

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-140381

SETTLEMENT AGREEMENT

I. INTRODUCTION

1 This Settlement Agreement (“Settlement”) is entered into by the parties in this case:
Cascade Natural Gas Corporation, (“Cascade” or “Company”), the staff of the Washington
Utilities and Transportation Commission (“Staff”), and the Public Counsel Unit of the
Attorney General’s Office (“Public Counsel”) (hereinafter collectively referred to as
“Parties” and individually as a “Party”).

2 This Settlement is a “full settlement” as the term is defined in WAC 480-07-730(1)
because it is entered into by all Parties, and it resolves all issues raised in the above docket.

3 This Settlement consists of this “Settlement Agreement” and Appendix A and B
attached hereto, which contain proposed tariff sheets and procedures to help ensure that
future programming changes to Cascade’s billing system are properly implemented and
produce correct results.

II. NATURE OF THE DOCKET

4 The underlying dispute concerns a complaint issued by the Commission against
Cascade at the request of Staff on October 28, 2014 (“Complaint”). The Complaint alleged

that Cascade violated Commission rules and state laws by: 1) assessing late payment charges earlier than provided for in its published tariff; 2) failing to update its tariff to reflect the proper application of the late payment charge, as agreed to in a Commission-approved multi-party settlement stipulation in Docket UG-060256; 3) miscalculating late payment charges in March 2013 by rounding to the nearest dollar; and 4) assessing a disconnect visit charge when a representative is dispatched to disconnect service for non-payment and the service is disconnected. On November 25, 2014, Cascade filed an Answer to the Complaint. On January 15, 2015, Public Counsel filed a Notice of Appearance. On January 21, 2015, the Commission convened a prehearing conference and made the discovery rules available to the Parties. No other party intervened in the proceeding.

5 The Parties subsequently engaged in settlement discussions, which resulted in a full settlement. The Parties' agreement is reflected in this Settlement document, which was entered into voluntarily to resolve all matters that were in dispute. The Parties now wish to present their Settlement for the Commission's consideration and approval. This Settlement is filed in the interest of expediting the orderly disposition of this proceeding. The Parties understand that this Settlement is subject to Commission approval, and hereby respectfully request that the Commission issue an order approving this Settlement in its entirety. The Parties will jointly file supporting documentation, as required by WAC 480-07-740(2).

III. AGREEMENT

A. Application of Late Payment Charges

6 **Admission of Violations** – Cascade admits that it violated RCW 80.28.080, WAC 480-90-178(1)(b), and its tariff by applying late payment charges when the subsequent month's bill is issued—approximately 30 days after the bill issue date—as opposed to 30 days after the bill's past due date, which occurs 15 days after the bill is issued. The Parties

acknowledge that the Company's late payment charge tariff language is confusing, ambiguous, and requires revision.

7 **Monetary Penalty** – The Parties agree that the Commission should assess penalties against Cascade in the amount of \$200,000. Cascade will pay the monetary penalty to the Commission within ten (10) days of a Commission order approving this Settlement. Cascade agrees not to seek recovery of this amount from its ratepayers.

8 **Customer Refunds** – The Parties agree that Cascade will issue a refund to customers who were assessed a late payment charge during the period beginning June 1, 2012, and ending December 31, 2013, in those cases in which the customer paid the bill within 45 days from the billing date—a total refund of approximately \$192,258. Cascade will issue the refunds during the June 2015 billing cycle. Cascade will clearly explain the reasons for the refunds to applicable customers via bill inserts or other appropriate means at the time the refund is issued. The refunds will apply to those customers who can be easily identified on the Company's billing system. Cascade will defer and pass back to all core customers during its next Purchased Gas Adjustment filing any amount not refunded because a customer could not be identified.

9 **Tariff Revision** – The Parties agree that, as a compliance filing following Commission approval of this Settlement, Cascade will file revisions to Rule 6 and Schedule 200 of its tariff that clearly and consistently conform to its current late payment charge practice. Cascade's current practice is to apply a late payment charge to customer accounts that were unpaid as of the date it enters the next billing cycle. As a practical matter, Cascade issues bills on intervals that range from 28 to 32 days depending on the number of work days in the month. Cascade collaborated with Staff and Public Counsel on the language for

this tariff filing, and proposed tariff sheets are included with this Settlement as Appendix A. Cascade will request that the Commission approve the filing without statutory notice.

10 **Revisit Late Payment Policy in Next General Rate Case** – The Parties agree that Cascade, as part of its next general rate case filing, will include a detailed proposal addressing how late payment fees are assessed so that the issue can be fully considered by all interested parties.

