

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS CORPORATION,

Respondent.

DOCKET UG-170929

RESPONSE TESTIMONY OF CARLA A. COLAMONICI (CAC-1T)

ON BEHALF OF

PUBLIC COUNSEL

February 15, 2018

RESPONSE TESTIMONY OF CARLA A. COLAMONICI (CAC-1T)

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EXHIBITS LIST

- Exhibit CAC-2 Public Counsel Adjustments to Cascade Miscellaneous Charges
- Exhibit CAC-3 Cascade Natural Gas Response to Public Counsel Data Requests 114, 115,
and 117.
- Exhibit CAC-4 Cascade Natural Gas Response to Public Counsel Data Request 78
- Exhibit CAC-5 Cascade Natural Gas Response to Public Counsel Data Request 82-
Revised (with Attachment)
- Exhibit CAC-6: Annual Customers Receiving Miscellaneous Charges
- Exhibit CAC-7 Cascade Natural Gas Response to Public Counsel Data Request 76 with
Attachment
- Exhibit CAC-8 Cascade Natural Gas Response to Public Counsel Data Requests 120 and
122
- Exhibit CAC-9 Cascade Natural Gas Response to Public Counsel Data Request 123
- Exhibit CAC-10 Cascade Natural Gas Response to Public Counsel Data Request 121

1 **I. INTRODUCTION / SUMMARY**

2 **Q: Please state your name and business address.**

3 A: My name is Carla A. Colamonici, and my business address is 800 Fifth Avenue,
4 Suite 2000, Seattle, Washington 98104. I am employed as a Regulatory Analyst with the
5 Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel).

6 **Q: Please describe your professional qualifications.**

7 A: I have a B.A. in Philosophy and a B.S. in Psychology from Loyola University Chicago,
8 as well as a Master of Public Policy also from Loyola University Chicago. Prior to
9 joining Public Counsel, I was a Consumer Rights Counselor and a Policy Intern at
10 Citizens Utility Board (CUB) in Chicago, Illinois. In my duties as a Consumer Rights
11 Counselor, I assisted ratepayers in understanding their rights under the Illinois Public
12 Utilities Act, filed informal cases with investor-owned utilities, and conducted billing
13 analysis. As a Policy Intern, I represented CUB at Stakeholder Advisory Group monthly
14 energy efficiency meetings and in negotiations on utility Energy Efficiency Portfolio
15 Standard Plans. Additionally, I worked on issues and cases related to Smart Grid
16 deployment, distributed generation, and consumer protections related to electricity
17 deregulation.

18 Since joining Public Counsel in August 2016, I have worked on a wide range of
19 energy issues and cases, including the review and analysis of utility conservation
20 programs, low-income assistance programs, and various issues in Avista Corporation's
21 2016 general rate case (Dockets UE-160228 and UG-160229).

1 Finally, I testified on behalf of Public Counsel in support of the settlements
2 reached in Docket UG-151663 (Puget Sound Energy’s Liquefied Natural Gas proposal)
3 and Docket UE-161123 (Puget Sound Energy Open Access Tariff), and in opposition of
4 the multiparty settlement in Docket UE-170033 and UG-170034 (Puget Sound Energy
5 2017 General Rate Case), as well as in Avista Corporation’s 2017 general rate case
6 (Dockets UE-170485 & UG-170486).

7 **Q: What exhibits are you sponsoring in this proceeding?**

8 **A:** I am sponsoring the following exhibits:

- 9 • Exhibit CAC-2: Public Counsel Adjustments to Cascade Miscellaneous Charges
- 10 • Exhibit CAC-3: Cascade Natural Gas Response to Public Counsel Data Requests
11 114, 115, and 117
- 12 • Exhibit CAC-4: Cascade Natural Gas Response to Public Counsel Data Request
13 78
- 14 • Exhibit CAC-5: Cascade Natural Gas Response to Public Counsel Data Request
15 82-Revised (with Attachment)
- 16 • Exhibit CAC-6: Annual Customers Receiving Miscellaneous Charges
- 17 • Exhibit CAC-7: Cascade Natural Gas Response to Public Counsel Data Request
18 76 with Attachment
- 19 • Exhibit CAC-8: Cascade Natural Gas Response to Public Counsel Data Requests
20 120 and 122
- 21 • Exhibit CAC-9: Cascade Natural Gas Response to Public Counsel Data Request
22 123

- Exhibit CAC-10: Cascade Natural Gas Response to Public Counsel Data Request

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Q: What is the purpose of your testimony?

