BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. CASCADE NATURAL GAS CORPORATION Respondent.	Docket No. UG-170929 CASCADE NATURAL GAS CORPORATION'S REPLY TO PARTIES' RESPONSES TO BENCH REQUEST NO. 1

I. INTRODUCTION

1 On January 3, 2018, the Washington Utilities and Transportation Commission (Commission) issued Bench Request No. 1 in this docket requesting that Cascade Natural Gas Corporation (Cascade or Company) provide information regarding the impact of the new tax law, the Tax Cuts and Jobs Act (TCJA), on the Company's current rate case. While the full impact of the TCJA on the Company during 2018 will likely not be known with certainty until the Company prepares its 2018 taxes in 2019, the Company has worked diligently to provide the Commission and the parties with its best estimates regarding the impacts of the TCJA, and has updated these estimates over the course of this proceeding. Cascade provided an initial response to Bench Request No. 1 on January 12, 2018 (Initial Response), as well as a supplemental response on January 29, 2018 (Supplemental Response) and a second supplemental response on March 15, 2018 (Second Supplemental Response).

2 In accordance with Order 05 in this docket, Commission Staff (Staff) and Public Counsel filed responses to Bench Request No. 1 on March 23, 2018. The Alliance of Western Energy Consumers (AWEC), fka Northwest Industrial Gas Users, did not provide a response

to Bench Request No. 1, choosing instead to address tax issues in their response testimony. For the convenience of the Commission and the parties, Cascade will address all the tax-related proposals by all three parties in this reply.

3 The parties' respective positions on the issues raised in Bench Request No. 1 are summarized below in Table 1.

Table 1. Parties Positions on Bench Issues Raised in Bench Request No. 1

Issue	Cascade	Staff	Public Counsel	AWEC
Calculation of Accumulated Deferred Federal Income Tax (ADFIT)	Regulatory ADFIT as of December 31, 2017 is a Net Liability of $(58,002,904) on a system basis.	--	--	--
Calculation of Plant Excess Deferred Income Tax (EDIT)	Amount booked at 12/31/17 was $39.3 million plus $10.1 million for gross-up on a total system-basis. Washington would be $30.4 million without the gross-up.	$30.3 million based on 2016 or test year.	Public Counsel does not dispute Cascade's 12/31/17 EDIT or propose and alternative figure.	Calculates EDIT to be $29.5 million based on Cascade per books rate base.
Proposal for non-plant (unprotected) EDIT	Amortize non-plant (unprotected) EDIT over 10 years. Amount identified as $7.9 million system or $6.1 million Washington at 12/31/2107. Annual amortization would be $609k.	Increase rate base by $3.7 million (amount of non-plant (unprotected) EDIT) and refund to customers over 1 year based on 2016 or test year calculation.	Public Counsel supports the 10-year amortization period for the non-plant (unprotected).	AWEC does not address.
Proposal for Reversed Plant EDIT	No adjustment to rate base. Adjust rates by 2018 estimated ARAM amount of $1.3 million.	Increase rate base by $1.1 million (amount of reversed protected EDIT calculated using ARAM) and refund to customers over 1 year.	Public Counsel supports the use of ARAM for plant (protected and unprotected).	Proposes to amortize at the average depreciation rate of 2.83%.
Proposal for Protected EDIT	Treat all plant, including basis adjustments as protected, subject to ARAM. Final measurement once tax return is filed.	Defer $29.2 million ($30.3 million minus $1.1 reversal) of protected EDIT to FERC Account 254 and require Cascade to annually report the balances of reversals	Treat all plant as protected and amortize using ARAM.	Using a 2016 measurement date, amortize $29.5 of plant EDIT over an average depreciation rate.

