

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS  
CORPORATION,

Respondent.

DOCKET UG-210755

**POST-HEARING BRIEF  
OF PUBLIC COUNSEL**

July 1, 2022

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## I. INTRODUCTION

1. On September 30, 2021, Cascade Natural Gas Corporation (Cascade or the Company) filed a request with the Washington Utilities and Transportation Commission (UTC or Commission) for a general rate increase of \$13.7 million, or 5.12 percent.<sup>1</sup> Cascade describes its request as a “limited issues rate case” and cites “continued under-earning,” rate base investment, and 2021 wage increases as the primary drivers for the increase.<sup>2</sup> In its last rate case, Cascade had requested a \$13.8 million rate increase, but the Commission instead ordered Cascade to decrease its rates by \$0.39 million, or 0.15 percent.<sup>3</sup> Cascade’s September 2021 filing includes a proposal to maintain its current Commission-approved return on equity but decrease its cost of debt from 4.59 to 4.54 percent, decreasing its overall rate of return from 6.95 to 6.93 percent.<sup>4</sup>
2. On March 22, 2022, Cascade and the UTC Staff (Staff) filed a Full Multiparty Settlement Stipulation (Settlement) along with supporting joint testimony and a joint exhibit, proposing to increase rates for Cascade by \$10.7 million along with its requested cost of debt reduction and overall rate of return of 6.93 percent.<sup>5</sup> On April 25, 2022, the remaining parties to the current rate case—the Public Counsel Unit of the Washington State Attorney General’s Office (Public

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<sup>1</sup> Direct Testimony of Nicole A. Kivisto, Exh. NAK-1T at 3:10–13; Direct Testimony of Tammy J. Nygard, Exh. TJN-1T at 2:6–15

<sup>2</sup> Kivisto, Exh. NAK-1T at 3:13–15.

<sup>3</sup> *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas*, Docket UG-200568, Order 05: Final Order, ¶¶ 1, 4, & 14 (May 18, 2021).

<sup>4</sup> Kivisto, Exh. NAK-1T at 5:3–8.

<sup>5</sup> Full Multiparty Settlement Stipulation, ¶¶ 9–12; Joint Testimony of Mark A. Chiles & Joanna Huang, JT-1T; Chiles & Huang, Exh. JT-2.

Counsel), the Alliance of Western Energy Consumers (AWEC), and The Energy Project (TEP)—filed their testimonies in opposition to the Settlement.<sup>6</sup>

3. Testimony by Public Counsel’s expert demonstrates the proposed Settlement is not fair, reasonable, or justified by evidence in the record and that the \$10.7 million increase the Settlement proposes is excessive. For these reasons, the Settlement is contrary to the public interest. Public Counsel’s witness testifies that because it is now 2022, the Commission may look at Cascade’s actual financial results in 2021 to see that the Company’s revenue increase request based on the 2020 test year is unreasonably and unnecessarily excessive.<sup>7</sup>

4. In rebuttal, Cascade erroneously interprets Public Counsel’s position as recommending the use of a 2021 test year instead of the 2020 test year.<sup>8</sup> Cascade’s rebuttal testimony also challenges adjustments in Public Counsel’s calculations for Cascade’s 2021 operations, as well as in Public Counsel’s accounting for weather normalization.<sup>9</sup> Finally, Staff’s rebuttal testimony took issue with Public Counsel’s analysis of Cascade’s 2021 financial results.<sup>10</sup>

5. Public Counsel analyzed Cascade’s initial filing, the proposed Settlement Cascade filed with Staff, and rebuttal filings from Cascade and Staff. Public Counsel offered opposition testimony showing that the settlement’s proposed rate increase is unreasonably and unjustifiably excessive. For these reasons, and because such an excessive rate increase imposes a higher

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<sup>6</sup> Opposition Testimony of Mark E. Garrett, Exh. MEG-1T; Opposition Testimony of Bradley G. Mullins, Exh. BGM-1T; Direct Testimony of Shawn M. Collins, Exh. SMC-1T.

