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July 10, 2015

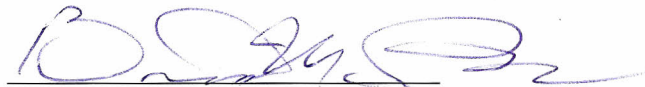
Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. SW  
P. O. Box 47250  
Olympia, Washington 98504-7250

Re: Cascade Natural Gas Company (Advice No. CNG/W15-06-01),  
Request for Rate Increase  
Dockets UG-151309 and UG-150668

Dear Mr. King:

Enclosed for filing in the above-referenced docket are the original and 10 copies of the Energy Project's Answer and Objection to Rate Filing of Cascade Natural Gas in the above-referenced proceeding, and the Certificate of Service.

Sincerely,



Brad M. Purdy

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND )  
TRANSPORTATION COMMISSION, )  
 )  
Complainant )

v. )

CASCADE NATURAL GAS COMPANY )  
(Advice No. CNG/W15-06-01), )  
 )  
Respondent. )

DOCKET UG-151309 AND  
150668

THE ENERGY PROJECT'S  
PETITION FOR SUSPENSION  
OF CASCADE RATE FILING

\_\_\_\_\_) )  
In the Matter of the Petition of )  
 )  
CASCADE NATURAL GAS COMPANY )  
 )  
For a Waiver from WAC 480-07-505 )  
General Rate Proceedings. )

**EXPEDITED TREATMENT  
REQUESTED**

**I. PETITION TO SUSPEND**

COMES NOW, The Energy Project, by and through its undersigned counsel of record and, pursuant to RCW 80.04.130, 80.28.060 and WAC 480-07-305(3)(b), respectfully petitions the Commission for an order suspending the Cascade Natural Gas ("Cascade" or "Company") Rate Filing for investigation and hearing as described more fully herein.

**II. ARGUMENT**

**A. THE ENERGY PROJECT JOINS IN AND SUPPORTS THE PETITION FOR SUSPENSION FILED BY PUBLIC COUNSEL AND THE NORTHWEST INDUSTRIAL GAS USERS ("JOINT PETITIONERS").**

The Energy Project joins in and supports the Petition for Suspension already filed by Joint Petitioners in this case. The Energy Project's arguments contained herein will either expand on those of Joint Petitioners or add the perspective and issues pertinent to Cascade's low income customers.

The Energy Project notes that although Cascade seems to characterize the case at hand as not constituting a general rate proceeding, the undisputable fact is that, pursuant to WAC 480-07-505(1), it qualifies as a general rate proceeding on at least two grounds. Thus, Cascade filed a Petition for Waiver pursuant to WAC 480-07-110(1). Although WAC 480-07-110(1) does grant the Commission the discretion given to the Commission to modify the application of its procedural rules in individual cases if consistent with the public interest, the purposes underlying regulation, and applicable statutes, the Energy Project respectfully submits that the very nature and substance of Cascade's Rate Filing would violate public interest, the fundamental concepts of utility regulation, and is in violation of applicable statutes.

The Energy Project submits that Cascade's Rate Filing should be suspended and set for formal hearing for the reasons set forth herein and included in the Energy Project's Answer and Objection to Cascade's Rate Filing, filed concurrently herewith.

**B. CASCADE'S RATE FILING IS VAGUE AND LACKING IN CRITICAL DETAILS NECESSARY TO ENSURE THAT THE PROPOSED RATE INCREASE IS FAIR, JUST AND REASONABLE.**

Cascade's June 23, 2015 rate filing in Advice No. CNG/W-15-06-01 (Rate Filing) requests an increase of \$3.9 million, which equates to 1.59% in overall revenues. Cascade's Rate Filing is, purportedly, supported by its re-filed Commission Basis Report (CBR) in Docket

