

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-170855

STAFF'S MOTION TO REJECT
JULY 31, 2017 GENERAL RATE
CASE FILING BY CASCADE
NATURAL GAS CORPORATION
FOR FAILURE TO MEET THE
REQUIREMENTS OF WAC 480-07-
510 AND WAC 480-80-105

I. BACKGROUND

1 On July 31, 2017, Cascade Natural Gas Corporation (“Cascade” or “Company”) submitted a general rate case to the Washington Utilities and Transportation Commission (“Commission”). In the past week, Staff has worked diligently to evaluate whether that submission meets the Commission’s minimum filing requirements found in WAC 480-07-510. It does not.

2 The Commission may reject a filing that fails to meet the minimum requirements of WAC 480-07-510 without prejudice to a company’s right to refile its request. Staff recommends that the Commission Cascade’s filing in this instance, and moves that the Commission reject the Company’s submission of July 31, 2017.

3 The Company’s general rate case filing fails to meet several of the minimum requirements found in WAC 480-07-510. Staff is concerned that these deficiencies may reflect a continuing lackadaisical approach to compliance with Commission statutes, rules, and regulations, as further described below.

II. PROCEDURAL POSTURE

4 Cascade submitted its general rate case on July 31, 2017. The Commission has not yet decided whether to suspend the Company’s request for a rate increase and set it for adjudication.¹

5 Acceptance of a submission for filing does not waive the Commission’s ability to subsequently reject a document as deficient or require deficiencies to be corrected.² A general rate case filing is not a typical filing, it is extraordinary. General rate cases even have their own procedural rules, spanning WAC 480-07-500 through 480-07-550. Rate case filings are very large, complex, and require significant resources and time for evaluation, even for an evaluation as seemingly simple as whether it meets the minimum filing requirements.

6 The Commission “may reject a filing that fails to meet these minimum requirements [of WAC 480-07-510], without prejudice to the company’s right to refile its request in conformance with this section.”³ It is nearly impossible to conduct a “fast” evaluation of compliance with WAC 480-07-510, given the amount of information that must be reviewed in a general rate case to determine compliance with the minimum filing requirements. Since its submission on July 31, 2017, Staff has devoted a significant amount of resources to evaluate the sufficiency of Cascade’s submission without prejudice for the substance of the Company’s requested rate increase.

7 Staff files this motion to reject the Company’s general rate case submission, in this instance, within seven days of the Company’s initial filing. General rate case filings will, in

¹ See RCW 80.28.060(1).

² WAC 480-07-141(3).

³ WAC 480-07-510.

almost every circumstance, require more than seven days before any initial recommendation can be made. In this instance, Staff was able to quickly identify the primary deficiencies in the Company's submission only because of Staff's extensive familiarity with the Company's previous filings and pattern of deficiencies.

III. DEFICIENCIES OF CASCADE'S RATE CASE FILING

8 General rate case filings are voluminous. Staff has already discovered many errors and insufficiencies in the first seven days of review of Cascade's general rate case filing. Staff, not to mention the Commission and any other party to a general rate case, needs specific, detailed, and *correct* information in order to process and review a company's request for increased rates. This information needs to be included with the initial filing and not discovered through a series of data requests that allows the company to slowly bring its filing into compliance. It is a company's burden to support its request, not the Commission's. Without a proper filing, this burden is not met. Here, Cascade has failed to submit a proper filing.

9 Individually, the deficiencies Staff identifies below would not be problematic, but taken as a whole, it is burdensome and time consuming to analyze the documents for accuracy and make any informed, credible recommendation regarding whether a rate increase is fair, just, reasonable, or sufficient.

A. Uncoded Revisions to Tariff Sheet

10 A company must file its proposed revisions to its tariff sheets in legislative format and must also use a prescribed list of symbols to signify all of the revisions. "A utility must

code all changes with the tariff symbol that best reflects the purpose and effect of the change.”⁴ Cascade has not coded any of its proposed revisions to the tariff.

11 The Company’s failure to use these symbols undercuts the public interest in being able to easily identify and track tariff changes that have been made over time. Neither Staff nor customers can find or readily identify the actual changes in rates or in terms of service that are related to the current general rate case. Staff needs to quickly and easily understand how and what the Company altered in order to examine and determine if any minor changes have actual substantive effect.

