Exh. JHJ-1T
Docket UG-240008
Witness: Jacque Hawkins-Jones

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **CASCADE NATURAL GAS CORPORATION,** **Respondent**	**DOCKET UG-240008**

TESTIMONY

OF JACQUE HAWKINS-JONES

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Settlement

December 11, 2024

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Jacque Hawkins-Jones, and my business address is 621 Woodland Square Loop SE, Lacey, Washington, 98503. My business mailing address is P.O. Box 47250, Olympia, WA 98504-7250. My email address is jacque.hawkins-jones@utc.wa.gov.

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

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as Deputy Director of Energy Rates and Services in the Regulatory Services Division.

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

I have an associate degree from Olympic College, and I am a certified investigator for the state of Washington. I have approximately eight years of experience as an investigator with regulatory agencies in the State of Washington. I have been in my current position for over two years and have overseen and supervised Staff who have testified in three other multiyear general rate cases and numerous other rate-related filings heard before the Commission.

Q. Have you previously testified before the Commission?

Yes. I have testified in other enforcement proceedings involving Commission regulated transportation industries, including dockets TV-200029, TV-190835, UT-181051. I have also testified in multiple energy utility dockets, including consolidated dockets UE-220066, UG-220067, and UG-210918, which involved testimony related to Puget Sound Energy's petition to amend the final order and most recently, I testified in front of the Commission regarding staff investigation docket UE-240087 which involved testimony related to a missing scheduled filed as a part of Puget Sound Energy's compliance filing in its last general rate case.

Q. Have you previously testified in this proceeding?

A. No. I reviewed and oversaw the testimony previously submitted by Commission Staff (Staff), Jana Grenn, in this case. However, Jana has since left the Commission, and I will be adopting all her previously filed testimony.

II. SETTLEMENT AGREEMENT

A. Summary of Staff's Support of the Settlement

Q. Has Staff reached agreement with some or all of the parties to resolve the 2024 general rate case filed by Cascade Natural Gas Corporation?

Yes. Staff reached an agreement with all the parties except Public Counsel, who is currently taking no position on the settlement. The parties joining the settlement include Cascade Natural Gas Company (Cascade or Company), Staff, Alliance of Western Energy Consumers (AWEC), and The Energy Project (TEP). These parties are collectively referred to as the Settling Parties. In my testimony, I discuss the proposed Settlement Agreement (Settlement) before the Commission and the reasons that Staff recommends the Commission adopt it.

Q. Please explain why Staff believes the Settlement is in the public interest.

A. The Settlement reflects a reasonable outcome for revenue requirement and a number of policy issues over the two years of the Company's first multi-year rate plan (MYRP), including, but not limited to: cost of capital, equity, provisional plant review, low income assistance, language access, performance metrics, gas line extension, credit and collections, COVID-19 Deferral, and issues related to the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA). The parties' agreement strikes a balance between the needs of the Company and its customers while also addressing regulatory requirements by incorporating equity components.

Specifically, Staff supports the Settlement because it produces rates that are fair, just, reasonable, and sufficient; makes significant progress toward ensuring equitable outcomes for all of Cascade's customers; and adopts Staff's litigation positions on several important policy issues. Therefore, Staff concludes that the Settlement meets the standard for approval set out by the Commission in WAC 480-07-700.

B. Discussion of Settlement

1. Revenue requirement.

Q. Please explain the revenue increases outlined in the Multiparty Settlement Stipulation for Rate Year 1, effective March 1, 2025.

A. The Settling Parties agree to the revenue increase for Rate Year 1 of $29,799,000, or an overall revenue increase of 7.88 percent. This increase is $780,715 higher than what Staff proposed in response testimony.

Q. Please explain the revenue increases outlined in the Multiparty Settlement Stipulation for Rate Year 2, effective March 1, 2026.

A. The Settling Parties agree to the revenue increase for Rate Year 2 of $10,814,000, or an overall revenue increase of 2.64 percent. This increase is $714,788 higher than what Staff proposed in response testimony.

Q. How does the Settlement's revenue requirement compare to the Company's originally filed position?

A. Cascade originally requested a $43,830,000 increase in Rate Year 1 and an $11,669,000 increase in Rate Year 2. The Settlement's revenue requirement represents a $14,031,000 (or 32 percent) reduction in Rate Year 1 and $855,242 (or 7.3 percent) reduction in Rate Year 2, as compared to the Company's initial request.