UG-150668.<sup>1</sup> The cover letter accompanying the Rate Filing suggests that Cascade is asking the Commission and parties to review the filing in an informal manner, without suspension and hearing which, Cascade contends, will "reduce cost of litigation and review, reduce regulatory lag, and produce a result that is fair, just and reasonable." *June 23, 2015 Cover Letter, first page, second paragraph.*

Cascade has stated that it intends to file a general rate case as early as the second quarter of 2016, less than a year from now. Given that the Company has had nearly a decade to file for rate relief, the fact that the highly abbreviated procedure it proposes in this case saves litigation costs and reduces regulatory lag might be convenient for the Company, but is not sufficient grounds from the ratepayers' perspective, to justify the potential risks that Cascade's Petition for Waiver presents.

As Joint Petitioners note, the Company's expenses, rate of return, rate base and revenues have not been fully examined in a very long time. The Energy Project shares Joint Petitioners' concerns that this is a compelling reason to not allow the proposed rate increase without so much as a meaningful chance to analyze and submit even written comments on such important issues.

Cascade further argues that "[i]t is anticipated that based on the outcome of Staff's review and the sharing of all documentation that a September 1 effective date is reasonable and allows an adequate review period for all interested period." *Id.* This contention is particularly confounding for numerous reasons. First, there has not even been any order, notice or schedule issued by the Commission concerning Cascade's filing. The Energy Project just recently entered a Notice of Appearance but lacks any significant data on which to even engage in discovery at this time.

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<sup>1</sup> Cascade serves approximately 200,000 customers in western (Bellingham, Mt. Vernon, Bremerton, Longview) and south-central Washington (Yakima, Kennewick, Walla Walla).

Furthermore, Cascade's frequent use of the word "review" is illusory. It appears that, until just recently, only Staff has conducted any review of the documents supporting this filing. Regardless, Cascade's claim regarding the "sharing of all documentation that a September 1 effective date is reasonable and allows an adequate review period for all interested parties" *Id.* simply raises more questions than it answers. There has been no process even proposed for the "sharing" of information and no timelines or procedures have even been suggested for how "all interested parties" will be given time for an "adequate review" of information not contained in the filing. *Id.*

There has apparently been scheduled an "open meeting" scheduled for August 27, 2015, less than one week prior to the proposed effective date. The August 27 meeting is not even mentioned in the cover letter. The Energy Project has been informed that Cascade expects a final ruling from the Commission on its Rate Filing during this open meeting. Thus, in order for the Energy Project and Joint Intervenors to provide any meaningful input to the Commissioners early enough for them to fully assess the material, it would require a filing at least 2-3 weeks prior to the August 27 open meeting, possibly less than 4 weeks from today.

It seems unreasonable to expect the Commission to receive and analyze written documentation on complex issues such as, revenue requirement, including rate of return, and render a ruling approving or denying the filing within the timeframe proposed and created by Cascade. In short, the procedure requested by Cascade is unrealistic. The Energy Project is of limited financial resources and its personnel are often stretched very thin. For those unaware, Mr. Eberdt is retiring this July 31, and though he will be replaced by a very competent individual, it is particularly unfair to The Energy Project and, by extension, Cascade's low income customers, when the Company had complete control of the timing of its rate filing.

Finally, the precedent that piecemeal and hyper-expedited sub-3% rate increase filings creates could prove devastating to the effective oversight and regulation by the Commission of public utilities.

**C. THE ENERGY PROJECT JOINS IN AND SUPPORTS THE PROCEDURE PROPOSED BY JOINT PETITIONERS AS AN ALTERNATIVE TO CASCADE'S UNWORKABLE PROPOSAL AND PROVIDES GREATER FLEXIBILITY UNDER AN ABBREVIATED TIMEFRAME.**

Whether or not The Energy Project would need additional time to retain an expert witness, the time proposed by the Company is still far too short for the Energy Project to meet with the agency personnel who administer the Company's bill assistance program and, to the extent that there are monies not being fully spent, determine the reasons for this and craft a solution. Cascade raised the bill assistance issue and the Energy Project now feels compelled to respond to eliminate any impression that the program is unsuccessful. As Cascade itself noted, the agencies have spent out their funds in at least two years, exceeding their funding in at least one year. The program has been in operation for roughly 8 years and the past two years have been quite successful. Regardless, it will take more time than Cascade has proposed to fully sift through this issue and provide solid facts and recommendations to the Commission.

