

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-240008

ORDER 05

REJECTING TARIFF SHEETS;
APPROVING AND ADOPTING
SETTLEMENT WITH
CONDITIONS; AUTHORIZING
AND REQUIRING COMPLIANCE
FILING

Synopsis: *The Washington Utilities and Transportation Commission (Commission) approves and adopts, subject to conditions, a Full Multiparty Settlement Stipulation (Settlement) that resolves all contested issues in the multiyear rate plan (MYRP) filed by Cascade Natural Gas Corporation (Cascade or Company), as agreed to by all parties except the Public Counsel Unit of the Washington Attorney General's Office (Public Counsel), which does not oppose the Settlement.*

The Commission finds that the Settlement is lawful, supported by an appropriate record, consistent with the public interest, subject to the conditions outlined in paragraphs 75, 76, and 77 of this order, and results in rates and outcomes that are fair, just, reasonable, equitable, and sufficient.

By approving the Settlement, the Commission authorizes a two-year multiyear rate plan for Cascade beginning March 1, 2025, for Rate Year 1 (RY1), and March 1, 2026, for Rate Year 2 (RY2). The Commission approves the Settling Parties' agreement to a reduction from Cascade's initial filing of: (1) \$43.8 million to \$29.8 million (11.59% to 7.88%) in RY1; and from (2) \$11.7 million to \$10.8 million (2.75% to 2.64%) in RY2. The Settlement provides for an overall rate of return (ROR) of 7.185 percent, a return on equity (ROE) of 9.5 percent, and a substantially revised capital structure that reduces the overall revenue requirement by \$6.6 million in RY1 and \$637,000 in RY2.

The Settling Parties also agreed to spread this rate increase evenly across all customers and to allow the Company to increase its residential base service charge. As a result of the Settlement, a typical residential customer using 53 therms per month will pay \$6.04

more per month in RY1 and \$2.06 more per month in RY2. Likewise, the average commercial customer using 277 therms will pay a monthly increase of \$23.55 in RY1 and \$8.18 in RY2.

Among other noteworthy terms of the Settlement, the Commission authorizes Cascade to: (1) conduct a portfolio review of projects less than \$3 million dollars and a project-by-project review for projects expected to cost at or above \$3 million dollars; and (2) file an annual provisional plant report by April 30 of each year and allow all parties six months to review the prudence of projects contained in the report. Consistent with our recent order in the Avista Utilities general rate case, the Commission conditions our approval of these Settlement provisions by requiring the Company to submit its provisional plant review in a certain format, including specific information, and providing that the Commission will conduct our prudence determination through the Open Meeting Process approximately six months after the April 30th deadline.

In addition to the revised rate design for all of Cascade's customer classes, the Settling Parties agreed to: (3) eliminate the Company's pipeline cost recovery mechanism and include these costs in base rates; (4) establish a new tariff schedule to recover the deferred balance of bad debt expense accrued during the COVID-19 pandemic; and (5) remove certain rate case expenses from the revenue requirement.

The Commission concurs with the Settlement provisions requiring Cascade to track and report on existing performance metrics in Docket U-210590, as well as the two new metrics related to Affordability and Equity within this multi-year rate plan.

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I. BACKGROUND

- 1 **Procedural History.** On March 29, 2024, Cascade Natural Gas Corporation (Cascade or Company) filed with the Commission revisions to its tariff for natural gas service, Tariff WN U-3, together with testimony and exhibits in Docket UG-240008.¹ In Cascade's initial general rate case filing (Initial GRC filing) the Company proposed a two-year multiyear rate plan (MYRP) pursuant to Revised Code of Washington (RCW) 80.28.425, and based its request on a recent 12-month historical test period that ended on December 1, 2023. Cascade's Initial GRC filing provided an effective date of May 1, 2024, with the MYRP starting March 1, 2025, with proposed increases for Rate Year 1 (RY1) of \$43.8 million, or 11.59 percent, and \$11.7 million, or 2.75 percent, on March 1, 2026, for Rate Year 2 (RY2).² Cascade also included restating and pro forma adjustments for RY1 and RY2, which the Company indicates line up with calendar years.³
- 2 By April 17, 2024, the Alliance of Western Energy Consumers (AWEC), and The Energy Project (TEP) each filed with the Commission a petition for intervention, a request for case certification, and a notice of intent to request a grant fund.
- 3 On April 18, 2024, the Commission entered Order 02, Complaint and Order Suspending Tariff Revisions and set the matter for adjudication.
- 4 On May 16, 2024, the Commission convened a virtual prehearing conference before Administrative Law Judge Connor Thompson.
- 5 On June 07, 2024, the Commission entered Order 03, Prehearing Conference Order and Notice of Hybrid Hearing adopting the parties' agreed procedural schedule and setting the evidentiary hearing for January 7-8, 2025.⁴ Order 03 also granted AWEC and TEP's

¹ *Washington Utilities and Transportation Commission (W.U.T.C.) v. Cascade Natural Gas Corporation*, Docket UG-240008, filed revisions to Tariff WN U-3 (Natural Gas) (March 29, 2024).

² *W.U.T.C. v. Cascade Natural Gas Corporation*, Docket UG-240008, Exh. NAK-1T at 7: 5-13 (March 29, 2024).

³ Kivisto, Exh. NAK-1T at 7:5-13.

⁴ *W.U.T.C. v. Cascade Natural Gas Corporation*, Docket UG-240008, Order 03, and procedural schedule attached as Appendix B (June 7, 2024).

petitions for intervention and case certification status and directed each to file their proposed budgets for participatory funding within thirty days.⁵

6 By June 14, 2024, AWEC and TEP both timely filed their proposed budgets and requests for fund grants with the Commission.

7 On June 24, 2024, an Errata Correcting Procedural Schedule was issued to correct the last four dates listed in Appendix B to 2025 and to revise the suspension date to March 3, 2025.⁶

8 On July 17, 2024, the Commission entered a Notice of Substitution of Presiding Officer and reassigned this matter to Administrative Law Judges Amy Bonfrisco and Eliza Manoff.⁷

9 On August 8, 2024, the parties in this proceeding convened a formal settlement conference in accordance with the procedural schedule.

10 On September 25, 2024, the non-Company parties filed response testimony pursuant to the procedural schedule in this docket.

11 On October 2, 2024, the parties convened a second settlement conference but did not reach a full settlement at that time. Instead, the parties continued to participate in several settlement-related calls and correspondence and then convened formally again on October 18, 2024.

12 On October 30, 2024, counsel for Cascade contacted the Presiding Officer by email and on November 5, 2024, filed a formal letter in the docket informing the Commission that all parties except Public Counsel reached a settlement in principle on all issues in the general rate case.

⁵ Pursuant to RCW 80.28.430, utilities must enter into funding agreements with organizations that represent broad customer interests. The Commission is directed to determine the amount of financial assistance, if any, that may be provided to any organization; the way the financial assistance is distributed; the way the financial assistance is recovered in a utility's rates; and other matters necessary to administer the agreement. See *In re Examination of Participatory Funding Provisions for Regulatory Proceedings*, Docket U-210595, Policy Statement, ¶ 3 (Nov. 19, 2021).

⁶ *W.U.T.C. v. Cascade Natural Gas Corporation*, Docket UG-240008, Errata Correcting Procedural Schedule (June 24, 2024).

⁷ Administrative Law Judge Eliza Manoff was removed from this docket following her departure from the Commission in September 2024.

- 13 On November 15, 2024, the Commission entered Order 04, Approving Proposed Budgets and Fund Grants for AWEC and TEP.⁸
- 14 On November 8, 2024, the Commission issued a Notice Suspending Procedural Schedule and Notice Requiring Filing of Settlement Documents and Testimony by December 11, 2024, pending its review of the Settlement and supporting testimony. The Commission also preserved the January 2, 2025, public comment hearing date and the January 7-8, 2025, evidentiary hearing dates for a possible settlement hearing.
- 15 On December 11, 2024, Cascade filed the Full Multiparty Settlement Stipulation, together with Attachments A and B, and supporting testimony. On this same date Commission staff (Staff),⁹ AWEC, and TEP (Settling Parties) filed settlement testimony in support thereof.
- 16 On December 20, 2024, Public Counsel filed a response letter, indicating that although it did not have authority to sign on to the Settlement, it did not oppose the Settlement.
- 17 On January 2, 2025, the Commission issued a Notice Cancelling Hearing and suspended the deadline of January 29, 2025, for submissions of post hearing briefs given the full settlement in principle the parties reached. On this same date, the Commission held a virtual public comment hearing.
- 18 Over the course of the proceeding, including the January 2, 2025, public comment hearing, the Commission and Public Counsel received a total of twelve comments from Washington customers who opposed the proposed rate increases.¹⁰ Most of those customers expressed concerns about the frequency of Cascade's rate requests, the unaffordability of the rate increases, rising inflation, and disproportionate impact on residential customers.¹¹

⁸ *W.U.T.C. v. Cascade Natural Gas Corporation*, Docket UG-240008, Order 04, Approving Proposed Budgets and Fund Grants (November 15, 2024).

⁹ In formal proceedings such as this, the Commission's regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners' policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See* RCW 34.05.455.

¹⁰ *W.U.T.C. v. Cascade Natural Gas Corporation*, Docket UG-240008, Offer of Public Comment Exh. BR-6 and UTC Matrix Attachment (January 21, 2025). *See also* Public Comment Hearing, Volume II (January 2, 2025).

¹¹ *Id.*

- 19 On January 6, 2025, the Commission issued a Notice of Bench Requests and Additional Briefing, and all parties timely filed responses and briefing by January 13, 2025, as requested.
- 20 **Party Representatives.** Donna Barnett, Sheree Strom Carson, and Megan Lin of Perkins Coie LLP represent Cascade. Josephine Strauss, Liam Weiland, and Jeff Roberson, Assistant Attorneys General, represent Staff. Tad Robinson O’Neil and Robert Sykes, Assistant Attorneys General, represent Public Counsel. Chad M. Stokes and Tommy A. Brooks of Cable Huston LLP represent AWEC. Yochanan Zakai of Shute, Mihaly & Weinberger LLP represents TEP.

II. APPLICABLE LAW

A. Standard of Review

- 21 The Legislature has entrusted the Commission with broad discretion to determine rates for regulated industries. Pursuant to RCW 80.28.020, whenever the Commission finds that the rates charged by a utility are “unjust, unreasonable, unjustly discriminatory or unduly preferential, or in any wise in violation of the provisions of the law, or that such rates or charges are insufficient to yield a reasonable compensation for the service rendered, the commission shall determine the just, reasonable, or sufficient rates, charges, regulations, practices or contracts to be thereafter observed and in force, and shall fix the same by order.”¹²
- 22 As a general matter, the burden of proving that a proposed increase is just and reasonable is upon the public service company.¹³ The burden of proving that the presently effective rates are unreasonable rests upon any party challenging those rates.¹⁴
- 23 More recently, in 2019, the Legislature expanded the traditional definition of the public interest standard. As Washington state transitions to a clean energy economy, the public interest includes: “The equitable distribution of energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks;

¹² See also RCW 80.01.040(3) (providing that the Commission shall “[r]egulate in the public interest”).

