

Exhibit No. __ (IDM-1T)
Docket No. UG-19_____
Witness: Isaac D. Myhrum

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,
Respondent.

DOCKET UG-19_____

**CASCADE NATURAL GAS CORPORATION
DIRECT TESTIMONY OF ISAAC D. MYHRUM**

March 29, 2019

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I. INTRODUCTION

1 **Q. Please state your name and business address, and present position with Cascade**
2 **Natural Gas Corporation.**

3 A. My name is Isaac D. Myhrum and my business address is 8113 W. Grandridge Blvd.,
4 Kennewick, WA 99336. My present position is Regulatory Analyst II in the Regulatory
5 Affairs Department.

6 **Q. Would you briefly describe your duties?**

7 A. Yes. I prepare regulatory reports and filings on behalf of the Company for both the
8 Public Utility Commission of Oregon (OPUC or Commission) and Washington
9 Utilities and Transportation Commission (WUTC). I also perform analysis of the
10 regulatory filings submitted by the Company to these commissions and other regulatory
11 agencies.

12 **Q. How long have you been employed by the Company?**

13 A. I have been employed by the Company since August 2016.

14 **Q. Would you please briefly describe your educational background and professional**
15 **experience?**

16 Yes. I hold a Bachelor of Arts degree in Accounting and Business Administration from
17 Washington State University. I also hold a Bachelor of Science degree in Political
18 Science with an emphasis in Economics from the University of Idaho. I attended New
19 Mexico State University's Center for Public Utilities Rate School in October 2016 and
20 have attended other utility-specific trainings, and conferences. Prior to joining the
21 Company, I worked as a staff accountant for two public accounting firms in the Tri-
22 Cities, Washington area.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to introduce and support several exhibits in this
3 proceeding, including the Company's Summary of Revenues and its related Revenue
4 Adjustments. I will also testify to the Company's revenue distribution methodology,
5 Cost Recovery Mechanism (CRM) revenues, weather normalization adjustments and
6 their impacts on billing determinants, unbilled revenues and related accounting
7 practices, rate spread and rate design, and the filing's impacts on the authorized margin
8 per customer under the Company's decoupling mechanism.

9 **Q. Are you sponsoring any exhibits in this proceeding?**

10 A. Yes. I am sponsoring the following exhibits, which are described in my testimony.

11 Exhibit No. __ (IDM-2), Summary of Revenues by Rate Schedule

12 Exhibit No. __ (IDM-3), Revenue Adjustments

13 Exhibit No. __ (IDM-4), Revenue Distribution

14 Exhibit No. __ (IDM-5), Decoupling Mechanism, Authorized Revenue Per Customer

II. SUMMARY OF REVENUES BY RATE SCHEDULE

15 **Q. Would you please describe Exhibit No. __ (IDM-2) entitled "Summary of**
16 **Revenues by Rate Schedule"?**

17 A. Yes. The summary of revenues by rate schedule provides a comparison of revenues at
18 current rates with those the Company expects under proposed rates. Exhibit
19 No. __ (IDM-2) presents the Company's Per Books Revenue for the twelve months
20 ending December 31, 2018 listed by rate schedule ("Per Books Revenue" labeled
21 column "(D)"). The Per Books Revenue amounts include all the components of the
22 current rates, including gas costs, non-gas costs, taxes, and billing adjustments for each

1 rate schedule. The Per Books Revenue total matches the 2018 total operating revenues
2 subtotal presented in Company witness Maryalice Peters' testimony.¹

3 **Q. Would you please describe each column section of the revenue summary exhibit?**

4 A. Yes. The column sections in the exhibit are the following:

- 5 • Current Section (labeled "A" through "D")

6 The section labeled "Current" contains four columns labeled "A" through "D".
7 It contains descriptions of rate schedules, rates schedules utilized by the Company, and
8 revenues received for the period January 1, 2018 through December 31, 2018.

