BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

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.

Washington Utilities and Transportation Commission
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LACEY, WASHINGTON; FEBRUARY 24, 2021
9:05 A.M.
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PROCEEDINGS

JUDGE HOWARD: Let's be on the record. It is Wednesday, February 24th, 2021. The time is approximately 9:05 a.m.

My name is Michael Howard. I am an administrative law judge with the Washington Utilities and Transportation Commission, and I am presiding in this matter along with the Commissioners.

We are here today for an evidentiary hearing in Docket UG-200568, which is Cascade's general rate case.

Let's start with short appearances from the parties and let's start with Cascade.

MS. PEASE: Good morning, Chair Danner, Commissioners, Judge Howard. My name is Jocelyn Pease with McDowell Rackner Gibson for Cascade. I have with me today co-counsel Katherine McDowell, Jordan Schoonover, and Shoshana Baird.

JUDGE HOWARD: Could we have an appearance for Staff?

MR. CALLAGHAN: Good morning, Commissioners,
with the cost of capital panel. Let's -- I believe I saw at least two of the three witnesses on the call. We have Mr. Parcell, Ms. Bulkley, do we have Woolridge on the line?

MR. WOOLRIDGE: Yes, yes, I'm here.

JUDGE HOWARD: Oh, great. Thank you.

Would all three of the cost of capital witnesses please turn on your camera and I will swear you in.

(Witness panel sworn.)

JUDGE HOWARD: Ms. Pease, would you please introduce Cascade's witness?

MS. MCDOWELL: Your Honor, this is Katherine McDowell. I'll be presenting Ms. Bulkley this morning. Can you hear and see me okay?

JUDGE HOWARD: Yes, please proceed.

MS. MCDOWELL: So just one question to you. Since the exhibits have been admitted, would you like me to dispense with the normal colloquy and just proceed to ask if there's changes or corrections and then turn the witness over or would you like me to go through and identify this witness's exhibits and testimony?

JUDGE HOWARD: You could -- just a -- just a brief introduction and perhaps the range of exhibit numbers and -- as they are marked. We don't need necessarily to address each one.

MS. MCDOWELL: Okay. That sounds good.

EXAMINATION

BY MS. MCDOWELL:

Q. Good morning, Ms. Bulkley.

A. Good morning.

Q. How are you employed?

A. I'm employed by Concentric Energy Advisors as a senior vice president.

Q. And in that capacity, have you prepared testimony and exhibits for this proceeding this morning?

A. Yes, I have.

Q. And are those exhibits your direct testimony in Exhibits AEB-1 through -- let me get my exhibit numbers correct, through AEB -- basically your direct and your rebuttal in exhibits, which are AEB-1 through AEB-6?

A. Yes, that's correct.

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

A. I have one formatting correction in my rebuttal testimony. On page 85 at lines 1 through 10, there is what appears to be Q and A. It should be as an offset quote because it is a quote from the testimony of Dr. Woolridge, but it is formatted as if it's my Q and A asked to myself. So those lines 1 through 10, they are cited as a quotation, but they're not offset. So when you're reading, you might think that they were -- might be confusing.

Q. Okay. Do you have any other changes or corrections to your testimony?

A. Not that I'm aware of, no.

Q. So if I were to ask you the questions that are set forth in your prefiling testimony today, would your answers be the same?

A. Yes, they would.

MS. MCDOWELL: This witness is available for cross-examination.

JUDGE HOWARD: Thank you.

Mr. Callaghan, would you introduce Staff's witness.

MR. CALLAGHAN: Thank you, Your Honor, yes.

EXAMINATION

BY MR. CALLAGHAN:

Q. Mr. Parcell, how are you employed? Mr. Parcell, can you hear me?

A. Without my earplug, I can barely hear. I hear fine with earplugs in, but I can hear almost nothing. I have my speaker turned as high as it'll go. Can I try earplugs again, see if there's still background noise?

Q. Good morning, Mr. Parcell. Can you hear me?

A. I hear you just fine now, thank you.

Q. All right. Thank you. It sounds okay to me, so I think let's proceed.

Mr. Parcell, how are you employed?

A. I'm with Technical 4 Associates, Incorporated as a principal and economist.

Q. And did -- did Commission Staff hire you to provide analysis and testimony for this case?

A. Yes.

Q. And are those Exhibits DCP-1T through DCP-15?

A. Yes.

Q. And do you have any corrections or updates to those exhibits?

A. No.

MR. CALLAGHAN: Your Honor, Mr. Parcell is available for cross-examination. Thank you.

JUDGE HOWARD: Thank you.

Ms. Gafken, would you please introduce Public Counsel's witness.

PUBLIC COUNSEL'S WITNESS

MS. GAFKEN: Yes, thank you.

/////
### 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 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 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?**

**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.** Okay.

**Q.** Let me just pull that up.

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

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

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

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1. that...
2. Q. Sure. The reference would be Exhibit JRW-1T at page 57, lines 14 to 15.
3. A. The pages again? I'm sorry.
4. Q. Sure, no -- no problem. So Exhibit JRW-1T, the response testimony, and that reference is page 57, 57, lines 14 to 15.
5. A. Thank you.
6. Q. Once you're there, I'm happy to repeat the question.
7. A. Yes, I'm there. Thank you.
8. Q. Okay. So my question was confirming that Dr. Woolridge for Public Counsel testified that the earned ROE for natural gas companies ranges from 8.0 percent to 9.0 percent in recent years, and I was asking whether you recalled that testimony.
9. A. I do see that here now, yes. He has stated that on this page, that's correct.
10. Q. Thank you.
11. In your direct testimony or your rebuttal testimony, you do not present evidence that natural gas companies are having difficulty raising capital, correct?
12. A. I provide testimony that discusses the rating agencies' concerns about the coverage ratios for
utilities, which would create difficulty raising
capital. So I -- I think that's an important factor.
Certainly my testimony discusses the downgrades that
have occurred related to Tax Cuts and Jobs Act, the
correlation following COVID about the credit metrics for
regulated utility companies in addition to the Tax Cuts
and Jobs Act concern. It's Standard & Poor's and
Moody's and Fitch raised concerns. Because many
utilities were already -- I think Standard & Poor's
indicated that 25 percent of the utilities already had
negative outlooks, and so there was greater concern with
respect to COVID that that would create more financial
instability. So I do think I have addressed that issue
in my testimony, yes.
Q. Now -- excuse me. Do you know whether Cascade
has accessed the capital markets in 2020?
A. I do not know that actually.
Q. Okay. Could you turn back to Cross-Exhibit
AEB-7X and go to page 4.
A. Page 4 is authorized electric ROEs?
Q. There should be two charts on page 4, and the
top one would be electric, but the bottom one would
be -- would address natural gas companies.
A. So there are three sets of page numbers on this.
Q. You want to look at the --
A. Is that the page numbers I should follow?
Q. I think it's the top right so --
A. Top right.
Q. So it's -- yeah, the exhibit number and page
numbers.
A. Okay. Yes, okay. I'm there.
Q. That can be really confusing with the page
numbers.
So looking at the second chart on page 4 of
Exhibit AEB-7X, that chart purports to show the spread
between authorized natural gas ROEs and Treasury yields;
is that correct?
A. Yes, it -- it does purport to do that. It is
quite out of date with respect to the recent treasuries,
though. This looks like it's -- it's kind of tough to
tell. There is a hashmark that could potentially be
2021, but it's not labeled, but it would be out of date.
Obviously with the increase that we've seen in
the 30-year Treasury yield over the last several months,
this -- this chart would be pretty out of date. You
know, in February we've seen Treasury -- the 30-year
Treasury increase by 40-some-odd basis points, possibly
more than that. So this would be pretty out of date.
You know, I think we're at 2.2 as of yesterday for the
yield on the 30-year Treasury, so this -- this chart
would be stale.
Q. Would you agree that the spread between
authorized natural gas ROEs and the 30-year Treasury
yield is at an all-time high?
A. No. Again, I -- I don't necessarily know that
to be true. This -- this chart is old data, so I think
that's really important to recognize. One of the most
significant things that happened in 2020 was how the --
was looking at how the treasuries had changed over time.
So in the beginning of the year, we had Treasury
bond yields that were about 2.25 percent for the 30-year
preCOVID, and then the treasuries did see a decline just
like the overall market in February and March, and they
dropped through to about August as a low point, and
then they have been increasing steadily since then and
have seen a pretty good run-up actually in 2021.
So -- so I don't -- I don't think that's true as
of the current time. You know, if I was to look at how
the interest rates changed over the course of my
testimony, in my direct, the 30-year Treasury bond yield
was at 1.31 percent; in my rebuttal it was at 1.61. The
projections that I had in my rebuttal for this first
quarter of 2021 was 1.82 and yesterday it was at 2.2.
So the spread -- this article has data in it
that's not really reflective of what we see in the
market right now.
Q. I think it's a fair point to say that the
Treasury yields do go up and down, correct?
A. There has -- yes, there has been some change. I
think actually that's been more my testimony than --
than your witness who suggested that they were fairly
stable at 1.5. So my testimony has been that there was
an expectation for the increase that did occur.
Q. Okay. I'd like to stick with the idea that the
Treasury yield fluctuates as -- as you've just
testified, it goes up and down, and we've seen kind of
that -- that fluctuation over the last little while. I
want to focus the question on how that Treasury yield
compares to authorized natural gas ROEs, so that spread
between natural ROEs and the 30-Year Treasury yield.
Have you -- have looked at that or studied that ratio?
A. Not specifically. As I said, though, the spread
that is pictured in this chart would be very old based
on the data that's shown here.
Q. Okay. But you haven't --
A. [Cross talking.]
Q. I'm sorry.
A. Oh, I'm sorry. I'm not certain if this is
capturing averages. I believe it is, actually. So that
would make it even more difficult to rely on. If you're
looking at the average over the year for 2020 and I just described what happened in 2020, I'm not sure that this number makes a whole lot of sense.

Q. Okay. We can set aside the -- the chart for now. What I actually want to ask about is what you -- what you studied or, you know, what -- what you know or have analyzed. So trying to get at the concept versus at the illustration.

I think I recall you testified that you haven't necessarily looked at the spread between the authorized ROEs and the 30-year Treasury yield; is that accurate?

A. Well, I have looked at in my risk premium analysis -- I guess that's really over the bond yields, so not specifically, no, no.

Q. Okay.

MS. GAFKEN: Okay. Then -- then I have no further questions. Thank you.

JUDGE HOWARD: Do we have any redirect by Cascade?

MS. MCDOWELL: Yes, Your Honor.

EXAMINATION

BY MS. MCDOWELL:

Q. So, Ms. Bulkley, can you hear me okay?

A. Yes, I can.

Q. Okay, great.

So just wanting to follow up on a couple questions on Cross-Exhibit AEB-7X, and first of all, are you familiar generally with market data from services such as S&P and Value Line, is that generally the kind of information you monitor?

A. Yes, it is.

Q. And have you had occasion to review any other such data that would reflect the ROE situation for utilities in January of 2021?

A. Yes. So I would have looked -- other information that I read regularly would be how credit rating agencies have considered authorized ROEs for utilities. I -- and specifically in January of 2021, there have been some downgrades related to those ROEs. Particular, if you're looking at this exhibit that we have here, if you look at page 6 to this exhibit, which shows the authorized ROEs for gas utilities for 2020, Consolidated Edison and NYSEG, RG&E, who are the low end of what was recently authorized, were downgraded by Moody's and S&P in January of 2021. Southwest Gas, which their authorized ROE is shown a few lines down in the category of 9 percent to 9.24. They had a 9.1 that was issued fairly recently and the outlook for Southwest Gas was downgraded in response to that.

And then if you look further down, maybe in the 9.25 to 9.49 percent range, Puget Sound Energy, the -- that ROE was part of the consideration by the credit rating agencies for downgrading the outlook on Puget Sound Energy.

So I -- I look at the -- the -- what the rating agencies have to say, the credit -- the equity analysts, a variety of other sources as well.

Q. So in your testimony at AEB-4, figure 2, have you graphed a similar set of data to what you see in --

A. Could we get the reference again? I'm sorry.

Q. At page 12, figure 2.

A. Yes, okay. Yes, I have. This data -- this is basically the data we've just been discussing from Exhibits 7X through November 2020 for the natural gas distribution companies. So this shows all of the authorized ROEs, and then I have also indicated where the recommendations of the witnesses in this case fall in comparison to that authorized ROE data.

So you can see that Public Counsel is at the very bottom of this except for the 8.8s that I just described, which are lower but received downgrades.

Q. So were the utilities that you were just discussing who received recently downgrades or negative credit action, were those -- are those reflected in the lower dots on this scatter plot chart?

A. Yes.

Q. It's again your rebuttal testimony, AEB-4.

A. Yes.

Q. So were the utilities that you were just discussing who received recently downgrades or negative credit action, were those -- are those reflected in the lower dots on this scatter plot chart?

A. Yes, Your Honor. This topic matter is going beyond what I asked cross on.

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JUDGE HOWARD: I will allow the question.

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So you can see that Public Counsel is at the very bottom of this except for the 8.8s that I just described, which are lower but received downgrades.
are those represented by certain of the -- the dots in the lower end of the range?

A. Yes, they are. So the -- the dots that would be at the lower end of this range the 8 -- the 8.8 dots that are shown, little tough to point them out, but if you look just above the box that says Mr. Mullins' recommendation, which has a typo in that, there's a dot that would be -- that would be that would be Con Ed.

And then the dot to the far right, similar -- similar plane basically as what I just described, these low end results, that would be NYSEG, RG&E and then there are -- there's another 2018 New York decision at 8.8 that's shown there as well at the low end.

Q. So, Ms. Bulkley, when Ms. Gafken asked you a question about the graphs on page 3 of her exhibit, you indicated that the graph reflected your DCF results in this case, can you explain what you meant by that?

A. Sure. So the graph basically says that the vast majority of the authorized ROEs are somewhere in that -- you know, in that 9.49 to 9.99 range. And so if you were to look at my rebuttal testimony, the range that I established for if you just relied on the DCF, which I have relied on many models, but just looking and focusing on the DCF results, the range there is between that 9.4 to 10.16 for the scenario where we adjusted the

Northwest Natural growth rate.

And both myself and Dr. Woolridge have indicated that Cascade is higher risk, so you would think that you would be more towards the higher end of that range. If you were to look at the higher end of this range and the chart, the 9.5 to 9.74 or 9.75 to 9.99, those observations there, the -- the mid point of those would be the 9.8, which is the Company's recommendation. And that's sort of the midpoint of the range of my DCF results as well. So that's what I meant by that.

Q. So the -- the last question -- set of questions I had for you were -- was with respect to your testimony on the increase in 30-year Treasury rates since you filed your rebuttal testimony in this case.

Can you explain how those increases would impact the testimony that you filed in this case with respect to your ROE recommendation?

A. Sure. So the -- the -- the Treasury bond yields would be used in the CAPM analysis, and I think actually all three witnesses filed a CAPM analysis and would need to reflect those higher Treasury yields in there -- in the analysis. So generally speaking, all else equal, the -- the CAPM numbers would be higher.

I also think that there is likely to be an effect with respect to how the yields on the DCF would -- would be affected. Certainly if you have a choice as an investor to invest in a risk-free asset versus an asset that has greater risk, we often see that there's a rotation as Treasury bond yields increase that a certain segment of investors will roll out of utilities and into the Treasury bonds, which would affect the dividend yields and the DCF. And that would also increase the DCF results.

MS. MCDOWELL: That's all the questions I have. Thank you very much.

JUDGE HOWARD: Mr. Stokes, you may proceed with your planned cross-examination.

MR. STOKES: We -- we waive cross.

JUDGE HOWARD: Okay, okay.

In that case, Cascade may proceed with its cross of Staff's witness.

MS. MCDOWELL: Your Honor, if I could just have a moment to reshuffle my papers?

JUDGE HOWARD: Certainly. And, Ms. McDowell, I -- I believe we were -- were you first intending to address your questions to Parcell and then to Dr. Woolridge and keeping those two separate? What was your plan for that?

MS. MCDOWELL: Yes, I -- I do have -- my examination will be separate for Mr. Parcell and
CHAIR DANNER: Ms. McDowell, I'm sorry, I don't. Can you tell me again what the exhibit is?

MS. MCDOWELL: This is Mr. Parcell's testimony, his response testimony, DCP-1T.

CHAIR DANNER: Thank you.

MS. MCDOWELL: And I was just asking him about his testimony about long-term and short-term interest rates declining.

BY MS. MCDOWELL:

Q. So now, you filed your testimony in this case on November 19th, 2020; does that sound correct?

A. Yes.

Q. And can you turn to the cross-exhibits that we have provided, and specifically I'd like to direct your attention to Exhibit DCP-16X.

A. Yes, I have that.

Q. All right. And I'll just take a moment, I'll kind of pause for a moment to make sure everybody else has it. So this is Cross-Exhibit 16X.

And I represent to you that these are just interest rate strips from Treasury.gov that show both 30-year and 10-year Treasury rates among other things. Are you familiar with these Treasury rates?

A. Yes.

Q. So if you could turn to page 4 of this exhibit.

A. 1T?

Q. Yeah, so it would be -- yes, it's page 4 of this cross-exhibit, 16X.

A. Oh, yes. Okay.

Q. So if you turn to that page and look at the rate for November 19th for the 30-year Treasury rate, that number was 1.58 percent; is that correct?

A. Correct.

Q. And if you go back to page 1 of that exhibit, which has rates year to date for 2021, and look at the last date on there, February 18th, 2021, that rate is 2.08 percent, correct?

A. Correct.

Q. So between the time your testimony was filed and last Thursday when this cross-exhibit was filed, the 30-year rates were up by approximately 50 basis points; isn't that correct?

A. Yes, during that -- during that period, that's correct.

Q. And did you hear Ms. Bulkley's testimony about yesterday's rates of 2.21 percent for 30-year yields?

A. Yes.

Q. And do you agree -- do you have -- you know, agree with that number subject to check, are you familiar with that number?
Q. So your range in the 2018 Cascade rate case was 9.1 to 9.3 percent?
A. Yes.
Q. And your range here is for your DCF model is 9 percent to 10 percent, correct?
A. Correct.
Q. So your -- the top of the range in this case is 70 basis points higher than it was in the 2018 --
A. That is correct.
Q. -- general rate case, correct?
A. Yes.
Q. So I wanted to ask you some questions about your CE model or comparable earnings model.
A. Sure.
Q. Now, again, on page 4, you explained that you rely on the midpoint of your comparable earnings results to set the bottom of your range for Cascade in this case; is that fair?
A. In part.
Q. Along with your risk premium results, correct?
A. That -- that is fair.
Q. Okay. Now, can you turn to DCP-12, which has your calculations for your CE model.
A. Sure. I have that.
Q. Now, you looked to both historical ROEs and projected ROEs as a part of your calculations for this model, correct?
A. That is correct.
Q. And that's depicted on page 1 of DCP-12; is that correct?
A. That is correct also.
Q. And your historical range in this case, which I derived from looking at the 2002 to 2008 averages and the 2009 to 2018 averages is from 9.8 percent to 11.3 percent; does that sound correct?
A. Yes, with the -- the latter period having lower returns. The -- the trend was downward between those two periods. It was roughly eleven -- eleven -- 11.3 between 2002 and '8, and since that point in time, it's been less than 10 historically.
Q. Okay. So and then if you can bear with me for a moment and turn back to your Exhibit 17X, which was your testimony in the 2018 case.
A. Sure. Same schedule?
Q. And -- yeah, same schedule, which is page 69 of the exhibit.
A. Yes, I have that.
Q. So your historical range in that case was 9.6 percent to 10.9 percent; is that correct?
A. Correct.
Q. Okay. And your projected range is lower in this case, correct?
A. Yes, quite a bit.
Q. And back to your exhibit in this case, DCP-12 in this case.
A. Yes.
Q. Now, your exhibit in this case shows that you considered Spire in your calculations for this CE model, correct?
A. I include Spire in all of my analyses as did Mrs. Bulkley.
Q. Okay. And in this case, that includes your projected ROEs include a result, an ROE of Spire -- for Spire of 2 percent in 2020; do you see that?
A. Yes.
Q. And that's far lower than any other company in the group, correct?
A. Yes.
Q. And can you turn your -- to DCP-18X, which is the next cross-examination exhibit in this stack that we marked; do you have that?
A. Yes, ma'am.
Q. And can you turn to page 2 of that exhibit, which is a Value Line report on Spire.
A. Yes.
Q. And in the text, I’ll represent to you that it explains that the 2 percent result was related to a COVID impairment in 2020 that caused Spire’s results to tumble by approximately 70 percent. Are you familiar with those circumstances related to Spire?
A. Not specifically, but it’s -- it’s -- I mean, every company has its own unique characteristics. For example, New Jersey Resources has a 17.8 percent in 2018. They got their own reasons for that. So I’m not going to throw out a 2.0 for Spire and keep a 17.8 for South Jersey, that’s inappropriate and incon- -- inconsistent.
Q. But wouldn’t you agree that an impairment is a book accounting issue and not a market value issue?
A. Yes, but it’s -- it’s part of the process of -- of the calculate and returns on equity.
Q. Well, the presence of Spire caused a significant reduction in your projected ROEs, correct?
A. Not really, because if you look at DCP -- well, DCP-18X and look at the returns on equity at the bottom of your page, excluding Spire, the returns are still eight and a half, nine and a half percent, which is my recommendation. So even if you took Spire out, it would still be eight and a half to nine and a half.
Q. Well --

A. I mean, your numbers show that.
Q. Well, what my numbers show, I believe, is that the results would be a hundred basis points higher if you excluded Spire from your CE results, correct?
A. But still in a range of eight and a half to nine and a half percent, which is my conclusion.
Q. Well, you -- in your testimony, you indicated that it was appropriate for cost of capital witnesses to remove results that are truly outliers from their recommendations; do you recall that testimony?
A. For the historic earnings per share growth of Northwest Natural I did, yes.
Q. But you didn’t do the same with Spire even though it had a 2 percent ROE in the 2020 period?
A. But, again, that -- that's only one of three years and actually one of the 17 years. Also you mentioned a hundred basis points. If you look at the medians, the medians change is -- no change for -- well, .3 percent 2020, no change in '21, and .3 in '23 to '25. So there is no substantial impact of removing Spire from my recommendation as -- as I view this chart.
Q. So you mentioned the PSE case, you were a witness in that case, correct?
A. Yes, that is correct.
Q. And can you turn to Exhibit 19X. And do you recognize that as the testimony you filed in the PSE case?
A. Yes.
Q. And that testimony was filed approximately one year in advance of the testimony you filed in this case, correct?
A. Yes, November 22nd, 2019.
Q. So can you turn to page 32 of that testimony, please?
A. Thirty-what?
Q. 32.
A. 32, sure.
Q. Now --
A. I have that.
Q. Thank you.
And on line 13, you report your DCF results in that case, correct?
A. Did you say page 32?
Q. Page 32 of the exhibit, so it’s not 32 of the page number. The results would be a hundred basis points higher if you had a copy of my Puget Sound testimony, which I just pulled from my file.
Q. I see.

