Exhibit No. __ (NAK-2T)
Docket No. UG-200568
Witness: Nicole A. Kivisto

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. CASCADE NATURAL GAS CORPORATION, Respondent.	DOCKET UG-200568

CASCADE NATURAL GAS CORPORATION

REBUTTAL TESTIMONY OF NICOLE A. KIVISTO

January 8, 2021

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I. INTRODUCTION

Q. Are you the same Nicole A. Kivisto who filed direct testimony in Exhibit NAK-1T as part of Cascade Natural Gas Corporation's ("Cascade" or the "Company") initial filing ("Initial Filing")?

A. Yes, I am.

II. SCOPE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your Rebuttal Testimony?

A. In my testimony, I summarize the Company's Rebuttal Filing, respond to various issues raised by Washington Utilities and Transportation Commission ("Commission") Staff and intervenors, present specific recommendations concerning Cascade's customer support programs and load study efforts, and introduce Cascade's witnesses submitting Rebuttal Testimony.

Q. Please summarize your Rebuttal Testimony.

A. My testimony is summarized as follows:

- First, I provide an overview of Cascade's Rebuttal Filing. This section of my testimony also describes other parties' revenue requirement proposals and responds to concerns raised by Staff witness Mr. Chris McGuire, Public Counsel witness Mr. Mark E. Garrett, and the Alliance of Western Energy Consumers ("AWEC") witness Mr. Bradley G. Mullins, regarding the need for this rate case despite the broader economic circumstances.
- Second, I address two additional customer support items raised by The Energy Project ("TEP") witness Mr. Shawn M. Collins, concerning the Washington Energy Assistance Fund ("WEAF") and the need for a Disconnection Reduction Plan ("DRP").
- Third, I provide an update on the Company's load study roll-out, which Cascade has continued to advance in good faith as part of an ongoing negotiated process.
- Fourth, I briefly describe each of the witnesses filing Rebuttal Testimony on behalf of Cascade.

III. OVERVIEW OF REBUTTAL FILING

Q. Please provide a comparison of the revenue change proposed by the Company in its revised Initial Filing, by other parties in response testimony, and by Cascade on rebuttal.

A. Each of the proposed revenue requirements are presented in the table below:

Table 1: Parties' Positions on Revenue Requirement

Party	**Proposed Revenue Change (in millions)**
Cascade – *as revised*	$14.3[1]
Staff	$(0.5)[2]
Public Counsel	$(2.4)[3]
The Energy Project	N/A[4]
AWEC	$(7.9)[5]
Cascade – *on rebuttal*	$7.4

Q. Please explain the decrease in Cascade's rebuttal revenue requirement.

A. As explained in more detail by Cascade witness Ms. Maryalice Gresham,[6] the rebuttal revenue requirement reflects the Commission's Order granting Cascade's accounting petition in Cascade's depreciation filing, Docket UG-200278;[7] Cascade's updates and

[1] Supplemental Direct Testimony of Maryalice C. Peters, Exh. MCP-8 (column 4, line 4). Note, Staff refers to this amount as $14.1 million, though Staff provides the same citation. Staff Testimony of Chris R. McGuire, Exh. CRM-1T at 6 n.7. The full value included in the cited exhibit is $14,281,139.
[2] McGuire, Exh. CRM-1T at 4.
[3] Public Counsel Response Testimony of Mark E. Garrett, Exh. MEG-1T at 4.
[4] TEP does not offer a specific revenue requirement reduction in its Response Testimony. TEP Response Testimony of Shawn M. Collins, Exh. SMC-1T at 14 (indicating that TEP will consider revenue requirement proposals from other parties).
[5] AWEC Response Testimony of Bradley G. Mullins, Exh. BGM-1T at 4.
[6] As noted in Ms. Gresham's Rebuttal Testimony, Ms. Gresham previously filed testimony in this proceeding as Maryalice Peters. *See* Rebuttal Testimony of Maryalice C. Gresham, Exh. MCG-11T at 1.
[7] *In the Matter of the Petition of Cascade Natural Gas Corp. for an Accounting Order Authorizing a Revision to Depreciation Rates*, Docket UG-200278, Order 01 (Dec. 10, 2020).

proposed reductions to cost of capital, capital project costs, and compensation, described below; and certain other updates and corrections.

Q. What are the major drivers behind the divergence between the other parties' positions and Cascade's rebuttal position concerning revenue requirement?

A. The major differences between the revenue requirements proposed by other parties and that supported by Cascade on rebuttal involve: (1) the Company's pro forma capital projects; (2) the Company's cost of capital (including return on equity ("ROE") and capital structure); and (3) the Company's increased labor costs.

Q. How has Cascade worked to reduce its revenue requirement request in this case?

A. Cascade has redoubled its efforts to mitigate the rate impacts on customers in three ways. First, Cascade has reduced its requested cost of equity from 10.3 percent—at the higher end of the reasonable range identified by Cascade's expert witness, Ms. Ann E. Bulkley, which is consistent with the relative risk of the Company, as compared to the proxy group—to 9.8 percent, which is at the low end of the reasonable range. While Ms. Bulkley's testimony provides updated analysis indicating that the Company's original request is still supported by current and future market conditions, the Company is responding to the challenging economic conditions for its customers by lowering its request to 9.8 percent, reducing revenue requirement by approximately $1.5 million. Cascade has also updated its cost of long-term debt, further reducing revenue requirement by approximately $371 thousand.