A: I present Public Counsel's position regarding Cascade Natural Gas Corporation's (Company or Cascade) proposal regarding Miscellaneous Charges under Schedule 200.

Q: Please summarize your testimony and recommendations.

A: I have three recommendations regarding Cascade's Schedule 200 charges.

First, the Commission should reject the Company's proposal to increase the Reconnection Charge during Business Hours, Reconnection Charge after hours, Disconnect Visit Charge, Returned Check Charge, and Pilot Light Service Charge (Miscellaneous Charges or Miscellaneous Fees). The Company has not completed an analysis determining whether there is an actual need to increase these charges, nor have they provided any evidence verifying the need for the proposed increases. Furthermore, as Miscellaneous Charges are not cost-based charges, the Company should complete an analysis on the effects of the charges on customer behavior to determine whether increases will provide any benefit.

Second, the Commission should amend Cascade's Returned Check Charge from its current rate of \$18.00 to \$15.00 per incident. The Company is over-collecting on its Returned Check Charge.

Finally, I recommend that the Commission should discontinue the Pilot Light Service. The Company is the only natural gas service company in Washington State that offers this service under this type of tariff as a standalone service. Although the

1 Company currently offers the service at no cost when reconnecting service or
2 disconnecting service due to maintenance, the Company has not offered a compelling
3 reason as to why the standalone service should continue.

4 The Company has not completed *any* analysis on the need to increase these
5 Miscellaneous Charges. In fact, the Company asserts that these charges are not
6 influencing customer behavior; however, the issuance of these charges has actually
7 decreased over time.¹ Moreover, the Company was not able to provide any evidence
8 related to the need for increasing these charges or regarding the current effects of these
9 charges on customer behavior. As a result, Cascade's proposal should be rejected.

10 The Company's proposed adjustment reduced test year revenues by \$101,645.
11 Public Counsel's recommendation, as shown in Exhibit CAC-2, reduces the unadjusted
12 test year revenues by \$143,397.

13 **II. THE COMPANY HAS NOT PROVIDED EVIDENCE FOR INCREASING**
14 **THESE CHARGES**

15 **Q: Please explain Cascade's proposal regarding the increase to its Miscellaneous**
16 **Charges under Schedule 200.**

17 A: Cascade witness Ms. Jennifer G. Gross proposes the following changes in her Direct
18 Testimony:

- 19 • Increase Reconnection Charge during business hours from \$24.00 to \$28.00.
- 20 • Increase Reconnection Charge after business hours from \$60.00 to \$70.00.
- 21 • Increase Disconnect Visit Charge from \$10.00 to \$12.00.

¹ The exception to this is the Returned Check Charge, which will be discussed later.

- 1 • Increase Returned Check Charge from \$18.00 to \$21.00.
- 2 • Decrease New Premise Charge from \$45.00 to \$0.00.²
- 3 • Increase Pilot Light Service Charge from \$20.00 to \$24.00.³

4 **Q: Please describe these charges.**

5 A: Below is a summary of the Miscellaneous Charges, as stated in the Company's Schedule
6 200 tariff sheets.

- 7 • Reconnection Charge during business hours: a charge for service reestablished
8 between 8 a.m. and 5 p.m. on weekdays.
- 9 • Reconnection Charge after business hours: a charge for service reestablished
10 after 5 p.m. on weekdays and on Saturday, Sundays, and holidays (except for
11 medical emergencies).
- 12 • Disconnect Visit Charge: a charge imposed when the Company is required to visit
13 the customer's home with the intent of disconnecting service, but the visit does
14 not result in the disconnection of the customer's service.
- 15 • Returned Check Charge: a fee incurred when any check is returned unpaid by the
16 bank.
- 17 • New Premise Charge: charged at a location in which service has not previously
18 been established.
- 19 • Pilot Light Service Charge: service charged at the request of a customer for the
20 Company to turn-on or turn off the pilot light or gas insert.

² Public Counsel supports the Company's proposal to eliminate the New Premise Charge.

³ Direct Testimony of Ms. Jennifer G. Gross, Exh. JGG-1T at 5:1-7.

