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December 1, 2020

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Regarding: **Dockets UG-200479 – Cascade Natural Gas Corporation COVID-19 Deferred Accounting Quarterly Report**

Cascade Natural Gas Corporation (Cascade or the Company), hereby submits its first COVID-19 deferred accounting quarterly report. As described in Order 01 of Docket U-200281 (In the Matter of Response to the COVID-19 Pandemic), and detailed in the “UTC Staff Proposed COVID-19 Response Term Sheet,” approved by the Commission, this quarterly report complies with the following condition of the Cost Recovery section:

4. *Future reporting that itemizes the utility costs in any approved COVID-19 petitions for deferred accounting in the docket approving the petition.*
 - a. *The first report should be filed by December 1, 2020, and cover the period between March 1, 2020 and September 30, 2020.*
 - b. *Subsequent reports should be required 30 days after the close of each quarter and shall include information from the previous quarter to continue until the conclusion of the proceeding in which the Utility requests recovery of the deferred expenses, or until such time the Commission determines the reports no longer provide benefit.*

As of September 30, 2020, Cascade has identified the following direct costs and benefits associated with the COVID-19 pandemic.¹

Direct Costs

Direct costs for reasonable measures taken by the Utility in response to the COVID-19 pandemic net of credits, payments, direct cost savings, or other benefits received by the Utility from a federal, state, or local government will continue to be analyzed; however, no deferral has been recorded at this time. Based on complete annual data, a determination as to what is appropriate to

¹ As of the filing of this report the Commission has yet to approve the Company’s Deferred Accounting Petitions for deferred accounting of COVID-19 related costs filed in Docket UG-200479. The Company’s deferred accounting petitions are scheduled to be discussed at the December 10, 2020 WUTC Open Meeting.

additionally include in the deferral will be made by the end of the year and reflected in the next COVID deferred accounting quarterly report.

Benefits from Federal Acts

Cascade evaluated the various provisions of the CARES act. The only provision that the Company expects to avail itself of is the ability to defer payment of Payroll Taxes under the delay in deposit of payroll taxes provision noted, where:

- Employers may delay the deposit of the employer portion of the 6.2 percent of Social Security payroll tax through 12/31/20.
- 50 percent of deferred taxes to be deposited by end of 2021 with remaining 50 percent due by end of 2022.
- Would need to accelerate payments before August 2021 in order to achieve income tax deductibility for the 2020 tax year.

The Company is currently evaluating this provision and determine whether the timing of when payroll taxes will be paid considering the benefits of deferring versus the benefits of earlier income deductibility is worthwhile.

Late Payment Fees

For Washington, the Company's late fee revenues have decreased by over \$225,000 from March 1, 2020, through September 30, 2020, as compared to 2019. The Company is currently analyzing accounting rules and has not recorded a deferral at this time.

Bad Debt Expense

The Company's bad debt expense has significantly increased as a result of the COVID-19 pandemic. In order to determine the incremental impact on bad debt expense, the Company compared the actual bad debt expense incurred to the amounts set in each of its jurisdiction's most recent general rate cases. In all instances, bad debt exceeded the levels built into customers' rates. As of September 30, 2020, actual bad debt expense incurred for Washington has exceeded the amount authorized by over \$2.2 million. Once the order is received in Docket UG-200479, the Company believes it is prudent to record a deferral.

Reconnection Charges

Reconnection charges are being analyzed and a deferral determination will be made at a later date.

Bill Payment Assistance Program Costs

The Company is developing a program proposal to establish a temporary COVID-19 assistance program, in coordination with its Energy Assistance Advisory Group, as described in the "UTC Staff Proposed COVID-19 Response Term Sheet" in Docket U-200281. Plans are to finalize the program design and begin offering additional customer assistance early in 2021. Costs associated with the delivery of the program will begin to be deferred once the program is made available to customers.

If there are any questions regarding this report, please contact me at (509) 734-4593.

/s/ Michael Parvinen

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