¹³ RCW 80.04.130(1).

¹⁴ *WUTC v. Pacific Power and Light Company*, Cause No. U-76-18 (December 29, 1976) (internal citations omitted).

and energy security and resiliency.”¹⁵ In achieving these policies, “there should not be an increase in environmental health impacts to highly impacted communities.”¹⁶

24 In 2021, the Legislature again expanded upon the public interest standard in the context of reviewing multiyear rate plans. RCW 80.28.425 provides that “[t]he commission’s consideration of a proposal for a multiyear rate plan is subject to the same standards applicable to other rate filings made under this title, including the public interest and fair, just, reasonable, and sufficient rates.” The statute continues,

In determining the public interest, the commission may consider such factors including, but not limited to, environmental health and greenhouse gas emissions reductions, health and safety concerns, economic development, and equity, to the extent such factors affect the rates, services, and practices of a gas or electrical company regulated by the commission.¹⁷

25 Following the January 1, 2022, effective date of RCW 80.28.425, the Commission indicated its commitment to considering equity while regulating in the public interest: “So that the Commission’s decisions do not continue to contribute to ongoing systemic harms, we must apply an equity lens in all public interest considerations going forward.”¹⁸ The Commission also indicated that regulated companies should be prepared to address equity considerations in future cases: “Recognizing that no action is equity-neutral, regulated companies should inquire whether each proposed modification to their rates, practices, or operations corrects or perpetuates inequities.”¹⁹

26 In this Order, we consider whether the Settlement complies with RCW 80.28.425 and other applicable laws. We also consider whether the Settlement places Cascade on a reasonable, appropriate path to considering equity issues and other factors that the legislature has emphasized in its vision of Washington’s clean energy transformation.

¹⁵ RCW 19.405.010(6).

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-210755, Final Order 09, at 19 ¶ 58 (August 23, 2022). State law defines “equity lens” as providing consideration to those characteristics for which groups of people have been historically, and are currently, marginalized to evaluate the equitable impacts of an agency’s policy. *See* RCW 43.06D.010(4) and RCW 49.60.030.

¹⁹ *Id.*

B. The Commission's Process for Considering Settlements

- 27 Pursuant to Washington Administrative Code (WAC) 480-07-750(2), the Commission will approve a settlement “if it is lawful, supported by an appropriate record, and consistent with the public interest in light of all the information available to the commission.”
- 28 The Commission has emphasized that its purpose is “to determine whether the Settlement terms are lawful and in the public interest.”²⁰ While the Commission “do[es] not consider the Settlement’s terms and conditions to be a ‘baseline’ subject to further litigation,”²¹ it may modify or reject a settlement that is not in the public interest.²²
- 29 The Commission may therefore take one of the following actions after reviewing a settlement: (1) approve the proposed settlement without condition, (2) approve the proposed settlement subject to condition(s), or (3) reject the proposed settlement.²³
- 30 If the Commission approves a proposed settlement without condition, the settlement is adopted as the Commission’s resolution of the proceeding.²⁴ If the Commission approves a proposed settlement subject to any conditions, the Commission will provide the settling parties an opportunity to accept or reject the conditions.²⁵ When the settling parties accept the Commission’s conditions, the Commission’s order approving the settlement becomes final by operation of law.²⁶ However, when one or more of the settling parties rejects the Commission’s conditions, the Commission deems the settlement rejected and the procedural schedule reverts to the point in time where the Commission suspended the procedural schedule to consider the settlement.²⁷

²⁰ *WUTC v. Avista Corp.*, Dockets UE-080416 and UG-080417 (*consolidated*), Order 08, ¶ 20 (December 29, 2008).

²¹ *Id.*

²² *Id.*

²³ WAC 480-07-750(2).

²⁴ *See* WAC 480-07-750(2)(a).

²⁵ WAC 480-07-750(2)(b). *WUTC v. Avista Corp.*, Dockets UE-080416 and UG-080417 (*consolidated*), Order 08, ¶¶ 19-20 (December 29, 2008).

²⁶ WAC 480-07-750(2)(b)(i).

²⁷ WAC 480-07-750(2)(b)(ii). *See also* WAC 480-07-750(c).

III. DISCUSSION

C. Overview of Full Multiparty Settlement

- 31 On December 11, 2024, the Settling Parties filed a Settlement that proposes to resolve all issues in this proceeding by attempting “to balance the competing goals of providing safe, reliable, affordable service to customers,” while also “reducing carbon emissions.”²⁸ The filing also reflects “Cascade’s shifting perspective from traditional cost-of-service ratemaking towards ratemaking that applies an equity lens and incorporates the principles of energy justice,” into its assistance programs, performance measures, and other “aspects of its work, consistent with the Commission’s guidance in Final Order 09, Docket UG-210755.”²⁹
- 32 Specifically, the Settlement: (1) establishes Cascade’s “revenue requirement increase for both rate years in the MYRP;” (2) “includes an overall rate of return for the Company;” (3) “outlines rate spread and compromises on residential basic service charge increases;” and (4) “resolves issues related plant additions,” using a portfolio/provisional plant review approach.³⁰ The Settlement also includes provisions related to equity, low income assistance, a language access plan, disconnection policies, performance metrics, line extension allowances, and support for the Company’s “proposal to eliminate the cost recovery mechanism (CRM) and include recovery of these costs in base rates.”³¹
- 33 Cascade asserts that the primary cost drivers necessitating the Company’s rate request include the need for: (1) significant capital investments to meet the requirements of the Climate Commitment Act (CCA) and statewide policies on decarbonization; (2) a fair and reasonable return on equity and capital structure to support the financial integrity of the Company in accessing capital markets; and (3) updated costs reflecting changes in operating expenses, such as wages, benefits, insurance, and property tax expenses that have occurred since the last general rate case.³²

²⁸ *W.U.T.C v. Cascade Natural Gas Corp.*, Docket UG-240008, Testimony of Lori A. Blattner in Support of Full Multiparty Settlement Stipulation, Exh. LAB-4T at 3:13-15 (December 11, 2024).

²⁹ Blattner, Exh. LAB-4T at 3:15-20 and 4:1-2. *See also* Docket UG-210755, Final Order 09 at 18-19 ¶¶ 56- 58.

³⁰ Blattner, Exh. LAB-4T at 6:14-20.

³¹ Blattner, Exh. LAB-4T at 6:20-22 and 7:1-4.

³² Blattner, Exh. LAB-4T at 5:3-10.

D. Reductions in Revenue Requirement

- 34 Like Cascade’s initial filing, the Settlement proposes a two-year MYRP starting March 1, 2025, for RY1 and March 1, 2026, for RY2. The Settlement provides for a significant revenue requirement reduction from Cascade’s initial filing of “\$43.8 million to \$29.799 million” in RY1 and from “\$11.7 million to \$10.814 million” in RY2.³³ The Settlement revenue requirement “represents a \$14,031,000 (or 32 percent) reduction in [RY1] and \$855,242 (or 7.3 percent) reduction in [RY2], as compared to the Company’s initial request.”³⁴
- 35 There are five overarching compromises the Settling parties reached to reduce the overall revenue requirement from Cascade’s Initial Filing to the Settlement.
- 36 First, Cascade initially proposed a “10.5 percent return on common equity [ROE] and a capital structure that included 50.285 percent equity [with]...an overall rate of return of 7.894 percent.”³⁵ However, after ongoing negotiations, the Settling Parties agreed to a “9.5 percent [ROE] and a capital structure for both rate years,” to include “49.5 percent equity,”³⁶ effectively reducing the overall rate of return from 7.894 percent to 7.185 percent for RY1 and RY2 as shown in Table 1 below. Additionally, Cascade agreed to remove short-term debt from the capital structure as requested by the Settling parties, which reduced the revenue requirement by \$6.609 million in RY1 and \$637,000 in RY2.³⁷ Cascade maintains this compromise is reasonable, because it allows the Company to balance its “need for a fair return to stabilize its credit rating and maintain access to funding from capital markets under reasonable terms at regular intervals.”³⁸

³³ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-240008, Full Multiparty Settlement Stipulation (Settlement) at ¶ 11 (December 11, 2024).

³⁴ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-240008, Testimony of Jacque Hawkin-Jones, Exh. JHJ-1T at 4:16-18 (December 11, 2024).

³⁵ Settlement at ¶ 12.

³⁶ *Id.*

³⁷ Blattner, Exh. LAB-4T at 8:7-8.

³⁸ Blattner, Exh. LAB-4T at 8:9-11.

Table 1 - Cost of Capital Comparison between Initial Filing and Settlement

Cost of Capital	Proposed on Direct	Settlement
Long-Term Debt	44.214 percent (RY1) 45.531 percent (RY2)	50.500 percent (RY1&2)
Short-Term Debt	5.501 percent (RY1) 1.747 percent (RY2)	0.00 percent (RY1&2)
Equity	50.285 percent (RY1) 52.722 percent (RY2)	49.500 percent (RY1&2)
Return on Common Equity	10.500 percent (RY1&2)	9.500 percent (RY1&2)
Weighted Cost of Capital Rate of Return	7.894 percent (RY1) 7.924 percent (RY2)	7.185 percent (RY1&2)

37 Second, the Settling Parties agreed to a net reduction in the overall revenue requirement of approximately \$56,000 dollars over the two-year MYRP,³⁹ by moving delayed capital projects outside the GRC and reclassifying completed projects in this MYRP. This \$56,000 net decrease in the revenue requirement is comprised of the following modifications:⁴⁰

- (1) Including small 2023 projects that closed in 2024;
- (2) Moving the Burlington Transmission Reinforcement (FP-322776) and Aberdeen HP Reinforcement Wishkah Road (FP-321879) Projects from 2024 to 2025; and
- (3) Moving the Kitsap Lateral Project (FP-302595) outside this MYRP to 2026.

³⁹ This amount represents the net cumulative reductions in the overall revenue requirement which is calculated as the decrease of \$3.53 million dollars in RY1 coupled with an increase of \$3.474 in RY2

⁴⁰ Settlement at 6 ¶ 17. See Attachment A to Full Multiparty Settlement Stipulation.

- 38 Third, additional agreed-upon reductions to the revenue requirement arose from the removal of most renewable natural gas (RNG) production costs in this case, the exception being related to the connection of Divert, Inc. (Divert). By removing all other plant costs associated with RNG, the revenue requirement for RY1 decreased by \$817,000 and by \$2.619 million in RY2.⁴¹
- 39 The Settling Parties also agreed to include costs related to the connection and associated infrastructure for Divert that connects to Cascade’s systems.⁴² The Divert project “consists of a new interconnection facility...at Divert’s biorefinery and 1,700 feet of 2-inch high pressure steel from the interconnect facility to Cascade’s existing 12-inch pressure system” located in Longview, Washington.⁴³ Because Cascade is “only transporting gas for Divert,” Divert will become a customer on the newly created schedule 663T.⁴⁴ Additionally, given that “Cascade’s Extension Distribution Facilities Rule 8 [was] in effect when the term sheet for this project was exchanged in late 2021,” the Settling parties agreed that Cascade would “reduce the proposed revenue requirement to account for Divert revenues.”⁴⁵
- 40 While the Settlement terms allow Cascade to include the RNG production costs in its CCA Schedule 700 annual recovery filing, all non-company parties will have the opportunity to take their own position on this filing when Cascade submits it to the Commission.⁴⁶

⁴¹ Blattner, Exh. LAB-4T at 9:2-4.

