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July 9, 2015

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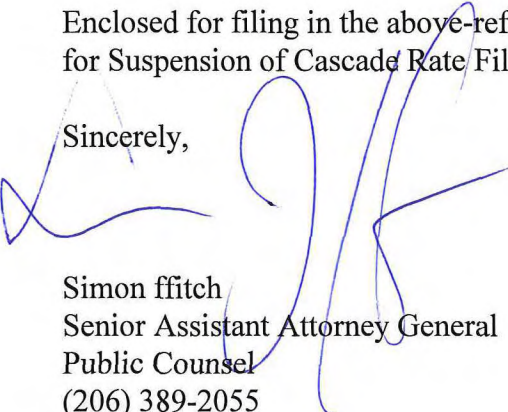
Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: Cascade Natural Gas Company (Advice No. CNG/W15-06-01),
Request for Rate Increase
Dockets UG-151309 and UG-150668

Dear Mr. King:

Enclosed for filing in the above-referenced docket are the original and 10 copies of the Petition for Suspension of Cascade Rate Filing, and the Certificate of Service.

Sincerely,



Simon Ffitch
Senior Assistant Attorney General
Public Counsel
(206) 389-2055

Sf:cjb

cc: Service List (First Class Mail & Email)

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complaint,

v.

CASCADE NATURAL GAS COMPANY
(Advice No. CNG/W15-06-01),

Respondent.
.....

In the Matter of the Petition of

CASCADE NATURAL GAS COMPANY

For a Waiver from WAC 480-07-505 –
General Rate Proceedings.

DOCKETS UG-151309 AND
UG-150668

PETITION FOR SUSPENSION OF
CASCADE RATE FILING

**EXPEDITED TREATMENT
REQUESTED**

I. PETITION TO SUSPEND

1. Pursuant to RCW 80.04.130, 80.28.060 and WAC 480-07-305(3)(b), the Public Counsel Unit of the Washington State Attorney General’s Office (Public Counsel) and the Northwest Industrial Gas Users (NWIUGU)(together Joint Petitioners), respectfully petition the Commission for an order suspending the Cascade Rate Filing for investigation and hearing.

II. ARGUMENT

2. Cascade’s June 23, 2015 rate filing in Advice No. CNG/W-15-06-01 (Rate Filing) requests an increase of \$3.9 million (1.59) percent in overall revenues and is purportedly

supported by the Cascade's refiled Commission Basis Report (CBR) in Docket UG-150668.¹

The cover letter accompanying the Rate Filing indicates that Cascade is asking the Commission and parties to review the filing in an informal manner, without suspension and hearing, with the decision on rates to be made at a Commission Open Meeting. While the filing qualifies as a general rate case filing under the Commission rules,² Cascade has requested a waiver of these rules. This Petition is being filed concurrently with Joint Petitioners' Answer and Objection to Cascade's petition for waiver.

3. Whether or not the Commission grants the waiver of the General Rate Case rules, however, this Petition recommends that Cascade's rate request should in any event be suspended and set for hearing for the following reasons.

A. Several Factors Unique to Cascade's Rate Request Make Suspension the Appropriate Option in this Case.

4. Several important factors specific to Cascade provide sound justifications to suspend the Rate Filing: (1) Cascade has not had a fully litigated review of its rates in over twenty years. Its last General Rate Case nine years ago was largely resolved by settlement.³ Cascade's last rate case prior to that was filed in 1996 and was also resolved by settlement.⁴ Accordingly there has been no recent opportunity for the Commission or parties to carefully review Cascade's expenses, rate base, and operations. Abbreviated informal rate review of the type requested here is particularly inappropriate given this history; (2) Cascade is requesting a change in cost of

¹ Cascade serves approximately 200,000 customers in western (Bellingham, Mt. Vernon, Bremerton, Longview) and south-central Washington (Yakima, Kennewick, Walla Walla).

² WAC 480-07-505.

³ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-060256, Order 05 (*Cascade 2006 GRC*).

⁴ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-951415, Fourth Supplemental Order (*Cascade 1996 GRC*).

capital. Cost of capital was last addressed in a “black box” provision of the 2006 settlement with no identified overall rate of return or any of its components.⁵ Capital costs have declined substantially since the 2006 case and suspension in this case provides an opportunity for a careful determination of an appropriate return on equity, debt costs and capital structure; (3) This is the first rate case since Cascade’s acquisition by Montana Dakota Utilities (MDU) Resources, and the first opportunity for a review of the merger impact on operations, expenses, capital cost and cost allocations; (4) other issues ripe for review are better addressed via suspension, including any issues regarding investments under the cost recovery mechanism (CRM) now slated for inclusion in rate base, a review of Cascade’s conservation programs, and the Company’s low-income programs.

