

DEC 21 1992

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Complaint of )  
 INTALCO ALUMINUM CORPORATION, a )  
 Delaware corporation; ARCO )  
 PRODUCTS COMPANY, a division of )  
 Atlantic Richfield Company, a )  
 Delaware corporation, for Cash )  
 Refund of Rate Overpayments )  
 Charged by Cascade Natural Gas )  
 Company. )  
 . . . . . )

DOCKET NO. UG-911477

In the Matter of the Complaint of )  
 WEYERHAEUSER COMPANY, a Washington )  
 corporation and NORTH PACIFIC )  
 PAPER CORPORATION, a Delaware )  
 corporation for Cash Refund of )  
 Rate Overpayments Charged by )  
 Cascade Natural Gas Corporation. )  
 . . . . . )

DOCKET NO. UG-911481

WASHINGTON UTILITIES AND )  
 TRANSPORTATION COMMISSION, )  
 )  
 Complainant, )  
 )  
 vs. )  
 )  
 CASCADE NATURAL GAS CORPORATION, )  
 )  
 Respondent. )  
 )  
 . . . . . )

DOCKET NO. UG-920062

FOURTH SUPPLEMENTAL ORDER

COMMISSION ORDER REJECTING )  
 TARIFF FILING; AUTHORIZING )  
 REFILING; AND DENYING )  
 COMPLAINTS OF INTALCO, )  
 ARCO WEYERHAEUSER, AND )  
 NORTH PACIFIC PAPER )

PROCEEDINGS:

Docket No. UG-911477: On December 20, 1991, Intalco Aluminum Corporation and Arco Products Company filed a complaint against Cascade Natural Gas Corporation seeking a portion of a refund Cascade received from Northwest Pipeline Corporation.

Docket No. UG-911481: Also on December 20, 1991, Weyerhaeuser Company and North Pacific Paper Corporation filed a complaint against Cascade Natural Gas Corporation seeking a portion of a refund Cascade received from Northwest Pipeline Corporation.

Docket No. UG-920062: On January 24, 1992, Cascade Natural Gas Corporation filed certain tariff revisions designed to pass on a portion of a refund received from Northwest Pipeline Corporation relative to services performed by Cascade for its non-core<sup>1</sup> customers and prospectively decrease rates to non-core gas service customers over a twenty-four month period.

CONSOLIDATION: By order dated April 16, 1992, the Commission consolidated these three matters for hearing and decision.

HEARINGS: The Commission held hearings in Olympia on March 24, April 6, June 30, July 1, August 31, September 1 and 2, and October 12, 1992. The hearings were held before Chairman Sharon L. Nelson, Commissioner Richard D. Casad, Commissioner A. J. Pardini, and Administrative Law Judge Christine Clishe of the Office of Administrative Hearings. The Commission gave proper notice to all interested parties.

APPEARANCES: Cascade Natural Gas Corporation (Cascade or company) was represented by John L. West and Gene C. Rose, attorneys, Seattle and Portland, Oregon. The Staff of the Washington Utilities and Transportation Commission (Commission Staff) was represented by Jeffrey D. Goltz, senior assistant attorney general, Olympia. The public (Public Counsel) was represented by Charles F. Adams, assistant attorney general, Seattle. Intervenor Northwest Industrial Gas Users and Complainants-Intervenors Arco Products Company, Intalco Aluminum Corporation, North Pacific Paper Corporation, and Weyerhaeuser Company were represented by Edward A. Finklea and Paula E. Pyron, attorneys, Portland, Oregon. Intervenor Georgia-Pacific Corporation was represented by Patricia A. Curran, attorney, Houston, Texas. Intervenors Longview Fibre Company and Texaco Refining and Marketing Inc. were represented by Arthur A. Butler, attorney, Seattle.

SUMMARY: The Commission accepts Cascade's proposed allocation of the refund, with minor changes. The Commission authorizes Cascade to refile tariffs to reflect the Commission's order. Complainants may share in the two year prospective rate reduction if they return to Cascade's system during the amortization period.

---

<sup>1</sup>Non-core customers are those Cascade customers who are served under schedules that allow them to receive unbundled transportation services from Cascade.

