

**Exh. JG-1T  
Docket UG-240008  
Witness: Jana Grenn**

**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**

**JANA GRENN**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Summary of Staff's Responsive Case; Multi-Year Rate Plan and Recommendations;  
Energy Justice and Equity; and COVID-19 Deferral Recovery*

**September 25, 2024**

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## **LIST OF EXHIBITS**

- Exh. JG-2 2024 and 2025 Proposed Plant Additions
- Exh. JG-3 CNGC Response to UTC Staff Data Request No. 61
- Exh. JG-4 CNGC Response to UTC Staff Data Request No. 62
- Exh. JG-5 CNGC Response to UTC Staff Data Request No. 74
- Exh. JG-6 CNGC Response to UTC Staff Data Request No. 158
- Exh. JG-7 Restating COVID-19 Deferral Offsets Adjustment

1 I. INTRODUCTION

2

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

4 A. My name is Jana Grenn, 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 jana.grenn@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  
11 Regulatory Services Division.

12

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

14 A. I graduated from Northwest Nazarene University with a Bachelor of Business  
15 Administration degree and from the University of Alaska Anchorage with a Master of  
16 Business Administration degree. I have worked in utility regulation since 2004, serving  
17 as staff advisor to the Regulatory Commission of Alaska (RCA), as well as a public  
18 advocate with the Alaska Office of the Attorney General, Regulatory Affairs & Public  
19 Advocacy (RAPA) Section.

20

21 **Q. Have you previously testified before the Commission?**

22 A. No, though I have sponsored testimony on behalf of RAPA in the following  
23 adjudicated proceedings before the RCA: Alaska Pacific Environmental Services

1 Anchorage, LLC, Alaska Waste-Kenai Peninsula, LLC, Alaska Waste-Interior, LLC  
2 d/b/a Alaska Waste fuel surcharges, Dockets U-09-012, U-09-013 and U-09-014, Eagle  
3 Utilities, Inc.'s revenue requirement study, U-09-034, Golden Valley Electric  
4 Association, Inc.'s, prepaid meter pilot project, U-09-052, Sand Point Generating,  
5 LLC's revenue requirement study, U-09-095, TDX North Slope Generating, LLC's  
6 revenue requirement study, U-09-096, Inside Passage Electric Cooperative, Inc.'s  
7 revenue requirement study, U-10-010, TDX Manley, LLC, TDX North Slope  
8 Generating, LLC, Sand Point Generating, LLC, TDX Adak Generating, LLC's revenue  
9 requirement studies, U-21-088, U-21-089, U-22-006, U-22-007, U-22-008, U-22-009,  
10 Alaska Electric Light and Power Company's revenue requirement study, U-22-078,  
11 Railbelt Reliability Council's initial tariff, E-22-002, E-23-001, Unified Alaskan  
12 Utilities' revenue requirement study, U-23-004, Chugach Electric Association, Inc.'s  
13 revenue requirement studies, U-23-047, U-23-048 and Railbelt Reliability Council's  
14 2024 surcharge, E-23-002.

## 16 II. SCOPE AND SUMMARY OF TESTIMONY

### 18 Q. What is the purpose of your testimony?

19 A. The first purpose of my testimony is to introduce the witnesses sponsoring testimony  
20 on behalf of Staff. I will also summarize Staff's responsive case to Cascade Natural Gas  
21 Company's (CNGC or Company) General Rate Case (GRC) filing. The second purpose  
22 of my testimony is to present Staff's recommendations as the witness of record on the  
23 following issues: (1) Multi-Year Rate Plan (MYRP) policy and recommendations,

1 including the review of provisional plant and performance metrics, (2) Energy justice  
2 and equity, and (3) recovery of CNGC's COVID-19 deferral.

