Exhibit No. __ (PCD-3T)
Docket No. UG-200568
Witness: Patrick C. Darras

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 PATRICK C. DARRAS

JANUARY 8, 2021

TABLE OF CONTENTS

I. INTRODUCTION

Q. Are you the same Patrick C. Darras who filed direct testimony in this proceeding on behalf of Cascade Natural Gas Corporation ("Cascade" or "Company")?

A. Yes, as Exhibit PCD-1T.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to provide an update regarding the Company's pro forma plant additions as of December 31, 2020. As I explain in detail in my testimony, the majority of the pro forma plant additions included in Cascade's initial filing from June 19, 2020 ("Initial Filing") are now in service and the actual costs of the projects are known.

I will also respond to some specific adjustments or statements made by Staff and intervenor witnesses. Company witness Michael Parvinen responds to the regulatory and policy issues parties raised regarding Cascade's pro forma adjustments and explains how the Company's proposal complies with the Commission's requirements.[1]

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes, I sponsor the following exhibits:

Exhibit No. __ (PCD-4), Updated Summary of 2020 Capital Projects

Exhibit No. __ (PCD-5), Cascade's Response to AWEC Data Request 62 (Nov. 12, 2020)

Exhibit No. ___ (PCD-6), Cascade's Revised Supplemental Response to UTC Data Request No. 92 (December 23, 2020)

II. UPDATES FROM INITIAL FILING

Q. Please summarize the Company's Initial Filing in this case.

[1] Rebuttal Testimony of Michael P. Parvinen, Exh. MPP-2T.

A. In its Initial Filing, Cascade proposed a pro forma adjustment to include all supported 2020 projects that were projected to be in service by the end of 2020. The Company included fifteen discrete capital projects totaling approximately $43.4 million,[2] and $22.7 million in blanket funding projects.[3] The Company also proposed an adjustment to account for all new revenues associated with the proposed pro forma capital additions, as an offsetting benefit.[4] As of the date of the Company's Initial Filing, Cascade expected that its pro forma plant additions for 2020 would total $66.1 million,[5] and would increase rate base by $64,780,798.[6]

Q. Did you describe each of the projects in your direct testimony in this case?

A. Yes. In my direct testimony, I provided information about each of the discrete projects, including a detailed description of the project, the need for the project, how the project will benefit customers, the Company's evaluation of alternatives, and the estimated project cost and construction schedule.[7] I also explained what the blanket funding projects are and how the Company budgets for them.[8]

Q. Were most of the discrete projects underway when the Company filed this case?

A. Yes. Two of the discrete projects were already completed when the Company made its Initial Filing, and the remaining discrete projects were either under construction or were in

[2] Direct Testimony of Patrick C. Darras, Exh. PCD-1T at 11-68; Darras, Exh. PCD-2.
[3] Direct Testimony of Maryalice C. Peters, Exh. MCP-6. Note that in my direct testimony, I inadvertently provided the incorrect total for blanket funding projects. The correct total, which was reflected in Peters, Exh. MCP-6, is $22.7 million.
[4] Direct Testimony of Michael P. Parvinen, Exh. MPP-1T at 7-8.
[5] *See* Peters, Exh. MCP-6.
[6] Parvinen, Exh. MPP-1T at 5.
[7] Darras, Exh. PCD-1T at 11-68.
[8] *Id.* at 68-69.

the design phase and were scheduled to start construction within a month or two of the Company's June 2020 Initial Filing.

Q. Did the Company propose to update its Initial Filing?

A. Yes. The Company stated that its rebuttal testimony would provide an update with actual costs for those projects in service by the end of 2020 to ensure that its pro forma adjustment included only those projects that are used and useful and for which all costs are known and measurable.[9] Cascade also explained that it anticipated that its actual investment might vary somewhat from the budgeted amounts, but Cascade committed to providing updates in discovery as requested by parties.[10]

Q. Please summarize the Company's update regarding actual costs for plant in service by December 31, 2020.

A. Figure 1 below summarizes the updates. As I will explain in detail below, Cascade now requests recovery for 10 of the 15 discrete projects that were included in its Initial Filing, and the total actual cost for the 10 projects was approximately $39.3 million. Cascade completed approximately $17.9 million of the estimated $22.7 million in blanket funding projects. Thus, the Company's revised pro forma adjustment includes a total of approximately $57.3 million in capital projects, which is approximately $8.8 million less than what the Company proposed in its Initial Filing. Exhibit No. __ (PCD-4) provides an update to Exhibit PCD-2 (which summarized the 2020 discrete capital projects described