MEMORANDUM

I. BACKGROUND

A. PROCEDURAL BACKGROUND

These consolidated cases arise from an order (RP88-47) of the Federal Energy Regulatory Commission (FERC) which required Northwest Pipeline Corporation (Northwest) to refund to its customers the difference between rates Northwest was charging and final settlement rates approved by the FERC. Cascade is a customer of Northwest and received a refund of \$11,042,682 (including interest) for the interim rate period.

Under Washington state law, the Commission may authorize Cascade to keep the refund or allocate it to customers. RCW 80.28.200. The Commission must make a discretionary decision as to how the money should be distributed, if at all. Id. No customer of Cascade has any right to any of the money until the Commission, by order, determines such a right.

In June 1991, Cascade sought Commission permission to allocate a share of its refund from Northwest to Cascade's core customers, in Docket No. UG-911246. In July 1992 the Commission approved a settlement which allocated \$2.7 million, with interest, to Cascade's core customers.<sup>2</sup> Cascade established deferral accounts for core customers by identifying pipeline services which customers received during the refund period and applying the refund to those services. Cascade's allocation to core customers is by a prospective reduction in future rates over a two-year amortization schedule.

In December 1991, four former non-core customers of Cascade filed two complaints against the company. They asked the Commission to order Cascade to immediately give them a cash refund of a portion of the \$11 million. In January 1992, Cascade sought Commission permission to allocate a portion of the \$11 million to its non-core customers. Cascade's proposed allocation to non-core customers is by a prospective reduction in future rates over a two-year amortization schedule. That tariff filing was consolidated with the two complaint cases; these matters will be resolved in this order.

---

<sup>2</sup>Core customers are those served by a tariff which includes firm gas service and for whom Cascade has an obligation to provide gas and transportation of that gas.

B. HISTORICAL BACKGROUND

The last fully-litigated rate case for Cascade was decided in 1987. WUTC v. Cascade Natural Gas Corporation, Cause No. U-86-100, Fourth Supplemental Order (May 20, 1987). Since then, the Commission has accepted settlements in Cascade's rate filings, in Docket Nos. 89-3449-T, 89-3364-T, and 89-3365-T.

The consolidated cases here arise from a series of rate increases and reductions imposed on Cascade by Northwest during the late 1980s, coupled with other changes in pipeline and local distribution company rate structure occurring around the same time. Several major events during the past five years bear on the proposed allocation of Northwest's rate adjustment.

- o June 1, 1987 The Commission approved Cascade U-86-100 general rates. The Commission established rates by first determining what cost of service based rates would be (benchmark rates), then permitted Cascade to lower rates to large industrial customers with competitive alternatives by applying benchmark discounts, and increase rates to remaining customers through benchmark surcharges. It found the resulting rates to be fair, just, reasonable, and sufficient.
- o June 10, 1988 Northwest accepted an open access certificate from the FERC which allowed Cascade and other pipeline customers to convert contract demand quantities from sales service to firm transportation service, resulting in significant savings to Cascade.
- o July 1, 1988 Cascade converted a portion of its ODL-1 (contract demand) to TF-1 (firm transportation).
- o July 3, 1988 FERC allowed Northwest to increase rates, subject to refund, during the pendency of Northwest's rate case in FERC Docket No. RP88-47. The "refund period" began. Cascade did not increase its retail rates to reflect the increase in pipeline rates which resulted, except that Cascade did reflect the increase in the commodity portion of Northwest's interim transportation rate in Cascade's non-core customers' transportation rates. Cascade continued to calculate deferred account entries by comparing actual gas costs with the fixed and commodity gas cost components built into its rates.

The unrelated events of June and July 1988 combined to effect a net savings for Cascade of \$1.33 million per month in Northwest demand charges.