3  
4 **Q. Please summarize your recommendations on the issues you address in this case.**

5 A. Staff recommends the Commission:

- 6 • Require provisional plant additions projected to cost less than \$3 million be  
7 reviewed on a portfolio basis and projects projected to, or actually, costing \$3  
8 million or more be reviewed on a project-by-project basis;
- 9 • Order an extension of the retrospective provisional plant review period, from  
10 four months to six months;
- 11 • Accept the items CNGC proposes to include in its retrospective provisional  
12 plant report, add additional reporting requirements, require data and information  
13 to be equivalent with what is expected in a General Rate Case (GRC) filing;
- 14 • Require CNGC to use a separate tariff schedule for provisional rates with its  
15 next GRC filing;
- 16 • Require CNGC to report on the performance metrics provided in U-210590, and  
17 any subsequent updates that may be issued in that docket;
- 18 • Require the Company to discuss a list of topics with its Equity Advisory Group  
19 (EAG);
- 20 • Require CNGC to establish specific duties for the Vice President of Regulatory  
21 Affairs and Customer Service regarding equity; and
- 22 • Disallow CNGC recovery of its COVID-19 deferral.

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

2 A. Yes. I prepared Exhibits JG-2 through JG-7, described above in my List of Exhibits.

3  
4 **III. INTRODUCTION OF WITNESSES**

5  
6 **Q. Please introduce the other Staff witnesses testifying in this proceeding and the**  
7 **subjects of their testimony.**

8 A. The following witnesses present testimony and exhibits for Staff:

- 9
- 10 • Joanna Huang (Exh. JH-1T) presents Staff’s calculation of revenue requirement  
11 for rate year one (RY1) and rate year two (RY2) of the multiyear rate plan.  
12 Huang also addresses working capital allowance, the proposed director & officer  
13 restating adjustment, the proposed interest coordination, rate case expense and  
14 property tax pro forma adjustments, and residential basic charge.
  - 15 • Konstantine Geranios (Exh. KG-1T) addresses the prudence of plant additions  
16 FP-319057, FP-319061, and FP-320034 (CNGC’s South Kennewick Gate and  
17 Reinforcement Project), and FP-302595 (the Kitsap Phase V Reinforcement  
18 Project).

19 **IV. SUMMARY OF STAFF’S CASE AND RECOMMENDATIONS**

20  
21 **A. Overall Revenue Requirement Recommendations**

22  
23 **Q. What is Staff’s recommendation on overall revenue requirement?**

1 A. As presented in the testimony of Staff witness Joanna Huang, Staff recommends the  
2 Commission authorize a revenue increase of \$29 million for RY1 and \$10.1 million for  
3 RY2 for CNGC.<sup>1</sup> The Company requested a revenue increase of \$43.8 million for RY1  
4 and \$11.7 million for RY2.<sup>2</sup>

5 Staff witness Huang also recommends an overall rate of return of 6.85 percent,  
6 which is based on a Return on Equity (ROE) of 9.4 percent and a capital structure that  
7 includes a 47 percent equity layer.<sup>3</sup> CNGC requested an overall rate of return of 7.894  
8 percent based on a ROE of 10.5 percent and a capital structure that includes a 50.285  
9 percent equity layer.<sup>4</sup>

10

11 **Q. What issues impacting the revenue requirement does Staff contest?**

12 A. Staff contests the working capital allowance, the proposed director and officer restating  
13 adjustment, the proposed interest coordination, rate case expense and property tax pro  
14 forma adjustments, the residential basic charge, recovery of the Company's COVID-19  
15 deferral, the demonstrated need related to plant additions FP-319057, FP-319061, and  
16 FP-320034 (CNGC's South Kennewick Gate and Reinforcement Project), and inclusion  
17 of FP-302595 (Kitsap Phase V Reinforcement Project) in this rate case.

18

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<sup>1</sup> Huang, Exh. JH-1T at 3:17-19.  
<sup>2</sup> Darrington, Exh. JAD-1T at 4, Table 2.  
<sup>3</sup> Huang, Exh. JH-1T at 4:1-2.  
<sup>4</sup> Nygard, Exh. TJN-1T at 2:7-11.





