

Docket No. UG-200568 - Vol. III

WUTC v. Cascade Natural Gas Corporation

February 24, 2021



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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)
(DOCKET UG-200568

Complainant,)

vs.)

CASCADE NATURAL GAS CORPORATION,)
(

Respondent.)

VIRTUAL EVIDENTIARY HEARING, VOLUME III

Pages 27-288

ADMINISTRATIVE LAW JUDGE MICHAEL HOWARD

February 24, 2021

9:05 A.M.

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1 good morning, Judge Howard. This is Nash Callaghan,
2 Assistant Attorney General, appearing on behalf of
3 Commission Staff.
4 JUDGE HOWARD: Thank you.
5 And Public Counsel?
6 MS. GAFKEN: Good morning. My name is Lisa
7 Gafken, Assistant Attorney General, appearing on behalf
8 of Public Counsel.
9 JUDGE HOWARD: And could we have an
10 appearance for AWEC?
11 MR. STOKES: Good morning, everyone. Chad
12 Stokes with the Cable Huston law firm on behalf of the
13 Alliance of Western Energy Consumers.
14 JUDGE HOWARD: Thank you.
15 And The Energy Project?
16 MR. FFITCH: Good morning, Judge Howard,
17 Chairman Danner, and Commissioners. Simon ffitch
18 appearing on behalf of The Energy Project.
19 JUDGE HOWARD: Thank you.
20 Next I'd like to address exhibits. I
21 understand the parties stipulated to the admission of
22 all the prefiled exhibits and testimony including
23 cross-examination exhibits; however, Public Counsel is
24 reserving its objection to Exhibit JRW-17X for the
25 present time.

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1 LACEY, WASHINGTON; FEBRUARY 24, 2021
2 9:05 A.M.
3 --oOo--
4 P R O C E E D I N G S
5
6 JUDGE HOWARD: Let's be on the record. It
7 is Wednesday, February 24th, 2021. The time is
8 approximately 9:05 a.m.
9 My name is Michael Howard. I am an
10 administrative law judge with the Washington Utilities
11 and Transportation Commission, and I am presiding in
12 this matter along with the Commissioners.
13 We are here today for an evidentiary hearing
14 in Docket UG-200568, which is Cascade's general rate
15 case.
16 Let's start with short appearances from the
17 parties and let's start with Cascade.
18 MS. PEASE: Good morning, Chair Danner,
19 Commissioners, Judge Howard. My name is Jocelyn Pease
20 with McDowell Rackner Gibson for Cascade. I have with
21 me today co-counsel Katherine McDowell, Jordan
22 Schoonover, and Shoshana Baird.
23 JUDGE HOWARD: Could we have an appearance
24 for Staff?
25 MR. CALLAGHAN: Good morning, Commissioners,

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1 Do I understand that correctly and would any
2 party care to speak to that issue?
3 MS. GAFKEN: You do understand that
4 correctly, and I think we can wait to address any
5 potential objections to JRW-17X when it's used.
6 JUDGE HOWARD: Thank you, Ms. Gafken.
7 And I will, therefore, admit all the
8 prefiled testimony and exhibits into evidence with the
9 exception of JRW-17X. I will provide a copy of the
10 exhibit list to the court reporter so it will be made
11 part of the record, and we will address Exhibit JRW-17X
12 when it is offered into evidence.
13 (All prefiled testimony and exhibits
14 admitted with the exception of JRW-17X.)
15 JUDGE HOWARD: Before I discuss the
16 procedure of the hearing today, are there motions or
17 requests from any of the parties?
18 Hearing nothing, let's discuss our schedule.
19 First we will hear testimony from the three cost of
20 capital witnesses, Bulkley, Parcell, and Woolridge as a
21 panel. Then we will call individual witnesses in the
22 order agreed to by the parties.
23 Are there any concerns?
24 MR. CALLAGHAN: No, Your Honor.
25 JUDGE HOWARD: In that case, let's begin

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1 with the cost of capital panel. Let's -- I believe I
 2 saw at least two of the three witnesses on the call. We
 3 have Mr. Parcell, Ms. Bulkley, do we have Woolridge on
 4 the line?
 5 MR. WOOLRIDGE: Yes, yes, I'm here.
 6 JUDGE HOWARD: Oh, great. Thank you.
 7 Would all three of the cost of capital
 8 witnesses please turn on your camera and I will swear
 9 you in.
 10 (Witness panel sworn.)
 11 JUDGE HOWARD: Ms. Pease, would you please
 12 introduce Cascade's witness?
 13 MS. MCDOWELL: Your Honor, this is Katherine
 14 McDowell. I'll be presenting Ms. Bulkley this morning.
 15 Can you hear and see me okay?
 16 JUDGE HOWARD: Yes, please proceed.
 17 MS. MCDOWELL: So just one question to you.
 18 Since the exhibits have been admitted, would you like me
 19 to dispense with the normal colloquy and just proceed to
 20 ask if there's changes or corrections and then turn the
 21 witness over or would you like me to go through and
 22 identify this witness's exhibits and testimony?
 23 JUDGE HOWARD: You could -- just a -- just a
 24 brief introduction and perhaps the range of exhibit
 25 numbers and -- as they are marked. We don't need

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1 necessarily to address each one.
 2 MS. MCDOWELL: Okay. That sounds good.
 3
 4 E X A M I N A T I O N
 5 BY MS. MCDOWELL:
 6 **Q. Good morning, Ms. Bulkley.**
 7 A. Good morning.
 8 **Q. How are you employed?**
 9 A. I'm employed by Concentric Energy Advisors as a
 10 senior vice president.
 11 **Q. And in that capacity, have you prepared**
 12 **testimony and exhibits for this proceeding this morning?**
 13 A. Yes, I have.
 14 **Q. And are those exhibits your direct testimony in**
 15 **Exhibits AEB-1 through -- let me get my exhibit numbers**
 16 **correct, through AEB -- basically your direct and your**
 17 **rebuttal in exhibits, which are AEB-1 through AEB-6?**
 18 A. Yes, that's correct.
 19 **Q. Do you have any changes or corrections to that**
 20 **testimony?**
 21 A. I have one formatting correction in my rebuttal
 22 testimony. On page 85 at lines 1 through 10, there is
 23 what appears to be Q and A. It should be as an offset
 24 quote because it is a quote from the testimony of
 25 Dr. Woolridge, but it is formatted as if it's my Q and A

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1 asked to myself. So those lines 1 through 10, they are
 2 cited as a quotation, but they're not offset. So when
 3 you're reading, you might think that they were -- might
 4 be confusing.
 5 **Q. Okay. Do you have any other changes or**
 6 **corrections to your testimony?**
 7 A. Not that I'm aware of, no.
 8 **Q. So if I were to ask you the questions that are**
 9 **set forth in your prefiled testimony today, would your**
 10 **answers be the same?**
 11 A. Yes, they would.
 12 MS. MCDOWELL: This witness is available for
 13 cross-examination.
 14 JUDGE HOWARD: Thank you.
 15 Mr. Callaghan, would you introduce Staff's
 16 witness.
 17 MR. CALLAGHAN: Thank you, Your Honor, yes.
 18
 19 E X A M I N A T I O N
 20 BY MR. CALLAGHAN:
 21 **Q. Mr. Parcell, how are you employed? Mr. Parcell,**
 22 **can you hear me?**
 23 A. Without my earplug, I can barely hear. I hear
 24 fine with earplugs in, but I can hear almost nothing. I
 25 have my speaker turned as high as it'll go. Can I try

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1 earplugs again, see if there's still background noise?
 2 **Q. Good morning, Mr. Parcell. Can you hear me?**
 3 A. I hear you just fine now, thank you.
 4 **Q. All right. Thank you. It sounds okay to me, so**
 5 **I think let's proceed.**
 6 **Mr. Parcell, how are you employed?**
 7 A. I'm with Technical 4 Associates, Incorporated as
 8 a principal and economist.
 9 **Q. And did -- did Commission Staff hire you to**
 10 **provide analysis and testimony for this case?**
 11 A. Yes.
 12 **Q. And are those Exhibits DCP-1T through DCP-15?**
 13 A. Yes.
 14 **Q. And do you have any corrections or updates to**
 15 **those exhibits?**
 16 A. No.
 17 MR. CALLAGHAN: Your Honor, Mr. Parcell is
 18 available for cross-examination. Thank you.
 19 JUDGE HOWARD: Thank you.
 20 Ms. Gafken, would you please introduce
 21 Public Counsel's witness.
 22 MS. GAFKEN: Yes, thank you.
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EXAMINATION

BY MS. GAFKEN:

Q. Dr. Woolridge, would you please state your name for the record and spell your last name?

A. Yes, my name the initial J, Randall Woolridge, and that's spelled W-o-o-l-r-i-d-g-e. I am a professor of finance at the Pennsylvania State University.

Q. And were you retained by Public Counsel for this case to evaluate Cascade's cost of capital and return on equity issues?

A. Yes.

Q. Did you prepare testimony, cross-answering testimony, and exhibits for this case, which has been marked and admitted as Exhibits JRW-1T through JRW-14?

A. Yes.

Q. Do you have any changes or updates to your testimony or exhibits?

A. I have one little typo, which is on page 42 at line 5.

Q. And what is that typo?

COMMISSIONER RENDAHL: I'm sorry, is that for the initial or the response testimony or -- or cross-answering?

DR. WOOLRIDGE: The response testimony.

A. There's a table two on the right-hand column, it

testimony, Exhibit AEB-4T, and go to page 3.

A. Yes, I'm there.

Q. Okay. Turning your attentions to lines 5 and 6 on page 3, you state that capital market conditions have changed dramatically in 2020 and you note the heightened volatility in equity markets, correct?

A. Yes, and higher betas also on the line as well.

Q. Okay. Please turn to page 4 of your rebuttal testimony, Exhibit AEB-4T, starting at line 21.

A. Yes, I'm there.

Q. There you note that Public Counsel's recommendation -- recommended ROE of 9 percent is toward the low end of authorized returns for natural gas distribution companies in the U.S. since 2018; is that correct?

A. Yes, that's correct.

Q. Staying with the same exhibit, AEB-4T, could you please turn to line 7 -- I'm sorry, page 7, line 6.

A. Page 7, line 6. Yes, I'm there.

Q. Thank you.

You note that the majority of authorized ROEs for natural gas distribution companies since 2018 have been within a range of 9.4 to 9.8 percent, which suggests that regulators are relying on more than just the results of the traditional model; is this correct?

says equity cost rate at 8.95 percent, and as discussed that's that 9.0 percent. 8.95 on [inaudible.]

THE COURT REPORTER: This is the court reporter. I can't hear what he's saying.

DR. WOOLRIDGE: Can you hear me?

THE COURT REPORTER: Now I can. Thank you.

A. Okay. It's on table 2, line 5, page 42, the right-hand column should be 9.0 percent and not 8.95 percent.

BY MS. GAFKEN:

Q. Mr. Woolridge, were your testimony and exhibits prepared by you or under your instruction and supervision?

A. Yes.

MS. GAFKEN: Mr. Woolridge is available for cross-examination.

JUDGE HOWARD: Thank you. Ms. Gafken, you may proceed with your cross-examination.

MS. GAFKEN: Thank you.

EXAMINATION

BY MS. GAFKEN:

Q. Good morning, Ms. Bulkley. My name is Lisa Gafken, and I am the attorney for Public Counsel today. Could you please turn to your rebuttal

A. Yes, it is correct. There is -- there are results higher than that nine -- 9.8 as well. I think there was also as high as 10 in 2020, but yes.

Q. Okay. Could you please turn to Cross-Exhibit AEB-7X?

A. Let me just pull that up.

Q. Take your time and just let me know when -- when you get that exhibit pulled up.

A. It's loading.

Q. Okay.

A. Just to make sure I have the right exhibit, this would be...

Q. So the Cross-Exhibit AEB-7X is Public Counsel's data request No. 78 to Cascade and the Company's response.

A. Okay.

COMMISSIONER RENDAHL: 78 or No. 7?

MS. GAFKEN: It's -- it's Cross-Exhibit 7X, but it's -- it's data request 78. It's the one with the S&P Global Market Intelligence Article.

A. Yes, I have that up now. I -- I pulled up the wrong exhibit before, I apologize.

BY MS. GAFKEN:

Q. No worries. We're all kind of muddying through this technological issue.

1 A. I've got it now.
 2 **Q. Okay. Thank you.**
 3 **So looking at Cross-Exhibit AEB-7X, do you**
 4 **recognize that as Public Counsel's data request No. 78**
 5 **to Cascade and the Company's response?**
 6 A. Yes, I do.
 7 **Q. Okay. Could you please refer to page 1 of that**
 8 **exhibit, and I want to start first with the response to**
 9 **subpart A. Response to subpart A states that you are**
 10 **familiar with the S&P Global Market Intelligence and the**
 11 **RRA data that is available through this service,**
 12 **correct?**
 13 A. Yes, that's correct.
 14 **Q. And RRA refers to regulatory research**
 15 **associates; is that correct?**
 16 A. Yes.
 17 **Q. In response to subsection B, that states that**
 18 **you review the RRA data that is referenced in the**
 19 **attached article on a regular basis, correct?**
 20 A. Yes, I do.
 21 **Q. Could you describe what a regular basis means?**
 22 A. I have occasion to look at this multiple times a
 23 week I would say probably. Not necessarily this
 24 document, but the associated data that -- there's an
 25 excerpt provided in this exhibit starting on page 5, so

1 **ranges, correct?**
 2 A. Yes.
 3 **Q. The greatest number of ROEs authorized in 2020**
 4 **is shown in the 9.5 to 9.49 percent range, correct?**
 5 A. No, I don't believe that range that you stated
 6 is correct. The -- the greatest number would be in the
 7 9.25 to 9.49. Interestingly, this chart actually lines
 8 up very well with the results of my TCF analysis, so
 9 being in that 9.5 to -- to 10.15 range, so...
 10 **Q. Authorized ROE is not the equivalent to earned**
 11 **ROE; is that correct?**
 12 A. That's correct.
 13 **Q. As part of your engagement in this case, did you**
 14 **review Dr. Woolridge's testimony for Public Counsel?**
 15 A. I did.
 16 **Q. And Dr. Woolridge for Public Counsel --**
 17 **[Brief interruption.]**
 18 MS. GAFKEN: Somebody is not on mute. Maybe
 19 they muted now.
 20 BY MS. GAFKEN:
 21 **Q. Dr. Woolridge for Public Counsel testified that**
 22 **the earned ROE for natural gas companies ranges from 8.0**
 23 **percent to 9.0 percent in recent years; do you recall**
 24 **that testimony?**
 25 A. I don't specifically. If you referenced me to

1 that data that follows in this article.
 2 **Q. Understood.**
 3 **So you weren't necessarily familiar with the**
 4 **article before seeing the data request, but you are**
 5 **familiar with the RRA data and the -- the S&P service?**
 6 A. Yes, that's correct.
 7 **Q. Okay. So the attached article to the Public**
 8 **Counsel data request 78 is entitled "Authorized energy**
 9 **returns hit all-time low in 2020 amid COVID-19 fallout."**
 10 **And that article refers to the RRA -- RRA data that**
 11 **we've been talking about, correct?**
 12 A. Yes, that's correct, it does. Yes, as I
 13 referenced the data -- well, the data that would pertain
 14 to gas ROEs would be page 6 of that article for that
 15 period of time, an excerpt.
 16 **Q. Could you please turn to page 3 of Cross-Exhibit**
 17 **AEB-7X?**
 18 A. Sure. I'm there.
 19 **Q. That -- okay. Thank you.**
 20 **That page has two charts on it and the second**
 21 **chart purports to show the frequency of authorized gas**
 22 **ROEs for 2020, correct?**
 23 A. Yes, it does.
 24 **Q. And that chart shows a number of authorized ROE**
 25 **percentages that fall into six different percentage**

1 that...
 2 **Q. Sure. The reference would be Exhibit JRW-1T at**
 3 **page 57, lines 14 to 15.**
 4 A. The pages again? I'm sorry.
 5 **Q. Sure, no -- no problem. So Exhibit JRW-1T, the**
 6 **response testimony, and that reference is page 57, 57,**
 7 **lines 14 to 15.**
 8 A. Thank you.
 9 **Q. Once you're there, I'm happy to repeat the**
 10 **question.**
 11 A. Yes, I'm there. Thank you.
 12 **Q. Okay. So my question was confirming that**
 13 **Dr. Woolridge for Public Counsel testified that the**
 14 **earned ROE for natural gas companies ranges from 8.0**
 15 **percent to 9.0 percent in recent years, and I was asking**
 16 **whether you recalled that testimony.**
 17 A. I do see that here now, yes. He has stated that
 18 on this page, that's correct.
 19 **Q. Thank you.**
 20 **In your direct testimony or your rebuttal**
 21 **testimony, you do not present evidence that natural gas**
 22 **companies are having difficulty raising capital,**
 23 **correct?**
 24 A. I provide testimony that discusses the rating
 25 agencies' concerns about the coverage ratios for

1 utilities, which would create difficulty raising
2 capital. So I -- I think that's an important factor.
3 Certainly my testimony discusses the downgrades that
4 have occurred related to Tax Cuts and Jobs Act, the
5 concerns following COVID about the credit metrics for
6 regulated utility companies in addition to the Tax Cuts
7 and Jobs Act concern. It's Standard & Poor's and
8 Moody's and Fitch raised concerns. Because many
9 utilities were already -- I think Standard & Poor's
10 indicated that 25 percent of the utilities already had
11 negative outlooks, and so there was greater concern with
12 respect to COVID that that would create more financial
13 instability. So I do think I have addressed that issue
14 in my testimony, yes.

15 **Q. Now -- excuse me. Do you know whether Cascade
16 has accessed the capital markets in 2020?**

17 A. I do not know that actually.

18 **Q. Okay. Could you turn back to Cross-Exhibit
19 AEB-7X and go to page 4.**

20 A. Page 4 is authorized electric ROEs?

21 **Q. There should be two charts on page 4, and the
22 top one would be electric, but the bottom one would
23 be -- would address natural gas companies.**

24 A. So there are three sets of page numbers on this.

25 **Q. You want to look at the --**

1 would be stale.

2 **Q. Would you agree that the spread between
3 authorized natural gas ROEs and the 30-year Treasury
4 yield is at an all-time high?**

5 A. No. Again, I -- I don't necessarily know that
6 to be true. This -- this chart is old data, so I think
7 that's really important to recognize. One of the most
8 significant things that happened in 2020 was how the --
9 was looking at how the treasuries had changed over time.

10 So in the beginning of the year, we had Treasury
11 bond yields that were about 2.25 percent for the 30-year
12 preCOVID, and then the treasuries did see a decline just
13 like the overall market in February and March, and they
14 declined through to about August as a low point, and
15 then they have been increasing steadily since then and
16 have seen a pretty good run-up actually in 2021.

17 So -- so I don't -- I don't think that's true as
18 of the current time. You know, if I was to look at how
19 the interest rates changed over the course of my
20 testimony, in my direct, the 30-year Treasury bond yield
21 was at 1.31 percent; in my rebuttal it was at 1.61. The
22 projections that I had in my rebuttal for this first
23 quarter of 2021 was 1.82 and yesterday it was at 2.2.

24 So the spread -- this article has data in it
25 that's not really reflective of what we see in the

1 A. Is that the page numbers I should follow?

2 **Q. I think it's the top right so --**

3 A. Top right.

4 **Q. So it's -- yeah, the exhibit number and page
5 numbers.**

6 A. Okay. Yes, okay. I'm there.

7 **Q. That can be really confusing with the page
8 numbers.**

9 **So looking at the second chart on page 4 of
10 Exhibit AEB-7X, that chart purports to show the spread
11 between authorized natural gas ROEs and Treasury yields;
12 is that correct?**

13 A. Yes, it -- it does purport to do that. It is
14 quite out of date with respect to the recent treasuries,
15 though. This looks like it's -- it's kind of tough to
16 tell. There is a hashmark that could potentially be
17 2021, but it's not labeled, but it would be out of date.

18 Obviously with the increase that we've seen in
19 the 30-year Treasury yield over the last several months,
20 this -- this chart would be pretty out of date. You
21 know, in February we've seen Treasury -- the 30-year
22 Treasury increase by 40-some-odd basis points, possibly
23 more than that. So this would be pretty out of date.
24 You know, I think we're at 2.2 as of yesterday for the
25 yield on the 30-year Treasury, so this -- this chart

1 market right now.

2 **Q. I think it's a fair point to say that the
3 Treasury yields do go up and down, correct?**

4 A. There has -- yes, there has been some change. I
5 think actually that's been more my testimony than --
6 than your witness who suggested that they were fairly
7 stable at 1.5. So my testimony has been that there was
8 an expectation for the increase that did occur.

9 **Q. Okay. I'd like to stick with the idea that the
10 Treasury yield fluctuates as -- as you've just
11 testified, it goes up and down, and we've seen kind of
12 that -- that fluctuation over the last little while. I
13 want to focus the question on how that Treasury yield
14 compares to authorized natural gas ROEs, so that spread
15 between natural ROEs and the 30-year Treasury yield.
16 Have you -- have looked at that or studied that ratio?**

17 A. Not specifically. As I said, though, the spread
18 that is pictured in this chart would be very old based
19 on the data that's shown here.

20 **Q. Okay. But you haven't --**

21 **[Cross talking.]**

22 **Q. I'm sorry.**

23 A. Oh, I'm sorry. I'm not certain if this is
24 capturing averages. I believe it is, actually. So that
25 would make it even more difficult to rely on. If you're

1 looking at the average over the year for 2020 and I just
 2 described what happened in 2020, I'm not sure that this
 3 number makes a whole lot of sense.
 4 **Q. Okay. We can set aside the -- the chart for**
 5 **now. What I actually want to ask about is what you --**
 6 **what you studied or, you know, what -- what you know or**
 7 **have analyzed. So trying to get at the concept versus**
 8 **at the illustration.**
 9 **I think I recall you testified that you haven't**
 10 **necessarily looked at the spread between the authorized**
 11 **ROEs and the 30-year Treasury yield; is that accurate?**
 12 A. Well, I have looked at in my risk premium
 13 analysis -- I guess that's really over the bond yields,
 14 so not specifically, no, no.
 15 **Q. Okay.**
 16 MS. GAFKEN: Okay. Then -- then I have no
 17 further questions. Thank you.
 18 JUDGE HOWARD: Do we have any redirect by
 19 Cascade?
 20 MS. MCDOWELL: Yes, Your Honor.
 21
 22 E X A M I N A T I O N
 23 BY MS. MCDOWELL:
 24 **Q. So, Ms. Bulkley, can you hear me okay?**
 25 A. Yes, I can.

1 response to that.
 2 And then if you look further down, maybe in the
 3 9.25 to 9.49 percent range, Puget Sound Energy, the --
 4 that ROE was part of the consideration by the credit
 5 rating agencies for downgrading the outlook on Puget
 6 Sound Energy.
 7 So I -- I look at the -- the -- what the rating
 8 agencies have to say, the credit -- the equity analysts,
 9 a variety of other sources as well.
 10 **Q. So in your testimony at AEB-4, figure 2, have**
 11 **you graphed a similar set of data to what you see in --**
 12 **on page 6 of AEB-7X?**
 13 A. Could we get the reference again? I'm sorry.
 14 **Q. It's again your rebuttal testimony, AEB-4.**
 15 A. Yes.
 16 **Q. At page 12, figure 2.**
 17 A. Yes, okay. Yes, I have. This data -- this is
 18 basically the data we've just been discussing from
 19 Exhibits 7X through November 2020 for the natural gas
 20 distribution companies. So this shows all of the
 21 authorized ROEs, and then I have also indicated where
 22 the recommendations of the witnesses in this case fall
 23 in comparison to that authorized ROE data.
 24 So you can see that Public Counsel is at the
 25 very bottom of this except for the 8.8s that I just

1 **Q. Okay, great.**
 2 **So just wanting to follow up on a couple**
 3 **questions on Cross-Exhibit AEB-7X, and first of all, are**
 4 **you familiar generally with market data from services**
 5 **such as S&P and Value Line, is that generally the kind**
 6 **of information you monitor?**
 7 A. Yes, it is.
 8 **Q. And have you had occasion to review any other**
 9 **such data that would reflect the ROE situation for**
 10 **utilities in January of 2021?**
 11 A. Yes. So I would have looked -- other
 12 information that I read regularly would be how credit
 13 rating agencies have considered authorized ROEs for
 14 utilities. I -- and specifically in January of 2021,
 15 there have been some downgrades related to those ROEs.
 16 Particular, if you're looking at this exhibit
 17 that we have here, if you look at page 6 to this
 18 exhibit, which shows the authorized ROEs for gas
 19 utilities for 2020, Consolidated Edison and NYSEG, RG&E,
 20 who are the low end of what was recently authorized,
 21 were downgraded by Moody's and S&P in January of 2021.
 22 Southwest Gas, which their authorized ROE is
 23 shown a few lines down in the category of 9 percent to
 24 9.24. They had a 9.1 that was issued fairly recently
 25 and the outlook for Southwest Gas was downgraded in

1 described, which are lower but received downgrades.
 2 **Q. So were the utilities that you were just**
 3 **discussing who received recently downgrades or negative**
 4 **credit action, were those -- are those reflected in the**
 5 **lower dots on this scatter plot chart?**
 6 MS. GAFKEN: I'm going to object. The topic
 7 matter is going beyond what I asked cross on.
 8 JUDGE HOWARD: Ms. McDowell, would you care
 9 to respond?
 10 MS. MCDOWELL: Well, Ms. Gafken asked about
 11 RRA data that was in AEB-7X, and the witness was
 12 explaining that this data is also reflected in her
 13 chart. So I'm just explaining -- asking her to explain
 14 her chart. I think it's a natural follow-up to the
 15 questions Ms. Gafken was asking about this data on page
 16 6.
 17 JUDGE HOWARD: I will allow the question.
 18 A. Can I just ask you to repeat the question for
 19 me?
 20 BY MS. MCDOWELL:
 21 **Q. Sure.**
 22 **You indicated that certain of the results that**
 23 **are depicted on page 6 of Public Counsel's exhibit**
 24 **resulted in recent downgrades or negative credit action,**
 25 **so I'm just asking you on your scatter plot chart here,**

1 **are those represented by certain of the -- the dots in**
 2 **the lower end of the range?**
 3 A. Yes, they are. So the -- the dots that would be
 4 at the lower end of this range the 8 -- the 8.8 dots
 5 that are shown, little tough to point them out, but if
 6 you look just above the box that says Mr. Mullins'
 7 recommendation, which has a typo in that, there's a dot
 8 that would be -- that would be -- that would be Con Ed.
 9 And then the dot to the far right, similar -- similar
 10 plane basically as what I just described, these low end
 11 results, that would be NYSEG, RG&E and then there are --
 12 there's another 2018 New York decision at 8.8 that's
 13 shown there as well at the low end.
 14 **Q. So, Ms. Bulkley, when Ms. Gafken asked you a**
 15 **question about the graphs on page 3 of her exhibit, you**
 16 **indicated that the graph reflected your DCF results in**
 17 **this case, can you explain what you meant by that?**
 18 A. Sure. So the graph basically says that the vast
 19 majority of the authorized ROEs are somewhere in that --
 20 you know, in that 9.49 to 9.99 range. And so if you
 21 were to look at my rebuttal testimony, the range that I
 22 established for if you just relied on the DCF, which I
 23 have relied on many models, but just looking and
 24 focusing on the DCF results, the range there is between
 25 that 9.4 to 10.16 for the scenario where we adjusted the

1 would -- would be affected. Certainly if you have a
 2 choice as an investor to invest in a risk-free asset
 3 versus an asset that has greater risk, we often see that
 4 there's a rotation as Treasury bond yields increase that
 5 a certain segment of investors will roll out of
 6 utilities and into the Treasury bonds, which would
 7 affect the dividend yields and the DCF. And that would
 8 also increase the DCF results.
 9 MS. MCDOWELL: That's all the questions I
 10 have. Thank you very much.
 11 JUDGE HOWARD: Mr. Stokes, you may proceed
 12 with your planned cross-examination.
 13 MR. STOKES: We -- we waive cross.
 14 JUDGE HOWARD: Oh, okay.
 15 In that case, Cascade may proceed with its
 16 cross of Staff's witness.
 17 MS. MCDOWELL: Your Honor, if I could just
 18 have a moment to reshuffle my papers?
 19 JUDGE HOWARD: Certainly. And,
 20 Ms. McDowell, I -- I believe we were -- were you first
 21 intending to address your questions to Parcell and then
 22 to Dr. Woolridge and keeping those two separate? What
 23 was your plan for that?
 24 MS. MCDOWELL: Yes, I -- I do have -- my
 25 examination will be separate for Mr. Parcell and

1 Northwest Natural growth rate.
 2 And both myself and Dr. Woolridge have indicated
 3 that Cascade is higher risk, so you would think that you
 4 would be more towards the higher end of that range. If
 5 you were to look at the higher end of this range and the
 6 chart, the 9.5 to 9.74 or 9.75 to 9.99, those
 7 observations there, the -- the mid point of those would
 8 be the 9.8, which is the Company's recommendation. And
 9 that's sort of the midpoint of the range of my DCF
 10 results as well. So that's what I meant by that.
 11 **Q. So the -- the last question -- set of questions**
 12 **I had for you were -- was with respect to your testimony**
 13 **on the increase in 30-year Treasury rates since you**
 14 **filed your rebuttal testimony in this case.**
 15 **Can you explain how those increases would impact**
 16 **the testimony that you filed in this case with respect**
 17 **to your ROE recommendation?**
 18 A. Sure. So the -- the -- the Treasury bond yields
 19 would be used in the CAPM analysis, and I think actually
 20 all three witnesses filed a CAPM analysis and would need
 21 to reflect those higher Treasury yields in there -- in
 22 the analysis. So generally speaking, all else equal,
 23 the -- the CAPM numbers would be higher.
 24 I also think that there is likely to be an
 25 effect with respect to how the yields on the DCF

1 Dr. Woolridge. So the order -- I can proceed in
 2 whatever order you wish and can begin with Mr. Parcell
 3 if that makes sense.
 4 JUDGE HOWARD: That -- that -- that would be
 5 good. After Parcell, I will allow Staff an opportunity
 6 for redirect.
 7 MS. MCDOWELL: Okay.
 8
 9 E X A M I N A T I O N
 10 BY MS. MCDOWELL:
 11 **Q. Good morning, Mr. Parcell. Can you see and hear**
 12 **me okay?**
 13 A. Good morning, yes, I can.
 14 **Q. Excellent.**
 15 **So can you turn to page 14 of your testimony?**
 16 A. Sure.
 17 **Q. And that's DCP-1T for the record --**
 18 A. Yes, I am there. I'm sorry, I interrupted you.
 19 **Q. No worries.**
 20 **There you indicate on pages -- on page 14, line**
 21 **1 and 2 that since the COVID-19 pandemic began in**
 22 **February of 2020, both long-term and short-term interest**
 23 **rates have declined and remained at historic lows; do**
 24 **you see that testimony?**
 25 A. Yes.

1 CHAIR DANNER: Ms. McDowell, I'm sorry, I
 2 don't. Can you tell me again what the exhibit is?
 3 MS. MCDOWELL: This is Mr. Parcell's
 4 testimony, his response testimony, DCP-1T.
 5 CHAIR DANNER: Thank you.
 6 MS. MCDOWELL: And I was just asking him
 7 about his testimony about long-term and short-term
 8 interest rates declining.
 9 BY MS. MCDOWELL:
 10 **Q. So now, you filed your testimony in this case on**
 11 **November 19th, 2020; does that sound correct?**
 12 A. Yes.
 13 **Q. And can you turn to the cross-exhibits that we**
 14 **have provided, and specifically I'd like to direct your**
 15 **attention to Exhibit DCP-16X.**
 16 A. Yes, I have that.
 17 **Q. All right. And I'll just take a moment, I'll**
 18 **kind of pause for a moment to make sure everybody else**
 19 **has it. So this is Cross-Exhibit 16X.**
 20 **And I'll represent to you that these are just**
 21 **interest rate strips from Treasury.gov that show both**
 22 **30-year and 10-year Treasury rates among other things.**
 23 **Are you familiar with these Treasury rates?**
 24 A. Yes.
 25 **Q. So if you could turn to page 4 of this exhibit.**

1 A. I will accept it.
 2 **Q. So that would be an increase since your**
 3 **testimony was filed of 63 basis points; would you agree?**
 4 A. For that period, yes.
 5 **Q. So it's fair to say, isn't it, that current**
 6 **long-term rates have rebounded to approximately**
 7 **pre-pandemic levels?**
 8 A. Yes.
 9 **Q. Now, I wanted to ask you some questions about**
 10 **your Exhibit DCP-17X, which is the next exhibit in --**
 11 A. 17 you said?
 12 **Q. Yeah, it's the next exhibit we provided.**
 13 A. Yes.
 14 **Q. And this I'll represent to you is your testimony**
 15 **filed in the -- the last time you filed testimony in a**
 16 **Cascade rate case. Do you recognize this testimony?**
 17 A. Yes, it's dated February 15th, 2018.
 18 **Q. And in that case, you recommended a 9.35 percent**
 19 **ROE for Cascade; do you recall that?**
 20 A. Yes, range of 9.2 to 9.5, that is correct.
 21 **Q. Now, can you turn to page 35 of that exhibit?**
 22 A. Sure. I'm there.
 23 **Q. And there on -- on line 8 you report your DCF**
 24 **results, and those are between 9.1 to 9.3 percent; do**
 25 **you see that?**

1 A. 1T?
 2 **Q. Yeah, so it would be -- no, it's page 4 of this**
 3 **cross-exhibit, 16X.**
 4 A. Oh, yes. Okay.
 5 **Q. So if you turn to that page and look at the rate**
 6 **for November 19th for the 30-year Treasury rate, that**
 7 **number was 1.58 percent; is that correct?**
 8 A. Correct.
 9 **Q. And if you go back to page 1 of that exhibit,**
 10 **which has rates year to date for 2021, and look at the**
 11 **last date on there, February 18th, 2021, that rate is**
 12 **2.08 percent, correct?**
 13 A. Correct.
 14 **Q. So between the time your testimony was filed and**
 15 **last Thursday when this cross-exhibit was filed, the**
 16 **30-year rates were up by approximately 50 basis points;**
 17 **isn't that correct?**
 18 A. Yes, during that -- during that period, that's
 19 correct.
 20 **Q. And did you hear Ms. Bulkley's testimony about**
 21 **yesterday's rates of 2.21 percent for 30-year yields?**
 22 A. Yes.
 23 **Q. And do you agree -- do you have -- you know,**
 24 **agree with that number subject to check, are you**
 25 **familiar with that number?**

1 A. That's my recommendation in that case, yes.
 2 **Q. So and that recommendation included your highest**
 3 **DCF rates and -- and exceeded the low and medium rates;**
 4 **is that fair?**
 5 A. Yeah, those were in the mid 7s at that time, so
 6 I did not want to give consideration to 7.5 percent DCF
 7 rates in my recommendation, so I did not consider those
 8 in that case.
 9 **Q. So can you turn back to your testimony in this**
 10 **case, DCP-1T?**
 11 A. Sure.
 12 **Q. And I'd like to direct your attention to page 4.**
 13 A. I have that.
 14 **Q. And here your DCF range, which is listed below**
 15 **line 4, is from 9 percent to 10 percent; do you see**
 16 **that?**
 17 A. Yes, which by the way is almost identical to
 18 Ms. Bulkley's DCF results.
 19 **Q. You know, I was going to ask you that question,**
 20 **so thank you for anticipating that.**
 21 **So your -- just to frame this, your DCP -- your**
 22 **DCF results in this case, the top of the range is 70**
 23 **basis points higher than in the 2018 general rate case,**
 24 **correct?**
 25 A. Repeat that, please.

