BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. CASCADE NATURAL GAS CORPORATION, Respondent.	DOCKET UG-152286 STAFF RESPONSE TO PETITION TO AMEND ORDER 04

I. INTRODUCTION

1 Commission Staff (Staff) of the Washington Utilities and Transportation Commission (Commission) submits this Response to Cascade Natural Gas Corporation's (Cascade or the Company) Petition to Amend Order 04.

II. RELIEF REQUESTED

2 Cascade seeks to extend its decoupling mechanism until its next full general rate case (GRC) which it expects to file in late 2022 or early 2023, thus allowing the matter to be fully adjudicated on whether the mechanism should be sustained or abolished.[1]

3 In Order 04 of Docket UG-152286, approved on July 7, 2016, the Commission authorized Cascade to implement a revenue-per-customer decoupling mechanism similar to the decoupling mechanisms approved for Puget Sound Energy (PSE) and Avista Corporation (Avista).

4 Cascade's current decoupling mechanism has a term limit of five years, even though

[1] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corp.*, Docket UG-152286, Cascade Motion to Amend Order 04, 2 (July 9, 2021).

the order approving Cascade's decoupling mechanism did not explicitly state an end date. Because the Company's decoupling mechanism was based on the approved decoupling mechanisms of PSE and Avista, both of which had a five-year term, it was the parties' understanding that Cascade's decoupling mechanism would run the same length. Cascade's decoupling tariff specifies that the current mechanism will have its final deferral recorded September 2021 and its final decoupling mechanism adjustment charge or credit on December 31, 2022.[2]

III. ARGUMENT

5 Decoupling is a regulatory mechanism under which a utility's authorized revenue is decoupled from its sale volumes. Under a decoupling mechanism, a utility is allowed to recover a fixed amount of revenue regardless of its volumetric energy sales. The mechanism protects the utility from short-term revenue reductions that are a direct result of the utility's programs to increase the efficiency of energy use. In other words, decoupling removes the utilities' disincentives to pursue conservation.[3] The mechanism already mitigates the utilities' revenue volatility related to temperature variation.

6 The Commission approved a full revenue decoupling mechanism for PSE in 2013,[4] for Avista in 2015,[5] and for Cascade in 2016.[6] The Commission extended PSE's decoupling

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[2] *See* Cascade Tariff WN U-3, Sheet No.25-B. Since Cascade started recording its first decoupling deferral in September 2016, Staff interprets that the five-year term means that the last recording of the decoupling deferral under current authorization would end on August 31, 2021.

[3] *In the Matter of the Wash. Utils. & Transp. Comm'n's Investigation into Energy Conservation Incentives*, Docket U-100522, Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets, (Nov. 4, 2010) (Decoupling Policy Statement).

[4] *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Dockets UE-121697, UG-121705, UE-130137, and UG-130138, Order 07 (Jun. 25, 2013) (PSE 2013 ERF and Decoupling Order).

[5] *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-140188 and UG-140189, Order 05 (Nov. 25, 2014).

[6] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corp.*, Docket UG-152286, Order 04 (July 7, 2016).

mechanism with modifications in 2017[7], and extended Avista's decoupling mechanism with modifications in 2019.[8]

7 The Commission has addressed the course of the decoupling mechanism in between GRCs. For example, the Commission extended Avista's decoupling mechanism authorized in its 2014 GRC beyond its initial expiration date of December 31, 2019 until the conclusion of Avista's next GRC, or no later than April 1, 2020.[9] The Commission expressed that "[t]he Commission established the decoupling mechanism in a general rate case, and we agree with the Parties that any extension or modification of those mechanisms would best be considered in a general rate case."[10]

8 Staff believes the Commission has the authority to decide on decoupling issues in a non-GRC proceeding,[11] however, a comprehensive rate proceeding is the best venue to address the continued implementation and modifications of the decoupling mechanism. It will allow parties to examine the applicability and efficacy of the decoupling mechanism in the broader context and consider other interconnected factors such as cost of capital, risk factors, cost, rate base and revenue growth trend, conservation achievement, rate design, etc. Most importantly, parties should deliberate in Cascade's next GRC whether and how the decoupling mechanism should be implemented in the context of multi-rate year plan and performance-based regulation.

9 Staff believes Cascade's decoupling mechanism continues to fulfill its goals of promoting energy conservation and reducing revenue volatility. The decoupling evaluation

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[7] *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy, Inc.*, Dockets UE-170033 and UG-170034, Order 08 (Dec. 5, 2017) (PSE 2017 GRC Order).
[8] *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-190334, UG-190335, and UE-190222, Order 09 (March 25, 2020).
[9] *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-140188 and UG-140189, Order 09 (Feb. 14, 2019).
[10] *Id.* at 2, ¶ 4.
[11] *See* PSE 2013 ERF and Decoupling Order at 44, ¶ 98; *see also*, PSE 2017 GRC Order at 91, ¶ 262.

report filed by Cascade indicates that the mechanism has been operating well: the mechanism has had a stabilizing effect on revenue; it has had a relatively small impact on low-income customer bills; conservation achievement has moved upwards in the decoupling years and there is no evidence of any adverse impacts on customer service, price signals, or utility program operations.[12] Staff is concerned that the interruption of the decoupling mechanism may disjoint the regulatory framework the Company operates under now and potentially cause adverse effect on conservation and revenue stability.

10 However, Staff does not support an open-ended extension of Cascade's decoupling mechanism until the conclusion of the Company's next GRC, because the Company controls the timing of the next GRC. Therefore, Staff recommends the Commission approve Cascade's request for an extension of its decoupling mechanism until the earlier of (1) the effective date of Cascade's next GRC or (2) August 31, 2025. The extension will last for four more years from the current end date, should the Company not file a GRC in late 2022 or early 2023. If Cascade does file a GRC and the Commission's final order in that GRC becomes effective prior to August 31, 2025, the decoupling issues will be analyzed and decided in that case. The Commission set a similar limitation when it approved the extension of Avista's decoupling mechanism.[13]

11 Finally, as mentioned above, the end date of Cascade's decoupling mechanism does not exist in Order 04 of this docket, or in the settlement agreement incorporated into that order. The end date that Cascade seeks to extend is instead specified in the Company's tariff,

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[12] *Wash. Utils. & Transp. Comm'n v. Cascade Natural Gas Corp.*, Docket UG-152286, Cascade Natural Gas Decoupling Evaluation Final Report, 2-5 (March 12, 2021).
[13] *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Docket UE-140188 & UG-140189, Order 09, 2, ¶ 5 (Feb. 14, 2019).

Tariff WN U-3, Sheet No.25-B.[14] Therefore, if the Commission decides to approve the request to extend the decoupling mechanism, Staff recommends that the Commission order Cascade to file revised tariff sheets consistent with that decision to avoid confusion. Under WAC 480-07-395(4), the Commission liberally construes pleadings based primarily on the relief requested. Although the motion is titled a motion to amend Order 04, no amendment to the order is necessary to implement the relief requested.

IV. CONCLUSION

12 Staff supports the approval of Cascade's request for an extension of its decoupling mechanism with modification to the new expiration date. The Commission should extend Cascade's decoupling mechanism until the earlier of (1) the rate effective date of Cascade's next GRC or (2) August 31, 2025.

DATED this _27th__ day of August, 2021.

Respectfully submitted,

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[14] The relevant portion of the Tariff states: "**TERM:** This Adjustment Mechanism shall remain effective for five years, with the final Deferral Amount being recorded for September 2021 and the final Schedule 594 charge or credit billing on December 31, 2022."