BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, DOCKET UG-200568

COMPLAINANT,

v.

CASCADE NATURAL GAS CORPORATION,

RESPONDENT.

POST-HEARING BRIEF
OF
THE ENERGY PROJECT

MARCH 22, 2021
Table of Contents

I. INTRODUCTION ..............................................................................................................................................1

II. CASCADE’S LOW-INCOME PROGRAMS ...........................................................................................................2
   A. Overview ......................................................................................................................................................2
      1. The Washington Energy Assistance Fund (WEAF) .............................................................................2
      2. Low-income weatherization .................................................................................................................5
   B. The Next Steps for WEAF .......................................................................................................................6

III. DISCONNECTION REDUCTION PLAN .........................................................................................................7
   A. The Energy Project Recommends That Cascade Adopt A Disconnection Reduction Plan ..........7
   B. Cascade Agrees In Part With The TEP Recommendation But Should Also Be Required to Develop and File A Plan .................................................................8
   C. A Cascade Disconnection Reduction Plan Will Complement Other Efforts ....................................9

IV. OTHER ISSUES ...............................................................................................................................................10
   A. Cascade’s Filing Is Poorly Timed ..........................................................................................................10
   B. The Evidence Of Record Casts Substantial Doubt On Cascade’s Need For A Rate Increase .......12
      1. The Commission should not approve an increase in Cascade’s revenue requirement ............12
      2. No increase in Cascade’s shareholder return should be awarded .............................................13

V. CONCLUSION ...............................................................................................................................................14
UTC ORDERS

In the Matter of Response to the COVID-19 Pandemic,
Docket U-200281, Order 01, ¶¶ 18-19 (funding), ¶ 20 (long term payment arrangements); Order 02, ¶ 19 (extending disconnection moratorium to July 31, 2021 (COVID-19 Response Orders)

Washington Utilities & Transportation Commission v Cascade Natural Gas,
Docket UG-152286, Order 04, ¶ 12

Washington Utilities & Transportation Commission v. Avista Corp.,
Dockets UE-190334/UG-190335, Order 09, ¶ 58 (adopting Settlement ¶ 14(c))

Washington Utilities & Transportation Commission v. Cascade Natural Gas Corp.,
UG-190210, Order 05 (Feb. 3, 2020), Exh. A, Joint Settlement Agreement, ¶ 10

Washington Utilities & Transportation Commission v. Cascade Natural Gas,
UG-170929, Order 06, ¶¶ 73-76

Washington Utilities & Transportation Commission v. PacifiCorp,
Docket UE-191024 et al., Order 09/07/12, Revised and Amended Settlement Stipulation, ¶¶ 38-39

Washington Utilities & Transportation Commission v. Puget Sound Energy,
UE-190529 et al., Final Order 08/05/03, ¶¶ 106-108 (July 8, 2020)

Washington Utilities & Transportation Commission v. Puget Sound Energy,
Dockets UE-190529/UG-190530 et al., Order 08, ¶¶ 537, 714, 781

Washington Utilities & Transportation Commission v. Puget Sound Energy,
UE-190529, ¶ 546

POST-HEARING BRIEF OF THE
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I. INTRODUCTION

1. The Energy Project’s (TEP) Post-Hearing Brief in this docket addresses three issue areas: The Cascade Natural Gas Corporation (Cascade) low-income assistance programs; TEP’s proposal for a Disconnection Reduction Plan; and Cascade’s requested revenue and ROE increases.

2. With respect to Cascade’s low-income program the theme is encouraging. As the testimony of both Cascade and TEP reflect, Cascade’s permanent bill-assistance program, the Washington Energy Assistance Fund (WEAF), is functioning well, with notably increasing distribution of assistance, and good funding support for the near term. The parties are not proposing any program design or funding changes to WEAF in this docket. Cascade and TEP agree that future funding levels are appropriately reviewed in the WEAF Advisory Group, with a status report to the Commission by April 1, 2022. Cascade’s low-income weatherization program has also produced good results, with substantial increases in energy savings after recent agreed program modifications approved by the Commission. No changes are proposed for low-income weatherization in this docket.