Second, Cascade has continued to scrutinize its capital project investments with the goal of delaying costs where possible, and was able to identify two projects in particular that could be delayed until 2021.[8] In addition, one project was not completed by the end of 2020 because the needed easements could not be obtained in time. An additional project was delayed to coordinate efforts with a postponed project. Finally, one project was completed with a change in scope that caused it to fall below Cascade's major projects threshold, and was therefore removed from the case.[9] Together, these five changes remove approximately $6.5 million in plant investments from this case. This adjustment is addressed in more detail in the Rebuttal Testimony of Mr. Patrick Darras.

Third, as explained by Cascade witness Mr. James Kaiser, Cascade has eliminated its 2021 union wage increase and reduced its 2021 and 2020 non-union wage increases. Even though it is a virtual certainty that there will be an increase to union wages in 2021, the actual amount of that increase remains unknown; therefore, Cascade has removed it from the case. In addition, Cascade moderated 2020 non-union wage increases from 4.0 percent to 3.55 percent, in light of COVID-19-related economic conditions, and reduced its requested 2021 non-union wage increase from 4 percent included in the Company's Initial Filing to 3.0 percent that has already been incorporated into employee wages. In total, Cascade has reduced its wage-related revenue requirement request in this case by $627,696.[10]

Cascade believes that its revised rate increase request is very reasonable, particularly given the Company's ongoing capital investment requirements.

[8] Darras, Exh. PCD-3T at 5.
[9] Darras, Exh. PCD-3T at 6.
[10] Kaiser, Exh. JEK-1T at 3.

Q. Has Cascade also proposed measures by which to offset the rate impact of this case?

A. Yes. As described by Cascade witness Mr. Michael Parvinen, Cascade has proposed two measures to offset all near-term rate impacts for most customers, including (1) accelerating the remaining 8-year amortization period for Cascade's unprotected EDIT to 1 year, which would offset approximately $5 million; and (2) extending the 3-year amortization or recovery of increased gas costs associated with the Enbridge pipeline explosion, to the extent necessary to cover the balance of the rate increase for residential and commercial customers.

When combined with Cascade's reductions to its rebuttal filing, these rate mitigation efforts ensure that Cascade can continue to provide the quality, safe, and reliable service that is essential to our customers, while also eliminating any near-term rate impact for most customers.

Q. Staff and AWEC express concern that Cascade filed a rate case given the broader economic circumstances resulting from the COVID-19 pandemic.[11] Please respond.

A. Cascade recognizes that customers are currently experiencing ongoing economic hardship associated with COVID-19. While Cascade initially anticipated that these economic impacts would be significantly reduced by the time proposed rates will take effect in May 2021, we now understand that the economic impacts may be longer-

[11] McGuire, Exh. CRM-1T at 2 (stating that Staff "is somewhat dismayed by Cascade's filing" given "the economic consequences of COVID-19"); Mullins, Exh. BGM-1T at 2 (stating that, "[f]or many ratepayers this proposed rate increase could not have come at a worse time").

lasting. Cascade has worked hard to minimize costs and maximize efficiencies, but we remain obligated to incur certain costs that are necessary to support the safe and reliable provision of service. Specifically, two central categories of Cascade's costs have increased, despite Cascade's reasonable cost-control efforts.

First, Cascade has continued to pursue crucial infrastructure investments necessary to ensure the safety and integrity of the Company's system. This means Cascade has to acquire significant new capital in a period of heightened volatility, risk, and costs, as described by Ms. Bulkley. In addition, as discussed by Cascade witnesses Ms. Bulkley and Ms. Tammy Nygard, in the wake of the Tax Cuts and Jobs Act ("TCJA"), credit rating agencies are more closely scrutinizing whether Cascade's financial metrics and regulatory outcomes are sufficient to sustain its credit rating, as evidenced by Fitch Ratings' ("Fitch") downgrade of Cascade in 2018. Indeed, Fitch's most recent credit report from December 2020, included as an exhibit to Ms. Nygard's Rebuttal Testimony,[12] specifically highlights the importance of timely rate case filings to alleviate persistent regulatory lag in Washington.

Second, to ensure safe and reliable service, Cascade must compensate its employees fairly. While many of Cascade's personnel have been able to work remotely, the Company's essential employees have continued reporting to work onsite (with increased safety measures) to ensure the provision of safe and reliable service. We are proud of the dedication that Cascade's employees have shown during this difficult time to ensure that the quality, safety, and security of essential gas service

[12] See Nygard, Exh. TJN-5 (*FitchRatings, Fitch Affirms Ratings of MDU, Montana-Dakota, Cascade and Centennial Energy; Outlooks Stable* (Dec. 23, 2020)).

remains unaffected by the broader economic disruptions. Salaries and benefits must be sufficient to compensate our employees for their diligence and to allow Cascade to attract and retain qualified employees. This issue is addressed in more detail in the Rebuttal Testimony of Mr. Kaiser.