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1 **Q. So your range in the 2018 Cascade rate case was**
2 **9.1 to 9.3 percent?**
3 A. Yes.
4 **Q. And your range here is -- for your DCF model is**
5 **9 percent to 10 percent, correct?**
6 A. Correct.
7 **Q. So your -- the top of the range in this case is**
8 **70 basis points higher than it was in the 2018 --**
9 A. That is correct.
10 **Q. -- general rate case, correct?**
11 A. Yes.
12 **Q. So I wanted to ask you some questions about your**
13 **CE model or comparable earnings model.**
14 A. Sure.
15 **Q. Now, again, on page 4, you explained that you**
16 **rely on the midpoint of your comparable earnings results**
17 **to set the bottom of your range for Cascade in this**
18 **case; is that fair?**
19 A. In part.
20 **Q. Along with your risk premium results, correct?**
21 A. That -- that is fair.
22 **Q. Okay. Now, can you turn to DCP-12, which has**
23 **your calculations for your CE model.**
24 A. Sure. I have that.
25 **Q. Now, you looked to both historical ROEs and**

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1 **projected ROEs as a part of your calculations for this**
2 **model, correct?**
3 A. That is correct.
4 **Q. And that's depicted on page 1 of DCP-12; is that**
5 **correct?**
6 A. That is correct also.
7 **Q. And your historical range in this case, which I**
8 **derived from looking at the 2002 to 2008 averages and**
9 **the 2009 to 2018 averages is from 9.8 percent to 11.3**
10 **percent; does that sound correct?**
11 A. Yes, with the -- the latter period having lower
12 returns. The -- the trend was downward between those
13 two periods. It was roughly eleven -- eleven -- 11.3
14 between 2002 and '8, and since that point in time, it's
15 been less than 10 historically.
16 **Q. Okay. So and then if you can bear with me for a**
17 **moment and turn back to your Exhibit 17X, which was your**
18 **testimony in the 2018 case.**
19 A. Sure. Same schedule?
20 **Q. And -- yeah, same schedule, which is page 69 of**
21 **the exhibit.**
22 A. Yes, I have that.
23 **Q. So your historical range in that case was 9.6**
24 **percent to 10.9 percent; is that correct?**
25 A. Correct.

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1 **Q. So your historical range is higher in this case,**
2 **correct?**
3 A. I'm not -- I'm not quite following your
4 question. Can you be more specific?
5 **Q. So your historical range in -- in the 2018 case**
6 **based on these numbers it looks like to me 9.6 percent**
7 **to 10.9 percent.**
8 A. In the current proceeding, yes.
9 **Q. So I'm directing your attention to page 69 of**
10 **DCP-17X, which is your testimony in the 2018 case.**
11 A. Yes.
12 **Q. And that is 9.6 percent to 10.9 percent for your**
13 **historical range, correct?**
14 A. Correct.
15 **Q. And that is lower than your historical range in**
16 **this case, which we established was between 9.8 percent**
17 **and 11.3 percent, correct?**
18 A. That's correct, but a company's been added in
19 between those two cases, ONE Gas, which is a spinoff I
20 think from a company of ONEOK, and that -- that accounts
21 for a difference -- the addition of a company.
22 **Q. Okay. All right. So --**
23 A. In both cases, the latter of the two range --
24 the latter of the two periods show the decline in earned
25 rates of return on equity.

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1 **Q. Okay. And your projected range is lower in this**
2 **case, correct?**
3 A. Yes, quite a bit.
4 **Q. And back to your exhibit in this case, DCP-12 in**
5 **this case.**
6 A. Yes.
7 **Q. Now, your exhibit in this case shows that you**
8 **considered Spire in your calculations for this CE model,**
9 **correct?**
10 A. I include Spire in all of my analyses as did
11 Mrs. Bulkley.
12 **Q. Okay. And in this case, that includes your**
13 **projected ROEs include a result, an ROE of Spire -- for**
14 **Spire of 2 percent in 2020; do you see that?**
15 A. Yes.
16 **Q. And that's far lower than any other company in**
17 **the group, correct?**
18 A. Yes.
19 **Q. And can you turn your -- to DCP-18X, which is**
20 **the next cross-examination exhibit in this stack that we**
21 **marked; do you have that?**
22 A. Yes, ma'am.
23 **Q. And can you turn to page 2 of that exhibit,**
24 **which is a Value Line report on Spire.**
25 A. Yes.

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1 **Q. And in the text, I'll represent to you that it**
 2 **explains that the 2 percent result was related to a**
 3 **COVID impairment in 2020 that caused Spire's results to**
 4 **tumble by approximately 70 percent. Are you familiar**
 5 **with those circumstances related to Spire?**
 6 A. Not specifically, but it's -- it's -- I mean,
 7 every company has its own unique characteristics. For
 8 example, New Jersey Resources has a 17.8 percent in
 9 2018. They got their own reasons for that. So I'm not
 10 going to throw out a 2.0 for Spire and keep a 17.8 for
 11 South Jersey, that's inappropriate and incon- --
 12 inconsistent.
 13 **Q. But wouldn't you agree that an impairment is a**
 14 **book accounting issue and not a market value issue?**
 15 A. Yes, but it's -- it's part of the process of --
 16 of the calculate and returns on equity.
 17 **Q. Well, the presence of Spire caused a significant**
 18 **reduction in your projected ROEs, correct?**
 19 A. Not really, because if you look at DCP -- well,
 20 DCP-18X and look at the returns on equity at the bottom
 21 of your page, excluding Spire, the returns are still
 22 eight and a half, nine and a half percent, which is my
 23 recommendation. So even if you took Spire out, it would
 24 still be eight and a half to nine and a half.
 25 **Q. Well --**

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1 A. I mean, your numbers show that.
 2 **Q. Well, what my numbers show, I believe, is that**
 3 **the results would be a hundred basis points higher if**
 4 **you excluded Spire from your CE results, correct?**
 5 A. But still in a range of eight and a half to nine
 6 and a half percent, which is my conclusion.
 7 **Q. Well, you -- in your testimony, you indicated**
 8 **that it was appropriate for cost of capital witnesses to**
 9 **remove results that are truly outliers from their**
 10 **recommendations; do you recall that testimony?**
 11 A. For the historic earnings per share growth of
 12 Northwest Natural I did, yes.
 13 **Q. But you didn't do the same with Spire even**
 14 **though it had a 2 percent ROE in the 2020 period?**
 15 A. But, again, that -- that's only one of three
 16 years and actually one of the 17 years. Also you
 17 mentioned a hundred basis points. If you look at the
 18 medians, the medians change is -- no change for -- well,
 19 .3 percent 2020, no change in '21, and .3 in '23 to '25.
 20 So there is no substantial impact of removing Spire from
 21 my recommendation as -- as I view this chart.
 22 **Q. So you mentioned the PSE case, you were a**
 23 **witness in that case, correct?**
 24 A. Yes, that is correct.
 25 **Q. And can you turn to Exhibit 19X. And do you**

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1 **recognize that as the testimony you filed in the PSE**
 2 **case?**
 3 A. Yes.
 4 **Q. And that testimony was filed approximately one**
 5 **year in advance of the testimony you filed in this case,**
 6 **correct?**
 7 A. Yes, November 22nd, 2019.
 8 **Q. So can you turn to page 32 of that testimony,**
 9 **please?**
 10 A. Thirty-what?
 11 **Q. 32.**
 12 A. 32, sure.
 13 **Q. Now --**
 14 A. I have that.
 15 **Q. Thank you.**
 16 **And on line 13, you report your DCF results in**
 17 **that case, correct?**
 18 A. Did you say page 32?
 19 **Q. Page 32 of the exhibit, so it's not 32 of the**
 20 **testimony. So you look at the page numbers at the top,**
 21 **page 32 of the exhibit, line 13. Do you have that?**
 22 A. Well, when you sent me this exhibit, I already
 23 had a copy of my Puget Sound testimony, which I just
 24 pulled from my file.
 25 **Q. I see.**

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1 A. So -- it's on my page 19, but I have what you --
 2 I have the same numbers you've got, so we can proceed.
 3 **Q. Okay.**
 4 A. I'm just not on page 32 of my copy, that's what
 5 I'm saying.
 6 **Q. That's fine. I --**
 7 A. But you want my DCF results and I am there,
 8 that's the main thing.
 9 **Q. Perfect.**
 10 **So your DCF results in that case were a range of**
 11 **7.8 percent to 8.9 percent with a midpoint of 8.35**
 12 **percent; is that correct?**
 13 A. That is correct.
 14 **Q. Okay. And that's a function of both increased**
 15 **dividend yields in this case and increased growth rates**
 16 **in 2020 as compared to 2019, correct?**
 17 A. Say it again, please.
 18 **Q. So those -- that change in the DCF result is a**
 19 **function in part of both increased dividend yields and**
 20 **increased growth rates in 2020 as compared to 2019,**
 21 **correct?**
 22 A. No. Puget -- my proxy group was a group of
 23 electric companies, not gas companies. So when you --
 24 when you ask me a question about change in yields and
 25 growth rates, that implies to me that -- that you're

1 thinking that that's a change in the same companies. It
2 is not. It's the same process applied in different
3 types of proxy companies.

4 **Q. I see. I see.**

5 **So you're saying that you did not necessarily**
6 **look at a gas proxy group in the Puget case, you looked**
7 **at an electric proxy group?**

8 A. Yeah. Well, electric -- a combination of gas
9 and electric, but I did not use a gas proxy group in the
10 Puget case, that is correct.

11 **Q. But you used a combination of gas and electric**
12 **companies; is that correct?**

13 A. When I say "combination," I mean companies that
14 have both operations. I did not use any pure gas
15 distribution companies.

16 **Q. Got it, okay.**

17 A. For example, Avista would be a combination
18 company, it does both. Whereas Cascade is just a
19 distribution company.

20 **Q. So that's -- that's a helpful clarification.**

21 **And just to go back to the results, your DCF**
22 **midpoint in the Puget case was 115 basis points higher**
23 **here than in the PSE case, correct?**

24 A. Say it say again, please.

25 **Q. Your DCF midpoint in this case is 115 basis**

1 that's what I would call the COVID bump or the COVID
2 factor. Even Cascade has -- has recommended a great
3 reduction return of equity because of the COVID. And
4 I'm certainly not going to recommend an increase in it.

5 **Q. So and even though your DCF results are so much**
6 **higher than in the PSE case, your recommendation in this**
7 **case is approximately the same as that case, correct?**

8 A. Yes, but -- but flip-flop. At the same time the
9 DCF went up, if you look at the -- at the change in
10 perspective returns on equity over the past year,
11 they've come down substantially. And you asked me about
12 I believe the prior Cascade case, the perspective
13 returns of equity in the last case was nine and a half
14 to ten and a half. Eight and a half, nine and a half.
15 That's a hundred basis points. So it's -- it's a
16 flip-flop. DCF appears to go up a hundred basis points
17 and (inaudible) has come down a hundred basis points.
18 Was that not surprising?

19 **Q. So you -- you basically --**

20 A. Those -- those methods work.

21 **Q. You're basically saying that you're relying in**
22 **this case on your comparable earnings results whereas in**
23 **the last case you relied more on your DCF results --**

24 A. No.

25 **Q. -- is that fair?**

1 **points higher than it was in the PSE case one year ago,**
2 **correct?**

3 A. Well, Puget was 8.35 and nine -- 9.5. That's
4 115, that is correct.

5 **Q. Okay. And wouldn't you agree that it's**
6 **important to consider such a large swing in the DCF**
7 **results in formulating your ROE recommendation in this**
8 **case?**

9 A. It would. I'm so glad you asked that question.
10 What you -- what you -- what you find in the past year
11 for natural gas distribution utilities is that the
12 dividend yield, for this group of proxy at least, has
13 increased over the -- between 2020 and 2020 -- between
14 2019 and 2020 by a hundred -- hundred basis points, the
15 yield.

16 For example, I was in a -- an LDC case,
17 Southwest Gas in Arizona and the proxy group I use is
18 the same as this case. And I used the last three months
19 of 2019. In that period, since then, the dividend
20 yields went up by a hundred basis points, but the growth
21 rates stayed basically the same. So all that change in
22 DCF apparent cost rates is accounted for by change of
23 stock prices, which people like Van Line, for example,
24 have indicated is reflective of the COVID situation.

25 So yes, the rates appear to have gone up, but

1 A. Not -- not at all. Not at all. What I'm saying
2 is, in the last case my upper end was DCF -- low end was
3 DCF, upper end was comparable earnings. In this case,
4 my upper end of DCF and my lower end is prorate and my
5 new method risk premium.

6 **Q. Okay. So you mentioned the Southwest Gas case,**
7 **is that the same case that Ms. Bulkley testified that**
8 **Southwest Gas received a negative earned credit response**
9 **to; are you aware of that?**

10 A. Would you be offended I recast your question so
11 I can answer it?

12 **Q. Well, I could try to reask the question.**

13 A. I'm not -- I'm not being smart. I'm just trying
14 to get along here. In the Southwest Gas case, I
15 recommended a return on equity and I was a witness of
16 the Staff in that case. I recommended a 9.3 percent
17 return on equity. The Commission authorized a 9.1
18 percent return on equity and it gave them a 20 basis
19 point adjustment for something.

20 After that -- after that case came -- by the
21 way, the authorized return for them in -- in the
22 jurisdiction of Nevada has been 9.25 for a number of
23 years. After that, as Mrs. Bulkley indicated, the --
24 not Standard & Poor's, but Moody's did change the
25 outlook on that. And that's what she said and that's

1 what I think you asked me and I --
 2 **Q. Correct.**
 3 A. -- apologize for redoing the question. I'm not
 4 trying to be smart with you, I'm just trying to move
 5 this along so to speak. So that's what really happened.
 6 **Q. All right. I appreciate --**
 7 A. Didn't mean to be -- I apologize --
 8 [Cross talking.]
 9 A. -- I hope I didn't.
 10 **Q. No, I appreciate your response.**
 11 MS. MCDOWELL: And that's all the questions
 12 I have for Mr. Parcell.
 13 JUDGE HOWARD: Thank you.
 14 Do we have any redirect by Staff?
 15 MR. CALLAGHAN: Thank you, Your Honor. No
 16 redirect.
 17 JUDGE HOWARD: All right. Ms. Gafken, you
 18 may proceed with your cross-examination of Staff's
 19 witness.
 20 MS. GAFKEN: Thank you.
 21
 22 E X A M I N A T I O N
 23 BY MS. GAFKEN:
 24 **Q. Good morning, Mr. Parcell. I am Lisa Gafken,**
 25 **and I'm the attorney for Public Counsel today.**

1 **your analysis that only your DCF midpoint supports your**
 2 **9.25 percent recommendation?**
 3 A. If you're trying to find a number in my DCF that
 4 matches 9.25, the answer to that question is yes, but
 5 that's not how I got my 9.25.
 6 **Q. Okay. And the focus of my question is whether**
 7 **you were aware of Dr. Woolridge's testimony on that**
 8 **point.**
 9 A. Yes, I saw that.
 10 **Q. Okay. If you could turn to your response**
 11 **testimony, which is Exhibit DCP-1T and go to page 32.**
 12 A. 32?
 13 **Q. 32, lines 1 and 2.**
 14 A. Yes, I have that.
 15 **Q. There you state that you believe a range of 9.0**
 16 **percent to 10.0 percent with a 9.5 percent midpoint**
 17 **represents the current DCF-derived ROE for your proxy**
 18 **group, correct?**
 19 A. Correct.
 20 **Q. So staying with Exhibit DCP-1T, could you turn**
 21 **back to page 31 and go to lines 17 and 18?**
 22 A. Yes.
 23 **Q. There you state that the DCF rates resulting**
 24 **from the analysis of the proxy group falls into a wide**
 25 **range between 7.0 percent and 10.9 percent, correct?**

1 A. Well, good afternoon my time.
 2 **Q. Fair enough. Good afternoon your time. I'm**
 3 **just -- bear with me just a moment. I'm getting my**
 4 **screen back in order. Okay. My first question really**
 5 **is just a foundational one.**
 6 **So, Mr. Parcell, you -- you conducted a DCF**
 7 **analysis in this case, correct?**
 8 A. That is true.
 9 **Q. In your engagement in this case, did you review**
 10 **Dr. Woolridge's testimony for Public Counsel?**
 11 A. Yes.
 12 **Q. In particular, did you review Dr. Woolridge's**
 13 **cross-answering testimony, which was Exhibit JRW-14T?**
 14 A. His rebuttal to me you're saying, right?
 15 **Q. Correct.**
 16 A. Yes, I did.
 17 **Q. So your recommended ROE for this case is 9.25**
 18 **percent, correct?**
 19 A. That is correct.
 20 **Q. Are you aware of Dr. Woolridge's critique of**
 21 **your analysis that only your DCF midpoint supports your**
 22 **9.25 percent recommendation?**
 23 A. Repeat that, please.
 24 **Q. Sure.**
 25 **Are you aware of Dr. Woolridge's critique of**

1 A. Correct.
 2 **Q. To calculate the midpoint, you find the middle**
 3 **of the range defined by two data points, the lowest and**
 4 **the highest individual DCF ROEs in the range; is that**
 5 **correct?**
 6 A. Yes.
 7 **Q. The calculating the mean or median would use all**
 8 **DCF ROEs and not just the high and low from the range,**
 9 **correct?**
 10 A. Right. The range is derived from using means
 11 and medians as shown on my DCP-10 I think -- DCP-9. No,
 12 I'm sorry. Yes, DCP-9, page 5, I use means and medians
 13 to develop the numbers that go into developing the 9 and
 14 10 percent. So I did use means and medians.
 15 **Q. But when we're talking about the means and**
 16 **medians -- medians of the results, you would -- you**
 17 **would look at all of the DCF ROEs and not just the**
 18 **highest ones?**
 19 A. I don't look at those below 9 and I don't look
 20 above 10. You -- you could mathematically take the ones
 21 between 9 and 10 to look at mean and median, but I did
 22 not do that.
 23 **Q. Okay. So turning back to DCP-1 -- DCP-1T page**
 24 **31, lines 19 to 20.**
 25 A. Yes.

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1 **Q. The mean and median DCF results are 8.8 percent**
 2 **and 9.0 percent respectively, correct?**
 3 A. Yes, that -- that uses all the growth rates,
 4 correct.
 5 **Q. Okay. If you could turn to page 4 of Exhibit**
 6 **DCP-1T and go to line 4.**
 7 A. Page 4, line 4, yes.
 8 **Q. There you present your results in chart form,**
 9 **correct?**
 10 A. Correct.
 11 **Q. Your CAPM results indicate ROEs of 6.0 percent**
 12 **and 6.4 percent with a midpoint of 6.2 percent, correct?**
 13 A. Correct.
 14 **Q. In -- in your analysis, you -- you gave**
 15 **essentially no weight to your CAPM results; is that**
 16 **correct?**
 17 A. That is correct.
 18 **Q. The results of your comparable earnings and risk**
 19 **premium approaches both indicate a 9.0 ROE. How much**
 20 **weight did you give these approaches?**
 21 A. I didn't weight them, per se. For example, I
 22 used -- my three methodologies that I relied upon to
 23 make my recommendation for DCF, which is 9.5, CE, which
 24 is 9.0, and risk premium, which is 9.0, I used those to
 25 develop a range. If I average those three, I get 9.17.

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1 But I use -- I didn't average them to get my
 2 recommendation. I just took the -- the range they
 3 created, which is 9.95 and the midpoint's 9.25. Had I
 4 used the average, it would have been 9.17, though.
 5 MS. GAFKEN: Thank you, Mr. Parcell. I have
 6 no further questions.
 7 JUDGE HOWARD: Do we have any redirect by
 8 Staff?
 9 MR. CALLAGHAN: Thank you, Your Honor. No
 10 redirect.
 11 JUDGE HOWARD: Ms. McDowell, you may proceed
 12 to cross-examine Dr. Woolridge.
 13
 14 EXAMINATION
 15 BY MS. MCDOWELL:
 16 **Q. Good morning, Dr. Woolridge. Can you see and**
 17 **hear me? So I cannot hear you.**
 18 A. Here I -- I -- I said good afternoon on the East
 19 Coast, but you're right, I didn't have my mic on.
 20 **Q. Okay. All right. So you can hear and see me**
 21 **and I'm -- I can hear you now. There's a little bit of**
 22 **feedback. I don't --**
 23 MS. MCDOWELL: Is anybody else hearing that?
 24 JUDGE HOWARD: I am hearing it as well. Can
 25 we just make sure that everyone else's microphones are

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1 muted unless they're going to speak.
 2 MS. MCDOWELL: So I'm still getting
 3 feedback. All right. Let me try to -- is that better?
 4 No, I still hear it. Others hear it too? Let me try --
 5 let me try to do it without my mic. Is that better?
 6 JUDGE HOWARD: Dr. Woolridge, are you using
 7 any attached microphones or speakers that might be
 8 causing a little bit of feedback?
 9 DR. WOOLRIDGE: No, nothing.
 10 JUDGE HOWARD: Okay.
 11 MS. MCDOWELL: I don't think it's on my end,
 12 but is it -- I guess I'll just leave it up to you, Your
 13 Honor, if we want to try to reestablish the connection
 14 in some way or try to bear with it.
 15 JUDGE HOWARD: It seems to be going away.
 16 Can the court reporter follow now? Is it sufficient?
 17 THE COURT REPORTER: Yes, that's much better
 18 now, thank you.
 19 JUDGE HOWARD: Okay. Hopefully it just
 20 stays away. I think we can hear you, but it's a bit of
 21 an odd sound. So you may -- you may proceed.
 22 MS. MCDOWELL: All right. And can people
 23 just let me know if it becomes unintelligible? I can
 24 hear it again.
 25 JUDGE HOWARD: Yes, the court reporter can

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1 certainly feel free to -- to indicate if it becomes
 2 difficult. Hopefully this goes away shortly. I don't
 3 want it to -- I don't want it to derail anything. Let's
 4 cross our fingers.
 5 MS. MCDOWELL: Okay. Just advise if I need
 6 to stop and regroup in terms of the audio.
 7 BY MS. MCDOWELL:
 8 **Q. So, again, good morning, slash, good afternoon,**
 9 **Dr. Woolridge.**
 10 A. Good morning, good afternoon.
 11 **Q. So your recommended ROE in this case is 9.0**
 12 **percent, correct?**
 13 A. That's correct.
 14 **Q. And can you turn to the cross-exhibits that we**
 15 **have prefiled for you and specifically JRW-16X. Do you**
 16 **have that?**
 17 A. Which one is that? I -- the ones I have are not
 18 numbered.
 19 **Q. Okay. This is the -- your response to Cascade's**
 20 **data request 5.**
 21 COMMISSIONER RENDAHL: You're muted,
 22 Mr. Woolridge.
 23 JUDGE HOWARD: Yes, I think it might be
 24 helpful if Mr. Woolridge can mute his microphone when
 25 he's not answering a question. It might be a little

1 tedious for him, but that might address the feedback
 2 issue we're hearing.
 3 BY MS. MCDOWELL:
 4 **Q. So, Dr. Woolridge, are you looking for the**
 5 **exhibit right now?**
 6 A. I have it. It's in front of me.
 7 **Q. Okay. So there you establish that the**
 8 **recommended ROE in this case is lower than average but**
 9 **warranted because in your opinion equity rates declined**
 10 **in 2020. Is that a fair summary of your response to**
 11 **that data request?**
 12 A. Well, yeah, I mean, equity rates have been
 13 declining, authorized ROEs have been declining for --
 14 over time, and part of that is a lower capital cost and
 15 that sort of thing. I -- I -- I said that I think it
 16 has been slow to adjust to the lower interest rates
 17 we've seen, and that's why you see the -- the larger
 18 spread between authorized ROEs and 30-year Treasury
 19 yields. So it's been slow to adjust to the lower
 20 capital cost of recent years including 2020.
 21 **Q. In your below average ROE recommendation --**
 22 JUDGE HOWARD: Ms. McDowell, I hate -- I
 23 hate to interrupt you in the middle of a question but --
 24 MS. MCDOWELL: No problem.
 25 JUDGE HOWARD: -- it's just I don't -- don't

1 A. Yes.
 2 **Q. And there on line 9, you indicate that Cascade's**
 3 **risk level is at the high end of the gas proxy group; is**
 4 **that correct?**
 5 A. On page 4, line 9.
 6 **Q. Yes. So --**
 7 A. I agree I do state that. I guess I don't see it
 8 on page 4, line 9 of my testimony --
 9 **Q. You know --**
 10 **[Cross talking.]**
 11 **Q. -- I just want to be sure, I'm working off of**
 12 **your revised testimony, revised -- you filed revised**
 13 **testimony November 24th, 2020. Is that the document**
 14 **that you have?**
 15 A. I don't think so. I'm not sure. I had what I
 16 thought I had filed as 1T.
 17 COMMISSIONER RENDAHL: Just to be sure, I
 18 have two sets of numbers on the bottom of the page. One
 19 shows a single digit and the other shows page X of 94.
 20 And so, Ms. McDowell, are you looking at the -- the page
 21 4 of 94 reference?
 22 MS. MCDOWELL: I am looking at page 4 of 92.
 23 COMMISSIONER RENDAHL: Okay. Which would be
 24 page 8 of the single digit, right?
 25 MS. MCDOWELL: So I'm just trying to --

1 want your cross to be derailed by technical issues.
 2 MS. MCDOWELL: I appreciate that.
 3 JUDGE HOWARD: So, Mr. Woolridge, one option
 4 I'm hearing from our IT staff might be if you can reduce
 5 your speaker volume a little bit. That might be -- to
 6 where you can still hear the questions adequately, that
 7 might be preventing the feedback. And then -- and then
 8 you might have to be quick with the mute and unmute
 9 feature. We're all -- we're all making due with the
 10 virtual setting.
 11 Okay. Ms. McDowell, would you like to --
 12 DR. WOOLRIDGE: I reduced the volume.
 13 JUDGE HOWARD: Okay. That sounds great.
 14 MS. MCDOWELL: That sounds better to me.
 15 JUDGE HOWARD: Thank you, Mr. Smith, for
 16 that.
 17 Ms. McDowell, you may proceed.
 18 DR. WOOLRIDGE: Sorry, I didn't notice I was
 19 the culprit here. Sorry about that.
 20 JUDGE HOWARD: Not a problem.
 21 MS. MCDOWELL: No worries. We're all
 22 learning this new format.
 23 BY MS. MCDOWELL:
 24 **Q. So I guess I just will reset by asking you to**
 25 **turn to page 4 of your testimony in this case.**

1 would it be helpful if I printed out a different version
 2 of this testimony? I was thinking I was working off the
 3 most recent version.
 4 MS. GAFKEN: I may be able to help with
 5 this, Ms. McDowell. You're looking at 1TR, so the
 6 revised version of it?
 7 MS. MCDOWELL: Yes.
 8 MS. GAFKEN: Let me -- it's 96 pages, right?
 9 That's the one that you're looking at?
 10 MS. MCDOWELL: It's 92 pages.
 11 MS. GAFKEN: Okay. I was -- I think it's 96
 12 was -- so I'm looking at an electronic copy.
 13 MS. MCDOWELL: I see.
 14 MS. GAFKEN: Let me -- let me take just a
 15 moment and email that over to Dr. Woolridge. I -- I'm
 16 sure that he has the testimony, but just to see if we
 17 can help with the page numbering issue. I think that --
 18 that may solve the problem.
 19 JUDGE HOWARD: I'll just add, I'm looking at
 20 the -- Woolridge's revised testimony filed on November
 21 24th, and it appears to be page 8 of the PDF document,
 22 but page 4 using the numbers on [sound interference.]
 23 MS. MCDOWELL: So it sounds like as soon as
 24 Dr. Woolridge gets the most recent version from
 25 Ms. Gafken, and we're just looking at the bottom pages,

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1 the way the hard copy is paginated as opposed to the
 2 PDF, we'll all be on the literally and figuratively the
 3 same page; is that right?
 4 MS. GAFKEN: That is the hope.
 5 MS. MCDOWELL: Okay. All right.
 6 MS. GAFKEN: I'll have to say, this is a lot
 7 easier in person. Okay. I -- I have sent it by email,
 8 so it should be floating through the interwebs now and
 9 arriving shortly. So let -- let us know when -- when
 10 you have it, Dr. Woolridge.
 11 DR. WOOLRIDGE: I'm still waiting.
 12 MS. GAFKEN: I promise I sent it. I see it
 13 in my email. It's on its way.
 14 DR. WOOLRIDGE: It's arrived. Okay. I have
 15 it.
 16 A. So the question is about page 4, right?
 17 Correct?
 18 BY MS. MCDOWELL:
 19 **Q. Right. I was asking you a question and the**
 20 **reference was page 4, line 9 where you indicate that**
 21 **Cascade's risk level is at the high end of the gas proxy**
 22 **group; do you see that?**
 23 A. Yes, I highlighted it there using their credit
 24 rating. They're -- they're at the -- the high end of
 25 the range for the -- the gas companies, and that's one

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1 reason why I used the high end of the range as well as I
 2 usually rely primarily on the DCF model.
 3 **Q. All right. So can you turn to the next**
 4 **cross-exhibit in this stack, JRW-17X; do you see that?**
 5 A. Yes, that's -- that's the testimony from -- from
 6 the Puget case?
 7 **Q. Yes, and that was the last time that you filed**
 8 **cost of capital testimony in Washington, the Puget Sound**
 9 **case in 2019; is that correct?**
 10 A. Yes, I believe so, yes.
 11 **Q. And that testimony was filed on**
 12 **November 22nd, 2019; does that sound correct?**
 13 A. Yes.
 14 **Q. Okay. And in that case, you were testifying on**
 15 **Puget's cost of equity in its 2020 rate year, correct?**
 16 A. That is correct.
 17 **Q. Now, your ROE recommendation in that case was**
 18 **8.75 percent, correct?**
 19 A. Yes.
 20 **Q. And your ROE recommendation in this case is 25**
 21 **basis points higher, correct?**
 22 A. That's correct.
 23 **Q. So if equity costs were actually declining in**
 24 **2020, wouldn't you have recommended a lower ROE in this**
 25 **case, not a higher one?**

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1 A. Well, in that case, it was both electric and gas
 2 case. If you look at the numbers, they are very much
 3 driven by the electric side of the business, which were
 4 indicating significantly lower ROEs. In fact, the --
 5 and so I would say that if I was -- you know, I
 6 haven't -- this is not an electric and gas case, but the
 7 reason it was 8.75 as much as anything was because of
 8 the electric side being so low.
 9 MS. MCDOWELL: Okay. So I'd offer 17X.
 10 MS. GAFKEN: I have no objection.
 11 JUDGE HOWARD: I will admit this exhibit
 12 into the record. Thank you.
 13 (Exhibit JRW-17X admitted.)
 14 BY MS. MCDOWELL:
 15 **Q. So can you turn to page 29 of your testimony in**
 16 **this case. Again, just to make sure we are coordinated**
 17 **on our pages, this is 29, the marking on the bottom of**
 18 **the page. And I wanted to just direct your attention to**
 19 **line 17 where you state, (as read) Primarily I rely on**
 20 **the DCF model; do you have that?**
 21 A. That is correct.
 22 **Q. And just to summarize, I guess, that's the**
 23 **question, that was your primary reference point in**
 24 **developing your recommendation in this case for**
 25 **Cascade's ROE?**

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1 A. Well, yeah, because I mean, my range was, what,
 2 7.3 to 9.0 and I picked the high end of the range, which
 3 reflects both the -- the use of the DCF model and the
 4 slightly higher, you know, the -- their risk level as
 5 indicated by their S&P ratings is the high level of this
 6 group.
 7 **Q. So an important input to the DCF model is a**
 8 **dividend yield, correct?**
 9 A. Yes.
 10 **Q. And can you turn to page 26 of your testimony,**
 11 **please?**
 12 A. Yes.
 13 **Q. And there on line 21, you discuss your dividend**
 14 **yields with reference to your Exhibit JRW-6; do you see**
 15 **that?**
 16 A. Yes.
 17 **Q. And you indicate that dividend yields for the**
 18 **gas group decline from 5.8 to 3.1 percent in the years**
 19 **2000 to 2007, increased to about 4 percent in 2009, and**
 20 **have declined steadily since that time, and I'm now on**
 21 **the top of page 27. The average dividend yield has been**
 22 **in the 2.7 to 2.9 percent range for the past three**
 23 **years; do you see that?**
 24 A. Yes, I do. And that's -- that's very much -- I
 25 think -- I think Mr. Parcell talked about the -- the

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1 COVID bump for the dividend yields of the gas companies,
2 and I think the difference between what you saw there
3 and what you see now is Mr. Parcell's COVID bump.
4 **Q. So you anticipated my next question because**
5 **isn't it true in this case that you used a 3.65 percent**
6 **dividend yield, correct?**
7 A. Yes.
8 **Q. And in your testimony on page 33, line 20 to 22,**
9 **you explain how you derived that number.**
10 A. Is it in this testimony or the old testimony?
11 **Q. Yes, in this testimony, page 33.**
12 A. Okay.
13 **Q. Lines 20 to 22.**
14 A. Yes.
15 **Q. And there you indicate you used that number**
16 **because it was the midpoint between the 30-day and**
17 **90-day medians --**
18 A. Yes.
19 **Q. -- is that correct?**
20 A. Yes.
21 **Q. Okay. So can you turn to page -- or to your**
22 **Exhibit JRW-8?**
23 A. Yes.
24 **Q. So page 2 has those numbers, and isn't it true**
25 **that the median for the 30-day and the 90-day yields are**

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1 **both 3.7 percent?**
2 A. Yeah, I mean, and there's a mean number 3.65.
3 So when I look at those, I look at the means and medians
4 and that's where I got the 3.65.
5 **Q. But that's not what you explained in your**
6 **testimony, is it?**
7 **[Cross talking.]**
8 A. Yeah, it probably should include -- it should
9 include the means as well as the means that -- you know,
10 they're all pretty close there. So it should have
11 included both the means and the medians.
12 **Q. So based on the medians as you explained, the --**
13 **the dividend yield would be 3.7 percent, correct?**
14 A. Yes, that's correct.
15 **Q. And at either of those numbers, 3.65 or 3.7,**
16 **would you accept subject to check that that is more than**
17 **a hundred basis points higher than the 2.60 dividend**
18 **yield you used in PSE's gas proxy group last year for**
19 **your DCF results?**
20 A. Yeah, yes. That was I think two years ago, yes.
21 **Q. Your testimony was filed a year prior to your**
22 **testimony in this case, correct?**
23 A. Yes.
24 **Q. Now, can you turn back to that JRW-6 exhibit?**
25 A. Yes.