- November 30, 1989 FERC approved a settlement in Docket RP88-47 which resolved Northwest's rate case. FERC required that Northwest refund to Cascade and other customers the difference between the lower final settlement rates and the higher interim rates Northwest had been charging.
- December 1, 1989 New Northwest rates went into effect. The "refund period" ended.
- On the same day, the Commission approved Cascade's rate restructuring, which defined core and non-core customers. Cascade was allowed to implement its unbundled tariffs as well as reduce rates for all customer groups. Reduced rates resulted from lowering Cascade's cost of capital and reflecting, on a prospective basis, the results of the settlement in FERC Docket RP88-47. The benchmark discounts and surcharges approved in Docket No. U-86-100 ended.
- December 21, 1989 Cascade received a refund of \$11,042,682 (including interest) from Northwest following issuance of the FERC order in Docket RP88-47. Cascade placed this refund in a deferral account and began accumulating interest on the balance in the account.
- November 1, 1991 Cascade filed proposed tariffs to "track" through to its core customers a portion of the Northwest rate refunded to it. Docket No. UG-911246-T.
- December 20, 1991 Four former non-core customers of Cascade filed complaints with the Commission, asking for an immediate lump sum refund of a portion of the Northwest rate adjustment amount.
- January 24, 1992 Cascade filed tariff revisions to allocate a portion of Northwest's rate adjustment amount to its non-core customers.
- July 24, 1992 The Commission approved the settlement in the core tracker proceeding, which applied the core allocation as billing credits to Cascade's current core customers.

II. APPLICABLE LAW

RCW 80.28.200 governs the allocation of refunds from FERC-regulated pipelines to their customers (e.g., Cascade).<sup>3</sup> The Commission may allocate or not allocate all or part of a refunded amount in any manner and to any extent which the Commission finds just and reasonable.

Cascade was legally entitled to a refund from Northwest by the terms of the FERC order in RP88-47, but no customer of Cascade's has a vested right to any portion of that amount until and unless the Commission so orders, after a finding that such an allocation is just and reasonable. Thus, it is incorrect to refer to the amount in issue as a "refund" to Cascade customers. It is, rather, an allocation of a pipeline refund.

Also applicable is WAC 480-80-240, commonly known as the tracker rule. Subsection 4 of that rule allows local gas distribution companies, such as Cascade, to pass through reductions to their rate schedules in concert with reductions the company receives from its supplier (here, Northwest). This rule was intended to provide the pipeline and local distribution company customers greater flexibility in maintaining price parity between natural gas and alternate fuels.

A tracker proceeding allows local distribution companies to flow through to their customers any change in pipeline rates, without filing a general rate case to address changes in overall company costs. The company filing before the Commission in this proceeding is a tracker filing. The

---

<sup>3</sup>That statute provides:

Whenever any gas company whose rates are subject to the jurisdiction of the commission shall receive any refund of amounts charged and collected from it on account of natural gas purchased by it, by reason of any reduction of rates or disallowance of an increase in rates of the seller of such natural gas pursuant to an order of the federal power commission [now FERC], whether such refund shall be directed by the federal power commission or by any court upon review of such order or shall otherwise accrue to such company, the commission shall have power after a hearing, upon its own motion, upon complaint, or upon the application of such company, to determine whether or not such refund should be passed on, in whole or in part, to the consumers of such company and to order such company to pass such refund on to its consumers, in the manner and to the extent determined just and reasonable by the commission.

Commission usually will not consider rate design and rate spread issues in a tracker proceeding, because it does not have a cost of service study presented and parties do not have notice of such issues.

RCW 80.28.010 and RCW 80.28.020 require a gas company to charge just, fair, reasonable, and sufficient rates, which rates shall be determined by the Commission. Various parties to this proceeding argued that certain customer classes paid rates which were higher or lower than other customer classes and thus were overcharged or undercharged during the interim period when Cascade paid Northwest rates. We disagree.<sup>4</sup>

The Commission fixed the rates which Cascade could charge its customers in the interim period. The filed rates were just, fair, reasonable, and sufficient. No customer nor customer class was overcharged or undercharged. No Cascade customer nor class of customers is legally entitled to a share of Northwest's

---

<sup>4</sup>Complainants contend that denial of an allocation to them is discriminatory and confiscatory, citing a 1986 proceeding, WUTC v. Pacific Northwest Bell Telephone Company, Docket No. U-82-19, Sixth Supplemental Order (Sept. 18, 1986). The facts of that case are unlike the present proceeding, and the ordering of a refund to former customers in U-82-19 is not precedent for a like ruling here. In U-82-19, after the Commission set rates and charges, Pacific Northwest Bell petitioned to Federal court, which court enjoined the Commission from implementing its final order. The Company agreed then to refund any funds if it did not prevail in its Federal suit. The Federal court ruled against Pacific Northwest Bell, and the Commission ordered refunds to present and former customers.