1 **Q: Does Cascade explain the basis for the increase of the Reconnect Charge during**
2 **business hours, Reconnect Charge after hours, Disconnect Visit Charge, Returned**
3 **Check Charge, and Pilot Light Service Charge?**

4 A: Yes. Cascade provides several reasons for increasing the charges. First, the Company
5 states that the charges have not been updated since 2007.⁴ Second, because Cascade's
6 Miscellaneous Charges are not fully-cost based, the Company states, "For that reason, the
7 charges must be set at a level high enough to discourage the behavior giving rise to the
8 charges, thus limiting the impact on other customers."⁵ However, Cascade also states
9 that these rates "no longer accomplish Cascade's objective of influencing customer
10 behavior."⁶ Finally, the Company states that it "applied reason" for assessing the need
11 for increasing the various Miscellaneous charges.⁷

12 **Q: Does Cascade provide an analysis on whether the Miscellaneous Charges should be**
13 **increased?**

14 A: No. Cascade did not analyze whether it had a need that would be addressed by increasing
15 the Miscellaneous Charges.⁸

16 **Q: Did Cascade conduct an analysis on the effect of increasing the Miscellaneous**
17 **Charges?**

18 A: No. The Company did not analyze the effect of the current charges on influencing
19 customer behavior or on the effect that raising the charges would have on customer

⁴ Gross, Exh. JGG-1T at 5:18.

⁵ Gross, Exh. JGG-1T at 5:22-24.

⁶ Gross, Exh. JGG-1T at 6:2-3.

⁷ Exh. CAC-3.

⁸ Exh. CAC-3.

1 behavior.

2 **Q: If Cascade did not complete an analysis to determine if current charges were no**
3 **longer influencing customer behavior, please explain how the Company came to this**
4 **conclusion.**

5 A: Responses to discovery indicated that Cascade did not complete any analysis, nor did it
6 have any work papers or other documents used to demonstrate that an increase was
7 necessary. However, Cascade states that it “arrives at its conclusion based on
8 conversations with the Company’s Credit Manager, who related his experience and the
9 feedback he has received from the call center representatives.”⁹ Furthermore, Cascade
10 states that the credit manager:

11 Having done what he could do internally, he explained that it would be
12 useful to increase the rates for the Reconnection (business hours),
13 Reconnection (after hours), Disconnection, Returned Check, and Pilot
14 Light service fees so that the fees keep pace with inflation and
15 customers will be encouraged to avoid incurring the fees.¹⁰

16 Finally, Cascade states, “While the conversation with the credit manager by itself
17 was not [an] analysis, the information the credit manager provides is the result of
18 analytical thinking about the Company’s billing and receivable.”

19 **Q: Did Cascade provide any work products associated with the results of the Credit**
20 **Manager’s analytical thinking mentioned above?**

21 A: No, they did not.

22 **Q: How has the Company calculated the new proposed charges in order to “influence**
23

⁹ Exh. CAC-4.

¹⁰ Exh. CAC-3.

1 **customer behavior”?**

2 A: According to Ms. Gross’s Direct Testimony,

3 In order to re-set the charges at a level where they are more likely to
4 influence behavior, the Company identified which charges appeared to be
5 no longer effective in influencing customer behavior, and applied to those
6 charges the consumer price index (“CPI”) inflation calculator posted on
7 the website for the Bureau of Labor Statistics.¹¹

8 However, the Company does not provide evidence explaining how it determined
9 which charges were no longer effective or that an increase based on the CPI inflator
10 calculator is appropriate.

11 **Q: Does Public Counsel agree with the method the Company used for calculating the**
12 **increases to the Miscellaneous Charges?**

13 A: Public Counsel does not have a current position on the method for calculating the
14 increase because I do not believe that Cascade has demonstrated that the Miscellaneous
15 Charge *should* be raised.

16 **Q: Does Public Counsel agree with Cascade’s proposal to increase these Miscellaneous**
17 **Charges?**

18 A: No. The Company has not provided any information, data, or evidence indicating that its
19 Miscellaneous Charges are not currently influencing customer behavior.

