

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 287**

IN THE MATTER OF )  
CASCADE NATURAL GAS )  
CORPORATION, )

REQUEST FOR A GENERAL RATE )  
REVISION )

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OPENING TESTIMONY OF THE  
CITIZENS' UTILITY BOARD OF OREGON

July 31, 2015



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1 Our names are Jaime McGovern and Bob Jenks, and our qualifications are listed in  
2 CUB Exhibit 101.

3 **I. Introduction**

4 In March of 2013, Cascade Natural Gas Company (Cascade or the Company) was  
5 ordered to file a general rate case with the Commission by March 31, 2015.<sup>1</sup> Prior to this  
6 order, and until the conclusion of this 2015 general rate case, the Company's authorized  
7 ROE was 10.10%,<sup>2</sup> whereas with Northwest Natural (NW Natural) and Avista Utilities  
8 (Avista), the other two gas utilities under the purview of the OPUC, are both authorized  
9 to earn a return on equity of 9.5%.<sup>3</sup> Cascade filed its general rate case with a 2015 test  
10 year, and in the one year since learning of the impending filing, 2014 saw a doubling of

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<sup>1</sup> OPUC Order No: 13-079.

<sup>2</sup> OPUC Order No. 07-220, page 2.

<sup>3</sup> OPUC Order No. 12-437 and OPUC Order No. 15-109, respectively.

1 the approved capital budget<sup>4</sup> and an increase in net plant of over \$8 million dollars.<sup>5</sup> This  
2 case is extraordinarily difficult given the lack of transparency and lack of information  
3 available in the record to support the Company's request.

## 4 **II. CUB's Concerns and Adjustments**

5 In this opening testimony, CUB addresses the following concerns with regard to  
6 the Company's initial filing:

7 1. *Request for a return on the prepaid pension asset*

8 2. *Capital structure*

9 3. *Pipeline recovery mechanism*

10 4. *Net gain of 15 positions*

11 5. *Proposed changes to the CAP mechanism*

12 6. *Peak methodology*

13 7. *Capital/Blanket Projects, lack of prudence demonstration, sudden ramp up.*

14 8. *A&G*

15 9. *Environmental Remediation*

### 16 **A. Return on the prepaid pension asset**

#### 17 ***i. Company proposal***

18 The Company provides Exhibit 304,<sup>6</sup> which requests in rate base the value  
19 of the prepaid pension asset at the time of filing, which is in the amount of  
20 \$2,873,126.

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<sup>4</sup> See CUB Exhibit 102.

<sup>5</sup> See CUB Exhibit 103.

<sup>6</sup> CNG/304/Parvinen/page 1 of 2, column k.

1 ***ii. CUB's concerns***

2 Consistent with CUB's position in docket UM 1633, we flatly reject this  
3 addition to rate base. In UM 1633, CUB opposed the Joint Utilities' proposal to  
4 add the prepaid pension asset to rate base.<sup>7</sup> CUB will not reargue that docket in  
5 this rate case, but notes that it is not the current practice of the Commission to  
6 allow a utility to earn a return on its prepaid pension asset. Cascade's request to  
7 include in rate base its prepaid pension asset should be rejected, unless the  
8 Commission issues an order in UM 1633 that changes the way the prepaid  
9 pension asset is treated. The outcome of that case should not be presumed into  
10 this case without the final decision and guidance of the Commission order in UM  
11 1633.

12 ***iii. CUB's recommendation***

13 CUB recommends an adjustment of \$2,873.126, removing the entire amount of  
14 the prepaid pension asset included in rate base in the Company's test-year.<sup>8</sup>

15 **B. Capital Structure**

16 ***i. Company Proposal***

17 In CNG/200/Chiles/4, Table 2 provides Cascade's historical debt equity ratio for  
18 the past 4 years. It also proposes "capital structure common equity component of 51%  
19 and a return on equity of 9.55%."<sup>9</sup>

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<sup>7</sup> UM 1633. See CUB/100, CUB/200, CUB/300, CUB/400, CUB/500 and CUB's Pre-hearing and Post-hearing Briefs.

<sup>8</sup> CNG/304/Parvinen/1, column k line 31.

<sup>9</sup> CNG/100/Madison/2.

1 **ii. CUB's Concerns**

2 As of year-end 2014, the Company achieved a structure of 49.3% debt and  
 3 50.7% equity. However, as recent as 2013, the Company maintained a structure of  
 4 51.7% debt and 48.3% equity.<sup>10</sup> Moreover, in 2014, the Company implemented an  
 5 unprecedented amount of capital projects.

*Figure 1 – Annual Forecasted Capital Budget<sup>11</sup>*

Year	Approved Capital Budget
2010	\$24,661,983
2011	\$31,212,166
2012	\$41,621,844
2013	\$29,147,304
2014	\$59,507,844
2015	\$63,579,136

6 If this had been financed at the Company's then-current structured position, then the  
 7 Company would have maintained a debt/equity ratio close to 51.7/48.3. However, the  
 8 Company implemented large spending projects in 2014 and the resulting debt/equity ratio  
 9 at year's end was 49.3%/50.7%.<sup>12</sup>

10 **iv. CUB's Recommendations**

11 With the current cost of debt at historical lows, CUB requests that the Company  
 12 provide analysis demonstrating its consideration of the cost and risk of financing a larger  
 13 portion of capital investment with debt. CUB proposes to use the average of the last two  
 14 years of debt (51.7 % and 49.3%) and recommends setting the capital structure at 50.5%  
 15 debt and 49.5% equity.

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<sup>10</sup> CNG/200/Chiles/4.

<sup>11</sup> See CUB Exhibit 102.

<sup>12</sup> CNG/200/Chiles/4.

1 **B. Pipeline Recovery Mechanism**

2 *i. Company Proposal*

3 The Company states that the purpose of the proposed Pipeline Cost Recovery  
4 Mechanism (CRM) is to provide "timely recovery of costs incurred to promote the safety  
5 and reliability of Cascade's distribution system."<sup>13</sup> The Company plans to continue  
6 replacing pipeline identified by DIMP as at risk, namely in the Bend area. The Company  
7 has been phasing in these replacement projects over the past several years, absorbing a  
8 total of \$12 million for phases 1-3 of the Bend replacement project.<sup>14</sup>

9 *ii. CUB's Concerns*

10 This mechanism is in many ways redundant. The regulatory structure in Oregon  
11 adequately provides for utilities to recover the cost of capital investments. Every year a  
12 utility has some new capital investment, along with some depreciation of existing capital  
13 investment. In particular, if a new investment is so large that the utility's expected  
14 earnings will fall below a reasonable level, the utility can file a general rate case. While  
15 these mechanisms in Oregon inherently contain some regulatory lag, CUB believes that  
16 the Company is not entitled to create new mechanisms for the purpose of eliminating  
17 regulatory lag or guaranteeing dollar-for-dollar recovery.

18 Moreover, the Company states in its filed case that a "position is being added to the  
19 regulatory department based on increased workload anticipating perpetual rate cases."<sup>15</sup>  
20 Therefore, with the Company's plan to file perpetual rate cases, it will have ample  
21 opportunity to recover costs for pipeline replacement in a timely fashion.

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<sup>13</sup> CNG/300/Parvinen/28.

<sup>14</sup> CNG/300/Parvinen/28.

<sup>15</sup> CNG/300/Parvinen/7.