That refund, previously agreed to by the Company, differs from the present matter. First, U-82-19 concerned a refund from the company to the ratepayers. The rates had been set by the Commission following a rate case. In that rate case, the Commission considered cost of service and other relevant factors to set the appropriate rate. In this Cascade matter, the Commission has great latitude to equitably allocate a refund from Northwest Pipeline to Cascade, following a FERC ruling. Northwest does not owe any amount to Cascade's customers. Further, the refund in U-82-19 accrued to ratepayers on the date of the Commission's order, prior to the federal injunction. In the Cascade matters, no customer nor former customer of Cascade's has any entitlement to share in the allocation until and unless the Commission orders. Denial of a refund to Complainants unless they return to Cascade's system is not discriminatory nor confiscatory.

rate adjustment amount, let alone an allocation based on the rates that a customer or class has paid in the past.

### III. SUMMARY OF THE ISSUES

The ultimate issue for the Commission to decide is what is just and reasonable in allocating the refund Northwest paid to Cascade. To arrive at its decision, the Commission has considered the facts of this proceeding as well as historic precedent.

The issues will be discussed as follows:

- A. What amount, if any, should be allocated to Cascade's non-core customers, as a result of Northwest's refund to Cascade?
- B. If Cascade's non-core customers should receive an allocation, what allocation method should be used?
  1. Over what period of time should allocation occur?
  2. Should Cascade's former non-core customers share in the allocation?

### IV. DISCUSSION OF INDIVIDUAL ISSUES

- A. What amount, if any, should be allocated to Cascade's non-core customers, as a result of Northwest's refund to Cascade?

The parties to this proceeding offered various proposals concerning the amount of the refund that should be allocated to non-core customers. While the proposals of the company, Commission Staff and Public Counsel all have merit, the Commission believes the company proposal is most fair and appropriate to implement in a tracker proceeding.

Cascade proposed an allocation to its current non-core customers of about \$8.6 million of the pipeline refund, plus interest at its short term debt rate. The company argued that the benefits of the allocation should be directed to the customer groups responsible for such deferrals. It argued that an appropriate and reasonable amount of the refund has already been allocated to its core customers, and that a prospective two-year amortization schedule should be used to flow through to non-core customers their share of the refund as a reduction in future rates. The company argued that an equity analysis is not relevant or appropriate in this tracking case, but maintained that a proper balancing of the equities supported allocation of the refund to non-core customers.



The Commission Staff proposed allocating all of the amount at issue in two parts: one part (\$2,282,631) to reduce the cost of the plant which served the bypassing non-core customers, and the second part allocated to core customers. The Commission Staff argued that this allocation would be fair and reasonable on four grounds: First, the non-core class benefitted disproportionately from Northwest's and Cascade's rate restructuring. Second, the Commission's order in U-86-100 authorized discounted benchmark rates for non-core customers, resulting in rates under which the core customers subsidized the non-core customers. This proceeding provides an opportunity to recoup those subsidies for core customers, as well as compensate them for plant balances which have to be written off through depreciation expense. Third, non-core customers paid fair, just, and reasonable rates which were competitive and those rates were not collected subject to refund. Finally, the customers who have bypassed Cascade have left investment that was incurred for their benefit but that is being paid for by remaining customers; Cascade should take the opportunity to recover some of those costs for those customers remaining on its system.

The Commission Staff pointed to the benefits received by non-core customers, which customers will have contributed little or nothing to Cascade's margin, should they receive an allocation of Cascade's refund. Commission Staff noted that the 1989 rate proceedings for Cascade resulted in Commission acceptance of a settlement among the parties. Such an acceptance is not strong precedent, since the rates were not based on a cost of service study or a rate design study.