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1 **Q. And I wanted to direct your attention to page 2**
2 **where you have a chart of dividend yields.**
3 A. Yes.
4 **Q. So using those numbers, the 3.65 or 3.7 numbers,**
5 **isn't it true that you have to go back to 2012 to find**
6 **dividend yields at that level?**
7 A. Yes, that's true. It looks -- I mean, let me --
8 that's -- I would agree that's probably about right.
9 **Q. Okay. And then can you turn back to your**
10 **response testimony at page 5?**
11 A. Yes.
12 **Q. And there you have a figure that shows**
13 **authorized ROEs, and if you look in the 2012 range, all**
14 **of the ROEs at the time period were in the 9.8 range,**
15 **weren't they?**
16 A. Yeah, I mean, but obviously the equity cost rate
17 is a function not only of the dividend yield, but also
18 the growth rate. And so if you look -- and it's a
19 function of the CAPM numbers as well. But no, I agree,
20 you're right, the dividend yields are back when it was
21 9.8, but as it turns out, obviously it's a function of
22 both dividend yield and growth.
23 **Q. All right. Can you turn to page 56 of your**
24 **response testimony?**
25 A. Yes, I'm there.

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1 **Q. And is this part of your testimony you summarize**
2 **why a 9.0 percent ROE is fair and appropriate for**
3 **Cascade, and specifically at lines 12 through 13, you**
4 **note that most notably the betas for gas companies have**
5 **been declining in recent years, which indicates that the**
6 **risk of the industry has declined; do you see that?**
7 A. Yeah, and they -- they were declining up until
8 March of this year and they've -- they've gone up some
9 because of the developments I discuss in my testimony.
10 **Q. All right. So let's back up just a moment and**
11 **turn to page 44, line 2, where you discuss betas.**
12 A. Yes.
13 **Q. And just to make sure we're all understanding**
14 **what we're talking about here, you explain what betas**
15 **are and how they work. And just to summarize, I'll just**
16 **ask you if you agree with this summary, that beta is a**
17 **measure of the systemic risk of the stock; is that**
18 **correct?**
19 A. Yes.
20 **Q. And that a beta less than one means a less --**
21 **that the stock is less risky than market and a beta over**
22 **one means that it's more risky than market; is that**
23 **correct?**
24 A. That is correct.
25 **Q. So the higher the beta, the greater the risk,**

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1 correct?
 2 A. That's correct.
 3 **Q. So I want to ask you a question about your --**
 4 **back to your Exhibit 17X on -- if you could turn to page**
 5 **27 of that exhibit.**
 6 A. 27?
 7 **Q. Yeah, just let me -- let me make sure I -- it's**
 8 **basically page 27 at the top, so it's the exhibit**
 9 **markings at the top.**
 10 A. Okay.
 11 **Q. And on line 22, you state that beta, quote,**
 12 **according to modern capital market theory is the only**
 13 **relevant measure of investment risk; do you see that?**
 14 A. Yes, I do.
 15 **Q. Now, I noticed you omitted a similar statement**
 16 **from your Cascade testimony, and I just wanted to ask**
 17 **you, is that because gas utilities betas have risen**
 18 **sharply in 2020?**
 19 A. No, no, not at all. That was -- I don't know
 20 why it was omitted. No, I -- no, and I discuss the gas
 21 utility base going up this year, and I explain that, you
 22 know, a lot of it has to do with how Value Line computes
 23 data because they don't use the overall market, they use
 24 a New York Stock Exchange index. And if you look at --
 25 if you -- you know, if you look at -- if you go back and

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1 look at my beta study, which I put together on page 4 of
 2 Exhibit JRW-6, I believe, right? Yeah, I go through
 3 there and I show you the rankings of the betas for all
 4 the different industries and the betas have gone up.
 5 But --
 6 **Q. So can I just stop you because I --**
 7 A. -- the bottom.
 8 **Q. I think you're -- are you on JR -- I just want**
 9 **to be sure I've got the right exhibit that you're**
 10 **referring to. Are you discussing Exhibit 9 --**
 11 A. JRW -- page 4 of Exhibit JRW-6.
 12 **Q. Okay. I'm with you.**
 13 A. Now, I do this annual -- when I -- I do it every
 14 six months, I update the Value Line betas for different
 15 industries. Now, the betas for the utilities are still
 16 at very much at the bottom ends of all the different
 17 industries.
 18 As it turns out, the betas of all the low risk
 19 industries like food processing, that sort of thing,
 20 have all gone up. And a big part of that is the index,
 21 the New York Stock Exchange index. And of course the
 22 reason what that omits are all the tech companies and
 23 that's where a lot of the volatility, because most of
 24 the tech companies are not the New York Stock Exchange,
 25 they're on the NASDAQ market. But I note that -- that

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1 the betas have gone up for the low-risk business but
 2 also the average industry beta is 1.1 and that's because
 3 in the market, the average beta is 1.0.
 4 So these things are elevated in part because
 5 they're -- they're computed use in the New York Stock
 6 Exchange index, they're adjusted betas, so they're not
 7 the raw betas, they adjust these, and so but still the
 8 utilities are among the lowest risk industries. It's
 9 just the way Value Line measures beta the -- the numbers
 10 have changed because of the volatility in March and
 11 April.
 12 **Q. And you use the Value Line numbers --**
 13 A. I --
 14 **Q. -- in your testimony, correct?**
 15 A. Yes, I am. I'm looking -- because -- because
 16 the New York Stock Exchange is not the market index and
 17 that's just -- you know, you -- you look at the
 18 different sources of beta, Yahoo and others, they use
 19 different indexes. They use monthly returns, they use
 20 weekly returns, and that sort of thing and they get
 21 different betas.
 22 But I -- I still use -- and my -- I'm looking at
 23 the issue, but two things I'd say; the betas have gone
 24 up, and the second thing is that -- that, again, they --
 25 all of them have the low -- low beta industries. But --

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1 and it really -- I mean, it really highlights on other
 2 factors that -- you know, what's your market risk
 3 premium because that's related to beta. And obviously
 4 we have much different opinions about how you -- you
 5 know, Ms. Bulkley's market risk premium of, what, 12 or
 6 13 percent, I mean, 12 percent is, you know, really
 7 blows up her CAPM numbers because --
 8 **Q. So can I just --**
 9 **[Cross talking.]**
 10 **Q. All right. I'd like to just get back to asking**
 11 **you a question about the betas that you used in the PSE**
 12 **case.**
 13 **Can you turn to page 46 of your Exhibit 17X and**
 14 **line 20; do you have that?**
 15 A. Page 46 of 17X; is that correct?
 16 **Q. That's correct. And, again, it's the exhibit**
 17 **markings at the top.**
 18 A. Yep.
 19 **Q. And line 20.**
 20 **So you used a beta of 65 for your gas utility**
 21 **proxy group in the PSE case, correct?**
 22 A. Yes.
 23 **Q. And in this case, you used the median beta for**
 24 **your proxy group of 80; is that right?**
 25 A. That's correct. I -- I explained that the

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1 change in betas and part of -- you know, the issue is --
 2 big issue is you're using the New York Stock Exchange
 3 index and not the -- the overall market. That's one of
 4 the factors.
 5 **Q. And it's true, isn't it, that betas have**
 6 **continued to increase throughout this case?**
 7 A. The betas have gone up, but all low -- the way
 8 Value Line computes betas is all low industry betas have
 9 gone up, and that's what I show in my study.
 10 **Q. So back to your response testimony at page 56,**
 11 **so one of the bases for justifying your ROE in this case**
 12 **was declining betas. And wouldn't you agree that it's**
 13 **problematic to justify your ROE recommendation on that**
 14 **basis when the record here shows that betas have been**
 15 **increasing throughout 2020?**
 16 A. Again, the betas have gone up. Historically
 17 they're still below 1 as you'd expect the low. And, you
 18 know, it's part of the way Value Line does this. So
 19 this is just an observation. You know, they're low --
 20 they're still one of the lowest beta industries that
 21 Value Line computes betas for.
 22 **Q. So can you turn to your response testimony at**
 23 **page 11, and specifically I wanted to direct your**
 24 **attention to line 17 and 18 where you indicate that the**
 25 **30-year yield has now come back to about 1.5 percent; do**

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1 **you see that?**
 2 A. Yes, I -- yeah, that was as of when I filed my
 3 testimony.
 4 **Q. And then in your cross-answering testimony,**
 5 **which is JRW-14T; do you have that?**
 6 A. You know what, yeah, I will. Hold on. Give me
 7 a second. Sorry, I did not --
 8 **Q. Of course.**
 9 A. -- have that pulled up. Sorry about that.
 10 **Q. No worries.**
 11 A. Give me one minute here. Sorry, I -- I thought
 12 I had that. Go ahead. I'm -- yeah, I got -- okay.
 13 **Q. Okay. So can you turn to page 8 of that**
 14 **testimony, please? Again, I'm at the bottom, page 8 of**
 15 **22 is where I'm looking.**
 16 A. Okay.
 17 **Q. Okay. And on line 4 you state that interest**
 18 **rates have stabilized in the 1.5 percent range, and,**
 19 **again, I assume you're referring to 30-year Treasury**
 20 **rates?**
 21 A. Yes.
 22 **Q. Okay. And --**
 23 A. At the time. You know, they've declined and --
 24 they've declined. I mean, they've come -- they -- they
 25 were stabilized there in the third quarter, so about

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1 1.5. Now they've gone up another 50, 60, 70 basis
 2 points, I agree since -- since the time I filed -- since
 3 this discussion point, yes.
 4 **Q. Okay.**
 5 MS. MCDOWELL: Well, I think with that
 6 answer, I -- that basically foreclosed a bunch of my
 7 final questions. So that's all I have for you,
 8 Dr. Woolridge. I appreciate your time this morning or
 9 this afternoon for you.
 10 DR. WOOLRIDGE: Thank you.
 11 JUDGE HOWARD: Do we have any redirect by
 12 Public Counsel?
 13 MS. GAFKEN: I have a little bit of
 14 redirect, Your Honor.
 15
 16 EXAMINATION
 17 BY MS. GAFKEN:
 18 **Q. Dr. Woolridge, you were asked some questions**
 19 **about the equity rates declining over a period of time**
 20 **and how ROEs have been slow to adjust to that. Do you**
 21 **recall that line of questioning?**
 22 A. Yes.
 23 **Q. Were you referring to COVID times or something**
 24 **different than COVID?**
 25 A. Well, I'm talking about more general. I mean,

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1 obviously, I think like Ms. Bulkley talked a lot about
 2 well, interest rates have gone up a lot. If you look
 3 historically, Treasury rates of about 2 percent is
 4 historically low. I mean, we've only seen Treasury
 5 rates as low as this in the last two years. You go back
 6 30, 40 years, Treasury rates have been much higher than
 7 this.
 8 So this is kind of a long downward cycle. Yes,
 9 they've increased since November when I filed my
 10 testimony. Does that change my recommendation, no.
 11 Because look, historically 2 percent Treasury yields,
 12 you wouldn't believe that five or ten years ago.
 13 So, you know, part of it's looking at the longer
 14 timeframe and especially in its relation to authorized
 15 ROEs. We just haven't seen Treasury yields this low.
 16 Yeah, they bounce around by 30, 40 basis points, they're
 17 still well below where they've been over the last 30, 40
 18 years.
 19 **Q. And when you're looking at the Treasury yield**
 20 **in -- in looking at the ROE analysis, what -- what are**
 21 **you looking for; what are you comparing?**
 22 A. Well, you're looking for kind of what is the
 23 relationship. Obviously interest rates are one driver
 24 of capital costs. I mean, I say in my testimony I --
 25 that -- I mean, in 2020, utilities rec- -- they -- they

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1 raised a record amount of capital despite all the issues
 2 we heard from Ms. Bulkley. They raised a record amount
 3 of capital. Why is that? Capital costs are low.
 4 That's when utilities and other companies go to the
 5 markets and raise capital.
 6 So utilities are having no trouble raising
 7 capital and it's cheap capital, and that's because you
 8 haven't seen interest rates in capital costs this low in
 9 literally decades, if ever.
 10 **Q. You were asked a number of questions about beta**
 11 **and what's happening with beta. Do you recall that line**
 12 **of questioning?**
 13 A. Yes.
 14 **Q. I guess generally, what is the impact of beta to**
 15 **cost of capital analysis?**
 16 A. Well, beta is a measure of relative risk
 17 relative to the market. And you're right, utility betas
 18 have bumped up because how volatile they were in the
 19 March and April timeframe, especially when you use Value
 20 Line, which measure them on a weekly basis.
 21 Now, I've used Value Line. I've questioned
 22 about whether -- I mean, especially given this recent
 23 change, but all of these low beta industries suddenly
 24 bumped up. The average beta for Value Line is well --
 25 is above 1. Why is that? Because they use the -- the

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1 New York Stock Exchange index, but it's also tied to the
 2 market risk premium.
 3 I mean, even with the higher beta, my -- my
 4 overall recommended rate of return is -- using CAPM is
 5 only 7.3 percent, but I use a -- a market-determined
 6 market risk premium that is used in the marketplace by
 7 investment firms and that sort of thing.
 8 Ms. Bulkley has a high -- her only -- the only
 9 number she produces that supports an ROE as high at 10.3
 10 percent is her CAPM model, and as I lay out in detail, I
 11 mean, it's based on a totally unrealistic market risk
 12 premium that's much higher than any of the market risk
 13 premiums that are used in the marketplace by investment
 14 firms, which are published as part of studies and that
 15 sort of thing. Because she conduct [sic] -- she conduct
 16 her own study. And I've talked about the infirmities in
 17 that study, but it's really key to understand the -- the
 18 beta and the market risk premium are tied together in
 19 getting an ROE.
 20 **Q. And you were asked quite a bit about the in- --**
 21 **the increase in betas over the last period since**
 22 **testimony has been filed. Does that impact your**
 23 **recommendation in this case?**
 24 A. No, I mean, I've -- I've -- I have used higher
 25 betas. My numbers, you know -- and I think, yeah, the

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1 discussion about betas going up, the -- what -- what
 2 happened in the Puget case versus this case, that sort
 3 of thing, I'm still using the high end of the range
 4 while I'm primarily on the DCF model, and dividends have
 5 gone up as Mr. Parcell covered in his -- his testimony
 6 and I use it.
 7 But, again, you're using a CAPM model. It's --
 8 it's not just the beta, it's also the market risk
 9 premium. And if you're using a market risk premium
 10 that's -- that's double digits, which no -- no published
 11 market risk premiums are double digits, you're going to
 12 get a big number like Ms. Bulkley does.
 13 **Q. So you were -- you were asked questions**
 14 **comparing your -- your testimony in the Puget Sound**
 15 **Energy general rate case with this case. Did you use**
 16 **the same analytical tools for the Puget Sound Energy**
 17 **general rate case as you did in this case?**
 18 A. Yeah, and as I said, in that case, you know, the
 19 electric utility numbers were really low, and that kind
 20 of drove where the numbers were. On the risk level
 21 basis, you know, Puget -- Puget's credit ratings were
 22 very much impacted by its parent's nearly \$2 billion in
 23 debt at the corporate levels. So that really impacted
 24 the relative risk analysis there because of all the debt
 25 that Puget Energy has over Puget Sound Energy.

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1 **Q. You're anticipating one of my next questions,**
 2 **but I'm going to ask you a foundational question first.**
 3 **Did you employ the same methodologies to**
 4 **calculate ROE in the Puget Sound Energy general rate**
 5 **case as you used in this case?**
 6 A. Yes.
 7 **Q. What accounts for some of the differences and**
 8 **similarities between the PSE case and this one? It**
 9 **feels a little -- well, I will stop there.**
 10 A. Well, I mean, I -- I would say, I mean, again,
 11 the electric and gas -- you know, at the time the
 12 electric utility numbers were really low. I mean, I saw
 13 that in a number of states in terms of how these were
 14 looked at. You know, the -- you know, I put a graph in
 15 there of authorized ROEs for gas companies versus
 16 electric companies, and they've kind of mirrored each
 17 other.
 18 But, you know, for electric, for example, for
 19 electric, you really -- to compare those to gas
 20 companies, you really have to look at electric
 21 distribution companies and they are -- they are -- they
 22 are -- they are -- they are below what other electric
 23 utility authorized ROEs are.
 24 **Q. And Cascade is a single fuel utility, correct?**
 25 A. Yes.

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1 **Q. You were asked to compare your analysis in --**
 2 **and the results of your analysis in the Puget case as**
 3 **you had in this case. Would you expect your numbers to**
 4 **be exactly the same from case to case?**
 5 A. Not necessarily. I mean, there's some -- I
 6 mean, in all of these, and Ms. Bulkley or Mr. Parcell, I
 7 mean, there's some judgment used in terms of the -- the
 8 approaches you use and the -- the amount of weight
 9 you're going to use on -- on one model versus another.
 10 But a lot of it determine -- you know, is determined by
 11 kind of -- you know, I -- I rely -- I state very much
 12 I -- I -- I relied primarily on the DCF model, I -- you
 13 know, with different models, you get a big variance.
 14 You know, there's a big variance in the -- in the
 15 differences between, say, Mr. Parcell or Ms. Bulkley's
 16 numbers between the -- the expected earnings versus risk
 17 premium, that sort of thing.
 18 So I mean, the -- the -- the analyses are going
 19 to differ and different analysts are going to put weight
 20 on different things. And -- and part of the testimony
 21 process I think is looking at what they're doing and --
 22 and questioning the inputs and what they use.
 23 **Q. And from case to case, you're not necessarily**
 24 **using the identical time periods or proxy groups or all**
 25 **the various inputs, they're not identical from case to**

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1 **case, are they?**
 2 A. No, they're going to change, and the capital
 3 market conditions are going to change. I mean,
 4 obviously over the last year, the markets have changed
 5 quite a bit, but a lot of things that happened in the
 6 middle of COVID have -- you know, the market -- stock
 7 market's back at a record high, the -- the -- you know,
 8 interest rates are still historically at extremely low
 9 levels despite their recent rise. So I mean, obviously
 10 you have to account for the capital market conditions
 11 and that sort of thing.
 12 **Q. I have two different terms in my notes and I**
 13 **just want to make that sure I've covered all my bases.**
 14 **Dividend yields, are those the same as the**
 15 **Treasury yields or is that a different topic?**
 16 A. Dividend yield is the annual dividend divided by
 17 the stock price. And it's a -- it's a -- you know, how
 18 much cash dividend you have as an investor as compared
 19 to the price that's being paid in the marketplace. And,
 20 you know, utilities traditionally have had higher
 21 dividend yields because they don't have the growth, but,
 22 you know, the -- and they fell to very low levels and
 23 now they've rebounded some. And so but you have to look
 24 at both dividend yield and the growth rate, you know,
 25 when you're looking at the DCF.

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1 **Q. Okay. You were asked a question about the**
 2 **dividend yields and how in this case they are a hundred**
 3 **basis points over the amount that you found in the Puget**
 4 **case. What impact did that have on this case?**
 5 A. Well, I mean, they -- they are higher, but you
 6 also have to consider the growth rate to determine what
 7 the DCF equity cost rate is. So it's not one -- not in
 8 one isolation, you have to look at both.
 9 **Q. Okay.**
 10 MS. GAFKEN: I think that's all that I have,
 11 Your Honor. Thank you.
 12 JUDGE HOWARD: All right. Do we have any
 13 questions from the bench for the cost of capital panel
 14 at this time?
 15 CHAIR DANNER: No questions from me, thank
 16 you.
 17 COMMISSIONER RENDAHL: And none from me.
 18 JUDGE HOWARD: Okay. Hearing none, I would
 19 like to thank all the three witnesses on our panel for
 20 their testimony today and you are excused.
 21 I think it would be a good time for us to
 22 take a mid-morning break of ten minutes. So it's 11:08
 23 now, let's say we return here at -- approximately ten
 24 minutes, at 11:20, we'll resume at 11:20. All right.
 25 We are off the record. Thank you.

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1 (A break was taken from
 2 11:08 a.m. to 11:21 a.m.)
 3 JUDGE HOWARD: Let's be back on the record
 4 resuming after break, and now we will continue with the
 5 individual witnesses in the order indicated on the
 6 parties' witness list.
 7 No party has indicated cross-examination for
 8 Cascade witness -- witness Nicole Kivisto or Tammy
 9 Nygard. Are there any questions from the bench for
 10 either Ms. Kivisto or Ms. Nygard at this time?
 11 COMMISSIONER RENDAHL: I believe -- go
 12 ahead, Chair Danner.
 13 CHAIR DANNER: I was going to say I have
 14 none for either witness. Thank you.
 15 COMMISSIONER RENDAHL: I have a question for
 16 Ms. Kivisto.
 17 JUDGE HOWARD: Ms. Kivisto, are you on the
 18 line?
 19 MS. KIVISTO: I am. Can you hear me and see
 20 me?
 21 JUDGE HOWARD: I -- yes.
 22 COMMISSIONER RENDAHL: I can hear you and
 23 see you, yes.
 24 MS. KIVISTO: Okay.
 25 JUDGE HOWARD: Ms. Kivisto, will you please

1 raise your right and hand I will swear you in?
 2 (Nicole Kivisto sworn.)
 3 JUDGE HOWARD: Thank you.
 4 Ms. McDowell, are you -- would you be
 5 handling this witness?
 6 MS. MCDOWELL: I am, Your Honor.
 7 JUDGE HOWARD: Would you like to just give
 8 her a brief introduction and then we will have the bench
 9 questions?
 10 MS. MCDOWELL: I will do that. Thank you so
 11 much.

EXAMINATION

BY MS. MCDOWELL:

Q. Ms. Kivisto, can you state and spell your first name for the record?

A. Yes, Nicole Kivisto. Last name is spelled K-i-v-i-s-t-o.

Q. And, Ms. Kivisto, how are you employed?

A. I'm the president and CEO of Cascade Natural Gas.

Q. In that capacity, have you prepared testimony in this proceeding?

A. I have.

Q. And that is your direct testimony NAK-1T and

Q. Okay.

A. Thank you.

Q. So does the Company at this point have a -- a written plan, a specific plan in place on how to complete this load study?

A. Yes, we do. So between my original testimony and my rebuttal testimony, we did have a slight change in terms of how we are going to collect the data. So as we moved through the 2015 settlement agreement, there has been obviously some changes, but the Company has been working in earnest, as reflected in my testimony, in terms of developing how we're going to get the data.

I will acknowledge we've changed how we're going to establish that. We started that we were going to get the information at the City Gate level. We determined as all-party settlement in the 2017 case that that was not detailed enough to provide an adequate load study. So then we changed gears from that point forward, had determined in the settlement how we would establish rate design in future rate cases.

And so where we're at today as you probably saw in my rebuttal, is we are installing a fixed network. And, you know, you may ask, then, why have we changed along the way, and I just want the Commission to know that we took this very seriously. And as we do with all

your rebuttal testimony NAK-2T?

A. That is correct.

Q. Do you have any changes or corrections to that testimony?

A. I do not.

Q. Okay.

MS. MCDOWELL: That's all I have. This witness is available for Commission questions. Thank you.

EXAMINATION

BY COMMISSIONER RENDAHL:

Q. Good morning or good afternoon, Ms. Kivisto. It may be afternoon where you are now.

A. It is.

Q. So I have a question or two about the topic of the load study.

A. Correct, yep.

Q. So in your rebuttal, you provide a fair amount of information about where you are on the load study project and an overview of how you're planning to collect the data. Do you want me to give you a specific reference or are you familiar with this topic generally enough?

A. Yes, I think I'm familiar generally enough.

of our capital costs and O&M, we want to make sure we're making the right decisions that are going to impact our customers.

So we had evaluated various ways to collect this information originally that we thought would be under a shorter time period as well as less costly. Ultimately we ended up determining that the fixed network is the best way to go, and as of to date to the last time I saw it, we do have collectors installed collecting around 15 percent of our customer data at this point.

Q. Okay. So for this -- so you made a change going to the fixed network, does the Company have a written plan, a work plan, for how this load study effort is going to go forward, for example, with dates or a timeline? Do you have something written, something that we can ask for?

A. Tangible. Yeah, we -- well, what we would have is in our capital budgets, we've got the fixed network reflected. Obviously we spent some dollars in 2020, we've spend some dollars in twenty -- or we're spending dollars in 2021 and then 2022 as well. And what we have agreed to, then, as part of this plan, as you probably saw also in my rebuttal, is we will meet with parties here once we have gotten through this winter and identify whether what we've collected is -- the sample

1 size is large enough.
2 And at this point, I can't tell you with
3 certainty whether the sample size in terms of what we
4 currently are collecting based on what's been installed
5 to date is going to be large enough for a complete load
6 study. But the plan reflects that we would continue to
7 work with the parties to determine when and if we get
8 the adequate information.

9 So yes, there's earmarked dollars. We have a
10 team dedicated to rolling this out. We have installed
11 the collectors and hired contractors to help with the
12 installation of the collectors. And so we've -- we've
13 got a plan.

14 Now, I don't know if I can tell you whether
15 that -- we've got a summary written down somewhere that
16 we could share with you. I would maybe defer to Mike
17 Parvinen to answer that specifically, but certainly I'm
18 aware of the plan as it's been verbally stated to me and
19 I have seen the dollars in our capital budget.

20 **Q. Okay. So at this point, you're not aware of a**
21 **specific written plan that I should follow up with with**
22 **Mr. Parvinen to ask specifically if there is something**
23 **that the Company has developed that includes all of**
24 **these things you've talked about including timelines, et**
25 **cetera?**

1 **parent holding company.**

2 **So my question for you is, how do you feel we**
3 **should evaluate Cascade, either -- should we treat them**
4 **as a small company, should we treat them as part of a**
5 **holding company, and since you are part of a larger**
6 **holding company, how -- how should we be evaluating**
7 **that?**

8 A. Yeah, I think it -- it kind of depends a little
9 bit in the context of what the suggestion is. So as we
10 think about -- I guess in my mind how I think about pay
11 as an example, is I have to be competitive with the
12 local markets that Cascade serves and other utility
13 energy companies when I'm looking at pay comparisons for
14 my employees.

15 As it relates to if you're talking about an
16 allocation of incentive, there are benefits to your
17 point of being part of a larger corporation, and indeed
18 we want to pass those benefits on down to our customers.
19 So I would argue that that is a positive in some cases
20 where we can, you know, you think about a centralized
21 service such as legal. We are benefitting from the
22 ability to use a legal department that supports multiple
23 companies instead of just having a legal department to
24 support Cascade in its entirety. So I think there are
25 certainly benefits where we see those, we pass those

1 A. Yeah, Mike or Pat Darras may be able to answer
2 that.
3 COMMISSIONER RENDAHL: Okay. Thank you very
4 much. I don't know if my colleagues have any follow-up,
5 but thank you very much. Appreciate it.

6 MS. KIVISTO: Thank you.

7 COMMISSIONER BALASBAS: Judge Howard, I do
8 have several questions for Ms. Kivisto still.

9 JUDGE HOWARD: Certainly.

10
11 **E X A M I N A T I O N**

12 **BY COMMISSIONER BALASBAS:**

13 **Q. Good afternoon, Ms. Kivisto.**

14 A. Good afternoon.

15 **Q. So in -- in -- in the entire case that Cascade**
16 **has presented here, there -- there seems to be, from**
17 **what I've read, a conflict between wanting to be treated**
18 **as a small company with greater risk and part of a**
19 **larger holding company. And so I'll give you two**
20 **examples.**

21 **Witness Bulkley's testimony talks about**
22 **evaluating for cost of capital purposes Cascade as a**
23 **small company. But in Witness Kaiser's testimony,**
24 **there's an argument that affiliate incentive**
25 **compensation is a benefit from being part of the larger**

1 along.

2 When you're talking about cost of capital
3 specifically, I think, you know, Ann does a good job in
4 her testimony describing some of the unique risks of
5 being a smaller company as it relates to the way that we
6 are regulated. You are regulating us as a utility in
7 Washington, and some of the things that make our utility
8 in the state of Washington riskier than other larger
9 utilities is we serve a very rural nature, and there
10 is -- there's risk to that, there's added cost to that.

11 And so to answer your question, I think you
12 really have to look at it in the context of the various
13 topics that are being brought forward. So I don't know
14 if you have a follow-up to that or if that answers your
15 question.

16 **Q. No, I don't think I have a follow-up, but I**
17 **think what I understand your answer to be is that it**
18 **depends on the specific item you're talking about and**
19 **that we should be evaluating Cascade either both as a**
20 **small company and as part of a larger holding company;**
21 **is that your -- is that your argument?**

22 A. Yeah, depending on the topic. I think there's
23 benefits of being part of a larger company. I believe
24 those should be passed along to our customers and
25 reflected in customer rates. But where we talk about

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1 the risks of being a smaller entity, those -- those are
 2 real, and we -- we do serve a different customer base
 3 than some of the larger utilities in this state.
 4 **Q. Okay. And maybe shifting topics just briefly**
 5 **here, I want to ask about one of the -- or one of the**
 6 **main arguments that -- that Cascade continually presents**
 7 **in the rate cases that I have seen since I have been on**
 8 **the Commission in the last few years have been the**
 9 **ongoing capital investments.**
 10 A. Yep.
 11 **Q. So and that of course I understand and -- and**
 12 **acknowledge that requires cash and other financing to --**
 13 **to complete.**
 14 **That said, based on your argument of looking at**
 15 **discrete instances of whether to be evaluated as a small**
 16 **company or a larger company, where -- where do we see**
 17 **the benefit of Cascade being part of a larger company**
 18 **when it comes to that cash flow for capital projects?**
 19 A. I would say the benefit of being part of a
 20 larger company when it comes to cash flow would be our
 21 equity raise ability. So differently than if we were
 22 standalone as Cascade by itself and we, to your point,
 23 needed to support the capital program we're supporting,
 24 our debt is raised within Cascade's umbrella on its own.
 25 But on the equity side, we are able to deploy

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1 higher amounts of capital without external equity raise
 2 at times, I'm not saying all the time, because of the
 3 benefit of being part of a larger organization and the
 4 cash flow provided from a larger organization. So I
 5 would say that's one benefit.
 6 **Q. Okay. All right. And then my last question**
 7 **relates to the frequency and timing of your rate**
 8 **filings. And as you know, we have -- we have issued a**
 9 **policy statement regarding capital and used and useful**
 10 **and the -- you know, there's discussions and ongoing**
 11 **efforts to try to get utilities to consider multiyear**
 12 **rate plans in their filings.**
 13 **My question for you as the head of Cascade is,**
 14 **when are we going to see that? I mean, there is -- this**
 15 **is the second case that I've seen in the last two years**
 16 **where there's an acknowledgement of the policy statement**
 17 **that we issued, and I do not see that in your filing. I**
 18 **want to see when you're going to --**
 19 **[Brief interruption.]**
 20 JUDGE HOWARD: I'm not sure who is speaking
 21 right now, but they are not called to testify at this
 22 point. So please keep your line muted for now.
 23 Sorry, Ms. Kivisto, you may -- you may
 24 answer.
 25 A. Yeah, I think I captured your question,

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1 Commissioner. I'm pretty sure I heard it over the other
 2 voice there, but if I did not -- if I'm not answering by
 3 the time I'm done, let me know.
 4 I think the question really relates to when will
 5 Cascade come forward with a multiyear plan. So the
 6 first thing I would say in response to that is we have
 7 discussed it. So I want you to be aware and I will
 8 acknowledge that it has been discussed. The reason we
 9 did not move forward with it in this particular case is
 10 because of the uncertainty that we were dealing with
 11 with the COVID pandemic.
 12 So at the time that we filed this case, there
 13 was discussions around whether that made sense, but
 14 to -- for a multiyear case to work, you need some
 15 certainty around the capital you're going to deploy,
 16 what your operating costs are going to look like, et
 17 cetera, as you well know. And when we were in the midst
 18 of the pandemic, we just did not feel that we had enough
 19 comfort in terms of what we were going to do with
 20 capital deployment, what was going to happen with our
 21 operating cost, et cetera.
 22 So do we think there is value in considering
 23 that? I -- I certainly do myself. Can I -- I -- but I
 24 also can't stand here and make a commitment in terms of
 25 will the next case that we file be a multiyear case

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1 because there's so many factors that go into that and
 2 one of them will be, of course, the outcome of this
 3 case.
 4 And what is the outcome here and -- and then we
 5 will go forward in terms of looking at the point where
 6 we need to file another case do we have more certainty
 7 as we look to the future.
 8 You mentioned the -- the capital, and I
 9 appreciate the comment on the higher capital and the
 10 CapEx that we are spending here certainly is of
 11 heightened levels in terms of our -- in my opinion our
 12 obligation to provide safe and reliable service. It is
 13 a balancing act. Certainly we know that we're dealing
 14 with customer impacts here, but we also know that we are
 15 obligated to provide safe, reliable service, and these
 16 replacement projects are critical.
 17 And so we do have the need to continue to spend.
 18 You saw that in my testimony. So we will certainly
 19 reevaluate whether multiyear makes sense at the time we
 20 look to another case.
 21 COMMISSIONER BALASBAS: All right. Thank
 22 you very much. I have no further questions.
 23 JUDGE HOWARD: Do we have any further
 24 questions from the bench for Ms. Kivisto?
 25 Okay. Hearing none, thank you for your

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1 testimony today. You are excused.
 2 MS. KIVISTO: Thank you.
 3 JUDGE HOWARD: Did we have any -- just to
 4 check one more time, did we have any questions from the
 5 bench for Ms. Nygard?
 6 COMMISSIONER RENDAHL: No.
 7 JUDGE HOWARD: Hearing none, the next
 8 witness on the agreed witness list is Patrick Darras for
 9 Cascade.
 10 Mr. Darras, are you on the line? And am I
 11 saying your last name correctly? I apologize if I'm
 12 not.
 13 MR. DARRAS: Yes, you pronounced that
 14 correctly. Can you hear and see me?
 15 JUDGE HOWARD: Yes, thank you. Please raise
 16 your right hand and I will swear you in.
 17 (Patrick Darras sworn.)
 18 JUDGE HOWARD: Thank you.
 19 Would Cascade like to introduce the witness?
 20 MS. SCHOONOVER: Yes. Thank you, Judge
 21 Howard. This is Jordan Schoonover for Cascade.
 22 Mr. Darras, can you hear me and see me?
 23 MR. DARRAS: Yes, I can.
 24 MS. SCHOONOVER: Perfect.
 25 //

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1 EXAMINATION
 2 BY MS. SCHOONOVER:
 3 **Q. Could you please state your full name and spell**
 4 **it for the record?**
 5 A. Yes, Patrick Darras. D, as in dog, a-r-r-a-s.
 6 **Q. How are you employed, Mr. Darras?**
 7 A. I am the vice president of engineering operation
 8 services for Cascade Natural Gas.
 9 **Q. And in that capacity, have you prepared direct**
 10 **and rebuttal testimony and exhibits in this proceeding?**
 11 A. Yes, I have.
 12 **Q. And specifically, are those testimony and**
 13 **exhibits numbered PCD-1T through PCD-6?**
 14 A. Yes, that is correct.
 15 **Q. Do you have any changes or corrections to your**
 16 **prefiled testimony and exhibits?**
 17 A. I do not.
 18 **Q. If I were to ask you the same questions set**
 19 **forth in your prefiled testimony today, would your**
 20 **answers be the same?**
 21 A. Yes, they would.
 22 **Q. Thank you, Mr. Darras.**
 23 MS. SCHOONOVER: This witness is available
 24 for cross-examination.
 25 JUDGE HOWARD: Thank you.