⁴² These specific costs are labeled FP-323431, FP-323432, FP-323434, and FP-323435 at Settlement at 7 ¶ 19.

⁴³ Settlement at 7 ¶ 19.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ Settlement at 7 ¶ 20.

- 41 Fourth, the Settling Parties agreed to “a \$600,000 capital run rate⁴⁷ revenue requirement reduction,” for both RY1 and RY2.⁴⁸
- 42 Finally, the Settling Parties agreed to several miscellaneous revenue requirement adjustments reflected in Attachment B of the Settlement that further reduced the revenue requirement in RY1 by \$2.475 million and \$473,000 in RY2.⁴⁹ Some adjustments were entirely removed from the GRC while other adjustments were negotiated. An example of these miscellaneous adjustments includes Director and Officer Expenses (Adj. R-8), Rate Case Expenses (Adj. P-4), and Staff Working Capital.⁵⁰

Commission Determination

- 43 When evaluating a utility’s cost of capital, the Commission is guided by the longstanding precedent of the *Hope* and *Bluefield* decisions.⁵¹ In *Hope* and *Bluefield*, the United States Supreme Court found that regulated utilities must incorporate a fair rate of return on equity that is “commensurate with returns on investments in other enterprises having corresponding risks.”⁵² That return should also “be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital,”⁵³ and there must be a fair return upon the reasonable value of the property at the time it is being used for the public.⁵⁴

⁴⁷ “Capital run rate” is a specific project classification AWEC used in its analysis “to determine which projects were discrete as opposed to continuous (i.e. run rate capital),” and if the projects had historical spending spanning multiple years, rather than transfers to plant in a single year. However, in the Settlement the parties reached a compromise by agreeing to the \$600,000 revenue requirement reduction for capital run rate projects, which effectively amounted to “a \$4,599,290 and \$4,736,945 reduction to forecast capital spending in RY1 and RY2 respectively.” See *W.U.T.C. v. Cascade Natural Gas Corporation*, Docket UG-240008, Alliance of Western Energy Consumer’s Brief in Response to Notice of Bench Requests and Additional Briefing at 8 ¶ 17-18 and 21 (January 13, 2025).

⁴⁸ Settlement at 7 ¶ 18 and Blattner, Exh. LAB-4T at 9:19-22.

⁴⁹ See Attachment B to Settlement (December 11, 2024).

⁵⁰ A summary of all 13 revenue requirement adjustments can be found in Appendix B with this Order.

⁵¹ See *Federal Power Comm’n v. Hope Natural Gas*, 320 U.S. 591 (1944); *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm’n of W. Virginia*, 262 U.S. 679 (1923).

⁵² *W.U.T.C v. Puget Sound Energy*, In the Matter of Petition of Puget Sound Energy, Dockets UE-240004 & UG-240005 (*Consolidated*) Order 07, Final Order at 32 ¶ 101 (January 15, 2025).

⁵³ *Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591 at 603.

⁵⁴ *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm’n of W. Virginia*, 262 U.S.679, at 690.

- 44 Based on this guidance, the Commission examines the three main components of a utility's cost of capital, which include: capital structure, return on equity, and cost of debt. "Taking all these factors into account, it is possible to describe the utility's overall rate of return (ROR), also known as the weighted average cost of capital (WACC)."⁵⁵
- 45 While the Settlement appears to resolve all of the parties' disputed issues regarding Cascade's cost of capital, our statutory obligation requires us to evaluate whether the stipulated terms comply with applicable legal requirements, are supported by an appropriate record, are consistent with the public interest, and result in rates that are fair, just, reasonable, and sufficient.
- 46 In this case we find that the Settling Parties' proposed two-year MYRP capital structure and rate of return satisfies these requirements for several reasons.
- 47 First, we agree with the Settling Parties that the overall reduction in revenue requirement from Cascade's Initial Filing of \$43.8 million to \$29.8 million in RY1, and from \$11.7 million to \$10.8 million in RY2 is significant, is in the public's interest, and represents a fair compromise, supported by the parties' testimony and exhibits in the record.
- 48 Second, we find that the Settling Parties' proposed capital structure of 50.5 percent long-term debt and 49.5 percent equity for RY1 and RY2 is a fair compromise of the parties' positions and is supported by the record. Although short-term debt is typically more volatile than long-term debt, we find it noteworthy that the Settling Parties agreed to eliminate short-term debt from the capital structure, as this approach will likely result in a considerable decrease in risk for the Company's customer base. We commend the parties for employing this approach, which is in the public interest.
- 49 Third, we find that the agreed ROE of 9.5 percent is in line with what the Commission authorized the Company in its last GRC in August 2022, is consistent with the principles of gradualism, and warranted given the current and expected levels of elevated inflation and interest rates in the market.⁵⁶

⁵⁵ *Wash. Utils. & Transp. Comm'n v. PacifiCorp*, Dockets UE-230172 & UE-210852, Order 08, ¶ 112 (Mar. 19, 2024); See also *Bluefield*, 262 U.S. at 689-90.

⁵⁶ *Id.*

- 50 Fourth, we find the resulting overall ROR over both rate years of 7.185 appropriately reflects increased capital costs since the Commission set Cascade's ROR at 6.85 percent in the Company's last GRC in August 2022.⁵⁷
- 51 Fifth, we find that the two-year MYRP is reasonable, in the public interest, and supported by the evidence in the record because the resolution the Settling Parties reached strikes an appropriate balance between the Company's need to procure financing and support credit stability while keeping rates for customers fair and reasonable.
- 52 We also find that the additional reductions in revenue requirement related to reclassifying specific capital projects from RY1 to RY2 and moving projects from RY2 outside this MYRP are reasonable. Namely, the shifting of these projects represents cost savings for customers as Cascade reevaluates the progress and anticipated completion dates of the Burlington Transmission Reinforcement and Aberdeen Reinforcement Wishkah Road projects.
- 53 Further, by removing the Kitsap Lateral project and RNG related expenses from this MYRP, and preserving the Divert facility within this GRC, the Settling Parties were able to leverage further deductions to effectively reduce the revenue requirement by \$817,000 in RY1 and \$2.619 million in RY2. The Commission will evaluate the prudence of these investments when reviewing Cascade's Provisional Report, which will be due on April 30, 2025, as detailed below in Section F - Portfolio and Project-by-Project Review Process.
- 54 Sixth, we approve the Settling Parties' agreement to reduce the Capital Run Rate by \$600,000 in RY1 and RY2 and the other miscellaneous adjustments agreed to on the basis that these adjustments provide a reasonable amount of capital for Cascade to spend on continuous plant projects to provide continued services for customers while mitigating increases in rates. These additional reductions are outlined in Appendix C and net an additional decrease in the overall revenue requirement of \$2.475 million in RY1 and \$473,000 in RY2.
- 55 For these reasons, we approve the proposed capital structure of 49.5 percent equity, the increase of Cascade's ROE from 9.4 percent to 9.5 percent for its gas operations in RY1 and RY2, the ROR of 7.185 percent, and the additional reductions in revenue requirement related to the capital projects discussed above, and the capital run rate of \$600,000 in both rate years.

⁵⁷ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-210755, Final Order 09, at 30-31 ¶ 95.

56 Finally, as part of the Settlement terms discussed above, Cascade will be allowed to include the following costs into base rates by spreading the costs over two years to mitigate the impact on customer rates:

- (1) Cost Recovery Mechanism (CRM) – By eliminating the pipeline CRM, Cascade will be able to recover these costs in base rates.⁵⁸ In its settlement testimony, Staff explains that this stipulation is in the public interest because it incentivizes the Company to control its costs and pursue cost-efficiencies.⁵⁹
- (2) COVID-19 Bad Debt – By establishing a new tariff schedule to recover the deferred balance of bad debt expense accrued due to the COVID-19 pandemic, Cascade will be allowed to amortize approximately \$1.1 million in deferred expenses over three years from the date of the order approving the Settlement.⁶⁰ “Cascade may also continue to defer costs related to late payment fees, reconnection fees, CARES Act Tax Benefits and carrying charges,”⁶¹ until the conclusion of Docket U-210800.⁶²
- (3) Rate Case Expenses – By removing the proposed deferred costs to account for an estimated \$2.9 million in rate case expenditures, Cascade was able to reduce the revenue requirement by \$1.525 million in RY1,” and to resolve this issue “by accepting one-half of AWEC’s adjustment, or \$763,000,” given this case is not being fully litigated.⁶³

E. Rate Spread and Rate Design

57 Next, the Settling Parties agreed to a rate spread that distributes “the revenue requirement increase on an equal percent of margin basis.”⁶⁴ Further, the Settlement allows Cascade to

⁵⁸ Blattner, Exh. LAB-4T at 7:4-5.

⁵⁹ Hawkins-Jones, Exh. JHJ-1T at 10:1-8.

⁶⁰ Settlement at 11 ¶ 32. *See also* Docket UG-200479, Orders 01, 02, and 03.

⁶¹ In compliance with Final Order 09, Docket UG-210755, Cascade worked with interested parties to develop an energy discount and arrearage management program, “Cascade Arrearage Relief Energy Savings” (CARES), which went into effect October 1, 2023. Blattner LAB-1T at 8:8-10 (March 29, 2024).

⁶² Settlement at 11 ¶ 33.

⁶³ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-240008, Testimony in support of Multiparty Settlement Stipulation on behalf of AWEC by Bradley G. Mullins, Exh. BGM-9T at 10:8-14 (December 11, 2024), and Mullins, Exh. BGM-1T at 47:3-17 and 48:5-7.

⁶⁴ Settlement at 4 ¶ 13

increase its residential basic service charge from \$5.00 to \$5.50 in RY1 and to \$6.00 in RY2 compared to Cascade’s initial filing that proposed an increase from \$5.00 to \$10.00 in RY1 and from \$10.00 to \$11.50 in RY2.⁶⁵ After accounting for all the adjustments and revisions to the revenue requirement in the Settlement, the average “residential customer using 53 therms per month would see an overall monthly increase of \$6.04 in [RY1], and \$2.06 in [RY2].”⁶⁶

58 Likewise, “the average commercial customer using 277 therms would see an overall monthly increase of \$23.55 in [RY1], and \$8.18 in [RY2].”⁶⁷ The revised rate schedules for Residential, Commercial, and Industrial customer classes are shown in Table 2 below. The revised rates for all customer classes can be found in Appendix B attached to this Order.

