

**Exh. AIW-1T  
Docket UG-170929  
Witness: Amy I. White**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADE NATURAL GAS  
CORPORATION,**

**Respondent.**

**DOCKET UG-170929**

**TESTIMONY OF**

**Amy I. White**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**February 15, 2018**

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**LIST OF EXHIBITS**

Exh. AIW-2 UTC Proposed Adj. 5, Remove 2014 Arbitration Claim

Exh. AIW-3 Cascade’s Response to UTC Staff Data Request No. 98

Exh. AIW-4 Cascade’s Response to Public Counsel Data Request No. 97 (pages 1-3)  
  
Labor Arbitration Order and Opinion, dated July 7, 2016 (pages 4-34)  
  
U.S. District Court for the Eastern District of Washington’s Order  
Remanding to Arbitrator, dated June 2, 2017 (pages 35-48)  
  
Notice of Cross-Appeal to the Ninth Circuit Court of Appeals, dated July  
10, 2017 (pages 49-51)

Exh. AIW-5 Staff’s Adj. P-6, Staff’s Calculation of MAOP Deferral Amortization

Exh. AIW-6 Cascade’s Response to UTC Staff Data Request No. 68

Exh. AIW-7 Cascade’s Response to UTC Staff Data Request No. 93

Exh. AIW-8 Cascade’s Response to UTC Staff Data Request No. 117

Exh. AIW-9 Cascade’s Response to UTC Staff Data Request No. 118

Exh. AIW-10 Staff’s Analysis of Cascade’s “Maximum Allowable Operating Pressure  
Determination & Validation Plan,” Attachment 1, Docket PG-150120  
(Dec. 29, 2017).

1 **I. INTRODUCTION**

2

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

4 A. My name is Amy I. White. My business address is 1300 S. Evergreen Park Drive  
5 S.W., P.O. Box 47250, Olympia, WA 98504.

6

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

8 A. I am employed by the Washington Utilities and Transportation Commission  
9 (Commission) as a Regulatory Analyst in the Regulatory Services Division.

10

11 **Q. How long have you been employed by the Commission?**

12 A. I have been working for the Commission since June 2007.

13

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

15 A. I have a Master's degree in Public Administration as well as a Master's degree in  
16 Business Administration from City University of Seattle, and a Bachelor's degree in  
17 accounting and business administration from the University of Washington. I  
18 attended the National Association of Regulatory Utility Commissioners' Annual  
19 Regulatory Studies Program in August 2007, the Western Utility Rate School  
20 sponsored by Michigan State University in May 2008, and other sector-specific  
21 workshops, trainings, and conferences.

22

1 **Q. Have you previously submitted testimony to the Commission?**

2 A. I previously filed testimony in Docket UW-101818 regarding Cristalina Water, LLC,  
3 in Dockets UW-110107 and UW-110220, both concerning Summit View Water  
4 Company, and in dockets UE-170485 and UG-170486, Avista Corporation's 2017  
5 electric and natural gas general rate cases.

6

7 **II. SCOPE AND SUMMARY OF TESTIMONY**

8

9 **Q. Please explain the purpose of your testimony.**

10 A. I discuss two of Commission Staff's ("Staff") adjustments to the revenue  
11 requirements model of Cascade Natural Gas Corporation ("Cascade" or "the  
12 Company"). Specifically, I discuss Staff's proposed restating adjustment UTC-5,  
13 Remove 2014 Arbitration Expense, and Staff's proposed pro forma adjustment P-6,  
14 MAOP Deferral Amortization.

15

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

17 A. Yes. Three of my exhibits relate to Staff's Proposed Adjustment UTC-5, Remove  
18 2014 Arbitration Expense. Staff includes the calculation of the adjustment amount in  
19 Exh. AIW-2, UTC Proposed Adj 5, Remove 2014 Arbitration Claim.xls. Exh.  
20 AIW-3, Cascade's Response to UTC Staff Data Request No. 98, provides  
21 information about the arbitration claim. The Company's response and the legal  
22 documents related to the case and its current status are included as Exh. AIW-4: Exh.  
23 AIW-4, Cascade's Response to Public Counsel Data Request No. 97; Decision  
24 Order; Order Remanding to Arbitrator; and, Order of Cross-Appeal-FILED.

1 I have also prepared seven exhibits related to Staff's Proposed Adjustment P-  
2 6, MAOP Deferral Amortization. Staff's calculation of allowed MAOP costs is  
3 shown in Exh. AIW-5, Staff's Adj P-6, Staff's Calculation of MAOP Deferral  
4 Amortization. Exh. AIW-6, Cascade's Response to UTC Staff Data Request No. 68,  
5 and Exh. AIW-7, Cascade's Response to UTC Staff Data Request No. 93, detail the  
6 company's costs in its Maximum Allowable Operating Pressure program. Exh.  
7 AIW-8, Cascade Response to UTC Staff Data Request No. 117, and Exh. AIW-9,  
8 Cascade Response to UTC Staff Data Request No. 118, show the Company's  
9 responses classifying each of the projects as pre-code (allowable under PG-150120)  
10 or post-code (not allowable in rates). Exh. AIW-10 is an Excel spreadsheet, in which  
11 Staff provides its analysis of Attachment 1 to Cascade's "Maximum Allowable  
12 Operating Pressure Determination & Validation Plan," which the Company filed in  
13 Docket PG-150210 on December 29, 2017. This analysis is for the purpose of  
14 allocating aggregate costs applicable to both pre-and post-code pipe that were  
15 expensed in full. Staff's analysis is provided to the right of, but in the same  
16 spreadsheet, of the information provided by the Company.