[9] Parvinen, Exh. MPP-1T at 6.
[10] *Id.*

in my direct testimony, Exhibit PCD-1T). The Company has also updated its revenue requirement with the actual costs for plant in service as of the end of 2020.[11]

Figure 1: Summary of Updated Plant Costs and In-Service Dates

Line No.	Description / Project Name	Actual Cost	Actual In Service Date
	A	B	C
1	*Discrete Projects*		
2	Wallula Gate Project	$ 17,005,803	12/29/2020
3	Othello Gate Project	$ 5,318,050	9/28/2020
4	Walla Walla Gate Project	$ 7,551,516	12/10/2020
5	Arlington Gate Project	$ 6,067,500	9/3/2020
6	Bellingham 8" HP Project	$ 1,584,350	1/23/2020
7	Moses Lake 4" PE Project	$ 213,958	4/23/2020
8	Walla Walla 6" Distribution Project	$ 402,969	10/26/2020
9	Bremerton Reg Station Project	$ 153,797	11/12/2020
10	Kennewick Odorizer Project	$ 167,647	11/20/2020
11	Bremerton Office Project	$ 863,148	12/21/2020
12	Total Discrete Projects	$ 39,328,738	
13			
14	*Blankets Projects*		
15	Regulator Station Growth and Gas Meters	$ 5,238,345	12/31/2020
16	Services for Growth	$ 10,049,382	12/31/2020
17	Mains for Growth	$ 2,637,278	12/31/2020
18	Total Blanket Projects	$ 17,925,005	
19			
20	**Total Plant Additions**	**$ 57,253,743**	
21			
22			
23	Delayed or Removed Discrete Projects		
24	Gibraltar 4" PE Project	$ 35,000	12/31/2020
25	Aberdeen 6" HP Project	$ 4,257,740	2021
26	Richland Keene Rd Project	$ 1,725,636	2021
27	Mount Vernon Reg Station Project	$ 352,514	2021
28	Richland Odorizer Project	$ 143,034	2021
29	Total Delayed Discrete Projects	$ 6,513,923	

Q. Of the 15 discrete projects included in the Company's Initial Filing, what happened with the five projects that are not included in the Company's updated request?

A. Four of the projects were not completed in 2020, and one of the projects was completed with a reduced scope and budget and was removed from the case.

Q. Please explain which four projects were not completed and why.

[11] Rebuttal Testimony of Maryalice C. Gresham, Exh. MCG-15. (As noted in Ms. Gresham's Rebuttal Testimony, Ms. Gresham previously filed testimony in this proceeding as Maryalice Peters. See Gresham, Exh. MCG-11T at 1).

A. Cascade decided to delay two projects, Aberdeen 6" HP and Richland Keene Road, until 2021 to reduce its capital budget in light of the ongoing COVID-19 pandemic.[12] The Mount Vernon Reg Station Project was delayed until 2021 because the Company has not yet been able to obtain the necessary easements. Finally, the Richland Odorizer Project was delayed until 2021 to combine the odorizer replacement with additional work on the Richland Keene Road Project identified above. The Company determined that replacing the odorizer in conjunction with the larger project would be more efficient than replacing the odorizer alone this year. The estimated budgets for the four projects that were delayed totaled approximately $6.5 million.

Q. Did Cascade inform parties regarding the planned delays before they filed their testimony?

A. Yes. On September 9, 2020, Cascade provided a Response to UTC Data Request 89, which reflected updated estimated in-service dates in 2021 for the Aberdeen Project and the Richland Keene Road Project.[13] Cascade's Revised Supplemental Response to UTC Data Request 92, provided on October 27, 2020, also reflected these changes.[14] On November 13, 2020, Cascade provided a second Revised Supplemental Response to UTC Data Request 92, which reflected that the in-service date for the Mount Vernon Project (funding project 318742) had been moved to 2021.[15] And on November 12, 2020, Cascade provided

[12] For the Aberdeen Project, Cascade determined that it could continue bypassing during cold weather events, as necessary, until the project can be completed in 2021.
[13] Staff Testimony of David J. Panco, Exh. DJP-3.
[14] Panco, Exh. DJP-5 (reflecting in column (I) updated in-service dates of August 31, 2021 for the Aberdeen 6" HP Project and July 30, 2021 for the Richland Keene Road Project). Note that Cascade's Revised Supplemental Response to UTC Data Request 92 incorrectly reflects the date on which it was prepared. This response was prepared and provided on October 27—not on August 27.
[15] Public Counsel Response Testimony of Mark E. Garrett, Exh. MEG-22.