- 9 1. Column A "Rate Description" – Lists each rate schedule utilized by the
10 Company in 2018. Descriptions include Basic Service Charges,
11 Delivery Charges, Average Cost of Gas, as well as Non-Gas Revenue
12 items including taxes and other adjustments.
- 13 2. Column B "Billing Determinants" – Lists the billing determinant counts
14 of each schedule within the Company in 2018. The billing determinants
15 are customer counts (i.e. "Bills") and volumetric usage calculations (i.e.
16 "Therms"). The billing determinants were calculated by dividing the
17 associated Per Books Revenue figure in column "D" by the associated
18 rate in column "C". This provides an accurate calculation of
19 determinants and ties directly to Per Books Revenue.
- 20 3. Column C "Current Rate" - These are the authorized rates that were in
21 effect when the billing determinants were observed and associated
22 revenues were collected in 2018. Notice that there was a change to most

¹ CNGC Exh. No. MCP-2 – ROO Summary Sheet, column (1), Total Operating Revenues.

1 Basic Service Charges and Delivery Charge rates when new rates and
2 tariffs went into effect on August 1, 2018. These changes were
3 authorized by the final order in the Company's last general rate case.²

4 4. Column D "Per Books Revenue 2018" – This is the Company's per
5 books revenue presented by rate schedule and collected during the
6 calendar year of 2018.

7 • Schedule Merge Section (labeled "E" through "G")

8 The columns in Schedule Merge present billing determinants and associated
9 rates and revenues that migrated or merged between rate schedules during the calendar
10 year 2018. Several of the migrations came about due to the discontinuation of
11 schedules authorized in the Company's 2018 general rate case, resulting in the removal
12 of three rate schedules and the migration of affected customers to other schedules:

13 ❖ Rate Schedule 502 (Building Construction Temporary Heating and Dry-
14 Out Service) was discontinued with future dry-out or building
15 construction customers being served on Schedule 503 (Residential
16 Service Rate).

17 ❖ Rate Schedule 512 (Compressed Natural Gas Service) was discontinued
18 and the one customer affected was migrated to Schedule 504 (General
19 Commercial Service Rate).

20 ❖ Rate Schedule 577 (Limited Interruptible Service Rate) was
21 discontinued and the two customers affected were migrated to Schedule

² *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corporation*, Docket UG-170929, Order 06, (July 20, 2018).

1 570 (Interruptible Service Schedule).

2 The billing determinants associated with Cascade’s Schedule 663
3 Transportation Service-related rate schedules are merged in this exhibit for presentation
4 simplicity purposes and to demonstrate combined revenue impacts. For example,
5 billing determinants and revenues for “Rate Schedule 6631”, “Rate Schedule 6632”,
6 “Rate Schedule 6633” and “Rate Schedule 6635”, are combined into one rate schedule
7 section to better show revenue impacts. These rate schedules are tracked separately in
8 the Company’s books but share identical basic services charges and delivery charges.

9 Billing determinants associated with special contract Rate Schedule 916 are
10 also merged in this exhibit with other rate schedules in 6631 because the customer
11 associated with schedule 916 was transferred to Rate Schedule 6631 in 2018.

12 The Company’s other rate schedules “CNGW04LV” and “CNGW05LV” were
13 merged in this exhibit with Rate Schedules 504 and 505, respectively. The customer
14 on “CNGW04LV” is a large volume customer that pays Rate Schedule 504 rates, while
15 the “CNGW05LV” is a large volume interruptible schedule paying Rate Schedule 505
16 rates.

17 The following are descriptions of the three columns in the Schedule Merge
18 section:

- 19 1. Column E “Billing Determinants (Terms/Bills) – Presents billing
20 determinants from discontinued or merged schedules to current
21 schedules.
22 2. Column F “Rate” – Rates and charges associated with merged billing
23 determinants

1 3. Column G (“Remove/Add”) – The figures in column G are the product
2 of discontinued billing determinants (in column “I”) multiplied by the
3 associated “Rate” (Margin Rate or Basic Service Charge) in Column F.

4 • Adjusted Current Section (labeled “H” through “J”)

5 This section presents adjusted billing determinants after the schedule merges
6 and applies current charges to present adjusted Per Books Margin Revenues. The
7 section contains the following three columns:

8 1. Column H “Adjusted Billing Determinants” – Presents adjusted billing
9 determinants after merged data has been included. It is the sum of
10 labeled Columns “B” and “E”.