A. So -- it's on my page 19, but I have what you -- I have the same numbers you've got, so we can proceed.
Q. Okay.
A. I'm just not on page 32 of my copy, that's what I'm saying.
Q. That's fine. I --
A. But you want my DCF results and I am there, that's the main thing.
Q. Perfect.
So your DCF results in that case were a range of 7.8 percent to 8.9 percent with a midpoint of 8.35 percent; is that correct?
A. That is correct.
Q. Okay. And that's a function of both increased dividend yields in this case and increased growth rates in 2020 as compared to 2019, correct?
A. Say it again, please.
Q. So those -- that change in the DCF result is a function in part of both increased dividend yields and increased growth rates in 2020 as compared to 2019, correct?
A. No. Puget -- my proxy group was a group of electric companies, not gas companies. So when you -- when you ask me a question about change in yields and growth rates, that implies to me that -- that you're
thinking that that's a change in the same companies. It
is not. It's the same process applied in different
types of proxy companies.
Q. I see. I see.
A. So you're saying that you did not necessarily
look at a gas proxy group in the Puget case, you looked
at an electric proxy group?
Q. Yeah. Well, electric -- a combination of gas
and electric, but I did not use a gas proxy group in the
Puget case, that is correct.
A. But you used a combination of gas and electric
companies; is that correct?
Q. When I say "combination," I mean companies that
have both operations. I did not use any pure gas
distribution companies.
A. Got it, okay.
Q. So that's -- that's a helpful clarification.
A. And just to go back to the results, your DCF
midpoint in the Puget case was 115 basis points higher
here than in the PSE case, correct?
Q. Say it say again, please.
A. Your DCF midpoint in this case is 115 basis
points higher than it was in the PSE case one year ago,
correct?
Q. Okay. And wouldn't you agree that it's
important to consider such a large swing in the DCF
results in formulating your ROE recommendation in this
case?
A. It would. I'm so glad you asked that question.
What you -- what you -- what you find in the past year
for natural gas distribution utilities is that the
dividend yield, for this group of proxy at least, has
increased over the -- between 2020 and 2020 -- between
2019 and 2020 by a hundred -- hundred basis points, the
yield.
For example, I was in a -- an LDC case,
Southwest Gas in Arizona and the proxy group I use is
the same as this case. And I used the last three months
of 2019. In that period, since then, the dividend
yields went up by a hundred basis points, but the growth
rates stayed basically the same. So all that change in
DCF apparent cost rates is accounted for by change of
stock prices, which people like Van Line, for example,
have indicated is reflective of the COVID situation.
So yes, the rates appear to have gone up, but
that's what I would call the COVID bump or the COVID
factor. Even Cascade has -- has recommended a great
reduction return of equity because of the COVID. And
I'm certainly not going to recommend an increase in it.
Q. So and even though your DCF results are so much
higher than in the PSE case, your recommendation in this
case is approximately the same as that case, correct?
A. Yes, but -- but flip-flop. At the same time the
DCF went up, if you look at the -- at the change in
perspective returns on equity over the past year,
they've come down substantially. And you asked me about
the prior Cascade case, the perspective
returns of equity in the last case was nine and a half
to ten and a half. Eight and a half, nine and a half.
That's a hundred basis points. So it's -- it's a
flip-flop. DCF appears to go up a hundred basis points
and (inaudible) has come down a hundred basis points.
Was that not surprising?
Q. So you -- you basically --
A. Those -- those methods work.
Q. You're basically saying that you're relying in
this case on your comparable earnings results whereas in
the last case you relied more on your DCF results --
Q. No.
Q. -- is that fair?
Page 87

Q. Correct.
A. -- apologize for redoing the question. I'm not trying to be smart with you, I'm just trying to move this along so to speak. So that's what really happened.

Q. All right. --
A. Didn't mean to be -- I apologize -- [Cross talking.]
A. -- I hope I didn't.

Q. All right. I appreciate --
A. Didn't mean to be -- I apologize --

Page 88

Q. No, I appreciate your response.

MS. MCDOWELL: And that's all the questions I have for Mr. Parcell.

JUDGE HOWARD: Thank you.

Do we have any redirect by Staff?

MR. CALLAGHAN: Thank you, Your Honor. No redirect.

JUDGE HOWARD: All right. Ms. Gafken, you may proceed with your cross-examination of Staff's witness.

MS. GAFKEN: Thank you.

Q. Good morning, Mr. Parcell. I am Lisa Gafken, and I'm the attorney for Public Counsel today.

A. Well, good afternoon my time.

Q. Fair enough. Good afternoon your time. I'm just -- bear with me just a moment. I'm getting my screen back in order. Okay. My first question really is just a foundational one.

So, Mr. Parcell, you -- you conducted a DCF analysis in this case, correct?

A. That is true.

Q. In your engagement in this case, did you review Dr. Woolridge's testimony for Public Counsel?

A. Yes.

Q. In particular, did you review Dr. Woolridge's cross-answering testimony, which was Exhibit JRW-14T?

A. His rebuttal to me you're saying, right?

Q. Correct.
A. Yes, I did.

Q. So your recommended ROE for this case is 9.25 percent, correct?
A. That is correct.

Q. Are you aware of Dr. Woolridge's critique of your analysis that only your DCF midpoint supports your 9.25 percent recommendation?
A. Repeat that, please.

Q. Sure.

Are you aware of Dr. Woolridge's critique of your analysis that only your DCF midpoint supports your 9.25 percent recommendation?
A. If you're trying to find a number in my DCF that matches 9.25, the answer to that question is yes, but that's not how I got my 9.25.

Q. Okay. And the focus of my question is whether you were aware of Dr. Woolridge's testimony on that point.
A. Yes, I saw that.

Q. Okay. If you could turn to your response testimony, which is Exhibit DCP-1T and go to page 32.

A. 32?

Q. 32, lines 1 and 2.
A. Yes, I have that.

Q. There you state that you believe a range of 9.0 percent to 10.0 percent with a 9.5 percent midpoint represents the current DCF-derived ROE for your proxy group, correct?
A. Correct.

Q. So staying with Exhibit DCP-1T, could you turn back to page 31 and go to lines 17 and 18?
A. Yes.

Q. There you state that the DCF rates resulting from the analysis of the proxy group falls into a wide range between 7.0 percent and 10.9 percent, correct?

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A. Correct.

Q. To calculate the midpoint, you find the middle of the range defined by two data points, the lowest and the highest individual DCF ROEs in the range; is that correct?
A. Yes.

Q. The calculating the mean or median would use all DCF ROEs and not just the high and low from the range, correct?
A. Right. The range is derived from using means and medians as shown on my DCP-10 I think -- DCP-9. No, I'm sorry. Yes, DCP-9, page 5, I use means and medians to develop the numbers that go into developing the 9 and 10 percent. So I did use means and medians.

Q. But when we're talking about the means and medians -- medians of the results, you would -- you would look at all of the DCF ROEs and not just the highest ones?
A. I don't look at those below 9 and I don't look above 10. You -- you could mathematically take the ones between 9 and 10 to look at mean and median, but I did not do that.

Q. Okay. So turning back to DCP-1 -- DCP-1T page 31, lines 19 to 20.
A. Yes.
Q. The mean and median DCF results are 8.8 percent and 9.0 percent respectively, correct?
A. Yes, that -- that uses all the growth rates, correct.
Q. Okay. If you could turn to page 4 of Exhibit DCP-1T and go to line 4.
A. Page 4, line 4, yes.
Q. You present your results in chart form, correct?
A. Correct.
Q. Your CAPM results indicate ROEs of 6.0 percent and 6.4 percent with a midpoint of 6.2 percent, correct?
A. Correct.
Q. In -- in your analysis, you -- you gave essentially no weight to your CAPM results; is that correct?
A. That is correct.
Q. The results of your comparable earnings and risk premium approaches both indicate a 9.0 ROE. How much weight did you give these approaches?
A. I didn't weight them, per se. For example, I used -- my three methodologies that I relied upon to make my recommendation for DCF, which is 9.5, CE, which is 9.0, and risk premium, which is 9.0, I used those to develop a range. If I average those three, I get 9.17.

MS. GAFKEN: Thank you, Mr. Parcell. I have no further questions.

JUDGE HOWARD: Do we have any redirect by Staff?

MR. CALLAGHAN: Thank you, Your Honor. No redirect.

JUDGE HOWARD: Ms. McDowell, you may proceed to cross-examine Dr. Woolridge.

EXAMINATION

BY MS. MCDOWELL:
Q. Good morning, Dr. Woolridge. Can you see and hear me? So I cannot hear you.
A. Here I -- I -- I said good afternoon on the East Coast, but you're right, I didn't have my mic on.
Q. Okay. All right. So you can hear and see me and I'm -- I can hear you now. There's a little bit of feedback. I don't --
A. MS. MCDOWELL: Is anybody else hearing that?
JUDGE HOWARD: I am hearing it as well. Can we just make sure that everyone else's microphones are muted unless they're going to speak.

MS. MCDOWELL: So I'm still getting feedback. All right. Let me try to -- is that better?
JUDGE HOWARD: Dr. Woolridge, are you using any attached microphones or speakers that might be causing a little bit of feedback?

DR. WOOLRIDGE: No, nothing.

JUDGE HOWARD: Okay.

MS. MCDOWELL: I don't think it's on my end, but is it -- I guess I'll just leave it up to you, Your Honor, if we want to try to reestablish the connection in some way or try to bear with it.

JUDGE HOWARD: It seems to be going away. Can the court reporter follow now? Is it sufficient?
THE COURT REPORTER: Yes, that's much better now, thank you.

JUDGE HOWARD: Hopefully it just stays away. I think we can hear you, but it's a bit of an odd sound. So you may -- you may proceed.

MS. MCDOWELL: All right. And can people just let me know if it becomes unintelligible? I can hear it again.

JUDGE HOWARD: Yes, the court reporter can certainly feel free to -- to indicate if it becomes difficult. Hopefully this goes away shortly. I don't want it to -- I don't want it to derail anything. Let's cross our fingers.

MS. MCDOWELL: Okay. Just advise if I need to stop and regroup in terms of the audio.

BY MS. MCDOWELL:
Q. So, again, good morning, slash, good afternoon, Dr. Woolridge.

A. Good morning, good afternoon.

Q. So your recommended ROE in this case is 9.0 percent, correct?
A. That's correct.

Q. And can you turn to the cross-exhibits that we have prefilled for you and specifically JRW-16X. Do you have that?
A. Which one is that? I -- the ones I have are not numbered.

Q. Okay. This is the -- your response to Cascade's data request 5.

COMMISSIONER RENDAH: You're muted, Mr. Woolridge.

JUDGE HOWARD: Yes, I think it might be helpful if Mr. Woolridge can mute his microphone when he's not answering a question. It might be a little...
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<tr>
<td>1. tedious for him, but that might address the feedback issue we're hearing.</td>
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<tr>
<td>BY MS. MCDOWELL:</td>
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<td>4. Q. So, Dr. Woolridge, are you looking for the exhibit right now?</td>
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<td>5. A. I have it. It's in front of me.</td>
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<td>7. Q. Okay. So there you establish that the recommended ROE in this case is lower than average but warranted because in your opinion equity rates declined in 2020. Is that a fair summary of your response to that data request?</td>
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<td>9. A. Well, yeah, I mean, equity rates have been declining, authorized ROEs have been declining for -- over time, and part of that is a lower capital cost and that sort of thing. I -- I -- I said that I think it has been slow to adjust to the lower interest rates we've seen, and that's why you see the -- the larger spread between authorized ROEs and 30-year Treasury yields. So it's been slow to adjust to the lower capital cost of recent years including 2020.</td>
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<td>21. Q. In your below average ROE recommendation --</td>
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<td>JUDGE HOWARD: Ms. McDowell, I hate -- I hate to interrupt you in the middle of a question but --</td>
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<td>MS. MCDOWELL: No problem.</td>
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<td>25. JUDGE HOWARD: -- it's just I don't -- don't want your cross to be derailed by technical issues.</td>
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<td>MS. MCDOWELL: I appreciate that.</td>
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<td>JUDGE HOWARD: So, Mr. Woolridge, one option I'm hearing from our IT staff might be if you can reduce your speaker volume a little bit. That might be -- to where you can still hear the questions adequately, that might be preventing the feedback. And then -- and then you might have to be quick with the mute and unmute feature. We're all -- we're all making due with the virtual setting.</td>
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<td>11. Okay. Ms. McDowell, would you like to --</td>
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<td>DR. WOOLRIDGE: I reduced the volume.</td>
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<td>JUDGE HOWARD: Okay. That sounds great.</td>
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<td>MS. MCDOWELL: That sounds better to me.</td>
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<td>JUDGE HOWARD: Thank you, Mr. Smith, for that.</td>
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<td>DR. WOOLRIDGE: Sorry, I didn't notice I was the culprit here. Sorry about that.</td>
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<td>JUDGE HOWARD: Not a problem.</td>
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<td>MS. MCDOWELL: No worries. We're all learning this new format.</td>
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<td>23. BY MS. MCDOWELL:</td>
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<td>24. Q. So I guess I just will reset by asking you to turn to page 4 of your testimony in this case.</td>
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<td>25. A. Yes.</td>
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<td>Q. And there on line 9, you indicate that Cascade's risk level is at the high end of the gas proxy group; is that correct?</td>
<td></td>
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<td>7. Q. Yes. So --</td>
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<td>9. A. I agree I do state that. I guess I don't see it on page 4, line 9 of my testimony --</td>
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<td>21. Q. You know --</td>
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<td>[Cross talking.]</td>
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<td>22. Q. -- I just want to be sure, I'm working off of your revised testimony, revised -- you filed revised testimony November 24th, 2020. Is that the document that you have?</td>
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<td>14. A. I don't think so. I had what I thought I had filed as 1TR.</td>
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<td>COMMISSIONER RENDAHL: Just to be sure, I have two sets of numbers on the bottom of the page. One shows a single digit and the other shows page X of 94. And so, Ms. McDowell, are you looking at the -- the page 4 of 94 reference?</td>
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<td>22. MS. MCDOWELL: I am looking at page 4 of 92.</td>
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<td>COMMISSIONER RENDAHL: Okay. Which would be page 8 of the single digit, right?</td>
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<td>25. MS. MCDOWELL: So I'm just trying to --</td>
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<tr>
<td>1. would it be helpful if I printed out a different version of this testimony? I was thinking I was working off the most recent version.</td>
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<td>MS. GAFKEN: I may be able to help with this, Ms. McDowell. You're looking at 1TR, so the revised version of it?</td>
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<td>7. MS. MCDOWELL: Yes.</td>
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<td>8. MS. GAFKEN: Let me -- it's 96 pages, right? That's the one that you're looking at?</td>
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<td>11. MS. GAFKEN: Okay. Was -- I think it's 96 was -- so I'm looking at an electronic copy.</td>
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<td>MS. MCDOWELL: I see.</td>
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<td>13. MS. GAFKEN: Let me -- let me take just a moment and email that over to Dr. Woolridge. I -- I'm sure that he has the testimony, but just to see if we can help with the page numbering issue. I think that -- that may solve the problem.</td>
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<td>JUDGE HOWARD: I'll just add, I'm looking at the -- Woolridge's revised testimony filed on November 24th, and it appears to be page 8 of the PDF document, but page 4 using the numbers on [sound interference.]</td>
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| MS. MCDOWELL: So it sounds like as soon as Dr. Woolridge gets the most recent version from Ms. Gafken, and we're just looking at the bottom pages,
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<td>the way the hard copy is paginated as opposed to the PDF, we'll all be on the literally and figuratively the same page; is that right?</td>
<td>A. Well, in that case, it was both electric and gas case. If you look at the numbers, they are very much driven by the electric side of the business, which were indicating significantly lower ROEs. In fact, the -- and so I would say that if I was -- you know, I haven't -- this is not an electric and gas case, but the reason it was 8.75 as much as anything was because of the electric side being so low.</td>
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<td>MS. GAFFKEN: That is the hope.</td>
<td>MS. MCDOWELL: Okay. So I'd offer 17X.</td>
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<td>MS. MCDOWELL: All right.</td>
<td>MS. GAFFKEN: I have no objection.</td>
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<td>MS. GAFFKEN: I'll have to say, this is a lot easier in person. Okay. I -- I have sent it by email, so it should be floating through the interwebs now and arriving shortly. So let -- let us know when -- when you have it, Dr. Woolridge.</td>
<td>JUDGE HOWARD: I will admit this exhibit into the record. Thank you.</td>
<td>(Exhibit JRW-17X admitted.)</td>
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<td>DR. WOOLRIDGE: I'm still waiting.</td>
<td>MS. GAFFKEN: I promise I sent it. I see it in my email. It's on its way.</td>
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<td>DR. WOOLRIDGE: It's arrived. Okay. I have it.</td>
<td>DR. WOOLRIDGE: I'm still waiting.</td>
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<td>A. So the question is about page 4, right?</td>
<td>A. Yes. I highlighted it there using their credit rating. They're -- they're at the -- the high end of the range for the -- the gas companies, and that's one reason why I used the high end of the range as well as I usually rely primarily on the DCF model.</td>
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<td>Correct?</td>
<td>BY MS. MCDOWELL: Q. Right. I was asking you a question and the reference was page 4, line 9 where you indicate that Cascade's risk level is at the high end of the gas proxy group; do you see that?</td>
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<tr>
<td>Q. Right. I was asking you a question and the reference was page 4, line 9 where you indicate that Cascade's risk level is at the high end of the gas proxy group; do you see that?</td>
<td>A. Yes, that's -- that's the testimony from -- from the Puget case?</td>
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<td>A. Yes, I believe so, yes.</td>
<td>Q. Yes, and that was the last time that you filed cost of capital testimony in Washington, the Puget Sound case in 2019; is that correct?</td>
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<tr>
<td>Q. And that testimony was filed on November 22nd, 2019; does that sound correct?</td>
<td>A. Yes.</td>
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<tr>
<td>Q. Okay. And in that case, you were testifying on Puget's cost of equity in its 2020 rate year, correct?</td>
<td>A. That's correct.</td>
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<td>A. Yes.</td>
<td>Q. Now, your ROE recommendation in that case was 8.75 percent, correct?</td>
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<td>A. Yes.</td>
<td>Q. And your ROE recommendation in this case is 25 basis points higher, correct?</td>
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<td>Q. So if equity costs were actually declining in 2020, wouldn't you have recommended a lower ROE in this case, not a higher one?</td>
<td>A. That's correct.</td>
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<tr>
<td>Q. So can you turn to page 29 of your testimony in this case? Again, just to make sure we are coordinated on our pages, this is 29, the marking on the bottom of the page. And I wanted to just direct your attention to line 17 where you state, (as read) Primarily I rely on the DCF model; do you have that?</td>
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<td>A. That is correct.</td>
<td>Q. And just to summarize, I guess, that's the question, that was your primary reference point in developing your recommendation in this case for Cascade's ROE?</td>
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<td>A. Yes.</td>
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BUELL REALTIME REPORTING, LLC
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COVID bump for the dividend yields of the gas companies, and I think the difference between what you saw there and what you see now is Mr. Parcell’s COVID bump.

Q. So you anticipated my next question because isn’t it true in this case that you used a 3.65 percent dividend yield, correct?
A. Yes.
Q. And in your testimony on page 33, line 20 to 22, you explain how you derived that number.
A. Is it in this testimony or the old testimony?
A. Yes.
Q. Lines 20 to 22.
A. Okay.
Q. And there you indicate you used that number because it was the midpoint between the 30-day and 90-day medians --
A. Yes.
Q. -- is that correct?
A. Yes.
Q. Okay. So can you turn to page -- or to your Exhibit JRW-8?
A. Yes.
Q. So page 2 has those numbers, and isn’t it true that the median for the 30-day and the 90-day yields are both 3.7 percent?
A. Yeah, I mean, and there’s a mean number 3.65.
Q. So when I look at those, I look at the means and medians and that’s where I got the 3.65.
A. Yeah, I mean, and there’s a mean number 3.65.
Q. But that’s not what you explained in your testimony, is it?
A. Yeah, that’s correct.
Q. And at either of those numbers, 3.65 or 3.7, would you accept subject to check that that is more than a hundred basis points higher than the 2.60 dividend yield you used in PSE’s gas proxy group last year for your DCF results?
A. Yeah, yes. That was I think two years ago, yes.
Q. Your testimony was filed a year prior to your testimony in this case, correct?
A. Yes.
Q. Now, can you turn back to that JRW-6 exhibit?
A. Yes.
Q. And I wanted to direct your attention to page 2 where you have a chart of dividend yields.
A. Yes.
Q. So using those numbers, the 3.65 or 3.7 numbers, isn’t it true that you have to go back to 2012 to find dividend yields at that level?
A. Yes, that’s true. It looks -- I mean, let me --
Q. That’s -- I would agree that’s probably about right.
Q. Okay. And then can you turn back to your response testimony at page 5?
A. Yes.
Q. And there you have a figure that shows authorized ROEs, and if you look in the 2012 range, all of the ROEs at the time period were in the 9.8 range, weren’t they?
A. Yeah, I mean, but obviously the equity cost rate is a function not only of the dividend yield, but also the growth rate. And so if you look -- and it’s a function of the CAPM numbers as well. But no, I agree, you’re right, the dividend yields are back when it was 9.8, but as it turns out, obviously it’s a function of both dividend yield and growth.
Q. All right. Can you turn to page 56 of your response testimony?
A. Yes.
Q. And in your testimony on page 33, line 20 to 22, you explain how you derived that number.
A. Yes.
Q. Your testimony was filed a year prior to your response testimony?
A. Yes.
Q. And just to make sure we’re all understanding what we’re talking about here, you explain what betas are and how they work. And just to summarize, I’ll just ask you if you agree with this summary, that beta is a measure of the systemic risk of the stock; is that correct?
A. Yes.
Q. And that a beta less than one means a less -- that the stock is less risky than market and a beta over one means that it’s more risky than market; is that correct?
A. That is correct.
Q. So the higher the beta, the greater the risk,
the betas have gone up for the low-risk business but also the average industry beta is 1.1 and that's because in the market, the average beta is 1.0.