3. On the issue of the Disconnection Reduction Plan recommended by TEP, the Company agrees that there is potential value to such a Plan, and agrees to consult with its WEAF Advisory Group. The difference of opinion in this case is that, in contrast to other Washington IOUs, Cascade does not agree to develop and file a Plan within one year. The Energy Project requests that the Commission require the Company to complete this final key step in the process.
Finally, TEP has general concerns about the timing and overall impact of the requested rate increase on low-income customers, a category which includes many who are not currently protected by WEAF participation. Cascade has not made the case that asking customers to face increased energy charges so soon after the 2020 rate increase is reasonable. As customers continue to struggle to emerge from the economic effects of the pandemic, increase requests should only be approved as a last resort, and deserve particularly careful scrutiny. There is strong evidence from multiple witnesses in this record that the overall revenue request is unsupportable and that rates in fact should be reduced. Similarly, multiple witnesses agree that Cascade’s return on equity, its shareholder profit margin, should not only not be increased, but can reasonably be considered for a reduction.

II. CASCADE’S LOW-INCOME PROGRAMS

A. Overview

1. The Washington Energy Assistance Fund (WEAF)

Cascade’s residential bill assistance program, the WEAF, is established under the Company’s tariffs. The current WEAF program structure was implemented as a result of an all-party settlement in Cascade’s 2015 General Rate Case. Parties to the settlement were Cascade, Staff, Public Counsel, Northwest Industrial Gas Users, and The Energy Project. The settlement adopted a five-year funding plan for Cascade’s WEAF, designed to gradually increase bill

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1 Schedule 303.
assistance funding over the term of the plan. The settlement was approved by the Commission in its final order in the case.  

6. The WEAF program is intended to help customers stay connected to energy service by creating more affordable bills by reducing arrearages and by providing credits on bills to help with future payments. Additionally, it seeks to reduce the overall cost of bad debt by preventing the accrual of large unpaid balances for all customers.

7. As detailed in the WEAF tariff, funding is administered and delivered to qualifying residential customers through agreements established with the following Community Action Agencies that serve Washington counties in Cascade’s service territory:

- Blue Mountain Action Council
- Chelan-Douglas Community Action Council
- Coastal Community Action Council
- Community Action Connections
- Community Action Council of Lewis, Mason, & Thurston
- Community Action of Skagit County
- Kitsap Community Resources
- Lower Columbia Community Action Program
- Northwest Community Action Program

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2 Washington Utilities & Transportation Commission v Cascade Natural Gas, Docket UG-152286, Order 04, ¶ 12.

3 These agencies also deliver federal Low-Income Heating Assistance Programs (LIHEAP) funds to customers. Schedule 303.
The Company executes contracts with the delivering agencies establishing roles and responsibilities, evaluates agency performance, and can terminate contracts for failure to comply with contract requirements.4

Cascade also offers the Winter HELP program, a non-tariffed donation-based emergency fund, targeted for low-income, senior, and disabled customers at risk of disconnection.5

In her prefiled direct testimony in this docket, Cascade President and CEO Nicole Kivisto discussed Cascade’s customer support programs, including bill assistance through WEAF and Winter Help. Ms. Kivisto testified that the “WEAF program has been successful and was updated to better serve low-income customers.”6 For example, based on discussions with its WEAF Advisory Group, just prior to the pandemic, the Company revised the WEAF eligibility threshold from 150 percent of Federal Poverty Level (FPL) to 200 percent FPL, with the goal of increasing the number of customers who can benefit from the WEAF program. The change was approved by the Commission.7

After the onset of the COVID-19 pandemic, based on dialogue with agencies and the WEAF Advisory Group, Cascade adopted more flexible income determination requirements for