1 **Q. Please describe CNGC's proposed retrospective plant review process.**

2 A. For its initial MYRP, the Company is proposing rate effective dates after plant is in  
3 service and used and useful for each of the provisional years.<sup>7</sup> Specifically, CNGC  
4 proposes that it be allowed to replace authorized projects with newly identified projects  
5 in each of the provisional periods subject to refund, and only up to the total of rate base  
6 additions authorized in each provisional period. According to the Company, this  
7 portfolio approach will provide the flexibility required to meet business needs while still  
8 allowing for a thorough evaluation of the used and usefulness of plant placed in  
9 service.<sup>8</sup>

10  
11 **Q. Does Staff have any concerns regarding CNGC's portfolio plant review?**

12 A. Yes. While examining plant on a portfolio level provides the Company with the  
13 flexibility necessary to make prudent and necessary business decisions, it can also  
14 create a level of uncertainty in determining when plant is used and useful and eligible to  
15 be included for recovery in rates. To minimize these issues, Staff recommends that  
16 review of provisional plant additions projected to cost less than \$3 million be reviewed  
17 on a portfolio basis and projects projected to, or actually, costing \$3 million or more be  
18 reviewed on a project-by-project basis.<sup>9</sup> All parties will have the ability to determine  
19 which projects projected to cost \$3 million or more, or that actually end up costing \$3  
20 million or more, they wish to review in detail at the time of the annual provisional  
21 report filing.

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<sup>7</sup> Blattner, Exh. LAB-1T at 4:18-20.

<sup>8</sup> Blattner, Exh. LAB-1T at 16:7-12.

<sup>9</sup> Grenn, Exh. JG-2. This exhibit demonstrates provisional plant additions projected to cost \$3 million or more will result in the review of 20 line items in the retrospective plant review.

1 **Q. What information does CNGC propose to include in its annual provisional plant**  
2 **report?**

3 A. The Company proposes that each annual provisional plant report include the following  
4 comparison of actual funding projects versus Commission authorized funding projects:

- 5 1. Actual costs versus authorized costs, as well as explanations for significant cost  
6 variances, defined as variances greater than 10 percent and \$500,000 from the  
7 authorized cost;
- 8 2. Actual in-service date;
- 9 3. Any material changes to the project descriptions;
- 10 4. In the case of significant cost overruns, an update to the project description that  
11 includes the justification to continue to invest in the project;
- 12 5. Updated information (if any) on offsetting factors for any funding projects; and
- 13 6. Detailed description of any funding projects not approved by Commission  
14 Order.

15 As part of the portfolio review process, all parties would have the opportunity to  
16 review the evidence and conduct discovery similar to discovery allowed in adjudicative  
17 proceedings (including, but not limited to, issuing data requests). Parties would then  
18 submit to this docket a response notifying the Commission whether the final reported  
19 costs are accepted or contested by that party. Finally, the parties would complete their  
20 review and file any response no later than four months (on or before August 31  
21 annually) after the report is filed by the Company on April 30.<sup>10</sup>

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22  
<sup>10</sup> Blattner, Exh. LAB-1T at 18:10-31.

1 **Q. Is there any other information that should be included in CNGC's provisional**  
2 **plant report?**

3 A. Yes. Staff supports the information CNGC proposes to include in its provisional plant  
4 reports; however, Staff recommends that actual in-service dates be identified by month  
5 and year, that cost variances between actual costs and authorized costs be explained for  
6 variances greater than 10 percent *or* \$500,000, and that material changes to project  
7 descriptions and any updates to project descriptions for significant cost overruns from  
8 the Company's original filing and all subsequent provisional plant reports be included  
9 as part of CNGC's annual provisional plant report. Further, Staff recommends that all  
10 data and information included in the Company's annual provisional plant report include  
11 the same level of detail expected in a GRC filing pursuant to WAC 480-07-510(3)(a),  
12 (c), (h), (i), and (4).

13 Staff recommends that CNGC's annual provisional plant report also compare  
14 actual used and useful plant with the level of plant included in provisional rates, thus  
15 applying a refund that is consistent with the property valuation statute, RCW 80.04.250.  
16 In addition, the Company should demonstrate all offsetting benefits received or for  
17 which it has applied for through the Inflation Reduction Act (IRA) and Infrastructure  
18 Investment and Jobs Act (IIJA) for all provisional plant. Reporting on all IRA/IIJA  
19 funding, tax benefits, or any other benefit for which the Company has applied and the  
20 reasons justifying any decision not to pursue IRA and IIJA funding options for which  
21 the Company may be eligible should also be included in CNGC's annual report.