Q. Does this Multiparty Settlement Stipulation resolve all other revenue requirement adjustments?

A. Yes. All other revenue requirement adjustments raised by any party in this proceeding are resolved by this Settlement Stipulation.

Q. Why does this negotiated settlement result represent a fair and appropriate settlement?

A. The Settlement reflects a fair and reasonable compromise between the Settling Parties' positions after extensive negotiations. The resulting revenue increase is substantially similar to the figures Staff calculated for Cascade's reasonable revenue requirement, as reflected in Staff's response testimony. Therefore, Staff supports this settlement as a likely best-case scenario, and most reasonable outcome, given that further litigation could result in a higher increase to rates.

Q. Does Staff have any concerns about this increase causing rate shock?

A. No. Staff believes that, while this is an increase, it is not so profound as to cause rate shock among rate-payers. Staff believes this negotiated settlement amount strikes an important balance between the ratepayer and the Company, while keeping in mind important components of equity and rate stability. As previously stated, this increase results in a 7.88 percent increase in Rate Year 1, and a 2.64 percent increase in Rate Year 2. This is in-line with increases in other negotiated settlements that have been approved by the Commission, including Docket UG-210755.

2. Cost of capital.

Q. Please explain the Cost of Capital outlined in the Multiparty Settlement Stipulation.

A. The Settling Parties agree to an overall rate of return of 7.185 percent. The Parties also agree to the specific return on equity, cost of debt, and capital structure as outlined below. Cascade agreed to remove short term debt from the capital structure:

Description	Capital Structure	Cost	WACC
A	B	C	D
Long-Term Debt	50.50%	4.916%	2.482%
Short-Term Debt	0.00%	0.000%	0.000%
Preferred Stock	0.00%	0.000%	0.000%
Common Equity	49.50%	9.500%	4.703%
Total	100.00%		7.185%

3. Rate spread.

Q. Please explain the Settlement terms related to rate spread and design.

A. The Settling Parties agree that Cascade must spread the revenue requirement increase on an equal percent of margin basis. The Settling Parties also agree to an increase in the residential basic service charge from $5 to $5.50 in Rate Year 1 and from $5.50 to $6 in Rate Year 2.

Q. Please explain how these terms advance the public interest.

A. Staff believes that the agreed rate spread reflects an equitable distribution in the cost burden resulting from the revenue requirement increase. Staff recognizes that Cascade is due for an increase in basic residential charge. This increase is more reflective of the actual fixed costs incurred by Cascade and brings it appropriately closer to the amounts charged by its sister utilities. Staff believes that the marginal increase included in the Settlement is appropriate to avoid rate shock for Cascade's customers. Additionally, the increase aligns with the concept of gradualism since the increase is spread over two years rather than occurring all at once.

4. Energy justice and equity.

Q. Which terms in the Settlement were specifically added to ensure that the MYRP is consistent with the equity requirements in RCW 80.28.425(1) and RCW 19.405.040(8)?

A. As the Commission recently stated in the 2021 Cascade GRC order, no action is equity-neutral.[1] With this in mind, the following conditions – while not an exhaustive list of terms that impact equity – were specifically added to the Settlement for discussion with the Company's Equity Advisory Group (EAG) to ensure the MYRP both meets statutory requirements and makes significant progress toward equitable outcomes: Vendor Selection; Representation on the EAG from all 14 vulnerable communities in Cascade's service territory, and whether that list is still accurate; EAG meeting logistics, such as time of the meeting and child care access; impacts and opportunities of the IRA/IIJA; language access; outreach for bill assistance; and communication related to the disconnection process.

Q. Why did the parties identify these topics?

A. The parties determined that these topics balanced specificity of addressing accessibility to the community (e.g. language access; reaching customers in need of bill assistance),

[1] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corp.*, Docket UG-210755, Final Order 09, 19, ¶ 58 (Aug. 23, 2022).

while also addressing larger equity issues (e.g. vendor selection, communications related to disconnection). Additionally, the topic concerning representation from all 14 communities ensures that Cascade is reassessing its service area to ensure all highly impacted communities and vulnerable populations are provided the opportunity to participate in the EAG.