Together, these two central cost categories drive the cost increase in this rate case. As a cost-of-service utility, Cascade appropriately seeks the opportunity to recover these prudently incurred costs.

Q. Is Cascade taking steps to support customers outside of the scope of this rate case?

A. Yes, absolutely. As I explained in my Direct Testimony, Cascade has implemented a number of measures designed to ensure that customers can continue to receive essential gas service despite economic hardships.[13] These measures include a temporary suspension of late payment charges and a moratorium on service disconnections related to customer circumstances that result from the pandemic. In addition, the Commission approved Cascade's proposed temporary modification to the WEAF, called the Hardship Economic Assistance Receivable Temporary ("HEART") grant program, which provides bill assistance to customers who have experienced financial difficulty due to the pandemic. TEP recognizes that Cascade's HEART grant program offered a "proactive response" to customers' economic crisis.[14] These initiatives and programs are in addition to the Company's ongoing Winter Help, Budget Payment Plan, and other programs designed to support low-income customers through bill assistance and energy conservation support.

[13] Direct Testimony of Nicole A. Kivisto, Exh. NAK-1T at 6.
[14] Collins, Exh. SMC-1T at 8.

Q. Is a general rate case filing incompatible with providing robust support to customers in need?

A. No, as evidenced by Cascade's range of customer support initiatives, as well as the comprehensive offsets proposed in this Rebuttal Filing. The Company is committed to ensuring that its customers do not face disconnections as a result of pandemic-related hardship, and has worked with the Commission and other stakeholders to expand the available support to customers at this time. Cascade has also worked hard to reduce its costs in light of the protracted economic impacts of the COVID-19 pandemic, and has designed its Rebuttal Filing to eliminate near-term rate impacts for most customers. The Commission has recognized the need to carefully balance cost recovery with customers' need to avoid burdensome rate increases.[15] Cascade's robust customer support efforts are entirely compatible with ensuring that the Company has a reasonable opportunity to recover prudent costs of providing safe and reliable service.

Q. Do you have any other over-arching responses to other parties' testimonies?

A. Yes. Cascade provides an essential customer service and has worked hard to both (a) minimize cost increases and (b) maintain needed levels of crucial infrastructure investments. Cascade is reasonably seeking an opportunity to recover its prudently incurred costs, while continuing to work diligently with the Commission, Staff, and other parties to ensure that our most vulnerable customers are protected during these difficult times through the proactive initiatives and programs I describe in my testimony.

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[15] *Washington Utilities & Transportation Commission v. Puget Sound Energy*, Docket UE-190529 *et al*, Order 08 at ¶ 666 (July 8, 2020).

Against this backdrop, I was troubled by Staff's assertion that the Company's filing was not "true and honest"[16]—a very serious and unsubstantiated allegation. It appears that the central basis for Staff's characterization is a readily resolved misunderstanding regarding the Company's pro forma plant in service, which (as discussed in more detail by Mr. Parvinen and Mr. Darras) naturally accrues during the summer months as months-long projects frequently go into service in the period leading up to winter's peak heating season. We hope that, in the future, such misunderstandings may be resolved through informal conversation and discovery without resorting to accusations of bad faith. Cascade looks forward to continuing the Company's broader, collaborative efforts with these and other stakeholders as we continue to navigate these unpredictable and unprecedented times.

Q. What is your specific response to Staff's testimony that Cascade's earnings demonstrate that no rate increase is required?

A. Staff claims that Cascade is currently earning a 8.01 percent rate of return and therefore concludes that this filing is "frivolous."[17] However, Staff's testimony fails to use actual 2019 net operating revenues,[18] and ignores the impact of 2020 plant additions and wage increases—which are the key drivers of this case. As Mr. Parvinen's testimony explains, Cascade's known and measurable pro forma adjustments for plant additions and labor drive its rate of return to the 5 percent range. The fact that Cascade would

[16] McGuire, Exh. CRM-1T at 34.
[17] *Id.* at 5.
[18] As noted by Mr. Parvinen in his Rebuttal Testimony, Staff appears to calculate 8.01 percent by using adjusted, rather than actual, net operating revenues. *See* Rebuttal Testimony of Michael P. Parvinen, Exh. MPP-2T at 7 n.19.

be earning 8.01 percent if it did not face escalating capital and labor costs demonstrates its success in controlling its general operating costs. But contrary to Staff's testimony, the reality of Cascade's ongoing expenditures cannot be ignored.

Q. Can you elaborate?

A. Yes. Cascade was clear in its Initial Filing that this case was driven by 2020 plant additions as well as the 2020 and 2021 wage increases, and that Cascade would confirm in its Rebuttal Filing that all such costs were properly known and measurable. Cascade's Rebuttal Filing includes pro forma adjustments only for (1) plant placed in service by December 31, 2020 at actual in-service cost, and (2) wage increases granted by December 31, 2020, applied to actual hours from the test year.