5. As an additional consideration, Cascade has informed Public Counsel and NWIGU that it is planning to file a General Rate Case (GRC) as early as second quarter 2016, regardless of the outcome of this proceeding. The Company is currently prosecuting a GRC in Oregon. It appears this informal Washington filing may be in the nature of a stop-gap or interim filing to obtain a rate increase with a limited expenditure of Company resources until it is able to make the planned full Washington GRC filing next year, while avoiding having to prosecute two rate cases in different states at the same time. These considerations of convenience for Cascade are not a valid justification for Washington to ease Cascade’s burden of proof, or exempt it from adequate consideration of its financial situation.⁶

⁵ *Id.* ¶ 59 (“Staff and the Company do not resolve in the Settlement their disputes over capital structure, debt costs, or return on equity. Instead...the settling parties recommend a ‘revenue requirement with respect to rate of return.’” Because of this, the Commission found it necessary in the order to derive a rate of return for monitoring Cascade earnings. ¶¶ 63-64.

⁶ A more efficient use of all party and Commission resources would be for Cascade to focus on preparing and filing its planned Washington GRC at its earliest convenience. Given the passage of nine years since the last

B. Commission Precedent Supports Suspension of This Type of Rate Request.

6. For rate requests which fall below the three percent GRC level, the Commission has nevertheless found suspension and setting for hearing (adjudication) to be the appropriate treatment.⁷ In 2010, for example, Puget Sound Energy (PSE) filed a gas only rate request seeking a 2.3 percent increase.⁸ PSE requested that the filing be treated not as a general rate case but “as a tariff filing...”⁹ The Commission nevertheless exercised its discretion to suspend the request. More recently, in the PSE Expedited Rate Filing (ERF) Dockets UE-130137 and UG-130138, the Commission suspended and set for hearing PSE’s tariff filings requesting a 1.6 percent increase in electric rates and a 0.1 percent increase in gas rates.¹⁰

7. In both the *PSE ERF* case and the *PSE Gas-Only Rate Case*, the Commission found that the request for an increase of less than three percent “might injuriously affect the rights and interest of the public,” and found that PSE had “not yet demonstrated that the tariff revisions would result in rates that are fair, just, reasonable, and sufficient.”¹¹ These findings are equally appropriate in this case and provide more than sufficient basis for suspension. Just as in the PSE cases, Cascade has the burden of proof to show the need for the rate increase.¹² Unlike the *PSE Gas Only Rate Case* and the *PSE ERF* case however, here Cascade has filed no testimony in

GRC, a delay of only a few months should not be unduly burdensome, and would avoid customers experiencing two potential increases in quick succession. Cascade has not alleged any financial exigency that would justify interim rate relief prior to the GRC.

⁷ As described in more detail in Joint Petitioners’ Answer and Objection to the waiver petition, Cascade’s Rate Filing does not fall below the three percent GRC level because of the proposed 6.8 percent impact on transportation customers.

⁸ *Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc.*, Docket UG-101644, Order 04, ¶ 1 (*PSE Gas-Only Rate Case*).

⁹ *PSE Gas Only Rate Case* Order 01 (Complaint and Order Suspending Tariff Revisions), ¶ 3.

¹⁰ *Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc.*, Dockets UE-130137/UG-130138 (*PSE ERF*), Order 01.

¹¹ *PSE ERF*, Order 01, ¶¶ 7-8; *PSE Gas-Only Rate Case*, Order 01, ¶¶ 10-11. In both those dockets, PSE had filed supporting testimony with its initial filing.

¹² RCW 80.04.130(4).

support of its filing, providing far less prima facie support for its request than was offered in the PSE cases cited.

8. Joint Petitioners are not opposed as a general proposition to alternatives to traditional ratemaking in an appropriate setting. However, the Company has pointed to no precedent or Commission guidance that authorizes its proposed approach in this filing. Notably, the Commission has endorsed an Expedited Rate Filing mechanism (ERF) for companies to use in appropriate settings. The ERF is designed to allow expedited rate review for a period of time subsequent to a full general rate case review, where there is no change in cost of capital, and limited if any major adjustments at issue, as a means of updating costs. In this context, the Commission has indicated the CBR can be used in the ratemaking process. Public Counsel has been supportive of the ERF approach. NWIGU similarly has endorsed alternatives to general rate cases where a utility can document a cost-based approach to addressing regulatory lag. However, Cascade's situation here, with no recent GRC and a change in cost of capital, is clearly not suited to use of the ERF or other novel mechanism or to use of the CBR in the fashion proposed.

C. Suspension Allows Flexibility and Expedited Procedures.

9. Joint Petitioners are not requesting adoption of a cumbersome or overly burdensome process for this case. Suspension and adjudication are flexible tools that can be tailored to the needs of a smaller rate request, while protecting due process rights of all parties. In the *PSE Gas-Only Rate Case*, the Commission noted that “[o]ur review of the Company’s filing suggests that the scope of this case is narrow and that it can be handled on a shortened schedule.”¹³ The

suspension order provided that “the Commission will implement the process necessary to determine whether the rates, are fair, just reasonable, and sufficient” and stated that PSE’s request for non-GRC treatment would be addressed at the Prehearing Conference.¹⁴ The schedule agreed to by the parties provided for a hearing approximately five months from suspension, half the normal rate case length. Discovery response times were also shortened. Ultimately an all-party settlement was reached and approved. In this case, Joint Petitioners are prepared to support a shortened schedule for the suspended case, including scheduled settlement conferences to allow for potential resolution of issues.

