

**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 ZACHARY L. HARRIS**

May 29, 2026

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LIST OF EXHIBITS

<u>Exhibit</u>	<u>Description</u>
Exh. ZLH-2	Residential Basic Service Charge Schedules for Peer Utilities
Exh. ZLH-3	Authorized Margin Revenue Per Customer Calculation – 2027
Exh. ZLH-4	Authorized Margin Revenue Per Customer Calculation – 2028
Exh. ZLH-5	Lost and Unaccounted for Natural Gas Percentage Calculation

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Zachary L. Harris and my business address is 8113 West Grandridge
4 Boulevard, Kennewick, Washington 99336.

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

6 A. I am employed by Cascade Natural Gas Corporation (“Cascade” or “Company”), a
7 wholly-owned subsidiary of MDU Resources Group, Inc. (“MDU Resources”), as
8 Manager of Regulatory Affairs. In this capacity, I am primarily responsible for rate
9 design concepts, cost of service studies (“COSS”), and the Company’s decoupling
10 mechanism.

11 Q. Please briefly describe your educational background and professional experience.

12 A. In December of 2008, I received a Bachelor of Science degree in Accounting from
13 Brigham Young University-Hawaii. In December of 2011, I received a Master of
14 Science degree in Accounting from Boise State University.

15 I have been employed in the utilities industry since 2011, primarily in
16 Regulatory Affairs. I have experience in the electric utility industry, the freight
17 handling and transportation utility industry, and the natural gas utility industry. I have
18 attended the utility ratemaking course offered through New Mexico State University’s
19 Center for Public Utilities, as well as other utility specific courses. In November 2021,
20 I became employed by Intermountain Gas Company (“Intermountain”), an affiliated
21 entity that is also a subsidiary of MDU Resources, as a Regulatory Analyst. In 2023, I
22 was promoted to Manager Regulatory Affairs with responsibility for both Cascade and
23 Intermountain. I have previously sponsored testimony and exhibits before the
24 Washington Utilities and Transportation Commission and the Public Utility

1 Commission of Oregon on behalf of Cascade and the Idaho Public Utilities
2 Commission on behalf of Intermountain.

3 **II. SCOPE AND SUMMARY OF TESTIMONY**

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

5 A. My Direct Testimony will: (i) provide general information regarding Cascade’s rate
6 design; (ii) provide an update to the authorized margin revenue per customer as part of
7 the Company’s decoupling mechanism included in Tariff Rule 21, Decoupling
8 Mechanism (“Rule 21”); and (iii) address other proposed changes to the Company’s
9 tariff regarding Renewable Natural Gas (“RNG”) cost recovery and update the lost and
10 unaccounted for percentage used in the Company’s Schedule 663, Distribution System
11 Transportation Service (“Schedule 663”).

12 **Q. Are you sponsoring any exhibits in this proceeding?**

13 A. Yes, I sponsor the following exhibits:

- 14 • Exh. ZLH-2 Residential Basic Service Charge Schedules for Peer Utilities
- 15 • Exh. ZLH-3 Authorized Margin Revenue Per Customer Calculation – 2027
- 16 • Exh. ZLH-4 Authorized Margin Revenue Per Customer Calculation – 2028
- 17 • Exh. ZLH-5 Lost and Unaccounted For Natural Gas Percentage Calculation

18 **III. PROPOSED RATE DESIGN**

19 **Q. What rate design considerations were part of this multiyear rate plan (“MYRP”)?**

20 A. The Company engaged Atrium Economics, LLC (“Atrium”) to perform a COSS and
21 develop resulting rate design options. The intent of the Company in deciding on a final
22 rate design was to take a meaningful step towards cost-of-service-based rates as part of
23 this MYRP, including aligning the Basic Service Charge more closely with the COSS.

1 This is discussed more fully in the Direct Testimony of Ronald J. Amen (Exhibit
2 RJA-1T).

3 **Q. How does the Company propose to change the Basic Service Charge?**

4 A. In the Company’s most recent general rate case, Docket UG-240008, Cascade reached
5 a settlement wherein the Basic Service Charge was increased from \$5.00 per month to
6 \$5.50 per month in 2025, and \$6.00 per month in 2026.¹ While the increase in the Basic
7 Service Charge was a helpful step towards cost-based rates, the COSS revealed that the
8 Company’s Basic Service Charge is still misaligned. The updated COSS conducted by
9 Atrium provided a sound basis to review the fixed components of rates. The Company
10 believes a reasonable increase in its Basic Service Charge is an amount that brings the
11 charge closer to a cost-based allocation.