As explained in the Rebuttal Testimony of Mr. Darras, Cascade has placed into service $57.3 million of the original $66.1 million of budgeted investment included in the Initial Filing. Staff's testimony that Cascade was not close to spending the amount included in its Initial Filing at September 30, 2020,[19] disregards the timing of normal construction cycles and fails to acknowledge that a significant amount of the Blanket Project budget was already complete and in service at that time.

Q. Did Cascade make clear that it was seeking to address the deleterious effects of regulatory lag through its approach to this filing?

A. Absolutely, both Mr. Parvinen and I identified the regulatory lag associated with capital additions as a chief driver for this case. It is for precisely this reason—mitigating the impact of regulatory lag—that Cascade proposed to include its major investments and

[19] McGuire, Exh. CRM-1T at 21 (describing Cascade's capital investment projections as "grossly out of step with reality").

programmatic investments through the end of 2020—which is still approximately four and one-half months prior to rates going into effect. Regarding the programmatic investment, or blanket projects, Cascade included these projects primarily to address regulatory lag—and appropriately identified and considered offsetting revenues.

Q. Will recovery of the investment that is in service by the end of 2020 eliminate all regulatory lag?

A. No. Cascade's capital budget for Washington-based projects is $75 million in 2021, which is nearly three times the amount of the annual depreciation expense in that same period. This means that by the time rates from this rate case go into effect, rates will again be substantially lagging investments. The same is true for Cascade's labor costs because, as noted above, Cascade removed the 2021 union increase from its rebuttal filing. As an additional measure to close these gaps, therefore, Cascade has proposed end of period rate base, the justification for which is addressed in Mr. Parvinen's testimony.

IV. OTHER CUSTOMER SUPPORT PROPOSALS

Q. TEP recommends that Cascade provide a status report on the WEAF on April 1, 2022.[20] Is Cascade amenable to TEP's proposal?

A. Yes. Cascade agrees that providing a status report on April 1, 2022 will allow for an adequate amount of time to implement any changes to the WEAF for the 2022/2023 program year.

[20] Collins, Exh. SMC-1T at 9.

Q. TEP proposes that Cascade develop a Disconnection Reduction Plan, pointing to similar commitments from other Washington utilities.[21] How do you respond?

A. Cascade agrees that a Disconnection Reduction Plan may be useful to help reduce or eliminate service disconnections. Cascade views disconnection of service as a last resort and agrees that reduction or elimination of this outcome may be in the best interest of all parties, as long as costs are not unfairly shifted to other customers or to the Company. Cascade agrees to consult with the Company's WEAF Advisory Group in 2021 about developing a Disconnection Reduction Plan.

V. LOAD STUDY

Q. Please summarize the issues raised by Staff and AWEC regarding Cascade's commitment to perform a load study.

A. Staff and AWEC criticize Cascade for not having completed a new load study before filing this case, alleging that the Company's failure to do so contravenes settlement agreements from previous rate cases.[22] Staff and AWEC recommend the Commission require Cascade to complete a load study prior to filing its next general rate case.[23] AWEC also recommends "that a new docket be opened to facilitate a stakeholder process to oversee the creation of Cascade's load study, including periodic workshops where stakeholders can consider the results and the progress being made towards completion of the load study."[24]

[21] Collins, Exh. SMC-1T at 10. Note, while other utilities have agreed to propose Disconnection Reduction Plans, it appears that no utility has yet submitted such a plan to the Commission for review.
[22] Staff Testimony of Aimee N. Higby, Exh. ANH-1T at 12; Mullins, Exh. BGM-1T at 45.
[23] McGuire, Exh. CRM-1T at 4; Mullins, Exh. BGM-1T at 45.
[24] Mullins, Exh. BGM-1T at 45.

Q. Is Staff's and AWEC's criticism fair in light of Cascade's efforts to build the infrastructure necessary for performing a load study?

A. No. Staff and AWEC leave out key facts, notably the complexity and costs of building out a load data collection system in Cascade's service territory, the efforts Cascade has made to date to install the necessary infrastructure, and the agreements of the parties in various settlements, which include an interim approach to cost-of-service issues pending Cascade's development of the capacity to conduct a load study. Specifically, in the 2015 rate case, Cascade committed to *initiate* a load study before filing its next case (without a specific completion date), and in the 2017 and 2019 proceedings, Cascade and the parties agreed to a compromise approach regarding rate spread and rate design to allow time for Cascade to plan for the load study and make needed investments in infrastructure to facilitate collection of load data.

Before addressing Staff's and AWEC's specific concerns, I will provide additional background on the Company's efforts over the past four years and provide an update about the Company's current plans regarding the investment in infrastructure and data collection needed to develop a load study.

A. Background on Cascade's Load Study Commitments

Q. Please provide the history of the Company's commitment to develop and file a load study with the Commission.

A. In its 2015 rate case, Docket UG-152286, the Company entered into a settlement agreement that included a commitment to "initiate a load study" before filing its next rate case.[25] In Order 04 in that case, the Commission approved this aspect of the settlement, recognizing that the commitment was to initiate the load study process, which would not be a quick or simple exercise:

> The load study the Settlement requires Cascade to initiate will provide a more accurate basis for determining the extent to which each class contributes to the Company's costs. We are concerned, however, that Cascade will only begin conducting that study prior to its next general rate case but will not complete it before making its next rate filing. We understand that the breadth and geographic diversity of Cascade's service territory increases the complexity and time required to complete a study, but we encourage Cascade to provide as much information as possible about its customers' gas usage in its future rate filings to support an appropriate rate spread.[26]

Q. After the Commission approved the settlement in the 2015 rate case, what actions did Cascade take to initiate a load study?

