

Exhibit No. __ (MPP-6)
Docket No. UG-200568
Witness: Michael P. Parvinen

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,
Complainant,

DOCKET UG-200568

v.

CASCADE NATURAL GAS
CORPORATION,
Respondent.

**CASCADE NATURAL GAS CORPORATION EXHIBIT OF
MICHAEL P. PARVINEN
PROTECTED EDIT ACCOUNTING DETAIL**

January 8, 2021

Cascade - 2019 WA Income Tax Expense – Protected Plus EDFIT

In 2019, Cascade’s total income tax expense for the WA jurisdiction was as follows –

See Exhibit UG-200568 CNGC Exh MPP 4:

135	INCOME	TAXES - OPERATING	
136	409.1	Federal Inc Taxes, Util Oper Inc	(10,887,316.07)
137	409.1	State Income Taxes, Util Oper Inc	0.00
138	410.1	Provision For Defer'd Fed Inc Tax	32,227,813.57
139	410.1	Provis'n For Defer'd State Inc Tax	0.00
140	411.1	Prov For Deferred Inc Tax - Credit	(22,532,955.92)
141	411.4	Investment Tax Credit Adjustments	0.00
142	TOTAL	INCOME TAXES - OPERATING	(1,192,458.42)

Income tax expense is comprised of the sum of “Current Income Tax” and “Deferred Income Tax”.

Current income tax represents the income tax as reported on your tax return for the year. This is current year income adjusted for current year deductions and addbacks which together equal a company’s net taxable income for the year. Net taxable income is then multiplied by the current tax rate (21% federal rate for 2019) to determine current tax for the year.

Cascade’s WA jurisdiction current tax expense of **(\$10,887,316.07)** is provided in detail in **Exhibit BGM-4, starting on Page 38 of 50**, and summarized here:

Exhibit BGM-4
Docket UG-200568
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Federal Consolidating Report by Month - Report #51004	Oper-OR-Gas	Non-Op-OR	Oper-WA-Gas	Non-Op-WA	Total
2019 Actuals CNGC 00047-Cascade Natural Gas Co. January Through December =====					
Book Income	2,942,974.62	393,307.78	8,303,813.40	4,856,988.22	16,497,084.02
Tax Items	-	-	-	-	-
Book Income Before Tax =====	2,942,974.62	393,307.78	8,303,813.40	4,856,988.22	16,497,084.02

Exhibit BGM-4
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Deferred Non Current Property UT0693 PLANT - FED	(3,828,099.82)	-	(13,178,118.84)	-	(17,006,218.66)
Total Deferred Non Current Property =====	(3,828,099.82)	-	(13,178,118.84)	-	(17,006,218.66)

Taxable Income Before State Tax	(3,800,037.97)	(208,088.07)	(51,300,706.28)	2,993,838.46	(52,314,993.86)
State and Local Current Tax	(941,388.15)	(89,092.80)	-	-	(1,030,480.95)
Federal Taxable Income	(2,858,649.82)	(118,995.27)	(51,300,706.28)	2,993,838.46	(51,284,512.91)
Statutory Tax Rate	0.21	0.21	0.21	0.21	0.21
Calculated Tax	(600,316.46)	(24,989.01)	(10,773,148.32)	628,706.08	(10,769,747.71)
Current Period True-Up	-	0.01	-	-	0.01
Current Federal Tax Before Credits	(600,316.46)	(24,989.00)	(10,773,148.32)	628,706.08	(10,769,747.70)
Credits and Adjustments	37,865.05	4,150.84	114,167.75	12,422.59	168,606.23
Current Federal Tax	(638,181.51)	(29,139.84)	(10,887,316.07)	616,283.49	(10,938,353.93)
Other Items Impacting Current Tax	-	-	-	-	-
Total Current Tax With Other Adjustments	(638,181.51)	(29,139.84)	(10,887,316.07)	616,283.49	(10,938,353.93)

The following table shows the impact of the “Plant” timing differences on the current income tax calculation. Of the total **(\$10,887,316.07)**, the amount of current tax attributable to the “Plant” timing difference was **(\$2,767,404.96)**.

<u>Current Tax Expense</u>	Total	Effect of Plant Only
Book Income	\$ 8,303,813.40	
Timing Difference - Plant	(13,178,118.84)	(13,178,118.84)
Other Timing Differences	(46,552,442.23)	
Permanent Differences	126,041.39	
Taxable Income	\$ (51,300,706.28)	\$ (13,178,118.84)
Federal Tax Rate	21%	21%
Federal Tax before Credits and Adjustments	\$ (10,773,148.32)	\$ (2,767,404.96)
Federal Tax Credits and Adjustments	(114,167.75)	
Total Current Tax	(10,887,316.07)	(2,767,404.96)

Deferred income taxes result from the difference between tax calculated for income tax return purposes and tax as recorded under generally accepted accounting principles, referred to as timing differences.

Cascade’s WA jurisdiction deferred income tax expense of **\$9,694,857.65** is provided in detail in **Exhibit BGM-4, starting on Page 42 of 50**, and summarized here:

Journal Entry Summary Report - By General Ledger Account and M Item Detail
2019 Actuals CNGC
00047-Cascade Natural Gas Co.
January Through December
Across All Operations

