

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	DOCKET UG-210755
Complainant,	ORDER 12
v.	
CASCADE NATURAL GAS CORPORATION,	ACCEPTING COMPLIANCE FILING, IN PART; REJECTING COMPLIANCE FILING, IN PART; AUTHORIZING REPLACEMENT FILING
Respondent.	

BACKGROUND

- 1 On September 30, 2021, Cascade Natural Gas Corporation (Cascade or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-3, Natural Gas, in this Docket.
- 2 On February 18, 2022, counsel for Commission staff (Staff) notified the presiding Administrative Law Judges that Staff and Cascade had reached a full multi-party settlement in principle.
- 3 On March 24, 2022, Cascade filed with the Commission revisions to its currently effective Tariff WN U-3 that would, among other things: (1) set the amortization rate for an historical level of Protected-Plus Excess Deferred Income Tax (PP EDIT) prospectively; (2) establish a deferred balance of approximately \$3.3 million, which represents the amount Cascade claims has been over-refunded to customers; (3) reverse the current deferred protected Average Rate Assumption Method component and record it in the current federal income tax account; and (4) file an adjustment to the Company’s rate Schedule 581 to set the amortization to match the test year used in this Docket.

- 4 On March 29, 2022, the Commission issued a Notice of Intent to Consolidate and Notice of Bench Request. On April 14, 2022, the Commission convened a status conference to discuss consolidating the tariff revisions in Docket UG-220198 with the Company's general rate case in this Docket. Cascade opposed consolidation. On April 18, 2022, the Commission suspended the tariff revisions in Docket UG-220198 and set the matter for hearing.
- 5 On August 23, 2022, the Commission issued Final Order 09 (Order 09) in this Docket. In Order 09, the Commission distinguished Cascade's historical PP EDIT filing in Docket UG-220198 from the going-forward treatment of PP EDIT and directed Cascade to work collaboratively with the parties to resolve the proper going-forward treatment of PP EDIT in the context of this proceeding.¹ The Order directed the Company to file a collaborative resolution signed by all parties that:
- Addresses PP EDIT reversals going forward through base rates to account for the impacts of those normalized reversals on revenues, rate base, and expenses;
 - Cancels separate tariff Schedule 581 used to refund PP EDIT to customers;
 - Embeds PP EDIT into base rates;
 - Provides a detailed description of the changes made (including impact(s) on revenue requirement),
 - Provides an updated revenue requirement Excel spreadsheet where all cells manually changed are highlighted, and
 - Provides a document signed by all parties that participated in the collaborative stating that the compliance filing is a fair resolution of the issue.²
- 6 On September 12, 2022, counsel for Commission staff (Staff) contacted the presiding officers to explain that the parties agreed to also resolve the issues in Docket UG-220198 through the compliance filing required by Final Order 09.
- 7 On October 21, 2022, Cascade, Staff, the Alliance of Western Energy Consumers, and The Energy Project (the Parties) filed a signed PP EDIT Resolution Compliance Filing (Compliance Filing). Public Counsel takes no position on the Compliance Filing.
- 8 The Compliance Filing proposes the following resolutions:
- 1) The first item in Docket UG-220198 was a proposal to set the amortization for the PP EDIT prospectively until the conclusion of Docket UG-210755. Because the

¹ Final Order 09 at ¶ 181.

² Final Order 09 at ¶ 180 and footnote 184.

Commission has issued a Final Order in Docket UG-210755, the parties no longer see a need for this provision.

- 2) The second item addresses the over-refund in the historical period in Docket UG-220198. Cascade proposes to record a deferral on November 1, 2022, for the amount over-refunded to customers from August 1, 2018, through October 31, 2022. The deferral would 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 base rates, thus avoiding a potential normalization violation. The amount to be deferred was \$3,268,293 as of August 31, 2022. The figure was expected to change by less than \$50,000 on October 31, 2022.