1 **a. The Company has been able to make significant capital investments while**  
 2 **maintaining high earnings.**

3 Beyond the statement that it expects “perpetual rate cases,” there is little evidence  
 4 to suggest that Cascade’s capital investments are driving its earnings down to the point  
 5 Oregon needs to replace a traditional general rate case review of capital investments with  
 6 a new mechanism. To the best of CUB’s knowledge, this is the first Cascade initiated rate  
 7 case in the history of Oregon.<sup>16</sup> Cascade has been able to manage its system and make the  
 8 necessary capital investments in its system while avoiding rate cases.

9 In 2006, the PUC Staff initiate a rate proceeding in order to reduce Cascade’s  
 10 rates due to a substantial period of overearning:<sup>17</sup>

After reviewing Cascade’s Rate of Return (ROR) and Return on Equity (ROE) for previous years, staff concludes that Cascade should be brought in for a general rate case. Staff finds that Cascade has had excessive earnings for the past several years and that with the company’s latest regulatory–adjusted ROR and ROE, these over earnings will continue on a forward-looking basis absent a rate reduction. Below are listed the RORs and ROEs for the last 10 years based on Cascade’s Results of Operations, which are filed annually by the company. These figures reflect typical regulatory adjustments to actual operating income and rate base (such as normalizing for weather). The 2005 results also include several additional adjustments, identified by staff’s recent audit of CNG’s books, which are necessary to provide an accurate assessment of Cascade’s current earnings situation.

Year	ROR	ROE
2005	10.46%	13.64%
2004	10.11%	12.12%
2003	9.98%	11.88%
2002	10.19%	12.27%
2001	7.10%	5.56%
2000	13.20%	17.77%
1999	12.17%	15.96%
1998	9.92%	12.04%
1997	9.88%	11.40%
1996	11.15%	14.24%

<sup>16</sup> And this rate case was mandated by the Commission in Order 13-079.

<sup>17</sup> OPUC Staff –Request for Investigation, July 26, 2006, page 2.

1           Between 1996 and 2005, Cascade’s average ROE was 12.69%. In 2005, it was  
2 13.64%. During this period of time, Cascade saw significant customer growth in Oregon  
3 and had significant capital investment. In 1996, Cascade had 26,181 residential customers  
4 in Oregon,<sup>18</sup> and by 2005, it had grown to 46,455 residential customers in Oregon.<sup>19</sup> This  
5 is a growth rate of 77%. The Company invested significantly during this period of time.  
6 In 1996, Cascade, Plant-in-Service was valued at \$398,240,417<sup>20</sup> and by 2005, Plant-in-  
7 Service had grown to \$601,887,696<sup>21</sup>. This is a growth rate of 51%. These two are  
8 connected. A growing customer base allowed Cascade to make significant capital  
9 investments to its system while maintaining high earnings, without a rate case.

10           Cascade’s service territory continues to grow. In the most recent 10 years in  
11 which CUB has data, (2004-2013), Cascade’s residential customers grew from 43,116 to  
12 56,291,<sup>22</sup> for a growth rate of 31%. Much of this growth has occurred in Deschutes  
13 County, which expected to continue to grow by 23.6% over the next 10 years.<sup>23</sup>

14 **b. Getting the Company to file a rate case has been a difficult experience.**

15           With a growing customer base, Cascade has been able to maintain high earnings  
16 while making significant capital investment without filing general rate cases. As we  
17 stated above, to the best of CUB’s knowledge this is the first general rate case Cascade  
18 has initiated. And this one was done because the Company was under a direct  
19 Commission Order to file a rate case by March 31, 2015:

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<sup>18</sup> 1996 Oregon Utility Statistics, OPUC, <http://www.puc.state.or.us/docs/statbook1996.pdf>.

<sup>19</sup> 2005 Oregon Utility Statistics, OPUC, <http://www.puc.state.or.us/docs/statbook2005.pdf>.

<sup>20</sup> 1996 Oregon Utility Statistics, OPUC. This is a system number, Oregon plant is not reported.

<sup>21</sup> 2005 Oregon Utility Statistics, OPUC. This is a system number, Oregon plant is not reported.

<sup>22</sup> 2013, Oregon Utility Statistics, OPUC. <http://www.puc.state.or.us/docs/statbook2013.pdf>.

<sup>23</sup> Coordinated Population Forecast for Deschutes County, its Urban Growth Boundaries (UGB), and Area Outside UGBs 2015-2065, Population Research Center College of Urban and Public Affairs Portland State University June, 2015, page 19.



1 Cascade will file a general rate case in Oregon no later than March  
2 31,2015. Nothing in the stipulation precludes Cascade from filing for its  
3 next general rate case prior to that date. Likewise, nothing in the  
4 stipulation prevents Staff or intervenors from requesting the Commission  
5 initiate a show cause proceeding prior to March 31, 2015.<sup>24</sup>

6 When Cascade’s decoupling mechanism was originally approved in 2006, it  
7 contained a mechanism that was designed to force Cascade to file a rate case:

8 If requested by the Commission no later than December 31, 2007,  
9 Cascade agrees to submit a general rate filing in Oregon (“2008 Rate  
10 Case”) not later than April 1, 2008. Cascade shall bear the burden of proof  
11 in such filing, in accordance with ORS 757.210. The historic test period  
12 for purposes of such filing shall be fiscal year 2007 (the twelve months  
13 ended September 30, 2007), or such other period as may be agreed upon  
14 by the Parties.<sup>25</sup>

15 Ultimately, the PUC Staff decided that it could not wait until 2008, and in 2006  
16 began its Staff-initiated investigation into Cascade’s rates.

17 Cascade has avoided rate cases while making significant capital investment.  
18 Cascade claims that it will now have to file annual rate cases unless the Commission  
19 grants them a mechanism to allow capital investment to be added to rate base  
20 independently of a general rate case. But even this rate case was not caused by the need  
21 for one in order to recover capital investment. Cascade filed this rate case because the  
22 Commission ordered it to file a rate case. Historically, there has been a problem getting  
23 Cascade to come into the OPUC and allow a review of its costs. The Company was aware  
24 of its mandate in Order 13-079 to file a rate case within 24 months, and filed in the 24th  
25 month, instead of any earlier point, if it had needed rate recovery. Creating a new  
26 mechanism that allows capital recovery outside of a general rate case will make this  
27 problem worse. Until the Company has filed at least one general rate case on its own

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<sup>24</sup> OPUC Order No. 13-079, page 2.

<sup>25</sup> OPUC, Order No 06-191, Stipulation, page 3.

1 (without being ordered to do so), the problem of capital investments driving frequent rate  
2 cases should not drive a change to the normal regulatory process.

3 ***iii. CUB's Recommendation***

4 CUB recommends that the Commission not approve the Pipeline Recovery  
5 Mechanism, as the Company has the ability to file for a general rate case if it invests in a  
6 set of capital projects that would move its expected earnings below the reasonable range.  
7 With its growing service territory, it should not be assumed that capital investment  
8 requires higher rates.

9 **C. Additional 15 positions**

10 ***i. Company Proposal***

11 The Company proposes to add a net of "15 additional positions in 2015 on a  
12 system basis. The majority of these positions are for district office personnel required to  
13 manage the workload associated with the increased investment in replacing the most at-  
14 risk portions of the distribution system."<sup>26</sup>

15 ***ii. CUB's concerns***

16 CUB is uncertain whether these positions are FTE increases or otherwise.  
17 Regarding the accounting of these positions, the Company gives seemingly conflicting  
18 information. The description of need above assigns these individuals to capital projects  
19 that the Company views as critical. Normally, these projects would be capitalized and  
20 included for the duration of the capital project. However, in response to a Staff's data  
21 request,<sup>27</sup> the Company states that "Cascade Natural Gas Corp. has budgeted for an  
22 additional 14 positions for 2015. The positions are permanent and in various locations

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<sup>26</sup> CNG/300/Parvinen/7.