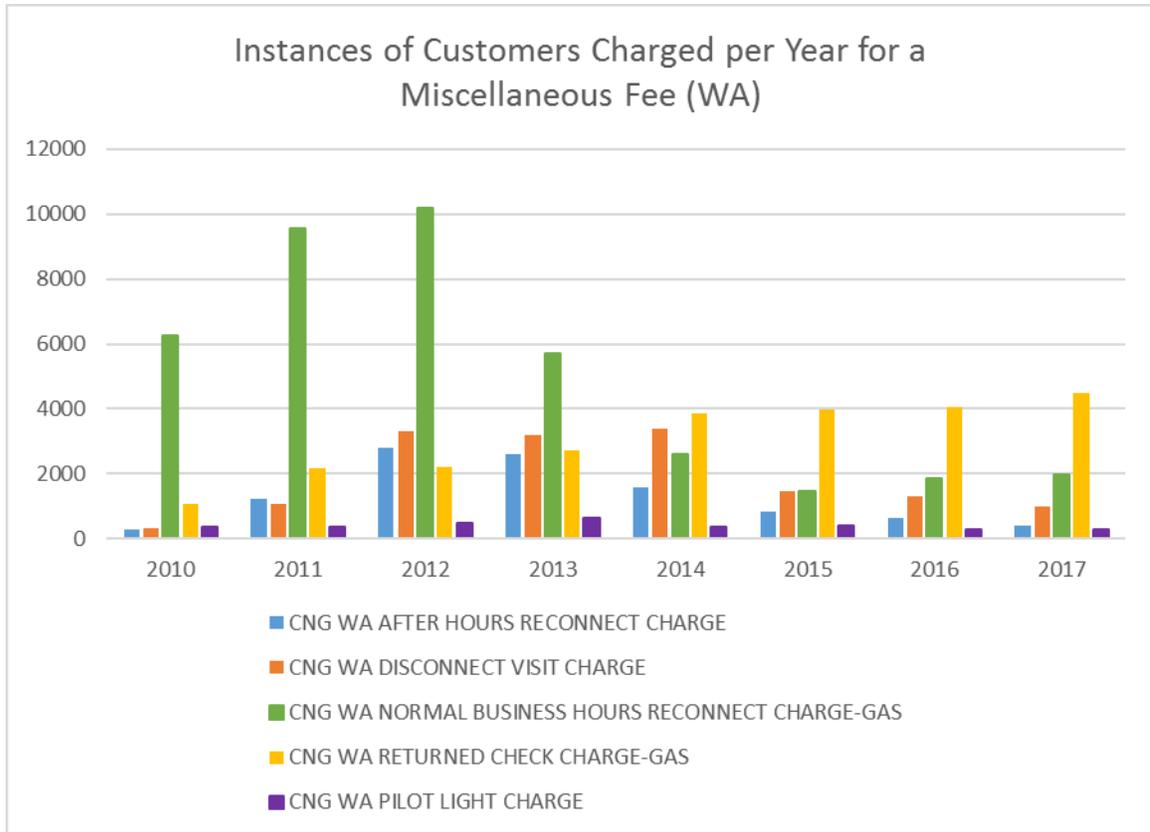
20 **Q: Does Public Counsel believe that the current rates are appropriately set?**

21 A: Yes. As shown in Figure 1 below, the number of instances in which Cascade issued
22 charges for the various Miscellaneous Charges has decreased over time without any
23 assistance from the Company to “influence customer behavior.”

¹¹ Gross, Exh. JGG-1T at 6:6-9.

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Figure 1: Instances of Customers Charged per Year for a Miscellaneous Fee¹²



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The data from this chart shows that beginning in 2014 the number of issuances per charge decreases. However, it appears that there is a slight increase annually in the number of instances in Returned Check Charges.

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Q: What is your understanding regarding customers who were charged Miscellaneous Fees more than once?

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A: My understanding is that, in most instances, Miscellaneous Fees were charged once annually to customers. For example, Cascade's Reconnect Charge after hours was issued

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¹² Data extracted from Cascade Response to Public Counsel Data Request 82-Revised, provided as Exh. CAC-5.

1 388 times in 2017, with 386 being one-time occurrences and two issuances were to a
2 customer that received more than one Reconnect Charge after hours in 2017.