<sup>7</sup> Garrett, Exh. MEG-1T at 8:7–15.

<sup>8</sup> Rebuttal Testimony of Mark A. Chiles, Exh. MAC-4Tr at 28:8–11.

<sup>9</sup> Chiles, Exh. MAC-4Tr at 28:16 (five year average of employee incentives); Chiles, Exh. MAC-4Tr at 29:1–3 (calculation of customer growth and CRM revenue impacts); Chiles, Exh. MAC-4Tr at 29:3–7 (weather normalization).

<sup>10</sup> Rebuttal Testimony of Joanna Huang, Exh. JH-1T at 3:18–22.

burden on communities and populations that already are highly impacted and vulnerable, Public Counsel recommends that the Commission reject the Settlement as contrary to public interest.

## II. STANDARD OF REVIEW

6. WAC 480-07-750(2) sets forth the legal standard the Commission must apply in its review of any settlement agreement, that “[t]he commission will approve a settlement if it is lawful, supported by an appropriate record, and consistent with the public interest in light of all the information available to the commission.”<sup>11</sup> Pursuant to RCW 80.28.020, the Commission must determine utility rates that are fair, just, and reasonable.<sup>12</sup> Accordingly, the Commission must judge the reasonableness of a settlement under its statutory standards, and may approve the settlement subject to conditions or reject the settlement if it finds that it fails the standard.<sup>13</sup>
7. The parties filing the settlement bear the burden to provide “supporting documentation sufficient to demonstrate that the settlement is consistent with the law and the public interest.”<sup>14</sup> Moreover, because Cascade is seeking to modify existing rates, the Company bears an additional burden of proof to justify its requested rate change.<sup>15</sup> The non-settling parties—Public Counsel, AWEC, and TEP—have the right to offer evidence and argument in opposition.<sup>16</sup>
8. In addition, the Commission must resolve the issues in this case based on the record before it, while determining whether it will accept, reject, or modify a multiparty settlement.<sup>17</sup>

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<sup>11</sup> WAC 480-07-750(2).

<sup>12</sup> RCW 80.28.020.

<sup>13</sup> *Id.*

<sup>14</sup> WAC 480-07-740(3).

<sup>15</sup> WAC 480-07-540.

<sup>16</sup> WAC 480-07-740(2)(c).

<sup>17</sup> *In re Puget Sound Energy*, Dockets UE-121373, UE-121697 & UG-121705 (*consol.*), and UE-130137 & UG-130138 (*consol.*), Order 06/07: Order Rejecting Multiparty Settlement, ¶ 17 (June 25, 2013).

The Commission “weighs the evidence offered in support of the common positions advocated by the settling parties against the evidence opposing the results advocated by the settling parties, and evidence offered by non-settling parties in support of the alternative results that they advocate.”<sup>18</sup> The Commission’s decision on “[e]ach contested issue is decided on its merits considering the full record.”<sup>19</sup>

### III. ARGUMENT

#### A. The Commission Should Reject the Excessive Rate Increase in the Full Multiparty Settlement Because it is Not Fair, Just, or Reasonable and is Therefore Contrary to Law and the Public Interest.

9. The \$10.7 million revenue increase the Settlement proposes is unreasonably excessive and lacks support in the record. The United States Supreme Court clarified in the fundamental ratemaking cases, *Hope*<sup>20</sup> and *Bluefield*,<sup>21</sup> that utilities are entitled to charge customers rates that are fair, just, reasonable, and sufficient to earn a reasonable return on investment.<sup>22</sup> The right to earn a reasonable return, however, does not entitle a utility to earn excess revenue that it has not supported with sufficient evidence in the record.<sup>23</sup>
10. In a decision accepting a settlement in a prior rate case, the Commission noted that settlements “are by nature compromises of more extreme positions that are supported by

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<sup>18</sup> *Id.* ¶ 20.

<sup>19</sup> *Id.*

<sup>20</sup> *Fed. Power Comm’n v. Hope Nat. Gas Co.*, 320 U.S. 591, 64 S. Ct. 281 (1944).