a response to AWEC Data Request 62, which stated that the Richland Odorizer project had been cancelled.[16]

Q. Please explain which project Cascade removed from the case and why.

A. The Gibraltar 4" PE project was removed from the case because the project's scope and cost were significantly reduced. The Company was unable to obtain local approval for the original project scope, so we completed a smaller reinforcement project using smaller pipe. The smaller project still improved reliability in the area—although to a lesser extent than originally planned—and the completed project cost approximately $35,000. Even though the project is in-service and benefitting customers, Cascade decided to voluntarily remove the project from this case because the cost fell below the $120,000 major resource threshold proposed in Mr. Parvinen's testimony.

A. Wallula Gate Project

Q. Please provide the in-service date and final cost for the Wallula Gate Project.

A. The majority of the Wallula Gate Project was placed in service in December 2020. The final cost of the project in service is $17,005,803, as detailed in Exhibit No. __ (PCD-4).

Q. Is the Company continuing to invest in this project?

A. Yes. While the bulk of the Wallula Gate Project is currently operational and providing service, approximately 600 feet of the more than five miles of new pipeline, located in the vicinity of the Union Pacific Railroad, has not yet been placed in service due to delays associated with availability of railroad flaggers, which are required by the relevant permits.

[16] Darras, Exh. PCD-5. Note also that Cascade's response to UTC Data Request 92 provided on Nov. 13 indicated that the project would be in service by December 30, 2020. However, Cascade recently revised and updated its response to UTC Data Request 92 to clarify that this project was deferred to 2021. *See* Darras, Exh. PCD-6. Mr. Parvinen explains in his rebuttal testimony that the discrepancy in the data responses was attributable to different approaches to defining "in-service" dates for the plant accounting and engineering teams.

That small portion of the project will be completed in early 2021, allowing the Company to realize further benefits of the Wallula Gate Project.

Q. How does the final cost compare to the total estimated cost of the project from the Company's Initial Filing?

A. In my direct testimony, I stated that the total estimated cost of the project was $16,888,815.[17] The actual costs are higher because the Company unexpectedly encountered difficult drilling conditions, resulting in two failed bores while attempting to cross Simplot's private rail spur. The failed bore attempts resulted in increased costs associated with additional materials, change orders, and remobilizing crews, equipment, and materials.

Q. In your direct testimony, you stated the project was expected to be complete in August 2020.[18] Please explain why completion of the project was delayed until December 2020.

A. Completion of the project was delayed until December as we experienced two failed bores (discussed above) while crossing Simplot's privately owned rail spur. Additionally, due to the difficult drilling conditions, Cascade had to request a depth of cover variance from Simplot, which further delayed installation.

Q. Cascade had also included this project in its initial filing in its 2019 rate case, as AWEC notes.[19] Please explain why the project was not completed in 2019 as expected.

A. The project experienced delays from the original 2019 pipeline construction schedule because it was being constructed in conjunction with road and water main expansions that

[17] Darras, Exh. PCD-1T at 22.
[18] *Id.*
[19] AWEC Response Testimony of Bradley G. Mullins, Exh. BGM-1T at 24.

the Port of Walla Walla was conducting, and these expansions were delayed. In particular, the last segment of Cascade's pipeline, (approximately 1.5 miles) followed the road and water main alignments and involved heavy grading of both cuts and fills. Cascade needed this earthwork to be completed before performing the pipeline installation.

The Port of Walla Walla's grading work was originally scheduled to start in July 2019 and to be complete three months later. However, Cascade was informed that there were permitting issues and delays associated with obtaining an easement/land acquisition from Simplot, which in turn delayed the start of the grading work until late 2019. The grading work was therefore not finished until the first quarter of 2020.

The Wallula Gate Station was originally planned to be installed in 2019, but with the delay to the pipeline explained above, there was no benefit to installing the Wallula Gate Station in 2019 because it would remain out of service until the pipeline was completed.

Finally, the project was also delayed by land negotiations and changes in land ownership, which, once completed, required Cascade to slightly adjust the route, in turn necessitating further approvals and causing additional delay.

B. Othello Gate Project

Q. Please provide the in-service date and final cost for the Othello Gate Project.

A. The Othello Gate Project was fully placed in service in September 2020. The final cost of the project is $5,318,050, as detailed in Exhibit No. __ (PCD-4).

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

A. The project was placed in service two months prior to the anticipated in-service date of November 2020 provided in my direct testimony.[20] In my direct testimony, I stated that the total estimated cost of the project was $6,054,000.[21] The actual costs are lower than projected because a portion of the project was completed by Williams, who significantly overestimated the costs associated with their work.