Commission Staff alleged no error on the part of Cascade, but simply propound that this benefit, which no customer nor class has a right to receive, should go to the core customers.

Public Counsel recommended that no allocation be made to the non-core customers because they did not pay cost of service rates during the period to which the refund applies. During that period, Cascade's non-core customers paid rates which were discounted and the core customers paid surcharges on their rates. See, Fourth Supplemental Order in U-86-100. The language in that order, Public Counsel contended, requires the Commission to redress that unequal treatment, and other inequities that the core customers experienced, by allocating the entire Northwest refund to core customers. Public Counsel also noted that the Commission's Fourth Supplemental Order appears to contemplate a surcharge when competitive conditions permit.

The complainants and NWIGU argue that they have some kind of a "right" to a portion of the refund, and that it would

42

be unjust, unreasonable, inequitable, illegal, etc., etc., to deny them an allocation of Cascade's refund. The problem with all of their arguments is that no Cascade customer or customer class has a right to a penny of the refund until the Commission grants that right in this order. They argue that the Commission is prohibited by the constitutions of Washington State and the United States, as well as RCW 80.28.080, from retroactive ratemaking, then contend that the proposals of Commission Staff and Public Counsel amount to retroactive ratemaking. Their analysis is based on the contention that the benchmark rates of Docket No. U-86-100 were filed rates and were found to be fair, just, and reasonable. This is true. The rates paid by the NWIGU members and the complainants were also filed rates and were found to be fair, just, and reasonable. By their reasoning, granting an allocation of the refund based on their historical usage would also be retroactive ratemaking.

We do not read Commission Staff's and Public Counsel's proposals as retroactive ratemaking. Rather, their proposals request future rates based on equitable grounds. Their use of historical data to analyze the fairest allocation to prospective rates is similar to other parties' use of historical data to analyze what they believe to be a better allocation.

Complainants and NWIGU asked for allocation of Northwest's refund to Cascade to current and former non-core customers, in an immediate lump sum payment. They assert that Cascade overcollected from them from July 1988 through November 1989, by not reducing rates during that time when Northwest's rates dropped. Intervenor agreed with Cascade's proposed allocation to current non-core customers but disagreed on the methodology (as discussed below).

The Commission accepts Cascade's proposal with minor changes. In WUTC v. Washington Natural Gas Company, Docket No. U-86-117 (Third Supplemental Order, Oct. 31, 1986), the Commission held that a tracker filing was improper for shifting of cost responsibilities among customer classes. We have no intention of changing Cascade's rate spread or rate design here. It would be inappropriate to adopt the proposal of Commission Staff and Public Counsel to revisit U-86-100 by allocation other than to the customers for whom Cascade obtained Northwest's services. We conclude that Cascade's proposed allocation to those non-core customers for whom Cascade obtained Northwest's services is in the main fair, just, and reasonable.

We do find persuasive the Commission Staff argument that Cascade should take the opportunity presented by this case to write-down facilities associated with bypassing customers. Such a writedown would benefit all of Cascade's customers, core and non-core. The parties agreed that \$231,174 in dedicated

plant for these four customers remains on Cascade's books. We order that that amount of the Northwest refund be applied to reduce rate base.

B. If Cascade's non-core customers should receive an allocation, what allocation method should be used?

We now turn to the methodology that should be used to allocate the pipeline refund. The parties' proposals differed here also.

Cascade proposed to allocate the refund among non-core customers based on historic usage during the refund period and the type of service each customer was provided.<sup>5</sup> Each customer's allocated amount would be tracked and depreciated in the form of an eight cents per therm billing credit to be applied to the customer's bill, until the allocated amount was reduced to zero, or until the expiration of two years, whichever comes first. Customers who have bypassed Cascade, including the four complainants, would receive no allocation unless they return to Cascade's system. If they return, they will be able to receive that portion of the refund which may be credited in accordance with this order until the end of the two year period.

Cascade proposed to subdivide the allocation to non-core customers using a method which was an extension of the method used to allocate between classes, with each customer being assigned that part of the refund that stemmed from that customer's actual use of pipeline services that gave rise to the refund. The methodology proposed for the non-core customers conforms with past practice in that Cascade proposed a prospective reduction of future rates to amortize the pipeline refund back to customers.