<sup>21</sup> *Bluefield Waterworks & Imp. v. Pub. Serv. Comm’n of W. Va.*, 262 U.S. 679, 43 S. Ct. 675 (1923).

<sup>22</sup> *Hope*, 320 U.S. at 603; *Bluefield*, 262 U.S. at 690, 691, 692.

<sup>23</sup> See WAC 480-07-740(3); WAC 480-07-540.



evidence and advocacy.”<sup>24</sup> The Commission noted further that ratemaking “is not an exact science” and that a settlement could be accepted where “the overall result in terms of revenue requirement is reasonable and well supported by the evidence.”<sup>25</sup> In reviewing the proposed settlement in that case, the Commission considered whether the settlement was lawful, supported by the record and in the public interest.<sup>26</sup>

11. In this Docket, the rate increase in the proposed Settlement is not reasonable and lacks sufficient support in the record. Cascade and the UTC Staff have not met their burden to justify the proposed rate change as required in WAC 480-07-740 and WAC 480-07-540. Thus, Commission approval of the unjustified and unreasonably large rate increase in this Docket is contrary to law.
12. When determining the public interest, RCW 80.28.425(1) provides that the Commission may consider equity.<sup>27</sup> The Settlement proposal in this Docket is unjust because it would impose an unreasonably excessive rate increase on all customers, and is inequitable because it would disproportionately impose additional burdens on highly impacted communities and vulnerable populations. Therefore, consistent with WAC 480-07-740, WAC 480-07-750(2), and RCW 80.28.425(1), the Commission should reject the proposed unsupported \$10.7 million increase the Settlement would otherwise implement.

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<sup>24</sup> *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas Corp*, Docket UG-060256, Order 05: Final Order, ¶¶ 23–24 (Jan. 12, 2007) (citing *Wash. Utils. & Transp. Comm’n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-032065, Order 06, ¶ 59 (Oct. 2004)) (internal quotations omitted).

<sup>25</sup> *Id.* ¶ 24.

<sup>26</sup> *Id.* ¶¶ 24–25.

<sup>27</sup> RCW 80.28.425(1).

13. The Full Multiparty Settlement states that it is “based on the Company’s initial filing in this proceeding” with the adjustments and changes for depreciation and rate base described in the stipulation.<sup>28</sup> The stipulation proposes to increase Cascade’s annual revenue requirement by \$10,692,992, or 8.64 percent in non-gas operating revenue.<sup>29</sup> This represents a \$3 million reduction to the revenue requirement increase that Cascade requested in its initial filing of \$13,725,286 (11.10 percent of margin revenue).<sup>30</sup> However, based on publicly available information for 2020 and 2021, the record shows Cascade would need only a fraction of either amount to earn either its approved or requested rates of return of 6.95 percent or 6.93 percent respectively.
14. Because Cascade chose 2020 as its test year and it is currently mid-2022, actual expense and income are known for both 2020 and 2021. Accordingly, the Commission can analyze rate base for the 2020 test year and for 2021 using its preferred average of monthly averages (AMA) approach, rather than the end of period (EOP) approach Cascade’s initial filing proposed. Applying the AMA approach to the Company’s initial filing and considering the requested 6.93 percent rate of return indicates that Cascade had a revenue shortfall of only \$5.9 million.<sup>31</sup>
15. Later, on April 29, 2022, in Docket UG-220325 the Company filed its Commission Basis Report (CBR) further clarifying a revenue shortfall of only approximately \$5.3 million.<sup>32</sup> The

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<sup>28</sup> Full Multiparty Settlement Stipulation ¶ 9–12.

<sup>29</sup> *Id.*; see also Chiles & Huang, Exh. JT-1T at 4:15–16; Garrett, Exh. MEG-1T at 5:1–3.

<sup>30</sup> See Direct Testimony of Maryalice C. Gresham, Exh. MCG-1Tr at 2:13–14; Garrett, Exh. MEG-1T at 4:6–7.

<sup>31</sup> See Garrett, Exh. MEG-1T at 5:7–9, 7:7–8:12, 7 nn.10–11.