1 Staff believes that these additional reporting requirements will aid in  
2 streamlining CNGC's annual provisional plant reports and potentially limit the amount  
3 of discovery requests issued during the review process.  
4

5 **Q. Does Staff have any other recommendations?**

6 A. Yes. After gaining experience with retrospective portfolio plant reviews, Staff also  
7 recommends that the Commission order an extension of the review period from the  
8 Company's proposed four months to six months. Staff does not believe that a longer  
9 review period will harm the Company, as it will be collecting revenue on a provisional  
10 basis and is simply waiting for a final determination by the Commission on potential  
11 provisional rate refunds. Additionally, the longer review period will allow other  
12 interested parties more time for the final review of the provisional plant, which is  
13 desirable given the workload and the effort involved with the review process.

14 Further, Staff recommends that in its next GRC, CNGC use a separate tariff  
15 schedule for provisional rates, similar to what is used by Puget Sound Energy (PSE).  
16 Looking at PSE as an example, if the Commission determines that the property was  
17 properly included in rates, and that no refunds are due, PSE transfers the rates subject to  
18 refund to a different tariff schedule. This clearly distinguishes plant that is provisional  
19 and refundable from plant that has been deemed prudent and included in base rates.  
20

21 **B. Performance Metrics**

22  
23 **Q. Did CNGC propose performance metrics as part of its MYRP.**

1 A. Yes. This is the first MRYP filed by the Company and is the starting point for all future  
2 performance metric reporting. CNGC proposed the following performance metrics as  
3 part of its MRYP:

4 1. Operational Efficiency:

- 5 a. O&M Total Expense divided by Operating Revenue,
- 6 b. Operating Revenue divided by Average Monthly Averages (AMA) Total  
7 Rate Base,
- 8 c. Operating Revenue divided by End of Period (EOP) Total Rate Base, and
- 9 d. Current Assets divided by Current Liabilities.

10 2. Earnings:

- 11 a. Net Income divided by Operating Revenue, and
- 12 b. Retained Earnings divided by Total Equity.

13 3. Affordability:

- 14 a. Average Annual Bill Impacts (by Census Tract), and
- 15 b. Average Annual Bill Impacts (by Zip code).

16 4. Energy Burden:

- 17 a. Average Annual Bill divided by Average Median Income (by Census Tract),  
18 and
- 19 b. Average Annual Bill divided by average Median Income (by Zip code).<sup>11</sup>

20  
21 **Q. Does Staff have any concerns with the performance metrics proposed by CNGC?**

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<sup>11</sup> Blattner, Exh. LAB-1T at 12, Table 1.

1 A. No. The performance metrics proposed by the Company reflect the same performance  
2 metrics recommended by the Commission in Docket U-210590.<sup>12</sup> However, Staff does  
3 recommend that the Commission remove CNGC’s proposed performance metrics that  
4 require information to be provided by zip code. The Commission has already stated its  
5 preference for performance metric data to be provided by census tract<sup>13</sup> and the  
6 Company has not identified an inability to provide information at this level.

7  
8 **Q. Has the Commission recommended any additional performance metrics?**

9 A. Yes. In addition to the performance metrics outlined above, the Commission has also  
10 recommended additional metrics to be reported by all natural gas utilities.<sup>14</sup> To comply  
11 with Commission policy and to ensure consistency in performance metrics across the  
12 energy sector, Staff recommends that the Commission order CNGC to report on all  
13 performance metrics that apply to natural gas utilities provided in Section III of the  
14 Performance Metric Policy Statement and any updates that may be issued in Docket U-  
15 210590.

