BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. CASCADE NATURAL GAS CORPORATION, Respondent.	**DOCKET UG-260127**

CASCADE NATURAL GAS CORPORATION

DIRECT TESTIMONY OF ERIC P. MARTUSCELLI

May 29, 2026

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LIST OF EXHIBITS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Eric P. Martuscelli, and my business address is 8113 West Grandridge Boulevard, Kennewick, Washington 99336.

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

A. I am employed by Cascade Natural Gas Corporation ("Cascade" or "Company"), a wholly owned subsidiary of MDU Resources Group, Inc. ("MDU Resources"), as Vice President of Field Operations & Customer Experience for Cascade, Montana-Dakota Utilities Company, Great Plains Natural Gas Company, and Intermountain Gas Company (collectively, "MDU Utilities Group").

Q. What are your duties as Vice President of Field Operations & Customer Experience?

A. As Vice President of Field Operations & Customer Experience, I provide executive leadership, direct, and coordinate activities for the entire gas and electric distribution field operations and customer experience team in the MDU Utilities Group service territory. I oversee delivery of regulated products and services and provide strategic direction to my leadership team in implementing our organization's programs, policies, and procedures.

Q. Please describe your educational background and professional experience.

A. I hold a bachelor's degree in organizational management from the Forbes School of Business, Ashford University. I have been in the utility industry for 33 years; 12 years in the field and 21 years in increasing levels of supervisory, managing, and leadership positions. Prior to advancing into my current role, I provided similar, executive oversight as Vice President, Operations for Cascade.

Q. Have you testified in other proceedings before regulatory bodies?

A. Yes. I have presented testimony before the Washington Utilities and Transportation Commission ("Commission"), the Public Utility Commission of Oregon, the Idaho Public Utilities Commission, and the North Dakota Public Service Commission.

II. SCOPE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your Direct Testimony in this docket?

A. My Direct Testimony will address Cascade's project selection and budgeting process. I then discuss major project additions to plant in service overseen by Field Operations that have been placed in service since rate year two in Cascade's last multiyear rate plan ("MYRP"), approved in Docket UG-240008. I will then address the request for provisional plant in service that is planned to be placed in service in 2026 and 2027 under my responsibility area.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes, I sponsor the following exhibits:

- Exh. EPM-2 Major Provisional Plant Additions – 2026 and 2027
- Exh. EPM-3 Minor Provisional Plant Additions – 2026 and 2027
- Exh. EPM-4 FP-324297 Existing Mount Vernon Facility Photos

Q. Please explain Cascade's Field Operations organization.

A. Field Operations is composed of approximately 150 employees who live and work in Washington. Cascade's employees are the "boots on the ground" in Washington. Their purpose is to provide safe, reliable natural gas service to the communities Cascade serves. They do this with the expectation of providing excellent customer service with each interaction. The philosophy of Field Operations is to execute the "playbooks" and

seek continuous improvement. The "playbooks" consist of Cascade's organizational integrity guide and our operations policies and procedures, the latter incorporating federal regulatory and state administrative codes applicable to the safe operation of the natural gas distribution system.

Q. Please provide a high-level description of Cascade's distribution system.

A. The Company delivers natural gas to over 230,000 Washington customers, encompassing 67 communities with diverse demographic, historic, economic, climatological, and geographic backgrounds. Cascade's noncontiguous service territory covers about 32,000 square miles and extends over 700 highway miles from end to end. The western Washington portion of Cascade's service territory along the I-5 corridor operates in a generally mild marine climate, while the eastern portion has a semi-arid climate with periods of arctic cold in the winter and extreme heat in summer. Cascade delivers natural gas through approximately 11,100 miles of pipeline (mains and services), 8,300 of which are in Washington and 2,800 are in Oregon.

III. OVERVIEW OF PROJECT SELECTION AND BUDGETING PROCESS

Q. Please explain the plant in service projects you will discuss.

A. The majority of the projects managed by the Field Operations department are Programmatic, as defined by the Commission's Policy Statement on Property that Becomes Used and Useful After Rate Effective Date ("Used and Useful Policy").[1] Programmatic projects are "made according to a schedule, plan, or method" and are

[1] *In re the Comm'n Inquiry into the Valuation of Public Service Co. Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property that Becomes used and Useful After Rate Effective Date ¶ 11 (Jan. 31, 2020).

generally investments that are "necessary to provide safe and reliable service to Washington [customers]."[2]

I also address several Specific projects, as defined by the Used and Useful Policy, that fall under my responsibility area. In the context of the Used and Useful Policy, Specific projects are "clearly defined, identifiable or discrete investments[.]"[3] A complete list of Major Projects for the MYRP Provisional Years 2026 and 2027 are included as Exhibit EPM-2, while Minor Projects for Provisional Years 2026 and 2027 are included as Exhibit EPM-3. Table 1 below provides a summary of the portion of the Company's request discussed in this testimony. Additional plant additions are discussed in the Direct Testimony of Patrick C. Darras (Exhibit PCD-1T).

Table 1 – Provisional Plant Additions

Description	Specific Projects	Programmatic Projects	Total
2026 Major Provisional Period Projects	1,714,846	15,589,296	**17,304,141**
2027 Major Provisional Period Projects	15,586,472	9,804,255	**25,390,728**
2026-2027 Minor Provisional Period Projects	4,768,467	1,353,749	**6,122,216**
Total Provisional Additions to Plant In-Service	**$22,069,785**	**$26,747,301**	**$48,817,085**

Q. Please briefly describe Cascade's capital project budgeting process.

A. The Company plans for additions and changes through an annual budgeting process that involves proposals by staff members at the district level to identify needed investments and review and approval by financial analysts, managers, and Directors and Vice Presidents of the utility group. Specific and Programmatic projects reviewed

[2] *Id.* ¶ 11 n.19.
[3] *Id.* ¶ 11 n.18.

and approved through this process are incorporated into the Company's five-year capital budget. Please see the Direct Testimony of Patrick C. Darras (Exhibit PCD-1T) for a detailed description of the Company's process.

