

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket UG-210755
Cascade Natural Gas Corporation
2021 General Rate Case**

BENCH REQUEST NO. 001:

Cascade bases its filing in Docket UG-220198 on the Private Letter Ruling (PLR) the Internal Revenue Service issued to Puget Sound Energy on July 30, 2021. Cascade was aware of the PLR and its contents more than two months in advance of its GRC filing in Docket UG-210755, and more than seven months in advance of its proposed tariff filing in Docket UG-220198. Please explain why the Company did not incorporate the tariff revisions proposed in Docket UG-220198, associated with normalization rules, into its GRC filing in Docket UG-210755.

Response:

As outlined in the Direct Testimony of Nicole Kivisto, filed September 30, 2021, Docket UG-210755 is a limited issue rate case to address the most significant drivers behind Cascade Natural Gas Corporation's ("Cascade" or "Company") continued under-earning, including actual rate base investment and its 2021 wage increase (See Exh. NAK-1T at 3). The Direct Testimony of Mark Chiles describes how the limited issue rate case filing is intended to significantly reduce the number of issues normally addressed in a full general rate case. He further notes that the case is intended to bridge the gap until a complete, comprehensive rate case, including a multiyear rate plan, can be filed. (See Exh. MAC-1T at 2-4). The proposed tariff filing submitted in Docket UG-220198 would have broadened the scope of the limited issue rate case beyond the two significant cost drivers Cascade addressed. Additionally, including the proposed tariff filing in Docket UG-210755 would have significantly delayed the filing of that limited issue rate case.

Although Puget Sound Energy ("PSE") received its Private Letter Ruling ("PLR") on July 30, 2021, the letter was not immediately available to Cascade. Cascade was aware of the PLR in late August, but it was not publicly available in its entirety until PSE filed the PLR in its 2019 general rate case, UE-190529/UG-190530, on September 22, 2021. Once Cascade received a copy of the PLR, the Company had to first evaluate whether the regulatory treatment of the protected EDITs for Cascade was consistent with the

treatment causing the violation for PSE.¹ Cascade then had to determine if the PLR, which is specific for PSE, could be relied upon for Cascade. In other words, was the regulatory treatment for Cascade the same as for PSE, so that Cascade was in the same situation? This process took approximately two months to confirm, and it included conversations with internal and external tax experts, including the Company's outside auditors, to ensure Cascade had considered the full implications of the PLR from both the tax and accounting perspectives.

Once Cascade determined its situation related to protected EDITs was similar to PSE's, the Company scheduled a meeting with Staff in January 2022 to discuss the situation and potential path forward. That discussion included conversations about Cascade's situation, proposed resolution, impact, and timing of a filing to resolve the potential normalization violation.

Cascade then had to determine how to appropriately resolve the potential normalization violation and calculate the impacts, given there are multiple rate cases and other protected EDIT rate changes that have taken place over the period beginning on August 1, 2018. Cascade, simultaneously, had to determine an appropriate path forward to get back into compliance with normalization rules for the past treatment and to set rates correctly going forward. Finally, Cascade consulted with PSE to verify that its proposal and calculations were consistent with PSE's outcome and calculations. It took Cascade multiple meetings internally and externally to develop and accurately calculate the impacts of its proposed resolution. Cascade filed Docket UG-220198 less than a week after final internal agreement.

¹ According to the post-hearing filings in PSE's general rate case, there was considerable disagreement regarding interpretation of the PLR and its implications on PSE's consolidated rate proceedings. *See*, PSE's Reply to Notice of Opportunity to File Written Reply (September 22, 2021).