cases in Dockets UE-190334 and UG-190335, Dockets UE-170485 and UG-  
7 170486, Dockets UE-160228 and UG-160229, Dockets UE-140188 and UG-140189,  
8 Dockets UE-120436 and UG-120437, Dockets UE-090134 and UG-090135, and Dockets  
9 UE-991606 and UG-991607; and Puget Sound Energy (PSE) general rate cases in  
10 Dockets UE-090704 and UG-090705, and in Dockets UE-072300 and UG-072301; a PSE  
11 Power Cost Only Rate Case in Docket UE-130617; Pacific Power general rate cases in  
12 Dockets UE-152253, UE-130043 and UE-032065; and a Northwest Natural Gas  
13 Company’s (NW Natural) cost recovery of the Encana gas reserves through its annual  
14 purchased gas adjustment tariff filing in Docket UG-111233.

15 I have also participated in Staff’s investigation in the following general rate cases  
16 and other matters: Docket UE-011595, Dockets UE-050482 and UG-050483, Dockets  
17 UE-070804 and UG-070805, Dockets UE-100467 and UG-100468, and Dockets UE-  
18 110876 and UG-110877 (all Avista); Docket UG-210755, Docket UG-200568, Docket  
19 UG-152286 and Docket UG-060256 (Cascade Natural Gas Corporation); Docket UG-  
20 080546 and Docket UG-031885 (NW Natural); and Dockets UE-070725 and UG-  
21 130137, UE-170033/UG-170034 (PSE).



1 **Q. What is your basis for Staff's proposed 6.85 percent overall rate of return for both**  
2 **Rate Year 1 and Rate Year 2?**

3 A. According to Docket UG-210755, Final Order 09,<sup>4</sup> the Commission determined that a  
4 6.85 percent rate of return for Cascade strikes an appropriate balance between the  
5 principles of safety and economy. This 6.85 percent rate of return for Cascade results in  
6 the most fair, just and equitable, reasonable, and sufficient outcome.

7  
8 **Q. In addition to the revenue requirement analysis, did you also analyze any specific**  
9 **adjustments in this proceeding?**

10 A. Yes. I present Staff's recommendations on the following adjustments, which are  
11 reflected in Exhibit JH-6 to my testimony:

- 12 1. Working Capital Allowance in test year Result of Operation,
- 13 2. Director & Officers Adjustment (Column R-8),
- 14 3. Interest Coordination Adjustment (Column P-1),
- 15 4. Pro Forma Rate Case Expense Adjustment (Column P-4),
- 16 5. Pro Forma Property Tax (Column P-6), and
- 17 6. 2024 and 2025 Provisional Plant Additions.

18  
19 **Q. Have you prepared any exhibits in support of your testimony?**

20 A. Yes. Exh. JH-2 presents Staff's test year results of operations summary analysis using a  
21 modified historical test year and pro forma study. Exhs. JH-2 through JH-6 respond to

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<sup>4</sup> *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corp.*, Docket UG-210755, Final Order 09 at 30, ¶ 95 (Aug. 23, 2022) (2021 Cascade GRC Order).

1 Mr. Jacob Darrington's Exhs. JAD-3 through JAD-7. Exh, JH-7 is Staff's proposed rate  
2 of return.

3 In addition, I am sponsoring the following exhibits:

4 Exh. JH-8 Working Capital, test year Result of Operation

5 Exh. JH-9 Director & Officers Adjustment

6 Exh. JH-10 Interest Coordination Adjustment

7 Exh. JH-11 Pro Forma Rate Case Expense Adjustment

8 Exh. JH-12 Pro Forma Property Tax

9 Exh. JH-13 2024 and 2025 Provisional Plant Additions

10  
11 **Q. Please identify the adjustments that other Staff witnesses address in their**  
12 **testimonies.**

13 A. Other staff address the following adjustments:

14 Konstantine Geranios: 2024 Provisional Plant Additions (PR-1)

15 2025 Provisional Plant Additions (PR-3)