Q. How does the Settlement make progress toward equitable outcomes?

A. Staff believes the Settlement terms make significant progress towards equitable outcomes for Cascade's customers by requiring the Company, including its EAG, take specific steps toward achieving equity. Staff believes that the above identified discussions are good first steps to addressing inequity and broadening access for ratepayers and communities. As part of the final order in Cascade's 2021 GRC, the Commission laid out guidance on its expectations around equity as a factor for determining whether a utility filing is in the public interest .[2] It found that "regulated companies should inquire whether each proposed modification to their rates, practices, or operations corrects or perpetuates inequities."[3] The Commission further ordered that the Company should incorporate the principles of RCW 43.06D.020, as well as adhering to the four core tenets of energy justice: distributional, procedural, recognition, and restorative.[4] Staff believes this Settlement addresses these requirements by providing a framework on discussion topics to address specifically identified relevant equity issues.

[2] *Id.* at 16 ¶ 52 (Aug. 23, 2022).
[3] *Id.* at 19 ¶ 57-8.
[4] *Id.* at 17 ¶ 54.

Staff believes the terms in this Settlement make progress towards equitable outcomes because (1) the terms are a step into an expanded discussion on programmatic guidance and (2) the terms apply an equity lens to Cascade's operations which reflects the principles of equity and the tenets of energy justice reflected in the 2021 Cascade GRC order.

Q. How do these terms achieve equity goals?

A. Each term is designed to ensure that Cascade is working towards equity mandates. For example, the requirement that Cascade perform an energy burden analysis every two years ensures that the Company has the data to distribute and prioritize resources equitably. The language access plan furthers the work to ensure that all customers are able to understand and communicate with Cascade and are informed about their bill. The inclusion of more specific equity-focused performance metrics sets-up a framework to make sure that Cascade is achieving equity goals and tracking its progress.

5. Pipeline cost recovery mechanism.

Q. Please explain why the Settlement term of eliminating the Pipeline cost recovery mechanism is in the public interest?

A. The elimination of the mechanism is in the public interest and consistent with Staff position that these costs should be recovered in base rates. The utility's costs are recovered through its base rates which, since the passage of the MYRP legislation in 2021 (codified as RCW 80.28.425), are based on the utility's forecasted costs for the rate-effective period. The variance risk, or the difference between actual costs and the level of costs embedded in rates, is normally borne by the utility, with the exception of power costs in some cases. Staff believes that the utilities are supposed to bear the variance risk as they receive compensation through the risk-adjusted return on equity that the Commission authorizes, and ratepayers pay through rates. By eliminating the pipeline cost recovery mechanism and allowing the Company to recover pipeline project costs through its base rates, the Company is incentivized to control its costs and pursue cost efficiencies which is in the public interest.

6. Provisional plant review process.

Q. Please explain the provisional plan review process contained in the settlement agreement.

A. The parties agreed on a portfolio review process for plant projects less than $3 million (with the exception of two specific projects, discussed below, which will be reviewed on a project-by-project basis) and a project-by-project review process for projects more than $3 million. The Settlement states that Cascade will file an annual provisional plant report by April 30th of each year and gives the parties six months to review the report. This term improves plant review as it facilitates a more detailed review of larger, more expensive projects, and provides more time for Staff (and other interested parties) to review the materials. The six-month review period allows parties the opportunity to meaningfully participate in the review without compromising the quality of the review if there are numerous projects that need to be assessed.

Q. Which two projects are being moved from portfolio to project-by-project review?

A. The South Kennewick Gate and Reinforcement Project (FP-320034, FP-319057, FP-319061) and the Richland HP Reinforcement Project (FP-320155, FP320144, FP-320159).

Q. Why is moving these projects to the project-by-project review category in the public interest?

A. It is in the public interest to review the South Kennewick Gate project on a project-by-project basis because this more detailed review will (1) allow a more critical review of the choices in this project, especially given Staff's reservations about actual load growth, and (2) assess the reasonableness of this project in light of Staff's concerns over other alternatives and gate replacement.

It is in the public interest to review the Richland HP project on a project-by-project basis because of concerns raised by stakeholders over the progress of this project paired with the newly proposed project budget that illustrates significantly higher costs than those forecasted in the IRP.

