

U-230161

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8113 W. GRANDRIDGE BLVD.,
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TEL. 509-734-4500 FAX. 509-737-7166



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May 10, 2023

Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Docket U-230161 – Cascade Natural Gas Corporation Comments Regarding Climate Commitment Act Work Plan and Proceeding

Dear Ms. Maxwell:

Cascade Natural Gas Corporation (“Cascade” or “Company”), hereby submits the following comments in Docket U-230161, in accordance with the Washington Utilities and Transportation Commission’s (“Commission”) Notice of Opportunity to File Written Comments (“Notice”) on the Climate Commitment Act (“CCA”) and Future CCA Workshops, issued April 10, 2023. Specifically, the Company will address the three questions posed by the Commission in the Notice.

1. Do you have any thoughts, concerns, or suggestions on the proposed work plan?

Response: The Company’s primary concern regarding the proposed work plan is timing and the ability to consider the potential issues and resolutions fully and thoughtfully. Senate Bill 5216 was enacted in 2021, and the Department of Ecology adopted the Climate Commitment Act Program (WAC 173-446) on September 29, 2022. The proposed work plan began with a workshop on March 15, 2023, and is intended to have a final proposed action plan for Commissioner consideration by December 2023, with a total of three workshops before the final proposed action plan is ready. However, there has already been one auction held by the Department of Ecology and three additional auctions will be held before the final action plan is proposed. Significant expenditures have already been made and there will be a significant accumulation of expenditures ongoing.

There is a myriad of issues that will be discussed throughout the year regarding the CCA. Cascade recommends resolving the issues as they are decided, with the Commission issuing orders implementing decisions along the way instead of waiting until a final action plan is proposed in December. Waiting until December, 2023, after

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four auctions have been held and the CCA Program has been in effect for over a year, could result in large cost burdens and other impacts to customers. Alternatively, for items that may not require an order or where only a portion of the large topic has been adequately discussed, it would also be beneficial for the Commission to provide guidance on topics discussed after a workshop. The guidance would allow utilities to create policies for implementing the CCA during the interim until a comprehensive action plan has been adopted by the Commission.

2. What are the most important issues for the Commission to address during this proceeding?

Response: The Company considers the issues to be ongoing and ever changing. Notwithstanding, below is a current list of issues to address.

- Cost recovery mechanism.
- Interest rate impact. The carrying cost approved in the deferrals is significantly different from the interest being paid by utilities that are a year or more removed from a general rate case.
- Hedging. The potential to purchase allowances earlier to reduce or offset the financial impact of future periods, as well as purchasing other potential acceptable allowances.
- Definition of low-income customers. Based on Cascade's demographic data for the new energy discount program, approximately 30% of residential customers could potentially qualify as low-income customers.
- Customer bill credits. Provide clarity on the definition of "...customers at locations connected to a natural gas utility's system on July 25, 2021." For example, if a customer moves from one location with gas service to another location that had natural gas service prior to July 25, 2021, is the customer the qualifier or the premise?
- Auction proceeds from no cost allowance consignment. Discussion of both the requirement to eliminate impacts to low-income customers as well as the appropriate allocation process for allowances proceeds that go to the remaining customers.
- Renewable natural gas qualification for CCA compliance must be consistent with already established UTC laws and policy on renewable natural gas qualification.
- Tax impact. Washington's Business and Occupation Tax implications.
- Prudency determination for costs associated with CCA.
- Treatment of voluntary renewable or carbon reducing programs.

3. Do you have any other comments you would like to offer on the implications of the CCA for IOUs and ratepayers?

Response: Cascade is committed to meeting the requirements of the CCA and reducing its carbon emissions in a cost-effective manner. The Company is hopeful a balance can be found that benefits the climate and minimizes the impact on utilities and customers. Cascade appreciates the opportunity to provide comments in this proceeding.

If you have any questions, please direct them to me at (208) 377-6015.

Sincerely,

/s/ Lori A. Blattner

Lori A. Blattner
Director, Regulatory Affairs
Cascade Natural Gas Corporation
8113 W. Grandridge Blvd.
Kennewick, WA 99336-7166
Lori.blattner@intgas.com