12 In addition to hindering customers’ ability to understand how various services or terms and conditions have changed, the Company’s failure to indicate its proposed changes encumbers the Commission’s ability to evaluate the tariff revisions. These symbols are essential for indicating where and what type of change is being proposed. Without them, additional time and effort is required for evaluation and, in the worst-case scenario, important revisions to the tariff could be overlooked. Adhering to the Commission’s rule preserves the integrity of the Commission’s regulatory review and preserves a record of the tariff’s evolution.⁵

13 The necessary evaluation of the proposed revisions is impractical and nearly impossible in this instance. The Company has included an overwhelming amount of non-substantive revisions, on nearly every page, of the Company’s tariff. These changes are better left out of a company’s request for a rate increase because they coningle and clutter the changes that are relevant for the requested rate increase. Cascade should be instructed to

⁴ WAC 480-80-105.

⁵ Staff notes that the Company has even failed to mark the change – in any way – to the title of its current tariff. Cascade’s current tariff is WN U-3, but as indicated in its general rate case filing, all of the legislative edits have been made to a document labeled “WN U-4.”

make such non-general rate case related changes in a separate proceeding. Additionally, without the coding required by WAC 480-80-105, it is unclear how the Commission would distinguish one type of change from another and how long such an evaluation would take if it could do so.

B. Disorderly Work Papers

14 A company is required to provide Staff with work papers supporting its general rate case filing.⁶ These “work papers must be plainly identified and well organized,” with cross-references and an explanation of the method used for cross-referencing.⁷

15 Cascade’s work papers are not plainly identified or well organized. Many fail to include headers, footers, page numbers, or any indication of the witness to which they belong. Staff believes this failure of preparation and organization impedes the evaluation of the Company’s request for a rate increase.

16 Cascade has submitted an amalgamation of work papers without any method or madness to its organization. There is no uniform indication on the submitted work papers of the Company’s name, a description of what information is on each page, or any semblance of sensible page numbering. For example, the Company’s Schedule of Investor-Supplied Working Capital is labeled in its header as “MPP-Working Capital Workpaper [¶] Page 14 of 53,” but the immediately preceding page of its work papers concerns “Rate Base” and is labeled in its header “MPP-Rate Base Workpaper [¶] Page 1 of 1.”

17 Viewed in the best light, the one most favorable to the Company, the work papers submitted to support the Company’s request for a rate increase show a lack of regard for filing clear and understandable work papers. While understanding its own work papers may

⁶ WAC 480-07-510(3)(a).

⁷ WAC 480-07-510(3)(b).

be simple for the Company, the rampant disorganization and lack of clear presentation is extremely burdensome for other entities attempting to evaluate its request for a rate increase. This identical problem (disorganized work papers) was faced in Cascade’s last general rate case, Docket UG-152286.

C. Dysfunctional Electronic Files

18 A company “must provide all electronic files supporting their witnesses’ work papers. The electronic files must be fully functional and include all formulas and linked spreadsheet files.”⁸ Cascade’s work papers lack all the necessary formulas. Instead, hardcoded numbers have been included. This is contrary to rule and, in a more practical sense, prevents the Commission from conducting its regulatory review of those calculations.

19 To explain just one example: one of the electronic files submitted by the Company is an Excel spreadsheet entitled “170855 CNG Exh MPP 2-6 and WP 7-31-17,” it contains a number of important calculations for the Company’s requested rate increase. One of those critical calculations concerns Total Rate Base.

	RATE BASE
	AMA Twelve Months Ended 12/31/2016
Total Plant in service	\$677,314,165
Total Accumulated Depreciation	(\$344,952,444)
Net Plant in Service	\$332,361,721
Customer Advances for Construction	(\$3,771,590)
Deferred Taxes	(\$73,667,038)
Working Capital	\$25,713,493
Total Rate Base	\$280,636,586

⁸ WAC 480-07-510(3)(c).

20 The table, above, is reproduced from the work papers submitted by Cascade. The cells used as part of the calculation for Total Rate Base – those containing the numbers indicating Total Plant in Service, Total Accumulated Depreciation, Customer Advances for Construction, and Deferred Taxes – are not supported by formula or source. They are hardcoded numbers that provide no trail for an auditor to follow and no explanation of their calculation. These formulas are necessary in this example, as in others, because the Commission’s regulatory review requires that its auditors can verify that the components of such a critical calculation as Total Rate Base have been derived from the proper (and correct) inputs.

21 This table is indicative of multiple other careless errors by the Company. First, the Company provides no indication that these values are for its Washington business and not the total company. Second, the Company has highlighted the amounts attributable to Deferred Taxes and Working Capital, as if they were confidential. They are not. These numbers can be found un-highlighted elsewhere in the Company’s work papers (as well as in the Company’s previous general rate case, Docket UG-152286), and even in this instance (where they are highlighted) the pages are not marked by the Company as confidential as required by WAC 480-07-160.