16 Jana Grenn: Restate COVID-19 Deferral Offsets Adjustment (R-9)

17  
18 **III. REVENUE REQUIREMENT**

19  
20 **Q. Please describe the requirements of a Multi-Year Rate Plan (MYRP) as mandated**  
21 **by state law.**

22 A. As of January 1, 2022, RCW 80.28.425 mandates that every general rate case filed by a  
23 gas or electric company must include a proposal for a MYRP. The statute lays out the

1 contents of a MYRP, including: a set of performance measures to be used to assess the  
2 utility company operating under the MYRP;<sup>5</sup> provisions for rates subject to refund;<sup>6</sup>  
3 established terms, conditions, and procedures during the MYRP;<sup>7</sup> and consideration of  
4 several new factors as part of the public interest standard, including environmental health  
5 and greenhouse gas emission reductions, health and safety concerns, economic  
6 development, and equity.<sup>8</sup>

7  
8 **Q. Is this Cascade’s first time filing a Multi-Year Rate Plan (MYRP)?**

9 A. Yes.

10  
11 **Q. Please outline the test year, proposed Provisional Year 1 and Provisional Year 2 and**  
12 **their effective dates used in this case.**

13 A. Table 1 below outlines the rate effective dates for each of these periods.

14 **Table 1**

	Test Year	Provisional Year 1	Provisional Year 2
Period	1/1/2023- 12/31/2023	1/1/2024- 12/31/2024	1/1/2025- 12/31/2025
Effective Date	March 1, 2025	March 1, 2025	March 1, 2026

15 **Q. Please summarize Cascade’s vs. Staff’s proposed revenue requirements for each**  
16 **rate effective date for the Washington jurisdiction.**

17  

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<sup>5</sup> RCW 80.28.425(7).

<sup>6</sup> RCW 80.28.425(3)(b).

<sup>7</sup> RCW 80.28.425(4).

<sup>8</sup> RCW 80.28.425(1).

1 A. Since this is the first year that Cascade has filed a MYRP, Cascade’s proposed revenue  
 2 requirement for Rate Year 1 includes the revenue requirement for the test year and the  
 3 Provisional Year 1, as outlined in the column titled “Total for Rates Effective March 1,  
 4 2025” of Table 2 below. Cascade’s proposed revenue requirement for Rate Year 2 is  
 5 shown in the column titled “Provisional Year 2 (Rates Effective March 1, 2026)” of  
 6 Table 2 below.

7 Table 2 below outlines the revenue increases for each rate effective date.

8 **Table 2**

	<b>Test Year (Rates Effective March 1, 2025)</b>	<b>Provisional Year 1 (Rates Effective March 1, 2025)</b>	<b>Total for Rates Effective March 1, 2025</b>	<b>Provisional Year 2 (Rates Effective March 1, 2026)</b>
Cascade	\$30,458,350	\$13,371,323	\$43,829,673	\$11,669,242
Staff	\$17,255,417	\$11,762,868	\$29,018,285	\$10,099,223
Difference	\$13,202,933	\$ 1,608,455	\$14,811,388	\$ 1,570,019

9 **Q. Please explain how Staff calculated the revenue requirement for the Test Year**  
 10 **(Rates Effective March 1, 2025) as illustrated in Table 2 above.**

11 A. The first column of revenue requirement shown in Table 2 above is calculated by first  
 12 taking Staff’s adjusted rate base<sup>9</sup> (including restating and 2024 Pro Forma adjustment)  
 13 and multiplying it by Staff’s proposed rate of return<sup>10</sup> to produce the net operating  
 14 income *requirement*. Second, the adjusted net income, i.e. prudently incurred expenses, is  
 15 subtracted from the *required* net operating income to calculate the net operating income  
 16 deficiency or sufficiency. The final step is to convert the Company’s net income

<sup>9</sup> As explained in section III A of my testimony below, Staff used “Working Capital Allowance” of \$23,613,740, versus Cascade’s original proposed working capital allowance amount of \$38,059,496.

<sup>10</sup> Huang, Exh. JH-7, Column D, Line 5.

1 deficiency or sufficiency into its incremental revenue requirement by dividing the defined  
2 deficiency or sufficiency by the Company's conversion factor. This calculation is shown  
3 in Exhibit JH-4, Multi-Year Rate Plan Revenue Requirement Calculation, Column B,  
4 Lines 1-7.