<sup>27</sup> See CUB Exhibit 104.

1 across Washington and Oregon."<sup>28</sup> The Company has failed to demonstrate the  
2 permanence and necessity of these positions. Moreover, CUB finds a discrepancy  
3 between the Company's response to OPUC DR 214 which discusses 14 new positions,  
4 and the Company's Opening Testimony. The Company's response to CUB DR 14<sup>29</sup>  
5 regarding Oregon allocation further confuses the issue by a mismatch of the salaries  
6 stated in response to OPUC Staff DR 214 and that of CUB DR 14. The Company applies  
7 a loading factor of 48% to the Oregon labor expense,<sup>30</sup> and without a narrative  
8 explanation, CUB does not understand where the loading number comes from, and to  
9 what it is being applied. The Company's presented case is not clear, consistent, or  
10 comprehensive on this issue. CUB has concerns about the need for, allocation of, and  
11 accounting of these proposed positions.

12 ***iii. CUB's Recommendation***

13 CUB recommends that the Company provide comprehensive and cohesive  
14 analysis supporting and detailing the costs and loadings for the 15 new positions and their  
15 origins. CUB feels that the Company has demonstrated the need for the regulatory analyst  
16 to work on upcoming rate cases, but has failed to prove the additional positions are  
17 necessary.

18 **D. Weather Component of the CAP mechanism**

19 ***i. Company Proposal***

20 The Company proposes to make the CAP mechanism permanent, to cease  
21 tracking the weather component of the CAP mechanism, and is proposing to not

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<sup>28</sup> *Ibid.*

<sup>29</sup> See CUB Exhibit 105.

<sup>30</sup> *Ibid.*

1 implement the proposal from the Independent Evaluator, Black and Veatch that calls for a  
2 real-time adjustment for weather.<sup>31</sup> The Company describes the CAP mechanism as  
3 follows:

4           The CAP is a comprehensive mechanism that encourages conservation  
5           and protects the Company from the adverse earnings impact from loss of  
6           load associated with weather and conservation.<sup>32</sup>

7 Cascade hired Black & Veatch to conduct an evaluation of the Company's decoupling  
8 mechanism.<sup>33</sup> Black and Veatch returned with 7 recommendations. Upon review of the  
9 evaluation and recommendations, Cascade proposed several recommendations of its own  
10 in this rate case. CUB will discuss three of those. First, both Black and Veatch and the  
11 Company propose to make the CAP permanent. Second, the Company would like to  
12 combine the weather and the non-weather components of the CAP mechanism. Third, the  
13 Company rejects Black and Veatch's proposal to consider making the weather adjustment  
14 in real time.

15 *ii. CUB's concerns*

16           CUB has concerns with these proposals. This mechanism was developed as a way  
17 to address, in part, potential reduction in revenues associated with conservation.

18           First, CUB does not support the Company's proposal to make the CAP  
19 mechanism permanent. It is clear from the Company's testimony and the exhibits that the  
20 mechanism is not perfect. CUB believes that making the mechanism permanent removes  
21 the incentive to improve it. CUB does not believe that a decision of permanence is  
22 required to continue the CAP mechanism.

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<sup>31</sup> CNG/300/Parvinen/17

<sup>32</sup> CNG/300/Parvinen/13.

<sup>33</sup> CNG Exhibit 305.

1           In addition, even if the CAP mechanism perfectly accounted for the fixed costs  
2 associated with the test year, it will need to be updated. New customers do not come on  
3 to the system with the same ratio of fixed to variable costs. All decoupling mechanisms  
4 need to be adjusted periodically to ensure that they are not allowing the utility to over-  
5 recover its fixed costs. In this docket, the Company used the most recent 5 years to  
6 estimate the relationship between Heating Degree Days and usage.<sup>34</sup> Renewing the  
7 proposal for a period of time, but not making it permanent, guarantees that it will be  
8 reviewed and updated.

9           Cascade's mechanism is unique among decoupling mechanisms in that allowing  
10 the Company to include weather in the CAP model moves the weather risk onto  
11 ratepayers. Traditionally, in Oregon, decoupling has been done on a weather normalized  
12 basis. That is, when forecasts are made, they are made with normalized weather  
13 assumptions. However, when CAP adjustments are made, actual weather is used. At this  
14 point, CUB is not proposing to return the weather risk to the Company. However, CUB  
15 believes that continued calculation and monitoring of the weather impact has value. The  
16 Company has a methodology in place to calculate the weather component of the CAP  
17 mechanism, and CUB does not see it as burdensome to continue the practice.

18           CUB's understanding is that the Company is concerned with counterintuitive  
19 results.

20           That is, according to the table below,<sup>35</sup> in years where individuals implemented  
21 conservation, the Company, instead of seeing less use per customer, saw more use per  
22 customer and hence, over-collected.

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<sup>34</sup> CNG/300/Parvinen/16

<sup>35</sup> CNG/306/Parvinen.

	12 months ended Jun-09	12 months ended Jun-10	12 months ended Jun-11	12 months ended Jun-12	12 months ended Jun-13	12 months ended Jun-14	6 months ended Dec-14	Total
Weather	(\$1,881.58)	\$641,460.16	(\$699,275.63)	(\$192,181.51)	\$467,350.81	(\$293,200.09)	\$406,640.75	\$328,912.
Conservation	\$237,924.68	(\$1,149,126.76)	\$196,654.92	(\$612,472.32)	(\$423,012.85)	(\$1,518,083.05)	(\$205,316.84)	(\$3,473,432.
Total deferred amt	\$236,043.10	(\$507,666.60)	(\$502,620.71)	(\$804,653.83)	\$44,337.96	(\$1,811,283.14)	\$201,323.91	(\$3,144,519.
CAP Base Adjustment	\$1,013,535.00	\$340,427.00	\$39,220.00	\$316,024.00	\$252,212.00	(\$3,930.00)		\$1,957,488.
Overall Change to Customers								(\$1,187,031.

1 The Company proposes, instead, to merely report the CAP adjustment totals, effectively  
2 combing the weather and conservation into one result.<sup>36</sup> That is, the Company states there  
3 would not be a financial impact on customers from its proposal, merely a simplification.  
4 However, the loss of detailed information is a loss of value to customers and parties.

5 If the issue is that the model produces counterintuitive results, CUB does not  
6 believe the answer is to muddle the information by combining results into one line item.  
7 This would produce less useful information. More importantly, CUB is not convinced  
8 that the model is producing counterintuitive results. These results may be due to  
9 Cascade's labeling of all non-weather changes in load as being related to conservation.  
10 Decoupling adjusts the level of fixed cost recovery to account for changes in load. While  
11 conservation is a significant driver of load, it is only one of a number of factors that affect  
12 load. Economic conditions have a significant affect. Recessions tend to cause decoupling  
13 adjustments because they reduce economic activity, which reduces demand for natural  
14 gas or electricity.<sup>37</sup> New customers coming on to the system or old customers leaving the  
15 system may have a different ratio of fixed costs to variable costs.