Q. How are Specific Projects forecast?

A. Specific projects generally fall into two categories: known (budgeted) and unknown (unbudgeted). Known projects are forecast during the annual capital budgeting process and assigned to a year in the five-year budget.

An example of a known project would be replacing an operations facility, such as the Mount Vernon Operations ("Ops") and Construction Service ("CS") facility, in 2026-2027. Typically, these projects take up two years to complete, once an approval to proceed is obtained, and are budgeted in advance.

Unknown projects are, by nature, more immediate than can be planned through the annual budgeting process. As an example, Cascade is sometimes unaware of road improvement projects being planned in various municipalities where we are a franchisee, however, the municipalities will require the Company to relocate its infrastructure (resulting in replacing old infrastructure with new) pursuant to our franchise agreement. In this case, the road improvement project would be unbudgeted. In either case, known or unknown, the approval process follows the established Company authorization policy.

Q. How are Programmatic Project costs forecast?

A. Funding projects that fall into the Programmatic category include things like main and service growth and replacement and vehicles and work equipment. Growth related

funding project forecasts are based on the base-case growth forecast included in Cascade's Integrated Resource Plan.

Replacement projects are difficult to forecast prospectively. In any year, replacements of Cascade facilities will be required due to requests from jurisdictional authorities in the communities Cascade serves or for safety or reliability reasons. Because replacement projects cannot be anticipated with specificity, the estimated expense is based on historical costs and updated for any known requirements.

Vehicles and work equipment forecasts are based on an assessment of Company need coupled with an analysis of existing vehicles and work equipment.

Q. Are projects ever re-prioritized?

A. Yes. There are two primary stages of re-prioritization. During the annual capital budgeting process, the Company goes through several versions of the five-year capital budget each year. Every version is a re-prioritization of projects based on available capital and the project's rank within the Company. The second stage, or re-prioritization, is after the capital budget is approved. As previously outlined in my testimony, the Company must regularly adjust to unknown projects that arise due to requests from jurisdictions served by Cascade, safety, and reliability. In this case, the unknown project may push a budgeted project down the priority list. The Company's processes for budgeting and prioritizing capital additions is discussed in more detail in the Direct Testimony of Patrick C. Darras (Exhibit PCD-1T).

IV. MAJOR PROJECT PROVISIONAL PLANT ADDITIONS IN 2026 – 2027

Q. What plant additions does Cascade classify as "Major Projects"?

A. A Major Project is a plant addition that is expected to cost more than $1 million.

A. Specific Projects

1. New Mount Vernon Ops and CS Facility (FP-324297)

Q. Please describe the New Mount Vernon Ops and CS project.

A. This project involves the design, permitting, and construction of a new Mount Vernon Field Operations District Office and Construction Services fabrication facility. The project consolidates operational and construction services functions into a modern, purpose-built facility designed to support enhanced functionality; support current and future operational demands; improve safety and reliability; and enhance service delivery to customers in the Mount Vernon district.

Q. Why did the Company undertake the New Mount Vernon Ops and CS Facility project?

A. The Company undertook this project because the existing Mount Vernon district facility is outdated and inadequate to support current and future operational needs. The existing facility was established in 1965 and has not kept pace with growth in personnel, fleet, equipment, and construction services activities, resulting in significant capacity and functional limitations. In particular, the existing facility does not support modern construction services fabrication activities, which are necessary to perform system work safely and efficiently, as shown in Exhibit EPM-4. In addition to these operational constraints, the existing district office is located within the 100-year floodplain, creating ongoing safety and continuity risks. During the December 2025 flooding event, the facility was in a mandatory evacuation zone, requiring the Company to relocate fleet and equipment and implement emergency measures such as sandbagging buildings. The time and resources required to protect facilities and assets

reduced the Company's ability to focus on system response efforts addressing flooding impacts throughout the greater Skagit Valley.

While the Company has previously undertaken flood-preparation activities at this location, the December 2025 event underscored the inherent operational, safety, and service-continuity risks associated with the site. Relocating the district facility outside the floodplain eliminates these risks and represents a prudent long-term decision to support safe operations and reliable service.

Q. How will Cascade customers benefit from the New Mount Vernon Ops and CS Facility Project?

A. Customers will benefit from this project through improved operational efficiency, safety, and service reliability. The new facility is designed to support modern field operations and construction services activities, enabling the Company to respond more effectively to routine maintenance, emergency events, and system expansion needs. The project provides enhanced construction services fabrication capabilities, including improved capacity for large project fabrication, internal tapping, and stopping work. These functions are critical to maintaining and upgrading the natural gas system safely and efficiently and allow more work to be performed locally, which can reduce scheduling delays and improve responsiveness to customer and system needs.

In addition, the facility is designed to accommodate future expansion and evolving technologies, supporting long-term service sustainability as customer demand and system requirements change. Locating the new facility outside the 100-year floodplain also improves system resilience and continuity of service by reducing the risk of operational disruptions during severe weather events. Together, these

improvements support the Company's ability to provide safe, reliable, and efficient natural gas service to customers in the Skagit Valley area over the long term.

Q. Did the Company consider alternative ways to meet the need for the New Mount Vernon Ops and CS Facility?

A. Yes. The Company identified two additional alternatives to address the operational deficiencies at the existing Mount Vernon district facility. The first alternative involved relocating CS operations to a separate, long-term leased facility at another location, thereby freeing up space at the existing site for district vehicles, equipment, and field operations personnel. While this option would have partially alleviated space constraints, it would have fragmented formerly co-located operational functions, reduced coordination efficiency between Field Operations and CS, and introduced long-term lease obligations without addressing the underlying risks of the existing site. Importantly, this alternative would have left the primary district operations facility within the 100-year floodplain, continuing exposure to flood-related safety, reliability, and service-continuity risks.