Q. Is the Provisional Plant Review Process in the public interest?

A. The Provisional Plant Review term is in the public interest because it refines methods and reporting requirements and allows time for the Commission and other interested parties to review those investments for prudency prior to inclusion of those costs in rates. The Settlement provides the parties sufficient time and information on which Staff and the other parties may make a thorough analysis of the prudency of Cascade's provisional plant additions. The Settlement lays out a detailed list of data and information Cascade must include in its reports and includes a generous six-month review period. The general $3 million project-by-project review threshold also ensures Staff resources will be efficiently allocated during the review process while ensuring an in-depth review of all provisional capital spending.

7. Metrics.

Q. Please explain why the proposed performance metrics are in the public interest.

A. Along with the metrics that apply to natural gas utilities provided in Section III of the Performance Metric Policy Statement filed by the Commission in docket U-210590,[5] the additional metrics within this term in the Settlement will help establish whether the Company's investments are producing benefits for Cascade customers and whether those benefits are being distributed equitably. These additions are specifically targeted to tracking metrics related to equity such as customer affordability and the distribution of benefits and burdens yielded by Cascade programs and therefore will aid in Cascade's efforts in complying with its equity obligations under statute and Commission rule. As a whole, the proposed metrics will also help establish a baseline upon which performance incentive measures could be built in future general rate cases.

[5] *See In the Matter of the Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making*, Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics (Aug. 2, 2024).

8. Credits and collections.

Q. Does Staff believe the Credits and Collections settlement is in the public interest?

A. The Credits and Collections term requires Cascade to work with its EAG and other company advisory groups to review its current collection process and policies for customer communication and disconnection. It also sets a minimum disconnection threshold for residential customers an outstanding balance of $150 and 60 days old and requires Cascade remove "other debt" as a factor for determining eligibility for disconnection.

This term strikes an appropriate balance between Cascade's collection interests and the considerations of fairness to its customers, particularly those in vulnerable and low-income populations. This process allows for customers to receive more notice and energy assistance options to avoid disconnection and ensures that Cascade's practices will be overseen by its advisory group. Additionally, the removal of "other debt" from disconnection eligibility assessment ensures that customers are not being unfairly penalized for financial factors unrelated to their utility bill.

9. Recovery of COVID-19 deferral.

Q. Is the term related to the recovery of the COVID-19 Deferral in the public interest?

A. The COVID-19 deferral is in the public interest and aligns with the Commission's recent Order 32/18 in consolidated docket UE-220066, UG-220067 and UG-210918 related to Puget Sound Energy's credit and collection practices.

The Settlement allows the Company to file a tariff revision to recover the deferred balance related to its bad debt expense. The Company may then petition for the collection of other deferred fees once the Commission has finalized its rulemaking in Docket U-210800. This allows the Company to reduce its overall deferral balance amount while increasing its cash flow.

Additionally, the Settling parties agree that the bad debt deferral amount will be amortized over a three-year period, thus reducing a significant impact on customer rates.

10. Line extension allowance.

Q. Please explain why the proposed line extension allowance is in the public interest.

A. The Settling parties agree to a tariff revision for natural gas line extension allowances that will be reduced to zero by March 1, 2027. The term provides for a phase out, that reduces allowances based on the net present value (NPV) methodology. This phase out process is consistent with other Commission-regulated utilities in the reduction of natural gas line extension allowances offered by those companies. This term does not eliminate the Company's ability to offer line extensions, it just eliminates the ability for those extensions to new customers to be subsidized by allowances paid for by other rate payers.

11. Specific plant recommendations.

Q. Why is it in the public interest that project FP-322677 (Deschutes Landfill RNG) be removed from this case?

A. Renewable natural gas is a new resource for the company. Examining this resource in a separate filing is in the public interest because it allows for a more detailed and thorough review of this specific issue. Additionally, this will allow interested individuals not participating in the GRC the opportunity to provide input on RNG usage by Cascade.

Q. Why is it in the public interest that projects FP-319057, FP-319061 and FP-320034 (South Kennewick Gate) be provisionally accepted into rates

A. Staff has expressed concern over the scope of this project primarily due to a difference of opinion over future growth projections. However, as part of the settlement agreement, this project will undergo a prudence review and any overages would be subject to refund. This is in the public interest as a prudence determination being made at a later date allows for all parties to further discuss and evaluate this project with more complete information regarding growth in usage.

Q. Does this conclude your testimony?

A. Yes.