Table 2 – Rate Impacts for Common Customer Classes under MYRP Settlement⁶⁸

<u>Customer Class</u>	<u>Current Rates in Effect</u>	<u>Rates Effective March 1, 2025 [RY1]</u>	<u>Rates Effective March 1, 2026 [RY2]</u>
<u>Residential – 503</u>			
<u>Basic Monthly Charge</u>	\$5.00	\$5.50	\$6.00
<u>Delivery Charge</u>	\$0.33951	\$0.45648	\$0.48600
<u>Cost Recovery Mechanism</u>	\$0.01769	\$0.00000	\$0.00000
<u>Commercial – 504</u>			
<u>Basic Monthly Charge</u>	\$13.00	\$20.00	\$25.50
<u>Delivery Charge</u>	\$0.28432	\$0.35239	\$0.36206
<u>Cost Recovery Mechanism</u>	\$0.00000	\$0.00000	\$0.00000
<u>Industrial – 505</u>			
<u>Basic Monthly Charge</u>	\$60.00	\$100.00	\$130.00

⁶⁵ Settlement at 4-5 ¶ 13.

⁶⁶ Blattner, Exh. LAB-4T at 12:10-11, Table 2 at 12;6-7, and Table 3 at 13.

⁶⁷ *Id.*

⁶⁸ Blattner, Exh. LAB-4T at 11.

<u>Delivery Charge (first 500 therms)</u>	\$0.21929	\$0.26864	\$0.27398
<u>Delivery Charge (next 3,500 therms)</u>	\$0.17424	\$0.22241	\$0.22683
<u>Delivery Charge (over 4,000 therms)</u>	\$0.17404	\$0.21543	\$0.21971
<u>Cost Recovery Mechanism</u>	\$0.00915	\$0.00000	\$0.00000

Commission Determination

- 59 We find the Settlement’s proposed rate spread and rate design are appropriate, in the public interest, and supported by the record. We agree with Staff’s rationale that the Settling Parties’ agreement is more reflective of “an equitable distribution in cost burden resulting from the revenue requirement increase,”⁶⁹ and allows Cascade to recover its actual fixed costs incurred for providing service. Furthermore, the effect of the rate spread and rate design methods in the Settlement, even after including the CRM and Rate Case Expenses⁷⁰ into the rate base, adhere to the principle of gradualism and avoid rate shock for Cascade’s customers because the increase is spread over the two-year MYRP.
- 60 Finally, because the agreed upon rate spread allocates an equal percentage of margin increase to each customer class schedule, we find that the resolution reached appropriately balances the interests of the Settling Parties and results in rates that are fair, just, and reasonable.

F. Portfolio and Project-by-Project Review Process

- 61 Among other terms, the Settling Parties agreed to “a portfolio review for projects less than \$3 million” and a project-by-project review for projects expected to cost at or above \$3 million, which include the “South Kennewick Gate Reinforcement” and “Richland HP Reinforcement” projects.⁷¹ The South Kennewick Gate project consists of “installing 2,500 feet of 8-inch plastic pipe, a new gate, and a regulator station to address a pressure deficit and support customer growth, whereas the Richland HP Reinforcement is Phase 2

⁶⁹ Jacque Hawkin-Jones, Exh. JHJ-1T at 6:14-15.

⁷⁰ The proposal to recover bad debts from the COVID-19 pandemic are addressed separately in Section H – Equity of this Order.

⁷¹ Settlement at 5 ¶ 14.

of a larger project “to address the deficit on the existing 6-inch and 8-inch Richland high pressure lateral.”⁷² The Richland HP project will consist of “upgrading the Richland Y Gate by installing 5.5 miles of 12-inch steel pipe along the Columbia Park Trail and 1.2 miles of 6-inch steel pipe to tie into the existing lateral at Queens Gate Drive and Leslie Road.”⁷³

62 For small projects that fall under the portfolio review process with “capital budgets less than \$3 million,” the Settlement allows Cascade to use unspent funds from one project and apply those funds to other projects as needed.⁷⁴ However, larger projects, at or above \$3 million, must be reviewed on a project-by-project basis to ensure that Cascade is “held accountable to its budget estimates,” and for these larger projects the Company is prevented from reallocating funds from one project to another project.⁷⁵

63 With the hybrid portfolio/project-by-project review process, the Settling Parties identified \$97.7 million in provisional projects subject to portfolio level review for RY1 and \$114.5 million for RY2, of which \$56.2 million of the \$97.7 million is subject to refund in RY1 and \$37.0 million of the \$114.5 million is subject to refund in RY2.⁷⁶

64 Although the parties agree that the proposed portfolio/project-by-project hybrid approach to review and confirm projected progress, actual costs, and benefits associated with these projects is in the public’s interest,⁷⁷ Staff raises concerns about load growth assumptions and the analysis of viable alternatives.⁷⁸ Similarly, AWEC highlights that “any spending more than the budgeted and approved amount” is not being evaluated for prudence in this case “because there were other alternatives to these specific capital projects identified in the Company’s 2023 integrated resource plan (IRP).”⁷⁹

65 However, despite these concerns, AWEC reasons that the project-by-project review “is the most equitable way to do capital attestation,” while still focusing on the greatest number of possible projects,⁸⁰ and Staff maintains that the “3 million [dollar] project-by-project

⁷² Settlement at 5 ¶ 15.

⁷³ *Id.*

⁷⁴ Mullins, Exh. BGM-9T at 6:5-7.

⁷⁵ Mullins, Exh. BGM-9T at 5:17-19 and 6:8.

⁷⁶ Settlement at 8 ¶ 22.

⁷⁷ *Id.*

⁷⁸ Hawkins-Jones, Exh. JHJ-1T at 11:8-12.

⁷⁹ Mullins, Exh. BGM-9T at 5:24 and 6:1-3.

⁸⁰ Mullins, Exh. BGM-9T at 6:10-11.

review threshold” ensures Staff resources will be efficiently allocated during the review process while ensuring an “in-depth review of all provisional capital spending.”⁸¹

66 In addition to the above terms, the Settling parties agreed to require Cascade to “file an annual provisional plant report by April 30th of each year” and provide non-Company parties “six months to review” the prudence of the projects contained in the report.⁸² The “provisional plant” annual report will contain the following elements as set forth in the Settlement:

- (1) Actual costs versus authorized costs, as well as explanations for significant cost variances, defined as variances greater than ten percent of \$500,000 from the authorized cost;
- (2) Actual in-service date by month and year;
- (3) Any material changes to the project descriptions;
- (4) In the case of significant cost overruns,⁸³ an update to the project description that includes the justification to continue to invest in the project;
- (5) Updated information (if any) on offsetting factors for any Funding Projects;
- (6) Detailed description of any funding projects not approved by Commission Order;
- (7) All data and information included in the annual provisional plant report will include the same level of detail, as required in GRCs pursuant to WAC 480-07-510(3)(a), (c), (h), (i) and (4);
- (8) A comparison of the actual used and useful plant with the level of plant included in provisional rates, thus applying a refund that is consistent with the property valuation statute, RCW 80.04.250,⁸⁴
- (9) [A demonstration] of all offsetting benefits received or for which it has applied for through the Inflation Reduction Act (IRA) and Infrastructure

⁸¹ Hawkins-Jones, Exh. JHJ-1T at 12:3-5.

⁸² Settlement at 5-6 ¶ 16.

⁸³ For the purposes of the Settlement, the same definition of *significant costs variances* in criteria 1 applies to *significant costs overruns* in criteria 4, as referenced above in paragraph, and are defined as any variances greater than 10 percent or \$500,000 from the authorized cost.

⁸⁴ *Id.*

Investment and Jobs Act (IIJA) for all provisional plant. Reporting on all IRA/IIJA funding, tax benefits, or any other benefits for which the Company has applied, and the reason justifying any decision not to pursue IRA and IIJA funding options for which the Company may be eligible.⁸⁵

- 67 The annual report will enable the Settling parties and the Commission to determine if the plant was prudently incurred,⁸⁶ since it will include information regarding offsetting benefits⁸⁷ “...actual used and useful plant; material changes to the project, costs, or in-service dates,” and an explanation for significant cost variances.⁸⁸
- 68 As part of the Settlement Agreement, Cascade agrees to provide an explanation for any significant cost variances defined as greater than 10 percent or \$500,000 from the authorized costs. However, Cascade will also have the flexibility to “fund necessary projects based on estimates and then to reasonably address project adjustments as needed to reflect actual costs, timelines, and used and useful plant.”⁸⁹ Finally, a refund mechanism is included “to ensure that any amounts associated with the plant deemed imprudent or not used and useful are returned to customers.”⁹⁰

Commission Determination

- 69 As we stated most recently in *WUTC v. Avista Corp. d/b/a Avista Utils.*,⁹¹ when the legislature amended RCW 80.04.250, it mandated the Commission to establish a “process to identify, review, and approve public service company property that becomes used and useful for service in this state after the rate effective date.”⁹² In establishing this process, the Commission issued a Policy Statement in Docket U-190351, which created “a process for the provisional recovery in rates of rate-effective period property, subject to refund,

⁸⁵ Settlement at 5-6 ¶ 16.

⁸⁶ Mullins, BGM-9T at 7:12-13

⁸⁷ Blattner, Exh. LAB-4T at 15:15-19. Example of the offsetting benefits include “benefits received from federal funding, tax benefits, and other benefits.”

⁸⁸ *Id.*

⁸⁹ Blattner, Exh. LAB-4T at 16:1-3 and 15:11-13.

⁹⁰ Mullins, Exh. BGM-9T at 7:16-18.

⁹¹ *WUTC v. Avista Corp. d/b/a Avista Utils.*, Dockets UE-240006 & UG-240007 (*consolidated*), Corrected Final Order 08, at 67 ¶ 261 (December 23, 2024)

⁹² RCW 80.04.250(3).

where the property, investment or project in question does not meet the current standards for inclusion in rates prior to rates becoming effective.”⁹³

- 70 According to the Commission’s Used and Useful Policy Statement in Docket U-190351 the Commission’s longstanding interpretation of the property valuation provision of RCW 80.04.250 is that property plant additions must be used and useful to serve Washington customers to be included in rates:⁹⁴

Used means that the investment (plant) is in service, and useful means that a company has demonstrated that its investment benefits Washington ratepayers. With few exceptions, the Commission has required plant to be in service no later than the suspended effective date to be included in rate base. Typically, that meant plant would be in service before the tariff revisions become effective, which generally marks the beginning of the rate year. Changes to RCW 80.04.250(3), however, permit the valuation of property that becomes used and useful up to 48 months after the rate-effective date, provided that it is both placed in service and benefiting customers in Washington within the prescribed timeframe.⁹⁵

- 71 Further, the intent and purpose of the policy statement was to provide investor-owned utilities (IOUs) flexibility⁹⁶ when balancing investor and consumer interests, “without being overly prescriptive,” so that the IOUs could streamline and file their requests as “either specific, programmatic, or projected property investments.”⁹⁷
- 72 In this case, we find that the hybrid portfolio/project-by-project review process the Settling Parties agreed to appropriately balances Cascade’s need for flexibility to allocate capital for large projects expected to cost at or above \$3 million,⁹⁸ while allowing the other parties the opportunity to conduct a robust review on a project-by project basis.⁹⁹

⁹³ *In the Matter of the Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date* (Used and Useful Policy Statement), Docket No. U-190531 at 7 ¶ 20 (January 31, 2020).