Issue	Cascade	Staff	Public Counsel	AWEC
		for protected EDIT in its CBRs.		
Interim Period Excess Calculation Methodology	Estimate of expected federal income tax at the new tax rate on 2016 test year data. Cascade estimates the amount to be $1.4 million.	Staff uses the revenue requirement inputs from Docket UG-152286 to estimate an annual over collection of $2.4 million ($1.6 million for interim period).	Uses Company methodology but also applies to Public Counsel's adjustments to estimate a $1.8 million amount for interim period.	Uses 12/31/16 rate base to calculate annual amount, includes interest during deferral period and amortization period. AWEC estimates the amount to be $2.7 million.
Proposal for Interim Period	To the extent the Company earns over its authorized in 2018, Cascade will pass back 100 percent of excess earnings to customers through its earnings sharing mechanism approved in Docket UG-152286.	Refund $1.6 million over seven months or one year through a separate tariff.	Refund $1.8 million which may occur through (1) separate mechanism, (2) the amount could be deferred and returned and a future time, or (3) the amount could be amortized and included as a reduction to revenue requirements as part of this proceeding.	Refund $2.7 million for TCJA deferral for interim period, refund occurs through base rates rather than through a separate tariff based on two-year amortization.

II. AMOUNT OF ACCUMULATED DEFERRED FEDERAL INCOME TAX (BENCH REQUEST NO. 1(A))

4 In its Bench Request No. 1(A), the Commission asked Cascade to provide "Accumulated Deferred Federal Income Tax (ADFIT) balance as of December 31, 2017."

5 No party has taken exception with the amount identified as ADFIT at December 31, 2017, which is a Net Liability of $(58,002,904) on a system basis. However, all parties calculate the EDIT by differing means and dates which is addressed later.

III. AMOUNT OF EXCESS DEFERRED FEDERAL INCOME TAX (PLANT) (BENCH REQUEST NO. 1(B))

6 In its Bench Request No. 1(B), the Commission asked Cascade to provide "The amount of excess deferred income tax reserve as described in IRC Sec 168(i)(9)(A)(ii) as of December 31, 2017, to comply with the TCJA." The amount of excess deferred income tax (EDIT) for plant booked by Cascade as of December 31, 2017 was $30.4 million on a Washington-basis.

7 While no party has taken exception to the amount booked by Cascade as the plant EDIT at December 31, 2017, Staff used a different approach for its proposed calculation of EDIT which produces a similar result. Staff has elected to identify an amount related to December 31, 2016, as though tax reform occurred a year earlier than it did. Staff does this to attempt to match the impacts of tax reform with the test year in this docket. Staff determines the balance to be $30.3 million. Cascade disagrees with this determination as it is not associated with the actual amounts booked or to be trued up once the Company's tax return is complete.

8 AWEC performs its own calculation of the EDIT balance, which it determines would be $29.5 million. Like Staff's approach, AWEC's calculation is an estimate or representation. If the Company were to use AWEC's approach, which does not use an actual booked number that will ultimately be trued up with the Company's tax return, the Company could find itself in a normalization violation.

9 Cascade believes that its methodology is appropriate because the proposed $30.4 million is an actual booked entry which will then be trued up on the books once the tax return is complete thus avoiding a potential normalization violation. The proposal matches all other deferred tax treatments which are booked in one calendar year and adjusted when the tax return is complete.

IV. PROPOSED AMORTIZATION OF EDIT –BENCH REQUEST NO. 1(D)

10 In its Bench Request No. 1(D), the Commission asked Cascade to provide "A proposed amortization schedule for parts B and C of this bench request along with a supporting rationale for each schedule. Please identify and describe the amortization assumption, e.g., composite, average rate, or other alternative method." Part B is the excess deferred income tax reserve as

described in IRC Sec 168(i)(9)(A)(ii) as of December 31, 2017, to comply with the TCJA.[1] The Company recommends the use of the Average Rate Assumption Method (ARAM) for all plant items—both protected and unprotected—based on the December 2017 actual entries. The Company's plant accounting software has the capability of identifying these amounts. The Company is proposing a 10-year amortization of the non-plant or unprotected EDIT.

11 All parties—Cascade included—agree that customers should receive the benefits of the EDIT. However, the Company is the only party that uses the information specifically solicited by the Commission in its Bench Request No. 1, which is based on the actual amounts at the time of the TCJA or December 31, 2017. Staff and AWEC instead use 2016 amounts.