In general, we agree with Cascade's methodology, for several reasons. Cascade's proposed allocation replicates the method Northwest used in calculating the refund. Cascade's current non-core customers should receive an allocation based upon the pipeline services Cascade provided to them during the interim rate period. Cascade's allocation method differs from the methods historically used by the Commission in that it is based on historic rather than future use. However, Cascade asserts convincingly that its method is necessary due to the fact that non-core customers took widely differing types of service during the interim period.

---

<sup>5</sup>Cascade is already amortizing approximately \$2.3 million of the refund it received to its core customers as a result of a tracking filing which the Commission approved in July 1992.

The Commission agrees with Cascade that the proposed method will most closely meet the expectations of non-core gas customers. The benefits and burdens of the deferral accounts were allocated to those customers or customer classes that were responsible for accruals to such accounts. Cascade identified Northwest's service to the core and non-core classes during the interim rate period and based its allocation on those services. That method is just and reasonable.

We also agree with the billing credit methodology proposed by Cascade. This is consistent with past practice and avoids "gamesmanship" possibilities whereby a bypassing customer could conceivably come on-line simply to receive its allocated share. We will emphasize this in order's concluding paragraphs that a customer may not receive a credit greater than its bill.

Cascade's proposed allocation would deny any share of the allocation to a non-core customer who took service during the interim rate period at one site and who now takes service at a different site. The Commission does not accept that portion of Cascade's proposal. Allowing such customers to receive an allocation based upon the customers' use of services Cascade purchased from Northwest, regardless of site, is just and reasonable. We will order Cascade to allocate refunds on a customer basis, rather than a billing location basis, to ensure that existing customers who have changed location will receive their fair share.

1. Over what period of time should allocation occur?

Cascade proposes that a two-year amortization period be used. Cascade's witness contended that both the company and its customers preferred rate stability.

Georgia-Pacific agreed with Cascade's proposal except the two-year amortization period. Instead, Georgia-Pacific asked the Commission to order a credit in its entirety to ongoing gas bills of continuing customers (such as Georgia-Pacific). Georgia-Pacific noted that a two-year amortization period would delay customers' allocations for a total of five years since Cascade received its refund from Northwest.

The post-hearing brief of Texaco and Longview Fibre requested that the Commission approve Cascade's proposal except that Longview Fibre and Texaco should receive an immediate lump sum allocation plus accrued interest or a one-time billing credit for non-core customers.

We accept the two-year period as appropriate to achieve the ends of rate stability, as asserted by Cascade. Rate setting is a prospective task. Where, as here, the right to a credit

does not accrue until this order is issued, it is appropriate to use that allocation to reduce future rates.

Cascade also asks that the Commission, if it does not order a direct allocation to the complainants, permit the company to continue deferral of that portion of the allocation claimed by the complainants until all litigation over their claims, including appeals, is fully resolved. The Commission rejects that proposal. The company's original proposal to distribute the pipeline allocation should be followed. Any amounts remaining at the end of the two year period shall be disbursed to all Washington customers as a prospective rate decrease.

2. Should Cascade's former non-core customers share in the allocation?

The Commission also accepts Cascade's proposal that the complainants, as former customers, must return to Cascade's system in order to receive any allocation. RCW 80.28.200 gives the Commission much latitude to allocate as it finds "just and reasonable." We agree with Cascade that bypassing customers are not entitled to any allocation unless they return to the system. This also is consistent with past policy.<sup>6</sup>

Former customers of Cascade, who are not now consumers of the company, must rejoin Cascade to share in the allocation. Return of the complainants to Cascade's system will benefit Cascade and all ratepayers, in that complainants will support on-going business expenses while they share in the allocation. We will order the company to negotiate contracts with returning customers to ensure that they pay at least the incremental cost, including system cost, of serving them plus some contribution to the system.