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1 Staff has indicated cross-examination for
 2 this witness. You may proceed.
 3 MR. CALLAGHAN: Your Honor, can you hear me?
 4 JUDGE HOWARD: Yes.
 5 MR. CALLAGHAN: Sorry, there was some
 6 technical issue. I was just put on hold. I heard you
 7 were just about to ask me to cross; is that correct?
 8 JUDGE HOWARD: Yes, that's right. You can
 9 proceed --
 10 MR. CALLAGHAN: Thank you.
 11 JUDGE HOWARD: -- examining Mr. Darras.
 12 MR. CALLAGHAN: Thank you, Your Honor.
 13
 14 EXAMINATION
 15 BY MR. CALLAGHAN:
 16 **Q. Good morning, Mr. Darras. Can you hear me all**
 17 **right?**
 18 A. Yes, I hear you fine.
 19 **Q. Okay. Mr. Darras, I'm going to be asking you to**
 20 **review Cross-Exhibits PCD-7X through PCD-14X as well as**
 21 **your direct and rebuttal testimony and the exhibits that**
 22 **you prefiled. Do you have those available?**
 23 A. Yes, I do.
 24 **Q. Okay. Thank you.**
 25 **Mr. Darras, in Cascade's initial filing, how**

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1 **many line items were included in the Company's proposed**
 2 **pro forma plant adjustment?**
 3 A. Are you referencing the initial testimony for
 4 PCD-2? In which case --
 5 **Q. Um -- sorry, go ahead.**
 6 A. With that one, there was -- I believe there was
 7 26 line items or projects and a total of 15 line items.
 8 **Q. Does that include the growth plant expense that**
 9 **Cascade is proposing to include in the pro forma plant**
 10 **adjustment?**
 11 A. It would include just the specific projects.
 12 **Q. Okay. Could you turn to PCD-11X for me and let**
 13 **me know when you're there.**
 14 A. Okay.
 15 **Q. Do you see column G of this exhibit?**
 16 A. Yes, I do.
 17 **Q. And let me back up. What is this exhibit?**
 18 A. This exhibit is what Ms. Peters provided with
 19 her testimony, NCP-6.
 20 **Q. Okay. Thank you.**
 21 **And this shows -- column G shows the proposed**
 22 **adjustments related to each line item, correct?**
 23 A. Yes, it does.
 24 **Q. Now, I'm not going to make you count, but would**
 25 **you accept subject to check that there are 46 line**

1 items?

2 A. I guess subject to check if we're talking the
3 entire document, it looks like there's a lot more than
4 46 line items there unless I misunderstood the question.

5 Q. Let me clarify.

6 MS. SCHOONOVER: I was going to suggest to
7 clarify what you mean by "line items." That might be
8 helpful.

9 MR. CALLAGHAN: Let me rephrase.

10 BY MR. CALLAGHAN:

11 Q. Mr. Darras, in column G, there are only a few
12 items that have proposed adjustment figures, correct?

13 A. Correct.

14 Q. All right. And would you accept that subject to
15 check there are about 46 items that have proposed
16 adjustments related to them?

17 A. Yes, I would.

18 Q. Okay. All right. And as you mentioned, 15 of
19 those projects you describe in your rebuttal testimony
20 as discrete projects, correct?

21 A. I apologize, but you broke up for me at the
22 beginning of that.

23 Q. Okay. Yeah, 15 of those projects you describe
24 in your rebuttal testimony as discrete projects,
25 correct?

1 withdrawing its request for five of the 15 pro forma
2 discrete projects, correct?

3 A. Correct.

4 Q. And when did Cascade make the non-Company
5 parties aware that it was withdrawing those five of the
6 15 discrete projects?

7 A. I'm not exactly sure which -- which document it
8 would have been. It would have been one of the data
9 requests I believe is where we updated that.

10 Q. Okay. Could you turn to your rebuttal testimony
11 on page 5 and let me know when you're there. That is
12 PCD-3T and beginning lines 10 through 18.

13 A. On page 5 did you say?

14 Q. Yes.

15 A. Okay. And then 10 through 18, I'm there.

16 Q. All right. The question asked is, quote, Did
17 Cascade inform the parties regarding the plant delays
18 before they filed the testimony?

19 That question is referring to the delays in the
20 Keene Richland Road Project and the Aberdeen Project,
21 correct?

22 A. Yes, it is.

23 Q. And your answer to that question mentions the
24 response to Staff Data Request 89 and the revised
25 supplemental response to Staff Data Request 92, correct?

1 A. Correct.

2 Q. Okay. And are you using the term "discrete
3 project" as synonymous with specific project?

4 A. Yes, that would be my term specifically.

5 Q. Okay. So for the purposes of -- of this
6 testimony, I'm just going to refer to them as discrete
7 projects just to make sure we're using the same
8 terminology.

9 A. Sure.

10 Q. So at the time of the initial filing, how many
11 of those 15 projects, discrete projects, were fully in
12 service?

13 A. At the time of the filing, I believe there was
14 four that would have been in service, and when we say --
15 I guess that's the -- the clarification probably right
16 away that I need to. When I look at it, again, I'm
17 talking 15 discrete projects, and then there's a
18 multitude of projects underneath -- underneath those 15,
19 which comes up to 26.

20 So to say that of the 15 I would have to go back
21 and -- and look at that, but there -- there were four
22 projects within those 15 discrete that were complete
23 prior to -- or in service prior to initial testimony.

24 Q. Okay. Thank you.

25 And on rebuttal, you state that Cascade is

1 A. Yes, it does.

2 Q. Could you turn to Exhibit PCD-7X and let me know
3 when you're there.

4 A. Okay.

5 Q. And do you recognize this document?

6 A. Yes, I do.

7 Q. Is it the initial response to Staff Data Request
8 89?

9 A. Yes, it is.

10 Q. And does that response indicate the date that it
11 was prepared?

12 A. Yes, it says August 27th.

13 Q. All right. And where in this DR response does
14 it state that Cascade is no longer seeking to include
15 the Aberdeen and Richland Keene Road Projects in the pro
16 forma adjustment?

17 A. I don't believe it does in this one.

18 Q. Okay. And in your rebuttal testimony, you
19 indicate that this was -- response was sent to the
20 Commission at -- Commission Staff, excuse me, on
21 September 9th, correct?

22 A. Yes, I do.

23 Q. And -- sorry, could you please turn to PCD-AX
24 with me and let me know when you're there.

25 A. Okay.

1 **Q. All right. What is PCD-8X; do you recognize**
 2 **this document?**
 3 A. Yes, I do.
 4 **Q. And what is it?**
 5 A. It's Data Request No. 92.
 6 **Q. All right. And this is a revised version,**
 7 **correct?**
 8 A. Yes, I believe there -- there was several
 9 revisions. This would have been the first revision, I
 10 believe.
 11 **Q. Okay. And referring to back to your rebuttal**
 12 **testimony, page 5, footnote 14, you state that although**
 13 **the DR response indicates it was prepared August 27th,**
 14 **it was, in fact, prepared on October 27th; is that**
 15 **accurate?**
 16 A. It was provided, yes, on October 27th.
 17 **Q. All right. And does this --**
 18 **[Brief interruption.]**
 19 MR. CALLAGHAN: I'm sorry, if someone is
 20 speaking, if you can please mute yourself. Thank you.
 21 BY MR. CALLAGHAN:
 22 **Q. In attachment 1 of the DR response, where does**
 23 **this document indicate that Cascade is no longer**
 24 **including the Richland Keene Road and Aberdeen Projects**
 25 **in its proposed pro forma?**

1 right -- you said page 9 of the --
 2 **Q. Of your rebuttal testimony. Page 9, line 8.**
 3 A. Okay. What was your question?
 4 **Q. Yes. So you are citing the Cross-Exhibit PCD-8X**
 5 **as the document that informs the other parties that the**
 6 **Othello Gate Project was in service, correct?**
 7 A. Yes, I do.
 8 **Q. All right. And specifically on -- in footnote**
 9 **22, page 9 on your rebuttal testimony, you cite column I**
 10 **of this response, correct?**
 11 A. Yes.
 12 **Q. Isn't the title of column I Estimate In-Service**
 13 **Date?**
 14 A. And you're referencing the PCD-8X, correct?
 15 **Q. Yes.**
 16 A. Yes, it does say that.
 17 **Q. Okay. Does someone reading this response know**
 18 **which dates are estimated in-service dates and which are**
 19 **actual in-service dates?**
 20 A. I don't know that you -- you would know it. I
 21 guess when I look at it and you'll see that there are
 22 some dates that are after this was filed, so the
 23 assumption could be made that it's -- it's an estimated
 24 and an actual. Could it have been clarified differently
 25 on this form or this submittal, this revision, yes, it

1 A. I believe it would be identified it looks like
 2 in column G of that document.
 3 **Q. Where in column G does it indicate that they're**
 4 **no longer --**
 5 **[Cross talking.]**
 6 A. Line No. 58.
 7 **Q. Right.**
 8 A. Which is the Aberdeen Project that shows zero
 9 under the proposed adjustment.
 10 **Q. Okay. But it doesn't explicitly state that**
 11 **Cascade is removing this from their proposed pro forma**
 12 **adjustment, correct?**
 13 A. Not in this document, it does not.
 14 **Q. Okay. But assuming that the reader inferred**
 15 **from the zero that -- that Cascade was removing that**
 16 **from its request, October 27th would be the first date**
 17 **that Cascade informed the parties it was removing those**
 18 **projects, correct?**
 19 A. Yes, subject to -- to check, I guess I would --
 20 I would not disagree with this at this point.
 21 **Q. And in your rebuttal testimony on page 9, you**
 22 **cite that this supplemental DR as -- DR response as the**
 23 **documents that informs the other parties that the**
 24 **Othello Gate Project was in service; is that correct?**
 25 A. Could you repeat that, make sure I'm on the

1 could have.
 2 And I think if you were to refer to a later form
 3 as we started to run in or find some of these
 4 inconsistencies across these different forms is when we
 5 chose to do our best to clarify some of those to help
 6 explain where the inconsistencies were coming from.
 7 **Q. Okay. Thank you.**
 8 **In your -- turning back to your rebuttal**
 9 **testimony on page 12, line -- beginning on line 15, let**
 10 **me know when you're there.**
 11 A. Okay. I'm there.
 12 **Q. You mentioned that the Bellingham eight-inch**
 13 **project, you state that, quote, the final costs are now**
 14 **slightly higher as a result of the delayed material**
 15 **charges that were booked later in the year, end quote.**
 16 **When were those material charges booked?**
 17 A. I don't have an exact date. What I do know is
 18 that they were booked after the fact that we had
 19 originally quoted that -- that in-service date.
 20 And I think here is a good time for me to try
 21 and explain a little bit that the -- the different folks
 22 that were working on these forms and then the different
 23 way that we even internally looked at estimated versus
 24 actual service dates.
 25 In this case, from an engineering perspective, I

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1 would say that if you were to call up an engineer and
 2 ask them what the in-service date is, if the gas is
 3 flowing in the pipe, they're going to say that it's in
 4 service. Depending on who asked for that information
 5 and depending on who answered that information is where
 6 you're going to get the inconsistency that I -- I
 7 believe or it's my opinion that we saw in these
 8 different forms.

9 If you were to call the accounting group or the
 10 regulatory group to ask what's the in-service date of
 11 that same project, they're going to pull up our power
 12 plant, which is our system that we track all of these
 13 projects on, and they're going to see the latest and
 14 greatest, which is the estimated in-service date.

15 So there's probably more questions on
 16 inconsistencies, but that's the best way I can try to
 17 explain that, is that we recognized there was
 18 inconsistencies. What I can say that stayed consistent
 19 throughout my testimony and through rebuttal testimony
 20 is the need and the prudence of the projects that we
 21 chose. We also made it very clear during both that we
 22 did anticipate that we would see potential changes in
 23 both the in-service date and the cost.

24 Certainly, when you look at a year like we just
 25 had with the pandemic, I think that even raises to a

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1 higher level. To me, I think we were quite fortunate to
 2 be able to complete the projects that we needed to be
 3 able to continue to provide a safe, reliable service.
 4 There was a lot of unknowns at the time that we did
 5 initial testimony in June. When we filed that, we --
 6 there was just a lot of unknowns. We didn't even know
 7 if we could get contractors at that time.

8 So I'm not making excuses. Like I say, I
 9 recognize and we recognized and we tried to clear it up
 10 specifically in rebuttal testimony, and I think if you
 11 were to look at some of the items that you just pointed
 12 out, those are cleared up to the best of our ability in
 13 both rebuttal testimony and the PCD is it 6. And then
 14 also if you look at PCD-6 and cross-reference that with
 15 the final MCG-15, those are exact numbers and those are
 16 what we closed out at the end of the year for used and
 17 useful and in-service projects.

18 **Q. All right. So getting back specifically to the**
 19 **Bellingham Project, up until rebuttal testimony, Cascade**
 20 **was reporting the actuals for that project that ended up**
 21 **being incorrect; is that right?**

22 A. Ended up being incorrect, I would -- I would say
 23 yes.

24 **Q. Okay. So for the other nine discrete projects**
 25 **that Cascade is still proposing to include in pro forma,**

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1 **are there any similar material charges or any other**
 2 **project-related expenses that won't become known until**
 3 **later?**

4 A. To my knowledge, no, there isn't. And I think
 5 the difference that I would try and point out in -- in
 6 the case of these is we did close the books December
 7 31st. So even if there was a late material invoice that
 8 we discovered on one of those projects, it would not be
 9 included in this rate case.

10 **Q. All right. And turning back to your rebuttal**
 11 **testimony on page 5, you note that Cascade delayed the**
 12 **Aberdeen and Richland Keene Road Projects, quote, to**
 13 **reduce its capital budget in light of the ongoing**
 14 **COVID-19 pandemic; is that right?**

15 A. That is correct.

16 **Q. When was the decision made to reduce the capital**
 17 **budget in light of the COVID-19?**

18 A. I don't know that I have specific date. I would
 19 say we as a company as Ms. Kivisto just discussed
 20 previously was we -- we recognized the potential need to
 21 do this, a lot of uncertainty. When did we start
 22 looking at capital budgets and potential to trim, I
 23 would say, you know, that March/April timeframe. When
 24 did we conclude that, I would say I don't know that we
 25 ever did. We continuously throughout the year really

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1 evaluated all projects that were going on.

2 From my perspective, I -- I looked at it as --
 3 or I looked at all these projects as I testified as they
 4 were needed for the safety or reliability reasons.

5 And --

6 **Q. Thank you.**

7 **So when was the decision made to delay the**
 8 **Aberdeen and Richland Keene Road Projects specifically?**

9 A. I don't know that I've got that specific date.

10 **Q. Okay. On rebuttal, Cascade is still proposing**
 11 **to include ten discrete projects in the pro forma**
 12 **adjustment. Has Cascade submitted any exhibits**
 13 **demonstrating that the Company considered whether any of**
 14 **those projects could or should be delayed due to the**
 15 **COVID-19 pandemic?**

16 A. Not to my knowledge, we did not.

17 **Q. To your knowledge, does the record in this**
 18 **docket contain any contemporaneous documentation of the**
 19 **decision-making process in which Cascade decided to**
 20 **continue those ten projects but to delay the other two?**

21 A. I would say no other than in my testimony and
 22 rebuttal, I continued to reference the need and the
 23 prudence of those projects based on the safety and
 24 reliability reason.

25 **Q. Did Cascade submit any exhibits that contained**

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1 contemporaneous documentation of that decision-making
 2 process?
 3 A. Not to my knowledge, no.
 4 **Q. Okay. Now, I'd like to ask you some questions**
 5 **on the blanket growth expenses that Cascade is proposing**
 6 **to include in pro forma.**
 7 **Cascade's position on these are that they're**
 8 **costs that are allowed under the Commission's used and**
 9 **useful policy because they would be considered**
 10 **programmatic; is that a fair summary?**
 11 MS. SCHOONOVER: Excuse me, Counsel. Can
 12 you please provide a reference for the testimony you're
 13 looking at?
 14 MR. CALLAGHAN: You know, I hadn't written
 15 down a specific reference, but I would say, Mr. Darras,
 16 if you don't think that's an accurate summary, you're
 17 certainly welcome to say that.
 18 MS. SCHOONOVER: I'm just wondering whether
 19 we might be getting into Mr. Parvinen's testimony rather
 20 than Mr. Darras's. But if Mr. Darras has an answer, he
 21 can certainly offer it.
 22 A. Yes, if you can repeat the question, please, and
 23 I think we're hung up on the programmatic, and I don't
 24 know that I am the right person to give the definition
 25 for programmatic based on the policy.

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1 BY MR. CALLAGHAN:
 2 **Q. All right. So have you read the used and -- the**
 3 **Commission's used and useful policy statement?**
 4 A. Yes, I have read it.
 5 **Q. Okay. And could you turn to PCD-10X on page 5,**
 6 **footnote 19 for me and let me know when you're there.**
 7 CHAIR DANNER: I'm sorry, Counsel, could you
 8 read that to me again?
 9 MR. CALLAGHAN: Yes, this is PCD-X10, which
 10 is the used and useful policy statement, and it is on
 11 page 5, footnote 19.
 12 CHAIR DANNER: Thank you.
 13 A. Okay.
 14 BY MR. CALLAGHAN:
 15 **Q. And footnote 19 says, quote, programmatic**
 16 **investments are by their very nature investments made**
 17 **according to a schedule, plan, or method. Is that**
 18 **accurate?**
 19 A. Yes, that's what it says.
 20 **Q. Okay. Could you turn to your rebuttal testimony**
 21 **on page 16 and let me know when you're there.**
 22 **Specifically beginning on line 15 of page 16.**
 23 A. Okay.
 24 **Q. All right. So you describe here blanket growth**
 25 **projects, quote, these blanket funding projects**

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1 encompass costs that are generally unplanned and outside
 2 the Company's control. While we know that we will incur
 3 these costs over the course of the year, we do not know
 4 exactly where or when. For this reason, the Company
 5 cannot budget individually for specific projects if all
 6 within these blanket funding projects.
 7 **Based on your own description of these projects,**
 8 **can they really be considered programmatic?**
 9 A. Again, I -- I would defer to Mr. Parvinen on
 10 this. I'm not the expert when it comes to the intent of
 11 what the -- that I -- line 19 says in the policy
 12 statement.
 13 **Q. All right. But your description in your**
 14 **rebuttal testimony that the blanket funding projects are**
 15 **generally unplanned and outside the Company's control is**
 16 **accurate; is that right?**
 17 A. Yes, that is correct.
 18 **Q. And your testimony describes all three types of**
 19 **blanket expenses as related to customer growth, correct?**
 20 A. Yes, it does.
 21 **Q. Could you turn to Exhibit PCD-11X on page 6 and**
 22 **let me know when you're there.**
 23 A. Okay. What page is that again?
 24 **Q. It's the exhibit's page 6. So the page numbers**
 25 **that are in the very top right corner of the document.**

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1 A. Okay. And page 6 of 6?
 2 **Q. Yes. The last page, yes.**
 3 A. Okay.
 4 **Q. Number -- note 27 in this document, it says,**
 5 **quote, blanket growth work orders. These projects are**
 6 **known to improve system dependability, i.e. gas**
 7 **deliverability, in an area without the specific intent**
 8 **to add known new customers. Some projects are**
 9 **construction of new systems, assets, mains, services, et**
 10 **cetera, to deliver gas to known identified new**
 11 **customers.**
 12 **Is note 27 an accurate description of the pro**
 13 **forma blanket growth expenses that Cascade is seeking to**
 14 **include in the pro forma adjustment?**
 15 MS. SCHOONOVER: I would just object that
 16 this is not an exhibit to Mr. Darras's testimony. This
 17 is an exhibit to Ms. Peters' testimony.
 18 JUDGE HOWARD: You may proceed.
 19 BY MR. CALLAGHAN:
 20 **Q. Mr. Darras, would you like me to ask the**
 21 **question again?**
 22 A. Yes, please.
 23 **Q. Okay. So on page 6 note 27 states, quote,**
 24 **blanket growth work orders. These projects are known to**
 25 **improve systems dependability, i.e. gas deliverability,**

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1 in an area without the specific intent to add known new
 2 customers. Some projects are construction of new system
 3 assets, mains, services, et cetera, to deliver gas to
 4 known, slash, identified new customers.
 5 Is note 27 an accurate description of the pro
 6 forma blanket growth expenses that Cascade is seeking to
 7 include in the pro forma adjustments?
 8 A. It does seem to be, yes.
 9 Q. Okay. This description makes it sound like at
 10 least some of these projects are not necessarily due to
 11 customer growth, doesn't it?
 12 A. It looks like it could be looked at that way,
 13 yes.
 14 Q. All right.
 15 MR. CALLAGHAN: And actually, that's all I
 16 have. Thank you, Your Honor.
 17 JUDGE HOWARD: All right. Do we have any
 18 redirect from Cascade?
 19 MS. SCHOONOVER: Yes, just a few questions,
 20 Your Honor.
 21
 22 EXAMINATION
 23 BY MS. SCHOONOVER:
 24 Q. Mr. Darras, do you recall when Mr. Callaghan was
 25 asking you about when you informed parties that certain

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1 projects had been postponed?
 2 A. Yes, I do.
 3 Q. Could you please turn back to Exhibit PCD-7X?
 4 A. Okay.
 5 Q. And this is the Data Request 89 that was
 6 provided in August or September; is that correct?
 7 A. Yes, it is.
 8 Q. Could you please read us the actual in-service
 9 dates for the Aberdeen and Richland Keene Road Projects
 10 that are provided in this data response?
 11 A. Which projects?
 12 Q. Let's start with the Aberdeen 6-inch high
 13 pressure, which is section 5.
 14 A. Yes, that shows an in-service -- or an actual
 15 in-service date of 8/31/21.
 16 Q. Okay. 2021, is that what you said?
 17 A. 2021, yes.
 18 Q. Okay. Thank you.
 19 And then the Richland Keene Road Project, which
 20 is the very next line, what is the actual in-service
 21 date there?
 22 A. July 30th of 2021.
 23 Q. Okay. Could we also turn to Exhibit PCD-8X,
 24 please.
 25 A. Okay.

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1 Q. And this is the Data Response 92; is that right?
 2 A. Yes, it is.
 3 Q. And you testified that the column G showing zero
 4 dollars was how parties can understand that these
 5 projects had been postponed; is that a fair statement of
 6 your testimony?
 7 A. Yes, it is.
 8 Q. And if we look at line No. I believe it is 58
 9 that you have referenced in your testimony, the Aberdeen
 10 Project, could you please read the in-service date in
 11 column I in this data response?
 12 A. It is the same date, 8/31/2021. The one
 13 difference would be that this is an -- it's an estimated
 14 in-service date and the other documents show an actual
 15 in-service date.
 16 Q. Okay. Do you recall the questions that
 17 Mr. Callaghan asked you regarding when Cascade
 18 considered delaying -- or whether Cascade considered
 19 delaying the -- the ten discrete projects that were
 20 included in your rebuttal testimony?
 21 A. Yes, I do.
 22 Q. And you -- I believe you testified that the
 23 Company was considering whether projects could be
 24 delayed throughout both before your opening testimony
 25 was filed and then throughout the case; is that -- is

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1 that correct?
 2 A. Yes, I believe I testified that we were
 3 continually looking at all projects throughout the year.
 4 Q. Okay. So I think I just heard you say you were
 5 looking at all projects, would that include looking at
 6 the ten discrete projects that the Company decided to
 7 move forward with and included in its rebuttal
 8 testimony?
 9 A. Yes, it would.
 10 Q. Okay. And I also wanted to ask you about the
 11 blanket projects. Do you recall the questions about
 12 whether those are unplanned?
 13 A. Yes, I do.
 14 Q. And when you -- is it -- I guess my question is,
 15 are the specific projects that you're completing
 16 unplanned or are you -- is the fact that you're going to
 17 have blanket projects at all unplanned; does that make
 18 sense?
 19 A. Yes, I think so. I -- if the -- the fact that
 20 we're considering our -- are there going to be unplanned
 21 blanket projects, yes, there are. Historically we've
 22 seen that, we've shown that. I pointed that out the
 23 last five years the significant dollars that we've --
 24 that the Company has spent on those -- those blanket
 25 projects in the upwards of I think anywhere from 15- to

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1 20 million per year.
 2 So is it significant, yes, it is. Are they
 3 unplanned from an engineering perspective, I would say,
 4 yes, they are. Are they unplanned from a cost
 5 perspective, no. We anticipate and history has shown us
 6 those will happen every year.
 7 **Q. Okay.**
 8 MS. SCHOONOVER: Thank you, Mr. Darras.
 9 That's all I have.
 10 JUDGE HOWARD: I believe Public Counsel also
 11 indicated cross for this witness, Ms. Gafken?
 12 MS. GAFKEN: Thank you. We did indicated
 13 cross for this witness, but we're -- we're going to
 14 waive cross today.
 15 JUDGE HOWARD: Okay. Do we have any
 16 questions from the bench for Mr. Darras?
 17 COMMISSIONER RENDAHL: I do not.
 18 JUDGE HOWARD: Hearing none, Mr. Darras,
 19 thank you for your testimony. You are excused.
 20 Our next witness would be James Kaiser for
 21 Cascade, but I think right now might be a good time to
 22 take a 45-minute lunch break before we start the next
 23 witness. Does that sound amenable to the Commissioners?
 24 COMMISSIONER RENDAHL: Yes, we would start
 25 up again at 1:00.

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1 JUDGE HOWARD: Yes, yes. So we will take a
 2 45-minute lunch break and we will be off the record and
 3 returning at 1:00 p.m. We are off the record. Thank
 4 you all.
 5 (A luncheon break was taken
 6 from 12:15 p.m. to 1:00 p.m.)
 7 JUDGE HOWARD: Let's be back on the record.
 8 Our next witness is James Kaiser for Cascade.
 9 Mr. Kaiser, I see you have your camera on, can you hear
 10 me all right?
 11 MR. KAISER: I can. Am I coming through
 12 clearly?
 13 JUDGE HOWARD: Yes. Please raise your right
 14 hand and I will swear you in.
 15 (James Kaiser sworn.)
 16 JUDGE HOWARD: Thank you.
 17 Would Cascade please introduce the witness?
 18 MS. BAIRD: Yes, Your Honor. I am Shoshana
 19 Baird. I am appearing here on behalf of Cascade.
 20 Good morning, Mr. Kaiser. And am I correct
 21 to think you can hear and see me okay?
 22 MR. KAISER: I can, thank you.
 23 MS. BAIRD: Great.
 24 /////
 25 /////

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1 EXAMINATION
 2 BY MS. BAIRD:
 3 **Q. Could you please state and spell your name for**
 4 **the record?**
 5 A. My name is James Kaiser. That's K-a-i-s-e-r.
 6 **Q. Thank you, Mr. Kaiser.**
 7 **How are you employed?**
 8 A. I'm employed by Cascade Natural Gas as the
 9 director of human resources.
 10 **Q. And in that capacity, have you prepared**
 11 **testimony and exhibits in this proceeding?**
 12 A. I have.
 13 **Q. And are those items labeled JEK-1CT through**
 14 **JEK-5C?**
 15 A. That is correct.
 16 **Q. And do you have any changes or corrections to**
 17 **your prefiled testimony?**
 18 A. I do not.
 19 **Q. If I ask the same questions today set out in**
 20 **your prefiled testimony, would your answers be the same?**
 21 A. Yes.
 22 MS. BAIRD: This witness is available for
 23 cross-examination.
 24 JUDGE HOWARD: Ms. Gafken, you may proceed.
 25 MS. GAFKEN: Thank you.