16 Combining both weather and conservation into one entry will make it more difficult  
17 to understand what is happening with the decoupling mechanism.

<sup>36</sup> See CUB Exhibit 106.

<sup>37</sup> UE 197 / CUB/ 300 Jenks / 11.

1 Finally, we raise concerns with Cascade's proposal to not consider Black and  
2 Veatch's proposal to make the weather component operate in real time. CUB would  
3 consider such a change to be a significant improvement in the mechanism because it  
4 would help customers handle the bill variability caused by weather.

5 Cascade is incorrect in its understanding of how the weather component affects  
6 customers:

7 **Does the CAP mechanism insulate the Company from the volatility**  
8 **associated with weather?**

9 A. Yes, that is one of the component factors. It also insulates customers  
10 from the volatility of weather swings. For example, in the case of a  
11 colder than normal year, the CAP mechanism lowers rates for  
12 customers.<sup>38</sup>

13 While the CAP mechanism will lower rates from customers after a colder than  
14 normal year, it will happen in the following year, which could be warmer than normal.  
15 After a warmer than normal year, the CAP mechanism will raise customers' rates. But  
16 this also happens during the following year, so it could happen in a colder than normal  
17 year when bills are already higher than normal. In this respect, the CAP mechanism can  
18 increase weather volatility, by offering surcredits during warm winters when bills are  
19 already low and offering surcharges during cold winters when bills are higher than  
20 normal.

21 This is why CUB is disappointed that Cascade is rejecting the recommendation  
22 that it consider making the weather adjustment in real-time. This is what NW Natural's  
23 WARM mechanism does. In a colder than normal winter month, the utility will  
24 overcollect its fixed costs, so the utility provides a credit. In a warmer than normal winter  
25 month, the utility will undercollect its fixed costs, so the utility provides a surcharge.

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<sup>38</sup> UG 287/CNG/300/Parvinen/18.

1 Customers who participate in NW Natural's WARM program see their weather related  
2 volatility go down. The highest winter bills are lower and their lowest winter bills are  
3 higher.

4 This is a significant improvement from Cascade's CAP. When Cascade  
5 implemented its CAP, CUB's understanding was that the Company's billing system  
6 would not allow it to make real-time monthly weather adjustments. Rather than reject the  
7 recommendation of Black and Veatch, CUB recommends that the Company implement  
8 monthly weather adjustments.

9 ***iii. CUB's recommendation***

10 CUB proposes to continue tracking the weather in the CAP mechanism, and hold  
11 workshops to improve the accuracy of the forecast model and structure of the CAP  
12 mechanism. For most regulated Oregon utilities, decoupling adjustments do not include  
13 weather. Cascade is treated differently because of its small size and large weather risk. If  
14 Cascade wants to continue offering a weather adjustment, it should make the adjustment  
15 in real-time so it offers a benefit to customers in reduced bill volatility.

16 In addition, CUB recommends that the decoupling mechanism be renewed for a  
17 5-year period of time, but that it be reviewed at that time to ensure it continues to  
18 accurately reflect the Company's fixed costs.

19 **E. Peak methodology**

20 ***i. Company methodology***

21 The Company uses peak in determining average HDD (heating degree days),<sup>39</sup>  
22 and subsequently uses this information to generate the Company's expected peak demand

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<sup>39</sup> CNG/400/Robinson/8.



1 day and load forecast. The Company identifies peak by choosing the coldest day in the  
2 past thirty years.<sup>40</sup>

3 *ii. CUB's concerns*

4 CUB is concerned with the methodology used to calculate peak, and subsequently  
5 the Company's load forecast. Inaccuracy has trickle down impacts across the Company's  
6 entire system from risk analysis to pipelines. Peak should be calculated by actual  
7 Company records, meaning that system peak is definable and traceable element within  
8 the Company's history. The coldest day on record, if it falls on a holiday, or on a  
9 weekend, may not constitute a peak. Therefore, the Company may be overestimating or  
10 underestimating its peak event. Moreover, if methodology evolves so that the Company is  
11 looking at more than one peak day, then the question of weighting based on likelihood of  
12 weekday becomes relevant.

13 Itron recommends the following:

14 To define normal peak producing weather, identify actual system peak  
15 days and the weather on these days and on preceding days. Use this  
16 weather to define normal peak producing weather by month or by  
17 season.<sup>41</sup>

18 The outcome may be similar, however, if peak volume, not cold weather, is  
19 actually what is driving system costs for the Company, and the Company is forecasting  
20 customer usage, then identifying the correct variables is preferable.

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<sup>40</sup> The Company states that they consider each of their 7 weather stations in this calculation.

<sup>41</sup> <https://www.itron.com/PublishedContent/Defining%20Normal%20Weather%20for%20Energy%20and%20Peak%20Normalization.pdf>.

1 **iii. CUB's recommendation**

2 CUB recommends that the Company identify historical peak usage within its  
3 system. Once peak day has been identified, then the Company can trace actual weather on  
4 those days and calculate average HDDs accordingly.

5 **F. Plant Additions**

6 **i. Company Proposal**

7 Per Company Exhibit CNG/304, Cascade proposes \$12 million in 2015 Plant  
8 Additions. Among these plant additions are capital projects, and ongoing projects, termed  
9 “blanket projects.”

10 **ii. CUB's concerns**

11 Fundamentally, CUB is uncomfortable with the Company's lack of rigorous  
12 support in this rate case for its own proposed spending. The Company provides little  
13 comfort when asked for methodology and project justification, and historical spending  
14 trends are just as concerning.

15 **a. Historical patterns**

16 The Company has a history of plant in service with interesting trends. During its  
17 Earnings Investigation UG 173 in 2007, we can see plant additions averaging over 7%.<sup>42</sup>  
18 However, following the Order wherein the Commission found that the Company was  
19 overearning,<sup>43</sup> the Company saw growth of under 3% for the next four to five years.<sup>44</sup> In  
20 March 2013, the Company became aware through OPUC Order 13-079 that it would be

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<sup>42</sup> See CUB Exhibits 107 & 103.

<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

1 required to file a general rate case by March 31, 2015.<sup>45</sup> Then, in 2013 the Company  
 2 committed an average of plant growth of approximately 5%.<sup>46</sup>

3 *Figure 2 – Plant Balances*<sup>47</sup>

Year	Plant Balance	net Plant additions	annual percentage increase
2005 Baseline	\$125,669,644		
2006	\$134,519,880	\$8,850,236	7.04%
2007	\$144,495,778	\$9,975,898	7.42%
2008	\$152,588,416	\$8,092,638	5.60%
2009	\$154,702,141	\$2,113,725	1.39%
2010	\$156,411,817	\$1,709,676	1.11%
2011	\$158,853,770	\$2,441,953	1.56%
2012	\$164,348,791	\$5,495,021	3.46%
2013	\$172,709,350	\$8,360,559	5.09%
2014	\$180,947,303	\$8,237,953	4.77%

4  
 5 Given that many of the plant additions are ongoing projects, and some have begun  
 6 in the last couple years,<sup>48</sup> historical spending patterns and cost analysis is important. This  
 7 is even more integral to transparent analysis since the Company's budgets and operations  
 8 have not been vetted through a general rate case in so many years.

9 A review of capital project spending, both Oregon situs and system-allocated,  
 10 reveals average blanket plant additions for 2010-2013 of \$1,619,669.<sup>49</sup> The requested  
 11 amount in this case for 2015, for the same category, is \$7,499,680.<sup>50</sup> CUB believes that it  
 12 is incumbent upon the Company to shed light around these large changes.