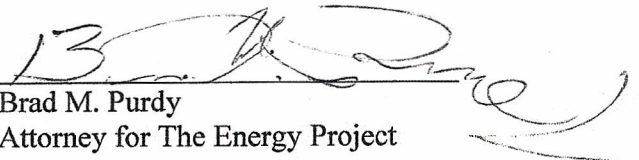
**III. CONCLUSION**

The Energy Project respectfully submits that if Cascade wishes to proceed with its filing, that the matter be treated as a general rate proceeding pursuant to WAC 480-07-505(1). Should the Commission determine for some reason that the Company is entitled to an abbreviated Rate Filing, then The Energy Project submits that its Petition for Suspension is more than fair, especially in light of the fact that Cascade had complete control over the timing of its Rate Filing

and the consequences of holding out for an extended period of time should not fall on the shoulders of the other interested parties, particularly low income customers.

As stated herein, and regardless of what procedural path the Commission chooses, The Energy Project commits itself to working collaboratively with the Company in an effort to identify and resolve whatever problems it is able to and do so in an expeditious manner.

RESPECTFULLY SUBMITTED this 10th day of July, 2015.

  
Brad M. Purdy  
Attorney for The Energy Project

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND )  
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CASCADE NATURAL GAS COMPANY )  
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\_\_\_\_\_  
In the Matter of the Petition of )

CASCADE NATURAL GAS COMPANY )

For a Waiver from WAC 480-07-505 )  
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\_\_\_\_\_ )

**DOCKET UG-151309**

**THE ENERGY PROJECT'S ANSWER  
AND OBJECTION TO CASCADE  
NATURAL GAS PETITION FOR  
WAIVER**

**EXPEDITED TREATMENT  
REQUESTED**

**I. INTRODUCTION**

Pursuant to WAC 480-07-370(1)(c), the Energy Project hereby submits the following Answer and Objection to the Cascade Natural Gas ("Cascade, or "Company") Petition for Waiver filed in Tariff Advice W15-06-01 on June 23, 2015 in Docket No. 151309. Cascade's Motion for Waiver (referred to herein as "Rate Filing") seeks an increase to its base rates in the amount of \$3.9 million or 1.9% of revenues. Relying upon WAC 480-07-110(01), Cascade's Petition seeks a one-time waiver from the otherwise applicable general rate procedure required pursuant to WAC 480-07-505(1).



For the reasons set forth below, the Energy Project respectfully submits that Cascade's Rate Filing qualifies unconditionally as a general rate proceeding pursuant to WAC 480-07-505(1) and that there is no legitimate basis for granting Cascade's Petition.

The Energy Project also notes that in the event the Commission chooses to not treat Cascade's filing as a general rate proceeding, the Energy Project has, concurrently with this Answer and Objection, filed a separate Petition for Suspension of Cascade's Rate Filing under expedited treatment. The Energy Project maintains that Cascade's proposed procedure is contradictory to applicable statutes and rules cited herein and that the procedure proposed by Cascade would effectively eliminate the ability of the public or interested parties to provide meaningful input to the Commission, resulting in an extremely one-sided rate case procedure that could lead to very regrettable precedent.

## **II. BACKGROUND**

Cascade's Rate Filing is purportedly based on Cascade's modified Commission Basis Report (CBR) from Docket UG-150668. Cascade provides a lengthy cover letter with its filing that effectively functions as an application. The cover letter contains statements that the Energy Project believes to either be misleading or that are contradictory to Cascade's Petition for Waiver and highly abbreviated procedure for the handling of this Rate Filing. Cascade has filed no supporting testimony in support of its Rate Filing or Petition. Finally, Cascade does not specify the procedure, including timelines, by which the public and interested parties would be allowed to analyze the filing and engage in discovery, conduct meaningful analysis, or provide input to the Commission.

