

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

CASCADE NATURAL GAS
CORPORATION,

For an Accounting Order Authorizing
Deferred Accounting Treatment of Expenses
Relating to the Implementation of the Climate
Commitment Act (CCA)

DOCKET NO. UG-22 _____

PETITION OF CASCADE
NATURAL GAS CORPORATION

I. INTRODUCTION

1. In accordance with WAC 480-07-370(1)(b), Cascade Natural Gas Corporation (“Cascade” or “Company”), at 8113 West Grandridge Boulevard, Kennewick, Washington, hereby petitions the Commission for an Order authorizing the deferred accounting treatment detailed in this Petition related to incremental costs incurred to implement the Climate Commitment Act (CCA) and implemented under WAC 173-446.
2. Cascade is a utility that provides service to approximately 229,000 customers in various locations in Washington including Bellingham, Mt. Vernon, Bremerton, Longview, Yakima, Kennewick, and Walla Walla. Please direct all correspondence related to this Petition as follows:

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3. Rules and statutes that may be at issue in the Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(1)(b).

II. BACKGROUND

4. In 2021 the Legislation passed the Climate Commitment Act (CCA) which outlines emission target reduction ultimately reducing emission by 95 percent of 1990 levels by 2050. The Department of Ecology has implemented Washington Administrative Codes (WAC) rules to meet the established targets, specifically WAC 173-446 and 173-441.

5. Cascade anticipates incurring substantial costs to not only meet these obligations but to set the Company up to operate efficiently and effectively with the new requirements. Cascade respectfully requests approval authorizing the deferral for future ratemaking treatment of the costs and revenues of complying with the CCA, which are not currently included in rates. Cascade must increase its planning activities to determine how it will comply with the CCA and based on those activities, take actions to lower its covered emissions. For example, Cascade has contracted with an independent consultant to guide the Company in best practices and approaches to meet all aspects of compliance, including allowance auctions. It is anticipated that the outcome of such guidance will include the need for incremental employees in key departments such as regulatory, business development, gas supply, environmental, and resource planning. Another activity Cascade is exploring to comply with the CCA is energy efficiency programs for interruptible and transport customers, which these customers currently cannot participate in due to tariff terms and conditions. In addition, the CCA allows covered entities to purchase and trade allowances at auction. Due to uncertainty of costs and timing of allowance purchases at auction, especially in the first year where Cascade's no-cost allowance distributions will occur in multiple tranches after auctions have commenced, a deferral will give Cascade the opportunity to evaluate compliance strategies and implement management of costs and revenues of allowances purchases and consignment and other compliance instruments that it may acquire. Cascade is also pursuing the possibility of expending funds for Research and Development ("R&D") with a primary focus on innovative uses and applications of hydrogen in order to continue with a safe, reliable service for customers as well as meeting our CCA requirements. The cost of Renewable Natural Gas ("RNG") beyond the cost of the brown gas will also be deferred. The brown gas portion of the RNG cost will be

incorporated into the current Purchase Gas Adjustment mechanism. Cascade also proposes that any revenues from, yet to be developed, voluntary carbon offset programs be deferred to reduce the overall cost of compliance efforts consistent with the Commission's policy statement in Docket UG-190818.

6. Cascade is unable to accurately determine the magnitude of incremental net costs, however it anticipates the first-year costs to be in the range of \$2 million to \$40 million depending on the level, timing, and costs of the Carbon Compliance Instruments (CCIs).
7. Cascade believes these costs warrant deferred accounting treatment because these costs are material and incremental to those costs included in Cascade's general rate case in Docket UG-210755.

III. PROPOSED ACCOUNTING AND RATEMAKING TREATMENT

8. The Company proposes that all incremental costs associated with the implementation and operation of the CCA be deferred to account 182.3 Other Regulatory Assets. Cascade proposes to separately track costs from revenues received from allowance sales in either separate subaccounts within 182.3 or by workorder.
9. The Company proposes to accrue interest on the balance based on the Company's actual cost of debt, updated semi-annually on July 1 and January 1.
10. Cascade would request that such deferred costs be recovered annually effective November 1 each year until it is appropriate to imbed all or a portion of the costs into general rates.

IV. REQUEST FOR RELIEF

Based on the foregoing, Cascade respectfully requests that the Commission issue an Accounting Order authorizing the accounting treatment.

Dated this 14th day of October, 2022

CASCADE NATURAL GAS CORPORATION



Lori Blattner
Director, Regulatory Affairs