So these things are elevated in part because they're -- they're computed use in the New York Stock Exchange index, they're adjusted betas, so they're not the raw betas, they adjust these, and so but still the utilities are among the lowest risk industries. It's just the way Value Line measures beta the -- the numbers have changed because of the volatility in March and April.

Q. And you use the Value Line numbers --
A. I--
Q. -- in your testimony, correct?
A. Yes, I am. I'm looking -- because -- because the New York Stock Exchange is not the market index and that's just -- you know, you -- you look at the different sources of beta, Yahoo and others, they use different indexes. They use monthly returns, they use weekly returns, and that sort of thing and they get different betas.

But I -- I still use -- and my -- I'm looking at the issue, but two things I'd say; the betas have gone up, and the second thing is that -- that, again, they -- all of them have the low -- low beta industries. But --

Q. So can I just --
[Cross talking.]
Q. All right. I'd like to just get back to asking you a question about the betas that you used in the PSE case.

Can you turn to page 46 of your Exhibit 17X and line 20; do you have that?
A. Page 46 of 17X; is that correct?
Q. That's correct. And, again, it's the exhibit markings at the top.
A. Yep.
Q. And line 20.
So you used a beta of 65 for your gas utility proxy group in the PSE case, correct?
A. Yes.
Q. And in this case, you used the median beta for your proxy group of 80; is that right?
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 --  
big issue is you're using the New York Stock Exchange index and not the -- the overall market. That's one of the factors.  
Q. And it's true, isn't it, that betas have continued to increase throughout this case?  
A. The betas have gone up, but all low -- the way Value Line computes betas is all low industry betas have gone up, and that's what I show in my study.  
Q. So back to your response testimony at page 56, so one of the bases for justifying your ROE in this case was declining betas. And wouldn't you agree that it's problematic to justify your ROE recommendation on that basis when the record here shows that betas have been increasing throughout 2020?  
A. Again, the betas have gone up. Historically they're still below 1 as you'd expect the low. And, you know, it's part of the way Value Line does this. So this is just an observation. You know, they're low -- they're still one of the lowest beta industries that Value Line computes betas for.  
Q. So can you turn to your response testimony at page 11, and specifically I wanted to direct your attention to line 17 and 18 where you indicate that the 30-year yield has now come back to about 1.5 percent; do you see that?  
A. Yes.  
Q. And then in your cross-answering testimony, which is JRW-14T; do you have that?  
A. You know what, yeah, I will. Hold on. Give me a second. Sorry, I did not --  
Q. Of course.  
A. -- have that pulled up. Sorry about that.  
Q. No worries.  
A. Give me one minute here. Sorry, I -- I thought I had that. Go ahead. I'm -- yeah, I got -- okay.  
Q. Okay. So you can turn to page 8 of that testimony, please? Again, I'm at the bottom, page 8 of 22 is where I'm looking.  
A. Okay.  
Q. Okay. And on line 4 you state that interest rates have stabilized in the 1.5 percent range, and, again, I assume you're referring to 30-year Treasury rates?  
A. Yes.  
Q. Okay. And --  
A. At the time. You know, they've declined and -- they've declined. I mean, they've come -- they -- they were stabilized there in the third quarter, so about 1.5. Now they've gone up another 50, 60, 70 basis points, I agree since -- since the time I filed -- since this discussion point, yes.  
Q. Okay.  
MS. MCDOWELL: Well, I think with that answer, I -- that basically foreclosed a bunch of my final questions. So that's all I have for you,  
Dr. Woolridge. I appreciate your time this morning or this afternoon for you.  
DR. WOOLRIDGE: Thank you.  
JUDGE HOWARD: Do we have any redirect by Public Counsel?  
MS. GAFKEN: I have a little bit of redirect, Your Honor.  
E X A M I N A T I O N  
BY MS. GAFKEN:  
Q. Dr. Woolridge, you were asked some questions about the equity rates declining over a period of time and how ROEs have been slow to adjust to that. Do you recall that line of questioning?  
A. Yes.  
Q. Were you referring to COVID times or something different than COVID?  
A. Well, I'm talking about more general. I mean, obviously, I think like Ms. Bulkley talked a lot about well, interest rates have gone up a lot. If you look historically, Treasury rates of about 2 percent is historically low. I mean, we've only seen Treasury rates as low as this in the last two years. You go back 30, 40 years, Treasury rates have been much higher than this.  
So this is kind of a long downward cycle. Yes, they've increased since November when I filed my testimony. Does that change my recommendation, no. Because look, historically 2 percent Treasury yields, you wouldn't believe that five or ten years ago.  
So, you know, part of it's looking at the longer timeframe and especially in its relation to authorized ROEs. We just haven't seen Treasury yields this low. Yeah, they bounce around by 30, 40 basis points, they're still well below where they've been over the last 30, 40 years.  
Q. And when you're looking at the Treasury yield in -- in looking at the ROE analysis, what -- what are you looking for; what are you comparing?  
A. Well, you're looking for kind of what is the relationship. Obviously interest rates are one driver of capital costs. I mean, I say in my testimony I -- that -- I mean, in 2020, utilities rec-- they -- they...
raised a record amount of capital despite all the issues we heard from Ms. Bulkley. They raised a record amount of capital. Why is that? Capital costs are low. That's when utilities and other companies go to the markets and raise capital.

So utilities are having no trouble raising capital and it's cheap capital, and that's because you haven't seen interest rates in capital costs this low in literally decades, if ever.

Q. You were asked a number of questions about beta and what's happening with beta. Do you recall that line of questioning?
A. Yes.

Q. I guess generally, what is the impact of beta to cost of capital analysis?
A. Well, beta is a measure of relative risk relative to the market. And you're right, utility betas have bumped up because how volatile they were in the March and April timeframe, especially when you use Value Line, which measure them on a weekly basis.

Now, I've used Value Line. I've questioned about whether -- I mean, especially given this recent change, but all of these low beta industries suddenly bumped up. The average beta for Value Line is well -- is above 1. Why is that? Because they use the -- the

New York Stock Exchange index, but it's also tied to the market risk premium.

I mean, even with the higher beta, my -- my overall recommended rate of return is -- using CAPM is only 7.3 percent, but I use a -- a market-determined market risk premium that is used in the marketplace by investment firms and that sort of thing.

Ms. Bulkley has a high -- her only -- the only number she produces that supports an ROE as high as 10.3 percent is her CAPM model, and as I lay out in detail, I mean, it's based on a totally unrealistic market risk premium that's much higher than any of the market risk premiums that are used in the marketplace by investment firms, which are published as part of studies and that sort of thing. Because she concoct[ sic] -- she conduct her own study. And I've talked about the infirmities in that study, but it's really key to understand the -- the beta and the market risk premium are tied together in getting an ROE.

Q. And you were asked quite a bit about the increase in betas over the last period since testimony has been filed. Does that impact your recommendation in this case?
A. No, I mean, I've -- I've -- I have used higher betas. My numbers, you know -- and I think, yeah, the
discussion about betas going up, the -- what -- what happened in the Puget case versus this case, that sort of thing, I'm still using the high end of the range while I'm primarily on the DCF model, and dividends have gone up as Mr. Parcell covered in his -- his testimony and I use it.

But, again, you're using a CAPM model. It's -- it's not just the beta, it's also the market risk premium. And if you're using a market risk premium that's -- that's double digits, which no -- no published market risk premiums are double digits, you're going to get a big number like Ms. Bulkley does.

Q. So you were -- you were asked questions comparing your -- your testimony in the Puget Sound Energy general rate case with this case. Did you use the same analytical tools for the Puget Sound Energy general rate case as you did in this case?
A. Yeah, and as I said, in that case, you know, the electric utility numbers were really low, and that kind of drove where the numbers were. On the risk level basis, you know, Puget -- Puget's credit ratings were very much impacted by its parent's nearly $2 billion in debt at the corporate levels. So that really impacted the relative risk analysis there because of all the debt that Puget Energy has over Puget Sound Energy.

Q. You're anticipating one of my next questions, but I'm going to ask you a foundational question first. Did you employ the same methodologies to calculate ROE in the Puget Sound Energy general rate case as you used in this case?
A. Yes.

Q. What accounts for some of the differences and similarities between the PSE case and this one? It feels a little -- well, I will stop there.
A. Well, I mean, I -- I would say, I mean, again, the electric and gas -- you know, at the time the electric utility numbers were really low. I mean, I saw that in a number of states in terms of how these were looked at. You know, the -- you know, I put a graph in there of authorized ROEs for gas companies versus electric companies, and they've kind of mirrored each other.

But, you know, for electric, for example, for electrics, you really -- to compare those to gas companies, you really have to look at electric distribution companies and they are -- they are -- they are below what other electric utility authorized ROEs are.

Q. And Cascade is a single fuel utility, correct?
A. Yes.
Q. You were asked to compare your analysis in -- and the results of your analysis in the Puget case as you had in this case. Would you expect your numbers to be exactly the same from case to case?
A. Not necessarily. I mean, there’s some -- I mean, in all of these, and Ms. Bulkley or Mr. Parcell, I mean, there’s some judgment used in terms of the -- the approaches you use and the -- the amount of weight you’re going to use on -- on one model versus another.

But a lot of it determine -- you know, is determined by kind of -- you know, I -- I rely -- I state very much I -- I relied primarily on the DCF model, I -- you know, with different models, you get a big variance.

You know, there’s a big variance in the -- in the differences between, say, Mr. Parcell or Ms. Bulkley’s numbers between the -- the expected earnings versus risk premium, that sort of thing.

So I mean, the -- the -- the analyses are going to differ and different analysts are going to put weight on different things. And -- and part of the testimony process I think is looking at what they're doing and -- and questioning the inputs and what they use.

Q. And from case to case, you’re not necessarily using the identical time periods or proxy groups or all the various inputs, they’re not identical from case to case, are they?
A. No, they're going to change, and the capital market conditions are going to change. I mean, obviously over the last year, the markets have changed quite a bit, but a lot of things that happened in the middle of COVID have -- you know, the market -- stock market's back at a record high, the -- the -- you know, interest rates are still historically at extremely low levels despite their recent rise. So I mean, obviously you have to account for the capital market conditions and that sort of thing.

Q. I have two different terms in my notes and I just want to make that sure I've covered all my bases. Dividend yields, are those the same as the Treasury yields or is that a different topic?
A. Dividend yield is the annual dividend divided by the stock price. And it's a -- it's a -- you know, how much cash dividend you have as an investor as compared to the price that's being paid in the marketplace. And, you know, utilities traditionally have had higher dividend yields because they don't have the growth, but, you know, the -- and they fell to very low levels and now they've rebounded some. And so but you have to look at both dividend yield and the growth rate, you know, when you're looking at the DCF.
raise your right and hand I will swear you in?

(Nicole Kivisto sworn.)

JUDGE HOWARD: Thank you.

Ms. McDowell, are you -- would you be handling this witness?

MS. MCDOWELL: I am, Your Honor.

JUDGE HOWARD: Would you like to just give her a brief introduction and then we will have the bench questions?

MS. MCDOWELL: I will do that. Thank you so 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 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 RENDAH:

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.

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

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

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

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

A. Yeah, Mike or Pat Darras may be able to answer that.

COMMISSIONER RENDAHL: Okay. Thank you very much. I don't know if my colleagues have any follow-up, but thank you very much. Appreciate it.

MS. KIVISTO: Thank you.

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

JUDGE HOWARD: Certainly.

EXAMINATION

BY COMMISSIONER BALASBAS:
Q. Good afternoon, Ms. Kivisto.

A. Good afternoon.

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

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

parent holding company.

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

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

As it relates to if you're talking about an allocation of incentive, there are benefits to your point of being part of a larger corporation, and indeed we want to pass those benefits on down to our customers.

So I would argue that that is a positive in some cases where we can, you know, you think about a centralized service such as legal. We are benefiting from the ability to use a legal department that supports multiple companies instead of just having a legal department to support Cascade in its entirety. So I think there are certainly benefits where we see those, we pass those along.

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

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

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

A. Yeah, depending on the topic. I think there's benefits of being part of a larger company. I believe those should be passed along to our customers and reflected in customer rates. But where we talk about
the risks of being a smaller entity, those -- those are
real, and we -- we do serve a different customer base
than some of the larger utilities in this state.
Q. Okay. And maybe shifting topics just briefly
here, I want to ask about one of the -- or one of the
main arguments that -- that Cascade continually presents
in the rate cases that I have seen since I have been on
the Commission in the last few years have been the
ongoing capital investments.
A. Yeah.
Q. So and that of course I understand and -- and
acknowledge that requires cash and other financing to --
to complete.
That said, based on your argument of looking at
discrete instances of whether to be evaluated as a small
company or a larger company, where -- where do we see
the benefit of Cascade being part of a larger company
when it comes to that cash flow for capital projects?
A. I would say the benefit of being part of a
larger company when it comes to cash flow would be our
equity raise ability. So differently than if we were
standalone as Cascade by itself and we, to your point,
needed to support the capital program we're supporting,
our debt is raised within Cascade's umbrella on its own.
But on the equity side, we are able to deploy
higher amounts of capital without external equity raise
at times, I'm not saying all the time, because of the
benefit of being part of a larger organization and the
cash flow provided from a larger organization. So I
would say that's one benefit.
Q. Okay. All right. And then my last question
relates to the frequency and timing of your rate
filings. And as you know, we have -- we have issued a
policy statement regarding capital and used and useful
and the -- you know, there's discussions and ongoing
efforts to try to get utilities to consider multiyear
rate plans in their filings.
My question for you as the head of Cascade is,
when are we going to see that? I mean, there is -- this
is the second case that I've seen in the last two years
where there's an acknowledgement of the policy statement
that we issued, and I do not see that in your filing. I
want to see when you're going to --
[Brief interruption.]
JUDGE HOWARD: I'm not sure who is speaking
right now, but they are not called to testify at this
point. So please keep your line muted for now.
Sorry, Ms. Kivisto, you may -- you may
answer.
A. Yeah, I think I captured your question,
because there's so many factors that go into that and
one of them will be, of course, the outcome of this
case.
And what is the outcome here and -- and we
will go forward in terms of looking at the point where
we need to file another case do we have more certainty
as we look to the future.
You mentioned the -- the capital, and I
appreciate the comment on the higher capital and the
CapEx that we are spending here certainly is of
heightened levels in terms of our -- in my opinion our
obligation to provide safe and reliable service. It is
a balancing act. Certainly we know that we're dealing
with customer impacts here, but we also know that we are
obligated to provide safe, reliable service, and these
replacement projects are critical.
And so we do have the need to continue to spend.
You saw that in my testimony. So we will certainly
reevaluate whether multiyear makes sense at the time we
look to another case.
COMMISSIONER BALASBAS: All right. Thank
you very much. I have no further questions.
JUDGE HOWARD: Do we have any further
questions from the bench for Ms. Kivisto?
Okay. Hearing none, thank you for your
testimony today. You are excused.

MS. KIVISTO: Thank you.

JUDGE HOWARD: Did we have any -- just to check one more time, did we have any questions from the bench for Ms. Nygard?

COMMISSIONER RENDAHL: No.

JUDGE HOWARD: Hearing none, the next witness on the agreed witness list is Patrick Darras for Cascade.

Mr. Darras, are you on the line? And am I saying your last name correctly? I apologize if I'm not.

MR. DARRAS: Yes, you pronounced that correctly. Can you hear and see me?

JUDGE HOWARD: Yes, thank you. Please raise your right hand and I will swear you in.

(Patrick Darras sworn.)

JUDGE HOWARD: Thank you.

Would Cascade like to introduce the witness?

MS. SCHOONOVER: Yes. Thank you, Judge Howard. This is Jordan Schoonover for Cascade.

Mr. Darras, can you hear me and see me?

MR. DARRAS: Yes, I can.

MS. SCHOONOVER: Perfect.

EXAMINATION

BY MS. SCHOONOVER:

Q. Could you please state your full name and spell it for the record?

A. Yes, Patrick Darras. D, as in dog, a-r-r-a-s.

Q. How are you employed, Mr. Darras?

A. I am the vice president of engineering operations services for Cascade Natural Gas.

Q. And in that capacity, have you prepared direct and rebuttal testimony and exhibits in this proceeding?

A. Yes, I have.

Q. And specifically, are those testimony and exhibits numbered PCD-1T through PCD-6?

A. Yes, that is correct.

Q. Do you have any changes or corrections to your prefiled testimony and exhibits?

A. I do not.

Q. If I were to ask you the same questions set forth in your prefiled testimony today, would your answers be the same?

A. Yes, they would.

Q. Thank you, Mr. Darras.

MS. SCHOONOVER: This witness is available for cross-examination.

JUDGE HOWARD: Thank you.

EXAMINATION

BY MR. CALLAGHAN:

Q. Good morning, Mr. Darras. Can you hear me all right?

A. Yes, I hear you fine.

Q. Okay. Mr. Darras, I'm going to be asking you to review Cross-Exhibits PCD-7X through PCD-14X as well as your direct and rebuttal testimony and the exhibits that you prefiled. Do you have those available?

A. Yes, I do.

Q. Okay. Thank you.

Mr. Darras, in Cascade's initial filing, how many line items were included in the Company's proposed pro forma plant adjustment?

A. It would include just the specific projects.

Q. Okay. Could you turn to PCD-11X for me and let me know when you're there.

A. Okay.

Q. Do you see column G of this exhibit?

A. Yes, I do.

Q. And let me back up. What is this exhibit?

A. This exhibit is what Ms. Peters provided with her testimony, NCP-6.

Q. Okay. Thank you.

And this shows -- column G shows the proposed adjustments related to each line item, correct?