- **Staff.** Staff proposes to pass back 100 percent of the unprotected in one year and further provides for a rate base reduction. Staff also proposes passing back to customers 100 percent of the ARAM portion of the plant (protected and unprotected) and a corresponding rate base increase. Staff proposed that the Company defer $29.2 million of protected EDIT to FERC Account 254 and require Cascade to annually report the balances of reversals for protected EDIT in its CBRs
- **Public Counsel.** Public Counsel supports the use of ARAM for plant (protected and unprotected) and the 10-year amortization period for the non-plant (unprotected).
- **AWEC.** AWEC focuses on plant related EDIT and proposes using the average depreciation rate to amortize the balance. AWEC calculates EDIT to be $29.5 million at the end of 2016 and proposes an amortization of $1.1 million.

A. Non-Plant (Unprotected) EDIT

12 Public Counsel does not oppose the Company's proposed 10-year amortization of unprotected EDIT. Staff proposes to amortize the unprotected balance over one year, but does not explain its proposed timing. In contrast, the Company's proposal recognizes that the assets and other deferred items that generate the excess have existed and will exist for many years to

[1] The proposed treatment of the amounts calculated for Part C, the EDIT expense the Company is currently collecting during the Interim Period, is discussed later in Section VI.

come. Passing back the excess in one year distorts the relationship with the generating asset or deferred item.

13 The Company recommends a 10-year amortization for the unprotected non-plant excess deferred amounts. While the Commission may set a faster amortization period, Cascade is a multi-jurisdictional utility and is seeking a 10-year amortization in all jurisdictions, and it would create a tracking complication if multiple jurisdictions require differing amortization periods. Also, as the Company pointed out in its Initial Response, the 10-year period is a close approximation of the average life of the items creating the excess deferred income tax. For example, Environmental Remediation and Pensions have very long life whereas a deferral related to gas costs has a very short period or life, but on average of all the items that make up the non-plant EDIT the estimated average life is approximately 10 years. Customers are certainly not harmed by the use of a 10-year amortization period as they will receive a full rate of return on the unamortized balance as the Company would continue to reduce rate base by the EDIT balance.

14 Finally, there is extensive debate and uncertainty around what is considered protected and unprotected plant among peers and utility tax experts. Contributions in aid of construction (CIAC), CPI and potentially any tax basis difference that increases tax basis could be considered protected. Another debated basis adjustment is capitalized cost of removal. Cascade currently accounts for cost of removal as part of methods and lives and we are not able to carve out the cost of removal for all vintages. Various private letter rulings are expected to be filed to clarify basis adjustments as protected or non-protected. If Cascade were to take a position contrary to any future private letter rulings and we returned unprotected plant more quickly than ARAM, we may risk a normalization violation. If the Commission insists on amortizing unprotected plant at a rate faster than ARAM, Cascade may be required to file its own private letter ruling and agree to a mechanism to correct any potential future normalization infractions. It is Cascade's recommendation that the most prudent approach would be to treat all plant as protected using ARAM.

B. Reversed Plant EDIT

15 Cascade proposed to embed in general rates the 2018 impact of ARAM on the plant (protected and unprotected) in the amount of $1.3 million. Staff proposed to increase rate base by $1.1 million (amount of reversed plant (protected and unprotected) EDIT calculated using ARAM) and refund to customers over 1 year. Staff further proposes that the Company report annually the amounts of EDIT that have reversed. While the Company agrees a rate base adjustment is appropriate give the recognition of the reversal Cascade disagrees with the use of 2016 and the tracking proposal. This is further discussed below.

C. Plant EDIT

16 Cascade agrees with Staff that specifically setting a reversal amount could ultimately result in a normalization violation if the amount ends up being greater than the actual amount for tax purposes. Staff attempts to resolve the issue by either creating a reporting/tracker approach, or in the alternative proposing an exact amount and including it in base rates. Neither approach works. The tracker approach would not work because there is no way of truing up the Staff number for EDIT to the tax return simply because the TCJA did not occur at the end of 2016. Identifying the exact amount is not possible until the tax return is complete. Staff proposes an exact amount for the period August 1, 2018 through July 31, 2019 thus crossing two tax returns with the second on not being complete until November 2020.