B. Rounding Error of Late Payment Charges

11 **Admission of Violations** – Cascade admits that it violated RCW 80.28.080, WAC 480-90-178(1)(b), and its tariff by miscalculating late payment charges as a result of a billing system error that rounded all late payment charges to the nearest dollar in March 2013. The rounding error affected 14,161 customers—6,817 customers were overcharged, and 7,344 customers were undercharged.

12 **Monetary Penalty** – The Parties agree that the Commission should assess penalties against Cascade in the amount of \$75,000. Cascade will pay the monetary penalty to the Commission within ten (10) days of a Commission order approving this Settlement. Cascade agrees not to seek recovery of this amount from its ratepayers.

13 **Customer Refunds** – During its May 2013 billing cycle, Cascade credited each customer who was overcharged the full amount of the overcharge, and applied the correct late payment charge. Cascade did not assess an additional charge to customers who were undercharged. Cascade has verified that all customers who were overcharged as a result of the rounding error have been properly refunded.

14 **Performance Improvement** – Cascade commits to promptly notifying Staff when it discovers billing errors in the future, and where appropriate, it will seek guidance as to the appropriate corrective action. If Cascade remedies a violation by issuing a refund, it will

clearly explain the reason(s) for the refund to customers through bill inserts or other appropriate means. Cascade further commits to follow the specific procedures described in Appendix B to ensure that future programming changes to its billing system are properly implemented and produce correct results.

C. Disconnect Fee

15 **No Admission of Violations** – The Parties agree that Cascade’s application of the disconnect visit charge was consistent with WAC 480-90-128(6)(k).

16 **Tariff Revision** – The Parties agree that, as a compliance filing following Commission approval of this Settlement, Cascade will file revisions to Rule 5 and Schedule 200 of its tariff so that a disconnect visit charge is assessed only when a Company representative is dispatched to disconnect service for non-payment and the visit does not result in a disconnection of service. Cascade collaborated with Staff and Public Counsel on the language for this tariff filing, and proposed tariff sheets are included with this Settlement as Appendix A. Cascade will request that the Commission approve the filing without statutory notice. Cascade agrees not to seek recovery from its ratepayers of any lost revenue due to this change in billing practice.

17 **Revisit Disconnect Fee Policy in Next General Rate Case** – The Parties agree that Cascade, as part of its next general rate case filing, will include a detailed proposal for how disconnect visit charges are assessed so that the issue can be fully considered by all interested parties.

D. Tribal Support

18 In light of concerns raised in Staff’s Investigation Report, the Parties agree that Cascade will include a bill insert to all customers in September 2015 and September 2016 to promote the availability of the federally recognized Indian Nation Tax Credit.

IV. GENERAL PROVISIONS

19 The Parties agree that this Settlement reflects the settlement of all contested issues
between them in this proceeding. The Parties understand that this Settlement is not binding
unless and until accepted by the Commission.

20 The Parties agree to cooperate in submitting this Settlement promptly to the
Commission for acceptance. The Parties agree to support adoption of this Settlement in
proceedings before the Commission through testimony or briefing. No party to this
Settlement or their agents, employees, consultants, or attorneys will engage in advocacy
contrary to the Commission's adoption of this Settlement.

21 The Parties agree 1) to provide each other the right to review in advance of
publication any and all announcements or news releases that the other party intends to make
about the Settlement (with the right of review to include a reasonable opportunity to request
changes to the text of such announcements) and 2) to include in any news release or
announcement a statement that the Staff's recommendation to approve the settlement is not
binding on the Commission itself.

22 Nothing in this Settlement shall limit or bar any other entity from pursuing legal
remedies against Cascade or Cascade's ability to assert defenses to such claims.

23 The Parties have entered into this Settlement to avoid further expense,
inconvenience, uncertainty, and delay of continuing litigation. The Parties recognize that
this Settlement represents a compromise of the Parties' positions. As such, conduct,
statements, and documents disclosed during negotiations of this Settlement shall not be
admissible as evidence in this or any other proceeding, except in any proceeding to enforce
the terms of this Settlement or any Commission order fully adopting those terms.

24 The Parties have negotiated this Settlement as an integrated document to be effective upon execution and Commission approval. This Settlement supersedes all prior oral and written agreements on issues addressed herein. Accordingly, the Parties recommend that the Commission adopt this Settlement in its entirety.

25 The Parties may execute this Settlement in counterparts and as executed shall constitute one agreement. Copies sent by facsimile or electronic mail are as effective as original documents.

26 The Parties shall take all actions necessary, as appropriate, to carry out this Settlement.

27 In the event that the Commission rejects or modifies any portion of this Settlement, each Party reserves the right to withdraw from this Settlement by written notice to the other Parties and the Commission. Written notice must be served within ten (10) business days of the Order rejecting part or all of this Settlement. In such event, no Party will be bound or prejudiced by the terms of this Settlement, and any Party shall be entitled to seek reconsideration of the Order.