Q. Did Cascade update the parties that this project had been placed in service before they filed their response testimony?

A. Yes. On October 27, 2020, Cascade provided a Revised Supplemental Response to UTC Data Request 92, which reflected that all portions of the Othello Gate Project had been placed in service as of September 30, 2020.[22] Also, on November 12, 2020, Cascade provided a response to AWEC Data Request 62, which confirmed that the Othello Gate Project had been placed in service.[23]

C. Walla Walla Gate Project

Q. Please provide the in-service date and final cost for the Walla Walla Gate Project.

A. The Walla Walla Gate Project was placed in service in December 2020. The final cost of the project is $7,551,516, as detailed in Exhibit No. __ (PCD-4).

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

[20] Darras, Exh. PCD-1T at 25.
[21] *Id.* at 25.
[22] Panco, Exh. DJP-5 (reflecting in column (I) updated in-service dates of August and September for the portions of the Othello Gate Project). Note that Cascade's Revised Supplemental Response to UTC Data Request 92 incorrectly reflects the date on which it was prepared. This response was prepared and provided on October 27—not on August 27.
[23] Darras, Exh. PCD-5.

A. The project was placed in service just one month after the anticipated in-service date of November 2020 provided in my direct testimony.[24] In my direct testimony, I stated that the total estimated cost of the project was $5,516,328.[25] The increased final cost is due to several factors. First, the gate station needed to be moved to an alternate location because affected landowners would not permit the gate station to be built at the originally planned location. Second, permitting delays due to the COVID-19 pandemic shortened the construction window, which in turn increased construction costs. Third, Cascade's Construction Services department requested to have a horizontal directional drilling ("HDD") inspector on site to monitor the contractor given the amount of HDD pipeline installations required for this project.

D. Arlington Gate Project

Q. Please provide the in-service date and final cost for the Arlington Gate Project.

A. The Arlington Gate Project was fully placed in service in September 2020. The final cost of the project is $6,067,500, as detailed in Exhibit No. __ (PCD-4).

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

A. The project was placed in service three months after the anticipated in-service date of June 2020 provided in my direct testimony.[26] The in-service date was somewhat delayed because Northwest Pipeline ("Williams") did not complete their rebuild of the associated meter station until September 3, 2020. Cascade was unable to flow gas through the new pipeline until Williams completed their side of the Arlington Gate Station.

[24] Darras, Exh. PCD-1T at 31.
[25] *Id.*
[26] *Id.* at 35.

In my direct testimony, I stated that the total estimated cost of the project was $4,655,298.[27] The actual costs are higher than projected because the contractor encountered undergrounded obstructions and difficult construction conditions, including poor soil conditions, working around groundwater, and unknown utilities, which increased the construction cost for the 6" HP steel installation portion of the project.

Q. Did Cascade update the parties when this project was placed in service?

A. Yes. On October 27, 2020, Cascade provided a Revised Supplemental Response to UTC Data Request 92, which reflected that all portions of the Arlington Gate Project had been placed in service as of September 30, 2020.[28] Also, on November 12, 2020, Cascade provided a response to AWEC Data Request 62, which confirmed that the Arlington Gate Project had been placed in service.[29]

Q. Cascade had also included this project in its initial filing in its 2019 rate case, as AWEC notes.[30] Please explain why the project was not completed in 2019 as expected.

A. Cascade was not able to begin work at the Arlington Gate Station as scheduled because the Company could not reach agreement regarding access terms with an individual who owned property between the gate station and the public access road. Cascade eventually finalized an easement agreement with this property owner on October 24, 2019. While construction began in late 2019, as I stated in my direct testimony,[31] the Company then experienced delays on the 6" HP portion of this project due to poor ground conditions encountered by

[27] *Id.*
[28] Panco, Exh. DJP-5 (reflecting in column (I) updated in-service dates of January, July, and September for the portions of the Arlington Gate Project). Note that Cascade's Revised Supplemental Response to UTC Data Request 92 incorrectly reflects the date on which it was prepared. This response was prepared and provided on October 27—not on August 27.
[29] Darras, Exh. PCD-5.
[30] Mullins, Exh. BGM-1T at 24.
[31] Darras, Exh. PCD-1T at 35.

the contractor that continuously pushed back the contractor's estimated completion date. As a result of these factors, Cascade was not able to complete construction for its portion of the project until 2020.