5  
6 **Q. Please explain how Staff calculated the revenue requirement for Provisional Year 1**  
7 **(Rates Effective March 1, 2025) as illustrated in Table 2 above.**

8 A. The second column of revenue requirement shown in Table 2 is calculated the same as  
9 the first column of revenue requirement, except the rate base only includes "2024  
10 Provisional Plant Additions"<sup>11</sup> and "2024 Offset to Provisional Plant Additions."<sup>12</sup> This  
11 calculation is shown in Exhibit JH-4, Multi-Year Rate Plan Revenue Requirement  
12 Calculation, Column C, Lines 1-7.

13  
14 **Q. Please explain how Staff calculated the revenue requirement for Provisional Year 2**  
15 **(Rates Effective March 1, 2026) as illustrated in Table 2 above.**

16 A. The last column of revenue requirement shown in Table 2 is calculated the same as the  
17 first column of revenue requirement except the rate base includes "2025 Provisional Plant  
18 Additions,"<sup>13</sup> "2025 Offset to P Provisional Plant Additions"<sup>14</sup> and six other 2025 pro  
19 forma Adjustments.<sup>15</sup> This calculation is shown in Exhibit JH-4, Multi-Year Rate Plan  
20 Revenue Requirement Calculation, Column E, Lines 1-7.

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<sup>11</sup> Huang, Exh. JH-6, Column PR-1.

<sup>12</sup> Huang, Exh. JH-6, Column PR-2.

<sup>13</sup> Huang, Exh. JH-6, Column PR-3.

<sup>14</sup> Huang, Exh. JH-6, Column PR-4.

<sup>15</sup> Huang, Exh. JH-6, Column PR-5 to PR-10.

1 **IV. CONTESTED ADJUSTMENTS**

2

3 **A. Working Capital, Test Year Result of Operation**

4

5 **Q. What is Investor Supplied Working Capital (ISWC)?**

6 A. ISWC is the amount of invested capital that was provided by investors and available for  
7 the Company's use, over and above the Company's investments in operating plant, non-  
8 operating plant, and other specific items of investment. If there is an excess of invested  
9 capital over investments, that amount is the working capital supplied by investors, or  
10 ISWC. The ISWC method directly measures the amount of working capital that investors  
11 provide. If there is such an amount, it is allocated to the electric, gas, and non-operating  
12 segments of the business based on the percentage of investment in each segment. The  
13 amount of ISWC allocated to regulated operations is included in the rate base and earns a  
14 return.

15

16 **Q. What types of accounts are typically assigned to the non-operating category?**

17 A. The following types of accounts are typically put into the non-operating category:  
18 accounts earning or accruing interest on behalf of the Company or the rate payer (e.g.,  
19 bank accounts, escrow accounts, and Purchase Gas Adjustment accounts, including  
20 hedging activities); accounts that are not allowed for rate making purposes (e.g., charity  
21 and donations); and accounts that are related to non-utility operations. Placing these

1 accounts in the non-operating category ensures that rate payers do not pay a return on  
2 those accounts.

3  
4 **Q. What did Cascade include in the calculation of Investor Supplied Working Capital?**

5 A. Cascade included the balances related to Washington’s Climate Commitment Act  
6 (“CCA”) and Oregon’s Climate Protection Program (“CPP”) in the calculation of  
7 Investor Supplied Working Capital. However, in responding to a Staff data request  
8 related to CCA balance treatment for working capital, Cascade stated that it had  
9 discovered that certain CCA and CPP accounts should not have been classified as  
10 working capital because Cascade is already earning a carrying charge on these  
11 accounts.<sup>16</sup>

12  
13 **Q. What does Staff propose in the calculation of Investor Supplied Working Capital?**

14 A. In its proposal, Staff removed certain CCA and CPP accounts that should not have been  
15 classified as working capital because Cascade is already earning a carrying charge on  
16 these accounts. Therefore, Staff’s presentation for working capital allowance is  
17 \$23,613,740,<sup>17</sup> versus Cascade’s original proposed working capital allowance amount of  
18 \$38,059,496, as shown by Mr. Jacob Darrington in Exh. JAD-3, Column B, line 29.