A. The Company began investigating the types of load studies that might be performed, the various components to include, the time required for such studies, and the potential costs. The Company had informal discussions with several local distribution companies, including Puget Sound Energy, Northwest Natural Gas Company, and Avista Corporation, and worked with its own technical experts on the scope and potential costs of a load study.

Based on this initial research, Cascade determined that installing the equipment

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[25] *Washington Utilities & Transportation Commission v. Cascade Natural Gas Corp.*, Docket UG-152286, Joint Settlement Agreement at ¶ 46 (May 13, 2016). The commitment in the settlement provided (1) that the purpose of the load study is to determine the class core responsibilities of daily therms at the city gates; (2) it must include an accurate calculation and a report of unbilled revenues by revenues type unless actual usage data is collected and used; (3) it must sample the constituents of the Company's core usage classes in a manner that captures their geographic properties in a representative way; and (4) it must include work papers demonstrating the daily volumes at each of the Washington system's city gates.

[26] Docket UG-152286, Order 04 at ¶ 19 (July 7, 2016).

required to log usage data in Cascade's primarily rural service territory would cost millions of dollars and the load study would take several years to complete. As a result, Cascade began exploring more cost-effective and expeditious options to meet the objectives of the settlement commitment. Specifically, Cascade focused on developing a new forecast demand model, which would provide a load forecast at the daily citygate level by each customer class.[27] The model would allow Cascade to determine the class core responsibilities of daily therms at the citygates.[28]

Q. Consistent with this approach, did Cascade develop a new load forecasting model for its 2017 rate case?

A. Yes. Cascade included a new load forecasting model in its initial filing in its 2017 rate case, Docket UG-170929.[29]

Q. How did the parties to Docket UG-170929 respond to the cost-of-service study results and proposed rate spread based on the Company's load forecasting model?

A. Staff argued that the load forecast did not meet its definition of a load study and ultimately the parties agreed in settlement that Cascade should still plan to perform a load study using actual usage data.[30] However, in recognition of the fact that it could take time for Cascade to install needed infrastructure to collect data for the load study, the parties also agreed to an approach that would allow Cascade to continue to file rate

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[27] *Washington Utilities & Transportation Commission v. Cascade Natural Gas Corp.*, Docket UG-170929, Direct Testimony of Brian Robertson, Exh. BR-1T at 8 (Aug. 31, 2017).
[28] *Id.* at 8.
[29] *Id.* at 8; Robertson, Exh. BR-2 (Forecast Model).
[30] Docket UG-170929, Partial Joint Settlement at ¶ 27 (May 18, 2018) ("The Company will perform either a load study to determine actual core class usage or a detailed load analysis of actual core class usage tied to the completion of the Company's advance[d] metering infrastructure ("AMI") program and associated fixed network.").

cases while taking the steps necessary to begin collecting actual usage data. Specifically, the parties agreed that until the Company completed a load study or load analysis based on actual core class usage data, in any future rate case filings the Company would keep basic charges at the same level agreed to in the settlement, and that rate spread would be applied on an equal percent of margin increase or decrease to each schedule, except for Special Contracts.[31]

Q. Did the Partial Joint Settlement in the 2017 rate case include a deadline for filing the load study?

A. No, it did not. In approving the Partial Joint Settlement, the Commission specifically noted that there was no deadline required for completing the load study.[32]

Q. Did the Commission approve the settlement agreement's approach to basic charges and rate spread in future rate cases pending development of a new load study?

A. Yes. The Commission stated that "we are satisfied that the Settlement here imposes appropriate parameters and restrictions on the allocation of future rate increases until such time as a load study or detailed load analysis is complete."[33]

Q. At that time, what steps did Cascade take toward performing a load study?

A. In 2017, the Company began scoping the use of newly installed Encoder Receiver Transmitters ("ERT") in combination with reprogramming Mobile Meter Reading ("MMR") equipment to take the readings necessary to effectively collect the data

[31] *Id.* at ¶ 28.
[32] Docket UG-170929, Order 06 at ¶ 69 (July 20, 2018).
[33] *Id.* at ¶ 72.

needed to determine customer class usage. The Company decided to use the combination of ERT and MMR equipment to minimize study costs and initiated the ERT project in the fourth quarter of 2017.

Q. Did the Company also consider other alternatives for collecting the data for a load study at that time?

A. Yes. The Company also recognized that the use of a Fixed Area Network ("FAN" or "fixed network") could provide certain advantages, and began scoping network design and required technologies.

Q. What is a fixed network?

A. A fixed network is constructed with collectors and repeaters, which are devices that read data from the ERTs and transmit the data back to a software program that compiles the data. The collectors and repeaters are installed at an elevated height to maximize range, which in favorable terrain, can result in readings of up to five miles from the receiver. The fixed network can be programed to bring in hourly or daily ERT reads. Once installed, the fixed network will allow for automated readings such that a meter reader will no longer need to drive their vehicle with the MMR installed to collect reads in areas supported by fixed network.