11 2. Column I “Rate” – This column presents the current basic services
12 charges and other volumetric rates associated with adjusted current
13 billing determinants.

14 3. Column J “Adjusted Per Books Margin Revenue” – This column
15 presents Adjusted Per Books revenue by schedule. This is the product
16 of the adjusted billing determinants in column “H” and the associated
17 current rates in column “I”.

18 • End of Period Determinants at Current Rates Section (labeled “K” and “L”)

19 Consistent with and supporting the testimony by Company witness Michael
20 Parvinen, this section presents billing determinants and associated revenues adjusted to
21 End of Period (EOP) test year levels. The section also presents the difference of all
22 Adjusted Per Books Margin Revenues with Adjusted EOP Margin Revenue which is
23 the EOP Revenue Adjustment:

1 1. Column K “Billing Determinants (Therms/Bills)” – This column
2 presents billing determinants adjusted to calculated EOP customer and
3 volumetric usage levels. I provide more detail on how these calculations
4 were performed on page 11 of this testimony.

5 2. Column L “Adjusted EOP Margin Revenue” – Presents revenues
6 associated with EOP billing determinants at current rates.

7 3. Column M “EOP Revenue Adjustment” – This column presents the
8 adjustment/difference between the revenues associated with EOP
9 billing determinants, column “L”, and previous revenues presented as
10 Adjusted Per Books Margin Revenue in column “J”.

11 • Cost Recovery Mechanism (CRM) Section (labeled “N” through “P”)

12 This column presents adjustments associated with the Company’s CRM
13 adjustment by rate schedule. I provide more detail regarding the CRM revenue and its
14 adjustments on page 12 of this testimony.

15 1. Column N “Billing Determinants (Therms/Bills)” – This column
16 presents the EOP billing determinants used to calculate CRM revenues
17 per schedule.

18 2. Column O “Rate” – This column presents the CRM rate associated with
19 each rate schedule.

20 3. Column P “CRM Revenue” – This column presents the CRM revenue
21 associated with each rate schedule. The revenue is the product of EOP
22 billing determinants in column “N” and the CRM rates presented in
23 column “O”.

- 1 • Proposed Section (labeled “Q” through “S”)

2 This section presents the Company’s proposed rates for each schedule in this
3 case and the associated revenue utilizing EOP billing determinants. The section
4 compares revenues at current rates with proposed rates to calculate the “2019 Revenue
5 Adjustment” per schedule.

6 1. Column Q “Proposed Rates” – This column presents the proposed rates
7 for each of the Company schedules in this case.

8 2. Column R “Revenue at Proposed Rates” – This column presents the
9 revenue associated with proposed rates utilizing EOP billing
10 determinants. It is the product of Proposed Rates in column “Q” with
11 the EOP Billing Determinants in column “K”.

12 3. Column S “2019 Revenue Adjustment” – This column presents the
13 difference between the Revenue at Proposed Rates in column “R” with
14 the previous Adjusted EOP Margin Revenue presented in column “L”.
15 The Company’s proposed revenue requirement is presented here by rate
16 schedule.

17 **Q. In the “Adjusted Current” section, can you how describe how the billing
18 determinants “Bills and Therms” are adjusted?**

19 A. Yes. In column “H”, labeled “Adjusted Billing Determinants”, billing determinants
20 that were observed before and after margin and basic service rate revisions are
21 combined. This is done to calculate the annualized number for the billing determinants
22 for each schedule. For most schedules, the tariff revision authorized to take effect on
23 August 1, 2018, in the last general rate case resulted in a change to margin rates and

1 basic service charges.³ The annualized billing determinants are then applied to
2 current rates in column “I” and the current adjusted margin revenues are presented in
3 column “J”.

4 **Q. In the “Adjusted Current” section, can you please describe the Weather
5 Normalized Volume adjustment for schedules 503 and 504?**

6 A. In column H, the volumetric billing determinants (i.e. “Therms”) in the Residential
7 Service Rate Schedule 503 and General Commercial Service Rate Schedule 504 are
8 given an adjustment to gross them up to weather normalized volumes. The adjusted
9 volumes serve as the basis for the adjusted volumetric margin revenues presented in
10 the section.