⁹⁴ Docket No. U-190531, Used and Useful Policy Statement at 9-10 ¶ 26.

⁹⁵ *Id.*

⁹⁶ See RCW 80.28.010(2).

⁹⁷ Docket No. U-190531, Used and Useful Policy Statement at 11 ¶¶ 30-31.

⁹⁸ Blattner, Exh. LAB-4T at 14:12-17

⁹⁹ Settlement at 5 ¶ 14.

We recognize that this particular term was extensively negotiated between the Settling Parties and agree that the process proposed in the Settlement provides:

- 1) the proper checks and balances to prevent Cascade from “net overspending on one project [and] underspending on another;”¹⁰⁰
- 2) a six-month review window for all interested parties to “meaningfully participate,” and conduct a thorough review of Cascade’s larger more expensive projects without compromising the quality of such review;¹⁰¹ and
- 3) costs included in the rates based on amounts deemed prudent by incorporating a refund mechanism to ensure that “any amounts associated with the plant deemed imprudent or not used and useful are returned to customers.”¹⁰²

73 We also agree with the Settling Parties that the portfolio review process for small projects, with budgets less than \$3 million, will provide Cascade with latitude to use unspent funds to allow for new projects, while ensuring the Company remains accountable to demonstrate the prudence of expenses incurred. This will be accomplished through each of the above nine elements¹⁰³ Cascade will be required to report annually, and the safeguards built into this process ensure that any necessary refunds are issued to customers in accordance with the Commission’s Policy Statement in Docket U-190531.

74 Accordingly, we approve the Settlement’s Portfolio and Project-by-Project Review Process for the above stated reasons and on the basis that it supports Cascade’s ability to maintain and improve infrastructure while also providing reliable and safe service to customers.

75 However, we do have further instruction and guidance relating to provisional plant review filings. Consistent with our direction in the recent Avista GRC Order,¹⁰⁴ we require Cascade to take the following additional actions when making these filings. First, the filings should clearly indicate whether the provisional plant is identified in the most recent IRP and where it is identified, and whether it is required for CCA compliance. Second, project cost information must be provided on both an annual and cumulative rate-effective

¹⁰⁰ Mullins, Exh. BGM-9T at 5:18.

¹⁰¹ Jacque Hawkin-Jones, JHJ-1T at 10:20-24

¹⁰² Mullins, BGM-9T at 7:16-18.

¹⁰³ *See supra* at 20-21 ¶ 66.

¹⁰⁴ *WUTC v. Avista Corp. d/b/a Avista Utils.*, Dockets UE-240006 & UG-240007 (*consolidated*), Corrected Final Order 08, at 69 ¶ 267 (December 23, 2024)

period basis. Third, a narrative should be attached to the filing that describes the filing structure and how the worksheets relate and function together. Fourth, the provisional plant review filing must maintain consistent project naming conventions found in this MYRP and be submitted in this Docket.

- 76 Finally, while the Settlement terms provide the non-company parties six months to provide input following the agreed upon April 30th deadline, which coincides with the Commission Basis Report (CBR) deadline, the Commission will make its prudence determination through the Open Meeting Process approximately six months after the April 30th deadline.
- 77 The reason for requiring provisional plant filings to be presented through the Open Meeting process is to maintain flexibility, further streamline the process, adhere to the intent of the changed statutes, while also ensuring transparency, clarity, and confidence to comprehensively address concerns of the parties and other stakeholders in the process. The Commission will continue to monitor this process moving forward to assess whether further changes are needed at a later time.

G. Performance Based Ratemaking (PBR) metrics

- 78 The Settling Parties agreed that Cascade would report on all the existing performance measures and any updates applicable to natural gas utilities, as provided in Section III, Initial Reported Performance Metrics in Docket U-210590.¹⁰⁵ Additionally, the Settlement requires Cascade to report on two new metrics related to affordability and equity that will distinguish between those metrics required by the Policy Statement and those required by the Settlement.¹⁰⁶ These two new metrics related to customer affordability and equity are as follows:¹⁰⁷

1. Affordability

- a. Compare outcomes among all customers, low-income households, Highly Impacted Communities, and Vulnerable Populations when reporting:
 - i. Number of residential customers in arrears by period;

¹⁰⁵ *In the Matter of the Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making*, Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics at 7-21 ¶ 22-82 (August 2, 2024). *See also* Settlement at 8 ¶ 24.

¹⁰⁶ Settlement at 8 ¶ 25.

¹⁰⁷ *Id.*

- ii. Number and Percentage of customers receiving bill assistance; and
 - iii. Number and Percentage of customers experiencing high energy burden.
- b. Number and percentage of (1) disconnect notices, (2) residential disconnections for non-payment, and (3) reconnection, each broken out by month and census tract, and [compare] outcomes among all customers, estimated low-income households, known low-income households, Highly Impacted Communities, and Vulnerable Populations.
 - c. Report on Arrearage Forgiveness Program: By Census Tract and quarterly the number of residential customers provided arrearage forgiveness and dollars of arrearage forgiveness.

2. Equity

- a. Compare outcomes among all customers, low-income households, Highly Impacted Communities, and Vulnerable Populations when reporting:
 - i. Utility spending on demand response (DR) and Energy Efficiency (EE);
 - ii. Number of customers enrolled in utility EE and DR programs.
- b. Percentage of customers that participate in EE and DR programs, for all customers comparing outcomes in low-income communities, Vulnerable Populations, and Highly Impacted Communities.”¹⁰⁸

79 In its testimony supporting the Settlement, Staff highlights that the new affordability and equity metrics will aid the Settling Parties in determining “whether the Company’s investments are producing benefits for Cascade customers and whether those benefits are being distributed equitably.”¹⁰⁹ Staff reasons that these metrics are targeted to track “customer affordability and the distribution of benefits and burdens yielded by Cascade’s programs,” which in turn can be used to establish a baseline for building upon performance incentive measures in future general rate cases.¹¹⁰

¹⁰⁸ Settlement at 8-9 ¶ 25.

¹⁰⁹ Jacque Hawkin-Jones, Exh. JHJ-1T at 12:12-16.

¹¹⁰ Jacque Hawkin-Jones, Exh. JHJ-1T at 12:18-19.

80 Similarly, TEP maintains that it strongly supports Cascade’s adoption of the new metrics and agreement to report demographic data, which will provide a “granular breakout of outcomes between customers in specific groups,” when assessing the Company’s “arrearage reduction, bill assistance, and energy burden reduction efforts.”¹¹¹ TEP explains that tracking the number and percentage of disconnections and reporting of its arrearage forgiveness plan will: (1) be “crucial to understanding Cascade’s success at reducing energy burden;” (2) demonstrate whether the Company “is effectively intervening throughout the disconnection and reconnection process” across the diverse demographic groups it serves; and (3) use “the same census tract and quarterly granularity” in reporting the number of customers and dollar amount of arrearage forgiveness provided.¹¹² Like Staff, TEP also maintains that these metrics will help the Settling Parties to “measure Cascade’s success at equitably distributing its investments in, and benefits from, energy efficiency and demand response programs.”¹¹³

Commission Determination

81 On August 2, 2024, the Commission published its Policy Statement regarding initial reported performance metrics in Docket U-210590 and identified a set of 21 initial metrics regulated electric and gas companies would be required to report in addition to metrics set forth in RCW 80.28.425(7) for multi-year rate plans.¹¹⁴ As part of the August 2024 Policy Statement, we expressed an “intent to adopt a more limited set of metrics,” to reduce the number of metrics and “quantity of data” for the initial round of reported metrics, given that a comprehensive performance based ratemaking (PBR) framework could not be established with finality at that time.¹¹⁵

82 However, we also encouraged utilities to provide numerical, visual data, and narratives necessary to best explain underlying assumptions to demonstrate outcomes,¹¹⁶ and highlighted the importance of fully vetting metrics with the relevant parties and advisory

¹¹¹ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-240008, Testimony of Shaylee N. Stokes in Support of the Settlement Stipulation on Behalf of the Energy Project, Exh. SNS-12T at 5:4-11 (December 11, 2024).

¹¹² Stokes, Exh. SNS-12T at 6:3-20.

¹¹³ Stokes, Exh. SNS-12T at 7:15-16.

¹¹⁴ Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics at 3 ¶¶ 10, 7-21 ¶¶ 22-82 and Appendix A.

¹¹⁵ Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics at 3 ¶¶ 10, 5-6 ¶¶ 18-19.

¹¹⁶ *Id* at 3 ¶ 10, 5 ¶ 15.

groups through collaborative processes.¹¹⁷ We further acknowledged that the process of selecting, developing, and refining metrics is iterative;¹¹⁸ and as we explained in our recent Avista GRC Order, as utilities continue to report various metrics, further metric adjustments will be necessary to adequately and efficiently monitor a utility's operations and progress with state energy policies.¹¹⁹

83 On balance, we find that the updates to Cascade's existing metrics and expanded reporting for the two new affordability and equity metrics are sufficient at this time and concur with Staff and TEP that these metrics will:

- 1) aid the parties in determining at a more granular level whether Cascade's investments are being equitably distributed;
- 2) establish benefits and burdens Cascade's programs have on its customer base;
- 3) create a baseline to measure Cascade's successes, areas for improvement, and a platform to build upon performance incentive measures in future GRCs.

84 We will also retain the current reporting requirements and cadence for the COVID-19 data in Docket U-210800 moving forward and will require Cascade and other regulated energy utilities to continue providing Disconnection Reduction Reports, COVID-19 Data Reports, and PBR metrics until the conclusion of the on-going rulemaking in Docket U-210800 and U-210590 policy docket.

85 Finally, while the Commission acknowledges the value that demographic data can have for utilities as they seek to identify and address disparities, inform program design and improvements, and measure the impacts across the different groups, data security is paramount to ensuring trust as more customers use Cascade's programs. Accordingly, the Commission appreciates Cascade's commitment to work in collaboration with the Equity Advisory Group (EAG) and other interested parties to establish a framework to collect and transmit customer demographic data. However, given privacy concerns that impact the collection of demographic data, customer participation in the collection of data will not be required, but instead will be optional and only collected after customer consent is provided.

¹¹⁷ *Id* at 7 ¶ 21.

¹¹⁸ Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics at 4 ¶ 12.

¹¹⁹ *WUTC v. Avista Corp. d/b/a Avista Utils.*, Dockets UE-240006 & UG-240007 (*consolidated*), Corrected Final Order 08 at 110 ¶ 405 (December 23, 2024).