Q. At that time, did the Company begin work to install a fixed network?

A. No. The Company had only started initial scoping of a fixed network, and had not yet performed a feasibility analysis or cost study.

Q. In the 2019 general rate case filing, did the Company adhere to the commitment in the 2017 settlement agreement to maintain the basic charges at the same levels

agreed to in the 2017 settlement and to allocate the increase on an equal percent of margin basis?

A. Yes. The Company's proposal followed the parameters outlined in the settlement in the 2017 general rate case. The Company also provided an update of its efforts to initiate a load study.

Q. Did the parties in the 2019 rate case continue to support this approach?

A. In general, yes. As part of the settlement in the 2019 rate case, the parties agreed that cost of service study issues would be addressed in the then-pending rulemaking proceeding, Docket UG-170003, and agreed to again hold the basic charges flat and use the same rate spread approach outlined in the 2017 settlement.[34]

Q. Did the Commission offer any views about this approach?

A. In approving the settlement in the 2019 rate case, the Commission commented that this approach seemed reasonable in light of the fact that the cost of service rulemaking was still pending.[35]

Q. Was Cascade able to begin collecting data in the 2019-2020 heating season?

A. Unfortunately, no. The ERTs were not yet fully installed and Cascade was still reviewing the best approach for data collection. Data collection requires either reprogramming the MMR equipment and making upgrades to its information technology ("IT") system or installing the fixed network to allow for the collection of daily data from the meters.

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[34] *Washington Utilities & Transportation Commission v. Cascade Natural Gas Corp.*, Docket UG-190210, Joint Settlement Agreement at ¶¶ 13-14 (Sept. 20, 2019).
[35] Docket UG-190210, Order 05 at ¶ 20 (Feb. 3, 2020).

Q. To date, has Cascade made significant investments in the infrastructure needed to develop a load study?

A. Yes. Over the course of the fourth quarter of 2017 to 2020, Cascade has completed nearly all of the ERT installations in its Washington and Oregon service territory, and spent over $20 million to do so. Based on the relative numbers of changed meters in Oregon and Washington, the Washington-allocated share of this $20 million is approximately $15.2 million.[36] Final ERT installation will be complete by June 2021.

Q. Did Cascade perform a load study before filing this case?

A. No. As I explained in my Direct Testimony, since the needed infrastructure was not yet in place and the Company did not have the necessary data, the Company did not perform a load study before filing this case.

Q. Did the Company adhere to the parameters of the settlement in the 2017 and 2019 cases in proposing the basic charges and rate spread in this case?

A. Yes. Consistent with the approach outlined in the settlement agreements in Dockets UG-170929 and UG-190210, the Company proposed no changes to the basic charges and allocation of the Company's requested increase on an equal percent of margin basis.

Q. At the time Cascade filed this case, in June 2020, how was the Company planning to collect the data to perform a load study?

A. At that time, the Company had planned to begin collecting data in the 2020-2021 heating season assuming it could complete the final study design and equipment

[36] To date, Washington had approximately 76 percent of the changed meters.

modifications during the summer of 2020. The Company also planned to continue preparations for building out a fixed network, but had anticipated that the investment in the fixed network would likely be made in 2024-2025.

Q. Why had the Company initially planned to start work on the fixed network in 2024?

A. At that time, the Company had thought it would be necessary to build additional time into the fixed network project schedule to identify where the fixed network equipment should be placed—which often involved co-location with electric utility infrastructure—and obtain approvals to allow for joint use installations. However, the Company recently determined that it could expedite installation and data collection by first installing equipment on Company-owned locations, and that the data may be representative of Cascade's whole customer base. As a result, the Company determined that it could begin work on the fixed network sooner than originally planned.

Q. Was the Commission's order in the cost-of-service rulemaking also a factor in the Company's decision to accelerate the roll out of the fixed network?

A. Yes. Subsequent to the Company's Initial Filing, the Commission issued its order in the cost-of-service study rulemaking proceeding, which includes a requirement that utilities file a cost-of-service study with their rate case filing.[37] Given the

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[37] *See In the Matter of Amending WAC 480-07-510 and Adopting Chapter 480-85 WAC Relating to Cost of Service Studies for Electric and Natural Gas Investor-Owned Utilities*, Dockets UE-170002 and UG-170003, General Order R-599 at ¶ 33 (July 7, 2020) ("Proposed WAC 480-85-020 states that the rules will apply to any person or party filing a cost of service study in any proceeding before the Commission. The interrelation with the proposed amendments to WAC 480-07-510(6) clarifies that the *initial* filing of a general rate case should contain a cost of service study in compliance with proposed chapter 480-85 WAC.").

Commission's adoption of new rules that require a load study based on actual data in all future rate case filings, the Company determined that the fixed network would provide a more durable, long-term solution for collecting the data needed to perform a load study, and would also provide operational benefits and costs savings once it is fully deployed, including reduced O&M costs associated with meter reading. The Company also determined that it could begin to gather data over the 2020-2021 heating season, which is critical to providing the foundation for Cascade to develop a load study.