19  
20 **Q. What is the impact of Working Capital on other adjustments?**

21 A. Staff’s proposed \$23,613,740 Washington portion of working capital also changed the  
22 percentage of Cascade’s working capital allocated to Washington. This revised

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<sup>16</sup> Huang, Exh. JH-8 at 2 (Cascade’s Response to Staff Data Request No. 160).

<sup>17</sup> Huang, Exh. JH-8 at 31 (Cascade’s Response to Staff Data Request No. 160, Attachment A).

1 percentage of Washington's portion of working capital, 58.94 percent,<sup>18</sup> impacts  
2 Cascade's calculation for its Pension Contribution Accounts in the 2024 and 2025 Pro  
3 Forma Pension Expense Adjustments.

4  
5 **Q. Please compare Cascade's versus Staff's presentation of Cascade's Pension**  
6 **Contribution Accounts in the 2024 and 2025 Pro Forma Pension Expense**  
7 **Adjustments.**

8 A. Table 3 below outlines the impact of Staff's proposed working capital percentage on  
9 Cascade's Pension Contribution Accounts in the 2024 and 2025 Pro Forma Pension  
10 Expense Adjustments and compares Staff's figures to the Company's proposal.

**Table 3**

	Working Capital	* 2024 Pension Contribution Account	*2025 Pension Contribution Account
Cascade	60.43%	\$523,327	\$ (635,127)
Staff	58.94%	\$510,371	\$ (619,403)

\* Note: This is a rate base account.

11 **Q. What is the impact of the revised percentage of Washington's portion of working**  
12 **capital to Cascade's 2024 Pro Forma Pension Expense Adjustment?**

13 A. Staff's Washington working capital percentage of 58.94 percent results in a net rate base  
14 (Pension Contribution Account) increase of \$510,371<sup>19</sup> to Cascade's 2024 Pro Forma  
15 Pension Expense Adjustment.

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<sup>18</sup> Huang, Exh. JH-8 at 30 (Cascade's Response to Staff Data Request No. 160, Attachment A).

<sup>19</sup> Huang, Exh. JH-6 at 3, Column P-7, Line 29.

1 **Q. What is the impact of the revised percentage of Washington’s portion of working**  
2 **capital to Cascade’s 2025 Pro Forma Pension Expense Adjustment?**

3 A. Staff’s Washington working capital percentage of 58.94 percent results in a net rate base  
4 (Pension Contribution Account) decrease of \$619,403<sup>20</sup> to Cascade’s 2025 Pro Forma  
5 Pension Expense Adjustment.

6  
7 **B. Director & Officers Adjustment**

8  
9 **Q. Please explain Cascade’s presentation of this adjustment.**

10 A. Cascade removed 50 percent of Director and Officer expenses<sup>21</sup> and 100 percent of  
11 organization dues<sup>22</sup> allocated to the Company from its parent company, MDU Resources  
12 Group, Inc. This is consistent with treatment of these costs in prior Company cases.

13  
14 **Q. What is at issue for Cascade’s presentation of this adjustment.**

15 A. Cascade stated in its response to Staff’s data request number 145 that it had inadvertently  
16 excluded the amount of insurance expense of \$153,175 allocated to Cascade’s  
17 Washington jurisdiction associated with Directors and Officers.<sup>23</sup> Therefore, the total  
18 amount of expense before the 50 percent disallowance on the “D&O Adjustment” tab  
19 should have been \$462,991.

20  

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<sup>20</sup> Huang, Exh. JH-6 at 4, Column PR-6, Line 29.

<sup>21</sup> *Wash. Utils & Transp. Comm’n v. Cascade Natural Gas Corp.*, Docket UG-200568, Final Order 05, 9 ¶ 31 (May 18, 2021).

<sup>22</sup> *Wash. Utils & Transp. Comm’n v. Cascade Natural Gas Corp.*, Docket UG-210755, Final Order 09, 49 ¶ 162-165 (Aug. 23, 2022).