16  
17 **Q. Does Staff have any other recommendations related to performance metrics?**

18 A. Yes. The Commission has found that performance metrics addressing operational  
19 efficiency, company earnings, affordability, and energy burden are foundational to the  
20 evaluation of utility performance and are required to assess a gas or electrical company

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<sup>12</sup> *In the Matter of the Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making*, Policy Statement Addressing Initial Reported Performance Metrics, 20-21 ¶¶ 79-82 (August 2, 2024) (Performance Metric Policy Statement).

<sup>13</sup> Performance Metric Policy Statement at 4-5 ¶¶ 14.

<sup>14</sup> Performance Metric Policy Statement at 7-20 ¶¶ 22-77.

1 operating under a MYRP.<sup>15</sup> To aid in developing a baseline set of information to help  
2 evaluate CNGC as it operates for the first time under a MYRP, Staff recommends that  
3 the Company also be required to report on the performance metrics identified above  
4 from 2020-2024, filed as a compliance filing 90 days after a final order in this  
5 proceeding.<sup>16</sup>

## 7 VI. ENERGY JUSTICE AND EQUITY

### 9 Q. Did CNGC incorporate equity into its MYRP?

10 A. Yes. The Commission provided specific guidance to CNGC regarding energy justice  
11 and equity in its order in CNGC's last GRC, UG-210755, Order 09. Approximately two  
12 months after the issuance of this order, CNGC hired a Manager of Energy Efficiency  
13 Programs, which is assigned oversight of equity at CNGC.<sup>17</sup> The Company also  
14 established its EAG on September 27, 2023,<sup>18</sup> which has met monthly since its  
15 inception and discussed a variety of topics from an overview of the general rate case  
16 process, including CNGC's MYRP, and a discussion of how to track a docket, intervene  
17 in a proceeding, and submit comments regarding the Company's compliance  
18 requirements under the Climate Commitment Act.<sup>19</sup>

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<sup>15</sup> Performance Metric Policy Statement at 20 ¶ 78.

<sup>16</sup> A similar requirement was included in *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Power & Light Co.*, Docket UE-230172, Orders 08, 67 ¶ 231 & n. 377 (March 19, 2024).

<sup>17</sup> Grenn, Exh. JG-3.

<sup>18</sup> Ortiz, Exh. NO-1T at 16.

<sup>19</sup> Ortiz, Exh. NO-11.



1 **Q. Please describe the EAG.**

2 A. The EAG was established September 27, 2023, as a collaborative forum designed to  
3 inform the development of the Company’s energy equity processes and provide  
4 guidance on other company activities including, but not limited to, community  
5 engagement, energy efficiency, regulatory obligations, bill payment assistance  
6 programs, resource planning, decarbonization, expanding access, and removal of  
7 barriers for underserved and overburdened customers.<sup>20</sup>

8 The EAG is comprised of seven members of the community who provide  
9 representation for the following six groups: (1) Highly Impacted Communities,  
10 Marginalized Populations, Low-Income Representation, (2) Named Community  
11 Resource: Public Health Advocate, (3) Named Community Resource: Sustainable  
12 Living Center, (4) Named Community Resource: Public Mental Health and Social  
13 Services Advocate, (5) Named Community Resource: Education Service District 105,  
14 and (6) Yakama Nation Tribes; Black, Indigenous, and People of Color (BIPOC)  
15 Community. Representatives from Public Counsel and Commission Staff also  
16 participate in the EAG in advisory capacity roles.<sup>21</sup>

17  
18 **Q. How has the Company addressed energy justice in its MYRP?**

19 A. CNGC has pursued energy justice through several means. For example, the Cascade  
20 Arrearage Relief and Energy Savings (CARES) program provides energy discounts, as  
21 well as 50 to 100 percent arrearage relief. Customers receiving energy discounts are

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<sup>20</sup> Ortiz, Exh. NO-1T at 16:4-8.

<sup>21</sup> Ortiz, Exh. NO-1T at 11:5-17.