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1 EXAMINATION
 2 BY MS. GAFKEN:
 3 **Q. Good afternoon, Mr. Kaiser. My name is Lisa**
 4 **Gafken, and I am the attorney for Public Counsel today.**
 5 **If you would please turn to your rebuttal**
 6 **testimony, which is JEK-1CT and go to page 2. Let me**
 7 **know when you're there.**
 8 A. I am there.
 9 **Q. Starting at line 15 and continuing onto page 3,**
 10 **you explain reductions Cascade made to its revenue**
 11 **requirement request with regard to union and nonunion**
 12 **employee wages, correct?**
 13 A. That's correct.
 14 **Q. And Cascade has eliminated the 2021 union wage**
 15 **increase and lowered its 2021 and 2020 nonunion wage**
 16 **increases, correct?**
 17 A. Yes, that's correct.
 18 **Q. On page 2, lines 21 to 22, you state that**
 19 **Cascade reduced 2020 wage increases from 4 point --**
 20 **sorry, 4 percent to 3.55 percent, correct?**
 21 A. Yes.
 22 **Q. And that's -- that's for nonunion wages,**
 23 **correct?**
 24 A. Yes, that is for nonunion.
 25 **Q. Okay. On page 3, lines 1 to 3, you state that**

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1 **Cascade reduced its 2021 nonunion wage increase from 3.5**
 2 **to 3.0 percent, correct?**
 3 A. The 2021 budget, yes, that's correct.
 4 **Q. For 2020 union wages, Cascade negotiated a 3**
 5 **percent wage increase, correct?**
 6 A. Would you restate the question? Sorry.
 7 **Q. Of course.**
 8 **For -- so focusing on 2020 union wages, Cascade**
 9 **negotiated a 3 percent wage increase, correct?**
 10 A. That is correct. That was effective April 1.
 11 **Q. Would you characterize the negotiated wage**
 12 **increase such as the 2020 union wages to reflect the**
 13 **market rate for wages?**
 14 A. I would.
 15 **Q. What classification of workers receive union**
 16 **wages?**
 17 A. The majority of our positions that are part of
 18 the Collective Bargaining Agreement would be our -- our
 19 technical and -- and craft positions working in the
 20 field.
 21 **Q. And what classification of workers receive**
 22 **nonunion wages?**
 23 A. The group of nonunion employees would be your
 24 nonexempt clerical-type -- -type positions, your
 25 professional positions such as engineers, your

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1 management positions, and -- and directors.
 2 **Q. During 2020, did -- did Cascade furlough any**
 3 **workers?**
 4 A. No, we did not.
 5 **Q. Did Cascade consider furloughing?**
 6 A. We -- we --
 7 MS. BAIRD: Objection. Ms. Gafken, can you
 8 please point to where in Mr. Kaiser's testimony you're
 9 referencing for your questions?
 10 MS. GAFKEN: So I do not have a citation for
 11 the concept of furloughing, but I am asking about the
 12 wage cost in general and factors that may go into that.
 13 MS. BAIRD: Okay. Your Honor, I believe you
 14 are muted if you are speaking.
 15 JUDGE HOWARD: Thank you. I'll allow the
 16 question and, of course, in a virtual setting, it's hard
 17 to tell sometimes, but please direct any objections to
 18 me.
 19 A. Thank you. We did not furlough any employees
 20 if -- in the -- in the terms of a reduction in force.
 21 We did take other measures to delay filling some
 22 positions or -- or -- or hold off and -- in that arena.
 23 BY MS. GAFKEN:
 24 **Q. Okay. Could you please turn to Cross-Exhibit**
 25 **JEK-6X and let me know when you're there.**

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1 A. I am there.
 2 **Q. So Cross-Exhibit JEK-6X is Cascade's**
 3 **supplemental response to Public Counsel Data Request**
 4 **No. 79, correct?**
 5 A. That is correct.
 6 **Q. Please turn to page 1 of the exhibit. In the**
 7 **original response the prose that's set out under**
 8 **response, the Company states the board of directors does**
 9 **not approve nonunion salary increases, correct?**
 10 A. Yes, nonunion salary increases are -- are
 11 approved by the -- the managing committee, essentially
 12 vice president of the human resources, and the -- the
 13 president of Cascade.
 14 **Q. And those decisions result in a -- a merit**
 15 **increase guideline being issued by human resources; is**
 16 **that correct?**
 17 A. That is correct.
 18 **Q. Could you please turn to -- oh, I'm sorry. I**
 19 **don't mean to cut you off.**
 20 A. That's okay. It's all right. Proceed, please.
 21 **Q. Okay. If you could turn to page 2 of**
 22 **Cross-Exhibit JEK-6X.**
 23 A. I'm there.
 24 **Q. Okay. For 2019, the merit increase guidelines**
 25 **state that the overall budget for pay increases is 4**

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1 **percent, correct?**
 2 A. The overall budget is 4 percent for 2019, yes.
 3 **Q. Okay. And then of that 4 percent, the managers**
 4 **were allocated 3 percent to work with, correct?**
 5 A. You need to read further in -- in that exhibit.
 6 It does state managers will be given 3 percent of the
 7 budget to work with, HR will retain a half a percent to
 8 work with the vice presidents and address other
 9 compensation issues. Some organizations maintain two
 10 budgets; one is more the what I would call the merit
 11 budget, and then we have a separate promotional budget.
 12 We roll all that together and that guidance comes out
 13 once a year, and for 2019, that guidance was a total
 14 budget of 4 -- 4 percent.
 15 **Q. Thank you. You anticipated my questions, and so**
 16 **I don't have to break up those -- those steps. So I**
 17 **think you answered both -- two questions at once, so**
 18 **thank you for providing that -- that explanation.**
 19 **Let's see, let's go ahead and turn to page 5 of**
 20 **Cross-Exhibit JEK-6X.**
 21 A. Okay. I am there.
 22 **Q. And that page begins with 2020 merit increase**
 23 **guidelines, correct?**
 24 A. Yes, that is correct.
 25 **Q. And the same set of questions for this -- this**

1 **year, for the year 2020. So the overall budget for pay**
2 **increases was 4 percent, correct?**

3 A. Yes, the overall budget was 4 percent. That's
4 an all-inclusive budget that incorporates the salary
5 increase that we implement at the beginning of the
6 calendar year, and then there are dollars that are
7 reserved for promotions as organization changes take
8 place. We typically have a midyear review, and so there
9 are dollars received for that midyear review as well.
10 So the budget is 4 percent, but it's typically not spent
11 at the beginning of the year.

12 **Q. And 3 percent of that 4 percent budget was the**
13 **kind of the beginning of the year pay increases; is that**
14 **correct?**

15 A. No, 3 percent is -- is guidance as a starting
16 place for the officers that they're encouraged because
17 each of the officer's departments vary in size, and if
18 you have a large department, it's much easier to stay
19 within that 3 percent budget. If you have a smaller
20 department, it's harder to stay within that budget.

21 So overall, we say try to stick within 3
22 percent. Later in that memo, I believe it's in the
23 second paragraph or third paragraph, I'd have to locate
24 it for sure here, but it's -- let me pause and I'll find
25 it. It's in the -- in the last sentence of the third

1 that paragraph, an additional .5 percent has been
2 reserved for a possible midyear review focused on
3 affirmative action items, equity concerns, and
4 compression issues. So it's the same guidance, the
5 wording is slightly different than prior years, but --

6 **Q. Right.**

7 A. -- and you will note that it is a reduced budget
8 from the prior two years.

9 **Q. Yeah, and that first sentence it starts with the**
10 **bolded language there, it says, (as read) Managers are**
11 **being provided with a 3 percent budget to work from for**
12 **annual salary increases, correct?**

13 A. It is -- it is the same approach that we've
14 taken in the prior years. In prior years, it's -- it
15 has -- it has -- it has stated that we have a 4 percent
16 budget to work with, this year the wording was slightly
17 different. I qualify that in that --

18 MS. GAFKEN: May I ask -- may I ask that the
19 witness be instructed to answer the question. I don't
20 mean to be difficult, but I asked him to confirm the
21 language, and that's really all that my question was.

22 JUDGE HOWARD: I will -- I will agree with
23 that instruction. If you could focus on the specific
24 question.

25 A. Would you repeat the question, please?

1 paragraph, (as read) Any increase causing you to go over
2 budget must be justified on the spreadsheet in the note
3 section. So there are -- there are mechanisms to go
4 beyond the 3 percent.

5 **Q. But the guidance asked managers to try to stay**
6 **within that 3 percent range, right?**

7 A. The guidance asked managers to start at -- at
8 the 3 percent, but it -- you have to go on and read in
9 paragraph 2 the remaining 1 percent will be used to
10 address compression, equity issues, affirmative action
11 items, and promotions as well as the 2020 midyear
12 review.

13 **Q. Okay. Could you please turn to page 8 of**
14 **Cross-Exhibit JEK-6X.**

15 A. I'm there.

16 **Q. Okay. So beginning on page 8 of the exhibit,**
17 **we -- now we're looking at 2021, correct?**

18 A. Yes, this would be the -- the guidance for 2021.

19 **Q. And the guidance, again, looking at page 8 of**
20 **the exhibit, the guidance asked the manager or -- I'm**
21 **sorry, let me start that question again.**

22 **The guidance allocated 3 percent to the managers**
23 **for annual salary increases; is that correct?**

24 A. The guidance document paragraph 2 provides a 3
25 percent budget, but then again, if you continue on in

1 BY MS. GAFKEN:

2 **Q. Of course.**

3 **Looking at the second paragraph of the 2021**
4 **merit increase guidelines, the sentence reads, (as read)**
5 **Managers are provided -- are being provided with a 3**
6 **percent budget to work from for annual salary increases;**
7 **is that correct?**

8 A. Yes, it is correct with the emphasis on
9 managers.

10 **Q. Okay. All right. Let's please turn to your**
11 **rebuttal testimony, which is Exhibit JEK-1CT and go to**
12 **page 4, lines 15 -- I'm sorry, lines 9 to 15.**

13 A. I'm there.

14 **Q. Okay. There you testify that Cascade's**
15 **incentive plan provides nonunion employees with the**
16 **opportunity to receive total cash compensation at the**
17 **market average in a typical year, correct?**

18 A. That's correct.

19 **Q. Please turn to page 18 and go to lines 20 to**
20 **twenty -- 20 to 21.**

21 A. Would you repeat that page, please?

22 **Q. 18.**

23 A. I'm there.

24 **Q. Okay. So on page 18, lines 20 to 21, you**
25 **testify that Cascade's test year incentive compensation**

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1 was approximately 1.7 million, correct?
 2 A. Yes.
 3 **Q. And that -- that test year incentive**
 4 **compensation is higher than Cascade's five-year average**
 5 **between 2014 and 2018; is that correct?**
 6 A. I have not done personally that -- that
 7 calculation between the five-year average. We did meet
 8 many of our -- we had a good year in meeting our goals
 9 in -- in 2019, so it was a -- it was a successful year
 10 for payout under this plan.
 11 **Q. Okay. Could you turn to page 19 of JEK-1CT?**
 12 A. Yes.
 13 **Q. And lines 5 to 11 it shows that the five-year**
 14 **average was approximately 1.1 million, correct?**
 15 A. Yes, that is -- that is correct, based on Public
 16 Counsel's proposal.
 17 **Q. Okay. Could you turn while staying on page 19,**
 18 **and go to lines 20 to 21.**
 19 A. I'm there.
 20 **Q. In that portion of your testimony, you offer an**
 21 **alternative proposal of using a three-year rolling**
 22 **average if the Commission wishes to normalize incentive**
 23 **compensation, correct?**
 24 A. Yes.
 25 **Q. And actually, let me ask a follow-up question to**

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1 something that you said earlier.
 2 You said in 2019, the Company was fairly
 3 successful in meeting targets and whatnot, and so there
 4 was quite a bit paid out of the incentive program.
 5 Would you say that it was a typical -- typical year or a
 6 better than average year?
 7 A. If you look over time, it -- it -- I would say
 8 it was a good year. We met many of our -- we met the
 9 majority of our goals and -- and those are all goals
 10 that are -- are the -- the logistics of the plan, the
 11 metrics and how the calculation and how things are paid
 12 do tie back to metrics that benefit our customer.
 13 **Q. And the amount that Cascade pays out through its**
 14 **incentive compensation plan fluctuates from year to**
 15 **year, doesn't it?**
 16 A. It does fluctuate based on the -- on the goals
 17 achieved. If I may say, our -- our incentive
 18 compensation targets, I mean, we are establishing those
 19 incentive plan targets to be competitive with the labor
 20 market. And you -- you -- you may have seen in our
 21 compensation study that was also provided as an exhibit
 22 that we are conservative with our incentive compensation
 23 targets, and that was offered as an exhibit.
 24 **Q. So I want to return to the -- that alternative**
 25 **proposal that -- that I started to ask you about, the**

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1 three-year rolling average.
 2 A. Sure.
 3 **Q. What three-year period would you suggest be used**
 4 **under your alternative proposal? Would 2016 to 2018 be**
 5 **appropriate to compare to the test year of 2019?**
 6 A. It -- it would be the -- the test year and the
 7 previous two years.
 8 **Q. Okay. So your -- your proposal would be to**
 9 **include the test year in the three-year average?**
 10 A. Yes, again, that's -- that's a reflection of
 11 what our costs were as an organization. That's a more
 12 accurate picture of the near term for ratemaking
 13 purposes.
 14 **Q. Have you calculated the three-year average under**
 15 **your alternative proposal?**
 16 A. As I recall, that -- that number was right
 17 around 1.4 million, and that has been provided in other
 18 testimony.
 19 **Q. My next question really just asks about the**
 20 **math.**
 21 **If you use three years versus five years to**
 22 **calculate the average, you're using approximately 40**
 23 **percent less data points to calculate that average,**
 24 **correct?**
 25 A. I -- I -- I'm sorry, because you're tying in the

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1 metrics, would you explain further what you're
 2 referencing there with the data points?
 3 **Q. I'm actually not tying in the metrics. I'm**
 4 **actually just asking about the difference between using**
 5 **five years' worth of data versus using three years' worth**
 6 **of -- worth of data. That's about a 40 percent**
 7 **reduction of the data that goes into the calculation;**
 8 **isn't that right?**
 9 A. There is -- there is a reduction in a percentage
 10 of the data. But, again, the most -- I would testify
 11 that the most recent three years is a more accurate
 12 reflection of what our costs are for Cascade.
 13 **Q. Okay.**
 14 MS. GAFKEN: I have no further questions for
 15 this witness.
 16 JUDGE HOWARD: Do we have any redirect from
 17 Cascade?
 18 MS. BAIRD: Just a couple questions, Your
 19 Honor.
 20 JUDGE HOWARD: Please proceed.
 21
 22 E X A M I N A T I O N
 23 BY MS. BAIRD:
 24 **Q. Mr. Kaiser, you were asked a couple of questions**
 25 **about the Exhibit JEK-6X, which is your cross-exhibit**

1 **and specifically on page 8 of that exhibit. Could you**
 2 **take a look at that for me, please?**
 3 A. Yes, I'm there.
 4 **Q. And specifically I believe Ms. Gafken asked you**
 5 **some questions about the bolded language that says, (as**
 6 **read) Managers are being provided with a 3 percent**
 7 **budget, and I -- I think you had begun a process of**
 8 **providing some more explanation there, and I was**
 9 **wondering if you could complete that explanation for me.**
 10 **I can jog your memory further if you do not recall.**
 11 A. Certainly. The -- the approach taken -- the
 12 language is slightly different, but the approach taken
 13 in -- with the salary review guidance document that was
 14 issued to the officers was very similar to past years.
 15 It identified the 3 percent budget that they had to work
 16 with. If you go on into the memo, it does talk about
 17 any costs requiring you go over that budget or are --
 18 are possible.
 19 But -- but the other thing is that -- that we
 20 did pull back our -- our salary budget in 2021 from what
 21 we had historically done in -- in prior years by
 22 one-half percent. And keeping in mind, I'm going to go
 23 back to the pro minor [phonetic] compensation study,
 24 if -- if you look at that study, it talks about our
 25 conservative compensation, approaches to compensation,

1 **for nonunion wage increases?**
 2 A. We compare in different -- we have different
 3 comparative groups that we look at. So it's going to
 4 vary from year to year. At the time, those -- those --
 5 those union contracts are preestablished, so we were in
 6 the midst of a three-year contract, and that was -- that
 7 was reasonable at that -- that time period. And so
 8 there is a difference in the surveys that we do for the
 9 two groups.
 10 **Q. Okay.**
 11 MS. BAIRD: Thank you, Mr. Kaiser. I have
 12 no further questions.
 13 JUDGE HOWARD: Are there any questions from
 14 the bench for Mr. Kaiser?
 15 Hearing none --
 16 CHAIR DANNER: I have --
 17 JUDGE HOWARD: Oh.
 18 CHAIR DANNER: I said I have none.
 19 JUDGE HOWARD: Thank you, Chair Danner.
 20 Sorry, I spoke over you a little bit.
 21 Hearing no questions, Mr. Kaiser, thank you
 22 for your testimony. You are excused.
 23 MR. KAISER: Thank you.
 24 JUDGE HOWARD: No party has indicated
 25 cross-examination for the next four witnesses from

1 and -- and the -- really the -- the median of our salary
 2 ranges are somewhat behind others in the utility
 3 industry because of -- of general industry benchmarking
 4 that we do. And then also it did state that in the
 5 incentive compensation as well, which I am going beyond
 6 your question, so I am going to stop there.
 7 **Q. And I believe in your response -- I believe in**
 8 **your response to Ms. Gafken, you had emphasized that**
 9 **that 3 percent in the bold language was specifically for**
 10 **managers, were you -- was that distinction focused on**
 11 **managers versus the Company or would you say that the**
 12 **budget for the Company is different from what's in that**
 13 **bolded language?**
 14 A. The budget for the Company is the -- the 3.5
 15 percent. We want our managers to start out in -- in a
 16 more conservative approach. But there is the
 17 opportunity as long as we stay under that overall budget
 18 they -- they can go beyond the 3 percent.
 19 **Q. Okay. And I had one other question for you**
 20 **because early on you had gotten a couple of questions**
 21 **about the union rate and the market rate for -- for**
 22 **labor. Are you recalling that line of questions?**
 23 A. Yes, yes.
 24 **Q. And specifically, would you say that the union**
 25 **rate for wage increases is the same as the market rate**

1 Cascade. These are Maryalice Gresham, Isaac Myhrum,
 2 Brian Robertson, or Pamela Archer. Are there any
 3 questions from the bench for either Gresham, Myhrum,
 4 Robertson, or Archer at this time?
 5 COMMISSIONER RENDAHL: I have none.
 6 JUDGE HOWARD: Okay. Hearing none, the last
 7 witness for Cascade is Michael Parvinen.
 8 Mr. Parvinen, are you on the line?
 9 MR. PARVINEN: I am. Can you hear and see
 10 me okay?
 11 JUDGE HOWARD: Yes. Yes, thank you. Please
 12 raise your right hand and I will swear you in.
 13 (Michael Parvinen sworn.)
 14 JUDGE HOWARD: Thank you.
 15 Cascade, you may introduce the witness.
 16 MS. PEASE: Thank you. For the record, this
 17 is Jocelyn Pease with McDowell Rackner Gibson for
 18 Cascade.
 19
 20 EXAMINATION
 21 BY MS. PEASE:
 22 **Q. Good afternoon, Mr. Parvinen.**
 23 A. Good afternoon.
 24 **Q. Could you please state your full name and spell**
 25 **it for the record?**

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1 A. Yes, Michael Parvinen, P-a-r-v, as in Victor,
2 i-n-e-n.
3 **Q. And, Mr. Parvinen, how are you employed?**
4 A. I'm employed as the director of regulatory
5 affairs for Cascade Natural Gas.
6 **Q. In that capacity, have you prepared testimony**
7 **and exhibits in this proceeding?**
8 A. Yes, I have.
9 **Q. And are those exhibits and testimony your direct**
10 **and rebuttal testimony MPP-1T and MPP-2T as well as**
11 **Exhibits MPP-3 through MPP-6?**
12 A. Yes.
13 **Q. And do you have any corrections or changes to**
14 **your prefiled testimony?**
15 A. I do have two small corrections to make.
16 **Q. Okay. Go ahead, Mr. Parvinen.**
17 A. Okay. The first correction is on page 7 of my
18 direct testimony, line 10, the first word on that line
19 should have a space between the R and the A, so it
20 should read "for a proposed."
21 The second correction is in my rebuttal
22 testimony on page 33, in footnote 92, the second line
23 where it -- where it shows Docket 190755, that should
24 read 190775. And those are all my corrections.
25 **Q. Thank you.**

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1 **And apart from those corrections, if I were to**
2 **ask you the same questions set forth in your prefiled**
3 **testimony today, would your answers be the same?**
4 A. They would.
5 **Q. Thank you.**
6 MS. PEASE: Thank you. This witness is
7 available for cross-examination.
8 JUDGE HOWARD: Mr. Callaghan, you may
9 proceed.
10 MR. CALLAGHAN: Thank you, Your Honor.
11
12 EXAMINATION
13 BY MR. CALLAGHAN:
14 **Q. Good afternoon, Mr. Parvinen. Can you hear me**
15 **all right?**
16 A. I can, thank you.
17 **Q. All right. I'm going to refer you to**
18 **Cross-Exhibits MPP-7X through MPP-13X as well as your**
19 **direct and rebuttal testimony, and do you have copies of**
20 **those with you?**
21 A. I do.
22 **Q. Okay.**
23 MS. PEASE: If I may -- If I may,
24 Mr. Callaghan, you're breaking up a little bit here and
25 there, just a heads-up.

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1 MR. CALLAGHAN: Okay. Thank you, Ms. Pease.
2 Let me know, Mr. Parvinen or Ms. Pease, if I continue to
3 break up.
4 BY MR. CALLAGHAN:
5 **Q. Can you hear me okay?**
6 A. Yes.
7 **Q. Okay. Mr. Parvinen, what was the rate effective**
8 **date of Cascade's last rate increase?**
9 A. March 1st, 2020.
10 **Q. And the Company reached a settlement agreement**
11 **with the other parties in the last general rate case,**
12 **correct?**
13 A. That's correct.
14 **Q. And did the settlement agreement in that case**
15 **include a \$6.5 million increase to Cascade's overall**
16 **revenue requirement?**
17 A. Yes.
18 **Q. And that agreement was filed jointly with the**
19 **Commission in September of 2019; is that accurate?**
20 A. I don't recall the specific date the settlement
21 was submitted, but that sounds right, so I would agree
22 to that.
23 **Q. Okay. And did the Commission approve that**
24 **settlement on February 3rd of 2020?**
25 A. Yes.

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1 **Q. In the order approving the settlement, the**
2 **Commission found that the rates, terms, and conditions**
3 **of the settlement were fair, just, reasonable, and**
4 **sufficient. At the time that the order was entered in**
5 **February of 2020, do you agree that the rates approved**
6 **in that case were sufficient?**
7 A. They were based on the information in status at
8 the time that the settlement was entered into and at the
9 time that order went into place, yes.
10 **Q. Okay. The initial filing in this docket was**
11 **June 19th of 2020, about three and a half months after**
12 **Cascade's last rate increase went into effect, correct?**
13 A. Correct.
14 **Q. In the initial filing in this case, did Cascade**
15 **submit any exhibits or testimony that demonstrated the**
16 **Company was actually under-earning in the three and a**
17 **half months since the last -- their last rate increase?**
18 A. I believe we talked about it in testimony. I
19 can't remember -- I don't recall if we submitted any
20 specific exhibits to that effect, but we certainly --
21 **Q. Okay.**
22 A. -- identified in Ms. Kivisto's testimony and my
23 testimony that -- that we were under-earning.
24 **Q. Were you -- so just to follow up on that, were**
25 **you actually under-earning on a monthly basis in the**

1 **three months -- three and a half months between the rate**
2 **increase and filing this case?**

3 A. Yes.

4 **Q. Okay. Is there any testimony or exhibits in**
5 **Cascade's initial filing that reports Cascade's actual**
6 **revenues and actual expenses for the three months after**
7 **it received the latest rate increase?**

8 A. Well, our initial testimony and results actually
9 showed the impact of the full -- full -- the impact of
10 the rate case applied to our full test year in this rate
11 case, which was the 12 months ended December 31st, 2019,
12 three months before the rates went into effect. But we
13 did show the impacts of a full year of that rate
14 increase.

15 **Q. Okay. But my question was specifically whether**
16 **Cascade's initial filing included Cascade's actual**
17 **revenues and actual expenses for the three months after**
18 **it received the latest increase, so March 2020, April,**
19 **and May 2020?**

20 A. No.

21 **Q. Okay. In your rebuttal testimony, you claim**
22 **that Cascade is in fact earning a 5.56 percent rate of**
23 **return. Does that 5.56 figure capture the rate increase**
24 **that went into effect in March 2020?**

25 MS. PEASE: Counsel, so I can follow, could

1 to the rate year, what are your results from a
2 regulatory perspective, whether it's a restating or pro
3 forma, typically don't matter; however, some of the
4 adjustments that we showed as restating adjustments
5 could be considered pro formas.

6 Let me give you an example or -- or explain that
7 a little bit better.

8 **Q. Mr. Parvinen, let me -- let me stop you there**
9 **just so I can get a follow-up question.**

10 **Using test year costs, did you calculate the**
11 **rate of return that the new rates approved in March 2020**
12 **would produce with just restating adjustments, not the**
13 **pro forma adjustments, and did Cascade provide a**
14 **calculation of that in this case?**

15 A. Directly, no. In Ms. Peters', Gresham's Exhibit
16 12, the restating adjustments are identified as R with a
17 number and then the pro forma adjustments are identified
18 as a P with a number.

19 **Q. Okay. Thank you.**

20 **In your rebuttal testimony, you testify about**
21 **the Commission's recent used and useful policy statement**
22 **published in Docket U-190531; is that correct?**

23 A. Correct.

24 **Q. Have you read the policy statement in its**
25 **entirety?**

1 you provide that page reference?

2 MR. CALLAGHAN: Yes.

3 BY MR. CALLAGHAN:

4 **Q. So, Mr. Parvinen, I guess you can turn to this**
5 **too. This is Exhibit MPP-2T, page 7, lines 7 to 9.**

6 A. Yes, I'm there. So could you repeat the
7 question?

8 **Q. Yes.**

9 **In your rebuttal testimony, you claim that**
10 **Cascade is in fact earning a 5.56 rate -- percent rate**
11 **of return. Does that 5.56 figure capture the rate**
12 **increase that went into effect in March 2020?**

13 A. No, it does not.

14 **Q. Has Cascade presented a restated test year**
15 **results of operations that takes into account the rate**
16 **increase from the last GRC before accounting for the**
17 **Company's proposed pro forma adjustment?**

18 A. Yes, it does. I will say that many of those
19 restating adjustments are from the definitions of
20 restating and pro forma adjustments in -- in WAC -- or
21 in WAC, that the number of those adjustments could be
22 construed as pro formas.

23 In general for ratemaking purposes or restating
24 a pro forma adjustment gets you to what are your results
25 representative going into the rate year, so just prior

1 A. I have, yes.

2 **Q. Does the policy statement indicate that it was**
3 **issued in light of the statutory amendments made to RCW**
4 **80.04.250?**

5 A. Yes.

6 **Q. All right. And could you turn to MPP-13X on**
7 **exhibit page 6 for me and let me know when you're there.**

8 A. What was that page number again, please?

9 **Q. Page 6.**

10 A. Thank you.

11 **Q. I'm sorry, MPP-12X, my apologies.**

12 A. Very good. I thought I had my book labeled
13 wrong. I'm there.

14 **Q. All right. So did the Commission indicate in**
15 **the policy statement that it was not going to revise its**
16 **rules related to pro forma adjustments in response to**
17 **those statutory amendments?**

18 A. Yes.

19 **Q. All right. In fact, doesn't the policy**
20 **statement indicate that for all pro forma adjustments,**
21 **both traditional or provisional, quote, the Commission's**
22 **existing standards remain applicable?**

23 A. Yes, it does. And I will note that there has
24 been substantial changes and variations in -- in the
25 Commission's actions. They've made it very clear in

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1 order after order that -- that cases will be reviewed on
 2 a case-by-case basis. And --
 3 **Q. Thank you. And --**
 4 A. -- we do believe -- sorry, I just wanted to
 5 finish that thought is that, we do believe we met all of
 6 the Commission's requirements in regards to known and
 7 measurable, in-service, offsets, identified offsetting
 8 factors, and fully audited. So we believe that we've
 9 met all those requirements, and we are asking the
 10 Commission for inclusion of those assets based on that.
 11 **Q. All right. Does the policy statement require**
 12 **that regulated companies include and consider in their**
 13 **proposal the Commission's longstanding practices**
 14 **regarding property placed in service?**
 15 A. Yes.
 16 **Q. And those longstanding practices include the**
 17 **prudency standard, the known and measurable standard,**
 18 **the matching principle including offsetting factors,**
 19 **correct?**
 20 A. Yes.
 21 **Q. Turning to your rebuttal testimony on page 13,**
 22 **let me know when you're there.**
 23 A. All right.
 24 **Q. Page 13 of lines 10 and 11, you state that**
 25 **Cascade is only proposing traditional pro forma plant**

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1 **adjustments, correct?**
 2 A. Correct, in the sense that the policy statement
 3 was -- appeared to direct -- be more directed at those
 4 investments that go into service after the rate
 5 effective date. Cascade is not seeking recovery of any
 6 of those investments. It's using the traditional
 7 approach to include assets only through
 8 December 31st, 2020, for those projects that are
 9 actually known and measurable and in service at that
 10 date.
 11 **Q. All right. Thank you.**
 12 **Turning back to MPP-12X, could you go to page 9**
 13 **for me.**
 14 A. All right. I'm there.
 15 **Q. Paragraph 25 states, quote, The further a**
 16 **proposed adjustment considered in the GRC occurs from**
 17 **the end of the test year, the less time Staff and other**
 18 **parties have to review a company's supporting evidence.**
 19 **In light of these factors, the company's burden to**
 20 **demonstrate that has met the requirements guiding**
 21 **adjustments to test year data is greater.**
 22 **Do you recall this in the policy statement?**
 23 A. I do, and Cascade achieved that effort by
 24 providing a specific witness identifying and describing
 25 every discrete project that we have. Mr. Darras

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1 included in his direct testimony 70 pages of testimony
 2 supporting each project, the reasoning for the project,
 3 the prudence determination information, what
 4 considerations, alternative considerations --
 5 MR. CALLAGHAN: Your Honor, at this point
 6 I'd object. My question was just directed at whether he
 7 recalled this in the policy statement. This is
 8 beginning to provide a narrative.
 9 JUDGE HOWARD: I -- I agree with your
 10 concern, Mr. Callaghan. I'm going to for now decline to
 11 strike testimony from the record, but I would certainly
 12 encourage Mr. Parvinen to focus on the specific question
 13 and allow Ms. Pease to redirect to the extent necessary.
 14 MR. CALLAGHAN: Thank you, Your Honor.
 15 BY MR. CALLAGHAN:
 16 **Q. Mr. Parvinen, do you recall that the policy**
 17 **statement goes on to say, quote, The Commission will**
 18 **also -- also will reject requests that either cannot be**
 19 **audited or are unreasonably burdensome to review?**
 20 A. Yes, I do. And, again, I think that the -- the
 21 Company complied with this. We had originally 15
 22 discrete projects, we narrowed that down to ten. The
 23 information has been provided since we initially filed
 24 our case. That's been fully audited by all the parties,
 25 have had that opportunity to review all of that party.

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1 The only information at the time that they submitted
 2 their responsive testimony, the only information not
 3 included or available at that time was actual dollars
 4 and actual in-service dates.
 5 **Q. Well, we'll get to that soon enough,**
 6 **Mr. Parvinen.**
 7 **Does the -- in Cascade's initial filing, how**
 8 **many line items did Cascade include in its proposed pro**
 9 **forma adjustments?**
 10 A. Based on the testimony -- per Ms. Gresham's
 11 Exhibit 2, I believe -- I'm trying to refresh my memory
 12 from earlier cross, I believe there were 46 lines. Many
 13 of those lines were the blanket projects broken out by
 14 district. So a lot more information than necessary. I
 15 can explain why if you would like to...
 16 **Q. We'll -- we'll get to those eventually.**
 17 **But, Mr. Parvinen, on rebuttal, Cascade, as you**
 18 **mentioned, is now proposing to include ten discrete pro**
 19 **forma projects; is that correct?**
 20 A. Correct.
 21 **Q. And to your knowledge, Commission Staff in**
 22 **response testimony did accept some of the discrete**
 23 **projects as appropriate for pro forma treatment; is that**
 24 **right?**
 25 A. Yes.

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1 **Q. To your knowledge -- pardon me. Commission**
 2 **Staff still completely rejects at least seven of the ten**
 3 **discrete projects that Cascade is proposing on the**
 4 **rebuttal, correct?**
 5 A. They are, yes.
 6 **Q. Okay. And could you please turn to exhibit**
 7 **MPP-13X on exhibit page 6 for me and let me know when**
 8 **you're there.**
 9 A. I'm there.
 10 **Q. Do you see figure 1?**
 11 A. I'm sorry, is this a -- I may -- sorry, is it
 12 the wrong -- no.
 13 **Q. This should be the -- Mr. Garrison's rebuttal**
 14 **testimony.**
 15 A. Right. Okay. Figure -- figure 1, yes, shows up
 16 on page 4 of the testimony, and I'm not seeing a
 17 designation on the top of my -- anyway, I'm there at
 18 figure 1.
 19 **Q. Okay. Great.**
 20 **And are you familiar with figure 1?**
 21 A. Yes.
 22 **Q. All right. And it's a summary of Cascade's**
 23 **discrete and blank- -- what it terms to be blanket**
 24 **project, correct?**
 25 A. Correct.

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1 **Q. So according to figure 1, based on the numbers**
 2 **Cascade provides, the ten discrete projects that Cascade**
 3 **is proposing to include total approximately three**
 4 **point -- or sorry, 39.3 million, correct?**
 5 A. Yes, that's correct.
 6 **Q. And Commission Staff in response testimony found**
 7 **approximately \$6.9 million worth of plant appropriate**
 8 **for pro forma treatment, correct?**
 9 A. That sounds right, yes.
 10 **Q. And that 6.9 million that Staff does accept**
 11 **based on -- or is based on expenses in figure 1 that are**
 12 **incorporated into the projects listed under lines 5, 6,**
 13 **and 7, correct?**
 14 A. Yes, I believe that's correct.
 15 MS. PEASE: Mr. -- I would raise an
 16 objection. I'm not sure that Mr. Parvinen would be able
 17 to tell what Staff's proposal was based on the context
 18 of a Company exhibit.
 19 MR. CALLAGHAN: So, Your Honor, I'm just
 20 asking if Mr. Parvinen is aware of Cas- -- or aware of
 21 Commission Staff's position. If he's not, then he won't
 22 be able to answer the question, but it seems like he's
 23 aware of what Commission Staff's position is.
 24 A. Well, those are the three projects that Staff
 25 had included. I believe on one of the projects Staff

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1 had already included part of the cost.
 2 JUDGE HOWARD: I think we'll allow the
 3 question. Go ahead.
 4 MR. CALLAGHAN: Thank you, Your Honor.
 5 BY MR. CALLAGHAN:
 6 **Q. And just to clarify, Mr. Parvinen, Commission**
 7 **Staff doesn't accept all costs under lines 5, 6, and 7,**
 8 **but the costs that they do accept are within lines 5, 6,**
 9 **and 7, correct?**
 10 A. I believe that is correct, yes.
 11 **Q. All right. So doing some back of the envelope**
 12 **math, the difference between Cascade's position on**
 13 **discrete pro forma projects and Staff's position is**
 14 **approximately 32.4 million; does that sound about right?**
 15 A. Yes.
 16 **Q. Okay. Does figure 1 list in-service dates for**
 17 **these discrete projects?**
 18 A. Yes, it does.
 19 **Q. And according to figure 1, three of the discrete**
 20 **projects went into service in December; is that right?**
 21 A. Yes.
 22 **Q. And the projects that went into service in**
 23 **December, according to figure 1, are the Wallula Gate**
 24 **Project on line 4 and the Bremerton Office Project on**
 25 **line 11 of figure 1; is that right?**

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1 MS. PEASE: Counsel, you cut out there, at
 2 least for me, I don't know --
 3 MR. CALLAGHAN: I can restate.
 4 BY MR. CALLAGHAN:
 5 **Q. So the projects are the Wallula Gate Project on**
 6 **line 1, the Walla Walla Gate Project on line 4, and the**
 7 **Bremerton Office Project on line 11; is that correct?**
 8 A. Well, the -- yeah, the Wallula Gate Project is
 9 on line 2, not line 1.
 10 **Q. Oh.**
 11 A. But yes, those are the three projects.
 12 **Q. Okay. Thank you.**
 13 **And, again, doing some back of the envelope**
 14 **math, according to figure 1, those three projects that**
 15 **went into service in December represent approximately**
 16 **\$25 million in pro forma plants; is that correct?**
 17 A. That is correct.
 18 **Q. All right. So of the 32.4 million in discrete**
 19 **plant contested by Staff, about \$25 million went into**
 20 **service in December; is that right?**
 21 A. That is correct; however, we did provide all the
 22 documentation and support for those projects from the
 23 beginning of our case.
 24 **Q. All right. So is it fair to say by dollar**
 25 **amount a substantial majority of Cascade's discrete pro**

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1 **forma projects went into service in December?**
 2 A. Yes. And I will also point out that those are
 3 in service well before the -- well before the close
 4 of -- of this -- of this proceeding, which is an
 5 important -- was an important factor pointed out in the
 6 most recent PSE rate case.
 7 **Q. All right. According to figure 1, the Wallula**
 8 **Gate Project, \$17 million, went into service on December**
 9 **29th; is that right?**
 10 A. Yes.
 11 **Q. And not everything in the Wallula Gate Project**
 12 **was in service by the end of the year, correct?**
 13 A. This portion of that project was in service. I
 14 believe Mr. Darras talks about a component that -- that
 15 wasn't in service at the end of the year, but this
 16 portion was in service and provided benefits to
 17 customers. The final portion happened to go into
 18 service yesterday.
 19 MS. PEASE: Sorry, I just -- I appreciate
 20 that is a cross-exhibit for Mr. Parvinen, but to the
 21 extent that there's questions that may be better
 22 directed to Mr. Darras as to the actual in-service
 23 dates, I would just bear that in mind.
 24 MR. CALLAGHAN: Sorry, Ms. Pease, you cut
 25 out on the last sentence.