<sup>45</sup> OPUC Order No. 13-079.

<sup>46</sup> This table was created using numbers from CUB Exhibits 103 & 107.

<sup>47</sup> *Ibid.*

<sup>48</sup> See CUB Exhibit 102.

<sup>49</sup> CUB has excluded 2014 because the knowledge of the pending rate case, prior to the budgeting approval process creates a structural break.

<sup>50</sup> See CUB Exhibits 103 & 107.

1           In this case, historical project costs used as escalation benchmarks need to be  
2 strongly supported.

3 **b. Lack of support**

4           The Company has failed to support its case for plant additions. CUB finds the  
5 Company's filed case scant in supporting documentation and details. Data requests  
6 seeking additional information have also not been appropriately substantive. For  
7 example, when Staff asked the Company to "please explain the increase in Total Plant in  
8 Service of \$12,639,465 between the years 2013 and 2014 as reported in CNG's filed  
9 ROO reports for 2013 and 2014" specifically requesting a " narrative or testimony  
10 supporting the increase," and the Company fails to do so, CUB finds no basis with which  
11 to support the additions to plant in service.<sup>51</sup>

12           Just as troubling, the Company's response to Staff's DR 311 was uninformative  
13 and not helpful for analysis.<sup>52</sup> Staff asked for "Project justification forms or other  
14 supporting documentation from field personnel justifying the necessity of the proposed  
15 projected" and received only one short paragraph and a map generated from DIMP  
16 output,<sup>53</sup> without a logistical or methodological explanation. Staff also asked, in the same  
17 DR, for "a narrative discussing how DIMP was used in the selection of the project,"  
18 which from CUB's discovery has not been appropriately answered.

19           These missing pieces make it difficult for parties to provide rigorous analysis or  
20 valid support for the Company's filed case.

21           Moreover, when Staff presses on individual projects, as in Staff DR 314,  
22 requesting support for specific projects and their corresponding in service dates of

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<sup>51</sup> CUB Exhibit 108.

<sup>52</sup> CUB Exhibit 109.

<sup>53</sup> CUB Exhibit 109.

1 12/31/2015, the Company responds with a narrative, but this time explaining how each of  
2 the projects have been delayed, and will not be in service by end of year 2015.<sup>54</sup> This also  
3 causes CUB concerns, and reduces our confidence in the accuracy of the Company's filed  
4 case. CUB cannot be certain which other capital projects have been or will be delayed  
5 before the Commission issues an order in this case.

6 ***iii. CUB's recommendations***

7 CUB recommends an adjustment removing all the Company's capital projects for  
8 2015 until the Company can provide rigorous and appropriate support. In particular, for  
9 blanket projects, the Company should justify rigorously historical costs, providing an  
10 explanation of cost fluctuations and project progress and alterations. For non-blanket  
11 capital projects, the Company must demonstrate project need (not desirability or benefit),  
12 and prudent costs. A project is deemed prudent not only if the undertaking is prudent, but  
13 also if the least cost, least risk approach is taken.

14 **G. A&G.**

15 ***i. Company Proposal***

16 The Company is proposing to escalate A&G costs from recent years as part of its  
17 test year budget.

18 ***ii. CUB's Concerns***

19 CUB Exhibit 110 is an electronic spreadsheet provided by the Company in  
20 response to a Staff data requests. It shows the A&G costs that the Company has been  
21 incurring and used to escalate to the test year amounts. CUB is concerned that the  
22 Company has made no effort to eliminate costs that would not be eligible for recovery in

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<sup>54</sup> CUB Exhibit 102.

1 Oregon and is asking for 100% of the costs associated with meals and entertainment,  
2 when the Oregon regulatory approach is to allow 50% of those costs.

3 **a. Mariners, Seahawks and Golf.**

4 CUB Exhibit 110 shows that the Company purchased more than \$1000 in  
5 Mariner's tickets, sponsored the Seahawks, and spend more than \$3000 on golf  
6 tournaments, golf outings, or golf balls.<sup>55</sup> These costs are not necessary to provide utility  
7 service in Oregon and should not be built into A&G costs through escalation of previous  
8 years.

9 **b. Meals and Entertainment**

10 CUB Exhibit 110 has yellow highlights around tens of thousands of dollars of  
11 costs which seem related to meals and entertainment. Some of these costs related to  
12 birthday celebrations and retirement parties. Many of these costs relate to travel  
13 reimbursements. Oregon follows the lead of the IRS which only allows 50% of these to  
14 be deducted as legitimate business expenses and only allows 50% of these costs to be  
15 billed to customers as legitimate business expenses.

16 **iii. CUB Recommendations**

17 CUB Exhibit 110 contains more than 111,000 entries. A very brief review by CUB  
18 identified more than 1% of the costs as not eligible for full cost recovery (highlighted in  
19 yellow in CUB Exhibit 110).<sup>56</sup> However, this is not an exhaustive review. Many of the  
20 entries did not contain enough information to identify their value. CUB's review did,  
21 however, demonstrate that the Company has not made an effort to screen out costs that

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<sup>55</sup> CUB Exhibit 110.

<sup>56</sup> CUB recognizes that because yellow is used to designate confidential information, and highlighting non-confidential information in yellow is confusing. Unfortunately, the size of the document makes changing the highlighting a labor intensive process. CUB Exhibit 110 is non-confidential. The yellow highlighting designates spending that is not eligible for full recovery. It does not designate confidential material.

1 are not eligible. Because CUB is unable to review more than 100,000 items to see if they  
2 really support utility service, CUB proposes to make an adjustment of 10% of all filed  
3 A&G expenses.

#### 4 **H. Remediation Allocation**

##### 5 *i. Company Proposal*

6 Cascade proposes to charge customers for the cost of environmental remediation of  
7 the EWEB site over the next three years:

8 Cascade proposes to include in rates the total expected cost of remediation  
9 plus the deferral balance as of December 31, 2014, less expected insurance  
10 proceeds divided by the three year remediation period which equates to  
11 \$468,637.<sup>57</sup>

##### 12 *ii. CUB's Concerns*

13 CUB has several concerns related to this proposal. Cascade did not own the site  
14 when any environmental damage occurred. It is not clear why Cascade's customers have  
15 some liability here. The Company is not subjecting the deferred amounts to an earnings  
16 test. The estimates of the cost of remediation and insurance are estimates and it is not  
17 clear what Cascade is proposing if those estimates are incorrect.

##### 18 **a. The site is not relating to serving customers**

19 The use of the site for manufacturing gas ended in 1950.<sup>58</sup> Cascade merged with NW  
20 Cities and became an owner in 1952, and Cascade sold the property in 1958.<sup>59</sup> This  
21 environmental damage has nothing to do with the customers of Cascade, whether  
22 historically or today. This is different than the NW Natural sites, which were used by NW  
23 Natural to manufacture gas to supply to customers at some historic period. This property

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<sup>57</sup> UG 287/CNG/300/Parvinen/27.

<sup>58</sup> UG 287/CNG/300/Parvinen/25.

<sup>59</sup> UG 287/CNG/300/Parvinen/25.

1 was never used by Cascade to manufacture gas to sell to customers. To the degree that  
2 this is a current liability being placed on the Company that is unrelated to providing gas  
3 to customers, then customers should not be on the hook, except to the extent that this is a  
4 liability that is so large as to make it necessary for customers to step in to help.