<sup>32</sup> See Chiles, Exh. MAC-15X; Comm’n Basis Report for the 12-Month Period Ending Dec. 31, 2021 Pursuant to WAC 480-90-257, Docket UG-220325 (Apr. 29, 2022).

latter of these revenue shortfall amounts is less than half of the proposed settlement revenue increase of \$10.7 million.

**1. Valuing the 2020 test year rate base using the Commission’s preferred AMA approach shows that Cascade does not need the Settlement’s excessive rate increase.**

16. In its initial filing, Cascade uses an EOP analysis to value rate base in the 2020 test year to support its request for a revenue increase of \$13.7 million to achieve a requested 6.93 percent rate of return.<sup>33</sup> The \$10.7 million revenue increase proposal in the Settlement assumes the same EOP rate base valuation. However, the Commission has stated that AMA rate base is the preferred approach, with EOP rate base being the exception.<sup>34</sup> Applying AMA valuation to the Company’s rate base for the 2020 test year demonstrates that Cascade does not require the excessive rate increase in the Settlement to earn its requested rate of return of 6.93 percent.

17. The Commission has approved EOP treatment under one or more of the following conditions: (a) abnormal growth in plant, (b) inflation and/or attrition, (c) significant regulatory lag, or (d) failure of utility to earn its authorized rate of return over an historical period.<sup>35</sup> In addition, the Commission clarified in Cascade’s last general rate case (GRC) that it “expect[s] a company’s initial filing to articulate, with specificity why EOP treatment is appropriate,” and that a company requesting to use EOP valuation “should also present rate base on an AMA basis, then create a restating adjustment to reflect rate base valued on an EOP basis to allow the

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<sup>33</sup> Gresham, Exh. MCG-1Tr at 2:10–19.

<sup>34</sup> *Wash. Utils. & Transp. Comm’n v. Pacific Power & Light*, Docket UE-140762, Order 08: Final Order, ¶¶ 147–149 (Mar. 25, 2015). (citing *WUTC v. Wash. Nat. Gas Co.*, 44 P.U.R. 4th 435, 438 (Sept. 24, 1981)).

<sup>35</sup> *Id.* ¶ 145.

Commission to appropriately consider the issue without the need for supplemental filings and bench requests.”<sup>36</sup>

18. Cascade has not stated with specificity why EOP treatment is appropriate in this rate case, nor presented rate base on an AMA basis as the Commission directed in Cascade’s last GRC.<sup>37</sup> Further, Cascade has not demonstrated how its growth in plant is abnormal, that it is experiencing challenges due to inflation or attrition, or that it is experiencing any regulatory lag at all, considering the frequency with which Cascade has filed rate cases in the recent past. Not earning approved rate of return by itself is not sufficient for Cascade to establish why the EOP approach would be appropriate in this GRC.<sup>38</sup> AMA therefore is the appropriate approach to rate base valuation in this Docket.
19. Applying AMA valuation to rate base for Cascade’s 2020 test year shows a very different picture from the EOP valuation Cascade provided in its initial filing. As the testimony of Public Counsel witness Mark E. Garrett explained, “[t]he 2020 unadjusted results of operations show a 5.87 percent return on the average of monthly averages (“AMA”) rate base, which would indicate a revenue deficiency of \$5.9 million.”<sup>39</sup> This is significantly lower than Cascade’s initial request amount of \$13.7 million and the Settlement increase of \$10.7 million.

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<sup>36</sup> *Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas*, Docket UG-200568, Order 05: Final Order ¶¶ 163–164, 171 (May 18, 2021).

<sup>37</sup> *See id.*; Kivisto, Exh. NAK-1T; Gresham, Exh. MCG-1Tr.

<sup>38</sup> *See Wash. Utils. & Transp. Comm’n v. Cascade Nat. Gas*, Docket UG-200568, Order 05: Final Order ¶¶ 163–164, 171 (May 18, 2021).

<sup>39</sup> Garrett, Exh. MEG-1T at 5:7–9.