The second alternative involved revitalizing and expanding the existing property through building remodels and the potential acquisition of adjacent privately owned residential and commercial parcels to obtain additional space for operational needs. This alternative was deemed imprudent due to the limited availability and uncertainty of acquiring neighboring properties, the complexity and cost of redevelopment, and the inability to materially improve operational efficiency during phased construction. Most critically, even if these challenges were overcome, the

facility would remain located in the floodplain, leaving employees, equipment, and critical operations exposed to the same flood risks that have repeatedly affected the site. After evaluating these alternatives, the Company determined that neither option adequately addressed the fundamental safety, operational, and resiliency risks associated with the current location. As a result, relocating to a new site outside the 100-year floodplain represents the most prudent and sustainable long-term solution to support safe operations and reliable service to our customers and communities.

Q. Are there any offsetting operations and maintenance ("O&M") cost savings associated with this project?

A. The project does not result in a reduction to existing O&M expenses associated with the current-owned facility. However, construction of the new Mount Vernon Ops and CS facility allows the Company to avoid incremental and ongoing O&M expenses that would otherwise be incurred under alternative approaches.

At the existing location, Cascade currently leases an off-site overflow parking lot at an annual cost of approximately $13,996. This lease will be discontinued once the new facility is placed in service, as the new site provides adequate on-site parking capacity.

In addition, due to space limitations at the existing site, the Company evaluated leasing a separate facility for CS operations in the Mount Vernon area over a period of several years. As part of that evaluation, the Company determined that leasing a suitable facility would result in material incremental O&M expense, estimated at approximately $15,000 to $20,000 per month, or roughly $240,000 annually, in addition to significant one-time setup costs. This alternative was not pursued due to

cost, lack of suitable facilities, and the inefficiencies associated with separating Construction Services from Field Operations.

By constructing a combined facility, the Company avoids these incremental lease-related O&M expenses and associated setup costs while maintaining operational efficiency through co-location. Accordingly, while the project is not relied upon to produce direct O&M savings, it represents a cost-effective and prudent alternative when compared to other feasible options that would have resulted in higher ongoing O&M expense.

Q. What is the current status of the project?

A. The land for the new facility has been purchased, the design is finalized, and the relative permits have been submitted. We anticipate used and useful status by April 1, 2027.

Q. What are the estimated costs for the project?

A. Cascade expects to incur $15,422,894 in costs in 2027 toward the new Mount Vernon Ops and CS Facility.

2. Work Asset Management Systems (Maximo) (FP-101480)

Q. Please describe Cascade's Work and Asset Management System project.

A. Cascade's Work and Asset Management System project consists of implementing the integrated management software programs Maximo, Locusview, and IQGeo, which streamline and enhance all operational work processes by moving from manual processes into electronic, consistent processes, enhancing compliance, record keeping, and scheduling of work. Maximo is an integrated software solution that stores assets, work orders, work order tracking information, and maintenance and compliance schedules. Locusview is the high accuracy GPS-based hardware and software that is deployed to the field construction crews to capture the facilities being installed.

Locusview then sends completed installation data back to Maximo and GIS, which in turn update all the Company's other systems (e.g., accounting, customer information). IQGeo is Cascade's field collection system for corrosion and leak survey. Employees capture required compliance data on Cascade's system using this tool, which then updates Maximo. In my testimony I will refer to the integrated systems of Maximo, Locusview, and IQGeo collectively as "Maximo."

Cascade is in the second phase of a multi-phase implementation of Maximo. The initial phase of the project from 2019 to 2021 ("Phase 1") focused on implementation of Maximo for maintenance work. This maintenance phase included equipment maintenance and all gas compliance maintenance (e.g., corrosion control, leak survey, atmospheric corrosion survey, patrolling, measurement, and equipment maintenance). The second phase of Maximo implementation is from 2022 to 2027 ("Phase 2") and focuses on gas infrastructure and facility construction. This will cover the full lifecycle of construction, including initiation, design, estimates, planning/scheduling, construction, close out, and documentation of construction work. Full implementation of Maximo will enable Cascade to have a fully electronically driven construction process integrated with core systems, thus reducing touchpoints and data entry and streamlining the process in real-time.

Q. Why did the Company undertake the project?

A. Cascade is implementing Maximo to move to a modern work asset management system, including mobile solutions, to allow the Company to better manage operations and eliminate paper processes. Maximo will provide six primary benefits:

1. Align operational business processes across the enterprise.

2. Replace fragmented and non-integrated operations technology systems/processes with one unified work and asset management system, improving efficiency of implementation and support.
3. Reduce touch points and redundancy.
4. Gain enterprise-wide insight into asset tracking, construction, maintenance, compliance, and costs. This includes tracking operation's Key Performance Indicators.
5. Drive consistent workflows across the enterprise, improving work product results.
6. Improve the user experience with consistent field data entry technology, which also lowers training needs and limits confusion and errors.

Q. How will customers benefit from the project?

A. As noted above, the expected benefits from implementation of Maximo are multi-faceted and touch on all areas of operational efficiency and reliability. This implementation will keep Cascade current with technology available through today's dynamic database systems. The fully electronic system will improve the overall quality of information being collected in the field and provide a central data repository for information related to all utility maintenance and construction activity. This will improve the safe operation of the system through higher quality gas facility installations, improved maintenance/compliance tracking, and more consistent and real-time reporting.

Customers will also benefit from overall enhanced compliance as the Company moves to this fully integrated electronic asset management system, which will provide for

more accurate records, automated inspection intervals, and less manual data entry. Customers will also benefit from reduced operational complexity using a more streamlined and efficient work and asset management system, the elimination of multiple methods (paper, spreadsheets, databases) used to manage work, and reliance on a single database repository for all work.

Q. Did the Company consider alternative ways to meet the need for the project?

A. Yes. Cascade considered SAP and Oracle as alternative products to meet the need. Ultimately, Maximo (an IBM program) was selected in part because it met all the Company's priorities; is a lower cost solution; integrates well with disparate systems; and is mature and proven compared to other work and asset management systems. In addition, Maximo was determined to be the best choice for Cascade because a sister business unit (WBI Energy) under Cascade's parent company (MDU Resources) had recently implemented Maximo. By utilizing the same system, Cascade was able to leverage some existing experience and gain Enterprise Information Technology synergies with support from the same centralized team.

Q. Will there be any offsetting O&M cost savings associated with this project?

A. Yes. Cascade anticipates that the greatest opportunities for offsetting O&M costs will come from increased automation of processes and integration of systems. In general, Maximo systems are set up to accurately capture data at the source and integrate information back to the core technology systems. This is anticipated to reduce data entry lag and errors and improve efficiency by enabling a more streamlined, standardized, and centralized work management.

Specifically, Maximo's front-end systems are designed to provide self-service for construction requests, and this will streamline the request process and potentially reduce the manual labor to process these requests as well as the labor associated with the customer acquisition process for construction related work. The backend system also has integrations designed to reduce data entry, such as inventory relieving and fixed asset accounting integration. These provide the potential for reduced labor costs associated with data processing.

The quality control solution in the mobile application will drive improved quality for construction and provide tools to track quality inspections and follow-up. The mobile system improves quality through smart forms, photos, high accuracy GPS data collection, bar code scanning, and the ability to track and trace the installed gas facilities. This improves the quality of the installation and the data collection to reduce errors and the potential for gas-related emergencies and incidents. This may reduce costs associated with these kinds of events and provide for the safe delivery of natural gas to Cascade's customers.

Overall, reliance on a single integrated system will streamline nearly every aspect of work and asset management. Moving away from paper will eliminate legibility issues, leading to less re-work and corrections. And automation, such as automated scheduling, will streamline and reduce process. For example, once an asset is installed, it is assigned the appropriate O&M maintenance schedule based on the Pipeline and Hazardous Materials Safety Administration's ("PHMSA") pipeline safety code requirements, without having to rely on a manual scheduling process. Cascade has already begun experiencing benefits from Phase 1 of implementation associated

with enhanced ability to plan, track, and perform compliance-related maintenance for PHMSA pipeline safety requirements such as measurement, corrosion, and equipment calibrations. And Cascade anticipates additional O&M cost savings associated with full implementation of Maximo due to increased operational efficiency and enhanced compliance. There is an estimated $260,000 of annual O&M savings following the implementation of Maximo.

Q. What work has been completed and when will the project be placed in service?

A. Outstanding phases of work are near completion and will be placed into service in 2026 and 2027. The following funding projects that are included in the Maximo project have been completed or are in progress:

- FP-101480 – UG-Work Asset Management: Phase 1 completed in 2024, Phase 2 projected to be completed and placed in service in the third quarter of 2026.
- FP-317565 – "Impl Work Asset Mgmt Hardware": Forecasted completion in December 2027.
- FP-324020 – "UG-Locusview Software": Completed in 2024.
- FP-324029 – "UG-Maximo Enhancmnt/Upgrd/Sftw": Phases to be completed in December 2026 and December 2027.
- FP-324035 – "UG-IQ Geo Enhancements": Phases to be completed in December 2026 and December 2027.
- Capital Lease – "Locus View Lease": Completed in 2024.

Q. What are the estimated costs for the project?

A. The estimated costs for the work asset management systems projects—along with the projected in-service dates—are included in Table 2 below.

Table 2 – Work Asset Management Systems 2026 and 2027 Costs

Funding Project	Description	2026 In-Service Dates	2026 Plant Additions	2027 In-Service Dates	2027 Plant Additions
FP-101480	UG-Work Asset Management	*Jul. 2026*	$1,560,409	-	---
FP-317565	Impl Work Asset Mgmt Hardware-CNG	-	---	*Dec. 2027*	$3,478
FP-324020	UG-Locusview Software – CNGC – 2024	*2024*	---	*2024*	---
FP-324029	UG-Maximo Enhancmnt/Upgrd/Sftw CNGC	*Dec. 2026*	$100,089	*Dec. 2027*	$100,790
FP-324035	UG-IQ Geo Enhancements CNGC	*Dec. 2026*	$54,348	*Dec. 2027*	$59,311
Capital Lease	Locus View Lease – 2024	*2024*	---	*2024*	---
Total			**$1,714,846**		**$163,579**

B. Programmatic Projects

1. 2026-2027 Growth Mains

Q. Please describe the Growth Mains programmatic project.

A. Growth Mains are distribution system expansion installations made to provide natural gas service to new customers throughout Cascade's service territory. These projects are initiated in response to customer or developer requests and are designed and constructed in accordance with Cascade's Tariff Rule 8 – Extension of Distribution Facilities.

As determined by Cascade's design and engineering functions, certain Growth Main installations may require supplemental system reinforcement to ensure that extending service to new customers does not adversely affect the safety or reliability of service for existing customers.

For the 2026-2027 period, Growth Main forecast budgets were developed using 2025 actual growth expenditures as the baseline, with adjustments to reflect anticipated changes in demand and cost conditions. The 2026 growth budget reflects lower expected demand associated with reductions to line extension allowances, which, in some districts, will be partially offset by higher contractor costs. Cascade anticipates an additional reduction in demand following the elimination of residential and small commercial line extension allowances, and as a result, the 2027 Growth Main forecast is reduced an additional 50 percent relative to 2026.

Q. Why does the Company undertake installations within the Growth Mains Programmatic Project?

A. Cascade undertakes distribution system expansion installations to respond to growth in the Company's customer base and new requests for service. The Company completes these installations under the Growth Mains Programmatic Project, as determined by the Company's Certificate of Convenience and Necessity and its obligation to serve pursuant to RCW 80.28.110, and consistent with the Cascade's Tariff Rule 8 – Extension of Distribution Facilities.

Q. How do Cascade's customers benefit from the Growth Mains Programmatic Project?

A. Installations made under the Growth Mains Programmatic Project benefit Cascade's new customers because those installations allow new customers to receive gas services from the Company. Existing customers benefit from these main installations as well because they ensure that adding new customers to the gas system—as Cascade is

required to do on request—does not detrimentally impact safety and reliability for existing customers.

Q. Does the Company consider alternative ways to meet the need for installations under the Growth Mains Programmatic Project?

A. Cascade evaluates each Growth Main request to determine the most appropriate and efficient means of providing service consistent with Cascade's Tariff Rule 8 – Extension of Distribution Facilities. As part of this evaluation, the Company considers available existing facilities, routing options, system design alternatives, and coordination with development activity to limit construction to the minimum facilities necessary to serve new customers while maintaining safe and reliable service.

Q. When are Growth Mains installations expected to be placed in service?

A. Installations made under the Growth Mains Programmatic Project are expected to be placed in service periodically throughout 2026 and 2027, as they are completed.

Q. What are the estimated costs for the Growth Mains Programmatic Project?

A. The estimated costs of plant additions for Provisional Years 2026 and 2027 are identified in Table 3 below, by each individual district's funding project and in total for the Growth Mains Programmatic Project.

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Table 3 – Growth Mains Estimated For 2026 and 2027

Funding Project	Description	2026 Plant Additions	2027 Plant Additions
FP-317640	Main Growth-Aberdeen District	$13,937	$23,568
FP-317644	Main Growth-Bellingham District	$190,489	$82,711
FP-317648	Main Growth-Bremerton District	$566,382	$296,320
FP-317750	Main Growth-Kennewick District	$1,817,992	$716,756
FP-317652	Main Growth-Longview District	$47,173	$20,155
FP-317656	Main Growth-Mount Vernon District	$163,430	$56,013
FP-317628	Main Growth-Walla Walla District	$176,950	$90,847
FP-317632	Main Growth-Wenatchee District	$33,813	$17,780
FP-317636	Main Growth-Yakima District	$196,369	$29,685
Total		**$3,206,535**	**$1,333,835**

2. 2026-2027 Growth Services

Q. Please describe the Growth Services Programmatic Project.

A. Similar to Growth Mains, Growth Services are distribution system expansion installations to provide natural gas service to new customers throughout Cascade's service territory. Growth Services are installed either in conjunction with Growth Mains or as standalone installations connected to existing distribution infrastructure and are evaluated and constructed in accordance with Cascade's Tariff Rule 8 – Extension of Distribution Facilities.

For the 2026-2027 period, Growth Services forecast budgets were developed using 2025 actual growth expenditures as the baseline, with adjustments made to reflect anticipated changes in demand and cost conditions. The 2026 growth budget reflects lower expected demand associated with reductions to line extension allowances, which, in most districts, will be partially offset by higher contractor costs following an April 2026 RFP. In the Bremerton District, the 2026 budget is further reduced from 2025 actuals to account for a transition to self-performed installations.

Cascade anticipates an additional reduction in demand following the elimination of residential and small commercial line extension allowances, and as a result, the 2027 Growth Services forecast is reduced an additional 50 percent relative to 2026.

Q. Why does the Company undertake installations within the Growth Services Programmatic Project?

A. Cascade undertakes distribution system expansion installations under the Growth Services Programmatic Project for the same reasons that it undertakes Growth Mains installations: to respond to growth in customer base and ensure that the Company can continue to provide safe and reliable service in the process. Growth Services installations are made as determined by Cascade's Certificate of Convenience and Necessity and the Company's obligation to serve pursuant to RCW 80.28.110, and consistent with the Cascade's Tariff Rule 8 – Extension of Distribution Facilities.

Q. How do Cascade's customers benefit from the Growth Services Programmatic Project?

A. As with the Growth Mains Programmatic Project, Cascade's new and existing customers benefit from safe, uninterrupted, and reliable gas service. That is, installations made under these Programmatic Projects to respond to system growth insulate customers from any safety or reliability impacts of that growth.

Q. Does the Company consider alternative ways to meet the need for installations under the Growth Services Programmatic Project?

A. Cascade evaluates each Growth Services installation request to determine the most appropriate and efficient method of connecting new customers to the distribution

system consistent with Cascade's Tariff Rule 8 – Extension of Distribution Facilities. This includes assessing whether service can be provided from existing nearby facilities, evaluating service design and installation options, and coordinating installation timing with related construction, where practicable, to ensure facilities are limited to those necessary to provide safe and reliable service.

Q. When are Growth Services installations expected to be placed in service?

A. Growth Services installations will be placed in service as those requested installations are completed throughout 2026 and 2027.

Q. What are the estimated costs for the Growth Services Programmatic Project?

A. The estimated costs for Growth Services plant additions in the Provisional Years 2026 and 2027 are provided in Table 4 below, by each individual district's funding project and in total for the Growth Services Programmatic Project.

Table 4 – Growth Services Estimated For 2026 and 2027

Funding Project	Description	2026 Plant Additions	2027 Plant Additions
FP-317642	Service Growth-Aberdeen District	$85,595	$43,823
FP-317646	Service Growth-Bellingham District	$938,759	$548,695
FP-317650	Service Growth-Bremerton District	$2,045,984	$994,144
FP-317752	Service Growth-Kennewick District	$1,473,634	$665,935
FP-317654	Service Growth-Longview District	$385,755	$28,006
FP-317658	Service Growth-Mount Vernon District	$893,887	$358,293
FP-317630	Service Growth-Walla Walla District	$169,445	$86,835
FP-317634	Service Growth-Wenatchee District	$67,206	$55,685
FP-317638	Service Growth-Yakima District	$487,003	$256,565
Total		**$6,547,269**	**$3,037,981**

3. 2026-2027 Main Replace

Q. Please describe the Main Replace Programmatic Project.

A. The Main Replace Programmatic Project encompasses distribution main replacement activities—removing existing distribution main and installing new main, either in the

same location or in a different location nearby—that are required to address conflicts with jurisdictional projects and to respond to localized system conditions. Most of Cascade's natural gas infrastructure is located within public rights-of-way, and Cascade's ability to occupy those spaces is governed by franchise agreements with the applicable jurisdictions. When a jurisdiction undertakes a project that conflicts with Cascade's existing facilities within the franchise area, those agreements require Cascade to relocate or replace its facilities at Cascade's expense. Main Replace installations are frequently initiated to comply with these requirements.

Other Main Replace installations are not associated with jurisdictional conflicts and arise from isolated system conditions, such as leaks, corrosion, or inoperable valves or equipment that are not part of the Company's formal distribution integrity management program. These projects are typically identified through leak investigations, scheduled compliance surveys, or field observations and are managed at the local level by district personnel.

Because these projects are generally reactive and condition-driven, they cannot be forecast on a project-specific basis. As a result, investment projections for Main Replace projects are primarily developed using historical spending patterns, which provide a reasonable estimate of expected activity levels.

Q. Why does the Company undertake installations within the Main Replace Programmatic Project?

A. The Company completes Main Replace installations to address distribution main replacements that are required due to jurisdictional conflicts or to address localized safety or compliance issues. As explained above, jurisdictional conflicts may arise

where the Company's natural gas infrastructure is located in the public right-of-way and a local jurisdiction plans overlapping changes or improvements to other infrastructure. In those instances, Cascade undertakes a Main Replace installation to comply with the Company's franchise agreement with that jurisdiction. In other instances, the Company may become aware of system conditions that necessitate replacement of mains or related components. In those cases, Cascade performs a Main Replace installation for safety, reliability, and regulatory compliance reasons, to ensure that the Company's gas distribution system is in safe working order, consistent with regulatory requirements applicable to the Company, and to prevent any interruptions in service.

Q. How do Cascade's customers benefit from the Main Replace Programmatic Project?

A. Cascade's customers benefit from the Main Replace Programmatic Project through the Company's ability to safely, efficiently, and responsibly manage conflicts between jurisdictional projects and existing natural gas infrastructure. That is, coordination in a timely and cooperative manner maintains productive working relationships between Cascade and local jurisdictions, which helps facilitate coordinated project execution and minimizes disruption to communities. Jurisdictional projects can be highly disruptive to customers and the public, and Cascade's approach to conflict resolution is intended to minimize and avoid delays, reduce extended construction impacts, and support efficient completion of those projects.

In addition, Main Replace installations that address safety- or compliance-related conditions help ensure the continued safe and reliable operation of

the distribution system, which directly benefits customers by reducing risk and maintaining service integrity.

Q. Does the Company consider alternative ways to meet the need for installations under the Main Replace Programmatic Project?

A. Yes. The Company considers alternative approaches before undertaking Main Replace installations, consistent with the circumstances giving rise to the need for replacement. For projects driven by jurisdictional conflicts, Cascade works collaboratively with jurisdictional representatives to evaluate whether alternatives to main replacement are feasible, such as design adjustments or sequencing changes. In many cases, an alternative solution can be identified; however, where no reasonable alternative exists, replacement is required to comply with franchise obligations.

For other Main Replace installations that are not associated with jurisdictional conflicts, the Company evaluates all reasonable alternatives before proceeding with replacement. These projects are typically driven by safety- or compliance-related conditions, and replacement is undertaken only when other mitigation options are insufficient to address the identified issue.

Q. Are there any offsetting O&M cost savings associated with Main Replace installations?

A. Main Replace installations are not undertaken to generate direct O&M cost savings. However, main replacements under this Programmatic Project can avoid or mitigate incremental costs that might otherwise be incurred.

For Main Replace installations driven by franchise conflicts, timely fulfillment of the Company's franchise obligations and maintenance of constructive working

relationships with local jurisdictions helps avoid potential monetary penalties, enforcement actions, or costly project delays that could result if Cascade did not meet those contractual requirements.

For Main Replace installations that are not associated with franchise conflicts, replacing facilities that are affected by safety- or compliance-related conditions can eliminate the need for ongoing maintenance and repair activities associated with deteriorated or problematic infrastructure. In these cases, replacement can reduce continued O&M expense and mitigate future risk.

Q. When are installations under the Main Replace Programmatic Project expected to be placed in service?

A. Main replacements undertaken under this Programmatic Project will be placed in service upon completion in 2026 and 2027.

Q. What are the costs for the Main Replace Programmatic Project?

A. The estimated costs for Provisional Years 2026 and 2027 are presented in Table 5 below, by each individual district's funding project and in total for the Main Replace Programmatic Project.

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Table 5 – Main Replace Estimated For 2026 and 2027

Funding Project	Description	2026 Plant Additions	2027 Plant Additions
FP-317641	Main Replace-Aberdeen District	$55,840	$71,275
FP-317645	Main Replace-Bellingham District	$1,018,743	$1,203,473
FP-317649	Main Replace-Bremerton District	$363,180	$399,271
FP-317751	Main Replace-Kennewick District	$155,898	$106,848
FP-317653	Main Replace-Longview District	$62,610	$80,989
FP-317657	Main Replace-Mount Vernon District	$227,843	$292,011
FP-317629	Main Replace-Walla Walla District	$150,276	$71,118
FP-317633	Main Replace-Wenatchee District	$28,736	$15,703
FP-317637	Main Replace-Yakima District	$84,038	$88,699
Total		**$2,147,163**	**$2,329,386**

4. 2026-2027 Service Replace

Q. Please describe the Service Replace Programmatic Project.

A. The Service Replace Programmatic Project includes replacement of individual service lines that are required due to jurisdictional conflicts and localized system conditions. As with the Main Replace Programmatic Project described above, most of Cascade's natural gas infrastructure is located within public rights-of-way, and Cascade's authority to occupy those spaces is governed by franchise agreements with the applicable jurisdictions. When jurisdiction-led projects conflict with Cascade's service facilities within the franchise area, those agreements require Cascade to relocate or replace its facilities at Cascade's expense. Service Replace installations are often initiated to comply with these requirements.