A. Yes, it does.

Q. Now, I'm not going to make you count, but would you accept subject to check that there are 46 line...
items? 
A. I guess subject to check if we're talking the entire document, it looks like there's a lot more than 46 line items there unless I misunderstood the question.
Q. Let me clarify.
MS. SCHOOVER: I was going to suggest to clarify what you mean by "line items." That might be helpful.
MR. CALLAGHAN: Let me rephrase.
BY MR. CALLAGHAN:
Q. Mr. Darras, in column G, there are only a few items that have proposed adjustment figures, correct?
A. Correct.
Q. All right. And would you accept that subject to check there are about 46 items that have proposed adjustments related to them?
A. Yes, I would.
Q. Okay. All right. And as you mentioned, 15 of those projects you describe in your rebuttal testimony as discrete projects, correct?
A. I apologize, but you broke up for me at the beginning of that.
Q. Okay. Yeah, 15 of those projects you describe in your rebuttal testimony as discrete projects, correct?
A. Correct.
Q. Okay. And are you using the term "discrete project" as synonymous with specific project?
A. Yes, that would be my term specifically.
Q. Okay. So for the purposes of -- of this testimony, I'm just going to refer to them as discrete projects just to make sure we're using the same terminology.
A. Sure.
Q. So at the time of the initial filing, how many of those 15 projects, discrete projects, were fully in service?
A. At the time of the filing, I believe there was four that would have been in service, and when we say -- I guess that's the -- the clarification probably right away that I need to. When I look at it, again, I'm talking 15 discrete projects, and then there's a multitude of projects underneath -- underneath those 15, which comes up to 26.
So to say that of the 15 I would have to go back and -- and look at that, but there -- there were four projects within those 15 discrete that were complete prior to -- or in service prior to initial testimony.
Q. Okay. Thank you.
A. No problem.
Q. And on rebuttal, you state that Cascade is withdrawing its request for five of the 15 pro forma discrete projects, correct?
A. Correct.
Q. And when did Cascade make the non-Company parties aware that it was withdrawing those five of the 15 discrete projects?
A. I'm not exactly sure which -- which document it would have been. It would have been one of the data requests I believe is where we updated that.
Q. Okay. Could you turn to your rebuttal testimony on page 5 and let me know when you're there. That is PCD-3T and beginning lines 10 through 18.
A. On page 5 did you say?
Q. Yes.
A. Okay. And then 10 through 18, I'm there.
Q. All right. The question asked is, quote, Did Cascade inform the parties regarding the plant delays before they filed the testimony?
A. Yes, it is.
Q. And your answer to that question mentions the response to Staff Data Request 89 and the revised supplemental response to Staff Data Request 92, correct?
A. Yes, it does.
Q. Could you turn to Exhibit PCD-7X and let me know when you're there.
A. Okay.
Q. Is it the initial response to Staff Data Request 89?
A. Yes, it is.
Q. And does that response indicate the date that it was prepared?
A. Yes, it says August 27th.
Q. All right. And where in this DR response does it state that Cascade is no longer seeking to include the Aberdeen and Richland Keene Road Projects in the pro forma adjustment?
A. I don't believe it does in this one.
Q. Okay. And in your rebuttal testimony, you indicate that this was -- response was sent to the Commission at -- Commission Staff, excuse me, on September 9th, correct?
A. Yes, I do.
Q. And -- sorry, could you please turn to PCD-AX with me and let me know when you're there.
A. Okay.
Q. All right. What is PCD-8X; do you recognize this document?
A. Yes, I do.
Q. And what is it?
A. It's Data Request No. 92.
Q. All right. And this is a revised version, correct?
A. Yes, I believe there was several revisions. This would have been the first revision, I believe.
Q. Okay. And referring to back to your rebuttal testimony, page 5, footnote 14, you state that although the DR response indicates it was prepared August 27th, it was, in fact, prepared on October 27th; is that accurate?
A. It was provided, yes, on October 27th.
Q. All right. And does this -- [Brief interruption.]
MR. CALLAGHAN: I'm sorry, if someone is speaking, if you can please mute yourself. Thank you. BY MR. CALLAGHAN:
Q. In attachment 1 of the DR response, where does this document indicate that Cascade is no longer including the Richland Keene Road and Aberdeen Projects in its proposed pro forma?
A. I believe it would be identified it looks like in column G of that document.
Q. Where in column G does it indicate that they're no longer --
A. Line No. 58.
Q. Right.
A. Which is the Aberdeen Project that shows zero under the proposed adjustment.
Q. Okay. But it doesn't explicitly state that Cascade is removing this from their proposed pro forma adjustment, correct?
A. Not in this document, it does not.
Q. Okay. But assuming that the reader inferred from the zero that -- that Cascade was removing that from its request, October 27th would be the first date that Cascade informed the parties it was removing those projects, correct?
A. Yes, subject to -- to check, I guess I would -- I would not disagree with this at this point.
Q. And in your rebuttal testimony on page 9, you cite that this supplemental DR as -- DR response as the documents that informs the other parties that the Othello Gate Project was in service; is that correct?
A. Could you repeat that, make sure I'm on the right -- you said page 9 of the --
Q. Of your rebuttal testimony. Page 9, line 8.
A. Okay. What was your question?
Q. Yes. So you are citing the Cross-Exhibit PCD-8X as the document that informs the other parties that the Othello Gate Project was in service, correct?
A. Yes, I do.
Q. All right. And specifically on -- in footnote 22, page 9 on your rebuttal testimony, you cite column I of this response, correct?
A. Yes.
Q. Isn't the title of column I Estimate In-Service Date?
A. And you're referencing the PCD-8X, correct?
Q. Yes.
A. Yes, it does say that.
Q. Okay. Does someone reading this response know which dates are estimated in-service dates and which are actual in-service dates?
A. I don't know that you -- you would know it. I guess when I look at it and you'll see that there are some dates that are after this was filed, so the assumption could be made that it's -- it's an estimated and an actual. Could it have been clarified differently on this form or this submittal, this revision, yes, it could have.
Q. And I think if you were to refer to a later form as we started to run in or find some of these inconsistencies across these different forms is when we chose to do our best to clarify some of those to help explain where the inconsistencies were coming from.
A. Okay. Thank you.
In your -- turning back to your rebuttal testimony on page 12, line -- beginning on line 15, let me know when you're there.
Q. Okay. I'm there.
Q. You mentioned that the Bellingham eight-inch project, you state that, quote, the final costs are now slightly higher as a result of the delayed material charges that were booked later in the year, end quote.
When were those material charges booked?
A. I don't have an exact date. What I do know is that they were booked after the fact that we had originally quoted that -- that in-service date.
Q. Okay. And I think here is a good time for me to try and explain a little bit that the -- the different folks that were working on these forms and then the different way that we even internally looked at estimated versus actual service dates.
A. Okay. What was your question?
Q. All right -- you said page 9 of the --
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When were those material charges booked?
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Q. Okay. And I think here is a good time for me to try and explain a little bit that the -- the different folks that were working on these forms and then the different way that we even internally looked at estimated versus actual service dates.
would say that if you were to call up an engineer and ask them what the in-service date is, if the gas is flowing in the pipe, they're going to say that it's in service. Depending on who asked for that information and depending on who answered that information is where you're going to get the inconsistency that I -- I believe or it's my opinion that we saw in these different forms.

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

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

Certainly, when you look at a year like we just had with the pandemic, I think that even raises to a higher level. To me, I think we were quite fortunate to be able to complete the projects that we needed to be able to continue to provide a safe, reliable service. There was a lot of unknowns at the time that we did initial testimony in June. When we filed that, we -- there was just a lot of unknowns. We didn't even know if we could get contractors at that time.

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

Q. All right. So getting back specifically to the Bellingham Project, up until rebuttal testimony, Cascade was reporting the actuals for that project that ended up being incorrect; is that right?
A. Ended up being incorrect, I would -- I would say yes.
Q. Okay. So for the other nine discrete projects that Cascade is still proposing to include in pro forma,

are there any similar material charges or any other project-related expenses that won't become known until later?
A. To my knowledge, no, there isn't. And I think the difference that I would try and point out in -- in the case of these is we did close the books December 31st. So even if there was a late material invoice that we discovered on one of those projects, it would not be included in this rate case.

Q. All right. And turning back to your rebuttal testimony on page 5, you note that Cascade delayed the Aberdeen and Richland Keene Road Projects, quote, to reduce its capital budget in light of the ongoing COVID-19 pandemic; is that right?
A. That is correct.
Q. When was the decision made to reduce the capital budget in light of the COVID-19?
A. I don't know that I have specific date. I would say we as a company as Ms. Kivisto just discussed previously was we -- we recognized the potential need to do this, a lot of uncertainty. When did we start looking at capital budgets and potential to trim, I would say, you know, that March/April timeframe. When did we conclude that, I would say I don't know that we ever did. We continuously throughout the year really recognized and we recognized and we tried to clear it up.

Q. Okay. On rebuttal, Cascade is still proposing to include ten discrete projects in the pro forma that were to look at some of the items that you just pointed out, those are cleared up to the best of our ability in both rebuttal testimony and the PCD is it 6. And then also if you look at PCD-6 and cross-reference that with the final MCG-15, those are exact numbers and those are what we closed out at the end of the year for used and useful and in-service projects.

Q. All right. So getting back specifically to the Bellingham Project, up until rebuttal testimony, Cascade was reporting the actuals for that project that ended up being incorrect; is that right?
A. Ended up being incorrect, I would -- I would say yes.
Q. Okay. So for the other nine discrete projects that Cascade is still proposing to include in pro forma,

... evaluated all projects that were going on.

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

And --
Q. Thank you.

So when was the decision made to delay the Aberdeen and Richland Keene Road Projects specifically?
A. I don't know that I've got that specific date.
Q. Okay. On rebuttal, Cascade is still proposing to include ten discrete projects in the pro forma adjustment. Has Cascade submitted any exhibits demonstrating that the Company considered whether any of those projects could or should be delayed due to the COVID-19 pandemic?
A. Not to my knowledge, we did not.
Q. To your knowledge, does the record in this docket contain any contemporaneous documentation of the decision-making process in which Cascade decided to continue those ten projects but to delay the other two?
A. I would say no other than in my testimony and rebuttal, I continued to reference the need and the prudence of those projects based on the safety and reliability reason.

Q. Did Cascade submit any exhibits that contained
contemporaneous documentation of that decision-making process?

A. Not to my knowledge, no.

Q. Okay. Now, I'd like to ask you some questions on the blanket growth expenses that Cascade is proposing to include in pro forma.

7. Cascade's position on these are that they're costs that are allowed under the Commission's used and useful policy because they would be considered programmatic; is that a fair summary?

MS. SCHOONOVER: Excuse me, Counsel. Can you please provide a reference for the testimony you're looking at?

MR. CALLAGHAN: You know, I hadn't written down a specific reference, but I would say, Mr. Darras, if you don't think that's an accurate summary, you're certainly welcome to say that.

MS. SCHOONOVER: I'm just wondering whether we might be getting into Mr. Parvinen's testimony rather than Mr. Darras's. But if Mr. Darras has an answer, he can certainly offer it.

A. Yes, if you can repeat the question, please, and I think we're hung up on the programmatic, and I don't know that I am the right person to give the definition for programmatic based on the policy.

BY MR. CALLAGHAN:

Q. All right. So have you read the used and -- the Commission's used and useful policy statement?

A. Yes, I have read it.

Q. Okay. And could you turn to PCD-10X on page 5, footnote 19 for me and let me know when you're there.

CHAIR DANNER: I'm sorry, Counsel, could you read that to me again?

MR. CALLAGHAN: Yes, this is PCD-X10, which is the used and useful policy statement, and it is on page 5, footnote 19.

CHAIR DANNER: Thank you.

A. Okay.

BY MR. CALLAGHAN:

Q. And footnote 19 says, quote, programmatic investments are by their very nature investments made according to a schedule, plan, or method. Is that accurate?

A. Yes, that's what it says.

Q. Okay. Could you turn to your rebuttal testimony on page 16 and let me know when you're there. Specifically beginning on line 15 of page 16.

A. Okay.

Q. All right. So you describe here blanket growth projects, quote, these blanket funding projects encompass costs that are generally unplanned and outside the Company's control. While we know that we will incur these costs over the course of the year, we do not know exactly where or when. For this reason, the Company cannot budget individually for specific projects if all within these blanket funding projects.

Based on your own description of these projects, can they really be considered programmatic?

A. Again, I -- I would defer to Mr. Parvinen on this. I'm not the expert when it comes to the intent of what the -- that I -- line 19 says in the policy statement.

Q. All right. But your description in your rebuttal testimony that the blanket funding projects are generally unplanned and outside the Company's control is accurate; is that right?

A. Yes, that is correct.

Q. And your testimony describes all three types of blanket expenses as related to customer growth, correct?

A. Yes, it does.

Q. Could you turn to Exhibit PCD-11X on page 6 and let me know when you're there.

A. Okay. What page is that again?

Q. It's the exhibit's page 6. So the page numbers that are in the very top right corner of the document.

A. Okay. And page 6 of 6?

Q. Yes. The last page, yes.

A. Okay.

Q. Number -- note 27 in this document, it says, quote, blanket growth work orders. These projects are known to improve system dependability, i.e. gas deliverability, cetera, to deliver gas to known identified new customers.

Is note 27 an accurate description of the pro forma blanket growth expenses that Cascade is seeking to include in the pro forma adjustment?

MS. SCHOONOVER: I would just object that this is not an exhibit to Mr. Darras's testimony. This is an exhibit to Ms. Peters' testimony.

JUDGE HOWARD: You may proceed.

BY MR. CALLAGHAN:

Q. Mr. Darras, would you like me to ask the question again?

A. Yes, please.

Q. Okay. So on page 6 note 27 states, quote, blanket growth work orders. These projects are known to improve systems dependability, i.e. gas deliverability,
in an area without the specific intent to add known new customers. Some projects are construction of new system assets, mains, services, et cetera, to deliver gas to known, slash, identified new customers.

Is note 27 an accurate description of the pro forma blanket growth expenses that Cascade is seeking to include in the pro forma adjustments?

A. It does seem to be, yes.

Q. Okay. This description makes it sound like at least some of these projects are not necessarily due to customer growth, doesn’t it?

A. It looks like it could be looked at that way, yes.

Q. All right.

MR. CALLAGHAN: And actually, that’s all I have. Thank you, Your Honor.

JUDGE HOWARD: All right. Do we have any redirect from Cascade?

MS. SCHOONOVER: Yes, just a few questions, Your Honor.

E X A M I N A T I O N

BY MS. SCHOONOVER:

1. projects had been postponed?
   A. Yes, I do.
2. Q. Could you please turn back to Exhibit PCD-7X?
   A. Okay.
3. Q. And this is the Data Request 89 that was provided in August or September; is that correct?
   A. Yes, it is.
4. Q. Could you please read us the actual in-service dates for the Aberdeen and Richland Keene Road Projects that are provided in this data response?
   A. Which projects?
5. Q. Let’s start with the Aberdeen 6-inch high pressure, which is section 5.
   A. Yes, that shows an in-service -- or an actual in-service date of 8/31/21.
6. Q. Okay. 2021, is that what you said?
   A. 2021, yes.
7. Q. Okay. Thank you.
   A. July 30th of 2021.
8. Q. Okay. Could we also turn to Exhibit PCD-8X, please.
   A. Okay.
1. 20 million per year.
2. So is it significant, yes, it is. Are they unplanned from an engineering perspective, I would say, yes, they are. Are they unplanned from a cost perspective, no. We anticipate and history has shown us those will happen every year.

Q. Okay.

MS. Schoonover: Thank you, Mr. Darras. That's all I have.

Judge Howard: I believe Public Counsel also indicated cross for this witness, Ms. Gafken?

MS. Gafken: Thank you. We did indicated cross for this witness, but we're -- we're going to waive cross today.

Judge Howard: Okay. Do we have any questions from the bench for Mr. Darras?

Commissioner Rendahl: I do not.

Judge Howard: Hearing none, Mr. Darras, thank you for your testimony. You are excused. Our next witness would be James Kaiser for Cascade, but I think right now might be a good time to take a 45-minute lunch break before we start the next witness. Does that sound amenable to the Commissioners?

Commissioner Rendahl: Yes, we would start up again at 1:00.

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JUDGE HOWARD: Yes, yes. So we will take a 45-minute lunch break and we will be off the record and returning at 1:00 p.m. We are off the record. Thank you all.

(A luncheon break was taken from 12:15 p.m. to 1:00 p.m.)

JUDGE HOWARD: Let's be back on the record.

Our next witness is James Kaiser for Cascade. Mr. Kaiser, I see you have your camera on, can you hear me all right?

MR. KAISER: I can. Am I coming through clearly?

JUDGE HOWARD: Yes. Please raise your right hand and I will swear you in.

(James Kaiser sworn.)

JUDGE HOWARD: Thank you.

Would Cascade please introduce the witness?

MS. BAIRD: Yes, Your Honor. I am Shoshana Baird. I am appearing here on behalf of Cascade. Good morning, Mr. Kaiser. Am I correct to think you can hear and see me okay?

MR. KAISER: I can, thank you.

MS. BAIRD: Great.

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EXAMINATION

BY MS. BAIRD:

Q. Could you please state and spell your name for the record?

A. My name is James Kaiser. That's K-a-i-s-e-r.

Q. Thank you, Mr. Kaiser. How are you employed?

A. I'm employed by Cascade Natural Gas as the director of human resources.

Q. And in that capacity, have you prepared testimony and exhibits in this proceeding?

A. I have.

Q. And are those items labeled JEK-1CT through JEK-5C?

A. That is correct.

Q. And do you have any changes or corrections to your prefiled testimony?

A. I do not.

Q. If I ask the same questions today set out in your prefiled testimony, would your answers be the same?

A. Yes.

MS. BAIRD: This witness is available for cross-examination.

JUDGE HOWARD: Ms. Gafken, you may proceed.

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EXAMINATION

BY MS. GAFKEN:

Q. Good afternoon, Mr. Kaiser. My name is Lisa Gafken, and I am the attorney for Public Counsel today. If you would please turn to your rebuttal testimony, which is JEK-1CT and go to page 2. Let me know when you're there.

A. I am there.

Q. Starting at line 15 and continuing onto page 3, you explain reductions Cascade made to its revenue requirement request with regard to union and nonunion employee wages, correct?

A. That's correct.

Q. And Cascade has eliminated the 2021 union wage increase and lowered its 2021 and 2020 nonunion wage increases, correct?

A. Yes, that's correct.

Q. On page 2, lines 21 to 22, you state that Cascade reduced 2020 wage increases from 4 percent -- sorry, 4 percent to 3.55 percent, correct?

A. Yes.

Q. And that's -- that's for nonunion wages, correct?

A. Yes, that is for nonunion.

Q. Okay. On page 3, lines 1 to 3, you state that
Cascade reduced its 2021 nonunion wage increase from 3.5 percent, correct?

A. The 2021 budget, yes, that's correct.

Q. For 2020 union wages, Cascade negotiated a 3 percent wage increase, correct?

A. Would you restate the question? Sorry.

Q. Of course.

For -- so focusing on 2020 union wages, Cascade negotiated a 3 percent wage increase, correct?

A. That is correct. That was effective April 1.

Q. Would you characterize the negotiated wage increase such as the 2020 union wages to reflect the market rate for wages?

A. I would.

Q. What classification of workers receive union wages?

A. The majority of our positions that are part of the Collective Bargaining Agreement would be our technical and craft positions working in the field.

Q. And what classification of workers receive nonunion wages?

A. The group of nonunion employees would be your nonexempt clerical-type -- -type positions, your professional positions such as engineers, your

management positions, and -- and directors.

Q. During 2020, did Cascade furlough any workers?

A. No, we did not.

Q. Did Cascade consider furloughing?

A. We -- we --

MS. BAIRD: Objection. Ms. Gafken, can you please point to where in Mr. Kaiser's testimony you're referencing for your questions?

MS. GAFKEN: So I do not have a citation for the concept of furloughing, but I am asking about the wage cost in general and factors that may go into that.

MS. BAIRD: Okay. Your Honor, I believe you are muted if you are speaking.

JUDGE HOWARD: Thank you. I'll allow the question and, of course, in a virtual setting, it's hard to tell sometimes, but please direct any objections to me.

A. Thank you. We did not furlough any employees if -- in the -- in the terms of a reduction in force.

We did take other measures to delay filling some positions or -- or -- or hold off and -- in that arena.

BY MS. GAFKEN:

Q. Okay. Could you please turn to Cross-Exhibit JEK-6X and let me know when you're there.

percent, correct?

A. The overall budget is 4 percent for 2019, yes.

Q. Okay. And then of that 4 percent, the managers were allocated 3 percent to work with, correct?

A. You need to read further in -- in that exhibit.

It does state managers will be given 3 percent of the budget to work with, HR will retain a half a percent to work with the vice presidents and address other compensation issues. Some organizations maintain two budgets; one is more the what I would call the merit budget of 4 percent.

MS. BAIRD: Objection. Ms. Gafken, can you please point to where in Mr. Kaiser's testimony you're referencing for your questions?

A. I would.

JUDGE HOWARD: Thank you. I'll allow the question and, of course, in a virtual setting, it's hard to tell sometimes, but please direct any objections to me.

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A. We -- we --

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MS. GAFKEN: That is correct.

Q. Of course.

A. That is correct.

Q. Could you please turn to -- oh, I'm sorry. I don't mean to cut you off.

Q. During 2020, did Cascade furlough any workers?

A. No, we did not.

Q. Did Cascade consider furloughing?

A. We -- we --

MS. BAIRD: Objection. Ms. Gafken, can you please point to where in Mr. Kaiser's testimony you're referencing for your questions?

MS. GAFKEN: That is correct.

Q. Of course.

A. That is correct.

Q. Could you please turn to page 1 of the exhibit. In the original response the prose that's set out under response, the Company states the board of directors does not approve nonunion salary increases, correct?

A. Yes, nonunion salary increases are -- are approved by the the managing committee, essentially vice president of the human resources, and the -- the president of Cascade.

Q. And those decisions result in a -- a merit increase guideline being issued by human resources; is that correct?

A. That is correct.

Q. Okay. If you could turn to page 2 of Cross-Exhibit JEK-6X.

A. I'm there.

Q. Okay. For 2019, the merit increase guidelines approved by the -- the managing committee, essentially vice president of the human resources, and the -- the president of Cascade.

Q. And what classification of workers receive union wages?

A. The majority of our positions that are part of the Collective Bargaining Agreement would be our technical and craft positions working in the field.

Q. And what classification of workers receive nonunion wages?

A. The group of nonunion employees would be your nonexempt clerical-type -- -type positions, your professional positions such as engineers, your

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A. You need to read further in -- in that exhibit.

It does state managers will be given 3 percent of the budget to work with, HR will retain a half a percent to work with the vice presidents and address other compensation issues. Some organizations maintain two budgets; one is more the what I would call the merit budget, and then we have a separate promotional budget.

We roll all that together and that guidance comes out once a year, and for 2019, that guidance was a total budget of 4 -- 4 percent.

Q. Thank you. You anticipated my questions, and so I don't have to break up those -- those steps. So I think you answered both -- two questions at once, so thank you for providing that -- that explanation.

Let's see, let's go ahead and turn to page 5 of Cross-Exhibit JEK-6X.

A. Okay. I am there.

Q. And that page begins with 2020 merit increase guidelines, correct?

A. Yes, that is correct.

Q. And the same set of questions for this -- this
year, for the year 2020. So the overall budget for pay
increases was 4 percent, correct?
A. Yes, the overall budget was 4 percent. That’s an
all-inclusive budget that incorporates the salary
increase that we implement at the beginning of the
calendar year, and then there are dollars that are
reserved for promotions as organization changes take
place. We typically have a midyear review, and so there
are dollars received for that midyear review as well.
So the budget is 4 percent, but it’s typically not spent
at the beginning of the year.
Q. And 3 percent of that 4 percent budget was the
kind of the beginning of the year pay increases; is that
correct?
A. No, 3 percent is -- is guidance as a starting
place for the officers that they’re encouraged because
each of the officer’s departments vary in size, and if
you have a large department, it’s much easier to stay
within that 3 percent budget. If you have a smaller
department, it’s harder to stay within that budget.
So overall, we say try to stick within 3
percent. Later in that memo, I believe it’s in the
second paragraph or third paragraph, I’d have to locate
it for sure here, but it’s -- let me pause and I’ll find
it. It’s in the -- in the last sentence of the third
paragraph, (as read) Any increase causing you to go over
budget must be justified on the spreadsheet in the note
section. So there are -- there are mechanisms to go
beyond the 3 percent.
Q. But the guidance asked managers to try to stay
within that 3 percent range, right?
A. The guidance asked managers to start at -- at
the 3 percent, but it - you have to go on and read in
paragraph 2 the remaining 1 percent will be used to
address compression, equity issues, affirmative action
items, and promotions as well as the 2020 midyear
review.
Q. Okay. Could you please turn to page 8 of
Cross-Exhibit JEK-6X.
A. I’m there.
Q. Okay. So beginning on page 8 of the exhibit,
we -- now we’re looking at 2021, correct?
A. Yes, this would be the -- the guidance for 2021.
Q. And the guidance, again, looking at page 8 of
the exhibit, the guidance asked the manager or -- I’m
sorry, let me start that question again.
The guidance allocated 3 percent to the managers
for annual salary increases; is that correct?
A. The guidance document paragraph 2 provides a 3
percent budget, but then again, if you continue on in
that paragraph, an additional .5 percent has been
reserved for a possible midyear review focused on
affirmative action items, equity concerns, and
compression issues. So it’s the same guidance, the
wording is slightly different than prior years, but --
Q. Right.
A. -- and you will note that it is a reduced budget
from the prior two years.
Q. Yeah, and that first sentence it starts with the
bolded language there, it says, (as read) Managers are
being provided with a 3 percent budget to work from
for annual salary increases, correct?
A. It is -- it is the same approach that we’ve
taken in the prior years. In prior years, it’s -- it
has -- it has -- it has stated that we have a 4 percent
budget to work with, this year the wording was slightly
different. I qualify that in that --
MS. GAFKEN: May I ask -- may I ask that the
witness be instructed to answer the question. I don’t
mean to be difficult, but I asked him to confirm the
language, and that’s really all that my question was.
JUDGE HOWARD: I will -- I will agree with
that instruction. If you could focus on the specific
question. If you could focus on the specific
A. Would you repeat the question, please?
Q.  And that -- that test year incentive compensation is higher than Cascade's five-year average between 2014 and 2018; is that correct?
A.  I have not done personally that -- that calculation between the five-year average. We did meet many of our -- we had a good year in meeting our goals in -- in 2019, so it was a -- it was a successful year for payout under this plan.