<sup>23</sup> Huang, Exh. JH-9 at 2 (Cascade’s Response to Staff Data Request No. 145).

1 **Q. What is Staff’s proposed Director & Officers Adjustment?**

2 A. To remain consistent with Commission treatment of these costs in prior Cascade cases,<sup>24</sup>  
3 Staff proposes removing 50 percent of the \$153,175 amount that the Company had  
4 excluded from its initial filing, totaling \$76,587.

5  
6 **Q. What is the impact of the Director & Officers Adjustment?**

7 A. The net impact of Staff’s proposed Director & Officers Adjustment is an increased Net  
8 Operating Income of \$187,284.<sup>25</sup>

9  
10 **Q. Does Staff’s proposed Director & Officers Adjustment impact other adjustments?**

11 A. Yes. Staff’s proposed Director & Officers Adjustment impacts both the 2024 and 2025  
12 Pro Forma Misc. O&M Expense Adjustment. The calculation of both 2024 and 2025 Pro  
13 Forma Misc. O&M Expense Adjustment uses the Director & Officers Adjustment as one  
14 of the components.

15  
16 **Q. What is the impact of the Director & Officers Adjustment on the 2024 Pro Forma  
17 Misc. O&M Expense Adjustment?**

18 A. The net impact of Staff’s proposed Director & Officers Adjustment to the 2024 Pro  
19 Forma Misc. O&M Expense Adjustment is a decreased Net Operating Income of  
20 \$171,611.<sup>26</sup>

21

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<sup>24</sup> See *supra* n. 16 & 17.

<sup>25</sup> Huang, JH-6 at 1, Column R-8, Line 22.

<sup>26</sup> Huang, JH-6 at 3, Column P-9, Line 22.

1 **Q. What is the impact of Director & Officers Adjustment on the 2025 Pro Forma Misc.**  
2 **O&M Expense Adjustment?**

3 A. The net impact of Staff’s proposed Director & Officers Adjustment on the 2025 Pro  
4 Forma Misc. O&M Expense Adjustment is a decreased Net Operating Income of  
5 \$174,221.<sup>27</sup>

6  
7 **C. Interest Coordination Adjustment**

8  
9 **Q. What is Interest Coordination Adjustment?**

10 A. The “Interest Coordination Adjustment” calculates the tax effect on interest using Staff’s  
11 recommended weighted average cost of debt, 2.433 percent,<sup>28</sup> applied to Staff’s  
12 recommended level of rate base.<sup>29</sup>

13  
14 **Q. How does Staff’s adjustment differ from the Company’s calculation of its proposed**  
15 **Interest Coordination Adjustment?**

16 A. The difference between the Company’s and Staff’s adjustments results from differences  
17 in the weighted average cost of debt and the level of rate base used in the calculation.

18  
19 **Q. Please compare Cascade’s versus Staff’s presentation of Interest Coordination**  
20 **Adjustment.**

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<sup>27</sup> Huang, Exh. JH-6 at 4, Column PR-10, Line 22.  
<sup>28</sup> Huang, Exh. JH-7, Column D, Line 1.  
<sup>29</sup> Huang, Exh. JH-3 at 2, Column I, Line 30.

1 A. Table 4 presents the difference between Cascade’s versus Staff’s presentation of Interest  
2 Coordination Adjustment.

**Table 4**

	Weighted Average Cost of Debt	Level of Rate Base
Cascade	2.614%	619,864,245
Staff	2.433 %	770,568,535

3 **Q. Why does Staff disagree with Cascade’s proposed Interest Coordination**  
4 **Adjustment?**

5 A. Cascade applied the proposed weighted average debt rate to the proposed rate base, as  
6 shown in Exh. JAD-3, column (H), line 30.<sup>30</sup> However, the rate base figure that Cascade  
7 used to calculate this adjustment only covers the restating and pro forma adjustment rate  
8 base.<sup>31</sup> Cascade’s calculation of the proposed Interest Coordination Adjustment  
9 completely excludes rate base attributable to 2024 Provisional Plant Additions (PR-1)  
10 and 2025 Provisional Plant Additions (PR-3).