1 enrolled for 24 months. To reduce barriers to entry into the program and to allow the  
2 program to be available “on demand,” as required per RCW 80.28.068(5), customers  
3 may enroll by simply self-declaring their household income and the number of  
4 household members. Also, customers who received Low-Income Home Energy  
5 Assistance Program (LIHEAP), Winter Help, or Washington Energy Assistance Fund  
6 (WEAF) in the program year prior to the launch of CARES are automatically enrolled  
7 into the CARES program. As enrollment in the program grows, Cascade, in  
8 collaboration with its CARES Advisory Group, plans to assess the program’s uptake for  
9 hard-to-reach populations. Overall, Cascade expects CARES to reduce financial  
10 disparities within its communities and improve customers’ outcomes.<sup>22</sup>

11 Further, CNGC purchased a Low-Income Needs Assessment (LINA Report) and  
12 a Low-Income Propensity Model to identify its low-income, high-energy burden  
13 customers. These resources have been used to design the Company’s low-income  
14 energy discount program and to perform ongoing outreach to likely low-income  
15 customers. Mapping Highly Impacted Communities (HIC), as determined by the  
16 Washington State Department of Health, within CNGC’s service territory and  
17 correlating customer billing data with HIC status has also been undertaken to identify  
18 potential inequitable outcomes. Additional foreign language translations of customer  
19 communications to improve readability have also been implemented to ensure that more  
20 translations are available to CNGC customers.<sup>23</sup>

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<sup>22</sup> Tillis, Exh. DLT-1T at 19:4-18.

<sup>23</sup> Grenn, Exh. JG-5.

1 **Q. In what other ways has CNGC pursued equity?**

2 A. The Company has further demonstrated its efforts towards equity through training  
3 provided to its officer team on incorporating an equity lens into all efforts provided by  
4 the Vice President of Regulatory Affairs and Customer Service. The Company is also  
5 currently working on developing training that can be rolled out to the Company's senior  
6 leaders beginning in the first quarter of 2025.<sup>24</sup>

7 In 2024, the Board of Directors for CNGC's parent company, MDU Resources  
8 Group, Inc. (MDUR) set goals to establish a tracking mechanism for the Company's  
9 dollar spend with diverse suppliers. According to the Company, MDUR is working to  
10 ensure accurate tracking via its systems and will partner with a third party to gather this  
11 data. The Company will continue to provide assistance to interested small and minority  
12 contractors, and to educate and encourage employees, when possible and feasible, to  
13 provide opportunities for small and minority businesses.<sup>25</sup>

14  
15 **Q. Does Staff have any energy justice and equity recommendations?**

16 A. Yes. In the continued pursuit of energy justice and equity the Commission should order  
17 CNGC to discuss the following topics with the EAG:

- 18 1. Vendor selection, including how vendors are selected, consideration of external  
19 vendors who are small and minority, women-run, or veteran-owned;
- 20 2. Vulnerable community representation, including how to gain representation on  
21 the EAG from all 14 vulnerable communities identified in the Company's  
22 service area, and discussions on whether the originally identified vulnerable

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<sup>24</sup> Grenn, Exh. JG-3.

<sup>25</sup> Grenn, Exh. JG-4.

1 communities continues to accurately represent vulnerable communities in  
2 Cascade's service area;

- 3 3. EAG meeting logistics, including timing, location (virtual or in person), and  
4 childcare options if in person; and  
5 4. The Commission's policy statement in U-240013 and IRA/IIJA funding  
6 opportunities.

7 The Company should be required to work with the EAG to select the order of  
8 discussion topics. Each of the topics identified above should be discussed with the EAG  
9 within 9 months from the date of a final decision in this proceeding. The Commission  
10 should also require CNGC to provide a report to be filed concurrently with its annual  
11 Commission Basis Report (CBR) and new Performance Based Ratemaking (PBR)  
12 report outlining what topics were discussed with the EAG, including the meeting date,  
13 agenda, and a narrative of any feedback provided by the EAG.