**2. The Company's own Commission Basis Report for 2021 shows a revenue deficiency of less than half of the proposed Settlement's \$10.7 million increase.**

20. The \$10.7 million revenue increase the Settlement proposes appears even more unreasonable when compared to the actual revenue shortfall shown by Cascade's own reporting in its 2021 CBR. Cascade's CBR shows that Cascade's 2020 test year with adjustments was a poor indicator of what it would need in 2021 to earn its approved rate of return of 6.95 percent.

21. In rebuttal testimony filed on May 2, 2022, Cascade's witness Mark A. Chiles challenged adjustments assumed in Garrett's testimony, which were separate from Cascade's 2020 test year \$5.9 million revenue deficiency derived from AMA rate base.<sup>40</sup> Chiles made arguments based on information that arose subsequent to the time of the Company's initial filing in September of 2021, and that Chiles alleged clarified financial information for the remainder of 2021.<sup>41</sup>

22. Later, on April 29, 2022, Cascade filed its CBR for the twelve-month period ending December 31, 2021.<sup>42</sup> Cascade's 2021 CBR is its own report to the Commission on the Company's rate base and net operating income, which the Commission can use together with Cascade's approved rate of return of 6.95 percent to determine what Cascade's actual revenue shortfall was in 2021. A 6.95 percent rate of return is slightly above the 6.93 percent rate of return Cascade requests in this Docket. Nevertheless, assuming the Company should earn a 6.95 percent return, the CBR numbers show that Cascade had a revenue shortfall for 2021 of only

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<sup>40</sup> Chiles, Exh. MAC-4Tr at 28:6–31:5.

<sup>41</sup> Chiles, Exh. MAC-4Tr at 28:6–31:5.

<sup>42</sup> See Chiles, Exh. MAC-15X; Comm'n Basis Report for the 12-Month Period Ending Dec. 31, 2021 Pursuant to WAC 480-90-257, Docket UG-220325 (Apr. 29, 2022).

\$3,963,719, which yields only a \$5,249,541 shortfall when divided by a conversion factor of 0.75506 for the uncollectible accounts rate.<sup>43</sup>

23. In accordance with WAC 480-90-257(2) the commission basis report is intended to depict “the gas operations of a gas utility under normal temperature and power supply conditions during the reporting period,” and must include:

- (a) Booked results of gas operations and rate base, and all the necessary adjustments as accepted by the commission in the utility’s most recent general rate case or subsequent orders;
- (b) Results of operations adjusted for any material out-of-period, nonoperating, nonrecurring, and extraordinary items or any other item that materially distorts reporting period earnings and rate base; and
- (c) Booked revenues and power supply expenses adjusted to reflect operations under normal temperature and power supply conditions before the achieved return on rate base is calculated.<sup>44</sup>

24. At the June 1, 2022, Settlement Hearing, Chiles confirmed that the 2021 CBR<sup>45</sup> describes the reporting information required under WAC 480-90-257, and that the report includes weather normalization contained in Cascade’s decoupling mechanism. The 2021 report demonstrates that for calendar year 2021 Cascade’s restated net operating income was \$29,979,637, rate base was \$488,393,608, and actual rate of return earned was 6.14 percent.<sup>46</sup> Dividing the restated net operating income by rate base yields the rate of return that Cascade actually earned for 2021: 6.14 percent.<sup>47</sup> Multiplying rate base by the 6.95 percent rate of return approved in Cascade’s last GRC yields \$33,943,356, which is the amount of net operating income Cascade would need

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<sup>43</sup> See Chiles & Huang, Exh. JT-2, Tab MCG-4, line 19; Mark A. Chiles, TR. 29:18–31:16.

<sup>44</sup> WAC 480-90-257(2)(a)-(c).

<sup>45</sup> Chiles, Exh. MAC-15X.