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4 *Id.*

5 The Winter Help program is described on Cascade’s website.

6 Kivisto, Exh. NAK-1T at 7:15-8:6.

7 Advice No. W19-09-06 (September 30, 2019), approved in Docket UG-190826.
qualifying applicants. These changes, approved by the Commission, essentially allow customers to qualify based on their most recent three months or 30 days of income, better taking into account sudden income losses being experienced by customers in this period.\(^8\) In late October, Cascade shared results with agencies and WEAF Advisory Committee members reporting that the 2019/2020 WEAF program year was the second-most successful year of the program in distributing fund to eligible customers.\(^9\)

The basic WEAF program funding has been supplemented by COVID-19 response efforts. As Ms. Kivisto testifies, Cascade adopted The Hardship Economic Assistance Receivable (HEART) as a temporary modification to WEAF.\(^10\) The HEART program allows customers having trouble paying their bills to apply for one-time hardship grants of up to $400 from current WEAF funds. Cascade is also proposing additional temporary new COVID-19 bill assistance programs to go into effect on April 1, 2021.

2. **Low-income weatherization**

Cascade also offers a low-income weatherization program which has been working well. As Ms. Kivisto testified, funding for low-income weatherization has been increased.\(^11\) In large part due to changes approved by the Commission in the Cascade 2017 General Rate Case settlement,\(^12\) the low-income weatherization program has been producing substantial increases in energy savings. From 2018 to 2019, therm savings increased by 159 percent, while the number of

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\(^8\) Advice No. W20-08-01 (August 31, 2020), approved in Docket UG-200769.


\(^10\) Schedule 303.

\(^11\) Kivisto, Exh. NAK-1T at 8:12-9:2.

\(^12\) *Washington Utilities & Transportation Commission v. Cascade Natural Gas*, UG-170929, Order 06, ¶¶ 73-76.
homes served increased by 136 percent, from 28 homes in 2018 to 66 homes in 2019. No changes are being recommended for the low-income weatherization program in this docket.

B. The Next Steps for WEAF

14. Cascade and The Energy Project do not propose any changes to the WEAF program in their testimony in this case. The Energy Project concurs with Ms. Kivisto’s testimony that the WEAF program is working well. Recent improvements include increasing the eligibility threshold to 200 percent of Federal Poverty Level to enhance participation, and a Company commitment to support increased funding as needed.13 Cascade has done a good job consulting with its agencies and the WEAF Advisory Group in developing program modifications that improve the program.

15. Although the current WEAF five-year funding plan expires after the 2020/2021 program year (October 1, 2020-September 30, 2021), no extension is proposed in this docket by Cascade or The Energy Project.14 There is significant uncertainty created by the COVID-19 pandemic and the implementation of the low-income and equitable transition components of the Clean Energy Transformation Act (CETA). In addition, for the upcoming near-term program years, the Commission’s COVID-19 Response Order provides for temporary additional bill and arrearage assistance funding for Cascade and other regulated IOUs. In light of these factors, it would be premature to extend the five-year plan or fix a new multi-year plan in place at this point in time.

13 Kivisto Direct, Exh. NAK-1T at 7:22-8:6
14 It is important to clarify that the WEAF program itself does not expire on that date. The program would continue but due to the plan expiration would be frozen at the current funding level.
16. The Energy Project anticipates that the Company and WEAF Advisory Group will work together to discuss future funding levels, and any other necessary program changes for WEAF, needed after the end of the 2021/2022 program year. Therefore, TEP simply recommends that the Commission set a date for a status report from Cascade regarding the WEAF program for April 1, 2022. This will allow agencies and the companies approximately 6 months to implement any WEAF changes for the 2022/2023 program year. Cascade states that it is amenable to this proposal and agrees it provides adequate time to implement any WEAF changes.15

III. DISCONNECTION REDUCTION PLAN

A. The Energy Project Recommends That Cascade Adopt A Disconnection Reduction Plan.

17. The Energy Project recommends that Cascade be required, in consultation with the WEAF Advisory Group, to develop a Disconnection Reduction Plan and to file the Plan with the Commission within one year of the final order in this docket.16

18. Disconnection of utility service for non-payment is an important issue for TEP. Before the COVID-19 pandemic, low-income ratepayers were facing continuous upward bill pressure on rates from a range of factors including continuous utility rate case filings, revenue support mechanisms such as decoupling, costs of new technology, and costs of the transition to new clean energy resources.