Q. Has the Company started to develop the fixed network?

A. Yes. To get data collection going as quickly as possible, Cascade is installing collectors at Company facilities such as district offices, gate stations, and rectifiers. As of December 31, 2020, the Company has installed 12 collectors, collectively capable of reading 22,000 endpoints over a 24-hour period—capturing just over 10 percent of Cascade's Washington meters (215,000 meters). The following table illustrates the data the Company collected as of December 31, 2020:[38]

Table 2: Cascade Fixed Area Network Reads in a 24-hour Period as of December 31, 2020

City	Meter Count	FN Reads	Commercial	Industrial	Residential
ABERDEEN	1821	1554	350	3	1201
BELLINGHAM	30846	9669	1319	13	8337
BURLINGTON	4792	20	3		17
DEMING	38	38	13		25
EAST	507	393	91	2	300

[38] Note, while 12 collectors were installed, certain collectors have endpoints in multiple towns (e.g., a collector in Aberdeen also has endpoints in Hoquiam). The 12 collectors therefore have collected data from 17 cities.

WENATCHEE					
EVERSON	1304	88	19	1	68
FERNDALE	6208	14			14
HOQUIAM	1311	142	32	4	106
KELSO	677	166	92	5	69
KENNEWICK	10043	1553	664		889
LONGVIEW	2362	457	157	3	297
MOUNT VERNON	12065	2973	570	7	2396
PASCO	13162	1385	142		1243
RICHLAND	9138	641	118		523
SEDRO WOOLLEY	4237	1337	103	8	1226
WALLA WALLA	10741	896	381	9	506
WENATCHEE	1634	864	404	7	453
Totals	110886	22190	4458	62	17670

The figures shown in Table 2 represent a snapshot in time, and the Company will continue to install fixed network equipment in its service territory over the course of 2021 and 2022.

Q. What are the next steps for installation of collectors in 2021 and 2022?

A. The Company has a contractor scheduled to install additional collectors in Kennewick, Yakima, and Moses Lake in January 2021.[39] The Company will continue to identify other potential locations for installation and expects to have evaluated all the opportunities for installing fixed network equipment on its own sites by the end of January 2021. Thereafter, the Company will begin evaluating other potential locations for installation of collectors and start approaching utilities to negotiate joint use agreements in the first half of 2021. Assuming Cascade is able to timely secure

[39] Note, some cities (e.g., Kennewick) will have more than one collector.

permission to use utility infrastructure to make additional deployments, Cascade will continue to install additional collectors and repeaters for the remainder of 2021. Cascade will push ahead with this work as quickly as possible, but also expects that a substantial portion of the work may not be completed until 2022.

Q. What is the budget for the fixed network in 2021 and 2022?

A. Cascade has budgeted $2.5 million for investment in the fixed network in 2021, and $4.5 million in 2022, on a system-wide basis. Most of the work associated with the fixed network will be completed in 2022. A Washington-specific breakdown will be available once the deployment schedule is determined.

Q. When will the installation of the fixed network be complete?

A. The Company anticipates that the bulk of the fixed network will be complete by December 31, 2022, although some final installation work may be required in 2023. Any final work in 2023 will not impact Cascade's ability to complete a load study.

Q. Will the Company continue to collect data during this heating season?

A. Yes, as noted above, the Company has already started to gather data from the fixed network and will continue to do so throughout this winter.

Q. What do you plan to do with the data collected during the 2020-2021 heating season?

A. We will analyze the data and will plan to share the results of the data collected with the stakeholders in this case. Given the limited scope of the initial roll out of the collectors—which are located at Company facilities—it is not clear whether the data collected this season will be representative of all customers for purposes of a load study analysis. We propose to hold a workshop in summer 2021 to share the data and to allow stakeholders to ask questions and provide input that may help Cascade in developing its load study.

Q. Do you expect to be able to collect data during the 2021-2022 heating season that would be adequate to support a load study?

A. We expect to have significantly expanded the reach of the fixed network by that time, and so we anticipate that we will be able to collect substantially more data during the 2021-2022 heating season. However, we do not plan to complete the fixed network project until 2022, and I would also caution that the usefulness of the data collected is dependent on whether there is a peak cold weather event during that time period. If we experience a mild winter with no peak or design day conditions, the data may not be as useful for purposes of the load study.

B. Response to Issues Raised by Staff and AWEC

Q. Please respond to Staff's assertion that Cascade "seems to display wanton disregard for the terms it agreed to and for the Commission's three previous orders."[40]

A. Staff's claim is not true. Cascade takes its commitment to perform a load study seriously, and while Staff appears to be frustrated that the Company has not acted more quickly, Staff's assertion fails to consider the evolution of the Company's plans—and its settlement commitments—over the course of the past three rate cases. As I explained above, the Company took a careful and deliberative approach to develop the best, most cost-effective solution for a load study, and is making progress toward

[40] Higby, Exh. ANH-1T at 12.

completing a load study in good faith. Indeed, on a total system basis, the Company has already invested $20 million in meters capable of providing data needed for a load study, and plans to invest another $7 million in the fixed network over the next two years. Staff's criticism here fails to recognize the level of investment required to install equipment capable of collecting the data, and the time it takes to get the necessary equipment in place over a vast and non-contiguous service area. Moreover, Staff ignores Cascade's steady progress over the past few years in building data collection capabilities.