Q.  Okay. Could you turn to page 19 of JEK-1CT?
A.  Sure.

Q.  And lines 5 to 11 it shows that the five-year average was approximately 1.1 million, correct?
A.  Yes.

Q.  And actually, let me ask a follow-up question to something that you said earlier.
You said in 2019, the Company was fairly successful in meeting targets and whatnot, and so there was quite a bit paid out of the incentive program.
Would you say that it was a typical -- typical year or a better than average year?
A.  If you look over time, it -- it -- I would say it was a good year. We met many of our -- we met the majority of our goals and -- and those are all goals that are -- are the -- the logistics of the plan, the metrics and how the calculation and how things are paid do tie back to metrics that benefit our customer.

Q.  And the amount that Cascade pays out through its incentive compensation plan fluctuates from year to year, doesn't it?
A.  It does fluctuate based on the -- on the goals achieved. If I may say, our -- our incentive compensation targets, I mean, we are establishing those incentive plan targets to be competitive with the labor market. And you -- you -- you may have seen in our compensation study that was also provided as an exhibit that we are conservative with our incentive compensation targets, and that was offered as an exhibit.

Q.  So I want to return to the -- that alternative proposal that -- that I started to ask you about, the three-year rolling average.
A.  Sure.

Q.  What three-year period would you suggest be used under your alternative proposal? Would 2016 to 2018 be appropriate to compare to the test year of 2019?
A.  It -- it would be the -- the test year and the previous two years.

Q.  Okay. So your -- your proposal would be to include the test year in the three-year average?
A.  Yes, again, that's -- that's a reflection of what our costs were as an organization. That's a more accurate picture of the near term for ratemaking purposes.

Q.  Have you calculated the three-year average under your alternative proposal?
A.  As I recall, that -- that number was right around 1.4 million, and that has been provided in other testimony.

Q.  My next question really just asks about the metrics, would you explain further what you're referencing there with the data points?
A.  I'm there.

Q.  I'm actually not tying in the metrics. I'm actually just asking about the difference between using five years worth of data versus using three years worth of -- worth of data. That's about a 40 percent reduction of the data that goes into the calculation; isn't that right?
A.  There is -- there is a reduction in a percentage of the data. But, again, the most -- I would testify that the most recent three years is a more accurate reflection of what our costs are for Cascade.

Q.  Okay.
MS. GAFKEN:  I have no further questions for this witness.
JUDGE HOWARD:  Do we have any redirect from Cascade?
MS. BAIRD:  Just a couple questions, Your Honor.
JUDGE HOWARD:  Please proceed.

EXAMINATION
BY MS. BAIRD:
Q.  Mr. Kaiser, you were asked a couple of questions about the Exhibit JEK-6X, which is your cross-exhibit
**Page 175**

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

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

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| 1 | Cascade. These are Maryalice Gresham, Isaac Myhrum, Brian Robertson, or Pamela Archer. Are there any questions from the bench for either Gresham, Myhrum, Robertson, or Archer at this time? |
| 2 | COMMISSIONER RENDAHL: I have none. |
| 3 | JUDGE HOWARD: Okay. Hearing none, the last witness for Cascade is Michael Parvinen. |
| 4 | Mr. Parvinen, are you on the line? |
| 5 | MR. PARVINEN: I am. Can you hear and see me okay? |
| 6 | JUDGE HOWARD: Yes. Yes, thank you. Please raise your right hand and I will swear you in. |
| 7 | (Michael Parvinen sworn.) |
| 8 | JUDGE HOWARD: Thank you. Cascade, you may introduce the witness. |
| 9 | MS. PEASE: Thank you. For the record, this is Jocelyn Pease with McDowell Rackner Gibson for Cascade. |

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| 1 | E X A M I N A T I O N |
| 2 | BY MS. PEASE: |
| 3 | Q. Good afternoon, Mr. Parvinen. |
| 4 | A. Good afternoon. |
| 5 | Q. Could you please state your full name and spell it for the record? |
A. Yes, Michael Parvinen, P-a-r-v, as in Victor, i-n-e-n.

Q. And, Mr. Parvinen, how are you employed?
A. I'm employed as the director of regulatory affairs for Cascade Natural Gas.

Q. In that capacity, have you prepared testimony and exhibits in this proceeding?
A. Yes, I have.

Q. And are those exhibits and testimony your direct and rebuttal testimony MPP-1T and MPP-2T as well as Exhibits MPP-3 through MPP-6?
A. Yes.

Q. And do you have any corrections or changes to your prefiled testimony?
A. I do have two small corrections to make.

Q. Okay. Go ahead, Mr. Parvinen.
A. Okay. The first correction is on page 7 of my direct testimony, line 10, the first word on that line should have a space between the R and the A, so it should read "for a proposed."

The second correction is in my rebuttal testimony on page 33, in footnote 92, the second line where it -- where it shows Docket 190755, that should read 190775. And those are all my corrections.

Q. Thank you.

And apart from those corrections, if I were to ask you the same questions set forth in your prefiled testimony today, would your answers be the same?
A. They would.

Q. Thank you.

MS. PEASE: Thank you. This witness is available for cross-examination.

JUDGE HOWARD: Mr. Callaghan, you may proceed.

MR. CALLAGHAN: Thank you, Your Honor.

Examination
BY MR. CALLAGHAN:
Q. Good afternoon, Mr. Parvinen. Can you hear me all right?
A. I can, thank you.

Q. All right. I'm going to refer you to Cross-Exhibits MPP-7X through MPP-13X as well as your direct and rebuttal testimony, and do you have copies of those with you?
A. I do.

Q. Okay.

MS. PEASE: If I may -- If I may, Mr. Callaghan, you're breaking up a little bit here and there, just a heads-up.
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<thead>
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<tr>
<td>three months -- three and a half months between the rate increase and filing this case?</td>
<td>to the rate year, what are your results from a regulatory perspective, whether it's a restating or pro forma, typically don't matter; however, some of the adjustments that we showed as restating adjustments could be considered pro formas.</td>
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<td>A. Yes.</td>
<td>Let me give you an example or -- or explain that a little bit better.</td>
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<td>Q. Okay. Is there any testimony or exhibits in Cascade’s initial filing that reports Cascade’s actual revenues and actual expenses for the three months after it received the latest rate increase?</td>
<td>Q. Mr. Parvinen, let me -- let me stop you there just so I can get a follow-up question. Using test year costs, did you calculate the rate of return that the new rates approved in March 2020 would produce with just restating adjustments, not the pro forma adjustments, and did Cascade provide a calculation of that in this case?</td>
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<td>A. Well, our initial testimony and results actually showed the impact of the full -- full -- the impact of the rate case applied to our full test year in this rate case, which was the 12 months ended December 31st, 2019, three months before the rates went into effect. But we did show the impacts of a full year of that rate increase.</td>
<td>A. Directly, no. In Ms. Peters’, Gresham’s Exhibit 12, the restating adjustments are identified as R with a number and then the pro forma adjustments are identified as P with a number.</td>
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<tr>
<td>Q. Okay. But my question was specifically whether Cascade’s initial filing included Cascade’s actual revenues and actual expenses for the three months after it received the latest increase, so March 2020, April, and May 2020?</td>
<td>Q. Okay. Thank you. In your rebuttal testimony, you testify about the Commission’s recent used and useful policy statement published in Docket U-190531; is that correct?</td>
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<tr>
<td>A. No.</td>
<td>A. Correct.</td>
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<td>Q. Okay. In your rebuttal testimony, you claim that Cascade is in fact earning a 5.56 percent rate of return. Does that 5.56 figure capture the rate increase that went into effect in March 2020?</td>
<td>Q. Have you read the policy statement in its entirety?</td>
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<td>MS. PEASE: Counsel, so I can follow, could you provide that page reference?</td>
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<td>BY MR. CALLAGHAN: Yes.</td>
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<td>Q. So, Mr. Parvinen, I guess you can turn to this too. This is Exhibit MPP-2T, page 7, lines 7 to 9.</td>
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<td>A. Yes, I'm there. So could you repeat the question?</td>
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<td>Q. Yes.</td>
<td>Q. Page 6.</td>
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<tr>
<td>In your rebuttal testimony, you claim that Cascade is in fact earning a 5.56 rate -- percent rate of return. Does that 5.56 figure capture the rate increase that went into effect in March 2020?</td>
<td>A. Yes.</td>
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<tr>
<td>A. No, it does not.</td>
<td>Q. All right. And could you turn to MPP-13X on exhibit page 6 for me and let me know when you’re there.</td>
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<tr>
<td>Q. Has Cascade presented a restated test year results of operations that takes into account the rate increase from the last GRC before accounting for the Company’s proposed pro forma adjustment?</td>
<td>A. What was that page number again, please?</td>
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<td>A. Yes, it does. I will say that many of those restating adjustments are from the definitions of restating and pro forma adjustments in -- in WAC -- or in WAC, that the number of those adjustments could be construed as pro forms. In general for ratemaking purposes or restating a pro forma adjustment gets you to what are your results representative going into the rate year, so just prior to the rate year, what are your results from a regulatory perspective, whether it's a restating or pro forma, typically don't matter; however, some of the adjustments that we showed as restating adjustments could be considered pro formas. Let me give you an example or -- or explain that a little bit better.</td>
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<td>Page 186</td>
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<td>you provide that page reference?</td>
<td>A. I have, yes.</td>
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<td>MR. CALLAGHAN: Yes.</td>
<td>Q. Does the policy statement indicate that it was issued in light of the statutory amendments made to RCW 80.04.250?</td>
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<td>Q. So, Mr. Parvinen, I guess you can turn to this too. This is Exhibit MPP-2T, page 7, lines 7 to 9.</td>
<td>A. Yes.</td>
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<td>A. What was that page number again, please?</td>
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<tr>
<td>Q. Has Cascade presented a restated test year results of operations that takes into account the rate increase from the last GRC before accounting for the Company’s proposed pro forma adjustment?</td>
<td>A. Very good. I thought I had my book labeled wrong. I'm there.</td>
</tr>
<tr>
<td>A. Yes, it does. I will say that many of those restating adjustments are from the definitions of restating and pro forma adjustments in -- in WAC -- or in WAC, that the number of those adjustments could be construed as pro forms. In general for ratemaking purposes or restating a pro forma adjustment gets you to what are your results representative going into the rate year, so just prior to the rate year, what are your results from a regulatory perspective, whether it's a restating or pro forma, typically don't matter; however, some of the adjustments that we showed as restating adjustments could be considered pro formas.</td>
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<td>Q. All right. So did the Commission indicate in the policy statement that it was not going to revise its rules related to pro forma adjustments in response to those statutory amendments?</td>
<td>A. Yes.</td>
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</table>
| Q. All right. In fact, doesn’t the policy statement indicate that for all pro forma adjustments, both traditional or provisional, quote, the Commission’s existing standards remain applicable? | A. Yes, it does. And I will note that there has been substantial changes and variations in -- in the Commission's actions. They've made it very clear in
order after order that -- that cases will be reviewed on a case-by-case basis. And --

Q. Thank you. And --
A. -- we do believe -- sorry, I just wanted to finish that thought is that, we do believe we met all of the Commission's requirements in regards to known and measurable, in-service, offsets, identified offsetting factors, and fully audited. So we believe that we've met all those requirements, and we are asking the Commission for inclusion of those assets based on that.

Q. All right. Does the policy statement require that regulated companies include and consider in their proposal the Commission's longstanding practices regarding property placed in service?
A. Yes.
Q. And those longstanding practices include the prudence standard, the known and measurable standard, the matching principle including offsetting factors, correct?
A. Yes.
Q. Turning to your rebuttal testimony on page 13, let me know when you're there.
A. All right.
Q. Page 13 of lines 10 and 11, you state that Cascade is only proposing traditional pro forma plant adjustments, correct?
A. Correct, in the sense that the policy statement was -- appeared to direct -- be more directed at those investments that go into service after the rate effective date. Cascade is not seeking recovery of any of those investments. It's using the traditional approach to include assets only through December 31st, 2020, for those projects that are actually known and measurable and in service at that date.

Q. All right. Thank you.
Turning back to MPP-12X, could you go to page 9 for me.
A. All right. I'm there.
Q. Paragraph 25 states, quote, The further a proposed adjustment considered in the GRC occurs from the end of the test year, the less time Staff and other parties have to review a company's supporting evidence. In light of these factors, the company's burden to demonstrate that has met the requirements guiding adjustments to test year data is greater.

Do you recall this in the policy statement?
A. I do, and Cascade achieved that effort by providing a specific witness identifying and describing every discrete project that we have. Mr. Darras included in his direct testimony 70 pages of testimony supporting each project, the reasoning for the project, the prudence determination information, what considerations, alternative considerations --

MR. CALLAGHAN: Your Honor, at this point I'd object. My question was just directed at whether he recalled this in the policy statement. This is beginning to provide a narrative.

JUDGE HOWARD: I -- I agree with your concern, Mr. Callaghan. I'm going to for now decline to strike testimony from the record, but I would certainly encourage Mr. Parvinen to focus on the specific question and allow Ms. Pease to redirect to the extent necessary.

MR. CALLAGHAN: Thank you, Your Honor.

BY MR. CALLAGHAN:
Q. Mr. Parvinen, do you recall that the policy statement goes on to say, quote, The Commission will also -- also will reject requests that either cannot be audited or are unreasonably burdensome to review?
A. Yes, I do. And, again, I think that the -- the Company complied with this. We had originally 15 discrete projects, we narrowed that down to ten. The information has been provided since we initially filed our case. That's been fully audited by all the parties, have had that opportunity to review all of that party.

The only information at the time that they submitted their responsive testimony, the only information not included or available at that time was actual dollars and actual in-service dates.

Q. Well, we'll get to that soon enough, Mr. Parvinen.

Does the -- in Cascade's initial filing, how many line items did Cascade include in its proposed pro forma adjustments?
A. Based on the testimony -- per Ms. Gresham's Exhibit 2, I believe -- I'm trying to refresh my memory from earlier cross, I believe there were 46 lines. Many of those lines were the blanket projects broken out by district. So a lot more information than necessary. I can explain why if you would like to...

Q. We'll -- we'll get to those eventually.

But, Mr. Parvinen, on rebuttal, Cascade, as you mentioned, is now proposing to include ten discrete pro forma projects; is that correct?
A. Correct.
Q. And to your knowledge, Commission Staff in response testimony did accept some of the discrete projects as appropriate for pro forma treatment; is that right?
A. Yes.
Q. To your knowledge -- pardon me. Commission Staff still completely rejects at least seven of the ten discrete projects that Cascade is proposing on the rebuttal, correct?
A. They are, yes.
Q. Okay. And could you please turn to exhibit MPP-13X on exhibit page 6 for me and let me know when you're there.
A. I'm there.
Q. Do you see figure 1?
A. I'm sorry, is this a -- I may -- sorry, is it the wrong -- no.
Q. This should be the -- Mr. Garrison's rebuttal testimony.
A. Right. Okay. Figure -- figure 1, yes, shows up on page 4 of the testimony, and I'm not seeing a designation on the top of my -- anyway, I'm there at figure 1.
Q. Okay. Great.
A. Yes.
Q. All right. And it's a summary of Cascade's discrete and blanket -- what it terms to be blanket project, correct?
A. Correct.
Q. So according to figure 1, based on the numbers Cascade provides, the ten discrete projects that Cascade is proposing to include total approximately three point or sorry, 39.3 million, correct?
A. Yes, that's correct.
Q. And Commission Staff in response testimony found approximately $6.9 million worth of plant appropriate for pro forma treatment, correct?
A. That sounds right, yes.
Q. And that 6.9 million that Staff does accept based on or is based on expenses in figure 1 that are incorporated into the projects listed under lines 5, 6, and 7, correct?
A. Yes, I believe that's correct.
Q. And Commission Staff in response testimony found approximately $6.9 million worth of plant appropriate for pro forma treatment, correct?
A. That sounds right, yes.
Q. And that 6.9 million that Staff does accept based on or is based on expenses in figure 1 that are incorporated into the projects listed under lines 5, 6, and 7, correct?
A. Yes, I believe that's correct.
MS. PEASE: Counsel, you cut out there, at least for me, I don't know --
MR. CALLAGHAN: I can restate.
Q. And according to figure 1, three of the discrete projects went into service in December; is that right?
A. Yes.
Q. And the projects that went into service in December, according to figure 1, are the Wallula Gate Project on line 4 and the Bremerton Office Project on line 11 of figure 1; is that correct?
A. Well, the -- yeah, the Wallula Gate Project is on line 2, not line 1.
Q. Oh.
A. But yes, those are the three projects.
Q. Okay. Thank you.
MS. PEASE: And, again, doing some back of the envelope math, according to figure 1, those three projects that went into service in December represent approximately $25 million in pro forma plants; is that correct?
A. That is correct.
Q. All right. So of the 32.4 million in discrete plant contested by Staff, about $25 million went into service in December; is that right?
A. That is correct; however, we did provide all the documentation and support for those projects from the beginning of our case.
Q. All right. So is it fair to say by dollar amount a substantial majority of Cascade's discrete pro
Q.  All right.  According to figure 1, the Wallula Gate Project, $17 million, went into service on December 29th; is that right?
A.  Yes.  
Q.  And not everything in the Wallula Gate Project was in service by the end of the year, correct?
A.  This portion of that project was in service. I believe Mr. Darras talks about a component that -- that wasn't in service at the end of the year, but this portion was in service and provided benefits to customers. The final portion happened to go into service yesterday.

MS. PEASE:  Sorry, I just -- I appreciate that is a cross-exhibit for Mr. Parvinen, but to the extent that there's questions that may be better directed to Mr. Darras as to the actual in-service dates, I would just bear that in mind.

MR. CALLAGHAN:  Sorry, Ms. Pease, you cut out on the last sentence.

Q.  Under the Commission’s standards, can prudence be determined before a project is placed in service?
A.  The only reason I'm hesitating is from a number of factors. The Commission has allowed projects to go into service or go into rates prior to going into service without making a prudence determination. In the policy statement, I believe the Commission said that prudence is an after-the-fact look. And that I would agree, yes.

Q.  So those -- well, can prudence be determined before a project is placed in service?
A.  The information can be -- is -- is -- is reviewed. The actual in-service date is -- actual service date and actual cost is a component of prudence, but many of the prudence determination items are much more substantial than that and those were provided up front.

Q.  So those -- well, can prudence be determined before a project is placed in service?
A.  The only reason I'm hesitating is from a number of factors. The Commission has allowed projects to go into service or go into rates prior to going into service without making a prudence determination. In the policy statement, I believe the Commission said that prudence is an after-the-fact look. And that I would agree, yes.

Q.  So that statement that you're referring to in the policy statement was with respect to provisional prudence adjustments, correct?
A.  It was provisional and maybe I'm going blank on what provisional means, but if provisional was the

MS. PEASE:  Counsel, can you provide a reference? I believe this may have been designated as the cross-exhibit for Mr. Parvinen. I think it might help us all to have the reference.

MR. CALLAGHAN:  Sure.

BY MR. CALLAGHAN:
Q.  Mr. Parvinen, if you can turn to Exhibit MPP-9X at exhibit page 41, paragraph 116.
A.  Paragraph 116 or a hundred -- page 41 starts with paragraph 116 unless I have the wrong order.
Q.  Paragraph 116 begins with "We find a similar

projects that were allowing rates to go into effect after the rate effective date, then yes, that's what I was referring to.

Q.  Okay. And Cascade is proposing only traditional pro forma plant adjustments in this case, correct?
A.  Correct.

Q.  All right. Are you familiar with the Commission’s ruling in the 2015 PacifiCorp general rate case?
A.  Generally speaking, yes.
Q.  Okay. In that case, if you recall, did the Commission find that PacifiCorp failed to meet its burden to prove that the decision to continue installing the SCR system was prudent?
MS. PEASE:  Counsel, can you provide a reference? I believe this may have been designated as the cross-exhibit for Mr. Parvinen. I think it might help us all to have the reference.

MR. CALLAGHAN:  Sure.

BY MR. CALLAGHAN:
Q.  Mr. Parvinen, if you can turn to Exhibit MPP-9X at exhibit page 41, paragraph 116.
A.  Paragraph 116 or a hundred -- page 41 starts

with paragraph 116 unless I have the wrong order.
Q.  Paragraph 116 begins with "We find a similar
situation here."

A. Okay. I'm there.

Q. Okay. So let me know if you need time to read to refresh your memory, but my question is, in this case, the order is MPP-9X, did the Commission find that PacifiCorp failed to meet its burden to prove the decision to continue to installing the CSR system was prudent?