17 Staff proposed that Cascade defer $29.2 million of protected EDIT to FERC Account 254 and require Cascade to annually report the balances of reversals for plant EDIT in its CBRs. In an attempt to match the test period with the effects of tax reform, Staff proposes to create a deferred credit for the calculated amount at the end of 2016. Cascade disagrees with booking this amount for two reasons. First, in accordance with GAAP, the Company recorded a regulatory liability for the excess deferred taxes which were recorded to FERC account 254 at the end of 2017 as part of the tax reform entry. These amounts will be trued up with adjusting entries once the tax return is filed. This is consistent will all deferred taxes and avoids normalization violations. Second, to follow the Staff recommendation would literally require Cascade to maintain a separate set of books. Not only would there be a need to have a separate set of books but the $29.2 million could never be adjusted to match the tax return because tax reform did not happen at the end of 2016. Thus, the Company could be subject to a normalization violation by setting rates on a figure that is not real and cannot be trued-up.

18 Staff also proposes a tracking mechanism for all changes that are unknown at this time and for changes associated with annual fluctuations of ARAM amounts. The Company views this proposal as unnecessary and of limited value. Deferred taxes as well as the excess deferred taxes will vary by year based on where each year's individual asset is in the deferred tax cycle. This is normal and works out over the life of the asset. There is no reason to track the fluctuation in the excess deferred balance when there has never been a need to track the fluctuation in the total deferred balance. The Staff recommendation adds complication, costs and administrative burden without providing commensurate benefits. In regard to changes that that could impact tax as a result of the TCJA, Cascade evaluated the impacts of all TCJA and

has determined, as stated in the Bench Response, that any change in tax expense would be immaterial (less than $10,000).

V. AMOUNT OF EXCESS DEFERRED INCOME TAX DURING INTERIM PERIOD (BENCH REQUEST NO. 1(C)

19 In its Bench Request No. 1(C), the Commission asked Cascade to provide "The amount of excess deferred income tax expense the Company is currently collecting as of January 1, 2018, until the anticipated effective date of this general rate case." The anticipated effective date of this case is August 1, 2018, and the period between January 1, 2018 to July 31, 2018 will be referred to as the Interim Period. Cascade calculated the excess deferred income tax (EDIT) for the Interim Period to be $1.4 million, and based its estimate on the expected federal income tax at the new tax rate on 2016 test year data.[2]

20 Staff, Public Counsel, and AWEC took different approaches and calculated different amounts for the EDIT for the Interim Period:

- **Staff.** Staff calculates the effect of the tax rate difference for the Interim Period to be $1.6 million.[3] Staff's estimate uses the inputs determined in Cascade's last rate case, Docket UG-152286, to calculate tax benefits.[4] Staff also re-ran AWEC's method for calculating the tax difference for the Interim Period using the UG-152286 inputs, which produced an estimate for the Interim Period of approximately $2.3 million.

- **Public Counsel.** Public Counsel's calculation for the Interim Period results in an estimate of approximately $1.8 million.[5] Public Counsel generally uses the same approach as Cascade in estimating the amount, but Public Counsel's estimate incorporates Public Counsel's proposed adjustments to the 2016 test year.[6]

- **AWEC.** AWEC's calculation for the Interim Period results in an estimate of approximately $2.7 million. AWEC's approach estimated the tax amount for the Interim Period based on Cascade's level of rate base and cost of capital, such that "pre-tax" return on equity is used to determine the revenues dedicated to paying federal income tax.[7]

---

[2] Cascade's Supplemental Response at 2.
[3] Staff's Response to Bench Request No. 1 at 3.
[4] Staff's Response to Bench Request No. 1 at 3.
[5] Public Counsel's Comments on Cascade's Response to Bench Request No. 1 at 5-6.
[6] Public Counsel's Comments on Cascade's Response to Bench Request No. 1 at 5-6.
[7] Response Testimony of Bradley G. Mullins, Exh. BGM-1T at 24-25.