11  
12 **Q. Please describe Staff’s proposed Interest Coordination Adjustment, P-1.**

13 A. Staff’s proposed Interest Coordination Adjustment calculates the tax effect on interest  
14 using Staff’s recommended weighted average cost of debt, 2.433 percent, correctly  
15 applied to Staff’s recommended level of rate base (including 2024 Provisional Plant  
16 Additions and 2025 Provisional Plant Additions). The rate base amount Staff used to  
17 calculate this adjustment totals \$770,568,535, as shown in Exh. JH-3, Page 2, column (I),  
18 line 30.

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<sup>30</sup> Darrington, Exh. JAD-1T at 15:14-17.

<sup>31</sup> See Darrington, Exh. JAD-3, Column (H), line 30.

1 **Q. What is the impact of Interest Coordination Adjustment?**

2 A. The net impact of Staff's proposed Interest Coordination Adjustment is a decreased Net  
3 Operating Income of \$449,039.<sup>32</sup>

4  
5 **D. Pro Forma Rate Case Expense Adjustment**

6  
7 **Q. What is the Company's proposal for Pro Forma Rate Case Expense Adjustment?**

8 A. The "Pro Forma Rate Case Expense Adjustment" (Exh. JH-11 Column P-4) increases test  
9 year expenses for the estimated costs associated with the preparation, filing, and  
10 resolution of this rate case. The Company filed a petition in Docket UG-230755 for  
11 deferred accounting treatment of these costs and included a preliminary estimate of rate  
12 case costs in the amount of \$2.9 million, which includes the work of consultants and legal  
13 counsel to help the Company prepare, file, and resolve its first multi-year rate plan.<sup>33</sup> The  
14 Company calculated its adjustment by normalizing its \$2.9 million cost estimate over two  
15 years and then subtracting the rate case costs expensed in 2023.

16  
17 **Q. Does Staff agree with the Company's proposal for this adjustment?**

18 A. No. The Company's proposal for this adjustment does not meet the Commission's  
19 standard for a pro forma adjustment. The legal and consulting costs in this filing  
20 include a load study, a decoupling study, a return on equity study, a cost-of-service study,  
21 consulting related to the establishment of an equity advisory committee, as well as

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<sup>32</sup> Huang, Exh. JH-6 at 2, Column P-1, Line 22.

<sup>33</sup> *In re Cascade Natural Gas Corp. Petition for an Accounting Order Authorizing deferred accounting treatment of expenses related to the Company's Multi Year Rate Plan*, Docket UG-230755, Petition at 3 ¶ 6 (Sept. 15, 2023).

1 consulting related to the implementation of the Climate Commitment Act (CCA) within  
2 the multiyear period. According to Cascade, preliminary estimates of such costs could be  
3 up to \$2.9 million for the first year of the Company's rate plan.  
4

5 **Q. What are Cascade's actual rate case expenses for 2023 and 2024?**

6 A. Cascade spent \$128,129 on rate case expenses in 2023. This amount of \$128,129 is  
7 already included in test year expenses. Cascade spent an additional \$831,024 in rate case  
8 expenses in 2024, as stated in Cascade's response to Staff Data Request #07. The total  
9 actual amount Cascade spent in rate case expenses in 2023 and 2024 is \$959,212. This  
10 combined amount for 2023 and 2024 is one third less than Cascade's requested amount of  
11 \$2.9 million.  
12

13 **Q. Does Staff agree with the Company's proposal for this adjustment?**

14 A. No. Again, this adjustment does not meet the Commission's standard for a pro forma  
15 adjustment – the preliminary estimates are not known nor are they measurable.  
16

17 **Q. What are the Commission's rules on pro forma adjustments?**

18 A. The Commission's rules on pro forma adjustments state that "pro forma adjustments give  
19 effect for the test period to all known and measurable changes that are not offset by other  
20 factors."<sup>34</sup>  
21

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<sup>34</sup> WAC 480-07-510(3)(c)(ii).