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1 MS. PEASE: Oh, what I said is I would just
 2 ask that counsel keep in mind whether some of these
 3 questions may better be directed to Mr. Darras as you're
 4 wading into more of the substance of Mr. Darras'
 5 testimony in your cross-examination of Mr. Parvinen.
 6 JUDGE HOWARD: I'll -- I'll allow
 7 Mr. Callaghan to cross Mr. Parvinen to the extent he is
 8 familiar with these things. If we need to re-call
 9 Mr. Darras, we can, but I -- I want -- I want him to
 10 have the opportunity to explore that.
 11 MR. CALLAGHAN: Thank you, Your Honor.
 12 BY MR. CALLAGHAN:
 13 **Q. So, Mr. Parvinen, as you've stated in your**
 14 **rebuttal testimony on page 17, the line 14, you state,**
 15 **quote, From a substantive perspective, Staff possessed**
 16 **all of the information necessary to evaluate the**
 17 **prudence of the Company's projects when Staff filed**
 18 **reply testimony.**
 19 **You also state on page 15 that, quote, All the**
 20 **materials necessary to review prudence of the Company's**
 21 **projects have been provided through Cascade's initial**
 22 **filing and through data requests. As explained further**
 23 **below, the only pieces of information missing at the**
 24 **time of the parties' responsive testimony were actual**
 25 **in-service dates for discrete projects and final cost**

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1 **figures.**
 2 **Do you recall those statements in your rebuttal**
 3 **testimony?**
 4 A. Yes.
 5 **Q. Under the Commission's standards, can prudence**
 6 **be determined before a project is placed in service?**
 7 A. The information can be -- is -- is -- is
 8 reviewed. The actual in-service date is -- actual
 9 service date and actual cost is a component of prudence,
 10 but many of the prudence determination items are much
 11 more substantial than that and those were provided up
 12 front.
 13 **Q. So those -- well, so can prudence be determined**
 14 **before a project is placed in service?**
 15 A. The only reason I'm hesitating is from a number
 16 factors. The Commission has allowed projects to go into
 17 service or go into rates prior to going into service
 18 without making a prudence determination. In the policy
 19 statement, I believe the Commission said that prudence
 20 is an after-the-fact look. And that I would agree, yes.
 21 **Q. So that statement that you're referring to in**
 22 **the policy statement was with respect to provisional pro**
 23 **forma adjustments, correct?**
 24 A. It was provisional and maybe I'm going blank on
 25 what provisional means, but if provisional was the

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1 projects that were allowing rates to go into effect
 2 after the rate effective date, then yes, that's what I
 3 was referring to.
 4 **Q. Okay. And Cascade is proposing only traditional**
 5 **pro forma plant adjustments in this case, correct?**
 6 A. Correct.
 7 **Q. All right. Are you familiar with the**
 8 **Commission's ruling in the 2015 PacifiCorp general rate**
 9 **case?**
 10 A. Generally speaking, yes.
 11 **Q. Okay. In that case, if you recall, did the**
 12 **Commission find that PacifiCorp failed to meet its**
 13 **burden to prove that the decision to continue installing**
 14 **the SCR system was prudent?**
 15 MS. PEASE: Counsel, can you provide a
 16 reference? I believe this may have been designated as
 17 the cross-exhibit for Mr. Parvinen. I think it might
 18 help us all to have the reference.
 19 MR. CALLAGHAN: Sure.
 20 BY MR. CALLAGHAN:
 21 **Q. Mr. Parvinen, if you can turn to Exhibit MPP-9X**
 22 **at exhibit page 41, paragraph 116.**
 23 A. Paragraph 116 or a hundred -- page 41 starts
 24 with paragraph 117 unless I have the wrong order.
 25 **Q. Paragraph 116 begins with "We find a similar**

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1 situation here."
 2 A. Okay. I'm there.
 3 **Q. Okay. So let me know if you need time to read**
 4 **to refresh your memory, but my question is, in this**
 5 **case, the order is MPP-9X, did the Commission find that**
 6 **PacifiCorp failed to meet its burden to prove the**
 7 **decision to continue to installing the CSR system was**
 8 **prudent?**
 9 A. Yes, that appears to be what it says.
 10 **Q. All right. And does the order explain that the**
 11 **utility failed to meet its burden in that case because**
 12 **it did not present evidence that the decision to**
 13 **continue investing in the SCR system was prudent? And**
 14 **if you need a citation to refresh your memory, I can**
 15 **provide that.**
 16 A. I believe that was the case.
 17 **Q. Okay.**
 18 A. I'm not familiar with what the record in that
 19 case was to come to that determination, but just reading
 20 the order, yes, that appears to be the case.
 21 **Q. All right. So returning to your statements in**
 22 **your rebuttal testimony, how could Staff have had all**
 23 **the evidence it needed to evaluate the prudence of**
 24 **Cascade's projects minus the in-service dates and final**
 25 **costs given that those projects were not yet in service?**

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1 A. None of the information would have changed. It
 2 was the same as what was presented in Mr. Darras'
 3 initial testimony.
 4 **Q. Doesn't Cascade have to provide evidence that it**
 5 **was continuously evaluating whether the decision to**
 6 **continue with these investments was prudent?**
 7 A. I would say no, not if there was -- was no
 8 significant change in the projects.
 9 **Q. Mr. Parvinen, Cascade delayed two projects --**
 10 **according to rebuttal testimony, it delayed two projects**
 11 **due to changes in circumstances, didn't it?**
 12 A. Yes.
 13 **Q. Where does the record contain any exhibits or**
 14 **testimony regarding contemporaneous documentation of**
 15 **that decision-making process?**
 16 A. Turn to the updated data request provided to the
 17 parties through 89 and 92 where it shows that for those
 18 particular projects they were pushed into 2021, and
 19 those were reflected as -- as zeros for our updated
 20 adjustments as we were going through the case.
 21 **Q. So I'm actually referring to the ten discrete**
 22 **projects that Cascade is -- is still proposing to**
 23 **include in the pro forma adjustment on rebuttal.**
 24 A. Right, those were ongoing -- ongoing projects of
 25 which no information changed from the testimony --

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1 [Cross talking.]
 2 A. -- provided by Mr. Darras. Sorry.
 3 **Q. Sorry. That's okay.**
 4 **For those ten projects, did Cascade provide**
 5 **contemporaneous documentation of the decision to**
 6 **continue those projects?**
 7 A. I would say by default since they were still
 8 included in -- in the ongoing projects, there was no new
 9 information to change those -- change those projects. I
 10 will also say that Mr. Garrison's rebuttal testimony did
 11 explain every difference in in-service date and cost
 12 from his initial testimony.
 13 **Q. Okay. All right, Mr. Parvinen, I'd like to**
 14 **transition into asking you some questions about the**
 15 **matching principle and offsetting factors.**
 16 **Could you turn to Exhibit MPP-12X, the used and**
 17 **useful policy statement, page 7, footnote 25. Let me**
 18 **know when you're there.**
 19 A. All right. I'm there.
 20 **Q. All right. This footnote 25 in the policy**
 21 **statement describes offsetting factors, correct?**
 22 A. Yes.
 23 **Q. And it states, quote, Offsetting factors**
 24 **include, but are not limited to, removing rate year**
 25 **retirements, dispositions, and nondepreciating plant**

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1 **including revenue growth and operations and maintenance**
 2 **expense offsets. Without incorporating these**
 3 **offset-- --setting factors, a proposal will not be**
 4 **considered to be in the public interest because**
 5 **resulting rates will not be fair, just, reasonable, and**
 6 **sufficient as required by RCW 88.28.010, Subsection 1.**
 7 **Has Cascade incorporated the offsetting factors**
 8 **listed in the policy statement into its proposed pro**
 9 **forma adjustment?**
 10 A. Yes, we did. Initially we had -- had overlooked
 11 the removal and retirement component. We looked at the
 12 offsetting factors from more of an operational
 13 standpoint and neglected the accounting side of --
 14 side -- an accounting component to these retirements.
 15 That was pointed out to -- to us by Staff and AWEC in
 16 their responsive cases, so we did correct that in
 17 rebuttal.
 18 But we did recognize other offsetting factors
 19 for what the potential offsetting factors would be for
 20 our plant, and we did bring in the revenue growth
 21 associated with those revenue growth projects. So we
 22 have accounted for and recognized those offsetting
 23 factors.
 24 **Q. All right. I'm glad you bring that up. So**
 25 **could you turn to page 8 of your direct testimony, and**

1 beginning on line 9 and let me know when you're there.

2 A. Yep, I'm there.

3 Q. All right. You're talking about an offsetting
4 factor that the Company considered, and you state that
5 you considered some O & M offsets, but, quote, For a
6 number of projects included in Mr. Darras' testimony,
7 unquote, the offsetting savings from these projects
8 would occur during a peak weather event, but there was
9 no peak weather event during the test year; is that
10 correct?

11 A. Correct.

12 Q. So in Cascade's initial filing, the only
13 offsetting factor included was a projection of
14 additional customer revenue; is that correct?

15 A. Correct, yes. We looked at -- at all these
16 projects to determine what offsetting factors would be,
17 to identify those -- those offsets, review them to see
18 if there were any, and we were not able to identify any
19 offsetting factors in the O & M category.

20 Q. All right. Could you turn to your rebuttal
21 testimony on page 24. Let me know when you're there.

22 A. All right. I'm there.

23 Q. So beginning on line 5, you state, quote,
24 Cascade has expanded the scope of offsetting factors to
25 include the depreciation effect on the replaced and

1 associated with the pro forma capital additions
2 adjustment, correct?

3 A. Yes.

4 Q. Okay. So this offsetting factor doesn't include
5 any depreciation impact from other plants that may be
6 retired, correct?

7 A. Correct.

8 Q. Okay. Isn't including depreciation impact from
9 retired plant standard offsetting factor to consider
10 with the proposed pro forma adjustment?

11 A. Can you repeat that question?

12 Q. Yeah.

13 Isn't including the depreciation impact from
14 retired plant a standard offsetting factor to consider
15 with a proposed pro forma adjustment?

16 A. Well, I can't answer that. All I can answer is
17 for Cascade, we have not included it in our previous
18 cases in the calculation.

19 Q. Okay.

20 A. So we -- so we did accept the methodology or the
21 idea of realization that it was an offsetting factor
22 that we had overlooked, yes. We had overlooked it and
23 agreed that this is a proper -- a proper offsetting
24 factor.

25 Q. Thank you.

1 retired plant associated with the pro forma capital
2 additions adjustment.

3 Now, when you say that Cascade has expanded the
4 scope of offsetting factors, do you mean that the
5 depreciation impacts from a retired plant is being
6 presented for the first time on rebuttal?

7 A. Well, it was presented in AWEC's, directly in
8 AWEC's case. Staff had mentioned it but did not provide
9 a calculation. AWEC did provide this idea and included
10 a number in its responsive testimony. So Staff agreed
11 with that methodology -- or agreed with those offsets as
12 being applicable offsets and did take those into account
13 in its rebuttal case.

14 Q. Oh, sorry. Do you mean Cascade included them in
15 the rebuttal case?

16 A. Yes, I'm sorry. Not sure what I said.

17 Q. No problem.

18 And this depreciation impact from retired plant,
19 it's from retired plant directly associated with the pro
20 forma additions, correct?

21 A. It is derived by an average associated with all
22 investment.

23 Q. So referring back to page 24, line 5 and 6,
24 your -- your rebuttal testimony describes it as
25 depreciation impact on the replaced and retired plant

1 And could you turn to your rebuttal testimony at
2 page 26 beginning on line 1. Let me know when you're
3 there.

4 A. All right. I'm there.

5 Q. So here you mention that Cascade considered
6 whether pro forma projects would provide offsetting
7 savings through a reduced O & M expense in addition to
8 increased revenues from customer growth, but Cascade did
9 not include that because the Company's test year did not
10 have a peak weather event and therefore there were no
11 test year costs to offset by these savings; is that an
12 accurate summary?

13 A. That is. That is. And we did do it -- we did
14 go back and double-check to make sure that -- that there
15 were no events, even though we did not have a peak
16 weather event, were there such a peak that would cause
17 these types of costs on any of these projects. So we
18 did go back and verify that there were no such instances
19 during the test year.

20 Q. So here are you saying that because the test
21 year happened to not have a peak weather event, these
22 projects won't provide any offsetting savings?

23 A. They will avoid potential costs. Had there been
24 a peak weather event, for example -- for example, the
25 weather that we all just suffered through in -- in

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1 February, had we not done these types of projects, we
 2 would have potentially incurred a substantial amount of
 3 costs to have people -- and Mr. Darras could explain
 4 this better than I could -- but people out at these
 5 particular points making sure that the pressure bypass
 6 valves and whatnot were maintained to keep the -- to
 7 keep the gas supply.
 8 So we -- it's -- the potential offset is costs
 9 that we didn't incur but very well could have. So those
 10 would have been avoided this year because we did these
 11 projects.
 12 **Q. So these savings are not included -- these**
 13 **capital savings are not included as an offsetting factor**
 14 **in Cascade's proposed pro forma adjustments, correct?**
 15 A. Well, they are in that we identified -- we
 16 identified the potential offset, but there was not a
 17 cost associated with those in the test year.
 18 **Q. But there will be savings associated with**
 19 **these -- this plant, correct?**
 20 A. It's avoided costs, so we would have avoided
 21 incurring other costs, but those costs weren't there
 22 to -- to remove from our test year.
 23 **Q. Okay. So is it fair to say that the savings, or**
 24 **avoided costs as you put it, they're not included as an**
 25 **offsetting factor because the amount of savings that**

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1 **Cascade will get from them is currently unknown?**
 2 A. Well, the idea of an offsetting factor is to
 3 take something that occurred during the test year that
 4 you will no longer incur. That's an offsetting benefit.
 5 We had no costs in that test year to remove, so we
 6 identified what the offset would be, but there was no
 7 actual cost associated with it in our test year. And
 8 because we did those investments, these costs will not
 9 be incurred during the rate year either.
 10 **Q. All right. In general, isn't it standard**
 11 **Commission practice to assess the certainty with which**
 12 **the costs and offsetting factors are known when it**
 13 **balances the competing pressure to change test year**
 14 **values?**
 15 A. Sorry, can you repeat that question again for
 16 me?
 17 **Q. Yeah.**
 18 **In general, isn't it Commission's standard**
 19 **practice to assess the certainty with which costs and**
 20 **offsetting factors are known when it balances the**
 21 **competing pressure to change test year balance?**
 22 A. Yes, and that is what Cascade is -- is doing in
 23 our presentation.
 24 **Q. All right. Mr. Parvinen, in your direct**
 25 **testimony, you cite the 2009 PSE GRC order, correct?**

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1 A. Can you give me a reference point on that?
 2 **Q. Yes. So your direct testimony on page 11,**
 3 **footnotes 10 through 13.**
 4 A. Yes.
 5 **Q. All right. And are you familiar with the 2009**
 6 **PSE GRC order?**
 7 A. Generally speaking, yes.
 8 **Q. Okay. Could you turn to Exhibit MPP-8X for me**
 9 **on exhibit page 14, and that would be including**
 10 **paragraphs 28 and 29.**
 11 A. I'm sorry, I was looking at an attachment. Can
 12 you give me the order number or the page number again,
 13 page --
 14 **Q. Yes. So it's exhibit page No. 14, but going**
 15 **just with the order, it's the order's page No. 12.**
 16 A. Thank you. All right. Then paragraph No...
 17 **Q. 28 and 29.**
 18 A. Okay. I'm there.
 19 **Q. These paragraphs discuss the two aspects of the**
 20 **consideration of offsetting factors, don't they?**
 21 A. Yes.
 22 **Q. And paragraph 28 describes the first aspect of**
 23 **the offsetting factor analysis as evidence that**
 24 **demonstrates consideration of whether a proposed**
 25 **increase in expense, i.e. pro forma projects, directly**

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1 **provides any offsetting benefits; is that right?**
 2 A. Yes.
 3 **Q. Where in the record can I -- in this case can I**
 4 **find that analysis for each of the pro forma projects**
 5 **that Cascade is proposing?**
 6 A. Through our initial testimony where we
 7 identified what those potential offsets were including
 8 the revenue that we did include and then in our
 9 rebuttal, the offsetting depreciation impacts.
 10 **Q. All right. So the evidence that Cascade has**
 11 **presented for the direct offsetting benefits is first**
 12 **the projected additional customer growth and the**
 13 **depreciation impact of the plant that's retired**
 14 **specifically with -- with -- specifically with respect**
 15 **to the pro forma plant additions themselves, correct?**
 16 A. Yes, and then recognition of the offsets that
 17 did -- that had no costs during the test year, but yes.
 18 **Q. Okay. And -- and that in your direct testimony**
 19 **and rebuttal testimony, those are the only places in the**
 20 **record where -- where the Commission could find**
 21 **consideration of offsetting factors, correct?**
 22 A. I am looking -- I am trying to refer in my mind
 23 to Mr. Darras's initial testimony where he described
 24 each and every project, because offsetting factors is a
 25 consideration when considering the projects if there was

1 additional information included in his initial
 2 testimony.
 3 **Q. Do you -- so you don't recall whether his**
 4 **initial testimony has -- discusses consideration of**
 5 **offsetting factors?**
 6 A. Yes, I know it's a factor when you're looking at
 7 the projects, the associated -- cost savings associated
 8 with projects as a consideration, so his descriptions to
 9 the extent there were, I believe the material offset was
 10 those particular projects that during peak weather
 11 created a savings. I'm looking for possibilities. If
 12 there was additional testimony, it would have been
 13 Mr. Darras's initial testimony.
 14 **Q. Okay. If there is -- if there isn't any**
 15 **additional testimony in Mr. Darras's direct testimony,**
 16 **then your direct and rebuttal testimony would be where**
 17 **the evidence exists or where Cascade presented its**
 18 **consideration of offsetting factors for the pro forma**
 19 **plant adjustments, correct?**
 20 A. Yes.
 21 **Q. Okay.**
 22 MR. CALLAGHAN: Nothing further, Your Honor.
 23 JUDGE HOWARD: Cascade may proceed with any
 24 redirect.
 25 MS. PEASE: Thank you, Your Honor. Just one

1 **would fall under the unreasonably burdensome category,**
 2 **and I think -- I think you got cut off in your**
 3 **explanation there. And so I just wanted to ask if you**
 4 **had any -- any further explanation on that piece that**
 5 **you would like to offer.**
 6 A. Sure. Well, from Cascade's point of -- point of
 7 view, we provided all the justification for the projects
 8 initially up front in Mr. Darras's testimony, so the
 9 majority of the information was there. When we updated
 10 in rebuttal and through data requests, the parties have
 11 had that opportunity.
 12 For example, when Staff put on its responsive
 13 case and it accepted three of the projects, remaining
 14 seven -- the remaining seven projects were known to
 15 Staff in our rebuttal case. And since then, Staff has
 16 had then a month and a half since our rebuttal case to
 17 get any information into the record if it was in
 18 disagreement with any of the information it provided.
 19 So we do -- we do feel that the parties have had
 20 ample opportunity as required by the policy statement.
 21 **Q. Thank you.**
 22 **And I believe when Mr. Callaghan was asking you**
 23 **questions about how many -- how many line items were**
 24 **included in our case as presented in Ms. Gresham's**
 25 **testimony, you had started to offer an explanation about**

1 second to allow me to gather my notes.
 2
 3 EXAMINATION
 4 BY MS. PEASE:
 5 **Q. Mr. Parvinen, turning to the earlier part of**
 6 **your examination, Mr. Callaghan had asked you questions**
 7 **about whether Cascade had presented the restated --**
 8 **restated figures for the test year without pro forma**
 9 **adjustments. Do you recall that -- that line of**
 10 **questioning?**
 11 A. Yes.
 12 **Q. And would you agree in general that it would be**
 13 **appropriate to review the restated test year results**
 14 **without the pro forma adjustments included?**
 15 A. No, no, as -- as stated in -- in -- in my
 16 rebuttal testimony, that's looking at half the picture,
 17 when in ratemaking it's a combination of the restating
 18 and pro formas to determining -- to determining whether
 19 the company is earning prior to -- to rates -- rates
 20 from the -- the current case.
 21 **Q. Okay. And, Mr. Parvinen, Mr. Callaghan had**
 22 **asked you in -- in referring to the policy statements**
 23 **and questions about the amount of time that parties**
 24 **would have to review and asking if the -- the Company's**
 25 **filing was actually capable of being audited or if it**

1 **how that -- how that information is presented and why**
 2 **there's so much information there, and I think again**
 3 **that you were cut off in your explanation. If you could**
 4 **just expand on that.**
 5 A. Yes. Cascade started off, we were trying to be
 6 open -- you know, open and honest and present our case
 7 in totality. So Ms. Gresham's initial exhibit was
 8 basically a -- a budget presentation, what is the
 9 Company's total capital budget. So it included our --
 10 it included our total -- our total capital budget and we
 11 wanted parties to be able to see every project that we
 12 were proposing or every project that had been approved
 13 in our capital budget.
 14 Now, for the blanket projects, this was the
 15 first year that we broke the blanket projects by -- by
 16 service -- service territory. I'm going blank on our --
 17 on the area. So every one of our geographical areas got
 18 in a specific money project. So for the blanket
 19 services, we had a blanket services for each of our
 20 district offices.
 21 So it looked like there was a lot more
 22 information, but that was more so that we could track
 23 those costs, and then going forward they'd potentially
 24 be a little more accurate in our budget presentations.
 25 **Q. And Mr. Callaghan had asked you about the -- the**

1 **Wallula Gate Project and the Walla Walla Gate Project,**
2 **the Bremerton Project as representing a significant**
3 **amount of the Company's total investment. Do you recall**
4 **that line of questions?**

5 A. Yes.

6 **Q. And -- and asking about the timing for those**
7 **projects coming in being towards the end of our -- end**
8 **of our period, December 2020, have -- and concern about**
9 **whether parties would have adequate time to review --**
10 **review that investment. Do you recall that line of**
11 **questioning?**

12 A. Yes.

13 **Q. But for -- for those projects, Cascade was**
14 **providing -- I mean, would you agree that Cascade was**
15 **providing updates all along the way?**

16 A. Yes, yes, anytime when we provide our updates,
17 if there were changes in estimated in-service dates or
18 changes in estimate costs, we were providing those. As
19 they were going into service, we were providing that
20 type of information. And we provided, you know,
21 identified which of those projects then were delayed
22 into 2021. So yes, there was no surprises -- there
23 should have been no surprises in those projects. We
24 initially proposed 15 discrete projects. We ultimately
25 ended up at ten.

1 filing our initial case, it appeared that capital was
2 getting very restrictive, so we were looking at what
3 could we do to control our -- our capital costs. Can we
4 delay projects? And -- and -- and, you know, the
5 Company had made a decision to do what we could do.

6 So it was a matter of evaluating each and every
7 project from a status standpoint, the impact on -- on
8 ratepayers, and the impact on service. So there's a lot
9 of fine lines, information that has to be taken into
10 account to make that determination. And it was a long
11 pro- -- and it was a long process.

12 So it wasn't a distinct look at the projects and
13 go, you know, this -- this is a matter of this one's in
14 and this one's out. It wasn't that. There was a lot
15 more to take into account in that -- in those decisions.

16 **Q. And then you were also asked questions about**
17 **where in -- in the case there is support for the**
18 **consideration of offsetting adjustments. Do you recall**
19 **those questions?**

20 A. Yes.

21 **Q. And did you describe in your testimony the end**
22 **of period customer count adjustment that Cascade**
23 **considered?**

24 A. Yes, we identified it as -- as a major
25 offsetting factor. So we went -- went with what we felt

1 **Q. And Staff had asked a few questions -- or my**
2 **apologies, Mr. Callaghan had asked a few questions about**
3 **providing contemporaneous documentation of the Company's**
4 **decisionmaking throughout the process and suggesting**
5 **that Cascade should have been providing updates on a**
6 **moment-to-moment basis about whether these projects were**
7 **still prudent. Do you recall that -- that line of**
8 **questioning?**

9 A. Yes.

10 **Q. And in general for the -- the capital project,**
11 **is that something that after Cascade decides to -- to**
12 **start one of its projects, does it keep -- after it**
13 **started, does it keep evaluating and reevaluating that**
14 **decision?**

15 A. Well, that would be a question more specific
16 to -- to Mr. Darras.

17 **Q. Okay. I guess one -- one point of confusion**
18 **that I think there may be is with respect to the**
19 **Company's reevaluation of projects with respect to COVID**
20 **and continuing to proceed with these projects sort of in**
21 **the normal course of business. And I guess I -- I had**
22 **wondered if that was something that you could comment**
23 **on.**

24 A. Well, I know as part of that process, it was a
25 kind of a long, tedious process. At the time we were

1 was above and beyond and included all new customers as
2 an -- as an offset. Not trying to specifically identify
3 those customers, just specifically associated with the
4 blanket projects. But we were being conservative, so we
5 took into account all new customers.

6 We did identify up front that that initial
7 customer count was a projection that would also then be
8 trued up at the end of -- of the calendar year to
9 coincide with the actual plant that was going into
10 service at the same time.

11 **Q. And, Mr. Parvinen, do you recall whether there**
12 **were any other Cascade witnesses that addressed the end**
13 **of period customer count?**

14 A. Mr. Myhrum did as well.

15 MS. PEASE: Thank you. No further
16 questions.

17 JUDGE HOWARD: AWEC has also indicated cross
18 for this witness. Mr. Stokes, you may proceed.

19 MR. STOKES: Thank you.

20
21 EXAMINATION

22 BY MR. STOKES:

23 **Q. Good afternoon, Mr. Parvinen.**

24 A. Good afternoon.

25 **Q. Can you hear me okay?**

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1 A. Yes, I can.
 2 **Q. Okay. I have a few questions for you about**
 3 **Cascade's proposal to use end of period rate base, and**
 4 **if you could turn to page 5 of your rebuttal testimony,**
 5 **MPP-2T. Let me know when you get there.**
 6 A. All right. I'm there.
 7 **Q. Okay. And I'm specifically looking at lines 2**
 8 **through 5.**
 9 **Is it your testimony that Cascade assumed that**
 10 **EOP would be uncontested because that was Cascade's**
 11 **proposal in the Company's last general rate case, in**
 12 **190210?**
 13 A. Well, in Cascade's view, we -- we viewed that --
 14 that -- that yes, we did assume it would be uncontested
 15 because all the criteria that -- that we had explored in
 16 the last rate case existed here too.
 17 **Q. Okay. Besides Cascade, did any -- any party**
 18 **file opening or rebuttal testimony in that case besides**
 19 **in support of the, well, black box settlement?**
 20 A. No.
 21 **Q. Do you recall if the EOP was addressed -- was**
 22 **addressed in the black box settlement or was it only**
 23 **addressed in Cascade's filing?**
 24 A. It was only addressed in Cascade's filing.
 25 **Q. Okay. And because no rate base adjustments were**

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1 **agreed to in the black box settlement, isn't it a**
 2 **misrepresentation to say that the issue was uncontested**
 3 **because a settlement by its nature is a compromised**
 4 **decision?**
 5 A. It is, and I would -- I would agree with -- I
 6 would agree with that. It was Cascade's viewpoint that
 7 it was uncontested.
 8 **Q. Okay.**
 9 A. In reality, yes, a settlement is a settlement,
 10 it's particularly a black box.
 11 **Q. Okay. I'm going to now switch gears and ask you**
 12 **a few questions about pro forma capital additions and**
 13 **specifically the pro forma capital additions that**
 14 **Cascade included in its filing in UG-190210, which were**
 15 **also included in this filing, okay?**
 16 A. Okay.
 17 **Q. So in -- in your last rate case, did any party**
 18 **besides Cascade file testimony on pro forma capital**
 19 **additions besides testimony in support of the black box**
 20 **settlement?**
 21 A. No.
 22 **Q. Okay. Which pro forma capital additions were**
 23 **included in the last rate case and also included in this**
 24 **case?**
 25 A. Well, again, the last rate case was the black

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1 box settlement, so no specific adjustments were
 2 included.
 3 **Q. Well, that's not what I'm asking. So -- so**
 4 **which were included in your original filing in the last**
 5 **case and also included in this case? There's four of**
 6 **them. Would you agree subject to check that that**
 7 **includes the Wallula Gate Station, the Bellingham high**
 8 **pressure line, the Arlington Gate Station, and the**
 9 **Aberdeen high pressure line?**
 10 A. Yes.
 11 **Q. Okay. And as we heard this morning, the**
 12 **Aberdeen Project has now been removed from Cascade's**
 13 **filing in this case because it's not yet in service,**
 14 **correct?**
 15 A. Correct.
 16 **Q. Okay. In your initial filing in the last rate**
 17 **case, Cascade included pro forma -- a pro forma plant**
 18 **addition for the Wallula Gate Station Project with an**
 19 **expected operation date of December 31st, 2019, correct?**
 20 A. Correct.
 21 **Q. Okay. And that -- that project was not actually**
 22 **placed in -- in service in 2019, right?**
 23 A. Correct.
 24 **Q. So when was that -- that project placed in**
 25 **service --**

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1 A. We did, on figure 1 for Mr. Darras's --
 2 **Q. December 31st -- I believe it was**
 3 **December 31st, 2020, correct?**
 4 MS. PEASE: If you could provide a page
 5 reference, Counsel, that would be helpful.
 6 A. Was this the Wallula Gate?
 7 BY MR. STOKES:
 8 **Q. Yes, correct.**
 9 A. Yeah, December 29th, 2020.
 10 **Q. 29th, okay. Thank you.**
 11 **So why wasn't the Wallula Gate Station**
 12 **Project --**
 13 THE COURT REPORTER: Mr. Stokes, this is the
 14 court reporter. I can't hear --
 15 JUDGE HOWARD: You're breaking up,
 16 Mr. Stokes.
 17 MR. STOKES: Sorry about that. Not sure
 18 what happened there.
 19 BY MR. STOKES:
 20 **Q. So why wasn't the Wallula Gate Station Project**
 21 **placed into service in 2019?**
 22 A. Mr. Darras in his rebuttal testimony provides
 23 information on why that wasn't in -- or in his direct
 24 testimony.
 25 **Q. Okay.**

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1 A. And I'm not recalling the specifics on why.
 2 **Q. Okay. When did Cascade know that the Wallula**
 3 **Gate Station Project would not be in service in 2019?**
 4 A. I don't recall that either. I do know that in
 5 our 2019 rate case, similar to this case, we proposed
 6 those projects that were intended to be in service by
 7 the end of 2019. But that case was resolved long before
 8 we got to the end of 2019.
 9 **Q. Was the timing of the in-service date of the**
 10 **Wallula Gate Station Project or any of the other three**
 11 **projects that are also in the filing addressed in either**
 12 **the settlement agreement or the hearing in UG-190210?**
 13 A. No.
 14 **Q. So in the last rate case, did the parties**
 15 **establish a rate base amount?**
 16 A. No.
 17 **Q. Okay. Can you turn to page 14 of your rebuttal**
 18 **testimony in MPP-2T.**
 19 A. All right. I'm there.
 20 **Q. Okay. And you quote the portion of the**
 21 **settlement agreement from -- from the last rate case,**
 22 **and do you -- do you agree that the settlement stated**
 23 **that no plant additions were deemed to be included or**
 24 **excluded from the agreed upon revenue requirement?**
 25 A. Yes.

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1 **Q. Okay. So in your opinion, how can plant not be**
 2 **considered included or excluded from revenue**
 3 **requirement?**
 4 A. I believe that that language was put in there to
 5 identify that no plant was treated from a prudence
 6 standpoint to be accepted and included.
 7 **Q. And if you look at the following sentence, that**
 8 **the parties other than Cascade retain the right to**
 9 **challenge in future proceedings the recovery of**
 10 **investments not yet explicitly included in rates, isn't**
 11 **that in a sense reserving the right of parties other**
 12 **than Cascade to challenge the prudence of projects in**
 13 **future cases?**
 14 A. Yes.
 15 **Q. Is there anything in the record in UG-190210**
 16 **that indicates that certain projects would not be in**
 17 **service and would be included in a later rate case?**
 18 A. No.
 19 **Q. Okay. When does Cascade intend on filing its**
 20 **next rate case?**
 21 A. This question was asked to Ms. Kivisto earlier
 22 this morning, and we honestly don't know. A lot depends
 23 on the outcome of this rate case and --
 24 MR. STOKES: I have no further questions.
 25 JUDGE HOWARD: Do we have any redirect from

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1 Cascade?
 2 MS. PEASE: Just -- just a few questions.
 3
 4 E X A M I N A T I O N
 5 BY MS. PEASE:
 6 **Q. So, Mr. Parvinen, Mr. Stokes had asked you about**
 7 **EOP rate base and whether it would be a**
 8 **misrepresentation to say that it was uncontested in --**
 9 **in the last case. Do you recall that line of**
 10 **questioning?**
 11 A. Yes.
 12 **Q. And I -- I just wanted to ask a clarifying**
 13 **question there.**
 14 I -- I think that wasn't -- wasn't quite what
 15 you were saying. I think what -- I guess, could you --
 16 could you explain what your perspective was in -- in
 17 your initial testimony as to what -- what parties had
 18 agreed to in the -- in the last case and whether --
 19 whether it was contested?
 20 A. Well, based on the direction the case was going,
 21 the settlement discussions, the data requests, that
 22 was -- it appeared to Cascade that that was not an issue
 23 of contention.
 24 **Q. Okay. Thank you.**
 25 A. If I didn't answer the question, I apologize.