5 CUB does not believe that this liability rises to that level. First, it is important to  
6 determine at what corporate level this liability rests. Cascade did not own the site when  
7 the environmental liability was created. It later merged with NW Cities which had owned  
8 the site. It was through this merger that Cascade became implicated. But somehow,  
9 Cascade is not proposing that the merger of MDU and Cascade means that the liability  
10 should move up the chain of ownership to MDU. MDU Resources had more than \$4  
11 billion in revenue in 2013.<sup>60</sup> CUB believes that with less than \$2 million of  
12 environmental liability forecast, there is no reason for customers to have to step in and  
13 protect the Company.

14 **b. The Company is Not Proposing an Earning Test for the Deferred amounts.**

15 Cascade has been deferring costs associated with this since 2012—before 2012, any  
16 costs were being expensed. Cascade says the deferred amounts total to \$228,224.<sup>61</sup> If the  
17 amounts before 2012 were expensed, it suggests that the Company had some ability to  
18 absorb these costs without significant impact on earnings. Costs that are deferred are  
19 subject to an earnings test. Rather than conduct an earnings test associated with these  
20 costs, Cascade simply notes that there was not earning sharing under the PGA.

21 But earning sharing under the PGA is not the same thing as an earning test. The earning  
22 sharing allows the Company to earn above its ROE, but establishes a level at which the

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<sup>60</sup> MDU Resources Group, 2013 Annual Report, page 1.

<sup>61</sup> UG 287/CNG/300/Parvinen/27.



1 Company's overearnings are significant enough that they should be shared with  
2 customers. An earnings test is designed to prevent a utility from recovering costs between  
3 rate cases that it would not be able to recover within a rate case. In a rate case, we set  
4 rates to allow the utility to recover its costs and earn its allowable ROE. An earnings test  
5 associated with a deferral should generally be set at allowable ROE, so the utility is not  
6 rewarded for using a deferral by getting a result that is better than what it would get with  
7 a general rate case. CUB believes that the deferred amounts should be subject to an  
8 earnings test at allowable ROE.

9 **c. The Company is estimating the costs of Remediation and placing them in rates.**

10 The Company is estimating the costs of the remediation and placing 1/3<sup>rd</sup> of the costs in  
11 rates, with the expectation that over 3 years they will recover the rates. This raises  
12 concerns, because it is not clear how accurate the forecast is, and what happens if the  
13 forecast is wrong. Generally, the Company's mechanism seems one-sided. It is a forecast  
14 of costs, so if costs are below, the Company can retain the difference between forecasts  
15 and actuals. But the Company can also seek an additional deferral if the amounts are  
16 greater than forecasts. Finally, we note that under the Company's proposal it is not clear  
17 what happens in 3 years. Does the charge get removed from rates or does it continue?

18 **iii. CUB's Recommendation**

19 CUB urges the Commission to reject Cascade's proposal for environmental  
20 remediation. Because Cascade did not own the site when activities were performed that  
21 created the need for environmental remediation, and the size of the remediation does not  
22 require customers to become a deep pocket to maintain financial stability, CUB does not  
23 believe that customers should be on the hook for these costs.

1 To the degree that customers are required to pay for these costs, the costs should be  
2 subject to an earnings test at the Company's allowed ROE and the mechanism should be  
3 redesigned so it is not one-sided in Cascade's favor.

### 4 **III. Conclusion**

5 CUB proposes several financial adjustments to the Company's filed case, and  
6 several methodological adjustments, which we summarize below:

- 7 1) Prepaid Pension Asset – CUB recommends a rate base reduction of  
8 \$2,873,126. The outcome of UM 1633 should not be presumed into this  
9 case without the final decision and guidance of the Commission order in  
10 UM 1633.
- 11 2) Capital Structure – CUB proposes to use the average of the last two years of debt  
12 (51.7 %and 49.3%) and recommends setting the capital structure at 50.5% debt  
13 and 49.5% equity.
- 14 3) Pipeline Recovery Mechanism – CUB recommends that the Commission not  
15 approve the Pipeline Recovery Mechanism, as the Company has the ability to file  
16 for a general rate case if it invests in a set of capital projects that would move its  
17 expected earnings below the reasonable range.
- 18 4) Additional 15 Positions – CUB recommends that the Commission approve the  
19 regulatory position, but not others without comprehensive support detailing the  
20 need, costs, and loadings for the 15 new positions and their origins.

- 1       5) CAP Mechanism Charges – CUB recommends continuing to calculate the  
2           weather component and working with parties to improve CAP, including a real-  
3           time weather adjustment.
- 4       6) Peak Methodology - CUB recommends that the Company identify historical peak  
5           usage within its system. Once peak day has been identified, then the Company  
6           can trace actual weather on those days and calculate average HDDs accordingly.
- 7       7) Plant Additions – CUB recommends a rate base adjustment of \$11,745,699,  
8           effectively removing all the Company's capital projects for 2015. CUB does not  
9           believe that the Company has provided rigorous and appropriate support to justify  
10          the plant additions.
- 11      8) A&G – CUB proposes an adjustment of \$2,701,600, which is roughly 10% of all  
12          filed A&G expenses.
- 13      9) Environmental Remediation – CUB recommends that the Commission reject  
14          Cascade's proposal for environmental remediation, leaving a revenue adjustment  
15          of \$281,463.

### WITNESS QUALIFICATION STATEMENT

**NAME:** Bob Jenks

**EMPLOYER:** Citizens' Utility Board of Oregon

**TITLE:** Executive Director

**ADDRESS:** 610 SW Broadway, Suite 400  
Portland, OR 97205

**EDUCATION:** Bachelor of Science, Economics  
Willamette University, Salem, OR

**EXPERIENCE:** Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UE 207, UE 208, UE 210, UE 233, UE 246, UE 283, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, UM 1209, UM 1355, UM 1635, UM 1633, and UM 1654. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

**MEMBERSHIP:** National Association of State Utility Consumer Advocates  
Board of Directors, OSPIRG Citizen Lobby  
Telecommunications Policy Committee, Consumer Federation of America  
Electricity Policy Committee, Consumer Federation of America  
Board of Directors (Public Interest Representative), NEEA

**WITNESS QUALIFICATION STATEMENT**

**NAME:** Jaime McGovern

**EMPLOYER:** Citizens' Utility Board of Oregon

**TITLE:** Senior Utility Analyst

**ADDRESS:** 610 SW Broadway, Suite 400  
Portland, OR 97205

**EDUCATION:** PhD, Economics  
W.P. Carey School of Business  
Arizona State University

Masters of Science, Economics  
Arizona State University

Bachelors of Arts, Economics and Mathematics  
Arizona State University

**EXPERIENCE:** Provided testimony or comments in a number of OPUC dockets, including UE 262, UE 283, UM 1633, and UM 1654. Worked as Utility Analyst at the Oregon Public Utility Commission from 2006-2008, providing advice on rate cases, analysis in meetings with the Bonneville Power Administration and performing benchmarking studies regarding telecom and electric competition in the state of Oregon.

Economics professor at Mesa Community College and the State University of New York from 2004–2010.

**CASCADE NATURAL GAS CORPORATION**  
**Oregon Public Utility Commission**  
**Standard Data Requests**

**Request No. 138**

Date prepared: 5/12/2015

Preparer: Kevin Conwell

Contact: Pamela Archer

Telephone: (509)734-4591

138. Please provide monthly plant balances for December 2013 through the present and note whether balances are as of month end or based on monthly average.