14  
15 **Q. What does Staff recommend for the Vice President of Regulatory Affairs and**  
16 **Customer Service position regarding equity issues?**

17 A. CNGC's Vice President of Regulatory Affairs and Customer Service has executive  
18 oversight of the Company's ongoing equity efforts,<sup>26</sup> with the Manager of Energy  
19 Efficiency Programs included within the organizational structure of this position.  
20 However, no specific duties or performance measures have been added to the  
21 description of the Vice President of Regulatory Affairs and Customer Service regarding  
22 equity.<sup>27</sup>

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<sup>26</sup> Grenn, Exh. JG-3.

<sup>27</sup> Grenn, Exh. JG-6.

1 While Staff supports the idea of a high-level executive at CNGC having  
2 responsibility for the Company’s equity initiatives, the lack of any specific equity-  
3 related duties and plans to measure whether the position of Vice President of  
4 Regulatory Affairs and Customer Service is properly carrying them out is concerning.  
5 Therefore, Staff recommends that CNGC be ordered to establish specific duties for the  
6 Vice President of Regulatory Affairs and Customer Service regarding equity, including  
7 how the Company will measure position performance related to equity objectives, how  
8 CNGC decided which metrics to use to measure performance, and details on any  
9 incentives or disincentives linked to the position’s performance regarding equity issues.  
10 These items should be addressed in CNGC’s next GRC filing.

## 11 12 VII. RECOVERY OF COVID-19 DEFERRAL

13  
14 **Q. Does CNGC propose to recover its COVID-19 deferral in this MYRP?**

15 A. Yes. CNGC is requesting to recover, through a separate tariff schedule, its deferred bad  
16 debt, late payment fees, direct costs, and disconnection and reconnection fees related to  
17 the COVID-19 pandemic and to amortize the balance over a two-year period. The  
18 Company restated test year expenses for the amount deferred in 2023 related to the  
19 COVID-19 deferral account as part of its revenue requirement calculation and included  
20 that amount in base rates. CNGC states that the adjustment to base rates will not provide  
21 recovery of amounts previously deferred or of amounts that will continue to be deferred  
22 until new base rates become effective March 1, 2025.<sup>28</sup>

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<sup>28</sup> Harris, Exh. ZLH-1T at 8:6-8 & 9:6-15.

1 **Q. What cost categories did the Commission approve for deferral?**

2 A. In Docket UG-200479, Order 01, the Commission granted CNGC's request to defer the  
3 following cost categories:

- 4 1. Direct costs incurred as a result of the COVID-19 pandemic, including incremental  
5 costs associated with Personal Protective Equipment (PPE), cleaning supplies and  
6 services, contact tracing, medical testing, financing costs to secure liquidity, IT  
7 updates, equipment for remote work, and the administrative costs;<sup>29</sup>
- 8 2. Any amount of bad debt incurred in 2020-2022<sup>30</sup> above the bad debt baseline,  
9 defined as the amount currently being collected from customers for bad debt, as  
10 determined in the Company's last general rate proceeding, as of October 1, 2020;<sup>31</sup>
- 11 3. Costs to fund a COVID-19 bill payment assistance program, as described in Order  
12 01 in Docket U-200281;<sup>32</sup> and
- 13 4. The average amount of reconnection and late fee charges collected over the  
14 previous five years (2015-2019) less the actual amount collected by the Company  
15 from January 1 to March 1, 2020.<sup>33</sup>

16 The Commission specified that its approval for deferral of the costs identified  
17 above was not a pre-approval or guarantee of recovery.<sup>34</sup> Moreover, the Commission

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<sup>29</sup> *In re Cascade Natural Gas Corp's Petition for an Accounting Order for Costs Associated with the COVID-19 Public Health Emergency*, Docket UG-200479, Order 01, 19 (December 10, 2020) (CNGC Order).

<sup>30</sup> This was extended to 30 days after the Commission issues its order adopting rules or otherwise determines the propriety of the fee and deposit rules in Docket U-210800. See *In re Cascade Natural Gas Corp's Petition for an Accounting Order for Costs Associated with the COVID-19 Public Health Emergency*, Docket UG-2400479, Order 03, 2 ¶ 11 (November 23, 2022).

<sup>31</sup> CNGC Order at 6-7 ¶ 20.

<sup>32</sup> CNGC Order at 7 ¶ 21.