In summary, the allocation methodology proposed by Cascade is accepted, with some modification. The allocation shall be made as follows:

o Allocation to non-core customers shall be made proportionately to the value of Northwest's services that Cascade obtained for those customers during the interim rate period. That allocation shall not be denied nor reduced because the customer took service at a plant site now closed or relocated.

---

<sup>6</sup> It could be argued that RCW 80.28.200 prohibits allocating any of the refund to former customers. The statute permits allocating a refund to "the consumers of such company." The former customers are not currently consumers.

o The bypassing non-core customers must return to Cascade's system in order to share in the allocation. Cascade and these customers should negotiate contracts for such return in the best interests of Cascade and its other customers. The contracts should cover any incremental costs which Cascade may incur from the customer's return, including system costs and some contribution to the system.

o The total allocation to the bypassing non-core customers (North Pacific Paper, Weyerhaeuser, Intalco, and Arco) should be reduced by \$231,174. This figure reflects the cost of distribution and other plant not fully depreciated by Cascade for which those bypassing customers are responsible. These funds should be used to write down that plant.

o Each non-core customer's allocation should be tracked separately and each non-core customer given a billing credit of \$.08 per therm, up to the total amount of the customer's bill, until that customer's account is depleted or the end of two years, whichever comes first. At the end of two years, any amounts remaining shall be disbursed to all customers as a prospective rate decrease.

#### FINDINGS OF FACT

Having discussed above in detail both the oral and documentary evidence concerning all material matters, and having stated findings and conclusions, the Commission now makes the following summary of those facts. Those portions of the preceding detailed findings pertaining to the ultimate findings are incorporated herein by this reference.

1. The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with authority to regulate rates, rules, regulations, practices, accounts, securities and transfers of public service companies, including natural gas companies.

2. Cascade Natural Gas Corporation, respondent herein, is a public service company engaged in the business of providing gas service within the State of Washington and, as such, is subject to regulation by the Washington Utilities and Transportation Commission.

3. On December 20, 1991, Intalco Aluminum Corporation, Arco Products Company, Weyerhaeuser Company and North Pacific Paper Corporation (Complainants) filed complaints against Cascade relating to a refund which Northwest Pipeline Corporation made to Cascade. On January 24, 1992, Cascade filed with the Commission tariff revisions to pass on to non-core

customers a portion of a refund Cascade received from Northwest Pipeline. These revisions proposed decreasing rates to non-core gas service customers over a two-year period. The Commission suspended the operation of the proposed tariff revisions and consolidated that matter with the two complaints for hearing.

4. The following moved for intervention in one or more of the above-listed proceedings: Georgia-Pacific Corporation, Northwest Industrial Gas Users, Longview Fibre Company, and Texaco Refining and Marketing Inc. Prior to a ruling to consolidate the matters, Intalco Aluminum Corporation, Arco Products Company, Weyerhaeuser Company and North Pacific Paper Corporation moved to intervene in the Commission's complaint against Cascade. All interventions were granted.

5. During the period July 3, 1988, through November 30, 1989, Cascade paid to Northwest Pipeline interim rates as allowed by FERC rules. The FERC later approved lower rates and instructed Northwest Pipeline to refund to Cascade and its other customers the difference between the higher rates and the FERC-approved rates. During that interim rate period, Cascade's core and non-core customers paid fair, just and reasonable rates as authorized by the Commission.

6. The amount Cascade received from Northwest Pipeline as ordered by the FERC in RP-88-47 which has not previously been allocated to core customers is \$8,606,135.54 which includes interest through 12/31/91. Additional interest will be accumulated through the date of this order, then Cascade shall deduct \$231,174 from this amount and disburse the remainder to its non-core customers as follows:

a. The allocation shall be on a customer-by-customer basis in accordance with the company methodology.

b. Each non-core customer's allocation should be tracked separately and each non-core customer should be given a billing credit of \$.08 per therm, up to the total amount of the bill, until that customer's account is depleted or the end of two years, whichever comes first.

c. Each non-core customer's remaining share shall accrue interest at the short-term interest rate, until the account is depleted.

d. Allocations should be made proportionately to the value of Northwest's service that Cascade obtained for a non-core customer during the interim rate period.

e. An allocation should not be denied or reduced because a customer took service from Cascade during the interim rate period at a different plant site.