**Response:**

December 2013	168,307,838	Average of averages
January 2014	173,429,424	Balance as of month end
February 2014	173,526,790	Balance as of month end
March 2014	173,760,840	Balance as of month end
April 2014	174,031,016	Balance as of month end
May 2014	174,319,872	Balance as of month end
June 2014	174,566,735	Balance as of month end
July 2014	175,190,257	Balance as of month end
August 2014	175,797,950	Balance as of month end
September 2014	177,562,143	Balance as of month end
October 2014	178,134,169	Balance as of month end
November 2014	178,697,249	Balance as of month end
December 2014	180,947,303	Balance as of month end

**Request No. 214**

Date prepared: 05-29-2015

Preparer: Darlene Gonzales

Contact: Pamela Archer

Telephone: (509)-734-4591

214. Referring to UG 287 testimony CNG/300, Parvinen/7 at 4-15, Mr. Parvinen testifies the Company forecasts an additional 15 positions for 2015 on a system basis. For these 15 additional positions, please:
- a. Explain whether the additional employees are planned as permanent FTEs or temporary FTEs;
  - b. Explain whether the additional employees are planned as Cascade Natural Gas or MDU employees;
  - c. Positions budgeted are for Cascade Natural Gas.
  - d. Provide the title, job description/duties, experience requirements, and job location for each position type;
  - e. For each position type, provide the projected compensation and number of FTE on a system basis and an Oregon share basis. Please break down the compensation separately into wages, incentives, and benefits;
  - f. Provide workpapers that support the calculations of the Oregon share of these 15 FTEs, and the amount of wages, incentives, and benefits included in the 2015 test year; and,
  - g. Provide, for each position type, the number of unfilled positions as of 2015 year to date. This request is ongoing.

**Response:**

**214 (a)(b)(c)(f).** Cascade Natural Gas Corp. has budgeted for an additional 14 positions for 2015. The positions are permanent and in various locations across Washington and Oregon. The positions budgeted for are as follows:

<b>Location</b>	<b>Position</b>	<b>No. of Positions</b>	<b>Status</b>
Bend, OR	Engineering Associate I/II/III	1	Pending
Ontario, OR	Operations Aide	1	Filled
Bellingham, WA	Operations Aide	1	Filled
Yakima, WA	Procurement Assistant	1	Filled
Kennewick, WA	Regulatory Analyst III/IV	1	Pending
Mount Vernon, WA	Service Mechanic	1	Filled
Aberdeen, WA	Service Mechanic	1	Filled
Bend, OR	Service Mechanic	1	Filled
Kennewick, WA	Service Mechanic	1	Filled
Kennewick, WA	Supply Resource Planning Analyst	1	Filled
Yakima, WA	Technical Training Coordinator	1	On Hold
Kennewick, WA	Training & Safety Specialist	1	On Hold
Bend, OR	Utility	1	Pending
Bend, OR	Utility	1	Filled
	<b>Total FTE</b>	<b>14</b>	

**214 (c).** The following job summaries and position requirements have been provided below:

**Engineer Associate I/II/III**

Responsible for pre-engineering, project coordination, inspection and related design, economic justification and installation, of electric &/or gas distribution and electric transmission systems and other construction related activities. Responsible for facilitating and coordinating with internal and external customers in the construction of new and existing facilities.

Minimum Qualifications: Engineer Associate I

Must possess a working knowledge of gas and/or electric utility operations at a level normally acquired through an Associate's Degree with strong technical emphasis or related experience, including a minimum of two years experience in the construction or maintenance of related facilities.



Ability to work with potential customers and outside entities, including municipalities and other utilities.

### **Operations Aide I/II**

Performs administrative and clerical duties to support District Operations, Construction, Service and/or Marketing. Primary duties include record keeping, document preparation presentation development, meeting coordination and special projects. Provide customer service and maintains good rapport to internal and external customers to resolve issues. Maintains filing system for assigned area.

#### Minimum Qualifications: Operations Aide I

Must possess a working knowledge of office procedures and business concepts at a level normally acquired through completion of a two-year degree in a business or office-related discipline with two years of related experience providing administrative support.

### **Procurement Assistant**

Assists with the administration and award of purchase orders for multiple commodities (inventory/non-inventory materials, services, major repairs, and capital equipment) to support the operation, maintenance and construction of company facilities and services. This process is performed in accordance with all company policies and procedures, applicable laws and regulations of the Institute for Supply Management and Uniform Commercial Code.

#### Minimum Qualifications

Must possess a working knowledge of purchasing procedures at a level normally acquired through the completion of a two-year degree in a business or vocational discipline and five years experience in an inventory purchasing function.

### **Regulatory Analyst III/IV**

Under general supervision, compiles and analyzes Company data to enable the completion and timely submittal of forecasts, coordination and reporting of cost, pricing and conservation analysis, along with other reports required by various industry and regulatory agencies.

#### Minimum Qualifications: Regulatory Analyst III

Must possess a working knowledge of business principles and theory, applying resource economics to investments in energy efficiency, and demand side management resources normally acquired through a Bachelor's degree in accounting, finance, mathematics, economics/statistics or a related field and five years regulatory experience.

### **Service Mechanic C/B/A**

Under general supervision, builds, sets, removes and dismantles gas service meter and regulator installations; connects and disconnects customer's gas consuming devices, turns on and turns off

customer's meters; cleans, regulates and repairs customer's appliances; inspects customer's housepiping and other equipment. Assists in the operation and maintenance of gas distribution equipment; may read customer's meters and collect customer's delinquent bills; collect various data and information as required; and performs other related work as directed.

Minimum Qualifications: Service Mechanic C

Should have a high school education or it equivalent. Should have a minimum of twelve (12) months training in the natural industry. Will have qualified and secured city or county gas installation license if one is required.

**Supply Resource Planning Analyst I/II**

Under general supervision, compiles and analyzes Company data to enable the completion and timely submittal of Integrated Resource Plan documents. Supports Mgr, Supply Resource Planning in all duties, including the development of methods to ensure proper documentation, accuracy, security and compliance of gas supply resource data in keeping with the goal of minimizing regulatory risk.

Minimum Qualifications: Supply Resource Planning Analyst I

Must possess a working knowledge of business and accounting concepts normally acquired through a Bachelor's degree in business administration, accounting, or a related field.

**Technical Training Coordinator I/II**

Direct, coordinate, and administer the technical training activities for the natural gas pipeline operations. Develops and conducts classroom instruction, on-the-job training and orientation sessions to train and certify employees in installation, safety, maintenance and repair of natural gas related machinery and equipment. Responsible for training compliance of the Operator Qualifications Program.

Minimum Qualifications: Technical Training Coordinator I

Must possess a working knowledge of training techniques at a level normally acquired through completion of an associate's degree in a vocational or technical training program, communications program, or equivalent related work experience. Three years of experience in the natural gas pipeline industry or a related technical field. Proven technical training and/or teaching abilities desired. Must be a self-starter and able to work on multiple tasks with minimal supervision.

**Training & Safety Specialist**

Provide assistance to employees, managers and supervisors with training and safety needs assessment, course development and delivery, and facilitation services. Responsible for

maintaining employee training and development records for Cascade Natural Gas Corp programs and technical training requirements both on-line and in paper formats. Assists Mgr, Safety & Technical Training in developing, implementing and administering safety-related policies, programs, and procedures.