3 As shown in my Exhibit CAC-6, the majority (or more than half) of the issuances
4 of these Miscellaneous Charges are one time annual occurrences. However, repeat
5 occurrences of charges are very close to becoming the majority of issuances in specific
6 years. These higher repeat categories are the Returned Check Charge and the Disconnect
7 Visit Charge. The Returned Check Charge contains the highest number of occurrences
8 and has the largest amount of repeat customers. The Disconnect Visit Charge between
9 2012 and 2014 contained large issuances of repeats; however, after 2014 the overall
10 number of issuances decreases along with the number of repeat issuances. Nevertheless,
11 during the 2010 to 2017 period, the majority of charges issued to customers saw no repeat
12 issuances occurring annually for its respective year and charge category.

13 **Q: Please describe your analysis based on the information Public Counsel has**
14 **presented.**

15 A: Public Counsel believes that if Cascade had completed an analysis on the effects of its
16 current Miscellaneous Charges, the Company would have immediately observed two
17 details. First, the overall issuance of Miscellaneous Charges has decreased (except for
18 the Returned Check Charge). Second, the number of customers receiving repeat
19 Miscellaneous Charges annually has generally decreased. As a result, I infer that outside
20 factors, and not the price of Cascade's charge, are influencing the reduction in
21 Miscellaneous Charge issuance.

1 **III. MISCELLANEOUS CHARGES ARE NON-COST BASED CHARGES**

2 **Q: Are the Miscellaneous Charges based on the actual costs incurred by Cascade?**

3 A: No, they are not. According to Ms. Gross' direct testimony and as previously stated,
4 "Schedule 200 charges are not fully cost-based charges because as full cost recovery for
5 the services provided under Schedule 200 would likely prove cost-prohibitive for many
6 of Cascade's customers."¹³

7 **Q: If costs are not based on actual costs incurred for these services, then how have
8 these fees been set previously?**

9 A: My understanding is that these costs have been approved through settlements or have
10 been compared to and set at similar amounts charged by other Washington State
11 utilities.¹⁴ For instance in Cascade's 2006 general rate case, UG-060256, the increases to
12 the Miscellaneous Charges were agreed upon in settlement (and accepted by the
13 Commission).¹⁵

14 **Q: Based on this understanding, how do Cascade's Miscellaneous Charges compare to
15 other natural gas utilities in Washington State?**

16 A: Below in Table 1 is a comparison of Miscellaneous Charges across Washington State's
17 utilities in comparison to Cascade's charges. In comparing Cascade's proposed rates to
18 other Washington utilities, Cascade's rates would be higher than all utilities except for
19 Puget Sound Energy's (PSE).

¹³ Gross, Exh. JGG-1T at 5:18-21.

¹⁴ Direct Testimony of Michael Parvinen, Exh. MPP-1T; *WUTC v. Cascade Nat. Gas Corp.*, Docket UG-060256, Order 05: Final Order ¶¶ 39-41 (Jan. 12, 2007); *WUTC v. Pacific Power & Light Co.*, Docket UE-140762, Order 08: Final Order ¶¶ 237-239 (Mar. 25, 2015).

¹⁵ *WUTC v. Cascade Nat. Gas Corp.*, Docket UG-060256, Order 05: Final Order ¶¶ 39-41 (Jan. 12, 2007).

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Table 1: Comparison of Miscellaneous Charges for Utilities in Washington State¹⁶

Name of Charge	Cascade Current Charge	Cascade Proposal	Avista	Puget Sound Energy	Pacific Power and Light	Northwest Natural Gas
Reconnect Charge (business hrs)	\$24.00	\$28.00	\$16	\$37	\$25	\$25
Reconnect Charge (after hrs)	\$60.00	\$70.00	\$32	\$74	\$50	\$50
Disconnect Charge	\$10.00	\$12.00	\$8	\$13	\$15	\$15
Returned Check Charge	\$18.00	\$21.00	\$15	\$16	\$20	\$15
Pilot Light Service Charge	\$20.00	\$24.00	None	None	NA	None

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Q: Please describe Public Counsel’s recommendation on setting non-cost based charges.

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A: Because these Miscellaneous Charges are non-cost based charges, I believe that an

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analysis of the current effects of these charges on customer behavior, as well as the

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effects of increasing these charges should be completed. Cascade has provided neither.

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IV. REDUCING THE RETURNED CHECK CHARGE

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Q: Please explain Cascade’s current Returned Check Charge.