1 **Q. Did Cascade establish that its estimated rate case expenses of \$2.9 million reflected a**  
2 **known and measurable change?**

3 A. No. Cascade failed to provide any evidence beyond the actual 2023 and 2024 costs,  
4 totaling \$959,212, to support its \$2.9 million estimation. The balance of Cascade's \$2.9  
5 million request is therefore not known and measurable and does not meet the  
6 Commission's standard for pro form adjustments.

7  
8 **Q. What is Staff's recommendation for this adjustment?**

9 A. Staff recommends including only the incremental known and measurable 2024 expenses  
10 not already included in the Company's test year. These incremental known and  
11 measurable 2024 expenses not already included in the Company's test year equal  
12 \$831,025. Staff divided this amount into two years to reflect rate years one and two of  
13 this MYRP. Staff therefore proposes a pro forma Rate Case Expense Adjustment in the  
14 amount of \$415,513.<sup>35</sup>

15  
16 **Q. What is the impact of Pro Forma Rate Case Expense Adjustment?**

17 A. The net impact of Staff's proposed Pro Forma Rate Case Expense Adjustment is a  
18 decreased Net Operating Income of \$328,255.<sup>36</sup>

19  
20 **E. Pro Forma Property Tax**

21  
22 **Q. What is Pro Forma Property Tax Adjustment?**

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<sup>35</sup> Huang, Exh. JH-11 at 1, Column C, Line 9.

<sup>36</sup> Huang, Exh. JH-6 at 2, Column P-4, Line 22.

1 A. Pro Forma Property Tax Adjustment shows the estimated increase in the property tax  
2 expense in calendar year 2024 related to assets placed in service in 2023. Cascade's 2023  
3 property tax expense was based on the assessed value of the previous year's investment,  
4 plus or minus a true-up of the previous year's estimate.

5  
6 **Q. How is Cascade's Pro Forma Property Tax Adjustment calculated?**

7 A. Cascade used the estimated Washington portion of the property tax expense related to its  
8 2023 property tax assessment to calculate its pro forma property tax for calendar year  
9 2024.

10  
11 **Q. Does Staff agree with Cascade's Pro Forma Property Tax Adjustment calculation?**

12 A. No. A true-up to the accrual and expense accounts was made in Cascade's April 2024  
13 general ledger to match to the final 2023 property tax invoices. Therefore, the final  
14 Washington portion of the property tax expense related to the 2023 property tax  
15 assessment is \$2,446,426.50,<sup>37</sup> not \$2,568,610.89<sup>38</sup> as Cascade originally proposed.

16  
17 **Q. What is Staff's Pro Forma Property Tax Adjustment, P-6?**

18 A. Staff used the actual Washington portion of the property tax expense related to the 2023  
19 property tax to calculate its pro forma property tax for calendar year 2024.

20  
21 **Q. What is the impact of Staff's proposed Pro Forma Property Tax Adjustment?**

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<sup>37</sup> Huang, Exh. JH-12 at 2 (Cascade's response to UTC staff Data Request #26).

<sup>38</sup> Huang, Exh. JH-12 at 1, Column B, Line 2.

1 A. The net impact of Staff’s proposed Pro Forma Property Tax Adjustment is a decreased  
2 Net Operating Income of \$151,890.<sup>39</sup>

3

4 **F. Provisional Plant Additions**

5

6 **Q. Who is the subject expert on 2024 and 2025 Provisional Plant Additions**  
7 **adjustment?**

8 A. Staff witness, Konstantine Geranios, is the subject expert on 2024 and 2025 Provisional  
9 Plant Additions adjustments.

10

11 **Q. What is your responsibility regarding the 2024 and 2025 Provisional Plant**  
12 **Additions adjustments?**

13 A. I incorporate the data provided by Konstantine Geranios into my revenue requirement  
14 model to produce Staff’s recommended 2024 and 2025 provisional plant additions  
15 adjustments as illustrated in Exh. JH-13 at 1-6. Exh. JH-13, pages 2-6 are the same as  
16 Staff witness, Konstantine Geranios’s Exhibit KG-2, pages 1-5.

17

18 **V. BASIC CHARGE**

19

20 **Q. What is a basic charge?**

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<sup>39</sup> Huang, Exh. JH-6 at 3, Column P-6, Line 22.