11 **Q. Please describe generally the Weather Normalization data related to Exhibit
12 No.__(IDM-2)**

13 A. My Exhibit No.__(IDM-2) supports the testimony presented by Company witness
14 Brian Robertson and contains weather normalized data for Schedules 503 and Schedule
15 504. My workpaper, IDM WP-1.5, labeled “Weather Normalization” contains the
16 actual 2018 monthly volumetric usage for Schedules 503 and 504 with adjustments to
17 normalized values. Weather normalized usage is not applied to other schedules in this
18 rate proceeding.

19 **Q. What is the regulatory basis for Weather Normalization data in this case?**

20 A. As agreed to in the Company’s last general rate case, the Company utilizes the weather
21 normalization approach specified in the Company’s 2015 general rate case (2015 GRC)

³ *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corporation*, Docket UG-170929, Order 06, (July 20, 2018).

1 settlement agreement.⁴ The agreement outlines the following approach to produce
2 weather normalization data as follows:⁵

- 3 a) Use of 10 years of usage and weather data;
- 4 b) Use of National Oceanic and Atmospheric Administration (“NOAA”) weather
5 data for both actual temperature and “normal” temperature benchmark;
- 6 c) Refined regression models to exclude insignificant monthly heating degree day
7 variables;
- 8 d) Inclusion of a trend variable in the regression models when appropriate, and
9 correct common statistical problems such as serial correlations. Staff may provide
10 technical assistance;
- 11 e) Identification of outliers by comparing predicted usage with actual usage as well
12 as double-checking data accuracy and re-specifying regression models if
13 necessary; and
- 14 f) Use of an alternative way approach to reporting monthly usage if unbilled therms
15 are not trued up monthly: alignment of heating degree days with billing cycles on
16 a monthly basis, rather than using monthly usage data that includes gross estimates
17 of unbilled therms.

18 A detailed description of the Company’s weather normalization methodology,
19 which conforms to the 2015 GRC agreement, is presented in Company witness Brian
20 Robertson’s testimony, Exhibit No. ____ (BLR-1T).

⁴ *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corporation*, Dockets UG-170929, Order 06 at ¶ 81 (Jul. 20, 2018).

⁵ *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corporation*, Dockets UG-152286, Joint Settlement Agreement at ¶ 44 (May 13, 2016).

1 **Q. Can you please describe how billing determinants are adjusted in the “EOP**
2 **Billing Determinants at Current Rates” section?**

3 A. Yes. Billing determinants in this section are adjusted to reflect EOP customer counts;
4 specifically, the customer counts as of December 31, 2018. This has an impact on both
5 basic service charge revenues and volumetric margin revenues because the basic
6 assumption is that EOP customer counts have been annualized.

7 **Q. Will you describe in greater detail how the EOP calculations are performed?**

8 A. Certainly. In workpaper IDM WP-1.3 entitled “End of Period Calculations,” I
9 demonstrate how volumetric usage would be calculated had EOP customer counts been
10 observed for the entirety of 2018.

11 The first table of the workpaper labeled, “2018 Monthly Therms -
12 Actual(Normalized) Therms / Ave Use Per Month”, shows weather normalized
13 volumes (for Rate Schedules 503 and 504 only) and actual volumes for all core and
14 non-core schedules. This section also calculates a monthly average of therm usage
15 based on actual customer count calculations for each class. In other words, normalized
16 and actual usage is divided by customer counts to determine a baseline average usage
17 per month for each rate schedule.

18 The second section of the workpaper labeled, “2018 Annualized Usage Using
19 End of Period Customer Counts” calculates monthly average usage using EOP
20 customer counts. This is done by multiplying the average therm usage per month,
21 calculated in the first section, by the end customer counts as of December 31, 2018.
22 The resulting sum of this calculation for all months produces the adjusted EOP therms
23 amount for each rate schedule which is used in Exhibit No.__(IDM-2), column “K” for

1 EOP term determinants.

2 The EOP customer count (i.e. “Bills) in column “K” is calculated by taking the
3 number of customers observed as of December 31, 2018 and multiplying by twelve.

4 The cumulative revenue impact of these EOP adjustments is presented in
5 Exhibit No.__(IDM-2) column “M”, row 745. It is also presented as a key revenue
6 adjustment, in Exhibit No.__(IDM-3), “Revenue Adjustments”, labeled R-4.