A. Yes, that appears to be what it says.

Q. All right. And does the order explain that the utility failed to meet its burden in that case because it did not present evidence that the decision to continue investing in the SCR system was prudent? And if you need a citation to refresh your memory, I can provide that.

A. I believe that was the case.

Q. Okay.

A. I'm not familiar with what the record in that case was to come to that determination, but just reading the order, yes, that appears to be the case.

Q. All right. So returning to your statements in your rebuttal testimony, how could Staff have had all the information to evaluate the prudence of Cascade’s projects minus the in-service dates and final costs given that those projects were not yet in service?

A. None of the information would have changed. It was the same as what was presented in Mr. Darras’ initial testimony.

Q. Doesn’t Cascade have to provide evidence that it was continuously evaluating whether the decision to continue with these investments was prudent?

A. I would say no, not if there was -- was no significant change in the projects.

Q. Mr. Parvinen, Cascade delayed two projects -- according to rebuttal testimony, it delayed two projects due to changes in circumstances, didn’t it?

A. Yes.

Q. Where does the record contain any exhibits or testimony regarding contemporaneous documentation of that decision-making process?

A. Turn to the updated data request provided to the parties through 89 and 92 where it shows that for those particular projects they were pushed into 2021, and those were reflected as -- as zeros for our updated adjustments as we were going through the case.

Q. So I’m actually referring to the ten discrete projects that Cascade is -- is still proposing to include in the pro forma adjustment on rebuttal.

A. Right, those were ongoing -- ongoing projects of which no information changed from the testimony --

[Cross talking.]

A. -- provided by Mr. Darras. Sorry.

Q. Sorry. That’s okay.

For those ten projects, did Cascade provide contemporaneous documentation of the decision to continue those projects?

A. I would say by default since they were still included in -- in the ongoing projects, there was no new information to change those -- change those projects. I will also say that Mr. Garrison’s rebuttal testimony did explain every difference in in-service date and cost from his initial testimony.

Q. Okay. All right, Mr. Parvinen, I’d like to transition into asking you some questions about the matching principle and offsetting factors.

Could you turn to Exhibit MPP-12X, the used and useful policy statement, page 7, footnote 25. Let me know when you’re there.

A. All right. I’m there.

Q. All right. This footnote 25 in the policy statement describes offsetting factors, correct?

A. Yes.

Q. And it states, quote, Offsetting factors include, but are not limited to, removing rate year retirements, dispositions, and nondepreciating plant including revenue growth and operations and maintenance expense offsets. Without incorporating these offset -- -- -setting factors, a proposal will not be considered to be in the public interest because resulting rates will not be fair, just, reasonable, and sufficient as required by RCW 88.28.010, Subsection 1.

Has Cascade incorporated the offsetting factors listed in the policy statement into its proposed pro forma adjustment?

A. Yes, we did. Initially we had -- had overlooked the removal and retirement component. We looked at the offsetting factors from more of an operational standpoint and neglected the accounting side of -- side -- an accounting component to these retirements.

That was pointed out to -- to us by Staff and AWEC in their responsive cases, so we did correct that in rebuttal.

But we did recognize other offsetting factors for what the potential offsetting factors would be for our plant, and we did bring in the revenue growth associated with those revenue growth projects. So we have accounted for and recognized those offsetting factors.

Q. All right. I’m glad you bring that up. So could you turn to page 8 of your direct testimony, and
beginning on line 9 and let me know when you're there.

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

A. Correct.
Q. So in Cascade's initial filing, the only
offsetting factor included was a projection of
additional customer revenue; is that correct?
A. Correct, yes. We looked at -- at all these
projects to determine what offsetting factors would be,
to identify those -- those offsets, review them to see
if there were any, and we were not able to identify any
offsetting factors in the O & M category.
Q. All right. Could you turn to your rebuttal
testimony on page 24. Let me know when you're there.
A. All right. I'm here.
Q. So beginning on line 5, you state, quote,
Cascade has expanded the scope of offsetting factors to
include the depreciation effect on the replaced and
retired plant associated with the pro forma capital additions
adjustment, correct?
A. Yes.
Q. Okay. So this offsetting factor doesn't include
any depreciation impact from other plants that may be
retired, correct?
A. Correct.
Q. Okay. Isn't including depreciation impact from
retired plant standard offsetting factor to consider
with the proposed pro forma adjustment?
A. Can you repeat that question?
Q. Yeah.
Isn't including the depreciation impact from
retired plant a standard offsetting factor to consider
with a proposed pro forma adjustment?
A. Well, I can't answer that. All I can answer is
for Cascade, we have not included it in our previous
cases in the calculation.
Q. Okay.
A. So we -- so we did accept the methodology or the
idea of realization that it was an offsetting factor
that we had overlooked, yes. We had overlooked it and
agreed that this is a proper -- a proper offsetting
factor.
Q. Thank you.

And could you turn to your rebuttal testimony at
page 26 beginning on line 1. Let me know when you're
there.
A. All right. I'm there.
Q. So here you mention that Cascade considered
whether pro forma projects would provide offsetting
savings through a reduced O & M expense in addition to
increased revenues from customer growth, but Cascade did
not include that because the Company's test year did not
have a peak weather event and therefore there were no
test year costs to offset by these savings; is that an
accurate summary?
A. That is. That is. And we did do it -- we did
go back and double-check to make sure that -- that there
were no events, even though we did not have a peak
weather event, were there such a peak that would cause
these types of costs on any of these projects. So we
did go back and verify that there were no such instances
during the test year.
Q. So here are you saying that because the test
year happened to not have a peak weather event, these
projects won't provide any offsetting savings?
A. They will avoid potential costs. Had there been
a peak weather event, for example -- for example, the
weather that we all just suffered through in -- in
February, had we not done these types of projects, we would have potentially incurred a substantial amount of costs to have people -- and Mr. Darras could explain this better than I could -- but people out at these particular points making sure that the pressure bypass valves and whatnot were maintained to keep the -- to keep the gas supply.

So we -- it's -- the potential offset is costs that we didn't incur but very well could have. So those would have been avoided this year because we did these projects.

Q. So these savings are not included -- these capital savings are not included as an offsetting factor in Cascade's proposed pro forma adjustments, correct?
A. Well, they are in that we identified -- we identified the potential offset, but there was not a cost associated with those in the test year.
Q. But there will be savings associated with these -- this plant, correct?
A. It's avoided costs, so we would have avoided incurring other costs, but those costs weren't there to -- to remove from our test year.
Q. Okay. So is it fair to say that the savings, or avoided costs as you put it, they're not included as an offsetting factor because the amount of savings that were identified what the offset would be, but there was no recognition of the offsets that would have potentially incurred a substantial amount of costs.
Q. These paragraphs discuss the two aspects of the consideration of offsetting factors, don't they?
A. Yes.
Q. And paragraph 28 describes the first aspect of the offsetting factor analysis as evidence that demonstrates consideration of whether a proposed increase in expense, i.e. pro forma projects, directly provides any offsetting benefits; is that right?
A. Yes.
Q. Where in the record can I -- in this case can I find that analysis for each of the pro forma projects that Cascade is proposing?
A. Through our initial testimony where we identified what those potential offsets were including the revenue that we did include and then in our rebuttal, the offsetting depreciation impacts.
Q. All right. So the evidence that Cascade has presented for the direct offsetting benefits is first the projected additional customer growth and the depreciation impact of the plant that's retired specifically with -- with -- specifically with respect to the pro forma plant additions themselves, correct?
A. Yes, and then recognition of the offsets that did -- that had no costs during the test year, but yes.
Q. Okay. And -- and that in your direct testimony, you cite the 2009 PSE GRC order, correct?

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<td>1. Cascade will get from them is currently unknown?</td>
<td>1. Can you give me a reference point on that?</td>
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<td>A. Well, the idea of an offsetting factor is to take something that occurred during the test year that you will no longer incur. That's an offsetting benefit. We had no costs in that test year to remove, so we identified what the offset would be, but there was no actual cost associated with it in our test year. And because we did those investments, these costs will not be incurred during the rate year either.</td>
<td>Q. Yes. So your direct testimony on page 11, footnotes 10 through 13.</td>
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<td>Q. All right. In general, isn't it standard Commission practice to assess the certainty with which the costs and offsetting factors are known when it balances the competing pressure to change test year values?</td>
<td>A. Yes.</td>
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<td>A. Sorry, can you repeat that question again for me?</td>
<td>Q. All right. And are you familiar with the 2009 PSE GRC order?</td>
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<td>Q. Yeah.</td>
<td>A. Generally speaking, yes.</td>
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<td>In general, isn't it Commission's standard practice to assess the certainty with which costs and offsetting factors are known when it balances the competing pressure to change test year balance?</td>
<td>Q. Okay. Could you turn to Exhibit MPP-8X for me on exhibit page 14, and that would be including paragraphs 28 and 29.</td>
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<td>A. Yes, and that is what Cascade is -- is doing in our presentation.</td>
<td>A. I'm sorry, I was looking at an attachment. Can you give me the order number or the page number again, page --</td>
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<td>Q. All right. Mr. Parvinen, in your direct testimony, you cite the 2009 PSE GRC order, correct?</td>
<td>Q. Yes. So it's exhibit page No. 14, but going just with the order, it's the order's page No. 12.</td>
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<td>A. Thank you. All right. Then paragraph No...</td>
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<td>Q. 28 and 29.</td>
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<td>4.</td>
<td>A. Okay. I'm there.</td>
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<td>5.</td>
<td>Q. These paragraphs discuss the two aspects of the consideration of offsetting factors, don't they?</td>
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<td>6.</td>
<td>A. Yes.</td>
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<td>7.</td>
<td>Q. And paragraph 28 describes the first aspect of the offsetting factor analysis as evidence that demonstrates consideration of whether a proposed increase in expense, i.e. pro forma projects, directly provides any offsetting benefits; is that right?</td>
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<td>8.</td>
<td>A. Yes.</td>
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<td>Q. Where in the record can I -- in this case can I find that analysis for each of the pro forma projects that Cascade is proposing?</td>
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<td>A. Through our initial testimony where we identified what those potential offsets were including the revenue that we did include and then in our rebuttal, the offsetting depreciation impacts.</td>
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<td>11.</td>
<td>Q. All right. So the evidence that Cascade has presented for the direct offsetting benefits is first the projected additional customer growth and the depreciation impact of the plant that's retired specifically with -- with -- specifically with respect to the pro forma plant additions themselves, correct?</td>
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<td>12.</td>
<td>A. Yes, and then recognition of the offsets that did -- that had no costs during the test year, but yes.</td>
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<td>13.</td>
<td>Q. Okay. And -- and that in your direct testimony and rebuttal testimony, those are the only places in the record where -- where the Commission could find consideration of offsetting factors, correct?</td>
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<td>14.</td>
<td>A. I am looking -- I am trying to refer to my mind to Mr. Darras's initial testimony where he described each and every project, because offsetting factors is a consideration when considering the projects if there was...</td>
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Q. Do you -- so you don't recall whether his initial testimony has -- discusses consideration of offsetting factors?
A. Yes, I know it's a factor when you're looking at the projects, the associated cost savings associated with projects as a consideration, so his descriptions to the extent there were, I believe the material offset was those particular projects that during peak weather created a savings. I'm looking for possibilities. If there was additional testimony, it would have been Mr. Darras's initial testimony.

Q. Okay. If there is -- if there isn't any additional testimony in Mr. Darras's direct testimony, then your direct and rebuttal testimony would be where the evidence exists or where Cascade presented its consideration of offsetting factors for the pro forma plant adjustments, correct?
A. Yes.

Q. Okay.

MR. CALLAGHAN: Nothing further, Your Honor.
JUDGE HOWARD: Cascade may proceed with any redirect.

MS. PEASE: Thank you, Your Honor. Just one second to allow me to gather my notes.

EXAMINATION
BY MS. PEASE:
Q. Mr. Parvinen, turning to the earlier part of your examination, Mr. Callaghan had asked you questions about whether Cascade had presented the restated -- restated figures for the test year without pro forma adjustments. Do you recall that -- that line of questioning?
A. Yes.

Q. And would you agree in general that it would be appropriate to review the restated test year results without the pro forma adjustments included?
A. No, no, as -- as stated in -- in my rebuttal testimony, that's looking at half the picture, when in ratemaking it's a combination of the restating and pro formas to determining -- to determining whether the company is earning prior to -- to rates -- rates from the -- the current case.

Q. Okay. And, Mr. Parvinen, Mr. Callaghan had asked you in -- in referring to the policy statements and questions about the amount of time that parties would have to review and asking if the -- the Company's filing was actually capable of being audited or if it would fall under the unreasonably burdensome category, and I think -- I think you got cut off in your explanation there. And so I just wanted to ask if you had any -- any further explanation on that piece that you would like to offer.
A. Sure. Well, from Cascade's point of -- point of view, we provided all the justification for the projects initially up front in Mr. Darras's testimony, so the majority of the information was there. When we updated in rebuttal and through data requests, the parties have had that opportunity.

For example, when Staff put on its responsive case and it accepted three of the projects, remaining seven -- the remaining seven projects were known to Staff in our rebuttal case. And since then, Staff has had then a month and a half since our rebuttal case to get any information into the record if it was in disagreement with any of the information it provided.

So we do -- we do feel that the parties have had ample opportunity as required by the policy statement.

Q. Thank you.

And I believe when Mr. Callaghan was asking you questions about how many -- how many line items were included in our case as presented in Ms. Gresham's testimony, you had started to offer an explanation about how that -- how that information is presented and why there's so much information there, and I think again that you were cut off in your explanation. If you could just expand on that.
A. Yes. Cascade started off, we were trying to be open -- you know, open and honest and present our case in totality. So Ms. Gresham's initial exhibit was basically a -- a budget presentation, what is the Company's total capital budget. So it included our -- it included our total -- our total capital budget and we wanted parties to be able to see every project that we were proposing or every project that had been approved in our capital budget.

Now, for the blanket projects, this was the first year that we broke the blanket projects by -- by service -- service territory. I'm going blank on our -- on the area. So every one of our geographical areas got in a specific money project. So for the blanket services, we had a blanket services for each of our district offices.

So it looked like there was a lot more information, but that was more so that we could track those costs, and then going forward they'd potentially be a little more accurate in our budget presentations.

Q. And Mr. Callaghan had asked you about the -- the
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| 1. Wallula Gate Project and the Walla Walla Gate Project, the Bremerton Project as representing a significant amount of the Company’s total investment. Do you recall that line of questions?  
A. Yes.  
Q. And -- and asking about the timing for those projects coming in being towards the end of our -- end of our period, December 2020, have -- and concern about whether parties would have adequate time to review -- review that investment. Do you recall that line of questioning?  
A. Yes.  
Q. But for -- for those projects, Cascade was providing -- I mean, would you agree that Cascade was providing updates all along the way?  
A. Yes, yes, anytime when we provide our updates, if there were changes in estimated in-service dates or changes in estimate costs, we were providing those. As they were going into service, we were providing that type of information. And we provided, you know, identified which of those projects then were delayed into 2021. So yes, there was no surprises -- there should have been no surprises in those projects. We initially proposed 15 discrete projects. We ultimately ended up at ten.  
| 1. filing our initial case, it appeared that capital was getting very restrictive, so we were looking at what could we do to control our -- our capital costs. Can we delay projects? And -- and -- and, you know, the Company had made a decision to do what we could do.  
So it was a matter of evaluating each and every project from a status standpoint, the impact on -- on ratepayers, and the impact on service. So there’s a lot of fine lines, information that has to be taken into account to make that determination. And it was a long pro- -- and it was a long process.  
So it wasn’t a distinct look at the projects and go, you know, this -- this is a matter of this one's in and this one's out. It wasn't that. There was a lot more to take into account in that -- in those decisions.  
Q. And then you were also asked questions about where in -- in the case there is support for the consideration of offsetting adjustments. Do you recall those questions?  
A. Yes.  
Q. And did you describe in your testimony the end of period customer count adjustment that Cascade considered?  
A. Yes, we identified it as -- as a major offsetting factor. So we went -- went with what we felt was above and beyond and included all new customers as an -- as an offset. Not trying to specifically identify those customers, just specifically associated with the blanket projects. But we were being conservative, so we took into account all new customers.  
We did identify up front that that initial customer count was a projection that would also then be trued up at the end of -- of the calendar year to coincide with the actual plant that was going into service at the same time.  
Q. And, Mr. Parvinen, do you recall whether there were any other Cascade witnesses that addressed the end of period customer count?  
A. Mr. Myhrum did as well.  
MS. PEASE: Thank you. No further questions.  
JUDGE HOWARD: AWEC has also indicated cross for this witness. Mr. Stokes, you may proceed.  
MR. STOKES: Thank you.  
E X A M I N A T I O N  
BY MR. STOKES:  
Q. Good afternoon, Mr. Parvinen.  
A. Good afternoon.  
Q. Can you hear me okay?  

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A. Yes, I can.
Q. Okay. I have a few questions for you about Cascade's proposal to use end of period rate base, and if you could turn to page 5 of your rebuttal testimony, MPP-2T. Let me know when you get there.
A. All right. I'm there.
Q. Okay. And I'm specifically looking at lines 2 through 5.

Is it your testimony that Cascade assumed that EOP would be uncontested because that was Cascade's proposal in the Company's last general rate case, in 190210?
A. Well, in Cascade's view, we -- we viewed that -- that -- that yes, we did assume it would be uncontested because all the criteria that -- that we had explored in the last rate case existed here too.
Q. Okay. Besides Cascade, did any -- any party file opening or rebuttal testimony in that case besides --

A. No.
Q. Do you recall if the EOP was addressed -- was addressed in the black box settlement or was it only addressed in Cascade's filing?
A. It was only addressed in Cascade's filing.
Q. Okay. And because no rate base adjustments were agreed to in the black box settlement, isn't it a misrepresentation to say that the issue was uncontested because a settlement by its nature is a compromised decision?
A. It is, and I would -- I would agree with -- I would agree with that. It was Cascade's viewpoint that it was uncontested.
Q. Okay.
A. In reality, yes, a settlement is a settlement, it's particularly a black box.
Q. Okay. I'm going to now switch gears and ask you a few questions about pro forma capital additions and specifically the pro forma capital additions that Cascade included in its filing in UG-190210, which were also included in this filing, okay?
A. Okay.
Q. So in -- in your last rate case, did any party besides Cascade file testimony on pro forma capital additions besides testimony in support of the black box settlement?
A. No.
Q. Okay. Which pro forma capital additions were included in the last rate case and also included in this case?
A. Well, again, the last rate case was the black box settlement, so no specific adjustments were included.
Q. Well, that's not what I'm asking. So -- so which were included in your original filing in the last case and also included in this case? There's four of them. Would you agree subject to check that includes the Wallula Gate Station, the Bellingham high pressure line, the Arlington Gate Station, and the Aberdeen high pressure line?
A. Yes.
Q. Okay. And as we heard this morning, the Aberdeen Project has now been removed from Cascade's filing in this case because it's not yet in service, correct?
A. Correct.
Q. Okay. In your initial filing in the last rate case, Cascade included pro forma -- a pro forma plant addition for the Wallula Gate Station Project with an expected operation date of December 31st, 2019, correct?
A. Correct.
Q. Okay. And that -- that project was not actually placed in -- in service in 2019, right?
A. Correct.
Q. So when was that -- that project placed in service --

A. We did, on figure 1 for Mr. Darras's December 31st -- I believe it was December 31st, 2020, correct?
MS. PEASE: If you could provide a page reference, Counsel, that would be helpful.
A. Was this the Wallula Gate?
BY MR. STOKES:
Q. Yes, correct.
Q. 29th, okay. Thank you.

BY MR. STOKES:
Q. So why wasn't the Wallula Gate Station Project --

THE COURT REPORTER: Mr. Stokes, this is the court reporter. I can't hear --

JUDGE HOWARD: You're breaking up, Mr. Stokes.
MR. STOKES: Sorry about that. Not sure what happened there.

BY MR. STOKES:
Q. So why wasn't the Wallula Gate Station Project placed into service in 2019?
A. Mr. Darras in his rebuttal testimony provides information on why that wasn't in -- or in his direct testimony.
Q. Okay.
A. And I'm not recalling the specifics on why.
Q. Okay. When did Cascade know that the Wallula Gate Station Project would not be in service in 2019?
A. I don't recall that either. I do know that in our 2019 rate case, similar to this case, we proposed those projects that were intended to be in service by the end of 2019. But that case was resolved long before we got to the end of 2019.
Q. Was the timing of the in-service date of the Wallula Gate Station Project or any of the other three projects that are also in the filing addressed in either the settlement agreement or the hearing in UG-190210?
A. No.
Q. Okay. Can you turn to page 14 of your rebuttal testimony in MPP-2T.
A. All right. I'm there.
Q. Okay. And you quote the portion of the settlement agreement from -- from the last rate case, and do you -- do you agree that the settlement stated that no plant additions were deemed to be included or excluded from the agreed upon revenue requirement?
A. Yes.
Q. Okay. So in your opinion, how can plant not be considered included or excluded from revenue requirement?
A. I believe that that language was put in there to identify that no plant was treated from a prudence standpoint to be accepted and included.
Q. And if you look at the following sentence, that the parties other than Cascade retain the right to challenge in future proceedings the recovery of investments not yet explicitly included in rates, isn't that in a sense reserving the right of parties other than Cascade to challenge the prudence of projects in future cases?
A. Yes.
Q. Is there anything in the record in UG-190210 that indicates that certain projects would not be in service and would be included in a later rate case?
A. No.
Q. Okay. When does Cascade intend on filing its next rate case?
A. This question was asked to Ms. Kivisto earlier this morning, and we honestly don't know. A lot depends on the outcome of this rate case and --
MR. STOKES: I have no further questions.
JUDGE HOWARD: Do we have any redirect from
COMMISSIONER RENDAHL: Yes, and I will start.
Q. That's okay.
MS. PEASE: I have nothing further.
JUDGE HOWARD: Are there any questions from the bench for Mr. Parvinen?
COMMISSIONER RENDAHL: Good afternoon, Mr. Parvinen.
A. Good afternoon.
Q. Were you on this session when Ms. Kivisto was testifying this morning?
A. Yes.
Q. Okay. So you heard the questions about the load study that she suggested that we talk to you about?
A. Yes.
Q. Okay. So at this time, does the Company have a written plan with timelines for how it is planning to complete its load study other than what is in Ms. Kivisto's testimony?
A. Specific -- specifically no due to the -- the kind of the unknown still. We have a general -- we have a general plan. We could provide an overview if the Commission would like of what that plan would look like,
but we do not have specific dates, timelines when things would be implemented. We do have a budget for 2021 and '22, and part of that project requires at this point, you know, the next step in the process for the fixed network is to go talk to the electric utilities, for example, in our service territory to get agreements to be able to put our equipment on there. So those become -- those discussions then become --

Q. Okay. But --
A. -- it could make it un-- a little uncontrollable, unknown.

Q. So -- so, Mr. Parvinen, for a project of this magnitude, which is what is described in Ms. Kivisto's testimony, wouldn't it make sense to have an actual plan with steps of what you're going to do or is this a plan that is in somebody's head?
A. No, we do have -- I mean, I'm not sure how well written out the plan is. So we do have -- so we do have a plan. We're -- and I'm not sure the status of where -- where -- we will be having a project manager for this project. Whether that person has been defined yet or not, I'm not aware -- I'm not sure.
But then for -- you know, then from there, we do have our capital budget. We have to look at where we can do the most good. So we do have a -- we do have a plan, it just may not be formally written out and -- because of like I said, some of the unknown timeline parameters.