Rates allocated in the manner just described will be fair, just, reasonable, and sufficient.

7. The complainants and any other former non-care customers may share in the allocation under the following conditions:

a. The total allocation to the bypassing non-core customers (North Pacific Paper, Weyerhaeuser, Intalco, and Arco) shall be reduced by \$231,174;

b. Complainants must return to Cascade's system in order to share in the allocation, under terms negotiated by complainants and Cascade;

c. Upon their return, the complainants' shares be allocated in the same manner as other non-core customers' shares.

d. Allocation to complainants shall be made proportionately to the value of Northwest's services that Cascade obtained for those customers during the interim rate period.

Sharing in the allocation of Cascade's refund from Northwest Pipeline in this manner will be fair, just, and reasonable. Allowing these parties a portion of the refund if they are not customers of Cascade would not be fair, just, or reasonable. Providing an immediate credit, rather than a prospective rate reduction, would not be fair, just or reasonable.

5. Cascade should write down \$8 231,174 of undepreciated plant associated with the bypassing customers.

6. Two years from the date of this order, Cascade shall disburse to all WN U-3 customers as a prospective rate decrease any undisbursed amounts under refund adjustment schedule No. 699. Cascade shall not retain any portion of Northwest's refund, except as set forth in paragraph 5.

7. Following the close of the hearing, counsel for Commission Staff asked to admit into the hearing record Cascade's response to staff data request number 28 as late-filed exhibit number 65. Counsel for the Complainants and NWIGU asked to admit into the hearing record as late-filed exhibit number 66, Cascade's response to staff data request 27. No party objected to the admission of these documents.



8. After the close of the hearing, counsel for the four Complainants and Northwest Industrial Gas Users filed a Joint Motion to Correct Hearing Transcript Errors. Cascade joined in that motion. No objections were filed to the motion.

CONCLUSIONS OF LAW

1. The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of this consolidated proceeding and the parties thereto.

2. The tariff revisions under suspension should be rejected. Cascade should be authorized to refile tariff revisions prepared in accordance with the terms of this order, which revisions allocate to its non-core customers the amount it received from Northwest Pipeline, plus interest, to the extent and in the manner described in this order. Tariff revisions prepared in accordance with this order will result in an allocation which is just and reasonable.

3. Exhibits 65 and 66 should be admitted into the hearing record.

4. Complainants', NWIGU's, and Cascade's Joint Motion to Correct Hearing Transcript Errors should be granted.

5. All motions made in the course of these proceedings which are consistent with the above findings and conclusions should be granted, and those which are inconsistent should be denied.

6. The Commission should retain jurisdiction in these proceedings to effectuate the terms of this Order.

On the basis of the foregoing findings of fact and conclusions of law, the Commission hereby makes and enters the following order.

ORDER

THE COMMISSION ORDERS That:

1. The tariff revisions filed by Cascade Natural Gas Corporation on January 24, 1992, now under suspension in Docket No. UG-920062 are rejected.

2. Cascade Natural Gas Corporation shall refile tariff revisions to replace those rejected in Docket UG-920062, in accordance with the terms of this order.

3. The Complaints filed by Arco Products Company, Intalco Aluminum Corporation, North Pacific Paper Corporation, and Weyerhaeuser Company are denied.

4. Exhibits 65 and 66 are admitted into the hearing record as late-filed exhibits.

5. Complainants', NWIGU's, and Cascade's Joint Motion to Correct Hearing Transcript Errors is granted.


6. All motions consistent with this order are granted, and those inconsistent with it are denied.

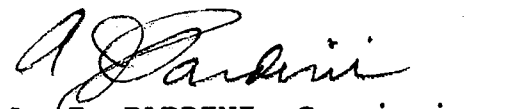
7. The Commission retains jurisdiction to effectuate the provisions of this order.

DATED at Olympia, Washington, and effective this 21st day of December 1992.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

  
SHARON L. NELSON, Chairman

  
RICHARD D. CASAD, Commissioner

  
A. J. PARDINI, Commissioner

**NOTICE TO PARTIES:**

This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).