III. COST RECOVERY MECHANISM (CRM) REVENUE

7 **Q. Can you describe in greater detail the revenues associated with the Cost Recovery**
8 **Mechanism (“CRM”) in Exhibit No.__(IDM-2), Column “P”?**

9 A. Yes. This section annualizes CRM revenues by applying rates that were
10 effective November 1, 2018 to EOP billing determinants. The CRM adjustment
11 is the total of annualized CRM revenues expected from schedules 503, 504,
12 505, 511, 570 and 663, less the actual CRM revenues from these schedules in
13 2018. The total CRM adjustment also shown in Exhibit No. __ (IDM-3).
14 “Revenue Adjustments,” as the Total Annual CRM Adjustment, R-4.

15 **Q. Will you please describe the purpose of the CRM and why amounts recovered**
16 **under the mechanism change on an annual basis?**

17 A. Yes. The CRM provides recovery for certain safety-related investments, in particular
18 for replacement of pipeline facilities with elevated risk to the public. Consistent with
19 the Commission’s policy statement in Docket No. UG-120715, Cascade provides
20 annual updates to the Commission regarding its capital investments that are recoverable
21 under the CRM. Cascade filed its most recent CRM update on June 1, 2018 in Docket
22 No. UG-180512, and the current rates were approved, effective November 1, 2018.

IV. REVENUE ADJUSTMENTS

1 Q. Would you please describe Exhibit No.__(IDM-3) entitled “Revenue
2 Adjustments”?

3 A. Yes. Exhibit No.__(IDM-3) is a summary document of the Restating Revenue
4 adjustments found at the bottom of Exhibit No.__(IDM-2), “Summary of Revenues
5 by Rate Schedule” and also as the Restating Adjustments in Exhibit No.__(MCP-5),
6 “Summary of Proposed Adjustments To Test Year Results,” furnished by Company
7 witness Maryalice Peters.

8 The following are the Restating Revenue adjustments:

- 9 • R-1 - Total Annual CRM Adjustment
- 10 • R-3 - Total Restate Revenue Adjustment
- 11 • R-4 – Total Restate End of Period (EOP) Adjustment

12 Q. Would you please describe “R-1 Total Annual CRM Adjustment”?

13 A. Yes. As discussed earlier in this testimony, the CRM adjustment is the total of
14 annualized CRM revenues expected under schedules 503, 504, 505, 511, 570 and 663,
15 less the actual CRM revenues received by the Company under these schedules in 2018.

16 This is essentially the CRM adjustment required to gross up these revenues associated
17 with EOP billing determinants. The adjustment and calculation is shown in Exhibit
18 No.__(IDM-2), “Summary of Revenues by Rate Schedule”, column “P”, row 745. It
19 is presented as restating Revenue Adjustment (R-1) in Exhibit No.__(MCP-5).

20 Q. Would you please describe “R-3 Restate Revenue Adjustment”?

21 A. Yes. In short, the Restate Revenue Adjustment is the amount required to fully
22 annualize revenues at current rates. While the total Column “J” in Exhibit

1 No. ___(IDM-2), shows Adjusted Per Books Margin Revenues of \$95,624,401, this
2 amount does not fully capture the effects of revenues effectively booked in Unbilled
3 Margins and Cap Adjustments. The Company also subtracts the 2018 total booked
4 margin from column “D”, (\$93,428,701) to accurately calculate the total adjustment.

5 **Q. Would you please describe what is meant by “Unbilled Margins” and “Cap**
6 **Adjustments” in adjustment R-3?**

7 A. Certainly. “Unbilled Margins” describes the netting of December 2018 current
8 unbilled margin revenue with January 2018 previous month margin revenue. Netting
9 these seemingly disparate revenue amounts is important because it captures the effect
10 of net margin revenues that were realized in 2018 but were not fully represented in the
11 Company’s books because of timing differences. The resulting positive amount,
12 \$1,582,283 is added to the adjustment. The calculation is shown in my workpaper,
13 IDM WP-1.6, entitled “WACAP2018”, in column labeled “AK”, row “147”.