A. Staff

1. Staff's Proposal

21 Staff believes it is important to try and compute the effective taxes built into Cascade's rates in order to determine the amount of excess taxes customers are paying due to the TCJA during the Interim Period. Cascade does not believe that Staff's approach is any more accurate than the Company's approach. Both Cascade and Staff's estimates are just that—estimates—and the only difference is that Staff's proposal uses an older period based on a test period ended June 31, 2015.

22 Additionally, Docket UG-152286 was a black box settlement and the parties agreed that the overall result was reasonable, but did not agree on particular methodologies or calculations for each input. Thus, due to the black box nature of the settlement, Staff's calculation of the tax benefits from the 2015 rate case are also estimates which are based on assumptions.

2. Staff's Criticism of the Company's Proposal

23 Staff criticizes the Company's calculation of the tax benefits because (1) the 2016 adjusted income tax expense in the Company's proposed pro forma results of operation has not been approved by the Commission, and (2) because the 2016 adjusted income taxes were not used to determine current rates.[8]

24 Regarding Staff's first point, the 2016 results are being evaluated and will be approved in this docket. Further, the Company believes that the rates established as fair, just, and reasonable, in Docket UG-152286 have no bearing on the expense or reduced expense paid starting in 2018.

[8] Staff's Response to Bench Request No. 1 at 3.

25 Regarding Staff's second point, the 2016 adjusted taxes are exactly what will be used to establish rates. Again, the rates established as fair, just, and reasonable, in Docket UG-152286 have no bearing on the expense or reduced expense paid starting in 2018.

26 Cascade believes that estimating the Interim Period using the 2016 test year will produce a reasonable result for determining the Interim Period amount in this docket. To be even more precise, the most accurate method for determining the actual amount for the Interim Period would be calculated using a "with and without tax reform" calculation based on actual 2018 results. This calculation would involve using actual 2018 revenue, expenses, tax situations, etc. and compute taxes based on a before and after (with or without) tax reform. However, since taxes are an annual calculation, the true amount for the period would still be estimated and not fully known until the 2018 tax return is completed in November of 2019. Tax expense is fairly well certain by the end of a calendar year, however, when the tax return is completed it is common for unexpected situations or changes to occur. The uncertainty associated with the estimates of 2018 taxes further supports the reasonableness of the Company's proposed treatment of the EDIT for the Interim Period, which is to evaluate actual earnings at the end of 2018 and pass back any earnings in excess of the Company's authorized rate of return.[9]

27 The Company understands that each energy company has differing proposals to reflect the impacts of the TCJA, which is consistent with the Commission's prior treatment of tax reform to reflect the 1987 tax changes. Cascade believes it is reasonable and proper for the Commission to consider actual earnings and rather than singling out one expense item change without evaluating the total cost of service. As identified in rebuttal testimony of Ms. Kivisto

[9] The Company's proposed treatment of the EDIT for the Interim Period is discussed in greater detail below in Section VI.

and Mr. Parvinen, the Cascade approach of reviewing earnings and using the earnings sharing mechanism is a way to address regulatory lag and the cost pressures the company is facing thus causing reduced earnings.

28 From Cascade's perspective, PSE just had a rate case with rates effective in December 2017 which virtually coincides with the effective date of the tax change. This is a different situation than Cascade. Avista has had ongoing rate cases and has not been in an actual earnings deficit situation, again a different situation than Cascade. It is for this very reason that the Commission back in 1987 allowed different treatments of the tax change based on each individual company's financial and rate case situations.

B. Public Counsel

29 Public Counsel calculated the Interim Period amount to be $1.8 million based on the same calculation the Company proposed with the exception of the impacts on the Public Counsel proposed adjustments.