Additionally, Williams was responsible for constructing a portion of the project associated with the Williams meter station. The delay in finalizing the easement also impacted the construction schedule for the Williams portion of the project, and Williams did not begin construction on its portion of the project until August 2020.

E. Bellingham 8" HP Project

Q. Please provide the in-service date and final cost for the Bellingham 8" HP Project.

A. The Bellingham 8" HP Project was placed in service in January 2020. The final cost of the project is $1,584,350, as detailed in Exhibit No. __ (PCD-4).

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

A. The project was placed in service in January 2020, as I stated in my direct testimony.[32] In my direct testimony, I stated that the cost of the project was $1,526,471.[33] The final costs are now slightly higher as a result of delayed material charges that were booked later in the year.

Q. Cascade had also included this project in its initial filing in its 2019 rate case, as AWEC notes.[34] Please explain why the project was not completed in 2019 as expected.

A. The project was completed in January 2020, so it was not significantly later than expected. Cascade was unable to complete the project on schedule in 2019 because we changed the

[32] *Id.* at 46.
[33] *Id.*
[34] Mullins, Exh. BGM-1T at 24.

route, which caused permitting delays. The original route was designed to avoid the need to obtain permits, but after conversations with the city, Cascade determined that it could obtain necessary permits on an expedited basis and was able to identify a shorter route. The Company also experienced construction delays associated with drilling issues.

F. Moses Lake 4" PE Project

Q. Please provide the in-service date and final cost for the Moses Lake 4" PE Project.

A. The Moses Lake 4" PE Project was placed in service in April 2020.[35] The final cost of the project is $213,958, as detailed in Exhibit No. __ (PCD-4).

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

A. In my direct testimony,[36] I had provided an anticipated in-service date of July 2020—several months later than the actual in-service date—which may have been attributable to an inadvertent failure to update the accounting software to reflect the actual in-service date. In my direct testimony, I stated that the total estimated cost of the project was $433,146.[37] The actual costs were much lower than our initial estimate because the project route was revised, resulting in lower construction costs because the revised route traversed a less busy area and therefore did not require traffic control to be on site daily.

G. Walla Walla 6" Distribution Project

Q. Please provide the in-service date and final cost for the Walla Walla 6" Distribution Project.

[35] Cascade's responses to UTC Data Request 92 indicated different in-service dates for this project. However, Cascade recently revised and updated its response to UTC Data Request 92 to clarify that this project was placed in service in April. *See* Darras, Exh. PCD-6.
[36] Darras, Exh. PCD-1T at 51.
[37] *Id.*

A. The Walla Walla 6" Distribution Project was placed in service in October 2020. The final cost of the project is $402,969, as detailed in Exhibit No. __ (PCD-4).

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

A. The project's actual in-service date is consistent with the statement in my direct testimony that the project would be completed in fall 2020.[38] In my direct testimony, I stated that the total estimated cost of the project was $312,625.[39] The actual costs are higher than projected because there were additional, unanticipated costs for third-party inspection and contractor costs. The final design also required an additional 600 feet of boring as compared to the preliminary design, and the final design had more steel installation, which was not accounted for in the initial estimate.

Q. Did Cascade update the parties that this project had been placed in service before they filed their response testimony?

A. Yes. On November 12, 2020, Cascade provided a response to AWEC Data Request 62, which stated that the Walla Walla 6" Distribution Project had been placed in service.[40]

H. Bremerton Reg Station Project

Q. Please provide the in-service date and final cost for the Bremerton Reg Station Project.

A. The Bremerton Reg Station Project was placed in service in November 2020. The final cost of the project is $153,797, as detailed in Exhibit No. __ (PCD-4).

[38] *Id.* at 58.
[39] *Id.*
[40] Darras, Exh. PCD-5. Cascade's response to UTC Data Request 92 provided on November 13 indicated that the project was not yet in service. However, Cascade recently revised and updated its response to UTC Data Request 92 to clarify that this project was placed in service in October. *See* Darras, Exh. PCD-6.

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

A. The project was placed in service two months after the anticipated in-service date of September 2020 provided in my direct testimony.[41] In my direct testimony, I stated that the total estimated cost of the project was $177,166.[42] The actual costs are lower than projected because actual contractor costs were lower than estimated.

I. Kennewick Odorizer Project

Q. Please provide the in-service date and final cost for the Kennewick Odorizer Project.

A. The Kennewick Odorizer Project was placed in service in November 2020. The final cost of the project is $167,647, as detailed in Exhibit No. __ (PCD-4).