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1 **Q. That's okay.**
 2 MS. PEASE: I have nothing further.
 3 JUDGE HOWARD: Are there any questions from
 4 the bench for Mr. Parvinen?
 5 COMMISSIONER RENDAHL: Yes, and I will
 6 start.
 7
 8 E X A M I N A T I O N
 9 BY COMMISSIONER RENDAHL:
 10 **Q. Good afternoon, Mr. Parvinen.**
 11 A. Good afternoon.
 12 **Q. Were you on this session when Ms. Kivisto was**
 13 **testifying this morning?**
 14 A. Yes.
 15 **Q. Okay. So you heard the questions about the load**
 16 **study that she suggested that we talk to you about?**
 17 A. Yes.
 18 **Q. Okay. So at this time, does the Company have a**
 19 **written plan with timelines for how it is planning to**
 20 **complete its load study other than what is in**
 21 **Ms. Kivisto's testimony?**
 22 A. Specific -- specifically no due to the -- the
 23 kind of the unknown still. We have a general -- we have
 24 a general plan. We could provide an overview if the
 25 Commission would like of what that plan would look like,

1 but we do not have specific dates, timelines when things
2 would be implemented. We do have a budget for 2021 and
3 '22, and part of that project requires at this point,
4 you know, the next step in the process for the fixed
5 network is to go talk to the electric utilities, for
6 example, in our service territory to get agreements to
7 be able to put our equipment on there. So those
8 become -- those discussions then become --

9 **Q. Okay. But --**

10 A. -- it could make it un- -- a little
11 uncontrollable, unknown.

12 **Q. So -- so, Mr. Parvinen, for a project of this
13 magnitude, which is what is described in Ms. Kivisto's
14 testimony, wouldn't it make sense to have an actual plan
15 with steps of what you're going to do or is this a plan
16 that is in somebody's head?**

17 A. No, we do have -- I mean, I'm not sure how well
18 written out the plan is. So we do have -- so we do have
19 a plan. We're -- and I'm not sure the status of
20 where -- where -- we will be having a project manager
21 for this project. Whether that person has been defined
22 yet or not -- not, I'm not aware -- I'm not sure.

23 But then for -- you know, then from there, we do
24 have our capital budget. We have to look at where we
25 can do the most good. So we do have a -- we do have a

1
2 EXAMINATION
3 BY CHAIR DANNER:

4 **Q. Mr. Parvinen, the agreement to do a load study
5 was four years ago, 2017. Are there meeting notes or
6 contemporary notes that show that you've initiated
7 something that you could share with us to show that you
8 have been making progress towards at least beginning a
9 load study?**

10 A. Yes, and -- and Ms. Kivisto pointed out that she
11 could -- in her initial testimony provided an update on
12 where we were in the study, the timeline on how this
13 started, because it initially started back in our 2015
14 rate case. So we agreed to do a load study in the 2015
15 rate case. Then by the 2017 rate case, we went down an
16 avenue that we thought was appropriate and we worked --
17 you know, we worked with Staff. We found out that was
18 not what parties were thinking.

19 So we reconfigured at that point in 2017 rate
20 case. We did point out that it would take -- that our
21 preferred path was to install a fixed network. That
22 wasn't in the immediate -- immediate future, but at the
23 same time, we would be replacing our FERCs associated
24 with our meters that could potentially get -- get data
25 that way. But it was known at that time that this was

1 plan, it just may not be formally written out and --
2 because of like I said, some of the unknown timeline
3 parameters.

4 **Q. So I guess what I would like to ask is a bench
5 request is for the Company's plan. And if there is no
6 one consolidated plan, I would like to see the budget
7 documents, the proposal for a project manager, any
8 discussions that might be occurring at the board level
9 for pursuing this plan. Do you understand what I'm
10 asking?**

11 A. Yes, I believe so. And there's kind of two
12 components too. So this is the network to be able to
13 collect the data for the load study. At the same time,
14 we are also -- will be having to analyze the data that
15 we have collected, which will be relevant to put on a
16 load study.

17 COMMISSIONER RENDAHL: Okay. So, Judge
18 Howard, we can formalize this into a bench request to
19 submit to the Company after the hearing.

20 JUDGE HOWARD: Certainly.

21 COMMISSIONER RENDAHL: Okay. I have
22 questions, but if my colleagues have some questions, I
23 will defer to them.

24 CHAIR DANNER: Just a second. I just want
25 to follow up on this.

1 not going to be an immediate project. It would take us
2 several years to do and then we'd have to reevaluate the
3 data.

4 So but we -- we did put in place in 2017 and for
5 ratemaking purposes how we would handle that in the
6 meantime. So we don't believe that we're behind --
7 behind the schedule other than, you know, the
8 requirement from the -- from the WAC -- WAC rule change
9 that requires a load study do a cost of service study.

10 CHAIR DANNER: All right. Commissioner
11 Rendahl, I'm sorry for the interruption.

12 COMMISSIONER RENDAHL: No, it's not an
13 interruption, and are there other questions you would
14 like to ask because there are a few others I could ask,
15 a different -- different topic, but I defer to you if
16 you have something --

17 CHAIR DANNER: No, go right -- go right
18 ahead. I think that we'll do a bench request regarding
19 this.

20
21 EXAMINATION
22 BY COMMISSIONER RENDAHL:

23 **Q. So, Mr. Parvinen, referring to pro forma plant,
24 and there's been a lot of discussion about that in your
25 testimony and others, in your rebuttal testimony, and I**

1 guess I'll refer you to this is MPP-2T, starting at page
 2 24 and going onto page 25, where you explain the
 3 offsetting removal and retirement adjustment; are you
 4 seeing that?
 5 A. Yes.
 6 **Q. Okay. Does -- does Cascade's proposed pro forma**
 7 **plant adjustment and the associated removal and**
 8 **retirement adjustment use end of period or average of**
 9 **monthly averages; do you know?**
 10 A. I guess that would be reflecting end of period
 11 for the investment, yes.
 12 **Q. And for the --**
 13 A. And for the adjustment would be based on that
 14 end of period amount, yes.
 15 **Q. So both the pro forma plant adjustment and the**
 16 **removal and retirement adjustment would both be end of**
 17 **period?**
 18 A. Yes.
 19 **Q. Okay.**
 20 COMMISSIONER RENDAHL: Again, I'll defer to
 21 my colleagues if there are other questions.
 22 COMMISSIONER BALASBAS: I do have a couple
 23 of questions for Mr. Parvinen.
 24 /////
 25 /////

1 Commission orders, and I was going to bring that up.
 2 And in previous Commission orders, we have directed
 3 Cascade to put the EDIT balances in I believe it's FERC
 4 Account 254, the other regulatory liabilities, and so
 5 is -- are those balances going into those accounts?
 6 A. Yes.
 7 **Q. Okay. So then if that is the case, then why**
 8 **were you not able to respond to a data request from AWEC**
 9 **related to how producing EDIT balances -- and I will**
 10 **refer you to Mr. Mullins' cross-answering testimony**
 11 **where he had expressed some concerns that Cascade was**
 12 **unable to produce EDIT balances because they were not**
 13 **separated from ADIT balances.**
 14 A. Sorry, I guess I'm a little confused. I thought
 15 we had responded to those -- to those questions, so I
 16 don't have a clear answer for you.
 17 COMMISSIONER RENDAHL: Commissioner
 18 Balasbas, can I follow up?
 19 COMMISSIONER BALASBAS: Please.
 20
 21 E X A M I N A T I O N
 22 BY COMMISSIONER RENDAHL:
 23 **Q. So I guess the question is, are you separately**
 24 **accounting for the protected and the unprotected or --**
 25 A. Yes.

1 E X A M I N A T I O N
 2 BY COMMISSIONER BALASBAS:
 3 **Q. Good afternoon, Mr. Parvinen.**
 4 A. Good afternoon.
 5 **Q. Switching subjects now. I'd like to ask you**
 6 **some questions about excess deferred income tax.**
 7 **And my first question is, how is Cascade**
 8 **accounting for protected and unprotected EDIT in its**
 9 **regulated books of account?**
 10 A. So the protected EDITs is -- shows in a -- I
 11 believe it's a 256 regulatory -- regulatory liability
 12 account, which is direct offset the rate base. So going
 13 back to pre -- pre -- pre-tax reform, the deferred tax
 14 is recorded at the 35 percent rate. So now you
 15 basically have two accounts; one at the 21 percent and
 16 then the excess at 15 percent.
 17 So it's still a hundred percent offset to the
 18 rate base. That 15 percent is then tracked separately
 19 per the -- per the order in our last rate case, rate
 20 case before, sorry, the 2017 rate case. We -- we
 21 tracked that account separately and true it up annually.
 22 The --
 23 **Q. Okay. So just to -- okay. I -- I think you may**
 24 **have maybe already answered this, but going to ask this**
 25 **question directly anyway. And you referred to previous**

1 **Q. -- is the protected and unprotected in one**
 2 **account?**
 3 A. No, they are in separate accounts.
 4 **Q. Okay.**
 5 A. If I could clarify, I think what got confusing
 6 was the refund of those since we aren't tracking those
 7 kind of separately and passing those back to customers,
 8 it was the corresponding reduction in revenue that was
 9 the confusing aspect.
 10 I think we did -- did get that -- did get that
 11 clarified, and we did put on -- my rebuttal testimony
 12 kind of explained, goes back to the history of deferrals
 13 where you have -- when you create the deferral, you have
 14 a net income impact, but when you do the amortization,
 15 it works out there is no net income impact. I may have
 16 just gotten totally off topic with what you were talking
 17 about, sorry.
 18 **Q. No problem.**
 19 COMMISSIONER RENDAHL: And I have one other
 20 question unless, Mr. Commissioner Balasbas, you would
 21 like to go forward.
 22 BY COMMISSIONER RENDAHL:
 23 **Q. So in looking at your rebuttal testimony,**
 24 **Mr. Parvinen, you -- you commit at page 37 of your**
 25 **rebuttal testimony to excluding all supplemental tariff**

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1 **schedules from future general rate cases. So do you**
 2 **plan to develop an adjustment in future rate cases to**
 3 **remove all supplemental tariff schedules, revenues, and**
 4 **costs in a transparent manner?**
 5 A. Yes, yes, we do. Theoretically, it will work
 6 out to zero net income impact, but we will do that
 7 presentation and -- and show supporting work papers for
 8 it.
 9 COMMISSIONER RENDAHL: Thank you. I have no
 10 further questions.
 11 JUDGE HOWARD: Are there any further
 12 questions from the bench for this witness?
 13 CHAIR DANNER: No.
 14 JUDGE HOWARD: Okay. Hearing none, we are
 15 now turning to Staff's witnesses. No party has
 16 designated Chris McGuire or Kristen Hillstead
 17 cross-examination. Are there any questions from the
 18 bench for McGuire or Hillstead at this time?
 19 Hearing none, the next witness would be
 20 David Panco for Staff. Mr. Panco, are you on the line?
 21 MR. PANCO: Yes, I am.
 22 COMMISSIONER RENDAHL: Judge Howard, could
 23 we take a ten-minute break now?
 24 JUDGE HOWARD: Certainly. Let's take a
 25 ten-minute break and return at 3:05 if that works. All

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1 right. We are off the record.
 2 (A break was taken from
 3 2:56 p.m. to 3:05 p.m.)
 4 JUDGE HOWARD: Let's be back on the record
 5 after a short break. The next witness is David Panco
 6 for Staff. Mr. Panco, please turn on your video and I
 7 will -- and raise your right hand and I will swear you
 8 in.
 9 MR. PANCO: It's on and showing in front of
 10 me. Can you hear me and see me?
 11 JUDGE HOWARD: Yes. Sometimes it takes a
 12 moment to pop up, but I can hear and see you now.
 13 (David Panco sworn.)
 14 JUDGE HOWARD: Thank you.
 15 Mr. Callaghan, would you please introduce
 16 the witness?
 17 MR. CALLAGHAN: Yes, Your Honor. Thank you.
 18
 19 E X A M I N A T I O N
 20 BY MR. CALLAGHAN:
 21 **Q. Mr. Panco, would you please state your full name**
 22 **and spell your last name for the record?**
 23 A. David Panco, P, as in papa, a-n-c-o.
 24 **Q. Thank you.**
 25 **And where are you employed?**

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1 A. At the Washington Utilities and Transportation
 2 Commission as a regulatory analyst.
 3 **Q. And as part of your work there, did you prepare**
 4 **testimony and exhibits for this case?**
 5 A. I did.
 6 **Q. And are those Exhibits DJP-1T through DJP-8T?**
 7 A. That's correct.
 8 **Q. All right. And do you have any amendments or**
 9 **corrections to those testimony or exhibits today?**
 10 A. No, I do not.
 11 **Q. All right. Thank you.**
 12 MR. CALLAGHAN: Your Honor, Mr. Panco is
 13 available for cross-examination.
 14 JUDGE HOWARD: Thank you.
 15 Cascade has indicated cross for this
 16 witness, and you may proceed.
 17 MS. PEASE: Thank you. And for the record,
 18 this is Jocelyn Pease for Cascade.
 19
 20 E X A M I N A T I O N
 21 BY MS. PEASE:
 22 **Q. Good afternoon, Mr. Panco.**
 23 A. Hello.
 24 **Q. Can you see me and hear me okay?**
 25 A. I can.

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1 **Q. Okay, great.**
 2 A. And if at any time you can't hear or see me,
 3 please speak up.
 4 **Q. Certainly.**
 5 A. Or gesture.
 6 **Q. Would you please refer to your response**
 7 **testimony Exhibit DJP-1T at page 2, and let me know when**
 8 **you're there.**
 9 A. My goodness, I started at page 3, so my copy
 10 starts at page 3. Do you want to just run the question?
 11 It must be very introductory.
 12 **Q. Sure.**
 13 **In this section of your testimony, you state**
 14 **that you either submitted or drafted testimony regarding**
 15 **pro forma capital projects for Cascade's three most**
 16 **recent rate cases is; is that correct?**
 17 A. That's correct.
 18 **Q. And in each of those cases, did you review the**
 19 **Company's testimony and exhibits regarding the pro forma**
 20 **capital projects?**
 21 A. Yes, I did.
 22 **Q. Based on this experience, would you say that you**
 23 **are familiar with Cascade's presentation of information**
 24 **about its pro forma capital projects?**
 25 A. I would think that I'm fairly familiar with it,

1 yes.

2 **Q. Okay. Could you please refer to your response**

3 **testimony at page 11.**

4 A. I'm at that page.

5 **Q. And specifically lines 1 through 8. In this**

6 **section of your testimony, you refer to Mr. Darras's**

7 **testimony; is that correct?**

8 A. That's correct, and also to MCP-6.

9 **Q. Okay. And, Mr. Panco, you reviewed Mr. Darras's**

10 **initial testimony in this case; is that correct?**

11 A. That's correct.

12 **Q. And you state here that the Company provided**

13 **detail regarding the pro forma capital projects; do you**

14 **see that?**

15 A. It was narrative detail about the projects, yes.

16 There were some holes in some of the financial data that

17 was provided, though.

18 **Q. Okay. And in that narrative detail, would you**

19 **agree that the Company provided detail regarding the**

20 **discrete pro forma capital projects including the**

21 **project need and analysis of alternatives?**

22 A. They did, but I would qualify that with that

23 information having been provided prior to having

24 provided the financial and cost information that I

25 typically would have reviewed before even considering

1 **Q. Yes.**

2 **On -- on line 5, the same page, page 11, you**

3 **state that the -- the Exhibit PCD-1, Mr. Darras's**

4 **initial testimony, also describes Company's blanket**

5 **funding projects; is that correct?**

6 A. That's what it says.

7 **Q. And did you review the Company's testimony in**

8 **its initial filing regarding the blanket funding**

9 **projects?**

10 A. I did at that time, yes.

11 **Q. And based on your prior experience reviewing**

12 **Cascade's pro forma plant projects, would you say that**

13 **you're generally familiar with the projects that the**

14 **Company refers to as blanket funding projects?**

15 A. The presentation this time was more complicated,

16 especially as the revised versions and the responses to

17 the data requests started rolling in.

18 **Q. I -- I think you didn't quite answer my**

19 **question. Would you say --**

20 A. Will you ask it again and I'll try to?

21 **Q. Certainly, certainly.**

22 **Based on your prior experience reviewing the**

23 **Cascade pro forma plant adjustments in -- in the earlier**

24 **cases, would you say that you are generally familiar**

25 **with the projects that the Company refers to as blanket**

1 any of the other data.

2 **Q. And was there any cost information in that**

3 **initial filing?**

4 A. I'd have to go back, I have it here, and review

5 it. Quite frankly --

6 **Q. Based on your recollection, would you agree that**

7 **there were budget figures provided?**

8 A. There were comparisons of the options. I don't

9 know that there were specific budget figures provided.

10 I believe they were provided in -- in PCD-2, that was

11 then replaced with revised PCD-2 in response to Staff's

12 DR No. 89.

13 **Q. Okay. And in -- in looking at PCD-2, would you**

14 **agree that there were estimated cost figures there?**

15 A. There were. There were also figures stated as

16 actual cost figures, there was some confusion on my

17 part, because some of those actual cost figures were

18 stated for dates in the future that were also stated as

19 actual in-services dates which is what led to that data

20 request.

21 **Q. Okay. Please refer to your -- still on your**

22 **testimony page 11, still lines 1 through 8. You state**

23 **here that the Company described its blanket funding**

24 **project in its initial testimony; is that right?**

25 A. I'm sorry, could you repeat that?

1 **funding projects? Is that --**

2 A. The --

3 **Q. -- a familiar term for you?**

4 A. I would have to go back to those records and

5 check to see if those were terms that were used. Those

6 cases were considered several years ago. I don't tend

7 to hold things in my head.

8 **Q. Okay. From your -- from your review of the**

9 **Company's three most recent cases, would you agree that**

10 **in the initial testimony provided by Mr. Darras that**

11 **there was more narrative detail in support for the pro**

12 **forma projects?**

13 A. It was definitely a larger volume of narrative

14 in support of the projects, and there was also a more

15 detailed description of the capitaling -- capital

16 budgeting process the Company uses; however, I was not

17 really looking for capital budgets. I was looking for

18 costs of actual projects completed. So I was finding

19 that to be somewhat distracting.

20 **Q. Mr. Panco, could you please refer to the**

21 **cross-exhibit designated as DJP-9X?**

22 A. That would be the testimony from 170929,

23 correct?

24 **Q. That's correct. And specifically this is your**

25 **revised testimony; is that correct?**

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1 A. It appears to be, yes.
 2 **Q. Do you recall why you revised this testimony?**
 3 A. I don't at the moment.
 4 **Q. Okay. If you refer to page 9.**
 5 A. That would be page 9 of the exhibit. Do you
 6 have the page number in the testimony? Because I have
 7 the original testimony here in front of me.
 8 **Q. Yes, it's page 9 of the exhibit and page 7 of**
 9 **the revised testimony. I guess the questions you had --**
 10 A. Thank you. That's with table 1 on it, I have
 11 that.
 12 **Q. Correct, correct.**
 13 **And there's some red line -- red line there; do**
 14 **you see that?**
 15 A. I'm sorry, I only have the -- the -- the Docket
 16 170929. I -- I don't have a printer -- access to a
 17 printer and I'm working from my home, so I was using the
 18 information that I had with me. But if you point out
 19 that red line to me, I would be glad to mark it on my
 20 copy.
 21 **Q. I -- it probably isn't the most important to**
 22 **make here -- most important point to make here, so I**
 23 **can -- I can just move on. I think, though, I'll --**
 24 **I'll be mindful that it appears we have different**
 25 **copies, and I will try to coordinate as far as specific**

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1 **references to make sure we're -- we're looking at the**
 2 **same documents.**
 3 A. Yeah, apologies. I don't get into the office
 4 that frequently, and as I said, I'm not able to use my
 5 home printer with my work computer.
 6 **Q. Okay. So my next reference is to page 6 of the**
 7 **exhibit, lines 8 through 19 and I'll try to...**
 8 A. Were all these pro forma plant additions in
 9 service by the of the 2019, is that where we're
 10 starting?
 11 **Q. 4 -- it would look like page 4 I think of the**
 12 **exhibit, and it's the Q and A starting with, (as read)**
 13 **How did Staff define the thresholds for major plant**
 14 **additions in this case.**
 15 A. I found that.
 16 **Q. Okay. In this section, your testimony explains**
 17 **how Staff defined the Commission's major resource**
 18 **threshold in this case; is that right?**
 19 A. That is correct.
 20 **Q. And specifically, you are articulating Staff's**
 21 **rationale for departing from the use of a percentage of**
 22 **rate base and setting a -- setting a threshold for a**
 23 **major resource; is that right?**
 24 A. We were trying to accommodate the fact that
 25 Cascade has a noncontiguous set of small service areas,

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1 that's correct, yes.
 2 **Q. And at lines 9 through 10, you state that you**
 3 **are taking to heart the Commission's admonition to avoid**
 4 **red line cutoffs with regard to pro forma plant**
 5 **adjustments; is that right?**
 6 A. That is correct.
 7 **Q. And I think this is similar to what you're**
 8 **saying about the noncontiguous service territory. At --**
 9 **at lines 12 through 15, you're also distinguishing**
 10 **between electric utility investment and natural gas LDC**
 11 **investment; do you see that testimony?**
 12 A. I do.
 13 **Q. And you specifically state, (as read) Natural**
 14 **gas local distribution companies such as Cascade invest**
 15 **in many small individual projects such as main or**
 16 **regulator replacements. This distinguishes them from**
 17 **electric utilities where major high-dollar projects such**
 18 **as generating plants dominate the investment dollars; do**
 19 **you see that testimony?**
 20 A. That is what that says at lines 14 and 15.
 21 **Q. And in describing -- and for -- for the record,**
 22 **it was the exhibit that's for me lines 12 through 15.**
 23 **But, again, it sounds like we have different --**
 24 **different copies.**
 25 **In describing the small projects as main or**

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1 **regulated replacements, would you agree that these would**
 2 **be the same type of projects that the Company might**
 3 **refer to as blanket projects?**
 4 A. They may be. I would also qualify that with
 5 saying that when this testimony was written, I had been
 6 at the Commission half the time that I have been now,
 7 and so it could be that perspective has shifted through
 8 time, my perspective and Staff's perspective and my
 9 perspective on behalf of Staff.
 10 **Q. Well, that's I think getting at my next**
 11 **question.**
 12 **Would you agree that the distinction you**
 13 **highlighted between LDC investments and electric**
 14 **investments is still an accurate and relevant**
 15 **observation that would apply equally today in this**
 16 **proceeding?**
 17 A. I believe that you're not building wind farms or
 18 nuclear generating plants, so if that's what you mean,
 19 yes.
 20 **Q. In the next sentence here, you explain, (as**
 21 **read) Staff offers a broader notion of major, which**
 22 **defines that term by a percentage of projects included**
 23 **in the test year; do you see that testimony?**
 24 A. I do, and that's going back to my private sector
 25 days. That I was a pre-pragmatic son of a gun coming

1 into this, and if I were trying to do time allocation
2 for analysis, I would be looking at the smaller number
3 of major projects involved. That's where that is being
4 derived from.

5 **Q. Okay. And I think if we move ahead to page 9 in**
6 **the cross-exhibit or page -- I think's page 7 of your**
7 **exhibit, Mr. Panco, there's a discussion where you are**
8 **applying that broader notion of major.**

9 A. That's correct.

10 **Q. Do you -- do you see that testimony?**

11 A. That's starting with the question, (as read) How
12 did Staff determine which projects meet the major
13 threshold?

14 **Q. That's right.**

15 **So it opined the broader notion of major, you**
16 **state here that the top 20 percent of the projects will**
17 **make up 80 percent of the total cost. Staff considered**
18 **this method as applicable to the types of projects in**
19 **which an LDC must engage; do you see that testimony?**

20 A. This sentence actually starts, (as read) Nearly
21 always and a widespread selection of projects or costs
22 the top 20 percent of the projects and goes on from
23 there.

24 **Q. Yes, yes. I was quoting an excerpt, yes.**

25 A. I wanted to be clear how it started.

1 A. Yes, it would.

2 **Q. And would you agree, then, that these would be**
3 **the same items that the Company would call blanket**
4 **funding projects?**

5 A. The blanket funding concept was a new concept to
6 me, and it was introduced as them being programmatic
7 investments. And after discussion with other Staff, the
8 position that Staff came to is that those projects were
9 not appropriate for consideration and pro forma in the
10 current present case.

11 **Q. Okay. Thank you.**

12 **Please refer to your response testimony at page**
13 **3.**

14 A. I'll be there in just a moment. I have that
15 page. I'm there.

16 **Q. And you testified here that Cascade has placed**
17 **only 6.9 million of plant in-service before**
18 **October 27th, 2020; is that correct?**

19 A. That's -- is -- that's correct. That's what
20 Staff was able to verify from the data responses, which
21 were coming through with a very confused set of uses of
22 various terminologies, such as references to in-service
23 dates, whether they were actual or estimated, and total
24 cost numbers and whether those were realized or
25 estimated, and they did not always appear to be

1 **Q. Certainly.**

2 **So you were proposing an approach that would**
3 **account for 80 percent of the Company's total pro forma**
4 **costs; isn't that right?**

5 A. We were using that as a baseline estimate as we
6 started to look at their projects. Having been handed a
7 very large set of line item funding projects, that's
8 what we were trying to do, work it down to a size that
9 was manageable to consider.

10 **Q. And if you refer to table 1 on page 9, this is**
11 **the list of projects that you had proposed should be**
12 **allowed for cost recovery; is that right?**

13 A. In that case, yes, it was.

14 **Q. And table 1, could you please take a look at**
15 **items one, seven, eight, and nine.**

16 **Are these the main replacement -- or regulator**
17 **station replacement projects that you had described**
18 **earlier in reference to the many small individual**
19 **projects typical of LDC investments?**

20 A. I'm not certain at this point in time. It's
21 been a long time since I've written this testimony.

22 **Q. Okay. Thank you.**

23 **Would you agree that your recommendation here**
24 **likely included those types of projects; the regulator**
25 **station and main replacement projects?**

1 implicitly stated.

2 **Q. And, Mr. Panco, it sounds like there might have**
3 **been some confusion in the discovery, and I think we've**
4 **heard some earlier testimony about that today.**

5 **To the extent that -- that you had any questions**
6 **or conditions about how the information was presented,**
7 **had you reached out to Cascade to seek to clarify that?**

8 A. I had sent out subsequent data requests both to
9 make it clear that they were intended to be continuous.
10 And Cascade appeared to continue to offer updates
11 against their capital budget through their responses to
12 Staff DR 92. I was looking primarily at the updates to
13 PCB-2 that were coming in in response to Staff DR 89 as
14 a more dependable source of information, because that
15 was allegedly at least providing project completion
16 dates and not simply end of period book numbers of
17 expenses dated to the same individual funding project
18 line items.

19 **Q. So, Mr. Panco, did you consider the responses to**
20 **DR 92 in coming up with your recommendation?**

21 A. I considered the responses to DR 89. I cannot
22 confirm from the responses to DR 92 that the individual
23 funding project as listed were in service providing
24 Washington customers at known and measurable costs.

25 **Q. And it sounds like there may have been some**

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1 **confusion over some of the labeling as to whether there**
 2 **were estimated or actual in-service dates. And I think**
 3 **Mr. Darras had sought to clarify some of that in his**
 4 **testimony earlier today, and then I think I also heard**
 5 **you say that you might assume if there's an estimate**
 6 **provided, that if it's for a date in the future, that it**
 7 **would be an estimate. But if it's for a date in the**
 8 **past, it may very well be the actual date; is that**
 9 **right?**
 10 A. In -- in general, I agree with what you're
 11 saying.
 12 **Q. Okay. Circling back to your recommendation in**
 13 **the case, just so we're -- we're -- we're all clear, the**
 14 **specific project that you included in -- in your figure**
 15 **of \$6.9 million include the Moses Lake 4 inch PE**
 16 **Project, the Bellingham 8 inch HP, and two out of three**
 17 **funding projects associated with the Arlington Gate; is**
 18 **that correct?**
 19 A. That's correct.
 20 **Q. And to be clear --**
 21 A. Those were the actual costs as revised in
 22 Mr. Darras's responses to DR 89.
 23 **Q. And to be clear, your recommendation in this**
 24 **case excludes all of the other discrete pro forma**
 25 **capital projects; is that correct?**

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1 A. I find it not possible to confirm that they're
 2 in place and in service at known and measurable prices,
 3 or costs rather, from the data that has been presented
 4 to me in the response to the data requests that we've
 5 had outstanding.
 6 **Q. And your recommendation also excludes all of the**
 7 **Company's proposed blanket funding projects; is that**
 8 **right?**
 9 A. I stated earlier that Staff had come to the
 10 conclusion that the blanket projects were not
 11 appropriate for pro forma treatment, and I believe that
 12 was discussed quite a bit earlier today too in terms of
 13 the lack of provision of full offsetting factors.
 14 **Q. And circling back to the responses to UTC DRs 89**
 15 **and 92, you included those as exhibits to your**
 16 **testimony; is that correct?**
 17 A. That's correct.
 18 **Q. And you say with your review and evaluation for**
 19 **the projects included in your recommendation, that you**
 20 **are relying on only DR 89; is that correct?**
 21 A. I have to point out that the responses to those
 22 two DRs were cross-referencing each other and how many
 23 times the -- the lines like NCP-6 is the best
 24 information the Company has at this time, it -- I -- I
 25 kept feeling like I was getting a stay tuned, but, you

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1 know, more information later.
 2 In DJP-5 at the bottom of the response, the last
 3 paragraph says -- well, those two paragraphs pretty much
 4 sum it up. You know, it's like please see attached
 5 Exhibit PCD-2, UTC-89, UTC-92 and Exhibit PCD-2 updated
 6 PDF showing actual, quote, updated in-service states.
 7 I mean, that -- that was the kind of language I
 8 was getting to response to the DRs. And then it says,
 9 you know, more information will follow as it's
 10 available.
 11 **Q. And so then did you decide that you wouldn't**
 12 **review the data included in DR 92 that was provided to**
 13 **you?**
 14 A. I reviewed it as it came in.
 15 **Q. Could we take a look at your Exhibit DJP-5?**
 16 A. And that would be the Company's revised
 17 supplemental response to Request 92, yes?
 18 **Q. That's correct. Do you have it there?**
 19 A. I have it in front of me.
 20 **Q. Okay. And I think we heard testimony earlier**
 21 **today that although this request on page 1 appears to be**
 22 **dated August 27th, that it was actually provided to**
 23 **Staff on October 27th. Did you -- did you hear that**
 24 **testimony earlier today?**
 25 A. Yes, I did, and I ascertained that from review

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1 of the attached files with that and when they were last
 2 modified, and that's the date that's listed in my
 3 response testimony as having truncated the analysis of
 4 the investments to be included, the October 27 date.
 5 **Q. Okay. So I think that was my next question.**
 6 **So October 27th is your cutoff date; is that**
 7 **correct?**
 8 A. October 27th was when I was requested to have
 9 testimony to be reviewed and turned over to attorneys
 10 for submission.
 11 **Q. Okay. And referring to column G, would you**
 12 **agree that the information presented here includes the**
 13 **Company's proposed pro forma adjustment for pro forma**
 14 **plant balances as of September 30th, 2020?**
 15 A. I would have to take your word for that. The
 16 copy of that that I have in front of me is -- is
 17 impossible for me to read.
 18 **Q. I also have --**
 19 A. I need a magnifying glass.
 20 **Q. -- a tiny copy and I think I --**
 21 A. I can --
 22 **Q. -- I can try to do screen sharing, but I think**
 23 **it might still look tiny --**
 24 A. That's fine.
 25 **Q. -- in this situation.**

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1 **So maybe we could run through a couple questions**
2 **that are subject to check, and if you discover that --**
3 **that there's any difference, you can let us know. Or if**
4 **you have an electronic version you can work with, we**
5 **can -- we can do that to.**
6 A. I have an electronic version I can work with it,
7 but I can't work with it simultaneously with being on
8 this conference call.
9 **Q. Okay. So let's start this out subject to check.**
10 **Referring to lines 18 and 12 for the Othello Gate**
11 **Project, would you agree that the in-service dates**
12 **provided in column I are September 18th, 2020, and**
13 **August 28th, 2020, respectively?**
14 JUDGE HOWARD: Mr. Panco, I believe you're
15 cutting out.
16 MR. PANCO: Oh, I'm sorry, I was turning
17 away from microphone trying to squint and read this.
18 I -- I can't read this copy that I have in front of me.
19 I -- I would gladly check the names of the projects
20 and -- but I can't confirm --
21 JUDGE HOWARD: Mr. Panco, if you have -- are
22 you on the Teams app on your -- on your computer here?
23 MR. PANCO: I'm on the Teams app on my
24 laptop.
25 JUDGE HOWARD: Are you --

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1 MR. PANCO: So I only have the small screen
2 available to me.
3 JUDGE HOWARD: Are you able to click to
4 Internet Explorer or however you have this document
5 saved electronically? Because the app will remain open
6 and we will still be able to hear and see you and then
7 you will be to view the electronic version.
8 MR. PANCO: That might take me a moment to
9 find my way there. I apologize.
10 JUDGE HOWARD: If you're able to -- to look
11 at that using like ALT tab or clicking on the menu bar
12 at the bottom.
13 MR. PANCO: I'm working my way through the
14 cross-exhibits for this -- this case and cases.
15 A. Can I get the name of that exhibit again,
16 please?
17 BY MS. PEASE:
18 **Q. It's your exhibit, DJP-5.**
19 A. I'm sorry, that pulled up my testimony from
20 170929. I'm going to a different place to try to come
21 up with this.
22 MR. CALLAGHAN: Mr. Panco, I can email you a
23 copy if that would be helpful.
24 MR. PANCO: That would be great.
25 MR. CALLAGHAN: Okay. I will do that now.