17  
18 **III. STAFF'S PROPOSED ADJUSTMENT UTC-5, REMOVE**  
19 **2014 ARBITRATION EXPENSE**

20  
21 **Q. Please describe the nature of this adjustment.**

22 A. During the per books audit of the 2016 test year, Staff noted that the Company  
23 included an arbitration award of an unspecified nature in its Injuries and Damages

1 expense account. The data request responses provided as Exh. AIW-3 and Exh.  
2 AIW-4 showed that the expense was related to an employee arbitration. The  
3 Company's response to Public Counsel Data Request No. 97, included as Exh.  
4 AIW-4, revealed that the expense was part of a labor arbitration award in which the  
5 arbitrator found that "the termination was not proper under the terms of the collective  
6 bargaining agreement between the company and the union, and ordered the company  
7 to reinstate the employee to his job and award him backpay [*sic*] from the time of his  
8 termination."<sup>1</sup>

9

10 **Q. When did Cascade fire the employee at issue in this adjustment?**

11 A. It was in July 2013.

12

13 **Q. How has the company booked the liability created by the arbitrator's order?**

14 A. The Company booked liabilities and expenses of \$110,000 in 2014, \$10,000 in 2015,  
15 and \$280,000 in 2016<sup>2</sup> related to the back pay.

16

17 **Q. Has Cascade paid out any back pay as required by the arbitrator's order?**

18 A. No. In its response to UTC Staff Data Request No. 98, the Company stated the test  
19 year expense was an accrual, not a payment.<sup>3</sup> The Company provided legal  
20 documents responding to Public Counsel Data Request No. 97, included as Exh.  
21 AIW-4, which show the Company has appealed the decision as of July 10, 2017.

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<sup>1</sup> White, Exh. AIW-4 at 1.

<sup>2</sup> White, Exh. AIW-3 at 2.

<sup>3</sup> White, Exh. AIW-3 at 2.

1 None of the back pay has actually been paid to the worker. The appeal is still  
2 pending so it is unknown if any expense related to the back pay award will ever be  
3 paid.

4

5 **Q. Should Cascade recover these expenses through this rate case?**

6 A. No. As just mentioned, Cascade has appealed the arbitrator's order and has not ever  
7 actually paid out any of the back pay awarded, and it may never do so. These  
8 expenses are not known and measurable.

9

10 **Q. Please describe Staff's adjustment.**

11 A. Staff's adjustment of \$210,756 is the amount allocated to Washington operations  
12 from the \$280,000 expensed but not paid. This calculation is shown in Exh. AIW-2,  
13 UTC Proposed Adj. 5, Remove 2014 Arbitration Claim.

14

15 **Q. What effect does Staff's adjustment have?**

16 A. Staff's adjustment increases net operating income by \$136,991 and decreases the  
17 revenue requirement by \$220,528.

18

1       **IV.    PRO FORMA ADJUSTMENT P-6, MAOP DEFERRAL AMORTIZATION**

2  
3       **Q.    Please describe Staff’s adjustment related to the Company’s Maximum**  
4       **Allowable Operating Pressure (MAOP) amortization.**

5       A.    Resulting from docket PG-150120, Cascade must come into compliance relating to  
6       documentation, testing, and repair of its pipelines to settle a Commission complaint.  
7       In the settlement, the Company was permitted to seek recovery of costs related to  
8       this work through cost deferral and amortization, as well as through general rates and  
9       a tracker mechanism<sup>4</sup>. The Company’s MAOP amortization adjustment seeks  
10      recovery of expenses related to this activity.

11  
12      **Q.    Were Cascade’s expense calculations proper?**

13      A.    No. The Company’s original deferral amount calculation was seriously flawed.  
14      Amounts for 2017 (approximately \$5 million) and 2018 (\$2.4 million) were  
15      estimates only. The Company subsequently revised the amount for 2017 downward  
16      significantly, using actual cost information for all but three contractors, in its  
17      response to UTC Staff Data Request No. 68 (Exh. AIW-6). Further information for  
18      the three remaining estimates for 2017 was provided by the Company in its response  
19      to UTC Staff Data Request No. 93 (Exh. AIW-7). The Company also significantly  
20      increased its estimate for 2018 costs, but has provided no actual cost information, as  
21      also shown by Exh. AIW-6.

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<sup>4</sup> *Wash. Utils. & Transp. Comm’n v. Cascade Nat’l Gas Corp.*, Docket PG-150120, Order 03, 10, ¶ 26 (Mar. 20, 2017).