Other Service Replace projects are not associated with jurisdictional conflicts and arise from isolated conditions, such as leaks, corrosion, or inoperable service-related valves or equipment that are not part of the Company's formal distribution integrity management program. These projects are typically identified

through leak investigations, scheduled compliance surveys, or field observations and are managed by local district personnel.

Because Service Replace installations are generally condition-driven and reactive, they cannot be forecast on a project-specific basis. As a result, investment projections for Service Replace are primarily developed using historical spending patterns, which provide a reasonable estimate of expected activity levels.

Q. Why does the Company undertake installations under the Service Replace Programmatic Project?

A. The Company undertakes service replacements as a part of the Service Replace Programmatic Project to address service line replacements that are required due to jurisdictional conflicts and localized safety or compliance conditions. As discussed above and similar to installations under the Main Replace Programmatic Project, Cascade may need to relocate and replace existing service facilities to fulfill contractual obligations in the Company's franchise agreement with a local jurisdiction. Or, Cascade may need to replace service facilities when safety- or compliance-related issues are identified, such as leaks, corrosion, or inoperable service-related valves or equipment. These conditions typically require timely mitigation and cannot always be planned in advance. The Service Replace Programmatic Project provides a structured means to address these issues as they arise in order to maintain safe and reliable service.

Q. How do Cascade's customers benefit from the Service Replace project?

A. Cascade's customers will benefit from installations under the Service Replace Programmatic Project through the Company's ability to coordinate effectively with local jurisdictions and fulfill its franchise obligations, which helps minimize disruption

to communities. Timely replacement of Cascade's facilities that are located within public rights-or-way and thus affected by jurisdiction-led projects allows those projects to proceed without unnecessary delay.

Jurisdictional projects can be disruptive to customers and the public. By working cooperatively with jurisdictional partners and resolving conflicts in a timely manner, Cascade helps support efficient project completion and reduces the duration and extent of construction-related impacts experienced by customers.

In addition, Service Replace projects that address safety- or compliance-related conditions help maintain the safe and reliable operation of the distribution system, which directly benefits customers by preserving service integrity.

Q. Does the Company consider alternative ways to meet the need for installations under the Service Replace Programmatic Project?

A. Yes. The Company considers alternative ways to meet the need for service replacements, consistent with the circumstances driving each replacement.

For projects resulting from franchise conflicts, Cascade works with jurisdictional representatives to determine whether an alternative to replacing the affected service facilities is available. In many cases, alternative approaches can be identified; however, where no reasonable alternative exists, service replacement is required to comply with franchise obligations.

For Service Replace installations that are not associated with franchise conflicts, the Company evaluates all reasonable alternatives before proceeding with replacement. These projects are typically driven by safety- or compliance-related

conditions, and replacement is undertaken only when other mitigation options are insufficient to address the identified issue.

Q. Are there any offsetting O&M cost savings associated with this project?

A. Yes, potentially. In the case of franchise conflicts, timely fulfillment of the Company's franchise obligations and maintenance of constructive working relationships with local jurisdictions helps avoid potential monetary penalties or enforcement actions that could be imposed if Cascade did not meet those contractual requirements.

For Service Replace installations that are not associated with franchise conflicts, replacing service facilities affected by safety- or compliance-related conditions can eliminate the need for continued maintenance and repair activities associated with deteriorated or problematic infrastructure. In these cases, replacement can reduce ongoing O&M expense and mitigate future risk.

Q. When are installations under the Service Replace Programmatic Project expected to be placed in service?

A. These projects will be placed in service as they are completed, in 2026 and 2027.

Q. What are the costs for the Service Replace Programmatic Project?

A. The estimated costs for Provisional Years 2026 and 2027 are presented in Table 6 below, by individual funding project and in total for the Service Replace Programmatic Project.

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Table 6 – Service Replace Estimated Costs For 2026 and 2027

Funding Project	Description	2026 Plant Additions	2027 Plant Additions
FP-317643	Service Replace-Aberdeen District	$118,246	$141,724
FP-317647	Service Replace-Bellingham District	$131,797	$158,735
FP-317651	Service Replace-Bremerton District	$56,132	$72,085
FP-317753	Service Replace-Kennewick District	$52,234	$73,180
FP-317655	Service Replace-Longview District	$46,955	$60,735
FP-317659	Service Replace-Mount Vernon District	$221,190	$130,388
FP-317631	Service Replace-Walla Walla District	$161,910	$209,570
FP-317635	Service Replace-Wenatchee District	$17,308	$23,299
FP-317639	Service Replace-Yakima District	$80,509	$108,967
Total		**$886,280**	**$978,684**

5. 2026-2027 Gas Vehicles (FP-101215) and Work Equipment (FP-101163)

Q. Please describe the 2026-2027 Gas Vehicles and Gas Work Equipment Programmatic Project.

A. The 2026–2027 Gas Vehicles and Gas Work Equipment Programmatic Project consists of the annual replacement of existing fleet assets and targeted additions, as necessary, to support Cascade's operational needs. Planning for vehicle and work equipment replacements and additions is conducted in conjunction with preparation of the Company's annual capital budget and considers the age, condition, utilization, and operational requirements of the existing fleet.