12 **Q. Did the settlement in Docket UG-240008 yield a Basic Service Charge that**
13 **reflected market assessments of cost of service?**

14 A. The COSS assessment of the Company’s peer natural gas investor-owned utilities
15 showed the Company still has the lowest Basic Service Charge for residential
16 customers when compared to its peers, as shown in Table 1 below.

17 **Table 1 – Comparison of Basic Service Charges – Residential²**

Customer Class	Cascade	Avista	Puget Sound Energy	NW Natural
Residential	\$6.00	\$10.50	\$14.00	\$8.00

18 The updated COSS conducted by Atrium provides a sound basis to review the
19 fixed components of rates. Peer utilities charge between \$8.00 and \$14.00; Puget Sound

¹ *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas Corp.*, Docket UG-240008, Order 05 Rejecting Tariff Sheets; Approving and Adopting Settlement with Conditions; Authorizing and Requiring Compliance Filing ¶ 57 (Feb. 24, 2025).

² Harris, Exh. ZLH-2.

1 Energy currently charges a basic service fee that is more than double what the Company
2 currently charges.³ The Company believes the requested increase in its Basic Service
3 Charge is a reasonable amount that brings the charge closer to a cost-based allocation.

4 **Q. Please summarize the proposed changes in Cascade’s tariff schedules.**

5 A. Cascade is proposing to update the rates in each tariff schedule based on the Company’s
6 proposed increase in its revenue requirement and COSS. Cascade is proposing to move
7 closer to a cost-of-service-based rate design, as discussed in the Direct Testimony of
8 Ronald J. Amen (Exhibit RJA-1T).

9 **IV. DECOUPLING MECHANISM MARGIN PER CUSTOMER**

10 **Q. Is the Company proposing to update the authorized margin revenue per**
11 **customer?**

12 A. Yes. Consistent with the methodology set forth in the joint settlement agreement
13 approved by Order 04 in Docket UG-152286,⁴ Cascade proposes to update its
14 authorized margin revenue per customer per month to reflect the proposed changes in
15 its revenue requirement.

16 **Q. How is the authorized margin revenue per customer calculated?**

17 A. The monthly authorized margin revenue per customer is calculated in a manner that
18 reflects the seasonal natural gas loads, or usage shaping, each month throughout the
19 year. This is a multi-step process. First, the annual proposed margin revenue per
20 customer class is divided by the annual test year therms per customer class. This results
21 in an annual margin per therm rate for each customer class. Second, the annual margin

³ Harris, Exh. ZLH-2.

⁴ *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas Corp.*, Docket UG-152286, Order 04 Final Order Approving Settlement ¶ 8 (July 7, 2016); *see also id.*, Exhibit A – Joint Settlement Agreement ¶ 7 & Appendix A (May 13, 2016).

1 per term rate is multiplied by the respective monthly terms for each customer class
2 to determine the monthly margin revenue amount. Finally, the monthly margin revenue
3 amount is divided by the customer count. The final result is the authorized margin
4 revenue per customer as shown in Exhibit ZLH-3 and Exhibit ZLH-4 for 2027 and
5 2028, respectively. The Company calculated both years to account for the MYRP.

6 **Q. How does the MYRP affect the authorized margin revenue per customer?**

7 A. The MYRP includes the 2025 test year and two provisional years, 2026 and 2027. The
8 Company has proposed the first requested revenue increase become effective May 1,
9 2027, which would include the 2025 test year and the first provisional year. The second
10 requested increase would become effective May 1, 2028. The two separate rate
11 effective periods include increases in the Company's margin, which directly impacts
12 the authorized margin revenue per customer amount. Due to the MYRP, the Company
13 is proposing to update its authorized margin revenue per customer to align with the
14 proposed revenue increase effective May 1, 2027, and proposing a second update to the
15 authorized margin revenue per customer to align with the second rate effective date of
16 May 1, 2028. The proposed authorized margin revenue per customer for each year, as
17 well as the calculations based on the methodology described above, are shown in
18 Exhibit ZLH-3 and Exhibit ZLH-4. The authorized margin revenue per customer
19 amounts are included in the Company's proposed Rule 21.⁵

⁵ Gross, Exh. JGG-2.

1 **V. PROPOSED TARIFF REVISIONS FOR CLIMATE**
2 **COMMITMENT ACT CLASSIFICATION**

3 **Q. Please explain the Company’s proposed tariff revisions specific to RNG cost**
4 **recovery.**

5 A. Cascade proposes creating new customer class service schedules to clearly distinguish
6 customers subject to the Climate Commitment Act (“CCA”) from customers exempt
7 from the CCA.