1 **Q. How much of Cascade’s claimed expense is estimated?**

2 A. Cascade originally estimated \$540,000 in 2017 expenses, of which Staff allowed  
3 approximately \$416,000. For 2018, the Company submitted a revised estimate of  
4 \$4.64 million, with \$2.25 million allocated to generic “pipeline contractor”  
5 companies for specified projects, and \$2.39 million allocated to three named  
6 contractors for “overarching” in-situ projects that could encompass both “pre-code”  
7 and “post-code” pipe.

8

9 **Q. Should Cascade recover the estimated amounts in rates?**

10 A. No. Those amounts are not known and measurable.

11

12 **Q. Does Staff have any other concerns about Cascade’s claimed expenses?**

13 A. Yes. Staff obtained a copy of the Company’s Maximum Allowable Operating  
14 Pressure Determination & Validation Plan (“MAOP Plan”), filed in Docket  
15 PG-150120, on December 29, 2017. Staff’s review of the MAOP Plan’s Attachment  
16 1 raised concerns that the general terms used by the Company in its responses to data  
17 requests could indicate work upon any of multiple pipeline segments.

18 Further, many of these segments were noted in the Company’s MAOP plan  
19 data as lacking necessary system specifications and testing documentation despite  
20 being installed after 1970. The pipes installed after 1970 are subject to the  
21 documentation requirements of 49 CFR 192.619.

22

1 **Q. What is the significance of pipe installed after 1970, for which Cascade lacks the**  
2 **proper documentation?**

3 A. In Order 01 of Docket PG-160293, the Commission expressly disallowed cost  
4 recovery for pipes subject to 49 C.F.R. 192619 and for which Cascade lacks MAOP  
5 documentation.<sup>5</sup>

6

7 **Q. Did Staff attempt to determine the pipe segments for which Cascade could**  
8 **recover costs in rates?**

9 A. Yes. Staff requested that the Company give more detailed information about each  
10 segment it included in its calculations and the Company's responses to UTC Staff  
11 Data Request No. 117 (Exh. AIW-8) and UTC Staff Data Request No. 118 (Exh.  
12 AIW-9) provide this further information. Staff used the Company's "pre-code"  
13 (installation dates through 1970) and "post-code" (installation in 1971 or later)  
14 classifications, to allow or disallow projects claimed for 2016 and 2017. These  
15 calculations are found in Exh. AIW-5, Staff's Adjustment P-6, Staff's Calculation of  
16 MAOP Deferral Amortization.

17 Staff also reviewed "overarching" expenses such as documentation reviews  
18 of the entire system in order to determine how much of those expenses were incurred  
19 for "post-code" pipe. Using information obtained from the MAOP Plan, Staff  
20 converted Attachment 1 into an Excel spreadsheet for data analysis purposes, and  
21 added its analysis to the side, but in the same spreadsheet, of the information

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<sup>5</sup> *In the Matter of Cascade Nat'l Gas Corp.'s Pipe Replacement Program Plan*, Docket PG-160293, Order 01, 2-4, ¶¶ 6-11 (Apr. 7, 2016).

1 provided by the Company. (Exh. AIW-10). Using the Company's data, Staff  
2 calculated a lineal foot total of "pre-code" (44.3 percent) and "post-code" pipeline  
3 (55.7 percent) and disallowed an equivalent percentage of the expenses that could  
4 have been attributed to "post-code" pipe, in line with the Commission's prohibition  
5 of recovery for "post-code" pipe, as stated in Order 01 of Docket PG-160293.

6  
7 **Q. Did the Company attempt to refine its filing for 2018 expenses?**

8 A. Yes. The Company revised its estimate of 2018 expenses from \$2.4 million in its  
9 initial filing to another estimate of \$4.6 million. Approximately \$3 million of the  
10 estimates were for "overarching" expenses, which Staff would have considered  
11 subject to the "pre/post-code pipe" description mentioned in the preceding  
12 paragraph.

13  
14 **Q. Does Staff recommend recovery for any of these amounts?**

15 A. No. Staff proposes to disallow the entirety of the Company's estimate for 2018  
16 expenses. All amounts used in the Company's calculation were estimates. Staff was  
17 therefore unable to calculate a known and measurable amount. The Company has  
18 the opportunity to recover costs in the interim between general rate cases using the  
19 approved cost recovery mechanism tracker.

20

1 **Q. What expense amount did Cascade seek to recover through rates in this**  
2 **proceeding?**

3 A. In its original filing in this docket, the Company calculated a total deferral amount of  
4 \$9,590,868, to be amortized over ten years, for an amortization expense of \$959,087.  
5 The Company's proposed adjustment decreased net operating income by \$623,406,  
6 and increases revenue requirement by \$1,003,558.

7  
8 **Q. What is Staff's proposed adjustment?**

9 A. Staff's adjustment calculates a total deferral amount of \$4,237,081 to be amortized  
10 over ten years, for an amortization expense of \$423,708.

11  
12 **Q. What effect does Staff's adjustment have?**

13 A. Staff's adjustment decreases net operating income by \$275,410 and increases the  
14 revenue requirement by \$443,354, which is \$560,204 less of an increase to the  
15 revenue requirement than the Company's proposal.

16  
17 **Q. Does this conclude your testimony?**

18 A. Yes.

19