H. Equity

- 86 In Final Order 09, settling Cascade’s 2021 GRC, the Commission approved a Settlement Stipulation to include certain equity provisions and required Cascade to demonstrate its progress towards incorporating the four tenets of energy justice¹²⁰ into its capital planning process.¹²¹ The Commission also adopted the principles set forth in RCW 43.06D.020,¹²² and provided guidance on its expectations that all regulated companies should “inquire whether each proposed modification to their rates, practices, or operations corrects or perpetuates inequities” going forward.¹²³ Namely, to ensure that equity, access, and public interest considerations are integral to each regulated company’s utility filings and infused into the Commission’s regulatory framework.¹²⁴
- 87 In addition to reporting on the two new Affordability and Equity performance metrics, the Settling Parties agreed to several other provisions to further implement energy justice principles into Cascade’s decision-making processes to promote more equitable outcomes for all customers. Specifically, Cascade agreed to operationalize stipulated provisions relating to the following: Credit and Collections, Energy Burden Analysis, Covid-19 Deferral and Language Access Plan.

Credit and Collections

- 88 The credit and collections provisions include Cascade’s agreement to modify inputs used to determine non-payment disconnection thresholds by:
- 1) Removing “other debt” as a factor for determining disconnection eligibility;
 - 2) Raising “the minimum disconnection threshold for residential customers,” from “\$50 [dollars] and 35 days [past-due]” to “\$150 [dollars] and 60 days” past due; and

¹²⁰ The four tenets of equity are distributional justice, procedural justice, recognition justice, and restorative justice. Docket UG-210755, Final Order 09 at 18 ¶ 56.

¹²¹ Docket UG-210755, Final Order 09 at 18 ¶ 56.

¹²² Docket UG-210755, Final Order 09 at 17-18 ¶ 55.

¹²³ Docket UG-210755, Final Order 09 at 19 ¶ 57-58.

¹²⁴ *Id.*

3) Review existing disconnection policies in consultation with the Cascade Arrearage Relief Energy Savings (CARES) and the EAG.¹²⁵

- 89 Cascade further agreed to “not implicitly or explicitly threaten disconnection” for residential customers with past due arrears under \$150 and less than 60 days past-due, and to include information about accessing its energy assistance programs in written communications with these customers.¹²⁶
- 90 Staff maintains the credit and collection provisions in the Settlement are also in the public interest because they strike the “appropriate balance between Cascade’s collection interests and the considerations of fairness to its customers, particularly those in vulnerable and low-income populations.”¹²⁷ Staff reasons that the disconnection threshold modifications allow “customers to receive more notice and energy assistance options to avoid disconnection,” and Cascade’s removal of “other debt” from disconnection eligibility “ensures that customers are not being unfairly penalized for financial factors unrelated to their utility bill.”¹²⁸
- 91 Likewise, TEP supports Cascade’s agreement to modify its disconnection thresholds because the revisions in the Settlement: (1) provide customers in arrears a longer window to address their delinquency before being eligible for service disconnection;¹²⁹ and (2) “help break the cycle of poverty,” and promote equity by removing the “other debt” criterion that had effectively penalized customers with a prior history of arrearage, disconnection, and energy insecurity.¹³⁰ TEP also notes Cascade’s stipulation to “communicate with customers about past due balances in a format that is not a bill,”¹³¹ will include a discussion of “available energy assistance options,” and “Community Action Agency contact information.”¹³²

¹²⁵ Settlement at 10 ¶ 28 and Blattner, Exh. LAB-4T at 19:3-8.

¹²⁶ Settlement at 10 ¶ 29

¹²⁷ Jacque Hawkins-Jones, Exh. JHJ-1T at 13:10-13.

¹²⁸ Jacque Hawkin-Jones, Exh JHJ-1T at 13:14-16.

¹²⁹ Stokes, Exh. SNS-12T at 8:6-11

¹³⁰ Stokes, Exh. SNS-12T at 9:5-10.

¹³¹ Stokes, Exh. SNS-12T at 10:1-7.

¹³² *Id.*

Energy Burden Analysis

- 92 Next, the Settling Parties agreed that “Cascade will perform an energy burden analysis every two years and work with its CARES Advisory Group to determine the parameters of the assessment.”¹³³ The assessment will include an analysis of “stratified energy burdens, identification of excess energy burdens (including census tracts), and one or more indicators of low-income status.”¹³⁴
- 93 The Settling Parties maintain that this term is designed to ensure Cascade: (1) “has the data to distribute and prioritize resources equitably;”¹³⁵ (2) “continuously monitors and addresses the energy burden experienced by its customers;”¹³⁶ and (3) “works with its CARES Advisory Group to determine the parameters of the assessment” and further develop its energy burden analysis.¹³⁷

Covid-19 Deferral

- 94 As referenced above in paragraph 56, the Settling Parties agreed that Cascade could “defer several COVID-19 related expenses, including bad debt, late payment fees, direct costs, and disconnection and reconnection charges” and establish “a new tariff schedule to recover the deferred balance related to bad debt expense, amortized over three years from the date of the order approving” the Settlement.¹³⁸ Cascade asserts this term is consistent with the “Commission orders in Docket’s UG-200479 and U-200281”, and is “intended to provide customer’s experiencing economic hardship” with “continued access to energy services,” while also allowing Cascade to “defer and recover,” its related costs to COVID-19.¹³⁹
- 95 Staff concurs with Cascade and states that the Settlement “aligns with the Commission’s recent Order 32/18 in consolidated docket[s] UE-220066, UG-220067 and UG-210918, related to Puget Sound Energy’s credit and collection practices.”¹⁴⁰ Additionally, because

¹³³ Settlement at 12 ¶ 36.

¹³⁴ *Id.*

¹³⁵ Jacque Hawkins-Jones, Exh. JHJ-1T at 9:10-11.

¹³⁶ Blattner, Exh. LAB-4T at 19:13-14.

¹³⁷ Stokes, Exh. SNS-12T at 11:9-10.

¹³⁸ Settlement at 11 ¶ 32

¹³⁹ Blattner, Exh. LAB-4T at 20:17-21.

¹⁴⁰ Jacque Hawkins-Jones, Exh. JHJ-1T at 14:1-3.

the bad debt deferral will be amortized over a three-year period, Staff reasons that any significant impact on customer rates is significantly reduced.¹⁴¹

Language Access Plan

- 96 To better understand the needs of multilingual customers, the Settlement requires Cascade to develop a Language Access Plan over the next two years in consultation with the CARES and EAG advisory groups with annual checkpoints and reporting requirements to ensure progress is being made and that relevant parties can provide input.¹⁴²

Commission Determination

- 97 We find that the Settlement stipulations relating to Credit and Collections practices, Language Access, Energy Burden Analyses and bad debt related to Covid-19, all represent a multi-pronged strategy to help Cascade meet customers where they are. These actions represent considerable progress towards promoting and ensuring more equitable outcomes for customers as directed in Docket UG-210755.
- 98 The Credit and Collections provisions agreed by the Settling Parties will also help customers maintain service in the event they fall behind on their bills while allowing them more time to resolve any past-due amounts. We also appreciate Cascade's commitment to distribute and prioritize its resources equitably and support the Settling Parties' agreement to further examine these practices with the EAG and CARES teams.
- 99 Next, we find that the Settling Parties' agreement to create a Language Access Plan over the next two years will allow Cascade and interested parties to develop a comprehensive plan that meets the needs of Cascade's multilingual customers.
- 100 The Commission also acknowledges and supports the Settling Parties' agreement to conduct an Energy Burden Analysis every two years. This agreement should allow Cascade to refine its process of identifying customers who may be energy burdened while also allowing the Company to conduct targeted outreach to better determine the specific needs of its customer base.

¹⁴¹ Jacque Hawkins-Jones, Exh. JHJ-1T at 14:9-11.

¹⁴² The Settlement states that Cascade will provide updates on the status of the LAP in the 2023-2024 CARES Annual Report to be submitted to the Commission in January 2025 and the 2024-2025 CARES Annual Report to be submitted in January 2026. On January 17, 2025, Cascade submitted the 2023-2024 CARES Annual Report in Docket UG-230511. Full Multiparty Settlement at 10 ¶ 31.

101 Finally, we approve of the Settlement terms that allow Cascade to file tariff revisions to recover any deferred balance related to bad debt expenses from the COVID-19 pandemic through the conclusion of the Commission-led rulemaking in Docket U-210800. As Staff highlights, this approach aligns with the findings the Commission issued in Order 32/18 in consolidated Dockets UE-220066, UG-220067, and UG-210918 related to Puget Sound Energy's Petition for an order authorizing deferred accounting treatment.¹⁴³ Further, we find the COVID-19 bad debt deferral, inclusion of the cost recovery mechanism into rate base and rate case expenses to be fair, equitable, and in public interest because this approach provides customers experiencing economic hardship continued access to energy services, while providing Cascade with the ability to defer and recover costs incurred. This in turn helps defray additional rate impacts to customers.

102 In sum, we find the Settlement terms related to Equity to be fair, just, reasonable, and a benefit to the public interest. We acknowledge that Cascade has made significant progress in achieving more equitable outcomes since its prior GRC. However, because the specific needs of customers are fluid and subject to continual change, utilities must adapt to those needs. As such, the Commission encourages Cascade to participate in the Commission's Equity Docket A-230217, when that work resumes.

I. Line Extension Allowances

103 To help Cascade reach its decarbonization goals, the Company has agreed in the Settlement to gradually phase out natural gas line extension allowances (LEA) by March 1, 2027.¹⁴⁴ In its compliance filing immediately following this Order, Cascade agrees to file tariff revisions for natural gas LEAs for Schedule 503 - Residential Services and Schedule 504 – General Commercial Service as follows:

- 1) No later than March 1, 2025, line extension allowances for rate schedules 503 and 504 shall reflect an allowance based on the net present value (NPV) methodology using a two-year timeframe and updated inputs from this rate case.
- 2) No later than March 1, 2026, line extension allowances for rate schedules 503 and 504 shall reflect an allowance based on the net-present value (NPV)

¹⁴³ W.U.T.C v. Puget Sound, In the Matter of the Petition of Puget Sound Energy for and Order Authorizing Deferred Accounting Treatment for Puget Sound Energy's Share of Costs Associated with the Tacoma LNG Facility, Dockets UE-220066 and UG-220067 (*Consolidated*) Order 32 and Docket UG-210918, Order 18 at 17 ¶ 55 (May 16, 2024).

¹⁴⁴ Settlement at 12 ¶ 34.

methodology using a one-year timeframe and use the same updated inputs from this rate case.

- 3) No later than March 1, 2027, line extension allowances for rate schedules 503 and 504 shall be reduced to zero.¹⁴⁵

104 On January 6, 2025, the Commission issued Bench Request No. 1 to the Settling Parties to brief the Commission on the issue of phasing out line extension allowances by March 2027. This limited briefing was intended to address how the Commission should consider paragraph 34 of the Settlement following the passage of Washington Ballot Initiative 2066 (I-2066 or Initiative) on November 5, 2024, which is now codified in the Revised Code of Washington (RCW) 80.28.425.¹⁴⁶ Section 13 of RCW 80.28.425 in relevant part provides that:

The commission shall not approve, or approve with conditions, a multiyear rate plan that authorizes a gas company or large combination utility to require a customer to involuntarily switch fuel use either by restricting access to natural gas service or by implementing planning requirements that would make access to natural gas service cost-prohibitive.