<sup>46</sup> *Id.*

<sup>47</sup> Chiles, TR. 26:1–25.

to earn its approved 6.95 percent approved return for 2021. Subtracting Cascade’s 2021 restated net operating income of \$29,979,637 from \$33,943,356 equals a revenue deficiency of only \$3,963,719.<sup>48</sup>

25. Chiles also confirmed at that Settlement Hearing that Cascade bases its 2020 conversion factor on an uncollectible accounts rate for the year, and that the difference between the conversion factors from 2020 and 2021 was only “minor.”<sup>49</sup> Assuming this minor variation, dividing the \$3,963,719 revenue deficiency by the 2020 conversion factor of 0.75506 equals a deficiency of \$5,249,541, still less than half the \$10.7 million increase the settlement proposes.<sup>50</sup>

**3. Cascade mischaracterizes Public Counsel’s position with regard to test year.**

23. In Cascade’s rebuttal, Chiles repeatedly references Public Counsel as arguing or suggesting that Cascade should have used a 2021 test year instead of the 2020 test year the Company chose in its September 30, 2021, initial filing. However, this is an incorrect and misleading characterization of statements in the Public Counsel’s testimony. Garrett explains in his testimony that Cascade’s use of the 2020 test year with adjustments was a poor predictor of what Cascade would need to earn its approved return, and it resulted in an unreasonable rate request.<sup>51</sup> This is not the same thing as arguing that the Company should have used a 2021 test year. Garrett does not argue for use of a 2021 test year anywhere in the testimony.

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<sup>48</sup> See Chiles, TR. 28–29.

<sup>49</sup> Chiles, TR. 29:18–30:18.

<sup>50</sup> Chiles, TR. 30:19–31:16; *see also* Chiles & Huang, Exh. JT-2, Tab MCG-4 (Conversion Factor).

<sup>51</sup> Garrett, Exh. MAG-1T at 8:7–12.

24. Cascade appears to have misunderstood or to be misinterpreting Garrett’s testimony as suggesting that Cascade should have used a historical test year that had not taken place at the time of filing. Because Cascade filed its initial request on September 30, 2021, the fourth quarter of calendar year 2021 had not yet occurred. This makes it impossible for Cascade to have used 2021 as a historical test year at the time of filing in September 2021; accordingly, Garrett did not state, nor would Garrett have stated, that Cascade should have done so. Garrett instead explains in opposition testimony that “the test year of calendar year 2020 included a period with a major business shutdown because of the COVID-19 Pandemic. As a result, it is important to verify that the operating results based on the calendar year 2020 are a reasonable basis for setting prospective rates.”<sup>52</sup> Garrett continues to explain that, “we have the benefit of being able to look at Cascade’s actual operations for calendar year 2021 to evaluate whether Cascade’s request is reasonable.”<sup>53</sup> When Garrett analyzes actual 2021 results based on both AMA and EOP approaches to rate base, both approaches show that the initial request of \$13.7 million based on an adjusted 2020 test year was an overestimation of what the Company would need to earn its approved, reasonable return.

25. Garrett lists why actual 2021 results are helpful in evaluating the Company’s request based on the 2020 test year:

- (1) In ratemaking, we adjust the results in one year to predict what the next year will be. In other words, we adjust the test year to predict what the rate-effective year will be. Here, we do not need to adjust the 2020 results to predict what the 2021 results will be because we already have the 2021 results.

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<sup>52</sup> Garrett, Exh. MAG-1T at 8:3–6.

<sup>53</sup> Garrett, Exh. MAG-1T at 8:9–11.



- (2) 2021 is much closer in time to the rate-effective period, making it a much better predictor of what costs will be when prospective rates go into effect.
- (3) 2020 was an abnormal year because of the COVID-19 pandemic. All of the COVID impacts would have to be adjusted out of 2020 before it could be used to reflect a reasonable level for prospective rates.<sup>54</sup>

26. The preceding quote from Garrett’s opposition testimony does not argue that Cascade should have used 2021 as a test year. Instead, it explains why Cascade’s use of 2020 as a test year is a poor predictor of the subsequent future year—2021. In other words, we can evaluate the reasonableness of Cascade’s use of 2020 as a test year by looking at actual 2021 results. Stated another way, not looking at actual 2021 results would willfully ignore facts to reach an unreasonable conclusion in approving a settlement based on unreasonable results from the 2020 test year. This is precisely what Cascade witness Chiles would have the Commission do by not looking at 2021 in evaluating the Settlement’s proposed \$10.7 million revenue increase.