Respectfully submitted this 24th day of April, 2015.

ROBERT W. FERGUSON
Attorney General

CASCADE NATURAL GAS
CORPORATION



CHRISTOPHER M. CASEY
Assistant Attorney General
Counsel for the Utilities and
Transportation Commission Staff



MICHAEL PARVINEN
Director, Regulatory Affairs

Dated: April 24, 2015

Dated: April 24, 2015

ROBERT W. FERGUSON

MCDOWELL RACKNER & GIBSON

Attorney General

*Steph A Casey for Simon Ffitch**

SIMON FFITCH
Senior Assistant Attorney General
Counsel for Public Counsel Unit

Dated: April 24, 2015

*Steph A Casey for Lisa Rackner**

LISA RACKNER
Counsel for Cascade Natural Gas
Corporation

Dated: April 24, 2015

* Authority to sign confirmed by phone.

APPENDIX A

Revised Tariff Sheets: Rule 5, Rule 6, and Schedule 200

CASCADE NATURAL GAS CORPORATION

RULES AND REGULATIONS

RULE 5 - NOTIFICATION OF AND DISCONTINUANCE OF SERVICE

The Company may or shall discontinue service for any of the following reasons and if service is discontinued for any reason listed herein below, a charge of \$24.00 during regular business hours or \$60.00 during non-business hours may be made against the customer for reconnection.

- a. At the request, written or verbal, by the Customer.
- b. Non-payment of gas bill after first giving customer either eight (8) business days written notice after the delinquent date, which is fifteen (15) days following date of bill, or the discontinuance notice may be personally delivered by an employee of the utility, in which case service may not be discontinued prior to 5 p.m. of the first business day following delivery. If the delivered notice is for non-payment of a deposit, disconnection shall not be permitted prior to 5 p.m. of the sixth (6th) day following delivery. The time of discontinuance notice may be extended, at the option of the Company, depending upon the credit record of the individual customers.
- c. For use of gas for any other property or purpose than that described in the application.
- d. For willful waste of gas through improper or imperfect piping, appliances, or otherwise.
- e. For tampering with any part of any service line or meter or any other apparatus of Company. A meter tampering charge for the actual costs of damages, repairs or any additional or unusual costs or services directly related to the interference, plus the amount of unbilled gas determined to have been lost plus the applicable reconnect charges will be applied to the customers account.
- f. In case of vacation of premises by customer.
- g. For refusal of reasonable access to property to employees of the Company for the purpose of inspection of service lines or appliances, or for reading, maintaining or removal of meters.
- h. For use of gas in violation of any city ordinance, or state or federal statute applicable to the area served, or violation of rules and regulations.
- i. For resale of gas to others.
- j. For non-payment of any proper charges, including deposits.
- k. For fraudulent obtaining or use of service.
- l. For use of equipment which adversely affects the utility's service to its other customers.
- m. Under flat rate service, for increasing use of gas without approval of the utility.
- n. For failure of customer to eliminate any hazardous condition found to exist in his facilities (i.e. piping, venting, appliances, etc.)
- o. For payment of a delinquent balance with a check that is dishonored by a bank or financial institution.
- p. For failure to keep any agreed upon payment plan.

If the Company dispatches an employee to discontinue service, a \$10.00 service charge may be assessed by the Company to cover expenses incurred only if service is not disconnected.

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Except in case of danger to life or property, no disconnection shall be accomplished on Saturday, Sunday, legal holiday, or on any other day on which service cannot be reestablished on the same or following day.

CNG/W15-04-01

ISSUED April 24, 2015

EFFECTIVE May 25, 2015

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

BY Michael Parvinen

TITLE Director
Regulatory Affairs

CASCADE NATURAL GAS CORPORATION

RULES AND REGULATIONS

RULE 6 - BILLING

A. General

Gas consumed, as indicated by meter readings, will be billed to customers as promptly as possible after reading dates, computed on applicable filed tariff rates. Each customer bill will show a bill date, a due date, and the next bill cycle beginning date. Bills are payable as of the bill date. Bills are past due and delinquent if unpaid after the due date on the bill, which is no less than fifteen (15) days after the bill mailing date. A late payment charge shall be levied, in the amount of 1.0%, against any account that is not paid in full as of the next bill cycle beginning date. The bill cycle beginning date for the next month's bill cycle shall be shown on the customer bill. The late payment charge will be computed at a percentage specified in Schedule 200, applied to any unpaid balance brought forward on the subsequent month's bill. All payments received prior to the next bill cycle date will apply to the customer's account prior to calculating the late payment charge. Those payments applied shall satisfy the oldest portion of the billing first, any other billings second, and the current billing last.