C. AWEC

30 AWEC calculates the Interim Period amount to be $2.7 million based on the Company's 2016 per books rate base plus adds a component for the EDIT and includes interest until rates are effective. Cascade disagrees with the inclusion of the portion associated with EDIT as current rates are based on deferred tax balances at 35 percent. Therefore, any EDIT is built into current rates. In the alternative AWEC provides an amount without EDIT of $2.1 million which AWEC states is close to Cascade's figure of $1.9 million—however the Cascade figure is a total system amount, which on a Washington basis is $1.4 million. Cascade disagrees with the AWEC calculation for two reasons. First, it suffers the same flaw as Staff in the using a 2016 calculation that cannot be reconciled and trued-up to the tax return; it is potentially a normalization violation. Second, using anything other than ARAM when the data is available is a normalization violation.[10]

31 Staff also re-ran AWEC's method for calculating the tax difference for the Interim Period using the UG-152286 inputs, which produced an estimate for the Interim Period of approximately $2.3 million. Because this amount relies on a combination of the Staff and AWEC methodologies, both of which Cascade believes are flawed, the Company would not support the use of Staff's re-run of AWEC's methodology.

D. The Company's Approach is the Most Reasonable for the Interim Period

32 All parties provide various calculations of the Interim Period tax savings. However, no party is exactly right as the amount depends on actual 2018 results. The Cascade proposal is the most reasonable simply because actual 2018 tax expenses will be reflected in the results of operation and evaluated to determine if the Company over-earns in 2018. The mechanism already is in place to pass excess earnings back to customers with one modification to eliminate 50-50 sharing for 2018. This proposal is fair, equitable and consistent with past precedent.

VI. PROPOSED AMORTIZATION OF EDIT – INTERIM PERIOD BENCH REQUEST NO. 1(D)

33 In its Bench Request No. 1(D), the Commission asked Cascade to provide "A proposed amortization schedule for parts B and C of this bench request along with a supporting rationale for each schedule. Please identify and describe the amortization assumption, e.g., composite, average rate, or other alternative method." Part C is the amount of excess deferred income tax expense the Company is currently collecting during the Interim Period.[11]

---

[10] See Cross-Answering Testimony of Melissa C. Cheesman, Exhibit MCC-9T at 2-4.
[11] The proposed treatment of amounts calculated in response to Part B is discussed above in Section IV.

34 Cascade proposes to book tax expenses at the current 21 percent rate and in early 2019, Cascade will evaluate its overall earnings in 2018, and Cascade will then use its earnings sharing mechanism to pass back any earnings beyond the Company's authorized return from the current proceeding. For 2018 only, Cascade proposes to alter the sharing mechanism to pass back to customers 100 percent of any earnings beyond its authorized return instead of the 50-50 sharing per the current mechanism. In other words, Cascade will treat the tax expense as any other expense the Company incurs.

35 Staff, Public Counsel, and AWEC all proposed to flow back 100 percent of the tax savings to customers, but differ as to the precise amount, timing and mechanism:

- **Staff.** Staff proposes that Cascade refund $1.6 million over seven months or one year through a separate tariff.
- **Public Counsel.** Public Counsel proposes to pass 100 percent of the tax savings from the Interim Period back to customers, and notes there are three options for achieving this result: (1) separate mechanism, (2) the amount could be deferred and returned and a future time, or (3) the amount could be amortized and included as a reduction to revenue requirements as part of this proceeding.[12] Public Counsel does not recommend a particular approach.
- **AWEC.** AWEC proposes an adjustment in the rate case that represents a deferral for excess taxes collected during the Interim Period in the amount of $2.7 million, and proposes a two-year amortization for the deferral be included in base rates in the current docket.