Q. So I guess what I would like to ask is a bench request is for the Company's plan. And if there is no one consolidated plan, I would like to see the budget documents, the proposal for a project manager, any discussions that might be occurring at the board level for pursuing this plan. Do you understand what I'm asking?
A. Yes, I believe so. And there's kind of two components too. So this is the network to be able to collect the data for the load study. At the same time, we are also -- will be having the data that we have collected, which will be relevant to put on a load study.

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

JUDGE HOWARD: Certainly.

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

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

EXAMINATION
BY CHAIR DANNER:
Q. Mr. Parvinen, the agreement to do a load study was four years ago, 2017. Are there meeting notes or contemporary notes that show that you've initiated something that you could share with us to show that you have been making progress towards at least beginning a load study?
A. Yes, and -- and Ms. Kivisto pointed out that she could -- in her initial testimony provided an update on where we were in the study, the timeline on how this started, because it initially started back in our 2015 rate case. So we agreed to do a load study in the 2015 rate case. Then by the 2017 rate case, we went down an avenue that we thought was appropriate and we worked -- you know, we worked with Staff. We found out that was not what parties were thinking.

So we reconfigured at that point in 2017 rate case. We did point out that it would take -- that our preferred path was to install a fixed network. That wasn't in the immediate -- immediate future, but at the same time, we would be replacing our FERCs associated with our meters that could potentially get -- get data that way. But it was known at that time that this was not going to be an immediate project. It would take us several years to do and then we'd have to reevaluate the data.

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

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

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

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

EXAMINATION
BY COMMISSIONER RENDAHL:
Q. So, Mr. Parvinen, referring to pro forma plant, and there's been a lot of discussion about that in your testimony and others, in your rebuttal testimony, and I
Page 231

guess I'll refer you to this is MPP-2T, starting at page 24 and going onto page 25, where you explain the offsetting removal and retirement adjustment; are you seeing that?
A. Yes.
Q. Okay. Does -- does Cascade's proposed pro forma plant adjustment and the associated removal and retirement adjustment use end of period or average of monthly averages; do you know?
A. I guess that would be reflecting end of period for the investment, yes.
Q. And for the --
A. And for the adjustment would be based on that end of period amount, yes.
Q. So both the pro forma plant adjustment and the removal and retirement adjustment would both be end of period?
A. Yes.

COMMISSIONER RENDAHL: Again, I'll defer to my colleagues if there are other questions.

COMMISSIONER BALASBAS: I do have a couple of questions for Mr. Parvinen.

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EXAMINATION
BY COMMISSIONER BALASBAS:
Q. Good afternoon, Mr. Parvinen.
A. Good afternoon.
Q. Switching subjects now. I'd like to ask you some questions about excess deferred income tax.
And my first question is, how is Cascade accounting for protected and unprotected EDIT in its regulated books of account?
A. So the protected EDITs is -- shows in a -- I believe it's a 256 regulatory -- regulatory liability account, which is direct offset the rate base. So going back to pre -- pre -- pre-tax reform, the deferred tax is recorded at the 35 percent rate. So now you basically have two accounts; one at the 21 percent and then the excess at 15 percent.
So it's still a hundred percent offset to the rate base. That 15 percent is then tracked separately per the -- per the order in our last rate case, rate case before, sorry, the 2017 rate case. We -- we tracked that account separately and true it up annually.
The --
Q. Okay. So just to -- okay. I -- I think you may have maybe already answered this, but going to ask this question directly anyway. And you referred to previous

Page 233

Q. -- is the protected and unprotected in one account?
A. No, they are in separate accounts.
Q. Okay.
A. If I could clarify, I think what got confusing was the refund of those since we aren't tracking those kind of separately and passing those back to customers, it was the corresponding reduction in revenue that was the confusing aspect.
I think we did -- did get that -- did get that clarified, and we did put on -- my rebuttal testimony kind of explained, goes back to the history of deferrals where you have -- when you create the deferral, you have a net income impact, but when you do the amortization, it works out there is no net income impact. I may have just gotten totally off topic with what you were talking about, sorry.
Q. No problem.

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COMMISSIONER RENDAHL: And I have one other question unless, Mr. Commissioner Balasbas, I will refer you to Mr. Mullins' cross-answering testimony where he had expressed some concerns that Cascade was unable to produce EDIT balances because they were not separated from ADIT balances.
A. Sorry, I guess I'm a little confused. I thought we had responded to those -- to those questions, so I don't have a clear answer for you.
COMMISSIONER RENDAHL: Commissioner Balasbas, can I follow up?
COMMISSIONER BALASBAS: Please.

EXAMINATION
BY COMMISSIONER RENDAHL:
Q. So I guess the question is, are you separately accounting for the protected and the unprotected or --
A. Yes.
schedules from future general rate cases. So do you
plan to develop an adjustment in future rate cases to
remove all supplemental tariff schedules, revenues, and
costs in a transparent manner?
   A. Yes, yes, we do. Theoretically, it will work
out to zero net income impact, but we will do that
presentation and -- and show supporting work papers for
it.
   COMMISSIONER RENDAHL: Thank you. I have no
further questions.
   JUDGE HOWARD: Are there any further
questions from the bench for this witness?
   CHAIR DANNER: No.
   JUDGE HOWARD: Okay. Hearing none, we are
now turning to Staff's witnesses. No party has
designated Chris McGuire or Kristen Hillstead
cross-examination. Are there any questions from the
bench for McGuire or Hillstead at this time?
   Hearing none, the next witness would be
David Panco for Staff. Mr. Panco, are you on the line?
   MR. PANCO: Yes, I am.
   COMMISSIONER RENDAHL: Judge Howard, could
we take a ten-minute break now?
   JUDGE HOWARD: Certainly. Let's take a
ten-minute break and return at 3:05 if that works. All
right. We are off the record.
   (A break was taken from
2:56 p.m. to 3:05 p.m.)
   JUDGE HOWARD: Let's be back on the record
after a short break. The next witness is David Panco
for Staff. Mr. Panco, please turn on your video and I
will -- and raise your right hand and I will swear you
in.
   MR. PANCO: It's on and showing in front of
me. Can you hear me and see me okay?
   JUDGE HOWARD: Yes. Sometimes it takes a
moment to pop up, but I can hear and see you now.
   (David Panco sworn.)
   JUDGE HOWARD: Thank you.
   MR. CALLAGHAN: Your Honor, Mr. Panco is
available for cross-examination.
   JUDGE HOWARD: Thank you.
   MS. PEASE: This is Jocelyn Pease for Cascade.
   EXAMINATION
   BY MS. PEASE:
   Q. Good afternoon, Mr. Panco.
   A. Hello.
   Q. Can you see me and hear me okay?
   A. I can.

   Q. Okay, great.
   A. And if at any time you can't hear or see me,
please speak up.
   Q. Certainly.
   A. Or gesture.
   Q. Would you please refer to your response
testimony Exhibit DJP-1T at page 2, and let me know when
you're there.
   A. My goodness, I started at page 3, so my copy
starts at page 3. Do you want to just run the question?
It must be very introductory.
   Q. Sure.
   In this section of your testimony, you state
that you either submitted or drafted testimony regarding
pro forma capital projects for Cascade's three most
recent rate cases is; is that correct?
   A. That's correct.
   Q. And in each of those cases, did you review the
Company's testimony and exhibits regarding the pro forma
capital projects?
   A. Yes, I did.
   Q. Based on this experience, would you say that you
are familiar with Cascade's presentation of information
about its pro forma capital projects?
   A. I would think that I'm fairly familiar with it,
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<td>Q. Okay. Could you please refer to your response testimony at page 11.</td>
<td>Q. Yes. On -- on line 5, the same page, page 11, you state that the -- the Exhibit PCD-1, Mr. Darras’s initial testimony, also describes Company's blanket funding projects; is that correct?</td>
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<td>A. I’m at that page.</td>
<td>A. That's what it says.</td>
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<td>Q. And specifically lines 1 through 8. In this section of your testimony, you refer to Mr. Darras’s testimony; is that correct?</td>
<td>Q. And did you review the Company’s testimony in its initial filing regarding the blanket funding projects?</td>
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<td>A. That's correct, and also to MCP-6.</td>
<td>A. I did at that time, yes.</td>
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<td>Q. Okay. And, Mr. Panco, you reviewed Mr. Darras’s initial testimony in this case; is that correct?</td>
<td>Q. And based on your prior experience reviewing Cascade’s pro forma plant projects, would you say that you're generally familiar with the projects that the Company refers to as blanket funding projects?</td>
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<td>A. That's correct.</td>
<td>A. The presentation this time was more complicated, especially as the revised versions and the responses to the data requests started rolling in.</td>
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<td>Q. Okay. And in that narrative detail, would you agree that the Company provided detail regarding the discrete pro forma capital projects including the project need and analysis of alternatives?</td>
<td>Q. -- I think you didn’t quite answer my question. Would you say --</td>
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<td>A. They did, but I would qualify that with that information having been provided prior to having provided the financial and cost information that I typically would have reviewed before even considering</td>
<td>A. Will you ask it again and I'll try to?</td>
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<td>any of the other data.</td>
<td>Q. Certainly, certainly.</td>
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<td>Q. And was there any cost information in that initial filing?</td>
<td>Based on your prior experience reviewing the Cascade pro forma plant adjustments in -- in the earlier cases, would you say that you are generally familiar with the projects that the Company refers to as blanket</td>
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<td>A. I'd have to go back, I have it here, and review it. Quite frankly --</td>
<td>funding projects? Is that --</td>
</tr>
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<td>Q. Based on your recollection, would you agree that there were budget figures provided?</td>
<td>A. The --</td>
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<td>A. There were comparisons of the options. I don’t know that there were specific budget figures provided. I believe they were provided in -- in PCD-2, that was then replaced with revised PCD-2 in response to Staff's DR No. 89.</td>
<td>Q. -- a familiar term for you?</td>
</tr>
<tr>
<td>Q. Okay. And in -- in looking at PCD-2, would you agree that there were estimated cost figures there?</td>
<td>A. I would have to go back to those records and check to see if those were terms that were used. Those cases were considered several years ago. I don't tend to hold things in my head.</td>
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<td>A. There were. There were also figures stated as actual cost figures, there was some confusion on my part, because some of those actual cost figures were stated for dates in the future that were also stated as actual in-services dates which is what led to that data request.</td>
<td>Q. Okay. From your -- from your review of the Company's three most recent cases, would you agree that in the initial testimony provided by Mr. Darras that there was more narrative detail in support for the pro forma projects?</td>
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<tr>
<td>Q. Okay. Please refer to your -- still on your testimony page 11, still lines 1 through 8. You state here that the Company described its blanket funding project in its initial testimony; is that right?</td>
<td>A. It was definitely a larger volume of narrative in support of the projects, and there was also a more detailed description of the capitalizing -- capital budgeting process the Company uses; however, I was not really looking for capital budgets. I was looking for costs of actual projects completed. So I was finding that to be somewhat distracting.</td>
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<td>A. I'm sorry, could you repeat that?</td>
<td>Q. Mr. Panco, could you please refer to the cross-exhibit designated as DJP-9X?</td>
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<td>A. That would be the testimony from 170929, correct?</td>
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<td></td>
<td>Q. That's correct. And specifically this is your revised testimony; is that correct?</td>
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A. It appears to be, yes.
Q. Do you recall why you revised this testimony?
A. I don't at the moment.
Q. Okay. If you refer to page 9.
A. That would be page 9 of the exhibit. Do you have the page number in the testimony? Because I have the original testimony here in front of me.
Q. Yes, it's page 9 of the exhibit and page 7 of the revised testimony. I guess the questions you had --
A. Thank you. That's with table 1 on it, I have that.
Q. Correct, correct.
And there's some red line -- red line there; do you see that?
A. I'm sorry, I only have the -- the -- the Docket 170929. I -- I don't have a printer -- access to a printer and I'm working from my home, so I was using the information that I had with me. But if you point out that red line to me, I would be glad to mark it on my copy.
Q. I -- it probably isn't the most important to make here -- most important point to make here, so I can -- I can just move on. I think, though, I'll --
A. I'll be mindful that it appears we have different copies, and I will try to coordinate as far as specific references to make sure we're -- we're looking at the same documents.
Q. Okay. So my next reference is to page 6 of the exhibit, lines 8 through 19 and I'll try to...
A. Were all these pro forma plant additions in service by the of the 2019, is that where we're starting?
Q. 4 -- it would look like page 4 I think of the exhibit, and it's the Q and A starting with, (as read) How did Staff define the thresholds for major plant additions in this case.
A. I found that.
Q. Okay. In this section, your testimony explains how Staff defined the Commission's major resource threshold in this case; is that right?
A. That is correct.
Q. And specifically, you are articulating Staff's rationale for departing from the use of a percentage of rate base and setting a -- setting a threshold for a major resource; is that right?
A. We were trying to accommodate the fact that Cascade has a noncontiguous set of small service areas, regulated replacements, would you agree that these would be the same type of projects that the Company might refer to as blanket projects?
A. They may be. I would also qualify that with saying that when this testimony was written, I had been at the Commission half the time that I have been now, and so it could be that perspective has shifted through time, my perspective and Staff's perspective and my perspective on behalf of Staff.
Q. Well, that's I think getting at my next question.
A. I do. I believe that you're not building wind farms or nuclear generating plants, so if that's what you mean, yes.
Q. In the next sentence here, you explain, (as read) Staff offers a broader notion of major, which defines that term by a percentage of projects included in the test year; do you see that testimony?
A. I do, and that's going back to my private sector days. That I was a pre-pragmatic son of a gun coming...
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<tr>
<td>1</td>
<td>A. Yes, it would.</td>
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<td>2</td>
<td>Q. And would you agree, then, that these would be the same items that the Company would call blanket funding projects?</td>
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<td>3</td>
<td>A. The blanket funding concept was a new concept to me, and it was introduced as them being programmatic investments. And after discussion with other Staff, the position that Staff came to is that those projects were not appropriate for consideration and pro forma in the current present case.</td>
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<td>4</td>
<td>Q. Okay. Thank you.</td>
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<td>5</td>
<td>Please refer to your response testimony at page 3.</td>
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<td>6</td>
<td>A. I'll be there in just a moment. I have that page. I'm there.</td>
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<td>7</td>
<td>Q. And you testified here that Cascade has placed only 6.9 million of plant in-service before October 27th, 2020; is that correct?</td>
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<td>8</td>
<td>A. That's -- is -- that's correct. That's what Staff was able to verify from the data responses, which were coming through with a very confused set of uses of various terminologies, such as references to in-service dates, whether they were actual or estimated, and total cost numbers and whether those were realized or estimated, and they did not always appear to be</td>
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<td>9</td>
<td>implicitly stated.</td>
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<td>10</td>
<td>Q. And, Mr. Panco, it sounds like there might have been some confusion in the discovery, and I think we've heard some earlier testimony about that today.</td>
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<td>11</td>
<td>To the extent that -- that you had any questions or conditions about how the information was presented, had you reached out to Cascade to seek to clarify that?</td>
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<td>12</td>
<td>A. I had sent out subsequent data requests both to Cascade and Cascade appeared to continue to offer updates against their capital budget through their responses to Staff DR 92. I was looking primarily at the updates to PCB-2 that were coming in response to Staff DR 89 as a more dependable source of information, because that was allegedly at least providing project completion dates and not simply end of period book numbers of expenses dated to the same individual funding project line items.</td>
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<td>13</td>
<td>Q. So, Mr. Panco, did you consider the responses to DR 92 in coming up with your recommendation?</td>
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<td>14</td>
<td>A. I considered the responses to DR 89. I cannot confirm from the responses to DR 92 that the individual funding project as listed were in service providing Washington customers at known and measurable costs.</td>
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<td>15</td>
<td>Q. And it sounds like there may have been some</td>
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<tr>
<td>1</td>
<td>Q. Certainly.</td>
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<td>2</td>
<td>So you were proposing an approach that would account for 80 percent of the Company's total pro forma costs; isn't that right?</td>
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<td>3</td>
<td>A. We were using that as a baseline estimate as we started to look at their projects. Having been handed a very large set of line item funding projects, that's what we were trying to do, work it down to a size that was manageable to consider.</td>
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<td>4</td>
<td>Q. And if you refer to table 1 on page 9, this is the list of projects that you had proposed should be allowed for cost recovery; is that right?</td>
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<td>5</td>
<td>A. In that case, yes, it was.</td>
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<td>6</td>
<td>Q. And table 1, could you please take a look at items one, seven, eight, and nine.</td>
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<td>7</td>
<td>Are these the main replacement -- or regulator station replacement projects that you had described earlier in reference to the many small individual projects typical of LDC investments?</td>
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<td>8</td>
<td>A. I'm not certain at this point in time. It's been a long time since I've written this testimony.</td>
</tr>
<tr>
<td>9</td>
<td>Q. Okay. Thank you.</td>
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<td>10</td>
<td>Would you agree that your recommendation here likely included those types of projects; the regulator station and main replacement projects?</td>
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into this, and if I were trying to do time allocation for analysis, I would be looking at the smaller number of major projects involved. That's where that is being derived from.

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

A. That's correct.

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

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

Q. That's right. So it opined the broader notion of major, you state here that the top 20 percent of the projects will make up 80 percent of the total cost. Staff considered this method as applicable to the types of projects in which an LDC must engage; do you see that testimony?

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

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

A. I wanted to be clear how it started.

Q. Okay. Thank you.

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

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

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

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

Q. Okay. Thank you.

Would you agree that your recommendation here likely included those types of projects; the regulator station and main replacement projects?
confusion over some of the labeling as to whether there were estimated or actual in-service dates. And I think Mr. Darras had sought to clarify some of that in his testimony earlier today, and then I think I also heard you say that you might assume if there’s an estimate provided, that if it’s for a date in the future, that it would be an estimate. But if it’s for a date in the past, it may very well be the actual date; is that right?

A. In -- in general, I agree with what you’re saying.

Q. Okay. Circling back to your recommendation in the case, just so we’re -- we’re -- we’re all clear, the specific project that you included in -- in your figure of $6.9 million include the Moses Lake 4 inch PE Project, the Bellingham 8 inch HP, and two out of three funding projects associated with the Arlington Gate; is that correct?

A. That’s correct.

Q. And to be clear --

A. Those were the actual costs as revised in Mr. Darras’s responses to DR 89.

Q. And to be clear, your recommendation in this case excludes all of the other discrete pro forma capital projects; is that correct?

A. Yes, I did, and I ascertained that from review of the attached files with that and when they were last modified, and that’s the date that’s listed in my response testimony as having truncated the analysis of the investments to be included, the October 27 date.

Q. Okay. So I think that was my next question.

So October 27th is your cutoff date; is that correct?

A. October 27th was when I was requested to have testimony to be reviewed and turned over to attorneys for submission.

Q. Okay. And referring to column G, would you agree that the information presented here includes the Company’s proposed pro forma adjustment for pro forma plant balances as of September 30th, 2020?

A. I would have to take your word for that. The copy of that that I have in front of me is -- is impossible for me to read.

Q. I also have --

A. I need a magnifying glass.

Q. -- a tiny copy and I think I --

A. I can --

Q. -- I can try to do screen sharing, but I think it might still look tiny --

A. That’s fine.

Q. -- in this situation.
So maybe we could run through a couple questions that are subject to check, and if you discover that -- that there's any difference, you can let us know. Or if you have an electronic version you can work with, we can -- we can do that to.

A. I have an electronic version I can work with it, but I can't work with it simultaneously with being on this conference call.

Q. Okay. So let's start this out subject to check. Referring to lines 18 and 12 for the Othello Gate Project, would you agree that the in-service dates provided in column I are September 18th, 2020, and August 28th, 2020, respectively?

JUDGE HOWARD: Mr. Panco, I believe you're cutting out.

MR. PANCO: Oh, I'm sorry, I was turning away from microphone trying to squint and read this. I -- I can't read this copy that I have in front of me. I -- I would gladly check the names of the projects and -- but I can't confirm --

JUDGE HOWARD: Mr. Panco, if you have -- are you on the Teams app on your -- on your computer here?

MR. PANCO: I'm on the Teams app on my laptop.

JUDGE HOWARD: Are you --

MR. PANCO: So I only have the small screen available to me.

JUDGE HOWARD: Are you able to click to Internet Explorer or however you have this document saved electronically? Because the app will remain open and we will still be able to hear and see you and then you will be to view the electronic version.