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¹⁶ Avista Miscellaneous Charges from Washington Schedules 70 and 170; Puget Sound Energy Miscellaneous Charges in Schedule 80 and Rule 9; Pacific Power and Light Miscellaneous Charges in Washington Schedule 300; Northwest Natural Gas Miscellaneous Charges in Washington Schedule C.

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A: Cascade’s current rate for its Returned Check Charge is \$18.00. The Commission, in Cascade’s 2006 general rate case UG-060256, accepted this amount as presented through Settlement between the Company, Commission Staff, Public Counsel, and the Northwest Energy Coalition.¹⁷

Q: Should the Company’s rate for its Returned Check Charge remain at \$18.00?

A: No. Although the Returned Check Charge is the only Miscellaneous Charge that increased over the 2010 – 2017 period, this increase was minimal. Furthermore, the Company is currently over collecting on the cost to provide this charge. According to Cascade’s response to Public Counsel Data Request 76 presented in CAC-7, the actual costs for processing a returned check is \$14.34,¹⁸ which represents a total of a \$4 bank charge, \$7.13 of labor for 15 minutes, and 45 percent of labor loading. Thus, this new cost of processing a returned check is lower than the current rate of \$18.00.

Q: What is Public Counsel’s recommendation regarding the Returned Check Charge?

A: Public Counsel believes that the Company’s fee for Returned Check should be reduced to the actual cost of processing because it is unfair to charge customers more than the Company’s cost. Notably, none of the other Miscellaneous Charges are set above cost.

V. DISCONTINUANCE OF THE PILOT LIGHT SERVICE

Q: Please explain the Pilot Light Service.

A: The Pilot Light Service is available upon request by the customer to either turn on or turn

¹⁷ *WUTC v. Cascade Nat. Gas. Corp.*, Docket UG-060256, Order 05: Final Order ¶ 39 (Jan. 12, 2007).
¹⁸ I recommend rounding up for simplicity of the charge.

1 off the pilot light or gas insert for a fee of \$20.00 per request.

2 **Q: Why does the Company offer this program?**

3 **A:** According to Cascade's response to Public Counsel Data Request 120 as shown in CAC-
4 8, the Company has offered this service for many years. Cascade does not advertise this
5 program (except for door hangers), as it is not seeking to gain new participants for this
6 service.¹⁹ Moreover, the Company states "it continues to offer this service today because
7 customers are accustomed to the Company providing this service."²⁰

8 **Q: Does any other Washington natural gas utility offer this service?**

9 **A:** No other Washington utility offers this service under its miscellaneous charges tariff.²¹

10 **Q: Does Public Counsel believe that the Company should continue to offer this**
11 **standalone service?**

12 **A:** No, Public Counsel recommends that Cascade terminate its Pilot Light Service. First,
13 Cascade is the only Washington utility offering this service, which has minimal
14 participation. Second, the Company does offer to turn off or turn on the pilot light when
15 a customer is being reconnected (if they are home at the time of the reconnection) and
16 when customers are disconnected for maintenance reasons.²² Thus, it will continue to
17 offer pilot lighting in these instances. Finally, while the Company states that it does not
18 advertise the service and it is not seeking greater customer participation, the notifications
19 given to customers through door hangers, is informing customers of this option, thus,
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¹⁹ Exh. CAC-8.

²⁰ Exh. CAC-8.

²¹ Exh. CAC-9.

²² Exh. CAC-10.

1 maintaining participation.

2 **VI. CONCLUSION**

3 **Q: Please summarize your testimony.**

4 A: First, Public Counsel believes that Cascade has not demonstrated a need to increase its
5 Reconnection Charge during Business Hours, Reconnection Charge after hours,
6 Disconnect Visit Charge, Returned Check Charge, and Pilot Light Service Charge.
7 Cascade should conduct an analysis on the current effect of its charges on customer
8 behavior and the ultimate effects of any proposed increase. This is especially important
9 considering that these charges are not fully cost based charges.

10 Second, Cascade's Returned Check Charge should be reduced to its actual costs
11 for processing returned checks, which is \$15.00.

12 Finally, Cascade's Pilot Light Service Charge should be discontinued, as the
13 Company provides no evidence that it should continue.

14 **Q: Does this conclude your testimony?**

15 A: Yes.