<sup>33</sup> CNGC Order at 8-9 ¶ 23.

<sup>34</sup> CNGC Order at 6 ¶ 17.

1 did not approve any specific methodology for measuring costs and revenues associated  
2 with CNGC's COVID-19 deferral.<sup>35</sup>

3  
4 **Q. Does Staff have any concerns with CNGC recovering its COVID-19 deferral?**

5 A. Yes. CNGC did not provide the information ordered by the Commission upon its  
6 approval of the Company's COVID-19 deferral. Specifically, CNGC was required to  
7 prove that deferred costs were prudently incurred, but also that the Company was  
8 confronted with extraordinary hardship at the time the deferrals were recorded.<sup>36</sup> The  
9 Commission also required the Company present a holistic view of its costs and savings  
10 for Commission consideration.<sup>37</sup>

11 CNGC provided limited testimony and supporting exhibits for recovery of its  
12 COVID-19 deferral.<sup>38</sup> The Company did not discuss the prudence of its deferred costs  
13 or a narrative describing the extraordinary hardships faced at the time of the deferrals.  
14 Staff also has concerns regarding the estimated deferral amounts for February 2024  
15 through February 2025, which are not known and measurable at this time, but would be  
16 included as part of CNGC's proposed COVID-19 deferral recovery.<sup>39</sup>

17  
18 **Q. Does Staff have specific concerns with the recovery of reconnection fees,**  
19 **disconnection fees, and late payment fees that are included in CNGC's COVID-19**  
20 **deferral?**

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<sup>35</sup> CNGC Order at 7 ¶ 20.

<sup>36</sup> CNGC Order at 6 ¶ 17.

<sup>37</sup> CNGC Order at 6 ¶ 19.

<sup>38</sup> Harris, Exh. ZLH-1T at 8-11.

<sup>39</sup> Harris, Exh. ZLH-2 (COVID Deferral) COVID-19 WP.

1 A. Yes. There is currently an open rulemaking before the Commission to consider potential  
2 long-term changes and improvements to customer notice, credit, and collection rules,  
3 including permanent elimination of late fees, disconnection and reconnection fees, and  
4 deposits.<sup>40</sup> All disconnection fees, reconnection fees, and late payment fees are  
5 prohibited from being charged until 30 days after the Commission issues its final order  
6 or otherwise determines the propriety of the fee and deposit rules in Docket U-  
7 210800.<sup>41</sup> The Commission has not issued a final order in that docket and does not  
8 anticipate to resume the proceeding until 2025.<sup>42</sup> Thus, there is a timing issue between  
9 the Commission making a final determination related to the permanent elimination of  
10 late fees, disconnection and reconnection fees, and deposits and utility collection of  
11 those fees, which have been deferred since 2020.

12  
13 **Q. What does Staff recommend?**

14 A. CNGC has not met its burden of proof for recovery of its COVID-19 deferral for  
15 November 2020 through February 2025. In addition, the outstanding nature of the  
16 Commission’s decision in Docket U-210800 creates a significant timing issue for the  
17 recovery of deferred reconnection fees, disconnection fees, and late payment fees.  
18 Therefore, Staff recommends that the Commission disallow recovery of CNGC’s  
19 COVID-19 deferral through a separate tariff, as well as the inclusion of 2023 costs  
20 related to the Company’s COVID-19 deferral in base rates.<sup>43</sup> Accordingly, CNGC

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<sup>40</sup> *Customer Notice & Fees Rulemaking*, Docket U-210800, Notice of Opportunity to File Written Comments (Mar. 18, 2022).

<sup>41</sup> *In the Matter of Response to the COVID-19 Pandemic*, Docket U-200281, Order 06, 4 ¶ 18 (March 29, 2022).

<sup>42</sup> Performance Metric Policy Statement at 6 ¶ 18.

<sup>43</sup> Grenn, Exh. JG-7.



1           should continue to file quarterly COVID-19 deferred accounting reports required by  
2           Order 01 in Docket U-200281 and provided in UG-200479.

3

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

5    A.    Yes.