GL Account Number	Tax Return Key	M Item Description	Current Period M Item Activity	DR Amount	CR Amount	Net DR/CR
47WA.4101.1221	- 4101	Prov for Def Inc Tax, Util				
UT0693		PLANT - FED	(9,660,902.33)		1,879,731.83	1,879,731.83
UT0785		AFUDC DEBT - CAPITALIZED	155,401.05		589.01	589.01
UT0786		AFUDC DEBT - INCURRED - FED	(830,215.39)		174,345.23	174,345.23
UT079		SECTION 174 COSTS - INCURRED	(1,106,933.84)		948,892.03	948,892.03
UT0794		CIAC - CAPITALIZED	(861,882.82)		180,995.39	180,995.39
UT0795		CIAC - INCURRED	1,196,439.58		87,225.66	87,225.66
UT0796		CPI - CAPITALIZED	(126,539.55)		167,563.48	167,563.48
UT0797		CPI - INCURRED	914,022.13		24,629.60	24,629.60
UT0980		EXCESS DEF NONPLANT - RATE BASE - FED	-		27,634.76	27,634.76
Total For:	47WA.4101.1221		(56,254,381.50)		32,227,813.57	32,227,813.57

Journal Entry Summary Report - By General Ledger Account and M Item Detail
2019 Actuals CNGC
00047-Cascade Natural Gas Co.
January Through December
Across All Operations

GL Account Number	Tax Return Key	M Item Description	Current Period M Item Activity	DR Amount	CR Amount	Net DR/CR
47WA.4111.1221	- 4111	Prov for Def Inc Tax, Util				
UT0693		PLANT - FED	(3,517,216.51)		645,256.98	(645,256.98)
UT0694		PLANT - STATE	(13,523,258.39)		38,485.14	(38,485.14)
UT0785		AFUDC DEBT - CAPITALIZED	155,401.05		32,634.22	32,634.22
UT0786		AFUDC DEBT - INCURRED - FED	(830,215.39)		3,146.71	(3,146.71)
UT079		SECTION 174 COSTS - INCURRED	(1,106,933.84)		720,631.47	(720,631.47)
UT0794		CIAC - CAPITALIZED	(861,882.82)		3,266.74	(3,266.74)
UT0795		CIAC - INCURRED	1,196,439.58		333,943.19	(333,943.19)
UT0796		CPI - CAPITALIZED	(126,539.55)		141,469.79	(141,469.79)
UT0797		CPI - INCURRED	914,022.13		213,109.88	(213,109.88)
UT0980		EXCESS DEF NONPLANT - OTHER - FED	-		684,680.36	(684,680.36)
Total For:	47WA.4111.1221		(63,688,046.88)	11,359.49	22,544,315.41	(22,532,955.92)

The following table shows the impact of the "Plant" timing differences on the deferred income tax calculation. Of the total **\$9,694,857.65**, the amount of current tax attributable to the "Plant" timing difference was **\$1,234,474.85**.

	Total	Effect of Plant Only
Deferred Income Tax Expense:		
47WA.4101.1221	\$ 32,227,813.57	\$ 1,879,731.83
47WA.4111.1221	(22,532,955.92)	(645,256.98)
		(38,485.14)
Total Deferred Income Tax Expense	\$ 9,694,857.65	\$ 1,234,474.85

For timing differences where the current tax rate (21% Federal for 2019) is the same as the deferred income tax rate (also 21% Federal), the total tax impact of the timing difference nets to zero within income tax expense. This is the case for all non-plant timing differences for Cascade.

However, because of ARAM accounting, for Plant related timing differences, Cascade's current tax rate is at the current rate (21% Federal for 2019), however its deferred tax rate is a blend of historical tax rates (includes 35% rate on pre-TCJA assets and 21% rate on post-TCJA assets). As Plant timing differences unwind, the difference between the blended rate deferred taxes and the 21% current tax rate is the amortization of the excess deferred incomes taxes.

Included within Cascade's 2019 income tax expense, the amount of Plant-Related current and deferred income taxes and the included ARAM amortization is summarized as follows:

Current Tax Expense - Plant Related				\$	(2,767,404.96)
Deferred Federal Offset for Plant-State					55,954.74
Deferred income Tax Expense - Plant-Related					1,234,474.85
Difference - ARAM Amortization				\$	(1,476,975.37)

This same information of the amount of ARAM Amortization, also called "Protected Plus EDFIT", can be found in a detailed report from Cascade's PowerPlan tax accounting system in its response to UTC-131 AWEC 40.

Tax Provision Total Tax Analysis Report													
00047-Cascade Natural Gas Co.													
2019 Actuals CNGC													
January Through December													
Oper-WA-Gas													
	Current Period Before Adjustments				Current Period Adjustments				Total				
	M Item	Total Tax	Current Impact	Deferred Impact	M Item	Total Tax	Current Impact	Deferred Impact	M Item	Total Tax	Current Impact	Deferred Impact	
Deferred Non Current Property													
UT0693	PLANT - FED	(\$9,788,460.35)	(\$1,571,968.91)	(\$2,055,576.67)	\$483,607.76	(\$3,389,658.49)	\$39,038.81	(\$711,828.28)	\$750,867.09	(\$13,178,118.84)	(\$1,532,930.11)	(\$2,767,404.96)	\$1,234,474.85
UT0694	PLANT - STATE	(\$10,132,075.18)	\$56,994.72	(\$144,467.99)	\$201,462.71	(\$3,391,183.21)	(\$1,039.98)	(\$48,353.12)	\$47,313.14	(\$13,523,258.39)	\$55,954.74	(\$192,821.11)	\$248,775.85
Subtotal:		(\$19,920,535.53)	(\$1,514,974.19)	(\$2,200,044.66)	\$685,070.47	(\$6,780,841.70)	\$37,998.83	(\$760,181.40)	\$798,180.23	(\$26,701,377.23)	(\$1,476,975.37)	(\$2,960,226.07)	\$1,483,250.70

Protected Plus EDFIT (No Gross-up)

Unprotected EDFIT (No Gross-up)

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Therefore, included within Cascade's 2019 WA jurisdiction total income tax expense of **(\$1,192,458.42)** is **(\$1,476,975.37)** excess deferred ARAM income tax amortization (Protected Plus EDFIT).