D. Cascade’s Overly Informal Approach is Inefficient and Unworkable for Consumer Intervenor.

10. Cascade’s requested approach creates practical obstacles for Joint Petitioners. The absence of written testimony and workpapers to explain or support the filing makes it both unclear how to respond to the filing, and more difficult to find supporting information on specific issues. While Staff may have been reviewing Cascade’s Commission Basis Report (CBRs) filings prior to the Rate Filing, such Staff review is routine. Annual CBR filings have not ordinarily been treated as precursor rate filings that require the attention and participation of intervenors or the retention of experts. From Joint Petitioners’ perspective, it was not certain whether Cascade would indeed make a filing until the advice filing was received on June 23. Neither Public Counsel nor NWIGU have the staff expertise or resources to perform an effective review of the filing in advance of an Open Meeting and it may be necessary to retain one or more expert witnesses, for example on the cost of capital issue. The process Cascade contemplates is

¹⁴ *Id.*, ¶ 20.
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DOCKETS UG-151309, UG-150668

unclear, with no schedule, no discovery rule in place, and no established avenue for presenting evidence to the Commission in the Open Meeting context.

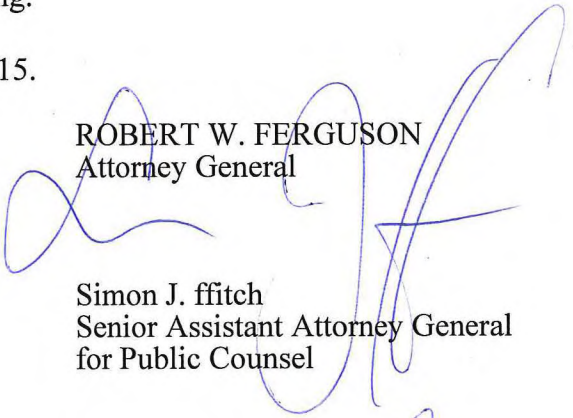
11. From an efficiency perspective, prompt suspension and establishment of a schedule for the case is the best approach to achieve resolution of the request in a timely and fair manner. Cascade and Commission Staff were made fully aware of Joint Petitioners' opposition to Cascade's approach in the May 27th meeting based on the concerns stated in this Petition. Cascade was specifically requested to use the *PSE Gas-Only Rate Case* as a model if it chose to file. Cascade has nevertheless pursued an alternative approach that introduces more problems than it solves, while providing, at best, scant justification for its choice. Had Cascade made its Rate Filing in May and supported suspension at that time, this case would be well down the road toward a decision. New ratemaking mechanisms are more appropriately considered in a rulemaking or policy docket with full stakeholder participation, not on an ad hoc basis.

III. CONCLUSION

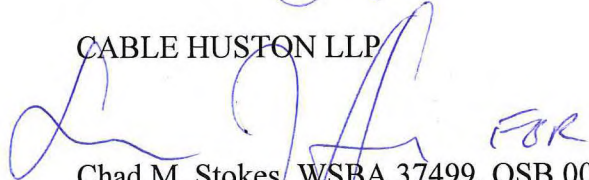
12. As a final point, a further major issue raised by the Cascade approach in this case is the nature of the precedent that could be established. Joint Petitioners are concerned that if Cascade's request is allowed upon such a limited showing and informal unstructured process, it seems very likely that the Commission will be faced with a series of "less than three percent" rate request requests from other utilities based on cursory support, informal process, and seeking Open Meeting approval. Not only would this severely strain consumer party and Commission resources, it would as a practical matter prevent effective and fair review of these utility rate requests on a well-developed record. Such a result would not be in the public interest.

13. For the foregoing reasons, Joint Petitioners' respectfully request that if the Cascade Rate Filing is allowed to go forward, that it be suspended, and a Prehearing Conference be set as soon as possible to establish a balanced process for review of the filing that protects all parties' rights. Joint Petitioners request expedited review of the petition so that all parties can move forward as soon as possible with the rate proceeding.

14. DATED this 9th day of July, 2015.


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Attorneys for Northwest Industrial Gas Users

per email authorization

CERTIFICATE OF SERVICE
Docket UG-151309 and UG-150668
CASCADE 2015 RATE CASE

I hereby certify that a true and correct copy of the Petition for Suspension of Cascade Rate Filing was sent to each of the parties of record shown below in sealed envelopes, via: U.S. Mail and e-mail.

SERVICE LIST

**** = Receive Highly Confidential; * = Receive Confidential; NC = Receive Non-Confidential**

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DATED: July 9, 2015.



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