Q. Staff and AWEC express concern that the Company has not yet started collecting data.[41] How do you respond?

A. This concern is unfounded. As I have described above, the Company has started collecting data from the initial fixed network installations in this heating season, and expects to collect more data as more fixed network equipment is installed.

Q. Do you agree with Staff's and AWEC's proposal that the Commission require Cascade to complete a load study before filing its next case?

A. No. First, independent of Staff and AWEC's request in this case, the cost-of-service rules require that Cascade file a load study with its next case. This means that Cascade will either need to make such a filing or show good cause for a waiver of the rule. Depending on the data collected in 2020-2021, Cascade may need to seek a waiver of the requirement to file a load study. Cascade notes that it will have the burden to justify a waiver, and other parties will have the opportunity to respond at that time.

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[41] Higby, Exh. ANH-1T at 12; Mullins, Exh. BGM-1T at 45.

Second, as I explained above, it is not clear whether Cascade will be able to collect adequate and representative data during the 2020-2021 heating season, and given the need for significant ongoing capital investments, Cascade may not be able to wait until after the 2021-2022 heating season to file a rate case. Even if the data collected during the 2020-2021 heating season proves to be representative of the total customer base and a peak heating day occurs, the Commission's new rule requires an entire year's worth of data.[42] If Cascade determines from a financial perspective that it must file another rate case in the next year because rates are not sufficient to allow the opportunity to earn a reasonable return, Cascade would need at a minimum a waiver from that aspect of the rule.

Q. What are the practical implications of requiring that Cascade perform a load study before filing its next rate case?

A. Given the uncertainty about the timing for data collection and the quality and representativeness of the data that will be collected during the current heating season, this requirement would essentially be a prohibition on filing a new rate case for an indeterminate amount of time—which is untenable from Cascade's perspective. Given the level of plant investment that Cascade has planned for 2021, which is currently estimated to be approximately $75 million, it is reasonably likely that the Company will need to file another rate case in 2021, and accordingly Cascade urges the Commission not to include any prohibition on filing another rate case, but instead consider the Company's request for waiver of the requirement to file a load study—if

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[42] WAC 480-85-030(5).

a waiver is required—when Cascade files such a waiver before filing its next rate case. The Commission should not impose a limitation that would prejudge the Company's request for waiver—when and if such a waiver is requested—without first understanding the facts and circumstances involved, and without also balancing the Commission's obligation to provide the Company an opportunity to earn a fair return on its investment.

Q. AWEC also proposes initiating a new docket and holding workshops to monitor Cascade's efforts to develop a load study.[43] Do you think this is necessary?

A. No. While Cascade does not believe a separate docket is needed, Cascade has proposed to hold a workshop in summer 2021 with interested stakeholders to discuss the data the Company has been able to collect in the 2020-2021 heating season from the preliminary roll out of the fixed network and seek stakeholder input regarding the feasibility of using that data to support a load study. Cascade is also willing to meet with stakeholders again in summer 2022 to discuss data collected from the 2021-2022 heating season.

VI. OTHER COMPANY WITNESSES

Q. Please present Cascade's witnesses submitting Rebuttal Testimony in response to the Response Testimony submitted by other parties to this proceeding.

A. In addition to my Rebuttal Testimony, the Company is presenting Rebuttal Testimony from the following witnesses:

[43] Mullins, Exh. BGM-1T at 45.

- In Exhibit AEB-4T, Ms. Ann E. Bulkley, Senior Vice President at Concentric Energy Advisors, supports Cascade's revised ROE recommendation and responds to the ROE and capital structure recommendations from other parties.
- In Exhibit TJN-4T, Ms. Tammy Nygard, Controller, supports Cascade's updated cost of debt and overall rate of return, and demonstrates how its proposed capital structure is both safe and economic.
- In Exhibit MPP-2T, Mr. Michael Parvinen, Director of Regulatory Affairs, responds to the specific claims concerning the Company's need for a rate case, the policy reasons supporting recovery of pro forma capital projects, and tax issues.
- In Exhibit PCD-3T, Mr. Patrick Darras, Vice President of Engineering and Operations Services, provides an update on the Company's pro forma capital projects.
- In Exhibit JEK-1T, Mr. James E. Kaiser, Director of Human Resources for MDU Resources Group, Inc., supports the Company's known and measurable increases to compensation and benefits.
- In Exhibit MCG-11T, Ms. Maryalice C. Gresham, Regulatory Analyst, discusses the Company's revised revenue requirement and supporting calculations, and accepts Staff's proposed adjustment to amortization of the Maximum Allowable Operating Pressure deferred balance.
- In Exhibit IDM-11T, Mr. Isaac Myhrum, Regulatory Analyst, discusses the impacts of the revised revenue requirement on proposed rates and identifies the decoupling baseline from the proposed rates.

Q. Does this conclude your Rebuttal Testimony?

A. Yes.