1. Passing Back 100 Percent of Tax Savings

36 Staff, Public Counsel, and AWEC all support a 100 percent pass back of any savings during the Interim Period. However, Cascade believes that taking this approach would amount to single issue ratemaking. Utility rates are set in a general rate case, and are determined to be fair and reasonable and during the rate effective period. During that period, some costs may go up and while others go down, and it is fair to assume that even though tax expenses have gone down, other expenses may have gone up. Cascade's proposal, on the other hand, will

[12] Public Counsel's Comments on Cascade's Responses to Bench Request No. 1 at 12.

take into account these fluctuations in expense—both up and down—because to the extent that costs in the aggregate have gone down, Cascade will end up passing the benefits back to customers through its earnings sharing mechanism. To the extent the tax rate change does not cause the Company to earn in excess of its authorized return, the Commission should not require the Company to pass back 100 percent of the benefits without considering the broader picture. Cascade believes that its proposal for the Interim Period maintains proper rate making philosophies and appropriately evaluates results based on relationships of costs.

37 Additionally, Cascade believes its approach is fair to both the Company and to customers because it prevents Cascade from using the Interim Period tax benefits to earn above its authorized rate of return. Any earnings beyond the Company's authorized return will be passed back to customers through the modified earnings sharing mechanism.

2. *Mechanism and Timing for Amortization of EDIT for the Interim Period*

38 If the Commission disagrees with Cascade's proposal and directs the Company to pass back 100 percent of the tax savings, Cascade believes the appropriate mechanism for amortization of EDIT for the Interim Period would be identifying a specific amount and amortizing the amount through a separate tariff.

39 If the Commission approved a separate tariff Cascade believes an appropriate amortization period for this would be one year. After the year, any residual balance can be incorporated into the PGA residual balance for elimination. Staff had proposed returning benefits to customers in seven months or a year, but Cascade believe one year is appropriate to remove the cyclical nature of some customer classes. In other words, a full year allows for each class to share properly whereas a shorter time period may disadvantage certain customers or classes. AWEC proposes a two-year amortization and include the amount in base rates, but

Cascade disagrees with including the amount in base rates as it could disadvantage either customers or the Company depending on the timing of Cascade's next rate case.

VII. PETITION FOR DEFERRED ACCOUNTING - BENCH REQUEST NO. 1(F)

40 In its Bench Request No. 1(F), the Commission asked Cascade, "in the event that all impacts of the TCJA are not fully known to the Company by the due date set forth in this bench request," to provide "a projected date by which the Company intends to file an accounting petition to address the impacts." In its Supplemental Response, the Company explained that it did not believe it necessary to file a deferral given the Company's proposed treatment of the tax savings during the Interim Period, which would flow savings back to customers through the Company's earnings sharing mechanism to the extent the Company earned in excess of its authorized return. At no time during this proceeding has any other party requested that Cascade file a petition for deferred accounting for the tax savings during the Interim Period, and Staff in fact asked Cascade *not* to file an accounting petition at the end of December 2017 when all of the other energy companies were filing petitions for deferred accounting to address the impacts of the TCJA. To the extent that parties' proposals assume that the tax savings during the Interim Period are subject to a deferral—which they are not—Cascade has concerns about the how benefits may be returned to customers without implicating retroactive ratemaking.

VIII. CONCLUSION

41 Cascade recommends:

- **Interim Period.** Actual tax benefits incurred prior to the effective date of the rate case be included in Cascade's results of operation and if Cascade earns over its authorized return then and amount above it authorized return will be returned to customers by the sharing mechanism currently in place, which would be modified for

2018 only to flow to customers 100 percent of benefits eligible for sharing instead of 50-50 sharing.

- **Amortization of Non-Plant EDIT.** Allow a 10-year amortization on non-plant (unprotected) EDIT booked at December 31, 2017.
- **Amortization of Plant EDIT.** Authorize ARAM on the plant (protected and unprotected) EDIT booked at December 31, 2017.
- **Rate Base Adjustments.** Allow corresponding rate base adjustments for the plant and non-plant reversal and amortization of EDIT.

Respectfully submitted this 10th day of April, 2018.

/s/ Jocelyn Pease

Lisa Rackner
Jocelyn Pease
McDowell Rackner Gibson PC
419 SW 11th Avenue, Suite 400
Portland, OR 97205
Telephone: (503) 595-3925
Email: lisa@mrg-law.com
Email: jocelyn@mrg-law.com

Attorneys for Cascade Natural Gas Corporation