### III. ARGUMENT

#### A. **The Energy Project Supports the Answer and Objection to Cascade's Petition Filed by Public Counsel and the Northwest Industrial Gas Users (NWIGU).**

The Energy Project notes that Public Counsel and NWIGU (referred to herein as "Joint Petitioners") have already filed a joint Answer and Objection to Cascade's Petition for Waiver and have petitioned for a suspension of Cascade's proposed Rate Filing and procedure. The Energy Project supports the totality of these joint pleadings and, to eliminate duplication, will not repeat the arguments advanced by Joint Petitioners. Rather, the Energy Project will endeavor to either expand upon points made by Joint Petitioners or otherwise limit this pleading to those issues more pertinent to Cascade's low income customers.

#### B. **Cascade's Rate Filing Fails To Meet Criteria of WAC 480-07-505 And Is Otherwise Inappropriate for Informal Procedure.**

There are several technical aspects of Cascade's rate filing that render it unsuitable for application of WAC 480-07-110(1). In addition, there are a number of practical and equitable reasons why Cascade's rate filing should be suspended.

##### 1. **Technical Criteria of WAC 480-07-505.**

First, WAC 480-07-505(1) provides that if a rate filing meets any of five stated criteria, it is deemed to constitute a general rate proceeding. This Rule provides:

**WAC 480-07-505(1) General rate proceedings-Definition. (1) Rate filings that are considered general rate proceedings.** A general rate proceeding filing is a filing by any regulated company specified in WAC 480-07-500 for an increase in rates that that meets any of the following criteria: (a) The amount requested would increase gross annual revenue of the company from activities regulated by the commission by three percent or more. (b) Tariffs would be restructured such that the gross revenue provided by any customer class would increase by three percent or more. (c) The company requests a change in its authorized rate of return on common equity or a change in its capital structure. (d) The

company is a solid waste company regulated under chapter 81.77 RCW, except under chapter 81.77 RCW, except for filings specified under subsection (3)(a) of this section.

*Emphasis added.*

Although the foregoing statute requires only one (“any”) of the five stated criteria to qualify a rate increase filing as a general rate proceeding, Cascade's filing fully meets two of the five criteria, specifically, subparts (b) and (c). Regarding subpart (b) and as noted in its filing, Cascade proposes a rate increase of 6.28% for its Transportation class of customers.

Second, regarding subpart (c), and as noted on the first page (final paragraph) of Cascade's cover letter accompanying its rate filing, it is stated that: "Cascade's current authorized rate of return is 8.86%. Cascade is requesting rates based on an overall rate of return of 7.5%." The Energy Project joins in Public Counsel and NWIGU's arguments that Cascade is also proposing a revised cost of capital in this case and that such costs have decreased significantly since the last rate case nearly a decade ago raising the issue of whether 7.5% is fair, just and reasonable. The Energy Project respectfully submits that the issue of authorized rate of return is simply too complex for the expedited process proposed by Cascade.

## **2. Practical and Equitable Reasons Why Cascade's Motion for Waiver Should Be Denied.**

Cascade's last rate filing was filed in 2006 and was mostly resolved through settlement.<sup>1</sup> The Company has not had a rate filing that was fully litigated and reviewed in roughly twenty years.<sup>2</sup> The Energy Project defers to the Joint filing of Public Counsel and NWIGU regarding the implications of the paucity of rate filings by Cascade and risks posed by granting such an abbreviated and ill-defined procedure as proposed by Cascade in this case.

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<sup>1</sup> Docket UG-060256, Order 05.

<sup>2</sup> Docket UG-951415.

