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October 21, 2022

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Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

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COMMISSION

**Re: UG-210755, Cascade Natural Gas Corporation General Rate Case
PP EDIT Resolution Compliance Filing**

Dear Ms. Maxwell:

Pursuant to paragraph 181 of the Washington Utilities and Transportation Commission (“Commission”) Order 09 in Docket UG-210755, Cascade Natural Gas Corporation (“Cascade” or “Company”), Commission Staff (“Staff”), and Alliance of Western Energy Consumers (“AWEC”), collectively the Parties (“Parties”) have reached a collaborative resolution of the going forward treatment of the Protected Plus Excess Deferred Income Tax (“PP EDIT”) potential normalization violation. In addition, the Parties resolved the historical PP EDIT issue that is the subject of Docket UG-220198. Public Counsel participated in the collaborative discussions and will file a separate letter indicating their position. The Energy Project was invited but chose not to participate in the collaborative. The Energy Project was provided notice of this filing in advance and has indicated that it does not oppose the collaborative resolution of the PP EDIT issue.

The Parties agree to the following collaborative resolution of each of the items outlined in the Company’s original March 24, 2022 filing in Docket UG-220198. The balances have been updated to reflect activity through August 31, 2022. To ensure a clean resolution of all issues, the final balances will be updated to reflect activity through October 31, 2022.

1. The first item in the original filing was a proposal to set the amortization prospectively until the conclusion of Docket UG-210755. Because that case is now concluded, the adjustment proposed in Item 1 is no longer necessary.
2. The second item deals with the over-refund in the historical period. On November 1, 2022, Cascade will record a deferral for the amount of over-refund to customers from the period starting August 1, 2018, through October 31, 2022. The deferral will be calculated

by comparing the actual amount refunded to customers to the benefits that would have been provided to customers had the PP EDIT been included in general rate cases, thus avoiding a potential normalization violation. The amount to be deferred was \$3,268,293 as of August 31, 2022. This figure will change slightly as of October 31, 2022. However, it is anticipated the change will be less than \$50,000. Support for this calculation is included in Attachment A.

The deferred historical balance will accrue interest at the FERC Interest Rate and the Company will file to begin amortizing the balance beginning on April 1, 2023, over a three-year period.

The expected impact of the April 1, 2023 amortization is an increase of approximately \$0.24 per month for the average residential customer using 57 therms per month. This calculation is outlined in Attachment B.

3. The third item is a reversal of the current year deferred PP EDIT balance on October 31, 2022, thus treating the PP EDIT consistent with all other rate base items on a going forward basis. As of August 31, 2022, the deferred balance was a credit of \$1,190,099. It is not anticipated that the October 31, 2022 balance will change significantly from the August balance. This item has no rate impacts. This figure is derived from Attachment C, adding tabs 2540.20481 and 2540.20482.
4. The fourth item eliminates Rate Schedule 581 and moves the PP EDIT back into base rates. This will result in a base rate reduction of \$1,722,241. Eliminating Rate Schedule 581 will have the effect of increasing rates by \$1,971,691. The net effect of moving the PP EDIT into base rates is an annual increase of \$249,450. This portion of the settlement eliminates the normalization violation going forward by placing in general rates the accrued PP EDIT that would have been in the test year (calendar year 2020). Support for these figures is included in Attachment D.

This item is proposed to be effective November 1, 2022. The impact on the average residential customer using 57 therms per month is \$0.03 per month. The decoupling baseline must also be updated due to the change in base rates. Support for this adjustment is included in Attachment E.

The Parties hereby agree that the Company's compliance filing is a fair resolution of the issue of including PP EDIT in base rates going forward and no longer passing those amounts back through a separate schedule. The Parties further agree that the compliance filing is a fair

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resolution of the issue of historical PP EDIT, and upon Commission approval of this compliance filing, the Parties agree that the Company will move to withdraw its petition in Docket UG-220198.

Sincerely,



Donna L. Barnett,

DLB:ijc

Attachments

**CASCADE NATURAL GAS
CORPORATION**

/s/ Lori Blattner

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Director of Regulatory Affairs
Cascade Natural Gas Corporation

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THE ENERGY PROJECT

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**ALLIANCE OF WESTERN ENERGY
CONSUMERS**

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