The deferred historical balance would accrue interest at the FERC interest rate and the Company would begin collecting the balance from customers beginning on April 1, 2023, over a three-year period. The expected impact is an increase of approximately \$0.24 per month for the average residential customer using 57 therms per month.

- 3) The third item would reverse the current year of 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 was not anticipated that the October 31, 2022, balance would change significantly from the August balance. The Parties state this proposal has no rate impact.
- 4) The fourth item eliminates Rate Schedule 581 and moves the PP EDIT back into base rates. This would result in a base rate reduction of \$1,722,241 and increase 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 agreement eliminates a potential normalization violation going forward by placing in base rates the accrued PP EDIT that would have been in the test year in Docket UG-210755 (calendar year 2020). This item was 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.

- 9 The Parties submit that the Company's Compliance Filing is a fair resolution of the issue of including PP EDIT in base rates going forward and eliminating the separate schedule. The Parties further agree that the Compliance Filing is a fair resolution of the treatment of historical PP EDIT. Upon Commission approval of the Compliance Filing, the Parties agree that the Company will move to withdraw its proposed tariff revisions in Docket UG-220198.

DISCUSSION

- 10 We reject Cascade's Compliance Filing, in part, and approve it, in part. Specifically, we agree with the parties that Item 1 is now moot because Order 09 was issued in this Docket and interim treatment is no longer necessary. We reject Items 2 and 3 because those proposals exceed the scope of Order 09 and fail to adequately resolve the issues in Docket UG-220198. We resolve Items 2 and 3 by separate order in Docket UG-220198. Finally, subject to the submission and approval of the information required by paragraph 12, below, we approve Item 4 related to the going-forward treatment of PP EDIT, authorizing the Company to cancel tariff Schedule 581 and restore the remaining deferred amounts from 254, Regulatory Liabilities, to the appropriate accumulative deferred income tax accounts.³
- 11 Pursuant to WAC 480-07-880, a party must strictly limit the scope of any compliance filing to the requirements of the final order to which it relates. Order 09 directed Cascade to work with the parties to address PP EDIT reversals *going forward* through base rates and to cancel tariff Schedule 581. Accordingly, we address only Item 4 in this Order because Items 2 and 3 relate to the Company's proposed tariff revisions in Docket UG-220198.
- 12 We find that Item 4 of the Compliance Filing partially complies with Order 09 by eliminating tariff Schedule 581 and moving the PP EDIT back into base rates, resulting in an overall annual rate increase of \$249,450. Cascade failed, however, to provide (1) a detailed description of the changes made (including the impact on revenue requirement) and (2) an updated revenue requirement Excel spreadsheet where all cells manually changed are highlighted. Accordingly, we require Cascade to supplement Item 4 of the Compliance Filing with the following additional information:
- A. The amount of PP EDIT annually embedded into base rates;
 - B. A detailed description of the changes made (including impact(s) on revenue requirement, rate base, ADIT or any other component to calculate revenue requirement); and
 - C. An updated revenue requirement Excel spreadsheet where all cells manually changed are highlighted.

³ *WUTC v. Cascade Natural Gas Corporation*, Docket UG-170929 Order 06 ¶ 50-54 (July 20, 2018) authorized the deferral and separated PP EDIT from accumulated deferred income taxes and deferred it to account 254, Regulatory Liabilities, without accruing interest.

ORDER

THE COMMISSION:

- 13 (1) Accepts, in part, and rejects, in part, Cascade Natural Gas Corporation's PP EDIT Compliance Filing.
- 14 (2) Cascade Natural Gas Corporation is required to make a compliance filing consistent with the requirements set out in paragraph 12 of this Order, eliminating Rate Schedule 581 and moving PP EDIT back into base rates effective February 1, 2023.
- 15 (3) Cascade Natural Gas Corporation is authorized to restore the remaining deferred amounts from 254, Regulatory Liabilities, to the appropriate accumulative deferred income tax accounts.

DATED at Lacey, Washington, and effective January 23, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner