

Agenda Date: March 28, 2024
Item Number: A2

Docket: UG-230755
Company: Cascade Natural Gas Corporation

Staff: Joanna Huang, Regulatory Analyst – Energy Rates and Services

Recommendation

Staff recommends that the Commission reject the proposed accounting petition.

Background

On September 15, 2023, Cascade Natural Gas Corporation (Cascade or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition (Petition) in Docket UG-230755 seeking an accounting order under WAC 480-07-370 authorizing Cascade to utilize deferred accounting treatment of expenses related to the Company's Multi Year Rate Plan (MYRP).

The Company proposes to defer legal and consulting costs related to its initial MYRP, which is to be filed in 2024. The Company justifies this request by asserting that the MYRP is an extraordinary undertaking, and it anticipates incurring significant new costs that are not currently being recovered in rates. Hence, Cascade is seeking approval to record and defer, for the Commission's review within the MYRP process, the costs incurred in connection with developing and litigating its first MYRP.

Discussion

As of January 1, 2022, RCW 80.28.425 mandates that every general rate case filed by a gas or electrical company includes a proposal for a MYRP. The statute imposes requirements for filing MYRP's with performance measures,¹ provisions for rates subject to refund,² established terms, conditions, and procedures during a multiyear rate plan,³ and consideration of several new factors as part of the public interest standard.⁴ These new factors include among others, environmental health and greenhouse gas emissions reductions, health and safety concerns, economic development, and equity.⁵

¹ RCW 80.28.425(7).

² RCW 80.28.425(3)(b).

³ RCW 80.28.425(4).

⁴ RCW 80.28.425(1).

⁵ *Id.*

As mentioned, the Company plans to file its first MYRP in the first quarter of 2024, anticipating significant and extraordinary costs associated with its preparation and litigation. Cascade has engaged legal counsel to represent the Company in its MYRP proceedings to identify and help implement proposals consistent with and pursuant to RCW 80.28.425.

The legal and consulting costs in Cascade's first MYRP include a load study, a decoupling study, a return on equity study, a cost-of-service study, consulting related to the establishment of an equity advisory committee, as well as consulting related to the implementation of the Climate Commitment Act (CCA) within the multiyear period. Preliminary estimates of such costs could be up to \$2.9 million for the first year of the Company's rate plan. An accounting petition is a regulatory accounting treatment, typically reserved for costs (or revenues) meeting the following extraordinary circumstances: (1) Beyond the utility's control and (2) generating costs with a material impact on the company's financial results.

Cascade asserts that the legal and consulting costs for the load study, decoupling study, return on equity study, and cost-of-service study are part of the extraordinary circumstances that warrant deferral and amortization treatment. However, these studies are deemed routine components of a rate case and should be addressed therein. Cascade also referred to consulting expenses related to the implementation of the CCA as part of the costs incurred in connection with developing and litigating its first MYRP. Cascade's costs (non-consulting expenses) related to the CCA are deferred in Docket UG-220759, which was approved by the Commission at its regularly scheduled open meeting on February 23, 2023.⁶

Moreover, five regulated utility companies in Washington incurred similar legal and consulting costs related to load study, decoupling study, return on equity study, cost-of-service study, and consulting related to the establishment of an equity advisory committee, as well as consulting related to the implementation of the CCA within the multiyear period. However, no other company besides Cascade filed an accounting petition to defer legal and consulting costs associated with its MYRP. Avista and Puget Sound Energy filed a general rate case with a MYRP in January and February 2024.

Commission staff (Staff) met with the Company on February 21, 2024, expressing concerns and opposition to the proposed accounting petition. Staff's primary concern is that Cascade's proposed petition lacks necessity. Costs incurred in connection with developing and litigating of its first MYRP fail to meet the Commission's standard for extraordinary circumstances warranting deferral and amortization.

⁶ In Order 01, the Commission approved the Company's amended accounting petition, subject to conditions at its regularly scheduled open meeting on February 23, 2023. *In the Matter of the Petition of Cascade Natural Gas Corporation for an Order Authorizing Treatment of Expenses Relating to the Implementation of the Climate Commitment Act*, Docket UG-220759, Order 01 ¶ 26 (Feb. 28, 2023).

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Conclusion

Because no agreement has been reached, Staff recommends that the Commission reject the Company's accounting petition as presented in Docket UG-230755.