8 **Q. Why is the Company proposing to separately identify customers with new**
9 **customer class service schedules?**

10 A. In this MYRP proceeding, the Company is requesting to recover RNG costs in base
11 rates. However, RNG is considered part of the Company’s carbon compliance strategy
12 and RNG costs are currently recovered as a component of the CCA cost recovery
13 mechanism. To ensure customers that are subject to the CCA are properly assessed
14 RNG costs, and that this can be done more appropriately within base rates, the
15 Company proposes new customer class service schedules for customers that are exempt
16 from the CCA.

17 **Q. Which customers are exempt from paying CCA costs?**

18 A. Exempt customers include both Emissions-Intensive and Trade-Exposed (“EITE”)
19 industries, which are facilities engaged in processes specific to particular industries
20 defined in Section 70A.65.110 of the Revised Code of Washington (“RCW”), a
21 carveout within the CCA, and customers classified as national security under the North
22 American Industrial Classification System (“NAICS”) per RCW 70A.65.80(7)(f).

1 **Q. Why is the Company recovering RNG costs in the CCA cost recovery mechanism?**

2 A. As a part of the settlement in the Company's most recent general rate case, Docket
3 UG-240008, RNG cost recovery was removed from the revenue requirement to ensure
4 that customers exempt from the CCA would not be allocated RNG costs. In the
5 Company's subsequent CCA cost recovery filing in Docket UG-250214, Cascade
6 began recovering RNG costs as a component of the CCA compliance costs.

7 **Q. How does the Company propose to recover RNG costs in this rate case?**

8 A. The Company proposes to continue recovery of RNG costs, but re-allocate the costs to
9 a different type of customer charge. As a part of the proposed revenue requirement, the
10 Company proposes to include RNG costs in base rates rather than building those costs
11 into the separate CCA recovery mechanism. The Direct Testimony of Jacob A.
12 Darrington (Exhibit JAD-1T) discusses that adjustment.

13 **Q. How does this proposal impact the Company's tariff?**

14 A. The Company proposes new customer class service schedules establishing the rates for
15 CCA exempt customers. For example, Schedule 504 General Commercial Service Rate
16 ("Schedule 504") will remain the service option for commercial customers subject to
17 the CCA, and proposed Schedule 404 will be the new service option for commercial
18 customers exempt from the CCA. For rate design and cost allocation purposes,
19 Schedule 504 will be allocated all costs, including RNG. Schedule 404 will be allocated
20 most costs, but exclude RNG. Each customer service schedule will transparently
21 differentiate customers to whom CCA costs apply from those that are exempt from the
22 CCA.

1 **Q. Why does Cascade believe these customer class schedule revisions are fair,**
2 **prudent, and necessary?**

3 A. Separating CCA-exempt customers from those that are subject to the CCA will add
4 clarity to the tariff. These schedule changes appropriately assign the RNG costs to
5 customers to facilitate cost recovery within the tariff, rather than necessitating a
6 separate recovery mechanism.

7 **Q. Is the Company proposing other changes to its tariff?**

8 A. Yes, Cascade proposes to update to its fuel use factor based on the “lost and
9 unaccounted for” gas on the distribution system.

10 **Q. How does the Company determine the lost and unaccounted for natural gas**
11 **percentage?**

12 A. Cascade utilizes a 60-month period to compare the natural gas it received on its system
13 with the gas it sold to customers. The cumulative difference between the received
14 natural gas and sold natural gas is the lost, or found, natural gas. The lost and
15 unaccounted for percentage reflects the cumulative lost or found natural gas of the
16 cumulative sold natural gas. A 60-month period is used to normalize the monthly
17 variances that could occur between the billing (sales) of natural gas and the receiving
18 of natural gas. Exhibit ZLH-5 shows the calculation for the lost and unaccounted for
19 percentage. The lost and unaccounted for percentage is the fuel use factor applied to
20 customers’ bills receiving service under Schedule 663.

21 **Q. What is the proposed update to the fuel use factor in Rate Schedule 663?**

22 A. The Company proposes updating the lost and unaccounted for percentage in
23 Schedule 663 from 0.3237 percent to 0.4927 percent. The increase reflects the fact that

1 the Company received more natural gas than it sold over the 60-month period compared
2 to the current percentage.

3 **VI. CONCLUSION**

4 **Q. Does this conclude your Direct Testimony?**

5 **A.** Yes, it does.