**4. Staff incorrectly refers to working capital as an EOP calculation.**

27. As part of its argument against Public Counsel’s position, Staff incorrectly argues that Public Counsel’s EOP balance calculation for 2021 results should have also included an EOP balance for working capital. However, as Cascade indicated at the evidentiary hearing, because working capital is an amount calculated as current assets over current liabilities that is used to cover short-term expenses and day-to-day operations, it fluctuates throughout the year and is typically is calculated on a monthly, or AMA, basis.<sup>55</sup>

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<sup>54</sup> Garrett, Exh. MAG-1T at 10:6–14.

<sup>55</sup> See *Wash. Utils. & Transp. Comm’n v. Northwest Nat. Gas*, Cause No. U-74-32, 1975 WL 410548, 8 P.U.R. 4th 429, 432–34 (Mar. 21, 1975); see also *Wash. Utils. Transp. & Comm’n v. Northwest Nat. Gas*, Docket UG-181053, Order 06: Final Order ¶¶ 79–80 (Oct. 21, 2019); *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-111048 & UG-111049 (*consol.*), Order 08: Final Order ¶ 22 & n.21, ¶¶ 159, 196–205 (May 7, 2012).

28. Staff witness Joanna Huang states in rebuttal testimony that Public Counsel “did not adjust all rate base items from the test year 2020 EOP balance to the actual 2021 EOP levels,” and that “working capital is not adjusted to EOP balances and uses the 2021 AMA balance.”<sup>56</sup> Huang states that it is not appropriate for Public Counsel to adjust some of the 2021 rate base to EOP and keep using the AMA basis for the other rate base items, arguing that this “results in inconsistent test year rate base.”<sup>57</sup>

29. At the June 1, 2022, evidentiary hearing, when asked whether Cascade used a monthly averages approach in its end of period analysis for the 2020 test year,<sup>58</sup> Cascade witness Chiles stated, “I think we used average – monthly averages for one item,” and that Cascade “might have used an average and monthly averages” for working capital or inventory. Chiles’s response on the issue confirms that Staff’s assertion that working capital should be calculated using EOP is not even what Cascade itself has done in its initial filing and in the Settlement Staff is supporting. Thus, Staff’s assertion is incorrect regarding the use of AMA for working capital calculations, and the Commission should disregard it.

**B. Public Counsel supports TEP’s low-income program proposals.**

29. In its opposition testimony, TEP proposes improvements to increase the likelihood that the Washington Energy Assistance Fund (WEAF) program will reach more customers in Cascade’s service territory.<sup>59</sup> Public Counsel supports these proposed improvements and the Commission should adopt them in its order on the proposed settlement.

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<sup>56</sup> Huang, Exh. JH-1T at 3:18–22 (citing Garrett, Exh. MEG-1T at 15:6).

<sup>57</sup> Huang, Exh. JH-1T at 4:1–4.

<sup>58</sup> Chiles, TR. at 31:17–32:12.

<sup>59</sup> Collins, Exh. SMC-1T at 3:3–7 and 8:11–15.

30. First, TEP argues that Cascade should raise the income threshold for its customers to be eligible for the WEAFF program. Cascade should alter the eligibility criteria to the higher of either 80 percent of area median household income (AMI) or 200 percent of the federal poverty limit (FPL). This would replace Cascade’s current income eligibility threshold of less than or equal to 200 percent of FPL, adjusted for household size.<sup>60</sup>
31. TEP also argues that WEAFF program outreach should include community-based organizations to connect more low-income customers to WEAFF and weatherization programs. Such organizations could include entities that serve marginalized communities and that typically consist of established members in communities they serve.<sup>61</sup>
32. Lastly, TEP argues that Cascade’s low-income Advisory Group should review funding levels annually. TEP provides that the low-income Advisory Group can review the sufficiency of funding levels for the WEAFF program and any future bill discount program to suggest necessary adjustments. This review would establish regular monitoring of the budget for bill assistance programs.<sup>62</sup>
33. Public Counsel supports all of TEP’s proposals discussed above to improve the WEAFF program for Cascade’s customers in Washington. The Commission should adopt these proposals in its final order on the proposed settlement.