19. On top of these trends has now been layered the economic, health, and personal impacts of COVID-19 crisis. The crisis has emphasized the high value in keeping customers connected to

15 Kivisto, Exh. NAK-2T at 11:15-19.
16 Collins, Exh. SMC-1T at 10:13-16.
essential utility service. This has been recognized by the implementation of disconnection moratoria in Washington, voluntarily by companies initially, and subsequently by action of Governor Inslee\textsuperscript{17} and this Commission. The conditions under COVID-19 have triggered the need for a re-examination of Washington credit and collection practices, including disconnection practices. The ultimate goal should be elimination of disconnection from service to the maximum extent possible. These pressures on affordability increasingly threaten the ability of customers to maintain a connection to vital energy service.

20. The Energy Project appreciates that the Commission and IOUs have been responsive to these concerns. The Commission has approved agreements by Puget Sound Energy (PSE), Avista, and PacifiCorp in their most recent general rate cases to adopt Disconnection Reduction Plans.\textsuperscript{18}

B. Cascade Agrees In Part With The TEP Recommendation But Should Also Be Required to Develop and File A Plan

21. Cascade agrees that a Disconnection Reduction Plan “may be useful to help reduce or eliminate service disconnection.”\textsuperscript{19} Cascade states that it views disconnection as a last resort and disconnection reduction or elimination may be in the best interest of all parties if costs are not shifted unfairly to other customers or the Company.\textsuperscript{20}

\textsuperscript{17} Proclamation By The Governor Amending And Extending Emergency Proclamations 20-05 and 20-23, et seq., 20-23.15, Ratepayer Assistance and Preservation of Essential Services.


\textsuperscript{19} Kivisto Rebuttal, Exh. NAK-2T at 12:1-8.

\textsuperscript{20} Id.
22. Despite this shared view of the benefits of a Plan, Cascade falls short of agreeing to TEP’s proposal to develop and file a plan. Ms. Kivisto testifies only that Cascade “agrees to consult with the Company’s WEAF Advisory Group in 2021 about developing a Disconnection Reduction Plan.” The Energy Project’s concern is that this may not result in a Plan at the end of the process. This puts Cascade at odds with the three other IOUs in the state who are pursuing the development and filing of plans in the one-year time frame.21

C. A Cascade Disconnection Reduction Plan Will Complement Other Efforts

23. While TEP’s advocacy for the adoption of Disconnection Reduction Plans predated the onset of the COVID-19 crisis, it remains a relevant tool. The Energy Project recognizes and applauds the subsequent initiation of broad related efforts on this issue. In its COVID-19 Response Orders, the Commission has taken some significant steps to address disconnection and other consumer protection issues. In addition to the total moratorium on disconnection until July 31, 2021, the Commission has taken other steps that will help customers stay connected including: additional bill and arrearage assistance funding, more flexible payment plans, and others.22

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21 The Commission expressed approval for PSE’s agreement in its last GRC to develop and file a Disconnection Reduction Plan. Washington Utilities & Transportation Commission v. Puget Sound Energy, UE-190529, ¶ 546. (“We are pleased that PSE agrees with TEP’s proposal to develop a disconnection plan [.]”) Ms. Kivisto noted in rebuttal that none of the other companies had yet filed their Plans. Kivisto Rebuttal, Exh. NAK-2T, n. 21. This simply reflects that Plans were not yet due by the terms of the orders. Avista, the earliest utility to agree to this approach, filed its Plan with the Commission on March 17, 2021 in dockets UE-190334/UG-190335.