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1 MR. PANCO: I'm waiting for it to show up.
2 MR. CALLAGHAN: I just sent it, so any
3 second now. Thank you.
4 MR. PANCO: Okay. I'm opening that file
5 now. I'm trying to get it large enough on this laptop
6 screen.
7 A. I have column I estimated in-service date, your
8 line numbers again were?
9 BY MS. PEASE:
10 **Q. The line numbers were 18 and 22 for the Othello**
11 **Gate Project. And the question, would you agree that**
12 **the in-service dates provided in column I are**
13 **September 18th, 2020, and August 28th, 2020,**
14 **respectively?**
15 A. This is not the Othello Gateway Project, line
16 18. This is above that, yes?
17 **Q. I'm sorry, what was exactly your comment,**
18 **Mr. Panco, asking about the Othello --**
19 A. Can you give me the line numbers, please?
20 **Q. Yes, 18 and 22.**
21 A. 18 reads 9/18/2020, 22 reads 8/28/20 on the copy
22 that I'm looking at on the screen --
23 **Q. Okay. That's -- that's what I was seeking to**
24 **confirm.**
25 **Okay. And referring to line 121 for the Othello**

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1 **Gate Project, would you agree that the in-service date**
2 **provided in column I is September 18th, 2020?**
3 A. Line 121?
4 **Q. Mm-hmm.**
5 A. Is 9/18/2020.
6 **Q. And referring to line 16, which is funding**
7 **project 317322 for the Othello -- for the Arlington**
8 **Gate, would you agree that the in-service date provided**
9 **in column I is September 3rd, 2020?**
10 A. Yes, I would.
11 **Q. But your recommendation in this case for pro**
12 **forma plant through October 27th, 2020, did not include**
13 **these projects; is that correct?**
14 A. My recommendation was based on the responses to
15 DR 89. As I said earlier, these -- these were
16 considered to be end of period spending updates. That's
17 how they were considered by me anyway.
18 **Q. Okay. And still on this exhibit, let's refer --**
19 **I'm -- I'm glad you got a copy that you can work with**
20 **because I have a couple additional questions.**
21 A. It's pretty marginal.
22 **Q. Well, I appreciate -- I appreciate your bearing**
23 **with us.**
24 **If you refer to the note in pink at the top of**
25 **page 2 of Exhibit DJP-5, would you agree that the**

1 information presented here includes balances through
2 September 30th, 2020?

3 A. Sorry, I just lost the image on my screen. I'm
4 getting it back, though. And I'm having to resize it
5 again. Could you repeat the question, please?

6 Q. Certainly.

7 If you refer to the note in pink at the top of
8 page 2 of this exhibit, would you agree that the
9 information presented here includes balances through
10 September 30th, 2020? I think you were referring to
11 them as maybe the end of period or end of the month
12 balances.

13 A. The note in pink on my page 2 says, (as read)
14 Projects with note code 27 or 28 in column twenty -- or
15 column H are blanket projects to keep accruing and
16 closed to plant service each. Plant is reflecting the
17 current -- Cascade is reflecting the current balance in
18 the, and then it's cut off on my screen, and the funding
19 project as of 9/30, 2020. In addition, these projects
20 are in place to be more than Cascade originally filed
21 for by yearend. Is that what you're referring to?

22 Q. Yes. And I'm sorry, where did you say it was
23 cut off for you?

24 A. I -- I read the rest of it. I got the cutoff --

25 Q. You got it, you got it, okay.

1 Staff's position.

2 Would you agree that one theoretically could
3 perform that review?

4 A. I would agree that one theoretically could
5 perform the review.

6 Q. Okay. And in this -- in this note at the top of
7 the page, it specifies that the projects with the note
8 code 27 or 28 are the blanket projects; do you see that
9 note?

10 A. I don't see it. I don't have that part of the
11 page up, but I recall having read that to you.

12 Q. Okay. And if you could look at line 34, DAF
13 meters, and the blanket code reference.

14 A. Page 28.

15 Q. And the total balance there as of
16 September 30th, 2020, is almost \$6 million; is that
17 right? In column --

18 A. I'm showing -- I'm showing the -- I'm showing
19 that in column G, but I'm not seeing the header to
20 column G unless I shrink the page and scroll down. So
21 I'm -- I'm not sure what date that would be the case.

22 Q. Okay. And if we look at the note code 27, which
23 is I think starts on line 73 and continues through 108,
24 do you see that note code 27 for those projects?

25 A. Could you repeat those numbers, please?

1 So as we discussed earlier, the projects in the
2 blanket funding category tend to be smaller projects; is
3 that right?

4 A. Yes.

5 Q. And these smaller projects are completed
6 throughout the year and accrue to the associating --
7 associated funding project; is that right?

8 A. I believe that's the intent.

9 Q. And so if the balances for the blanket funding
10 projects close every month, would you agree that it
11 would be possible to perform a midyear review of the
12 investment for blanket projects year to date?

13 A. Sorry, I -- I -- I'm not understanding why a
14 person would do that.

15 Q. The distinction being with blanket projects in
16 comparison with a bigger discrete project, that there's
17 smaller projects that are continually being accrued to
18 this, to associated funding project, and distinct from
19 the pro forma projects where you would need to complete
20 all of the investments to -- to have the -- the total
21 cost.

22 A. Staff in this case had already chosen to reject
23 all of the blanket projects. I would not have had any
24 reason to do that midyear review.

25 Q. Okay. I appreciate your -- you clarifying

1 Q. Yeah. I hadn't planned to walk you through each
2 individual project --

3 A. This is very tedious I'll have you know. I'm
4 trying to do this on a very small screen. So I -- if
5 you'll bear with me, I'll try to find the locations
6 you're after.

7 Q. Sure. Looking at lines 73 through 108, and in
8 column G there, if you scan those balances, would you
9 agree that some of those balances are over a million
10 dollars?

11 A. Starting at line 73?

12 Q. Yes, between lines 73 and 108.

13 A. I'm seeing values pretty much in the hundreds of
14 thousands of dollars.

15 Q. Okay.

16 A. So --

17 [Cross talking.]

18 A. -- 6,000.

19 Q. Line 91, for example?

20 A. Is 1,035,068.99.

21 Q. And line 95, for example?

22 A. I believe that you're finding examples on this
23 page of numbers that -- that do meet those criteria that
24 you stated.

25 Q. Okay. Would you agree that some of the funding

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1 **project balances in this exhibit are even greater than**
 2 **the blanket funding project amounts that you had**
 3 **proposed for your recommendation in the Company's 2017**
 4 **case?**
 5 A. In the 2017 case, I was working with a different
 6 manager using different criteria for assessing projects.
 7 And at that point in time, the recommendations that were
 8 made in 2017 were made. At this point in time, I'm
 9 working with a Staff team, and I'm trying to follow that
 10 Staff team's advice and the decision was made not to
 11 accept these projects.
 12 **Q. Okay. One -- one final question on the blanket**
 13 **projects and then we can move on.**
 14 **Did you ask any questions in discovery about the**
 15 **blanket projects?**
 16 A. Only in reference to having included them in the
 17 continuous update request to MCP-6.
 18 **Q. Thank you.**
 19 A. Are we done with this exhibit now?
 20 **Q. Yes, we can be done with this exhibit now.**
 21 A. Thank you.
 22 **Q. Thank you for your flexibility in working with**
 23 **what I recognize is a challenging situation while**
 24 **we're -- we're also doing the cross-examination.**
 25 A. Yeah, no, I apologize. I was -- I do not feel

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1 as though I had adequate access to the data that you
 2 were asking me to review. So I hope that we got to the
 3 points you were trying to make.
 4 **Q. Okay. Could you please refer to your**
 5 **Cross-Exhibit DJP-10X?**
 6 A. I'm just recollecting my paperwork here.
 7 **Q. Sure.**
 8 A. I have that in front of me.
 9 **Q. On this exhibit is Staff's response to Data**
 10 **Request No. 14 from Cascade; is that right?**
 11 A. That's correct.
 12 **Q. Did you prepare this response?**
 13 A. I was involved in the preparation of it.
 14 **Q. And as we discussed earlier, the specific**
 15 **projects you had included in your \$6.9 million figure in**
 16 **your recommendation are the Moses Lake 4 inch TE**
 17 **Project, the Bellingham 8 inch HP, and two out of the**
 18 **three funding projects associated with the Arlington**
 19 **Gate; is that correct?**
 20 A. That's correct. And what I found was that when
 21 PCD-4 was submitted, it reconfigured the allocation of
 22 the funding projects to -- to the -- what are called
 23 project names. Again, this was one of these
 24 nomenclature issues that was very difficult to follow
 25 over the course of the -- of the case. So I believe

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1 that those are the numbers that were presented in PCD-4
 2 and that's what they total to.
 3 **Q. Okay. And so the -- the question here, it seeks**
 4 **to confirm that the final costs for those projects as**
 5 **reflected in the Company's rebuttal filing is 7 million,**
 6 **eight hundred -- sorry, \$7,865,808; do you see that**
 7 **here?**
 8 A. Yes, I do.
 9 **Q. And in your response, you state that you did not**
 10 **have sufficient time to examine and verify the costs**
 11 **that we now claim that are associated with funding**
 12 **project 317322; is that correct?**
 13 A. That's correct.
 14 **Q. So you state that you cannot confirm that**
 15 **amount; is that correct?**
 16 A. I can confirm that it was stated in Mr. Darras's
 17 rebuttal testimony, but that was the first time I ever
 18 saw it.
 19 **Q. And as you state in your -- in this response,**
 20 **the Company's rebuttal testimony was filed on**
 21 **January 8th, 2021; is that correct?**
 22 A. That's correct.
 23 **Q. Would you agree that discovery was available in**
 24 **this case through January 29th, 2021?**
 25 A. I would. I would also point out, though, that I

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1 was being asked questions that typically I would have
 2 been presented with in the opening presentation of the
 3 case and asked to begin doing the investigation now that
 4 typically would have been done when a case was
 5 originally presented. So I would have had to set aside
 6 other tasks with which I'm involved and -- and taken
 7 that up.
 8 **Q. And following -- following this line of**
 9 **questions through, so there was about three weeks during**
 10 **which discovery still was available to Staff following**
 11 **the rebuttal filing; is that correct?**
 12 A. That's correct.
 13 **Q. And Staff did not serve any data requests**
 14 **seeking any additional information about funding project**
 15 **317322; is that true?**
 16 A. That's true.
 17 **Q. And Staff did not serve any data requests**
 18 **seeking additional information about any other pro forma**
 19 **capital projects after the Company filed its rebuttal**
 20 **testimony; is that correct?**
 21 A. That's also correct.
 22 **Q. Okay.**
 23 MS. PEASE: Thank you. No further questions
 24 here.
 25 JUDGE HOWARD: Do we have any redirect from

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1 Staff?
 2 MR. CALLAGHAN: I do. Thank you, Your
 3 Honor.
 4
 5 EXAMINATION
 6 BY MR. CALLAGHAN:
 7 **Q. First, Mr. Panco, in a general rate case, who**
 8 **bears the burden to prove that a pro forma adjustment is**
 9 **appropriate, is it Staff or the Commission -- or sorry,**
 10 **Staff or the Company?**
 11 A. I believe it's the Company that bears that
 12 burden.
 13 **Q. All right. But you discussed on**
 14 **cross-examination that you did send several data**
 15 **requests regarding the pro forma plant issues, correct?**
 16 A. That's correct.
 17 **Q. And the first data request was Staff DR 89; is**
 18 **that right?**
 19 A. I believe that was the first of them, yes.
 20 **Q. And then you had a follow-up that was Staff DR**
 21 **92, correct?**
 22 A. DR 92 was differently directed to the MCP-6
 23 testimony as opposed to 89, which was directed to the
 24 PCD-2.
 25 **Q. Okay. And you also issued another data request,**

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1 **DR 124, correct?**
 2 A. That's correct. That's because there were not
 3 any updates coming in and I wanted to make it clear that
 4 those requests were intended to be continuous.
 5 **Q. All right.**
 6 A. And there were also some other DRs related to --
 7 to pro forma plant that were issued as well.
 8 **Q. And were each of those data requests, they were**
 9 **requesting actual in-service dates and actual final**
 10 **costs, correct?**
 11 A. They were, and it was even trying to use
 12 particular language extracted from the -- from the rule
 13 and statute to make it clear that that was what it was
 14 that I was requesting.
 15 **Q. All right. Thank you.**
 16 **So you did make attempts when you were concerned**
 17 **that -- that Cascade was providing the incorrect**
 18 **information; is that right?**
 19 A. I don't know if I would say it was incorrect
 20 information, but it wasn't the information which I was
 21 seeking, which was the -- these projects were being used
 22 and useful to Washington customers and what the known
 23 prices were or costs were.
 24 **Q. And, Mr. Panco, when you provide a**
 25 **recommendation to the Commission, you have to be sure**

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1 **that the pro forma plant that you recommend to be**
 2 **included meets all the Commission's standards, right?**
 3 A. That's correct.
 4 **Q. And would you have been able to do that after**
 5 **rebuttal testimony with three weeks for data requests**
 6 **and, you know, no ability to follow up?**
 7 A. I don't think I get to make an opening
 8 statement, so I would have only been able to present it
 9 had I had it prepared and happened to have been asked it
 10 in cross-examination. Other than that, I don't have a
 11 voice.
 12 **Q. And so you wouldn't have been confident in your**
 13 **ability to -- to recommend those plant additions be**
 14 **included in customer rates, correct?**
 15 A. No, I would not have been.
 16 **Q. And Ms. Pease asked you on cross about the**
 17 **materiality threshold; is that right?**
 18 A. Yes.
 19 **Q. Now, in your response testimony, was that the**
 20 **primary reason that you gave for not being able to**
 21 **include most of Cascade's proposed pro forma plant**
 22 **additions?**
 23 A. I don't believe I mentioned that in my response
 24 testimony at all. My primary concern was whether the
 25 plant was being used and whether offsetting factors had

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1 been appropriately considered in determining the -- the
 2 costs incurred.
 3 **Q. All right. And so in this case, did the**
 4 **Commission Staff receive DR responses that, you know,**
 5 **essentially in December indicated that there had been**
 6 **errors in the information that Cascade has provided with**
 7 **respect to in-service dates?**
 8 A. In December did we receive that?
 9 **Q. Correct.**
 10 A. Through the month of December, we received
 11 responses that were confusing both in terms of the date
 12 in which they were prepared and what the dates were that
 13 were represented.
 14 **Q. All right. And so, Mr. Panco, after following**
 15 **up with the Company several times with different data**
 16 **requests that requested ongoing updated information,**
 17 **past the point where Staff had already filed response**
 18 **testimony, it was still unclear based on the information**
 19 **they provided what the actual in-service dates were,**
 20 **what final costs were; is that right?**
 21 A. To me it was -- it was uncertain and it was
 22 unclear, yes.
 23 **Q. Okay.**
 24 MR. CALLAGHAN: Thank you. No further
 25 questions.

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1 JUDGE HOWARD: Are there any questions from
 2 the bench for Mr. Panco?
 3 COMMISSIONER RENDAHL: Not from me. Thank
 4 you.
 5 JUDGE HOWARD: All right. Mr. Panco, thank
 6 you for your testimony today. You are excused.
 7 No party has designated the next witness,
 8 Amy White, for cross-examination. Are there any
 9 questions from the bench for Ms. White at this time?
 10 CHAIR DANNER: No.
 11 JUDGE HOWARD: Hearing none, the next
 12 witness will be Joanna Huang for Staff.
 13 Ms. Huang, please turn on your video and I
 14 will swear you in.
 15 MS. HUANG: Good afternoon.
 16 JUDGE HOWARD: Good afternoon. Please feel
 17 free to correct me if I'm saying your name wrong. Am I
 18 right in saying that?
 19 MS. HUANG: I can't -- I don't remember.
 20 What did you say?
 21 JUDGE HOWARD: Oh, am I saying your name
 22 correctly?
 23 MS. HUANG: Can you say it again?
 24 JUDGE HOWARD: Huang?
 25 MS. HUANG: Very good. That's very correct.

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1 JUDGE HOWARD: Thank you. I just wanted to
 2 be mindful of that. Please raise your right hand and I
 3 will swear you in.
 4 (Joanna Huang sworn.)
 5 JUDGE HOWARD: Thank you.
 6 Mr. Callaghan, would you please introduce
 7 the witness.
 8 MR. CALLAGHAN: Thank you, Your Honor.
 9
 10 EXAMINATION
 11 BY MR. CALLAGHAN:
 12 **Q. Ms. Huang, can you please state your full name**
 13 **and spell your last name for the record?**
 14 A. Joanna Huang, last name H-u-a-n-g.
 15 **Q. And where are you employed?**
 16 A. Utility and Transportation Commission as a
 17 regulatory analyst.
 18 **Q. Thank you.**
 19 **And in the course of your work, did you prepare**
 20 **Exhibits JH-1T through JH-5 for this case?**
 21 A. Yes, I did.
 22 **Q. Do you have any corrections or updates to your**
 23 **prefiled testimony or exhibits today?**
 24 A. No, I don't.
 25 **Q. Thank you.**

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1 MR. CALLAGHAN: Your Honor, Ms. Huang is
 2 available for cross-examination.
 3 JUDGE HOWARD: Cascade may proceed with its
 4 cross-examination. Is Ms. Baird handling this witness?
 5 MS. BAIRD: I am, Your Honor.
 6 JUDGE HOWARD: Please proceed.
 7 MS. BAIRD: Thank you. And so for the
 8 record, Shoshana Baird on behalf of Cascade.
 9
 10 EXAMINATION
 11 BY MS. BAIRD:
 12 **Q. Good afternoon, Ms. Huang.**
 13 A. Good afternoon.
 14 **Q. So I know we are nearing the end of the day, I**
 15 **promise not to take up too much of your or the**
 16 **Commissioners' time.**
 17 **So to get right into it, could I ask you to turn**
 18 **to your response testimony at page 8, please. And if**
 19 **you could let me know when you're there.**
 20 A. Yes, I'm there.
 21 **Q. And specifically, I'm looking at lines 14 to 19,**
 22 **and here you note that Cascade's case includes a 3**
 23 **percent increase in wages in 2019, as well as 3 to 4**
 24 **percent wage increases in 2020 and 2021, right?**
 25 A. That's correct.

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1 **Q. And I believe on line 18 you refer to these wage**
 2 **increases as aggressive; is that right?**
 3 A. That's correct.
 4 **Q. Okay. When you say "aggressive," do you mean**
 5 **aggressive as compared to other utilities; is that**
 6 **right?**
 7 A. Aggressive as more than the standard average.
 8 **Q. And by "standard average," are you referring to**
 9 **what other utilities pay for salaries?**
 10 A. Yes.
 11 **Q. Okay. So I'm going to ask you next to turn to**
 12 **your Cross-Exhibit JH-6X, please.**
 13 A. I -- what -- what is that? I don't have that.
 14 **Q. Oh, it should be -- it's the first of the two**
 15 **cross-exhibits that were designated for you.**
 16 A. Oh.
 17 **Q. It should be 6X. I realize there was some**
 18 **last-minute numbering changes, so it is the first one.**
 19 A. Okay. So is that Avista's Docket UE-170485?
 20 **Q. Yes, and that's your testimony in Avista's 2017**
 21 **rate case.**
 22 A. Yes, thank you.
 23 **Q. Okay. So if you could turn to page 16 of that**
 24 **exhibit, and by 16 of that exhibit, that is page 14 of**
 25 **the testimony if you're using an old version.**

1 A. So page 16 start with, (as read) How has the
2 Commission treated pro forma incentive pay in the past;
3 is that the page?

4 **Q. Two pages before that, so page 16 of the
5 exhibit, which is --**

6 A. Oh, I see.

7 **Q. -- in upper right-hand corner.**

8 A. Okay.

9 **Q. Yeah.**

10 A. Okay. I'm there.

11 **Q. Great.**

12 **And so I'm specifically focusing on lines 3 to
13 6, and here you testified that Avista applied a pro-rata
14 share of the 2016 wage increase, and then it goes on to
15 say, in addition Avista also added a 3 percent wage
16 increase for each of 2018 -- sorry, 2017 and 2018 for a
17 total of 6 percent; is that right?**

18 A. This page 16, the first question is about
19 incentive, right?

20 **Q. Yes. So please explain how Avista calculated
21 its proposed pro forma incentive adjustment, it is
22 referring to also the wage increases, I believe; is that
23 incorrect?**

24 A. You are incorrect.

25 **Q. Could I ask you to turn, then, to your next**

1 A. Okay.

2 **Q. Okay. Thank you.**

3 A. You're welcome.

4 **Q. And so here, I believe, you had not opposed,
5 then, the 3 percent wage increases for Avista in 2017,
6 correct?**

7 A. That's correct.

8 **Q. Okay. I'm going to ask us to go ahead and turn
9 back to your testimony now and go back to page 8,
10 please.**

11 A. I'm there.

12 **Q. So -- thank you.**

13 **You are talking about Cascade's 3 percent wage
14 increases, did you consider the wage increases in the
15 Avista case to be aggressive as you say here?**

16 A. Avista which -- which rate cases?

17 **Q. Oh, I'm so sorry. The one we were just speaking
18 of, so in the -- the 2017 Avista rate case where we were
19 commenting that you had agreed, I believe, that you did
20 not propose an adjustment. Did you -- did you find
21 those rate increases, salary increases to be aggressive?**

22 A. Okay. You have to consider Avista general rate
23 case did propose 3 percent increase, but in this general
24 rate case, you propose 4 percent increase. So I have
25 done PSE adjustment, Cascade adjustment, and Avista

1 **cross-exhibit, it's JH-7X.**

2 A. That would be the 2019?

3 **Q. Yes, and --**

4 A. Okay.

5 **Q. -- specifically on page 12 of the exhibit, so
6 the numbering in the upper right-hand corner.**

7 A. Okay. I'm there.

8 **Q. And specifically on lines 14 to 19, here you are
9 referring back to the 2017 rate case.**

10 A. Yes.

11 **Q. And you say, (as read) Avista included two pro
12 forma adjustments reflecting 3 percent wage increases
13 for both union and nonunion employees; one 3 percent
14 increase for the period of 2017 to 2018 and another 3
15 percent increase for the 2018 to 2019.**

16 **And then you go on to say, (as read) These wage
17 increases were uncontested and so were included in the
18 Commission's final revenue determination; is that right?**

19 A. That's correct.

20 **Q. Is it still your testimony that the Avista 2017
21 case did not include two pro forma wage increases?**

22 A. If you look at 2017 GRC, the cover page, and
23 there's no place I mention labor adjustment for
24 executive or non-executive. So there --

25 **Q. That's correct.**

1 adjustment, I rarely see 4 percent adjustment for
2 non-union employee.

3 **Q. Okay. Thank you.**

4 **So here when you are talking about one of the
5 kind of main reasons, I believe, on lines 11 and 12, you
6 point to the economic circumstances that customers are
7 facing as one of the reasons why you believe that the
8 salary increases aren't -- aren't reasonable; do I have
9 that right?**

10 A. That's correct.

11 **Q. Okay.**

12 A. If you -- if you refer --

13 **Q. Sorry, go on.**

14 A. If you refer it back to James Kaiser's
15 exhibit [inaudible.]

16 **Q. I'm sorry, could you repeat that? I couldn't
17 quite hear what you said.**

18 A. If you refer to Kaiser -- James Kaiser Exhibit
19 3C, his exhibit support this situation.

20 **Q. Okay. I'm not going to be able to -- I'm not --
21 I'm going stop you there because that's a confidential
22 exhibit, so I don't want to get into the details of this
23 exhibit on this cross-examination.**

24 A. Okay.

25 **Q. So for now, I'm just going to proceed with --**

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1 with your testimony.
 2 **So here and elsewhere in your testimony, I'm not**
 3 **seeing that you comment on the broader salary markets or**
 4 **what Cascade's competitors are paying for salaries, do**
 5 **you?**
 6 A. Can you say that again, please?
 7 **Q. Of course, and I will try and speak more**
 8 **clearly.**
 9 **In your testimony, you don't comment on broader**
 10 **salary markets or what Cascade's competitors are paying**
 11 **for salaries, do you?**
 12 A. No, I don't.
 13 **Q. Would you agree that the market rate for**
 14 **salaries is not something that the Company can generally**
 15 **control?**
 16 A. Yes, I would agree.
 17 **Q. Do you agree that customers benefit from Cascade**
 18 **having knowledgeable, skilled, and reliable workers?**
 19 A. I do.
 20 **Q. And would you agree that fair and competitive**
 21 **salaries are necessary to attract and retain those types**
 22 **of workers?**
 23 A. I do, but not -- I believe that Cascade need to
 24 pay average industry level, but not --
 25 **Q. Okay.**

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1 A. -- above.
 2 **Q. I -- I hear you and I appreciate that.**
 3 **Can you go ahead and turn to actually Jim**
 4 **Kaiser's testimony I believe you were referencing,**
 5 **JEK-1CT. I will keep us away from any confidential**
 6 **pages.**
 7 A. Okay.
 8 **Q. And specifically page 6.**
 9 A. Yes.
 10 **Q. So at the very top, lines 1 and 2, Mr. Kaiser**
 11 **testified that Pearl Meyer noted that -- that Cascade's**
 12 **compensation targets remain conservative and generally**
 13 **lag behind median market levels.**
 14 **So is it my understanding from your comments**
 15 **here today that you dispute this statement?**
 16 A. I -- I don't dispute the -- Pearl Meyer's
 17 analysis, but for wages increase, 4 percent is above
 18 industry level.
 19 **Q. Thank you.**
 20 **And if I could ask you to turn to the -- just**
 21 **the next page, page 7, of his testimony, and lines 13 to**
 22 **14, do you see -- it says, (as read) Cascade also**
 23 **proposes to adjust its costs for 2021 nonunion wage**
 24 **increases to 3 percent; do you see that?**
 25 A. I see.

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1 **Q. Okay.**
 2 MS. BAIRD: I have no further questions.
 3 Thank you.
 4 JUDGE HOWARD: Thank you.
 5 Any redirect from Staff?
 6 MS. HUANG: Can I say something over here?
 7 JUDGE HOWARD: Is it about logistic -- is it
 8 about your connection or anything like that or --
 9 because if it's about the substance of the case, we need
 10 to have someone posing a question to you.
 11 MS. HUANG: It's about JEK testimony on
 12 page --
 13 JUDGE HOWARD: I -- I prefer that we let
 14 Mr. Callaghan pose the questions to you on redirect.
 15 MS. HUANG: Okay.
 16 MR. CALLAGHAN: Thank you, Your Honor.
 17
 18 **E X A M I N A T I O N**
 19 **BY MR. CALLAGHAN:**
 20 **Q. Ms. Huang, could you turn to JEK-1CT on page 6,**
 21 **and I will -- also will avoid any confidential**
 22 **information. Are you on lines 4 through 5, are you**
 23 **there?**
 24 A. I am.
 25 **Q. Okay. And lines 4 through 5 on page 6 indicate**

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1 **that the Pearl Meyer report was prepared in 2018; is**
 2 **that correct?**
 3 A. Yes.
 4 **Q. Okay. And that -- that -- would that impact**
 5 **your evaluation of whether that -- that analysis is --**
 6 **is up to date given current events?**
 7 A. Yes, well, because if they prepare in 2018, they
 8 probably use the year before that or ten, five years
 9 before that. But we are in a different situation for
 10 2019, '20, and '21.
 11 **Q. All right. And was there anything else you were**
 12 **going to mention about this exhibit?**
 13 A. Yes. I would like to refer back to JEK-1CT page
 14 15, line 5 to line 6. Even though Cascade revised their
 15 2021 wages increase, but under line 6, that number is
 16 still predicted to increase. So it's not firm, it's not
 17 known and measurable.
 18 **Q. And there what you're discussing is the nonunion**
 19 **wage increases for 2021, correct?**
 20 A. That's true.
 21 **Q. All right. And when you say that it's not known**
 22 **and measurable, page 15 on line 5 --**
 23 MS. BAIRD: Your Honor, I'm going to object.
 24 I believe this discussion about what constitutes known
 25 and measurable is well outside the scope of my cross.

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1 MR. CALLAGHAN: So, Your Honor, I -- I
 2 believe that Ms. Baird discussed the 2021 nonunion wage
 3 increases on her cross-examination.
 4 JUDGE HOWARD: I am concerned it is outside
 5 the scope of the cross, Mr. Callaghan. I'm not
 6 recalling any questions about the union contracts being
 7 known and measurable. Are you able to persuade me
 8 otherwise?
 9 MR. CALLAGHAN: I'll just leave it at that,
 10 Your Honor. Thank you, no further questions.
 11 JUDGE HOWARD: Okay. Are there any
 12 questions from the bench for Ms. Huang?
 13 COMMISSIONER RENDAHL: No questions, thank
 14 you.
 15 JUDGE HOWARD: Hearing none, thank you for
 16 your testimony today. You are excused.
 17 MS. HUANG: Thank you.
 18 JUDGE HOWARD: No party has designated the
 19 next witness, Aimee Higby, for cross-examination. Are
 20 there any questions from the bench for Ms. Higby?
 21 We are now turning to Public Counsel's
 22 witnesses, and of course we already heard testimony from
 23 Dr. Woolridge this morning. No party has designated
 24 Mark Garrett for cross-examination. Are there any
 25 questions from the bench for Mark Garrett?

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1 Moving to the intervenors, no party has
 2 designated either Shawn Collins from The Energy Project
 3 or Bradley Mullins from AWEC for cross-examination. Are
 4 there any questions from the bench for either of these
 5 witnesses?
 6 Hearing none, we have just a couple of
 7 housekeeping items before we adjourn today.
 8 Ms. Gafken, I wanted to discuss with you how
 9 long Public Counsel might need to compile any comments
 10 received regarding this proceeding.
 11 MS. GAFKEN: Yes, thank you for raising
 12 that. You know, I typically ask for a week after the
 13 hearing, so I think we could have that in by next --
 14 next Wednesday.
 15 JUDGE HOWARD: Thank you. We will designate
 16 that as a bench exhibit and number it BE-5, and it will
 17 be filed in the docket by next Wednesday.
 18 MS. GAFKEN: Thank you.
 19 JUDGE HOWARD: Finally for the post-hearing
 20 briefs, our schedule provides for one round of
 21 post-hearing briefs due on March 22nd. Do the parties
 22 have positions on the number of pages that they would
 23 like?
 24 MR. CALLAGHAN: Thank you, Your Honor. This
 25 is -- sorry, this is Nash Callaghan. I hadn't

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1 considered the exact page number, so I'm open to
 2 whatever the Commissioners would like, however lengthy
 3 they would like to have the post-hearing briefs.
 4 JUDGE HOWARD: Okay.
 5 COMMISSIONER RENDAHL: Or however -- or
 6 however brief the briefs might be.
 7 MS. GAFKEN: This is Lisa Gafken with Public
 8 Counsel. I will just throw out that perhaps the opening
 9 briefs could be -- I believe under the rule it's 60
 10 pages as the maximum, and I don't see any reason why to
 11 shorten it. I am not saying that our briefs need to be
 12 60 pages. I think we'll all endeavor to not make them
 13 that long. But, you know, for the -- for the reply
 14 briefs -- actually, let me pause. I'm actually not sure
 15 if we have reply briefs in this case, but if we do, that
 16 could certainly be shorter, maybe 25 or 30 pages.
 17 JUDGE HOWARD: Does Cascade have a position
 18 on this?
 19 MS. PEASE: We have not formulated a
 20 position on the page number, but would agree that 60
 21 pages probably should be adequate.
 22 JUDGE HOWARD: Do the intervenors have a
 23 position?
 24 MR. FFITCH: The Energy Project is
 25 comfortable with the limits in the Commission's rules.

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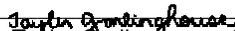
1 MR. STOKES: AWEC's fine with that as well,
 2 Your Honor.
 3 JUDGE HOWARD: Well, in this case with the
 4 procedural schedule, we only have the single
 5 post-hearing briefs and now post-hearing reply briefs.
 6 If the Commissioners are -- are fine with it, perhaps we
 7 could just default to the regulatory standard for more
 8 than 60 pages. Hopefully the parties can certainly be
 9 more brief than that.
 10 Do any of the Commissioners have thoughts on
 11 the topic?
 12 CHAIR DANNER: I'm good with 60 pages. I
 13 promise I'll read all 60 of them.
 14 COMMISSIONER RENDAHL: And as I said,
 15 brevity is always wonderful so...
 16 JUDGE HOWARD: In that case, we will stick
 17 with the -- the maximum page limit of 60 pages.
 18 Are there any questions from the parties or
 19 anything else that we should address before we adjourn?
 20 MR. CALLAGHAN: Nothing from Staff, Your
 21 Honor.
 22 MS. GAFKEN: Nothing from Public Counsel.
 23 MS. PEASE: Nothing from Cascade.
 24 JUDGE HOWARD: All right. I would like to
 25 thank everyone for participating today and dealing with

1 the occasional technical hiccups and working through it.
2 We are adjourned.
3 (Adjourned at 4:21 p.m.)
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1 CERTIFICATE
2

3 STATE OF WASHINGTON
4 COUNTY OF THURSTON
5

6 I, Tayler Garlinghouse, a Certified Shorthand
7 Reporter in and for the State of Washington, do hereby
8 certify that the foregoing transcript is true and
9 accurate to the best of my knowledge, skill, and ability.
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12 Tayler Garlinghouse, CCR 3358
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