14 The “Cap Adjustment” is a reference to the total revenues booked in 2018 under
15 the Company’s Washington Rule 21, “Decoupling Mechanism”. These revenues are
16 netted out of the Restating Revenue Adjustment R-3 because the Company’s current
17 margin rates already capture the effects of decoupling and also because the test year
18 billing determinants are already adjusted to weather normalized volumes. Failure to
19 remove these revenues from the Company’s current annualized revenue adjustment
20 would have the effect of unduly inflating margin revenues. The resulting amount of all
21 2018 Cap revenues collected (\$1,044,211), is therefore removed from the adjustment.

22 **Q. Would you please describe adjustment R-4 “Total Restate End of Period (EOP)**
23 **Adjustment”?**

1 A. Yes. The adjustment grosses up Adjusted Per Books Revenue at current rates to EOP
2 test year revenue utilizing EOP customer counts and billing determinants.

V. UNBILLED REVENUE & ACCOUNTING PRACTICES

3 **Q. Will you please provide a brief history of the Company’s unbilled revenues and**
4 **updated accounting practices?**

5 A. Yes. In the Joint Testimony supporting the settlement of the Company’s 2015 GRC,
6 the Company agreed to several practices that would apply to the Company’s future
7 reporting and general rate case filings.

8 Specifically, the Joint Testimony stated that “unbilled revenues” must be
9 properly calculated and “identified by revenue type (gas cost revenue, margin revenue,
10 and any other revenue source).”⁶ Further, the testimony stipulated that “the Company
11 will use a methodology and accounting for any unbilled revenues in accordance with
12 accepted industry practices in which unbilled revenues are trued-up monthly and
13 verified for reasonableness. Lastly, the Company will identify book revenues for
14 accounting purposes between true gas cost revenue, margin revenue and all other
15 revenue sources.”⁷

16 The Commission’s Final Order Accepting Settlement required Cascade to “(1)
17 separate conservation revenues and WEAF revenues from the Weighted Average Cost
18 of Gas for reporting purposes; (2) utilize an accounting procedure for unbilled revenues
19 that are trued-up monthly and verified for reasonableness in accordance with accepted

⁶ *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corporation*, Docket UG-152286, Joint Testimony in Support of Settlement at 25, line 13 (May 27, 2016).

⁷ *Id.* at 26, line 2

1 industry practices; and (3) bifurcate booked revenues for accounting purposes between
2 true gas cost revenue, margin revenue, and all other revenues sources.”⁸

3 In Cascade’s subsequent rate case, UG-170929, witness Michael P. Parvinen
4 testified that the Company had addressed the core issues surrounding unbilled
5 revenues:

6 “The Company uses an industry accepted approach to
7 calculating its unbilled revenues. The method is based on using
8 actual monthly pipeline data to determine true customer usage
9 and compares the usage to the actual billed usage. The
10 difference between true customer usage and actual billed usage
11 provides the amount of the unbilled revenue. This is a very
12 common approach and has been accepted by the Company’s
13 outside auditor.”⁹

14
15 In the same proceeding the Company provided a detailed data response
16 explaining how unbilled gas sales were estimated and how unbilled gas revenues were
17 internally calculated.¹⁰ In addition, Company witness Maryalice C. Rosales provided
18 testimony, exhibits and workpapers demonstrating the Company had separated
19 conservation revenues and WEAFF revenues from the Weighted Average Cost of Gas
20 and had bifurcated booked revenues for accounting purposes between true gas cost
21 revenue, margin revenue, and all other revenues sources, as required by the
22 Commission.¹¹

23 **Q. How is the Company addressing the matters of unbilled revenues and related**
24 **accounting practices in this case?**

⁸ *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corporation*, Docket UG-152286, Order 04 at ¶ 14 (Jul. 7, 2016).

⁹ *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corporation*, Docket UG-170929 (UG-170929), Direct Testimony of Michael P. Parvinen, Exhibit MPP1T at 16, lines 10-15.

¹⁰ *Cascade 2017 GRC*, Response to WUTC Staff Data Response No. 15.

¹¹ *Id.*, Direct Testimony of Maryalice C. Rosales Exhibit MCR-1T at 5:15-6:7, MCR-2 and MCR-4.