Regarding the contention that Cascade's filing lacks specificity or is ill-defined, the Energy Project submits that, in reality, Cascade is proposing an all or nothing approach. In its cover letter, the Company states: [i]t is anticipated that based on the outcome of Staff's review and the sharing of all documentation that a September 1 effective date is reasonable and allows an adequate review period for all interested parties."<sup>3</sup> Regardless of the foregoing claim, Cascade does not explain what "sharing of all documentation" even means and despite its claim that all interested parties will be provided with an "adequate review period," it does not provide any timeline or process by which interested parties would provide input to the Commission, presumably in the form of informal written comments given the time period required to file testimony. The Company's characterization of its proposed procedure, therefore, is hollow, without substance and is so vague that it requires gross speculation.

The truth is that Cascade's Rate Filing is already on the Commission's agenda for an open meeting scheduled for August 27, 2015. Cascade has stated that it expects a final ruling on its Rate Filing by the Commission during the August 27 open meeting. This meeting date is five days, two of which fall on a weekend, prior to the proposed effective date of September 1. Thus, any interested parties who wish to file written comments in time for the Commission to review and analyze prior to issuing a final ruling would, as a practical matter, need to do so at least two weeks prior to the open meeting, placing the comment date on or near August 13, 2015, approximately four weeks from now. As the Joint Petitioners note, there might exist the need for certain parties to retain expert witnesses, especially to address rate of return. Cascade's procedure would render this improbable at best.

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<sup>3</sup> *Cover Letter, p. 1, 3rd paragraph.*

As an additional practical consideration, the Energy Project notes that Cascade has stated an intention to file a general rate proceeding in Washington as early as the first half of 2016, possibly less than one year from now. Furthermore, Cascade is currently litigating a general rate case in Oregon. This begs the question of the intent and effect of a highly abbreviated proceeding in Washington under the circumstances. Whether or not Cascade views this filing as a "stop-gap or interim filing" as suggested by Joint Petitioners, there is no justification to allow a rate increase of \$3.9 million under a process which will provide little to no meaningful opportunity for other parties to analyze and comment upon. In short, given the considerable length of time between Cascade rate cases and the imminent general rate filing it plans to make, there seems no justification, from a practical standpoint, to abbreviate and rush the rate filing at hand.

Cascade's filing raises issues of concern to the Energy Project and might well be to the detriment of the Company's low income customers. For instance, Cascade's cover letter singles-out and critiques the Community Action Agencies' handling of the Company's low-income bill assistance program stating:

Cascade contemplated whether to file adjustments to the current low income bill assistance program in recognition of the Commission's desire to update programs. However, since the inception of the low income bill assistance program, as a result of the last rate case in docket UG-060256, the community action agencies have only recently been able to spend the annual allotted \$800,000 (2013 was close, 2014 was slightly more than \$800,000). Cascade believes some agencies are better than others at maximizing the available funds and would propose a working group to better align a program, adjusting benefits to the agencies better capable of maximizing the allotted pot of dollars. Cascade would then propose adding a separate tariff to recover a greater amount than the current \$800,000 which is embedded in general expenses. Cascade currently provides about half the level of assistance of Northwest Natural and PSE (gas).

*June 23, 2015 Cover letter, second page, 3rd paragraph.*

This criticism raises several questions. First, it is unclear how this statement, even if fully accepted on a factual basis, is relevant to whether the Company should be allowed to walk casually into the Commission for a stop-gap rate increase when it has clearly not found the need to file a rate case for nearly a decade and certainly could have done so sooner.

Second, the statement is argumentative and incomplete referring to only two years of low income bill assistance program operation during which the agencies either exceeded or "came close" to spending their allotted funding. The Company provides no actual spending levels for any year and simply characterize the remaining years since the program's inception in a negative manner with no supporting data. The Energy Project needs sufficient time simply to contact each agency administering Cascade's assistance program to obtain relevant data such as whether Cascade's characterization of the bill assistance program results are accurate and, if there do exist problems with respect to administration of the program, determine what the cause of those problems is.