22 The failure to include formulas frustrates and overly burdens the audit of the Company’s request for an increase in rates. The Commission and the parties to the general rate case ought to devote time and resources to evaluating the substance of the Company’s case, not pursuing the Company to provide missing formulas that were required to be in its initial filing.

D. Hidden Interstate and Multiservice Allocation Factors

23 Electronic files are also prohibited from containing any “locked, hidden or password protected cells [unless] necessary to protect the confidentiality of the information within the cells or proprietary information in the document.”⁹ Such protection must be designated by the company at the time of submission.¹⁰ Cascade has provided electronic documents with hidden columns that were not designated as confidential or proprietary.

24 During its evaluation of whether the Company’s filing met the Commission’s minimum requirements, Staff could not identify where Cascade had provided “the derivation of all interstate and multiservice allocation factors” – information required by rule to be included in the general rate case’s initial filing.¹¹ This information was contained in hidden columns, which Staff has been able to reveal only after inquiring of Cascade’s staff.

25 Not only does this fail to meet the minimum requirements for a general rate case filing, it adds yet another burden for the Commission and parties to the general rate case to overcome. No cells should be locked, hidden, or password protected unless properly designated. The Company’s submission fails to meet this minimum requirement. And, having discovered that mandatory information was included by the Company in hidden cells, Staff wonders aloud whether there are any other locked, hidden, or password protected columns or cells that include information the Company determined was unnecessary to reveal in its initial filing.

⁹ WAC 480-07-510(3)(c).

¹⁰ WAC 480-07-510(3)(c).

¹¹ See WAC 480-07-510(3)(e).

E. Inconsistencies in Summary Document

26 Staff understand that errors – hopefully minor – are unsurprising and can reasonably occur in any filing. Errors and miscalculations are not failures to meet the minimum filing requirements for a general rate case. And it is understandable that errors will occur in a filing as large and complex as a general rate case filing. But inconsistencies in Cascade’s general rate case’s summary document regarding the allocation of that increase to customer classes is extremely concerning and exemplifies a general lack of preparation and attention to detail that is evident throughout the filing.

27 The Company’s summary document is internally inconsistent regarding the allocation of the rate increase to customer classes. For percentage change, the summary sheet indicates that the Commercial and Industrial class will have an increase of 0% and the Transportation and Interruptible class will have an increase of 5%. But for change in dollars, it indicates that the Commercial and Industrial class will have an increase of \$1,270,429 while failing to indicate that the Transportation and Interruptible class would have any increase.

28 This is not a minor error. This is a careless error. The mistake places the burden of a \$1.2 million increase on the wrong customer class. This mistake should have been caught, with any minor amount of preparation and attention to detail, prior to the filing of the general rate case by Cascade. While the error is correctable, it indicates a pervasive lack of attention to detail with the effect of casting doubt upon the veracity of *any* of the data presented in Cascade’s filing.

IV. HISTORY OF DEFICIENCIES

29 The Commission does not require a recount of Cascade’s filings. However, recent history with Cascade warrants a recitation as its general rate case submission of July 31, 2017 is the continuation of a pattern drawn from previously ill-prepared submissions.¹²

A. Deficient General Rate Case Filings

30 This is not the first time that Staff has uncovered deficiencies in Cascade’s general rate case filings. In the past, Staff has patiently worked with the Company to correct these deficiencies and asked that the Company resolve them in future filings. Such patience and assistance has not, however, borne fruit and Staff feels compelled to draw attention to the pattern emerging from Cascade’s general rate case filings.

31 In the Company’s 2015 general rate case, Docket UG-152286, Staff discovered deficiencies in the use of symbols to indicate changes to the Company’s tariff. The Company used the symbols when it filed its revisions to its tariff as part of its 2015 general rate case, and Staff assisted the Company by indicating where such symbols had been omitted. The difference with the current filing is the lack of any of the required symbols in tariff revisions that are meant to clearly indicate changes.

32 Staff also noted issues with missing formulas in the Company’s electronic documents that supported its 2015 general rate case filing. In the same calculation for Total Rate Base as identified by Staff as deficient in the current rate case filing, the cells containing the numbers indicating Total Plant in Service, Total Accumulated Depreciation, Customer Advances for Construction, and Deferred Taxes were unsupported by formula or

¹² While not worthy of a full recitation, Staff has encountered similar deficiencies – the lack of supporting documentation – in recent Cascade filings in UG-170674, UG-170128, UG-150668. Staff pursued the Company in those instances and was able to cajole the Company into correcting its filings, but Staff vehemently disagrees that it should be common practice to require Staff to request such updates of the Company. The Company’s initial filing should contain all the support necessary for evaluation.

source. They, like those in the current general rate case filing, were hardcoded numbers that provided no trail for an auditor to follow and no explanation of their calculation.