As part of this process, the fleet department meets annually with operations leadership to evaluate current and anticipated workload, staffing, and service demands. This coordinated planning approach ensures that fleet investments are right-sized, justified, and aligned with operational needs, while supporting safe, reliable, and efficient service delivery.

Q. Why did the Company undertake the Gas Vehicles and Gas Work Equipment Programmatic Project for 2026-2027?

A. The Company undertook the Gas Vehicles and Gas Work Equipment Programmatic Project for 2026-2027 to ensure that employees across the organization have the vehicles and equipment necessary to safely, reliably, and efficiently perform their job functions. Vehicles and work equipment support not only Field Operations activities such as maintenance, emergency response, construction, and compliance work, but also customer-service-related activities, supervision, system oversight, and other operational support functions that require employees to be in the field and in the community.

The Company evaluates fleet needs annually to address both the replacement of aging or unreliable assets and targeted additions where staffing levels, workload, or service demands require incremental resources. Replacement decisions are made to reduce downtime, manage safety risk, and avoid higher maintenance costs associated with extended use of older vehicles and equipment.

In addition, the 2026-2027 budget includes select fleet additions primarily to support additional capital installation crews, where existing vehicle and equipment resources are insufficient to meet construction and capital execution requirements. These additions are evaluated as part of the same annual planning process to ensure they are justified, right-sized, and directly tied to operational need, rather than discretionary expansion.

Together, these replacement and addition investments support the Company's ability to provide safe, reliable, and efficient service to customers while ensuring

employees across the organization have the tools required to perform their duties effectively.

Q. How will Cascade's customers benefit from the Gas Vehicles and Gas Work Equipment Programmatic Project for 2026-2027?

A. Cascade's customers will benefit from the Gas Vehicles and Gas Work Equipment Programmatic Project for 2026-2027 because, by ensuring the Company has the necessary vehicles and equipment, Cascade is able to safely, reliably, and efficiently serve customers across its service territory. Vehicles and work equipment support employees throughout the organization who perform maintenance, emergency response, construction, compliance activities, and customer-service–related work that requires timely field presence.

A coordinated, annual approach to replacing aging fleet assets ensures Cascade has the vehicles and work equipment needed to support daily operations and customer service obligations.

Together, these fleet investments support reliable system operation, improved response capability, and consistent customer service while allowing the Company to manage fleet resources prudently and in alignment with operational demand.

Q. Did the Company consider alternative ways to meet the need for the Gas Vehicles and Gas Work Equipment project in 2026-2027?

A. Yes. The Company considered alternative ways to meet fleet needs as part of its annual planning process. Cascade's fleet management philosophy emphasizes the high utilization of Company vehicles and work equipment and prioritizes the use of existing assets wherever possible.

If a vehicle or piece of work equipment is needed in a specific department or operating area and an existing asset is available and underutilized elsewhere in the organization, the Company will first evaluate relocating or redeploying that asset before approving a replacement or addition. Only when existing resources cannot reasonably meet operational requirements does the Company proceed with purchasing replacement or additional vehicles or work equipment.

Q. Are there any offsetting O&M cost savings associated with this project?

A. Yes. Replacing vehicles and work equipment that have reached the end of their useful life helps mitigate higher O&M costs that are typically associated with aging assets. As vehicles and equipment age, maintenance costs increase and warranty coverage is often no longer available, resulting in more frequent and more costly repairs.

The Company's fleet replacement philosophy is intended to reduce exposure to recurring maintenance expenses associated with major component failures, such as engines, transmissions, transfer cases, and differentials, which become more common as vehicles exceed higher mileage thresholds. While the Company does not track avoided operation and maintenance costs on an individual asset basis, historical experience demonstrates that proactive replacement reduces maintenance risk and expense volatility over time.

In addition, the Company utilizes trade-in programs for vehicles and work equipment being replaced. Proceeds from these programs offset the overall plant addition capital investment, which in turn reduces future depreciation expense. Based on recent experience, the three-year average trade recapture is approximately 15

percent for vehicles and 85 percent for work equipment, such as backhoes and mini-excavators.

Q. When are replacement vehicles and work equipment expected to be placed in service?

A. These vehicle and work equipment replacements and additions are projected to take place as needed throughout 2026 and 2027.

Q. What are the estimated costs for the Gas Vehicles and Gas Work Equipment Programmatic Project in 2026-2027?

A. The estimated costs for Provisional Years 2026 and 2027 are in Table 7 below, by individual funding project and in total for the Gas Vehicles and Gas Work Equipment Programmatic Project.

Table 7 – Gas Vehicles and Gas Work Equipment for 2026 and 2027

Funding Project	Description	2026 Closed to Plant	2027 Closed to Plant
FP-101215	Gas Vehicles	$2,433,062	$1,856,201
FP-101163	Gas Work Equipment	$368,987	$268,169
Total		**$2,802,049**	**$2,124,371**

V. MINOR PROJECT PROVISIONAL PLANT ADDITIONS – 2026-2027

Q. Is Cascade also seeking recovery of additions to plant in service for Minor Projects expected to cost less than $1 million?

A. Yes. Exhibit EPM-3 provides summaries for projects of less than $1 million, but not included in a programmatic project, that are planned to be placed in service in the provisional period of this case. Table 8 below summarizes the portion of the Company's request for both Specific and Programmatic projects discussed in Exhibit EPM-3.

Table 8 – Provisional Additions to Plant in Service 2026-2027 – Minor Projects

Description	WA 2026 Cascade Plant Additions	WA 2027 Cascade Plant Additions
Total Specific Projects	$4,073,266	$695,201
Total Programmatic Projects	$733,137	$620,612
Total Provisional Additions to Plant In-Service – Minor Projects	**$4,806,402**	**$1,315,813**

VI. CONCLUSION

Q. Does this conclude your Direct Testimony?

A. Yes.