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

A. The project was placed in service three months after the anticipated in-service date of August 2020 provided in my direct testimony.[43] The slight delay was due to the need to relocate and upgrade the telemetry building to meet current electrical code, which was not initially identified in the project scope. In my direct testimony, I stated that the total estimated cost of the project was $144,470.[44] The actual costs are higher than projected because of the additional work required for the telemetry building.

J. Bremerton Office Project

Q. Please provide the in-service date and final cost for the Bremerton Office Project.

[41] Darras, Exh. PCD-1T at 59.
[42] *Id.*
[43] *Id.* at 61.
[44] *Id.*

A. The Bremerton Office Project was placed in service in December 2020. The final cost of the project is $863,148, as detailed in Exhibit No. __ (PCD-4).

Q. How do the final cost and in-service date compare to the estimates from the Company's Initial Filing?

A. The project's actual in-service date is consistent with the statement in my direct testimony that the project would be completed in late 2020.[45] In my direct testimony, I stated that the total estimated cost of the project was $1,064,539.[46] The actual costs are lower than projected because the bids were lower than we had anticipated when we created the budget.

K. Blanket Funding Projects

Q. Please describe the blanket funding projects included in this case.

A. As I explained in my direct testimony,[47] blanket funding is used for certain types of capital work that historically occurs every year but is not specifically known at the time of budgeting. Specifically, Cascade included three categories of growth-related blanket funding projects in this case: (1) regulator station growth and gas meters, (2) services for growth, and (3) mains for growth. These blanket funding projects encompass costs that are generally unplanned and outside the Company's control. While we know that we will incur these costs over the course of the year, we do not know exactly where or when. For this reason, the Company cannot budget individually for the specific projects that fall within these blanket funding projects.

Q. What is the total amount the Company spent on these categories of blanket funding projects as of December 31, 2020?

[45] *Id.* at 68.
[46] *Id.*
[47] *Id.* at 68-69.

A. $17,925,005.

Q. Please describe the type of projects that fall within the first category—regulator station growth and gas meters—and explain what portion of the Company's request this category represents.

A. Regulator station growth and gas meters includes installation of new regulator stations and gas meters to accommodate new customers or increased demand from existing customers. Cascade spent $5,238,345 on regulator station growth and gas meters in 2020. While the cost of each individual meter installation is minor, Cascade has installed approximately 3,600 meters in Washington in 2020, and collectively, they represent a major capital expenditure for the Company.

Q. Please describe the type of projects that fall within the second category—services for growth—and explain what portion of the Company's request this category represents.

A. Services for growth includes installation of new services to accommodate new customers or increased demand from existing customers. Cascade spent $10,049,382 on services for growth in 2020. In this category, Cascade uses a separate funding project number for each district within the state.[48]

Q. Please describe the type of projects that fall within the third category—mains for growth—and explain what portion of the Company's request this category represents.

A. Mains for growth includes installation of new mains to accommodate new customers or increased demand from existing customers. Cascade spent $2,637,278 on mains for growth

[48] *See* Peters, Exh. MCP-6.

in 2020. In this category, Cascade uses a separate funding project number for each district within the state.[49]

Q. Did Cascade update parties regarding the level of spending on blanket funding projects before they filed their response testimony?

A. Yes. On October 27, 2020, Cascade provided a Revised Supplemental Response to UTC Data Request 92,[50] which reflected that the following amounts had been spent on blanket funding projects as of September 30, 2020:

- Regulator Station Growth and Gas Meters = $4,434,909.09
- Services for Growth = $6,710,599.90
- Mains for Growth = $1,575,501.67
- Total = $12,721,010.66

On November 13, 2020, Cascade provided a second Revised Supplemental Response to UTC Data Request 92,[51] which reflected that the following amounts had been spent on blanket funding projects as of October 31, 2020:

- Regulator Station Growth and Gas Meters = $4,817,762.63
- Services for Growth = $7,787,706.50
- Mains for Growth = $2,004,765.05
- Total = $14,610,234.18

In short, Cascade's data responses showed that significant investment on blanket funding projects occurred during the first three quarters of 2020, and that investment was ongoing.

Q. How does Cascade's spending on these blanket funding projects in 2020 compare to past years?

[49] *See id.*
[50] Panco, Exh. DJP-5. Note that Cascade's Revised Supplemental Response to UTC Data Request 92 incorrectly reflects the date on which it was prepared. This response was prepared and provided on October 27—not on August 27.
[51] Garrett, Exh. MEG-22.

A. Table 1, below, shows Cascade's spending on these categories of growth-related blanket funding projects over the last five years.