105 On January 13, 2025, Cascade and each of the intervening parties¹⁴⁷ responded to Bench Request No. 1 and briefed the Commission on this narrow issue. In Cascade's Response, the Company acknowledges the potential conflict between the Settlement Agreement to phase out LEAs by 2027 and Section 13 of the RCW 80.28.425. Cascade indicates regardless of how the Commission rules on this issue, it will still collect data to examine the impacts of eliminating LEAs for Schedules 503 and 504 and wait for future guidance from the Commission.¹⁴⁸ In short, Cascade does not take a stance on whether the settlement stipulation runs afoul of this newly enacted requirement but otherwise supports the Settlement Agreement.¹⁴⁹

¹⁴⁵ *W.U.T.C. v. Cascade Natural Gas Corp.*, Cascade Response to Bench Request No. 1 at 2-3 ¶ 5 (January 13, 2025).

¹⁴⁶ RCW 80.28.425(12) and (13) (Initiative Measure No. 2066, approved November 5, 2024). [Washington Ballot Initiative 2066](#).

¹⁴⁷ Public Counsel did not provide briefing but submitted a letter dated January 13, 2025, that states "Staff has sufficiently responded to the Request."

¹⁴⁸ Cascade's Response to Bench Request No. 1 at 5 ¶ 10.

¹⁴⁹ Cascade's Response to Bench Request No. 1 at 6 ¶ 11.

- 106 While Staff acknowledges in its brief that the mandates of RCW 80.28.425(12) and (13) “apply to the Commission’s disposition of the proposed settlement,” Staff argues that the stipulation to phase out LEAs by 2027 “does not incent existing customers to explore energy alternatives” and thus is not in conflict with these provisions.¹⁵⁰ Staff further argues that LEAs, and line extensions generally, are not explicit “planning requirements” under RCW 80.28.425(13), are not even “key inputs in planning and demand forecasting” contemplated in the Commission rules, and in any event are not “cost-prohibitive.”¹⁵¹ Rather, Staff reasons that the phase out of LEAs “over the next two years may result in reduced costs to ratepayers, since the collective ratepayer pool will not be responsible for subsidizing line extensions for individual customers.”¹⁵² Finally, Staff highlights that eliminating the allowances for line extensions “does not jeopardize the ability of customers to choose to bring natural gas to their property,” but instead simply removes the subsidy and requires the customer requesting the line extension to bear the true cost.¹⁵³
- 107 AWEC’s brief acknowledges that eliminating LEAs “does not outright restrict access to natural gas service but it does impact the cost and affordability of obtaining new gas service.”¹⁵⁴ AWEC questions the definition of “cost-prohibitive” and reasons that “although planning requirements typically occur in the context of an Integrated Resources Plan (IRP),” such terms could reasonably be extended to include LEA calculations and policies as they relate to adding new customers to the system, and “thus fall under...I-2066 Section 4(13).¹⁵⁵ AWEC also explores whether eliminating LEAs for some customers will make costs so high that accessing natural gas is not reasonably affordable, whereas other customers may be able to absorb the full cost of the line extension without a subsidy.¹⁵⁶ However, if the Commission determines the cost of eliminating LEAs is cost-prohibitive, AWEC opines it must also determine whether these costs will lead to involuntary fuel switching.¹⁵⁷ In sum, although AWEC indicates that “no party explicitly asserted that the purpose of Paragraph 34” in the Parties Settlement “was to promote fuel

¹⁵⁰ *W.U.T.C. v. Cascade Natural Gas Corp.*, Brief of Commission Staff Response to Bench Request No. 1 at 3-4 ¶ 8-9 (January 13, 2025).

¹⁵¹ Staff Response to Bench Request No. 1 at 5 ¶ 14-15.

¹⁵² Staff Response to Bench Request No. 1 at 6 ¶ 18.

¹⁵³ Staff Response to Bench Request No. 1 at 8 ¶ 22 and 9 ¶ 23.

¹⁵⁴ *W.U.T.C. v. Cascade Natural Gas Corp.*, AWEC Brief in Response to Notice of Bench Request and Additional Briefing (AWEC’s Response to Bench Request No. 1) at 4 ¶ 7 (January 13, 2025).

¹⁵⁵ AWEC’s Response to Bench Request No. 1 at 4 ¶ 8.

¹⁵⁶ *Id* at 5 ¶ 9.

¹⁵⁷ *Id* at 5 ¶ 10.

switching,” it concludes that since AWEC is unable to conclusively demonstrate if this provision conflicts with RCW 80.28.425, the Commission should approve the Settlement in its entirety.¹⁵⁸

108 TEP asserts in its brief that there is “[n]othing in I-2066 [that] prohibits the Commission or utility from modifying line extension policies.”¹⁵⁹ TEP reasons that the clause “that would make access to natural gas cost-prohibitive” only modifies the phrase “planning requirements,” and that nothing in paragraph 34 of the parties Settlement conflicts with I-2066.¹⁶⁰ Finally, TEP argues that even if the Commission finds the Settlement Stipulation conflicts with RCW 80.28.425, the GRC was filed prior to the voters approving I-2066 in the November 5, 2024, election, and therefore the provisions do not retroactively apply.¹⁶¹

Commission Determination

109 The Commission thanks the Settling Parties for the additional briefing on an important question of first impression under RCW 80.28.425. After deliberation, the Commission finds that the Settling Parties’ agreement to phase out LEAs by March 1, 2027, does not run afoul of this newly enacted legislation.

110 There are two provisions that might arguably apply to the Settlement’s LEA term, RCW 80.28.425(12), which provides that “the commission shall not approve a multiyear rate plan that requires or incentivizes a . . . natural gas company to terminate natural gas service to customers.”¹⁶² We find that Section 12 does not apply to Settlement Term J; in this, we concur with AWEC’s reading that the “the *line extensions relate to the provisions of new gas distribution service*, not the termination of existing service.”¹⁶³

111 The other provision of RCW 80.28.425 that arguably applies is Section 13, which prohibits the Commission from approving a rate plan that authorizes a gas company to require a customer to “involuntarily switch fuel use.”¹⁶⁴ This section contemplates two kinds of Commission-approved authorizations that would be prohibited: first, one that

¹⁵⁸ AWEC’s Response to Bench Request No. 1 at 6 ¶ 12.

¹⁵⁹ *W.U.T.C. v. Cascade Natural Gas Corp.*, Response to Bench Request No. 1 and Brief of The Energy Project (TEP’s Response to Bench Request No. 1) at 2 ¶ 5 (January 13, 2025).

¹⁶⁰ TEP’s Response to Bench Request No. 1 at 4 ¶ 9.

¹⁶¹ *Id* at 5 ¶ 11.

¹⁶² RCW 80.28.425(12), Initiative Measure No. 2066, approved November 5, 2024).

¹⁶³ AWEC’s Response to Bench Request No. 1 at 3 ¶ 6 (Emphasis added).

¹⁶⁴ Initiative Measure No. 2066, Section 4(12).

“restricts access to natural gas service;”¹⁶⁵ and second, one that “implements planning requirements that would make access to natural gas service cost-prohibitive.”¹⁶⁶

112 We start with the threshold question of whether implementation of Settlement Term J, might cause a customer to “involuntary switch fuel use.” We hold that it cannot.

113 We concur with TEP, which states that RCW 80.28.425(13):

By its plain language, only prohibits MYRPs that require customers to “involuntarily switch fuel use.” Nothing in the Settlement Stipulation pertains to fuel switching, let alone involuntary fuel switching, so Section 13 is inapplicable. The Commission’s analysis can end there.¹⁶⁷

114 Staff is similarly succinct: “Line extensions do not apply to existing natural gas customers. This term only concerns new lines being run to customer properties that do not currently have gas access.”¹⁶⁸ We agree.

115 Where a statute does not define a term “courts will give the term ‘its plain and ordinary meaning unless a contrary legislative intent is indicated,”¹⁶⁹ and will consider the context of the statute so as to harmonize and give meaning to every term.¹⁷⁰ “[T]he legislature does not intend to create inconsistent statutes,”¹⁷¹ and if the language is clear, unambiguous, and devoid of uncertainty then “there is no room for construction,” and the

¹⁶⁵ Initiative Measure No. 2066, Section 4(12).

¹⁶⁶ *Id.*

¹⁶⁷ TEP’s Response to Bench Request No. 1 at 2 ¶ 5.

¹⁶⁸ Staff Response to Bench Request No. 1 at 4 ¶ 9.

¹⁶⁹ *State v. Connors*, 9 Wash.App.2d 93, 95-6, 442 P.3d 20 (2019) citing *State v. Jones*, 172, Wnd2d 236, 242, 257 P.3d 616 (2011) (quoting *Ravenscroft v. Wash. Water Power Co.*, 136 Wn.2d 911, 920-21, 969 P.2d 75 (1998)). See also *Dep’t of Ecology v. Campbell & Gwinn, LLC.*, 146 Wash.2d 1, 9-10, 43 P.3d 4 (2002).

¹⁷⁰ *In re Puget Sound Energy Declaratory Order of RCW 19.285.040(2)(h)*, Docket U-111663, Order 01, ¶ 22 (Dec. 1, 2011) citing *Am. Legion Post No. 149 v. Wash. State Dep’t of Health*, 164 Wn.2d 570, 585, 192 P.3d 306 (2008)

¹⁷¹ *Am. Legion Post No. 149 v. Wash. State Dep’t of Health*, 164 Wn.2d 570, 585, 192 P.3d 306 (2008).

inquiry ends.¹⁷² As such, in “satisfying the intent of the statute,” the Commission will avoid a reading that leads to absurd results.¹⁷³

- 116 Here, the plain meaning of the word, “switch” means “a shift from one to the other,”¹⁷⁴ and RCW 80.28.425 (13) clearly and unambiguously applies to existing gas customers who might be “involuntarily switched” to electricity. Similarly, RCW 80.425(12) concerning “termination” of gas service does not apply to new customers, so, consistently, Section 4(13) concerning requiring “involuntary fuel-switching” does not apply to new customers either. Further, we find that the word, “involuntary,” modifying the word “switch” is not surplusage. The section clearly addresses customers who are made to involuntarily switch *from* gas. To read the words otherwise would require the Commission to construe the provision in a manner inconsistent with “the well understood meaning according to its natural and ordinary sense and meaning,” and thus should not be subject to the Commission’s interpretation.¹⁷⁵
- 117 Even had we determined the threshold question otherwise we hold that neither of the two kinds of contemplated Commission-approved authorizations prohibited under RCW 80.28.425 would apply to Settlement Term J. In holding that the first kind – “restricting access to natural gas service” – does not apply, we concur with AWEC’s reading that “[e]liminating a line extension [allowance] does not outright restrict access to natural gas service.”¹⁷⁶ Based on our reasoning in the preceding and next paragraphs, the cost question is not a relevant question for new gas customers, and we need not address it.
- 118 We also hold that the second kind – implementing “planning requirements that would make access to natural gas service cost-prohibitive” – does not apply here either. Simply put, Settlement Term J is not a “planning requirement.”
- 119 On the whole, we concur with Staff’s analysis of the question. To summarize, Staff argues that a “planning requirement” can be understood to be a necessary or essential action for

¹⁷² *In re Puget Sound Energy Declaratory Order of RCW 19.285.040(2)(h)*, Docket U-111663, Order 01, ¶ 22.