Because of the highly unusual nature of Cascade's proposed procedure, the Energy Project is concerned that the unsubstantiated characterization of Community Action Agency performance is effectively on the record in this proceeding and the Energy Project is entitled to challenge the accuracy of the characterization. Community Agency personnel are often overworked and, like most people, tend to schedule their vacations during the summer months. Less than four weeks in the middle of summer is far from adequate for the Energy Project to conduct the necessary analysis and respond to Cascade's contentions.

The Energy Project welcomes the opportunity to create a working group, as proposed by Cascade, to address potential problems with the Company's bill assistance program, but believes that the circumstances are such that this effort could and should take place prior to the Company's next general rate proceeding to be filed next year. Any proposed funding or program design changes that conceivably comes out of that process could then be presented to the Commission during the course of the next general rate case. The Energy Project is also open to the possibility of breaking the bill assistance program issues out into a separate docket, but the record created by Cascade in this case containing unsubstantiated characterizations of the program are unfair and should not have any influence on the Commission's ruling.

The Energy Project also notes that the bill assistance program is not the only low income concern at play in this proceeding. As the Commission has often noted, any rate increase can have a disproportionate impact on low income customers. The Energy Project joins in the concerns raised by Joint Petitioners regarding the use of a CBR as a substitute for a formal rate case analysis and the length of time that has transpired since the Company's earnings, expenses and rate base were last formally scrutinized. The Energy Project submits that to the extent Cascade is possibly under-earning, any consequences resulting from Cascade's failure to timely make a proper filing should fall on the backs of the Company's shareholders, not its customers.

Finally, the Energy Project shares Joint Petitioners' concerns regarding the precedent that allowing this type of hyper-abbreviated, hybrid rate proceeding might create. If WAC 480-07-505(1) is effectively re-written to allow utilities to file any piecemeal rate increases seeking less than 3% and escape the full scrutiny of the Commission and interested parties, this could conceivably have a far-reaching and negative change to the very nature of public utility regulation.

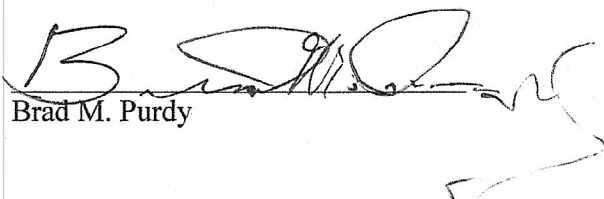
#### IV. CONCLUSION

Cascade's Rate Filing proposes a procedure that is so vague and lacking in critical information that it is difficult to even understand. What is clear is that the proposed procedure is in direct contradiction to the Commission's procedural rules and the Company has offered no legitimate reason to deviate from those rules.

The Energy Project welcomes the opportunity to create a working group to address Cascade's bill assistance program and to do so in time to potentially incorporate any agreed-upon changes in Cascade's next general rate case. The Energy Project would also consider breaking the issue out into its own docket.

The Energy Project submits that the precedent that might result from granting Cascade's Petition for Waiver could have far-reaching consequences that impinge on the rights of utility customers and result in rates that might not be fair, just and reasonable and urges that Cascade's Petition for Waiver of WAC 480-07-505(1).

DATED, tenth day of July, 2015.



Brad M. Purdy



**CERTIFICATE OF SERVICE  
Docket UG-151309  
CASCADE 2015 RATE CASE**

I hereby certify that a true and correct copy of the foregoing document was sent to each of the parties of record shown below via email and next business day delivery.

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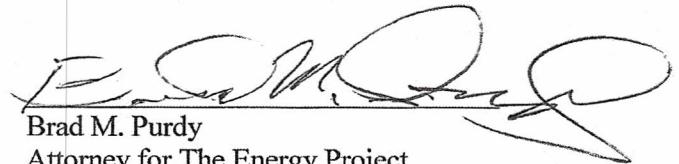
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DATED: July 10, 2015.

  
Brad M. Purdy  
Attorney for The Energy Project