Customers who participate in the budget payment plan will be exempt from the late payment fee as long as they remain on the budget payment plan.

Meters will be read once a month as nearly on the same date each month as Saturdays, Sundays and holidays will permit.

Bills will show dates of reading, at least the last reading, the number of cubic feet, therms, or other units of measurement of gas consumed, the applicable tariff schedule code, the amount of the bill, delinquent date and means by which customer can contact nearest business office of the utility, and any applicable local taxes.

Bills for periods of less than normal billing month will be computed as follows:

- a. The monthly service charge or basic charge, plus
- b. Metered service for the amount metered during the period in which the service was rendered.

If, for any reason whatsoever, the Company's employees cannot gain access to the meter for the purpose of reading the index thereof, an estimated bill, clearly marked as such, will be rendered and the same will be considered a regular billing.

In case of tampering or unauthorized use, probable consumption will be billed as determined by the maximum quantity of gas estimated to have been consumed by the various appliances of customer and a bill will be rendered for a period encompassing six (6) months prior to the detection of such abuse and/or disconnection for cause.

The Company will maintain as constant as practical a standard delivery pressure of gas of seven (7) inches water column or approximately 1/4 psig as measured at the outlet of the company's gas sales meter. Pressure other than this standard may be furnished to a customer upon mutual agreement between the utility and customer provided such pressure can be maintained without adversely affecting the service being provided to other customers in the system.

Any complaints or disputes as to billings are to be handled in accordance with WAC 480-90-173.

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CNG/W15-04-01

April 24, 2015

May 25, 2015

ISSUED _____

EFFECTIVE _____

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

BY _____
Michael Parvinen

TITLE **Director**
Regulatory Affairs

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CASCADE NATURAL GAS CORPORATION

VARIOUS MISCELLANEOUS CHARGES
RATE SCHEDULE 200

APPLICABILITY:

This schedule sets forth the provisions for various charges throughout these rules and regulations. The name and amount of the charges are listed below. The rules or rate schedules to which each charge applies are in parenthesis.

I. Reconnection Charge (Rule 5):

A reconnection charge of 24 dollars (\$24.00) will be required to reestablish service between the hours of 8 a.m. and 5 p.m. on weekdays, and a reconnection charge of \$60.00 will be required to reestablish service after 5 p.m. on weekdays and on Saturdays, Sundays, and holidays, except in the case of medical emergency.

II. Disconnect Visit Charge - (Rule 5):

A disconnect charge of ten dollars (\$10.00) may be charged, whenever Cascade is required to visit a customer's address for the purpose of disconnecting service and service is not disconnected.

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III. Late Payment Charge - (Rule 6 - Part A):

Unless otherwise specified in the customer's contract, a late payment charge at the rate of 1.0% per bill cycle will be applied to all unpaid balances in accordance with Rule 6 - Part A.

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IV. Returned Check Charge - (Rule 6 - Part D):

A returned check of fee eighteen dollars (\$18.00) may apply for any check returned from the bank unpaid.

V. Residential Excess Flow Valves - (Rule 8):

In Conjunction With The Construction Of A New Service Line:	\$ 38.00
Modifying an Existing Service Line:	
Time of Construction Crew	up to \$220.00 per hour
Cost of Materials required to open and close service connection trench, including asphalt replacement, if any.	
Installation of the Excess Flow Valve	\$ 38.00

The customer will be responsible for any future maintenance or replacement costs that may be incurred due to the excess flow value. Such cost shall be based upon time and materials, as follows:

Time of Construction Crew	up to \$220.00 per hour
Cost of Materials required to open and close service connection trench, including asphalt replacement, if any.	
Installation of replacement Excess Flow Valve, if necessary	\$ 38.00

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CNG/W15-04-01

ISSUED April 24, 2015

EFFECTIVE May 25, 2015

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

BY Michael Parvinen

TITLE Director
Regulatory Affairs

APPENDIX B

Billing System Programing Procedures

1. Requestor submits programming change on the internal intranet site MPRO (MDU Project Request) supplying detailed information regarding the programing change and the reasons for it. Obtain next level secondary approval.
2. The Information Systems manager reviews the MDU Project Request, prioritizes it, and assigns it to an appropriate service manager and programmer.
3. Programming and testing takes place on the test system.
4. Secondary department programmer reviews programming changes and results of testing.
5. The assigned service manager reviews programming changes and results of testing.
6. Original requestor for the programming change reviews test results and signs off on changes.
7. Changes are uploaded to system during weekly schedule or next system cycle for high priority changes.
8. Production output is reviewed.