Minimum Qualifications

Must possess a working knowledge of policy development and safety program administration at a level normally acquired through a two-year degree in a related field and two years training, technical training and/or public speaking experience.

**Utility B/A**

Works under general supervision; digs ditches, back fills; moves materials and equipment by hand; loads and unloads trucks; assists in installing and dismantling equipment; frequently acts as helper to Service Mechanics or Meter Repair Mechanics; must understand purpose of and have ability to use standard tools such as wrenches, stock and dies, etc.; must be able to qualify for and acquire commercial driver's license; may from time to time be required to perform various routine operating duties.

Minimum Qualifications: Utility B

Should have high school education or its equivalent, mechanical aptitude and experience. Should have fundamental knowledge of pipeline construction. Should have minimum of three (3) months training.

**214 (d)(e).** Projected compensation for each position type is based on average annual salary and average annual benefit for medical, dental and vision coverage. Bargaining Unit employees do not participate in an incentive program. Incentive pay is based upon Company performance and is not guaranteed. Attached is the method of calculation for the incentive program. Attached also is the work paper supplied in this docket providing the direct assignment or allocation of each position.

**CUB Request No. 14**

Date prepared: 7/28/2015

Preparer: Mike Parvinen

Contact: Pamela Archer

Telephone: (509)-734-4591

**CUB DR 14 TO CASCADE**

In response to Staff's DR 214D, please explain how the Company calculated the Oregon allocation.

**Response:**

The company provided two documents in support of the response to Staff DR 214D. The first document entitled "A214d Compensation.docx" is a compilation from Human Resources (HR) pertaining to average salaries and positions as they relate to the proposed increase in employees and the proposed classes. The Oregon Allocation is a calculation of the average salary and costs based on FTEs. Several employee classes don't have a full FTE in Oregon to include in the chart.

The second document entitled "A214d – Parvinen Workpapers Labor Additions.pdf" identifies each of the vacant and proposed positions included in the company sponsored labor additions adjustment. From this spreadsheet the calculation used in Exhibit CNG/304, Parvinen, column (m) was made. See attached spreadsheet entitled "CUB DR 14 – Labor Additions Adjustment.xlsx".

The positions created in the Southern Region are assigned 100% to Oregon. The other positions are system positions and are allocated to Oregon based on the three factor formula or 24.3%.

**Request No. 168**

Date prepared: 5/29/2015

Preparer: Michael Parvinen

Contact: Pamela Archer

Telephone: (509)-734-4591

168. According to CNG/300, Parvinen/22, Cascade is proposing to defer the difference between the allowed margin per customer to actual margin per customer and not split the deferral balance accounts based on weather variances and conservation practices.
- a. Please provide the excel spreadsheet of Exhibit CNG/306 (with cell formulae intact) that shows the summary of decoupling mechanism based on conservation and weather variances;
  - b. Define the “allowed” and “actual” margin per customer under the new proposal. Please provide a modified version of Exhibit CNG/306 (excel spreadsheet with cell formulae intact) showing the CAP Base Adjustment (line 4 of Exhibit 306) and Overall Change to Customers (line 5 of Exhibit 306), calculated based on the above proposal, i.e., by deferring difference between the allowed margin per customer to actual margin per customer; and
  - c. Provide all associated excel spreadsheets used to calculate part a, and part b.

**Response:**

- a. See attached file entitled “A168 a-exhibit 306.xlsx”
- b. The allowed margin would be identical. The only difference in the calculation of the actual margin would be to follow the recommendations from the independent third party evaluator of the mechanism and bas actual margin on billed volumes not including and unbilled volumes.

See attached file entitled”A168 b-Exhibit 306.xlsx” for modified deferral calculation.

- c. See attached files entitled “Proposed 12-11 OR CAP.xls” and Proposed 12-14 OR CAP.xls” for calculation of monthly deferral excluding unbilled volumes.

See attached file entitled”A168 b-Exhibit 306.xlsx” for modified deferral calculation.

**CASCADE NATURAL GAS CORPORATION**  
**Oregon Public Utility Commission**  
**Standard Data Requests**

**Request No. 137**

Date prepared: 5/12/2015

Preparer: Kevin Conwell

Contact: Pamela Archer

Telephone: (509)734-4591

137. With regard to Parvinen Exhibit 301, please provide annual plant balances since 2005 through 2014 and note whether balances are as of December 31 or based on each year's annual average.

**Response:**

<u>Oregon plant in service balances</u>		
<u>2005</u>	<u>125,669,644</u>	<u>Balance as of 12/31/2005</u>
<u>2006</u>	<u>134,519,880</u>	<u>Balance as of 12/31/2006</u>
<u>2007</u>	<u>144,495,778</u>	<u>Balance as of 12/31/2007</u>
<u>2008</u>	<u>152,588,416</u>	<u>Balance as of 12/31/2008</u>
<u>2009</u>	<u>154,702,141</u>	<u>Balance as of 12/31/2009</u>
<u>2010</u>	<u>156,411,817</u>	<u>Balance as of 12/31/2010</u>
<u>2011</u>	<u>158,853,770</u>	<u>Balance as of 12/31/2011</u>
<u>2012</u>	<u>164,348,791</u>	<u>Balance as of 12/31/2012</u>
<u>2013</u>	<u>172,709,350</u>	<u>Balance as of 12/31/2013</u>
<u>2014</u>	<u>180,947,303</u>	<u>Balance as of 12/31/2014</u>

**CASCADE NATURAL GAS CORPORATION**  
**Oregon Public Utility Commission**  
**Standard Data Requests**

**Request No. 266**

Date prepared: 7/2/2015

Preparer: Mike Parvinen

Contact: Pamela Archer

Telephone: (509)-734-4591

266. Referring to CNG's response, "A166-167 (2011-2014) Lines 20-26.xlsx", to Staff's DR No. 167, please explain the increase in Total Plant in Service of \$12,639,465 between the years 2013 and 2014 as reported in CNG's filed ROO reports for 2013 and 2014. In addition to any narrative or testimony supporting the increase, please provide the following information in table format in an excel spreadsheet for the 2014 base year capital additions:
- a. The total Company cost of assets eligible for 2014 bonus depreciation on its 2014 Federal income tax return;
  - b. The maximum Company amount of bonus depreciation expense the Company could elect;
  - c. The total Company related ADFIT if the maximum amount of bonus depreciation is elected;
  - d. The Oregon jurisdictional share of the total cost of eligible assets;
  - e. The Oregon jurisdictional share of the bonus depreciation; and,
  - f. The Oregon jurisdictional amount of the related ADFIT.

**Response:**

See attached file entitled "A266 (a) (b) (c) (e) (f).xlsx"

- d. Approximately 22.74%, which is the jurisdiction rate base allocator in place for 2014.

Cascade Natural Gas		
DR A266		
Total book basis of 2014 additions	36,544,945	
Total tax basis of 2014 additions	36,707,525	
Bonus eligible tax basis additions	35,314,277	(a) (b)
DIT related to bonus depreciation		
Federal	12,359,997	
Oregon	536,777	
Federal offset	(187,872)	
	12,708,902	(c)
2014 Rate base ratio	22.74%	
Oregon allocated bonus	8,030,467	(e)
Oregon DIT related to bonus depr		
Federal	2,767,941	
Oregon	536,777	
	3,304,718	(f)



CUB EXHIBIT 109 IS VOLUMINOUS AND WAS SUBMITTED ELECTRONICALLY.