MR. PANCO: That might take me a moment to find my way there. I apologize.

JUDGE HOWARD: If you're able to -- to look at that using like ALT tab or clicking on the menu bar at the bottom.

MR. PANCO: I'm working my way through the cross-exhibits for this -- this case and cases.

A. Can I get the name of that exhibit again, please?

BY MS. PEASE:

Q. It's your exhibit, DJP-5.

A. I'm sorry, that pulled up my testimony from 170929. I'm going to a different place to try to come up with this.

MR. CALLAGHAN: Mr. Panco, I can email you a copy if that would be helpful.

MR. PANCO: That would be great.

MR. CALLAGHAN: Okay. I will do that now.

Gate Project, would you agree that the in-service date provided in column I is September 18th, 2020?

A. Line 121?

Q. Mm-hmm.


Q. And referring to line 16, which is funding project 317322 for the Othello -- for the Arlington Gate, would you agree that the in-service date provided in column I is September 3rd, 2020?

A. Yes, I would.

Q. But your recommendation in this case for pro forma plant through October 27th, 2020, did not include these projects; is that correct?

A. My recommendation was based on the responses to DR 89. As I said earlier, these -- these were considered to be end of period spending updates. That's how they were considered by me anyway.

Q. Okay. And still on this exhibit, let's refer -- I'm -- I'm glad you got a copy that you can work with because I have a couple additional questions.

A. It's pretty marginal.

Q. Well, I appreciate -- I appreciate your bearing with us.

If you refer to the note in pink at the top of page 2 of Exhibit DJP-5, would you agree that the
A. Sorry, I just lost the image on my screen. I'm getting it back, though. And I'm having to resize it again. Could you repeat the question, please?
Q. Certainly.
A. If you refer to the note in pink at the top of page 2 of this exhibit, would you agree that the information presented here includes balances through September 30th, 2020? I think you were referring to them as maybe the end of period or end of the month balances.
Q. The distinction being with blanket projects in column H are blanket projects to keep accruing and closed to plant service each. Plant is reflecting the current -- Cascade is reflecting the current balance in the, and then it's cut off on my screen, and the funding project as of 9/30, 2020. In addition, these projects are in place to be more than Cascade originally filed for by yearend. Is that what you're referring to?
A. Yes. And I'm sorry, where did you say it was cut off for you?
Q. Line 91, for example?
A. I -- I read the rest of it. I got the cutoff --
Q. You got it, you got it, okay.

So as we discussed earlier, the projects in the blanket funding category tend to be smaller projects; is that right?
A. Yes.
Q. And these smaller projects are completed throughout the year and accrue to the associating -- associated funding project; is that right?
A. I believe that's the intent.
Q. And so if the balances for the blanket funding projects close every month, would you agree that it would be possible to perform a midyear review of the investment for blanket projects year to date?
A. Sorry, I -- I -- I'm not understanding why a person would do that.
Q. The distinction being with blanket projects in comparison with a bigger discrete project, that there's smaller projects that are continually being accrued to this, to associated funding project, and distinct from the pro forma projects where you would need to complete all of the investments to -- to have the -- the total cost.
A. Staff in this case had already chosen to reject all of the blanket projects. I would not have had any reason to do that midyear review.
Q. Okay. I appreciate your -- you clarifying

Staff's position.
Would you agree that one theoretically could perform that review?
A. I would agree that one theoretically could perform the review.
Q. Okay. And in this in this note at the top of the page, it specifies that the projects with the note code 27 or 28 are the blanket projects; do you see that note?
A. I don't see it. I don't have that part of the page up, but I recall having read that to you.
Q. Okay. And if you could look at line 34, DAF meters, and the blanket code reference.
A. Page 28.
Q. And the total balance there as of September 30th, 2020, is almost $6 million; is that right? In column --
A. I'm showing -- I'm showing the -- I'm showing that in column G, but I'm not seeing the header to column G unless I shrink the page and scroll down. So I'm -- I'm not sure what date that would be the case.
Q. Okay. And if we look at the note code 27, which is I think starts on line 73 and continues through 108, do you see that note code 27 for those projects?
A. Could you repeat those numbers, please?
Q. Yeah. I hadn't planned to walk you through each individual project --
A. This is very tedious I'll have you know. I'm trying to do this on a very small screen. So I -- if you'll bear with me, I'll try to find the locations you're after.
Q. Sure. Looking at lines 73 through 108, and in column G there, if you scan those balances, would you agree that some of those balances are over a million dollars?
A. Starting at line 73?
Q. Yes, between lines 73 and 108.
A. I'm seeing values pretty much in the hundreds of thousands of dollars.
Q. Okay.
A. So --
Q. Line 91, for example?
A. -- 6,000.
Q. And line 95, for example?
A. I believe that you're finding examples on this page of numbers that -- that do meet those criteria that you stated.
Q. Okay. Would you agree that some of the funding
project balances in this exhibit are even greater than
the blanket funding project amounts that you had
proposed for your recommendation in the Company's 2017
case?
   A. In the 2017 case, I was working with a different
   manager using different criteria for assessing projects.
   And at that point in time, the recommendations that were
   made in 2017 were made. At this point in time, I'm
   working with a Staff team, and I'm trying to follow that
   Staff team's advice and the decision was made not to
   accept these projects.
   Q. Okay. One - - one final question on the blanket
   projects and then we can move on.
   Did you ask any questions in discovery about the
   blanket projects?
   A. Only in reference to having included them in the
   continuous update request to MCP-6.
   Q. Thank you.
   A. Are we done with this exhibit now?
   Q. Yes, we can be done with this exhibit now.
   A. Thank you.
   Q. Thank you for your flexibility in working with
   what I recognize is a challenging situation while
   we're - - we're also doing the cross-examination.
   A. Yeah, no, I apologize. I was -- I do not feel
   that those are the numbers that were presented in PCD-4
   and that's what they total to.
   Q. Okay. And so the -- the question here, it seeks
   to confirm that the final costs for those projects as
   reflected in the Company's rebuttal filing is 7 million,
eight hundred -- sorry, $7,865,808; do you see that
   here?
   A. Yes, I do.
   Q. And in your response, you state that you did not
   have sufficient time to examine and verify the costs
   that we now claim that are associated with funding
   project 317322; is that correct?
   A. That's correct.
   Q. So you state that you cannot confirm that
   amount; is that correct?
   A. I can confirm that it was stated in Mr. Darras's
   rebuttal testimony, but that was the first time I ever
   saw it.
   Q. And as you state in your -- in this response,
   the Company's rebuttal testimony was filed on
   January 8th, 2021; is that correct?
   A. That's correct.
   Q. Would you agree that discovery was available in
   this case through January 29th, 2021?
   A. I would. I would also point out, though, that I
   was being asked questions that typically I would have
   been presented with in the opening presentation of the
   case and asked to begin doing the investigation now that
   typically would have been done when a case was
   originally presented. So I would have had to set aside
   other tasks with which I'm involved and -- and taken
   that up.
   Q. And following -- following this line of
   questions through, so there was about three weeks during
   which discovery still was available to Staff following
   the rebuttal filing; is that correct?
   A. That's correct.
   Q. And Staff did not serve any data requests
   seeking any additional information about funding project
   317322; is that true?
   A. That's true.
   Q. And Staff did not serve any data requests
   seeking additional information about any other pro forma
   capital projects after the Company filed its rebuttal
   testimony; is that correct?
   A. That's also correct.
   Q. Okay.
   MS. PEASE: Thank you. No further questions
   here.
   JUDGE HOWARD: Do we have any redirect from
E X A M I N A T I O N
BY MR. CALLAGHAN:
Q. First, Mr. Panco, in a general rate case, who bears the burden to prove that a pro forma adjustment is appropriate, is it Staff or the Commission -- or sorry, Staff or the Company?
A. I believe it's the Company that bears that burden.
Q. All right. But you discussed on cross-examination that you did send several data requests regarding the pro forma plant issues, correct?
A. That's correct.
Q. And the first data request was Staff DR 89; is that right?
A. I believe that was the first of them, yes.
Q. And then you had a follow-up that was Staff DR 92, correct?
A. DR 92 was differently directed to the MCP-6 testimony as opposed to 89, which was directed to the PCD-2.
Q. Okay. And you also issued another data request, DR 124, correct?
A. That's correct. That's because there were not any updates coming in and I wanted to make it clear that those requests were intended to be continuous.
Q. All right. So you did make attempts when you were concerned that -- that Cascade was providing the incorrect information; is that right?
A. I don't know if I would say it was incorrect information, but it wasn't the information which I was seeking, which was the -- these projects were being used and useful to Washington customers and what the known prices were or costs were.
Q. And, Mr. Panco, when you provide a recommendation to the Commission, you have to be sure that the pro forma plant that you recommend to be included meets all the Commission's standards, right?
A. That's correct.
Q. And would you have been able to do that after rebuttal testimony with three weeks for data requests and, you know, no ability to follow up?
A. I don't think I get to make an opening statement, so I would have only been able to present it had I had it prepared and happened to have been asked it in cross-examination. Other than that, I don't have a voice.
Q. And so you wouldn't have been confident in your ability to -- to recommend those plant additions be included in customer rates, correct?
A. No, I would not have been.
Q. And Ms. Pease asked you on cross about the materiality threshold; is that right?
A. Yes.
Q. Now, in your response testimony, was that the primary reason that you gave for not being able to include most of Cascade's proposed pro forma plant additions?
A. I don't believe I mentioned that in my response testimony at all. My primary concern was whether the plant was being used and whether offsetting factors had been appropriately considered in determining the -- the costs incurred.
Q. All right. And so in this case, did the Commission Staff receive DR responses that, you know, essentially in December indicated that there had been errors in the information that Cascade has provided with respect to in-service dates?
A. In December did we receive that?
Q. Correct.
A. Through the month of December, we received responses that were confusing both in terms of the date in which they were prepared and what the dates were that were represented.
Q. All right. And so, Mr. Panco, after following up with the Company several times with different data requests that requested ongoing updated information, past the point where Staff had already filed response testimony, it was still unclear based on the information they provided what the actual in-service dates were, what final costs were; is that right?
A. To me it was -- it was uncertain and it was unclear, yes.
Q. Okay.

MR. CALLAGHAN: Thank you. No further questions.
JUDGE HOWARD: Are there any questions from the bench for Mr. Panco?

COMMISSIONER RENDAHL: Not from me. Thank you.

JUDGE HOWARD: All right. Mr. Panco, thank you for your testimony today. You are excused.

No party has designated the next witness, Amy White, for cross-examination. Are there any questions from the bench for Ms. White at this time?

CHAIR DANNER: No.

JUDGE HOWARD: Hearing none, the next witness will be Joanna Huang for Staff. Ms. Huang, please turn on your video and I will swear you in.

MS. HUANG: Good afternoon.

JUDGE HOWARD: Good afternoon. Please feel free to correct me if I'm saying your name wrong. Am I right in saying that?

MS. HUANG: Can you say it again?

JUDGE HOWARD: Huang?

MS. HUANG: Very good. That's very correct.

JUDGE HOWARD: Thank you. I just wanted to be mindful of that. Please raise your right hand and I will swear you in.

(Joanna Huang sworn.)

JUDGE HOWARD: Thank you.

Mr. Callaghan, would you please introduce the witness.

MR. CALLAGHAN: Your Honor, Ms. Huang is available for cross-examination.

JUDGE HOWARD: Cascade may proceed with its cross-examination. Is Ms. Baird handling this witness?

MS. BAIRD: I am, Your Honor.

JUDGE HOWARD: Please proceed.

MS. BAIRD: Thank you. And so for the record, Shoshana Baird on behalf of Cascade.

EXAMINATION

BY MS. BAIRD:

Q. Good afternoon, Ms. Huang.

A. Good afternoon.

Q. So I know we are nearing the end of the day, I promise not to take up too much of your or the Commissioners' time. So to get right into it, could I ask you to turn to your response testimony at page 8, please. And if you could let me know when you're there.

A. Yes, I'm there.

Q. And specifically, I'm looking at lines 14 to 19, and here you note that Cascade's case includes a 3 percent increase in wages in 2019, as well as 3 to 4 percent wage increases in 2020 and 2021, right?

A. That's correct.

Q. And I believe on line 18 you refer to these wage increases as aggressive; is that right?

A. That's correct.

Q. Okay. When you say "aggressive," do you mean aggressive as compared to other utilities; is that right?

A. Aggressive as more than the standard average.

Q. And by "standard average," are you referring to what other utilities pay for salaries?

A. Yes.

Q. Okay. So I'm going to ask you next to turn to your Cross-Exhibit JH-6X, please.

A. I -- what -- what is that? I don't have that.

Q. Oh, it should be -- it's the first of the two cross-exhibits that were designated for you.

A. Oh.

Q. It should be 6X. I realize there was some last-minute numbering changes, so it is the first one.

A. Okay. So is that Avista's Docket UE-170485?

Q. Yes, and that's your testimony in Avista's 2017 rate case.

A. Yes, thank you.

Q. Okay. So if you could turn to page 16 of that exhibit, and by 16 of that exhibit, that is page 14 of the testimony if you're using an old version.
<table>
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<tr>
<td>A. So page 16 start with, (as read) How has the Commission treated pro forma incentive pay in the past; is that the page?</td>
<td>A. Okay.</td>
<td>A. Okay. Thank you.</td>
<td>A. Okay. Thank you.</td>
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<td>Q. Two pages before that, so page 16 of the exhibit, which is --</td>
<td>Q. Okay.</td>
<td>Q. Okay. Thank you.</td>
<td>Q. Okay. Thank you.</td>
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<td>Q. -- in upper right-hand corner.</td>
<td>Q. And so here, I believe, you had not opposed, then, the 3 percent wage increases for Avista in 2017, correct?</td>
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<td>Q. Yeah.</td>
<td>Q. Okay. I'm going to ask you to go ahead and turn back to your testimony now and go back to page 8, please.</td>
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<td>A. Okay. I'm there.</td>
<td>A. I'm there.</td>
<td>A. I'm there.</td>
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<td>Q. Great.</td>
<td>Q. So -- thank you.</td>
<td>Q. So -- thank you.</td>
<td>Q. So -- thank you.</td>
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<td>And so I'm specifically focusing on lines 3 to 6, and here you testified that Avista applied a pro-rata share of the 2016 wage increase, and then it goes on to say, in addition Avista also added a 3 percent wage increase for each of 2018 -- sorry, 2017 and 2018 for a total of 6 percent; is that right?</td>
<td>This page 16, the first question is about incentive, right?</td>
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<tr>
<td>A. This page 16, the first question is about incentive, right?</td>
<td>Q. Yes. So please explain how Avista calculated its proposed pro forma incentive adjustment, it is referring to also the wage increases, I believe; is that incorrect?</td>
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<td>Q. Yes. So please explain how Avista calculated its proposed pro forma incentive adjustment, it is referring to also the wage increases, I believe; is that incorrect?</td>
<td>A. You are incorrect.</td>
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<td>A. You are incorrect.</td>
<td>Q. Could I ask you to turn, then, to your next cross-exhibit, it's JH-7X.</td>
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<td>Q. Yes, and --</td>
<td>A. That would be the 2019?</td>
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<td>A. Okay.</td>
<td>Q. Yes, and -- specifically on page 12 of the exhibit, so the numbering in the upper right-hand corner.</td>
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<td>A. Okay. I'm there.</td>
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<td>A. Okay. I'm there.</td>
<td>Q. And specifically on lines 14 to 19, here you are referring back to the 2017 rate case.</td>
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<td>A. Yes.</td>
<td>A. Yes.</td>
<td>A. Yes.</td>
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<td>Q. And you say, (as read) Avista included two pro forma adjustments reflecting 3 percent wage increases for both union and nonunion employees; one 3 percent increase for the period of 2017 to 2018 and another 3 percent increase for the period of 2018 to 2019.</td>
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<td>And then you go on to say, (as read) These wage increases were uncontested and so were included in the Commission's final revenue determination; is that right?</td>
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<td>Q. Is it still your testimony that the Avista 2017 case did not include two pro forma wage increases?</td>
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<td>A. If you look at 2017 GRC, the cover page, and there's no place I mention labor adjustment for executive or non-executive. So there --</td>
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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.

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.

Q. Okay.

MS. BAIRD: I have no further questions.

Thank you.

JUDGE HOWARD: Thank you.

Any redirect from Staff?

MS. HUANG: Can I say something over here?

JUDGE HOWARD: Is it about logistic -- is it
about your connection or anything like that or --
because if it's about the substance of the case, we need
to have someone posing a question to you.

MS. HUANG: It's about JEK testimony on
page --

JUDGE HOWARD: I -- I prefer that we let
Mr. Callaghan pose the questions to you on redirect.

MS. HUANG: Okay.

MR. CALLAGHAN: Thank you, Your Honor.

EXAMINATION

BY MR. CALLAGHAN:

Q. Ms. Huang, could you turn to JEK-1CT on page 6,
and I will -- also will avoid any confidential
information. Are you on lines 4 through 5, are you
there?

A. I am.

Q. Okay. And lines 4 through 5 on page 6 indicate
that the Pearl Meyer report was prepared in 2018; is
that correct?

A. Yes.

Q. Okay. And that -- that would impact
your evaluation of whether that -- that analysis is --
is up to date given current events?

A. Yes, well, because if they prepare in 2018, they
probably use the year before that or ten, five years
before that. But we are in a different situation for
2019, '20, and '21.

Q. All right. And was there anything else you were
going to mention about this exhibit?

A. Yes. I would like to refer back to JEK-1CT page
15, line 5 to line 6. Even though Cascade revised their
2021 wages increase, but under line 6, that number is
still predicted to increase. So it's not firm, it's not
known and measurable.

Q. And there what you're discussing is the nonunion
wage increases for 2021, correct?

A. That's true.

Q. All right. And when you say that it's not known
and measurable, page 15 on line 5 --

MS. BAIRD: Your Honor, I'm going to object.
I believe this discussion about what constitutes known
and measurable is well outside the scope of my cross.
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<td>MR. CALLAGHAN: So, Your Honor, I -- I believe that Ms. Baird discussed the 2021 nonunion wage increases on her cross-examination.</td>
<td>Moving to the intervenors, no party has designated either Shawn Collins from The Energy Project or Bradley Mullins from AWEC for cross-examination. Are there any questions from the bench for either of these witnesses?</td>
<td>considered the exact page number, so I'm open to whatever the Commissioners would like, however lengthy they would like to have the post-hearing briefs.</td>
<td>MR. STOKES: AWEC's fine with that as well, Your Honor.</td>
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<td>JUDGE HOWARD: I am concerned it is outside the scope of the cross, Mr. Callaghan. I'm not recalling any questions about the union contracts being known and measurable. Are you able to persuade me otherwise?</td>
<td>Hearing none, we have just a couple of housekeeping items before we adjourn today. Ms. Gafken, I wanted to discuss with you how long Public Counsel might need to compile any comments received regarding this proceeding.</td>
<td>JUDGE HOWARD: Okay.</td>
<td>JUDGE HOWARD: Well, in this case with the procedural schedule, we only have the single post-hearing briefs and now post-hearing reply briefs. If the Commissioners are -- are fine with it, perhaps we could just default to the regulatory standard for more than 60 pages. Hopefully the parties can certainly be more brief than that. Do any of the Commissioners have thoughts on the topic?</td>
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<td>Your Honor. Thank you, no further questions.</td>
<td>Hearing none, I typically ask for a week after the hearing, so I think we could have that in by next -- next Wednesday.</td>
<td>MS. GAFKEN: Yes, thank you for raising that. You know, I typically ask for a week after the hearing, so I think we could have that in by next Wednesday.</td>
<td>CHAIR DANNER: I'm good with 60 pages. I promise I'll read all 60 of them.</td>
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<td>JUDGE HOWARD: Okay. Are there any questions from the bench for Ms. Huang?</td>
<td>JUDGE HOWARD: Thank you. We will designate that as a bench exhibit and number it BE-5, and it will be filed in the docket by next Wednesday.</td>
<td>COMMISSIONER RENDAHL: As and I said, brevity is always wonderful so...</td>
<td>COMMISSIONER RENDAHL: And as I said, brevity is always wonderful so...</td>
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<td>COMMISSIONER RENDAHL: No questions, thank you.</td>
<td>JUDGE HOWARD: Thank you. We will designate that as a bench exhibit and number it BE-5, and it will be filed in the docket by next Wednesday.</td>
<td>JUDGE HOWARD: In that case, we will stick with the -- the maximum page limit of 60 pages.</td>
<td>JUDGE HOWARD: In that case, we will stick with the -- the maximum page limit of 60 pages.</td>
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<td>MS. GAFKEN: Thank you.</td>
<td>JUDGE HOWARD: Thank you. We will designate that as a bench exhibit and number it BE-5, and it will be filed in the docket by next Wednesday.</td>
<td>Are there any questions from the parties or anything else that we should address before we adjourn?</td>
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<td>JUDGE HOWARD: Finally for the post-hearing briefs, our schedule provides for one round of post-hearing briefs due on March 22nd. Do the parties have positions on the number of pages that they would like?</td>
<td>JUDGE HOWARD: Thank you. We will designate that as a bench exhibit and number it BE-5, and it will be filed in the docket by next Wednesday.</td>
<td>MS. GAFKEN: Nothing from Staff, Your Honor.</td>
<td>MR. CALLAGHAN: Nothing from Staff, Your Honor.</td>
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<tr>
<td>MR. CALLAGHAN: Thank you, Your Honor. This is -- sorry, this is Nash Callaghan. I hadn't</td>
<td>MR. CALLAGHAN: Thank you, Your Honor. This is -- sorry, this is Nash Callaghan. I hadn't</td>
<td>JUDGE HOWARD: Nothing from Staff, Your Honor.</td>
<td>JUDGE HOWARD: Nothing from Staff, Your Honor.</td>
</tr>
</tbody>
</table>

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

CERTIFICATE

STATE OF WASHINGTON
COUNTY OF THURSTON

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

Tayler Garlinghouse, CCR 3358
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