Table 1: Growth-Related Blanket Funding Projects 2015-2019

	2015	2016	2017	2018	2019
Reg Station Growth and Gas Meters	$1,604,523.52	$3,806,845.15	$1,637,665.44	$2,979,351.64	$1,883,980.86
Services Growth	$6,451,831.21	$4,392,297.97	$9,460,034.29	$13,117,979.02	$13,473,454.32
Mains Growth	$5,864,417.32	$1,432,311.08	$5,224,163.86	$7,278,793.76	$7,259,769.15
Total	**$13,920,772.05**	**$9,631,454.20**	**$16,321,863.59**	**$23,376,124.42**	**$22,617,204.33**

Table 1 shows that Cascade consistently invests millions of dollars into these types of blanket projects. Although the amount we spend in each category each year is outside the Company's control, it is important that we plan for these costs.

Q. Please explain why the costs are beyond Cascade's control.

A. These projects are completed in response to customer growth, which is driven by our customers—not by Cascade. Therefore, we do not control the size, cost, or timing of any individual project. But as I explained, we can anticipate that we will incur significant costs each year, as evidenced by our spending over the last five years shown in Table 1 above.

Q. Why was Cascade's total spending on growth-related blanket projects less than projected in 2020?

A. Because spending on these projects is outside Cascade's control, it is not surprising that the budgeted amount and actual amount differ. We had budgeted $22.7 million for these projects in 2020, which is similar to our actual spending in 2018 and 2019, as shown in Table 1 above. Our actual 2020 spending—$17.9 million—ended up being less than our 2018 and 2019 spending and closer to our 2017 spending.

III. PARTIES' PROPOSED ADJUSTMENTS TO PRO FORMA CAPITAL ADDITIONS

Q. Do the parties propose modifications to the Company's pro forma plant addition adjustment?

A. Yes. Staff, Public Counsel, and AWEC each proposes to reject all, or a significant portion of, Cascade's pro forma plant additions.

Q. Please summarize Staff's proposed adjustments.

A. Staff takes the position that Cascade's pro forma adjustment is "wildly inconsistent" with actual plant additions in 2020, because many of the proposed projects were not in service before Staff filed its testimony.[52] Staff recommends that only the $6.9 million of plant associated with the four discrete projects that, according to Staff, had been placed in service as of October 27, 2020, be included in the pro forma plant adjustment.[53] This proposed adjustment reduces Cascade's revenue increase by approximately $8 million.[54]

Q. Please summarize Public Counsel's proposed adjustments.

A. Public Counsel proposes that the Commission reject all pro forma plant additions.[55] Alternatively Public Counsel proposes to cap the adjustment at $10,321,227, which, according to Public Counsel, was the amount in service by September 30, 2020.[56]

Q. Please summarize AWEC's proposed adjustments.

A. AWEC opposes inclusion of pro forma capital projects that were not yet in service as of

[52] Staff Testimony of Chris R. McGuire, Exh. CRM-1T at 20.
[53] Panco, Exh. DJP-1T at 3. Specifically, Staff includes the Moses Lake project, the Bellingham 8" HP project, and two of the three funding projects associated with the Arlington Gate project. Panco, Exh. DJP-2.
[54] Panco, Exh. DJP-1T at 3.
[55] Garrett, Exh. MEG-1T at 11.
[56] *Id.* at 6, 11. Specifically, Public Counsel includes the Arlington Gate project, the Othello Gate project, the Bellingham 8" HP project, and the Moses Lake project, but does not include any blanket funding projects. *See* Garrett, Exh. MEG-22 (sum of the funding projects associated with the four referenced projects equals $10,321,227).

the date when AWEC filed its response testimony.[57] AWEC also proposes excluding the four discrete projects included in this case that were also included in the initial filing in Cascade's 2019 rate case.[58] Finally, AWEC proposes to exclude those discrete projects under $500,000 and all blanket funding projects because AWEC contends that they are not discrete and major.[59] The net effect of these recommendations is that AWEC supports inclusion of just two pro forma projects totaling $7.1 million.[60]

Q. Does Cascade agree with the proposed adjustments?

A. No. The majority of plant that Cascade expected to be in service in 2020 was placed in service by the end of the year, contrary to the parties' concerns regarding the pace of Cascade's investment. In addition, Cascade's Initial Filing provided significant explanation regarding each of the proposed projects and explained that Cascade would provide an update in its rebuttal testimony with final costs and in-service dates as of year-end. Therefore, as Mr. Parvinen explains, the parties' decision to focus only on projects that were in service earlier in the year unreasonably limits Cascade's cost recovery for prudent projects that are now complete. Finally, the parties significantly understated the amount of plant that was already in service before they filed their response testimony on November 19, 2020.