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<sup>60</sup> *Id.* at 8:16–9:5.

<sup>61</sup> *Id.* at 11:6–15.

<sup>62</sup> *Id.* at 16:8–13.

#### IV. PUBLIC COMMENT

34. Any rate increase from Cascade has a measurable and significant impact on its customers. Particularly now, in light of the persisting impacts of the COVID-19 pandemic and resulting continued economic crisis, the effect of Cascade's rate increase must play an important role in the Commission's deliberations over the result in this case. A number of customers submitted written comments in this proceeding, expressing their concerns regarding the proposed rate impact.<sup>63</sup>
35. Several customers expressed concerns over the short amount of time between rate increases implemented through Cascade's recent prior GRCs and the proposed rate increase in this Docket.<sup>64</sup> One customer states their hope that "the commission will be extremely reluctant to grant yet another increase."<sup>65</sup>
36. Customers living on fixed incomes expressed concerns about increasing rates. One customer states that the proposed increase is "higher than the cost of living increase [she] receive[s] from Social Security."<sup>66</sup> The same customer notes that the proposal is based on a typical customer bill based on 54 therms per month, which she does not view as realistic, noting that her usage is about 100 therms per month.<sup>67</sup>

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<sup>63</sup> Public Counsel filed these comments in Offer of Public Comment Exhibit Bench Request No. 5, on June 9, 2022 (hereinafter Public Comment, Exh. BR-5).

<sup>64</sup> Public Comment, Exh. BR-5, Attachment 2 at 1-2 (UTC Comment Matrix Report, comments of Brian Rae, Jim Slydell, Michael Hildreth, and Robert Swope).

<sup>65</sup> *Id.* at 2 (Comment of Robert Swope).

<sup>66</sup> *Id.* at 2 (Comment of Diana Torico).

<sup>67</sup> *Id.*

37. Customers also expressed concerns regarding financial burdens they are currently experiencing due to inflation. One customer states that “[i]nflation is hitting all of us very hard – from groceries to insurance to gasoline to property taxes. We are all struggling.”<sup>68</sup> Another customer asks the Commission to “please consider the plight of citizens who are unemployed, retired on a fixed income, struggling as single-parent families, and others... struggling with inflation.”<sup>69</sup>

38. These customers rightly note the important context surrounding the proposed rate increase in the Settlement. Many people have faced difficulties over the past year or more, leaving them in an unstable financial position. Customers rely on the Commission to consider carefully if Cascade should be allowed to require its customers to “pay for this greed that these guys are slapping” on them.”<sup>70</sup> Public Counsel urges the Commission to keep these customers’ concerns in mind while considering this case.

## V. CONCLUSION

39. The Settlement proposal to increase Cascade’s rates by \$10.7 million is unreasonably excessive and thus is contrary to law and the public interest. Cascade and the UTC Staff have not met their burden to justify the proposed rate change as required in WAC 480-07-740 and WAC 480-07-540. An unjustified rate increase of this magnitude will have an even greater negative impact on already highly-impacted communities and vulnerable populations and is therefore fundamentally inequitable. The proposed rate increase in the Settlement is not justified

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<sup>68</sup> *Id.* at 3 (Comment of Karen Varnell).

<sup>69</sup> *Id.* at 2 (Comment of Robert Swope).

<sup>70</sup> Public Comment, Exh. BR-5, Attachment 2 at 1 (Comment of Jim Slydell).

on the record and will harm ratepayers continuing to navigate the effects of the COVID-19 pandemic and resulting economic fallout. Public Counsel recommends that the Commission reject the settlement and rule in favor of the analysis provided by our witness.

DATED this 1st day of July 2022.

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