1 A. A basic charge is the flat fee applied to a customer’s bill each month regardless of the  
2 consumption used. The purpose of the basic charge is to recover customer-related fixed  
3 costs associated with metering, billing, customer service, and payment processing.<sup>40</sup>  
4

5 **Q. What are Cascade’s proposed residential basic charges in Schedule 503 for Rate**  
6 **Year 1 and Rate Year 2?**

7 A. Cascade’s proposed increase in residential basic charges for Schedule 503 is from \$5.00  
8 to \$10.00 in Rate Year 1 and from \$10.00 to \$11.50 in Rate Year 2.<sup>41</sup>  
9

10 **Q. What is the percentage increase for Cascade’s proposed residential basic charge in**  
11 **Schedule 503 for Rate Year 1?**

12 A. The percentage increase for Cascade’s proposed residential basic charge for Rate Year 1  
13 is 100 percent.  
14

15 **Q. What is the percentage increase for Cascade’s proposed residential basic charge for**  
16 **Rate Year 2?**

17 A. The percentage increase for Cascade’s proposed residential basic charge for Rate Year 2  
18 is 15 percent.  
19

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<sup>40</sup> See WAC 480-85-060(3) (Table 2: Electric Cost of Service Approved Classification and Allocation Methodologies and Table 4: Natural Gas Cost of Service Approved Classification and Allocation Methodologies). See also *Wash. Utils. & Trans. Comm’n v. Pac. Power & Light Co.*, Dockets UE-140762, UE-140617 & UE-131384, Order 08, 91 ¶ 216 (March 25, 2015) (2014 PacifiCorp GRC Order) (“The Commission is not prepared to move away from the long-accepted principle that basic charges should reflect only ‘direct customer costs’ such as meter reading and billing.”).

<sup>41</sup> Harris, Exh. ZLH-1T at 7, Table 2.

1 **Q. What is Cascade’s rationale regarding Cascade’s residential basic charge increases?**

2 **A.** Cascade has not increased its Basic Service Charge since 2017. Cascade has the lowest  
3 Basic Service Charge for residential customers when compared to peer natural gas utilities in  
4 Washington.<sup>42</sup> The Company believes a reasonable increase in its Basic Service Charge is an  
5 amount that brings its charge closer to a cost-based allocation. Therefore, Cascade believes  
6 that substantial increases to the basic charge are warranted for both Rate year 1 and Rate  
7 Year 2.

8

9 **Q. Does Staff support Cascade’s proposed residential basic charge increases?**

10 **A.** No, Staff does not support Cascade’s substantial increases to the residential basic charges  
11 for Rate Year 1 and Rate Year 2. However, Staff will support a modest increase to the  
12 residential basic charge for both Rate Year 1 and Rate Year 2.

13

14 **Q. What is Staff’s recommendation regarding Cascade’s residential basic charges?**

15 **A.** Staff recommends an increase of \$0.50 to the residential basic charges under Schedule  
16 503 from \$5.00 to \$5.50 in Rate Year 1, and another increase of \$0.50 in Rate Year 2,  
17 bringing the basic charge from \$5.50 to \$6.00. This is a 10 percent increase in Rate Year  
18 1, and 9.09 percent increase in Rate Year 2, which is within a reasonable amount of  
19 percentage increase that will not cause any rate shock to customers.

20

21 **Q. What is Staff’s rationale regarding Cascade’s residential basic charges?**

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<sup>42</sup> Harris, Exh. ZLH-1T at 5:9-13.

1 A. Staff acknowledges that Cascade's basic charge may still be below other regulated  
2 utilities in Washington; however, an incremental increase is consistent with prior  
3 Commission guidance and policies regarding gradualism. Should the Commission decide  
4 to allow an increase, Staff recommends limiting the residential basic charge increases to a  
5 maximum of \$1.00 for both Rate Year 1 and Rate Year 2 in order to maintain the  
6 Commission's long-standing policy on gradualism and to avoid potential rate shock.

7

8 **Q. Does this conclude your testimony?**

9 A. Yes.