Q. Please explain which projects were in service by the end of October 2020, before parties filed response testimony.

[57] Mullins, Exh. BGM-1T at 26-27.
[58] *Id.* at 24-25. The four projects are Wallula Gate, Bellingham 8" HP, Arlington Gate, and Aberdeen 6" HP.
[59] *Id.* at 27-29.
[60] Mullins, Exh. BGM-6. The two projects are Othello Gate Station and Bremerton Office.

A. Five of the discrete projects that I discussed above were in service by October 2020—Othello Gate, Arlington Gate, Bellingham 8" HP, Moses Lake 4" PE, and Walla Walla 6" Distribution—totaling approximately $13.6 million. In addition, approximately $14.6 million in blanket projects had been completed by the end of October 2020. Even if the Commission were to adopt the parties' suggestion to exclude projects that were placed in service after they filed their response testimony, the amount of the resulting pro forma adjustment should be approximately $28.2 million—not $10 million or less as the parties claim.

Q. Is it surprising to you that many of Cascade's pro forma projects were placed in service in November and December?

A. No. In my experience, it is common for projects to be placed in service towards the end of the year due to the seasonal nature of construction. In many of the areas where Cascade operates, winter conditions make it more difficult to construct projects in the winter and spring. Therefore, the typical project-development cycle involves planning in the spring, beginning construction in the summer months, and completing construction in the fall or early winter months.

Q. Parties criticized Cascade because several projects were not placed in service on the anticipated in-service date provided in your direct testimony.[61] Please respond.

A. I would note that many of the projects discussed in my testimony *were* placed in service on the estimated dates provided in my direct testimony or even earlier, but I also acknowledge that some projects have experienced delays. I discussed the specific causes of delay above. In many cases, project delays have been caused by challenges or delays in

[61] *See* Mullins, Exh. BGM-1T at 27; McGuire, Exh. CRM-1T at 21.

obtaining necessary permits or easements, or unforeseen construction conditions such as wet soil or underground obstructions. When a project is initiated in the Company's PowerPlan project tracking system, the engineer/project manager is required to enter an "estimated in-service date." Because this estimate is developed prior to the project starting, some variables that can affect the in-service date may not be known. However, we have made it a priority to begin the permit and easement acquisition process as early as possible to better understand if there may be delays. If delays are anticipated, the engineer/project manager will go into PowerPlan and update the "estimated in-service date."

Q. AWEC testifies that the budget of the Wallula Gate Project is $5 million higher in this case than it was in Cascade's 2019 rate case.[62] Please explain the reason for the difference.

A. The budget in the 2019 rate case filing excluded funding project 302596 associated with the Wallula Gate Project, but that funding project is included in this case. Funding project 302596 includes the approximately $5.7 million that Cascade paid Transcanada to construct pipeline for the new gate station. The payment to Transcanada actually occurred prior to the 2019 rate case. It was inadvertently excluded from the 2019 rate case budget, because the budget is cash-based and does not typically incorporate amounts already spent. However, I can confirm that the $5.7 million has been spent and is not currently in rates. The $5.7 million was included in Construction Work in Progress, which is not included in rate base until the project actually goes into service.

Q. Please respond to AWEC's claim that the blanket funding projects are not discrete and major.[63]

[62] Mullins, Exh. BGM-1T at 25.
[63] *Id.* at 27-28.

A. As I explained above in my update regarding the blanket funding projects, Cascade spent approximately $17.9 million on the three categories of growth-related blanket funding projects in 2020, and this certainly reflects a major cost for the Company—falling well above the $120,000 major-resource threshold the Company applied in this case.[64] In addition, the blanket funding projects represent discrete categories of projects that Cascade knows it will incur each year. As Mr. Parvinen explains, the Commission has allowed similar programmatic investments as pro forma adjustments in the past, and AWEC's claims do not provide a valid reason for excluding the blanket funding projects from Cascade's pro forma adjustment. Simply ignoring this investment and associated offsetting factors only compounds the significant regulatory lag already identified by Ms. Kivisto and Mr. Parvinen.

IV. CONCLUSION

Q. Do you recommend that the Company's pro forma capital additions, as updated in your rebuttal testimony, be allowed for recovery in customer rates?

A. Yes. The updated plant additions described in my testimony are in service and providing benefits to customers, and the costs associated with these projects are known as of the end of December 2020.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

[64] Parvinen, Exh. MPP-1T at 9.