¹⁷³ *State v. Delgado*, 148 Wn.2d 723 at 733 (2003) (Madsen, J., dissenting) citing among other cases, *State v. Vela*, 100 Wn.2d 636, 641, 673 P.2d 185 (1983).

¹⁷⁴ Merriam-Webster Online Dictionary at: [Switch Definition & Meaning - Merriam-Webster](#)

¹⁷⁵ *Am. Legion Post #149 v. Wash. State Dep’t of Health*, 164 Wn.2d 570, 585, 192 P.3d 306 (2008).

¹⁷⁶ AWEC’s Response to Bench Request No. 1 at 4 ¶ 7. Note, in its brief AWEC goes on to state that eliminating on to state that, eliminating an allowance “does not outright restrict access to natural gas service, but it does impact the cost and affordability of obtaining new gas service.”

establishing goals, policies, or procedures, for carrying out the long-term planning documents that utilities must produce.”¹⁷⁷ Further, “[l]ine extension allowances are not specifically contemplated in the planning requirements in Commission rules. Additionally, Staff views neither line extension allowances nor line extensions themselves as key inputs in planning and demand forecasting, and Cascade does not use the line extension allowances as such.”¹⁷⁸ We agree, and hold that at best, line extension allowances may be “inputs” into planning and demand forecasting, but they are not “planning requirements.” In any event, according to Staff, the Company does not even use them as planning inputs.

120 We concur with Staff that the Settlement Term J merely rolls back a subsidy for new customers that is paid by existing customers:

Whatever price signals result from the true costs of line extension are based solely on the free market and economy. Allowances are funded by ratepayers. Removing them over the next two years may result in reduced costs to ratepayers, since the collective ratepayer pool will not be responsible for subsidizing line extensions for individual customers.¹⁷⁹

121 For these reasons, we hold that approval of Settlement Term J – voluntarily agreed to by the Settling parties, including among them a broad representation of natural gas customers - does not violate RCW 80.28.425. Accordingly, we approve this Settlement term without conditions.

IV. FINDINGS OF FACT

122 Having discussed above in detail the evidence received in this proceeding concerning all material matters, and having stated findings and conclusions upon issues in dispute among the parties and the reasons therefore, the Commission now makes and enters the following summary of those facts, incorporating by reference pertinent portions of the preceding detailed findings:

123 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including natural gas companies.

¹⁷⁷ Staff Response to Bench Request No. 1 at 5 ¶ 13.

¹⁷⁸ Id at 5 ¶ 14.

¹⁷⁹ Staff Response to Bench Request No. 1 at 6-8 ¶ 18.

- 124 (2) Cascade is a “natural gas company” and a “public service company,” as those terms are defined in RCW 80.04.010 and used in Title 80 RCW. Cascade provides gas utility service to customers in Washington.
- 125 (3) Cascade’s currently effective rates were determined by the Commission’s Final Order approving a full multiparty settlement in *Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corp.*, Docket UG-210755, Order 09 (August 23, 2022).
- 126 (4) On March 29, 2024, Cascade filed revised tariff sheets to amend its currently effective Tariff WN U-3 for natural gas service and On April 18, 2024, the Commission suspended the filing in Order 02.
- 127 (5) Cascade originally filed a request for a two-year MYRP with an increase in its annual natural gas revenue requirement of approximately \$43.8 million, for RY1, starting March 1, 2025, and \$11.7 million, starting March 1, 2026, for RY2. Cascade also included restating and pro forma adjustments to line up with each respective calendar year.
- 128 (6) On November 5, 2025, Cascade filed a formal letter in the docket informing the Commission that all parties, except Public Counsel, reached a full multiparty settlement in principle, and on December 11, 2024, the Settling Parties filed supporting testimony in support of the Settlement.
- 129 (7) Like the original filing, the Settlement requests a two-year MYRP but represents a significant reduction compared to Cascade’s original request, with an increase in its annual revenue requirement of \$29.799 million for RY1, and \$10.814 million for RY2.
- 130 (8) On December 20, 2024, Public Counsel filed a letter in the docket confirming it did not oppose the Settlement, and on January 2, 2025, the Commission issued a notice cancelling the two-day evidentiary hearing set for January 7-8, 2025, given the full settlement in principle reached.
- 131 (9) The Settling Parties’ agreed upon return on equity of 9.5 percent is in line with what the Commission previously authorized in Cascade’s 2022 GRC and is consistent with the principles of gradualism.
- 132 (10) Cascade has demonstrated sufficient evidence of its continued dedication to promoting equitable outcomes by: (a) applying multi-pronged strategies to promote and ensure more equitable outcomes for customers as directed in Docket UG-210755; (b) retaining reporting requirements in accordance with U-210800;

(c) collaborating with EAG to develop a language access plan and to conduct an Energy Burden Analysis in the next to two years, and with CARES to distribute and prioritize resources more equitably; and (d) obtaining customer demographic information on an optional basis

- 133 (11) By agreeing to update existing metrics and to report two new affordability and equity metrics, the Settlement provides the Commission with a set of performance measures that will be used to assess Cascade's performance as required by RCW 80.28.425(7).
- 134 (12) At the Commission's request, the Parties submitted briefs concerning the impact of RCW 80.28.425(13) on Term J of the Settlement, concerning line extension allowances.
- 135 (13) No party identified a conflict between Term J of the Settlement and RCW 80.28.425(12) and RCW 80.28.425(13).

V. CONCLUSIONS OF LAW

136 Having discussed above all matters material to this decision, and having stated the following summary conclusions of law, incorporating by reference pertinent portions of the preceding detailed conclusions:

- 137 (1) The Commission has jurisdiction over the subject matter of, and parties to these proceedings.
- 138 (2) Cascade is a natural gas company and a public service company subject to Commission jurisdiction.
- 139 (3) In any proceeding proposing to change a tariff schedule, the effect of which could be to increase any rate, charge, rental, or toll theretofore charged, the burden of proof to show that such increase is just and reasonable will be upon the public service company. RCW 80.04.130(4). The Commission's determination of whether the Company has carried its burden is adjudged on the basis of the full evidentiary record.
- 140 (4) Cascade's existing rates for gas service are neither fair, just, reasonable, nor sufficient, and should be adjusted prospectively after the date of this Order.
- 141 (5) The evidence supports the Settlement's proposed overall rate of return of 7.185 percent for RY1 and RY2 as reasonable, and results in fair, just, reasonable, and sufficient rates.

- 142 (6) A capital structure for Cascade with 50.5 percent long-term debt and 49.5 percent equity for RY1 and RY2 is in the public interest, and results in fair, just, reasonable and sufficient rates.
- 143 (7) The evidence supports the Settlement's proposed rate spread and rate design by equitably distributing cost burdens resulting from the revenue requirement increase, and represents reasonable, just, fair and sufficient rates.
- 144 (8) The additional reductions in revenue requirement related to reclassifying specific capital projects from RY1 to RY2 and moving projects from RY2 outside this MYRP and establishing a capital run rate of \$600,000 for both rate years is reasonable to leverage further cost savings and is in the public interest.
- 145 (9) The Settling Parties hybrid portfolio/project-by-project review process is reasonable and in the public interest and provides a reasonable process for reviewing Cascade's provisional plant over the course of the MYRP.
- 146 (10) The Settlement's enhancement to Cascade's Credit and Collections and other terms related to low-income customers weigh in favor of approving the Settlement as consistent with equity and the public interest.
- 147 (11) The Settlement reasonably and appropriately allows Cascade to file tariff revisions to recover arrearages related to bad debt expenses resulting from the COVID-19 pandemic, and to amortize these costs over three years from the date of the approval of this order.
- 148 (12) The evidence supports approving Cascade's updated ROE of 9.5 percent for RY1 and RY2, as it is within the range of reasonableness and sufficient to attract investors.
- 149 (13) The Commission should authorize and require Cascade to make a compliance filing annually in this Docket to increase its prospective rates by \$29.799 million for RY1, and \$10.814 million for RY2.
- 150 (14) The Commission should authorize the Settling Parties hybrid portfolio/project-by-project review process for reviewing Cascade's provisional plant over the course of the MYRP.
- 151 (15) The Commission should continue to require Cascade to provide, in both its initial

compliance filing and the collaborative compliance filing, the customer bill impacts by customer class, including both the percentage increase to billed rates for all customer classes and the dollar increase per month for the average residential customer.

- 152 (16) The Commission may appropriately consider a “results only” settlement, such as the one in this case, pursuant to *Hope Natural Gas*, RCW Title 80, and Commission practice.
- 153 (17) The Commission should authorize Settlement Term J – voluntarily agreed to by the Settling partes, including among them a broad representation of natural gas customers as not conflicting with or violating RCW 80.28.425.
- 154 (18) The Commission should authorize the Commission Secretary to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 155 (19) The Commission should retain jurisdiction over the subject matters and the parties to this proceeding to effectuate the terms of this Order.

VI. ORDER

THE COMMISSION ORDERS:

- 156 (1) The proposed tariff revision Cascade filed in this docket on March 29, 2024, and suspended by prior Commission order are rejected.
- 157 (2) The Commission approves the Multiparty Settlement Agreement, which is attached as Appendix A, and incorporated into this Order, and adopts the Settlement Agreement subject to the conditions outlined in paragraphs 75, 76, and 77 of this as its final resolution of this Docket.
- 158 (3) Cascade is authorized and required to make compliance filings in this docket including all tariff sheets that are necessary and sufficient to effectuate the terms of this Order. The stated effective date included in the compliance filing tariff sheets must allow five business days after the date of filing for Commission review.
- 159 (4) The parties to the Multiparty Settlement Agreement are authorized and required to

separately notify the Commission by March 10, 2025, by a letter to the Commission Secretary filed in this Docket whether each accepts the conditions of approval set by this Order on the Multiparty Settlement Agreement filed in Docket UG-240008. If any party to the Multiparty Settlement Agreement does not accept the terms of approval set by this Order, the Multiparty Settlement Agreement is deemed denied.

- 160 (5) The Commission Secretary is authorized to accept by letter, with copies to all Parties to this proceeding, filings that comply with the requirements of this Order.
- 161 (6) The Commission retains jurisdiction over the subject matter and parties to this proceeding to effectuate the terms of this Order.

DATED at Lacey, Washington, and effective February 24, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



ANN E. RENDAHL, Commissioner



MILT DOUMIT, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-07-870.