22 In the Matter of Response to the COVID-19 Pandemic, Docket U-200281, Order 01 ¶¶ 18-19 (funding), ¶ 20 (long term payment arrangements); Order 02, ¶19 (extending disconnection moratorium to July 31, 2021 (COVID-19 Response Orders).
24. The Commission approved some important steps that will also help address these issues over the longer term, including: (1) the initiation of a policy/rulemaking docket to address reform of credit and collection practices, (2) a requirement to consider adoption of Arrearage Management Programs (AMPs); and (3) reporting of detailed data regarding credit and collection activities.²³

25. The Energy Project’s recommendation is complementary to these efforts. When it is initiated, Cascade and the members of the WEAF Advisory Group will be participating in the industry-wide credit and collection rulemaking. Cascade continues to review whether or not to adopt Arrearage Management Plans. These discussions will inform the Cascade plan development and avoid redundant activity. If new rules or policies are adopted in the rulemaking, or if new AMPs are implemented, those can be reflected in the Disconnection Reduction Plan. Data provided pursuant to the new requirements of the Commission’s COVID-19 Response Order will provide a key resource for the discussions. Establishment of a company-specific plan requirement maintain symmetry with other IOUs and will create a vehicle for addressing any WEAF or Cascade specific issues in addition to those resolved in other forums.

IV. OTHER ISSUES

A. Cascade’s Filing Is Poorly Timed

26. The Energy Project questions Cascade’s decision to file this rate case during this period of serious economic challenge for its customers. As Alliance of Western Energy Consumers (AWEC), the industrial customer representatives in this case argue, “[i]t is not in the public

²³ Covid Response Order 01, ¶ 17 (CR 101 re credit and collection), ¶ 21 (AMPs), ¶¶ 28-30 (data).
interest to provide Cascade with extraordinary rate relief when many of the ratepayers Cascade is
serving are experiencing unprecedented hardship.”

27. As Commission Staff points out, Cascade has allowed almost no time to pass after its last
rate increase before filing for another in this case. When restated adjustments are taken into
account, including the last rate increase, according to Staff testimony Cascade appears to have
been overearning, exceeding its authorized rate of return in the test year.

28. The timing of this rate case filing appears to be more a function of a predetermined
internal Company regulatory strategy than being driven by actual cost recovery needs. As it has
previously, Cascade has again publicly stated that it is “likely” to file “sequential rate cases in
future years.” The approach appears to presume an ability to accurately predict the future. No
party, however, including Cascade, can accurately predict with precision the future state of
financial markets, changes in operational costs, customer loads, external economic factors and
regulatory requirements. It is difficult to understand how a company can know today whether it
will have a revenue deficiency several years in the future that would require filing a rate case.
Cascade’s own testimony in this case acknowledges this problem, explaining its decision not to
seek a multiyear rate plan on the basis that there is too much uncertainty about future years due to
the pandemic.

25 McGuire Response, Exh. CRM-1T at 2:23
26 McGuire Response, Exh. CRM-1T at 3:1-4
27 Kivisto Direct, NAK-1T at 5:4. See also, Docket UG-190210, Direct Testimony of Nicole A. Kivisto,
Exh. NAK-1T at 4:15-5:1 (Cost pressures “require the Company to file this rate case and sequential rate cases in future
years.”)
28 Kivisto Direct, NAK-1T at 5:7-14.
The stated justification is that such filings are needed to keep up with regulatory lag. Regulatory lag, however, is a neutral factor, which can cut both ways. It is perfectly possible in a future year that Cascade could be overearning. In that case, regulatory lag would benefit the company, and customers would be paying excessive rates until rates are corrected in a subsequent rate case. In summary, the sequential filing of rate cases appears to be policy decision of the Company rather than being evidence driven. The decision to file this case, therefore, may have had more to do with adherence to a strategy than to true financial need.