33 Staff now identifies similar, but more pervasive, deficiencies in Cascade’s July 31, 2017 general rate case submission.

B. Deficient Integrated Resource Planning

34 Staff’s recommendation for rejection of the Company’s general rate case filing of July 31, 2017 is informed by the Company’s difficulty in meeting the requirements of its integrated resource planning over the past two cycles.

35 The Company’s 2014 integrated resource plan, Docket UG-140008, contained deficiencies that the Commission explained at the September 15, 2015 open meeting and in its letter from Steve King on April 14, 2016. The Commission determined that the Company’s 2014 integrated resource plan had failed to “meet the requirements of WAC 480-90-238,” that the Company had an “apparently lackadaisical approach to the 2014 IRP,” and also had a “lack of attention to the IRP process.”¹³

36 In the Company’s 2016 integrated resource plan, Docket UG-160453, the Commission noted in its letter from Steve King on July 24, 2017, “that serious concerns still remain” with Cascade’s resource planning, despite the Company’s improvements from its 2014 integrated resource plan.¹⁴ The Commission, at length, explained the deficiencies still remaining with the Company’s integrated resource planning and required the Company to file three quarterly reports with the Commission throughout 2017.¹⁵ The Commission

¹³ *Cascade Natural Gas 2014 Integrated Resource Plan and Overdue Work Plan for 2016 Integrated Resource Plan*, Docket UG-140008, Letter to Mark Sellers-Vaugh, RE: Acknowledgment of 2014 Integrated Resource Plan and Due Date for Filing of 2016 Integrated Resource Plan, 1, 2 (Apr. 14, 2016).

¹⁴ *Cascade Natural Gas Corp. 2016 Integrated Resource Plan*, Docket UG-160453, Acknowledgment Letter to Nicole Kivisto Regarding Cascade’s 2016 IRP, 1 (July 24, 2017).

¹⁵ *Id.* at 2-3.

emphasized that it expected “to see successful progress and significant improvement in Cascade’s 2018 IRP.”¹⁶

37 Unlike the noted improvement to Cascade’s 2016 integrated resource plan, Staff believes that the Company has failed to demonstrate any improvement towards meeting the minimum requirements found in WAC 480-07-510 in its previous general rate case filings. Staff is, therefore, compelled to recommend rejection of the Company’s general rate case submission of July 31, 2017.

C. Inattentive Recordkeeping for Maximum Allowable Operating Pressure

38 Cascade failed to give the appropriate attention necessary to ensure that records of the maximum allowable operating pressures (“MAOP”) of the Company’s pipelines were kept. The Commission, in Order 03 of Docket PG-150120, reemphasized that compliant MAOP documentation is a pillar of pipeline safety and ensures the integrity of Cascade’s system.¹⁷ Yet, the Commission found that Cascade had failed to maintain compliant MAOP documentation. The Company also failed to provide the Commission with its MAOP compliance plan by its prescribed deadline. Staff believes that the deficiencies in Company’s general rate case filing is one more consequence of a pervasive lackadaisical approach to its practice before the Commission and indicative of a continuing lack of preparation and attentiveness to detail.

V. MOTION

39 Staff moves that the Commission reject Cascade’s general rate case filing of July 31, 2017. The Commission requires regulated companies to comply with its rules. While Staff

¹⁶ *Id.* at 3.

¹⁷ Wash. Utils. & Transp. Comm’n v. Cascade Natural Gas Corp., Docket PG-150120, Order 03, 16, ¶40 (Aug. 8, 2017).

believes that the Commission could, in the alternative, craft a requirement that would compel Cascade to correct the errors in its filing, this approach would keep the Commission on the statutorily-prescribed timeline of thirty days within which to decide to suspend the tariff and begin an adjudicative proceeding. Staff strongly advocates against this approach based upon its history of attempting to cajole corrections and support from the Company as well as Cascade's recent history of failing to meet deadlines. Staff believes it is appropriate that the Commission reject the filing without prejudice and allow the Company to refile its general rate case in its own time, when the filing has been properly prepared.

Dated this 9th day of August 2017.

Respectfully submitted,

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