1 A. As in Docket No. UG-170929, the Company continues to use the agreed-upon
2 methodologies to calculate unbilled revenues and as directed by the Commission,
3 separates conservation revenues and WEAFF revenues from the Weighted Average Cost
4 of Gas for reporting purposes. Regarding the presentation of revenues, in Exhibit
5 No.__(IDM-2), I present Company booked revenues bifurcated for accounting
6 purposes between true gas cost revenue, margin revenue, and all other revenues
7 sources.

VI. RATE SPREAD & RATE DESIGN

8 **Q. What methodology does the Company propose to determine Rate Spread and**
9 **Rate Design in this case?**

10 A. The Company's proposed rate spread and design methodologies remain the same as
11 those approved by the Commission in Order No. 06 of Docket No. UG-170929.
12 Specifically, as required by the order, the Company has applied an equal percent of
13 margin increase or decrease to each schedule, except for Special Contracts, to
14 determine rate spread.¹² Further the Company's basic service charges for each rate
15 schedule will remain unchanged.

16 **Q. Would you please describe Exhibit No.__(IDM-4) "Revenue Distribution"?**

17 A. Yes. That exhibit demonstrates how the Company has equitably applied it's requested
18 revenue increase across each schedule, excluding special contracts. This is
19 accomplished by taking the Company's Required Revenue increase from Exhibit
20 No.__(MCP-3) and allocating it based on each classes' percentage of overall margin

¹² *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corporation*, Docket UG-170929, Order 06 at ¶ 69 (Jul. 20, 2018).

1 revenues, excluding special contract revenues. For classes that allow for block usage,
2 the revenue requirement is also allocated based on the block's contribution to overall
3 margin revenues, excluding special contract revenues.

4 In Exhibit No.__(IDM-4), column "k", the percentage of margin revenue
5 increase per schedule demonstrates that the Company has indeed applied an equal
6 percentage of the margin increase to each schedule and overall. The resulting
7 percentage increase is applied to the "Current Rate(s)" in column "d" to calculate
8 proposed margin rates per customer class and corresponding usage blocks. These
9 proposed rates flow to Exhibit No.__(IDM-2), "Revenue Summary" and their effective
10 recovery of the revenue requirement is demonstrated in the "Proposed" revenue
11 columns of the exhibit. The total revenue requirement distribution by schedule is
12 proven out in Exhibit No.__(IDM-2), column "S", row 745.

13 As mentioned previously, the Company by order is not permitted to change any
14 basic service charges at this time. Therefore, revenue distribution increases are not
15 applicable to these charges.

VII. DECOUPLING BASELINE CALCULATIONS

16 **Q. Would you please describe Exhibit No.__(IDM-5) entitled "Decoupling**
17 **Mechanism, Authorized Revenue Per Customer"?**

18 A. Yes. Consistent with the methodology approved in Order No. 04 in UG-152286,
19 Exhibit No.__(IDM-5) presents the authorized margin revenue per customer per
20 month revised to reflect the proposed changes in revenue requirement. This

1 methodology was also reaffirmed in the final order of the Company’s last general rate
2 case, UG-170929¹³

3 **Q. How is the authorized margin revenue per customer in Exhibit No.__(IDM-5)**
4 **calculated?**

5 A. The new monthly authorized margin revenue per customer is derived by dividing the
6 annual proposed Margin Revenue per customer class as shown in Table 1, Column 1,
7 by the EOP test year therms per customer class presented in the exhibit Table 1, Column
8 2. This produces the rates as shown in Table 1, Column 3.

9 These rates are then multiplied by the monthly EOP test year therms per
10 customer class shown in Table 2 and then divided by the EOP customer count in Table
11 1, Column 4, to determine the authorized annual revenue per customer per month,
12 shown in Table 3.

13 **Q. Has the Company submitted proposed tariff changes to reflect the new authorized**
14 **margin revenues per customer?**

15 A. Yes. The proposed authorized margin revenue per customer from Exhibit No.__(IDM-
16 5) is also presented in the Company’s proposed tariff, Fifth Revision Sheet No. 25,
17 Rule 21, “Decoupling Mechanism”.

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

19 A. Yes.

20

¹³ *Id.*, ¶ 83