B. The Evidence Of Record Casts Substantial Doubt On Cascade’s Need For A Rate Increase

1. The Commission should not approve an increase in Cascade’s revenue requirement

Increases in utility rates inevitably are burdensome to customers at the best of times, especially for customers who have limited financial resources. During this period of serious economic challenge this impact is severely exacerbated. While TEP has not conducted its own revenue requirement or cost of capital analysis in this case, it has an overall concern, as in all rate cases, about whether there has been adequate justification for imposing new financial burdens on customers. The Commission Staff, Public Counsel, and AWEC have each presented revenue requirement analysis by expert witnesses, based upon extensive discovery and analysis of the Company filing. Each party concludes that Cascade has not justified its request to increase rates and that the evidence supports rate reductions. Commission Staff and Public Counsel recommend specific revenue reductions. Alliance of Western Energy Consumers, similarly,

29 Kivisto Rebuttal, Exh. NAK-2T at 2 (Table 1)(summarizing party revenue recommendations).
provides an evidentiary analysis to support a substantial revenue reduction, but, for policy reasons, ultimately recommends that Cascade revenues remain at current levels.\textsuperscript{30}

\textbf{31.  Staff strongly challenges the Company’s request, describing it as “frivolous” and “baseless.”}\textsuperscript{31} Staff’s initial response testimony states flatly that “Cascade does not need a rate increase,”\textsuperscript{32} noting that the request is “driven almost entirely by non-existent and/or unnecessary costs.”\textsuperscript{33} There is ample evidence in the record for the Commission to reduce Cascade’s rates, which would be a welcome and timely respite for customers. At a minimum, the Commission should determine that the record in this case does not warrant a rate increase.

\textbf{2.  No increase in Cascade’s shareholder return should be awarded}

\textsuperscript{32} One major component of Cascade’s increase is based upon the requested increase in the return on equity for shareholders. While Cascade has moderated its initial dramatic request for an increase to 10.3 percent, the cost of capital experts for Commission Staff and the Attorney General’s Office both conclude that Cascade’s ROE should be reduced below its current level rather than be increased.

\textbf{33.  The Energy Project does not support an increase in ROE in this case even to Cascade’s modified request of 9.8 percent.} Capital costs are generally at historically low levels and inflation is not pronounced. Recent ROE decisions in Washington rate cases have reduced ROE or held it steady. Cascade stipulated to an ROE of 9.4 percent in its last rate case, for the rate effective

\textsuperscript{\textit{\textsuperscript{30} Mullins Response, Exh. BGM-1T at 3:2-8.}}
\textsuperscript{\textit{\textsuperscript{31} McGuire Direct, Exh. CRM-1T at 5:3-9.}}
\textsuperscript{\textit{\textsuperscript{32} McGuire, Exh. CRM-1T at 3:15.}}
\textsuperscript{\textit{\textsuperscript{33} Id. at 3:19.}}
period beginning March 1, 2020.\(^34\) Last July, the Commission’s most recent litigated ROE decision reduced PSE’s ROE to 9.4 percent. In that decision the Commission also noted that it had recently set ROE at 9.4 percent for other Washington utilities.\(^35\)

Increasing profits to shareholders when so many customers are struggling with the basic necessities of living is not warranted. In light of current economic conditions, the expert testimony in this case, and the Commission’s recent decisions, there is not sufficient justification for increasing customer rates to fund an increase to Cascade shareholder returns. As with revenue requirement generally, there is also sufficient evidence in this case for the Commission, if it chooses, to reduce Cascade’s ROE to provide customers with much needed economic relief.

V. CONCLUSION

For the foregoing reasons, TEP respectfully recommends that the Commission:

- Approve the TEP and Cascade agreement for WEAF Advisory Group consultation regarding WEAF funding and the filing of a status report for WEAF by April 1, 2022;
- Require Cascade to develop a Disconnection Reduction Plan to be filed within one year of the final order in this case;
- Decline to award Cascade a rate increase in this case, and consider whether a rate reduction is warranted, based on the evidence submitted by Commission Staff, Public Counsel, and AWEC.


\(^{35}\) *Washington Utilities & Transportation Commission v. Puget Sound Energy*, UE-190529 et al., Final Order 08/05/03, ¶¶106-108 (July 8, 2020).
• Decline to increase Cascade’s return on equity.

Respectfully submitted,

DATED this 22\textsuperscript{nd} Day of March, 2021.

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