BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

AWEC DATA REQUEST NO. 005:

Depreciation Expense

Please provide the monthly calculation of depreciation expenses by FERC account for 2020 including the monthly gross plant balances and the depreciation rate applied.

Response:

Attached as Attachment A to Cascade Natural Gas Corporation's ("Cascade") Response to AWEC Data Request No. 005, please find an Excel file that includes the monthly calculation of all depreciation expenses for each Cascade jurisdiction. Cascade records depreciation for all classes of depreciable gas plant in service to depreciation expense except for depreciation that is allowed to be charged to a clearing account. The depreciation of transportation equipment, work equipment, and power operated equipment is charged to a clearing account in order to obtain a proper distribution of the expense between construction and operation. The use of this method is in accordance with the FERC's Uniform System of Accounts general instructions for natural gas companies, which states under Note B of FERC 403 "[d]epreciation expense applicable to transportation equipment, shop equipment, tools, work equipment, power operated equipment and other general equipment may be charged to clearing accounts as necessary in order to obtain a proper distribution of expenses between construction and operation."

Cascade notes that depreciation rates changed effective January 1, 2021. This change was approved in Docket UG-200278 and adopted within Cascade's recent fully litigated rate case in Docket UG-200568.

In preparing its Response to AWEC Data Request No. 005, Cascade discovered an error in Adjustment R-3, Restate End of Period Adjustment, Depreciation & Amortization, found on page 1, Column R-3, of the Fourth Exhibit to the Direct Testimony of Maryalice Gresham, Exh. MCG-5. Cascade inadvertently used the Depreciation Expense total of $32.1 million found on tab "EOP Depn Exp Adj", Column D, Row 46, as the annual end of period depreciation expense. As Column F, Row 47 illustrates, the $32.1 million includes depreciation charged to Auto and Work clearing accounts. To accurately reflect Depreciation Expense for the end of period, the $31.0 million in Column F, Row 40 should have been used. The result was an over-statement of Depreciation Expense by $1.1 million in the original case as shown in Column I, Row 40.

Additionally, in 2015, two assets were transferred from FERC sub-plant account 376 HP Distribution Mains to FERC sub-plant account 367 Transmission Mains per Engineering. The jurisdictional allocation factor used under FERC 376 correctly allocated these assets to Washington. However, when transferred to FERC 367 the allocation factor was set up incorrectly to allocate to Oregon and has been used that way since. This error was found when looking at the plant’s state on asset reports where the state on the work orders/assets were correct versus the allocation on the depreciation reports where the jurisdiction factors were incorrect. There has been no activity in these two assets between 2015 and 2021. These assets and their corresponding accumulated reserve will be transferred to the correct allocation group as of December 2021 so they will be reflected in the Washington jurisdiction. Therefore, any reporting going forward will correctly reflect these assets, accumulated reserve, and depreciation expense in the Washington jurisdiction. This results in an increase in Depreciation Expense of $6,999.

ATTACHMENT A to Cascade’s Response to AWEC Data Request No. 005