## CONTESTED ISSUES

### Overall Revenue / Rate Increase

<table>
<thead>
<tr>
<th>Issue</th>
<th>CASCADE NATURAL GAS (COMPANY)</th>
<th>COMPANY Supplemental Filing</th>
<th>COMPANY Rebuttal Filing</th>
<th>COMMISSION STAFF</th>
<th>PUBLIC COUNSEL&lt;sup&gt;1&lt;/sup&gt;</th>
<th>AWEC</th>
<th>THE ENERGY PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$13,830,451 5.3%</td>
<td>Revised: $14,281,139 5.460%</td>
<td>$7,393,210 2.82%</td>
<td>($508,968) 0.196%</td>
<td>$2,400,695 -0.92%</td>
<td>NOI $29,611,647</td>
<td>TEP does not support increasing rates on the record to date. TEP reserves the right to support or adopt recommendation of other parties on revenue requirement or other issues</td>
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</tbody>
</table>

### Capital Structure and Cost of Capital

| Issue | Capital Structure Long-term Debt: 49.6% Preferred Stock: 0% Common Equity: 50.4% Cost of Capital: Long-term Debt: 4.745% Preferred Stock: 0% Common equity: 9.8% Overall Rate of Return: 7.54% Capital structure, cost of long-term debt, and cost of preferred stock are addressed in Exhibit No.__(TJN-1T) Cost of equity is addressed in Exhibit No.__(AEB-1T) | Capital Structure Long-term Debt: 51.5% Preferred Stock: 0% Common Equity: 48.5% Cost of Capital: Long-term Debt: 4.745% Preferred Stock: 0% Common equity: 9.25% Overall Rate of Return: 6.93% Capital structure, cost of long-term debt, and cost of preferred stock are addressed in Exhibit No.__(DCP-1T) Cost of equity is supported in Exhibit No.__(AEB-1T) | Capital Structure Long-term Debt: 50.90% Preferred Stock: 0% Common Equity: 49.10% Cost of Capital: Long-term Debt: 4.745% Preferred Stock: 0% Common equity: 9.0% Overall Rate of Return: 6.83% Capital structure, cost of long-term debt, and cost of preferred stock are addressed in Exhibit Nos.__(JRW-1Tr), (TJN-4T) Cost of equity is supported in Exhibit No.__(JRW-1Tr) | Capital Structure Long-term Debt: 52.9% Preferred Stock: 0% Common Equity: 47.1% Cost of Capital: Long-term Debt: 4.54% Preferred Stock: 0% Common equity: 9.4% Overall Rate of Return: 6.83% | TEP does not support an increase in ROE. |

<sup>1</sup> Public Counsel Column includes positions for which Public Counsel is neutral in its response and cross-answering testimony. For items that parties are neutral in testimony, parties may adopt, support, or oppose other parties’ positions and develop a recommendation in later stages of this proceeding, including on brief.
### Per Books Results

The actual Washington booked figures for the test year, which is the twelve months ended December 31, 2019. Exhibit No. (MCP-2)

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<th>COMPANY Supplemental Filing</th>
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<td>NOI: $20,804,385</td>
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<td>RB: $374,226,392</td>
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### R-1 Annualize CRM Adjustment

Adjusts the total annualized revenues attributed to Cascade’s pipeline replacement cost recovery mechanism (“CRM”) and recovered from rate schedules 503, 504, 505, 511, 570, and 663. The result is a decrease to net operating income of $2,188,637. Exhibit No. (MCP-5)

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<tr>
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<td>NOI: $21,876</td>
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<td>RB: $0</td>
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### R-2 Promotional Advertising Adjustment

Removes advertising costs more aimed at promoting the company brand or image rather than conservation or safety. The result is an increase in net income of $21,876. Exhibit No. (MCP-5)

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<td>NOI: $21,876</td>
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<td>RB: $0</td>
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<td>ISSUE</td>
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<td>R-3 Restate Revenue</td>
<td>Removes from revenue amounts that are out of period or will not be realized in the rate year. Examples are bill corrections, net unbilled revenues, deferral revenues, etc. The result of this adjustment is an increase in net income of $11,270,119. Exhibit No.<strong>(MCP-5) This adjustment is described in Exhibit No.</strong>(IDM-1T)</td>
<td>Revised: Increase in net income of $11,263,913. Exhibit No.<strong>(MCP-10) Cascade discovered a metering error and that seven large volume customers will be migrating rate schedules prior to the rate effective date in this case, and so Cascade is providing these updates and corrections as part of its Supplemental Filing. The metering error and migration of the large volume customers is described in greater detail in the supplemental testimony in Exhibit No.</strong>(IDM-6T).</td>
<td>Neutral</td>
<td>NOI: $11,263,913 RB: $0</td>
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<td>R-4</td>
<td>Restate End of Period (EOP) Adjustment</td>
<td>In the Initial Filing, Cascade presented its per books rate base on an end-of-period (&quot;EOP&quot;) basis. Prior to the Prehearing Conference in this case, Staff requested that Cascade provide supplemental testimony instead presenting rate base on an average of monthly averages (&quot;AMA&quot;) basis. Revised: Decrease in net operating income of $812,389. The rate base impact is an increase of $3,144,398. Exhibit No.___ (MCP-14) Exhibit No.___ (MCP-7T) Exhibit No.___ (IDM-6T)</td>
<td>Revised: Decrease in net operating income of $812,389. The rate base impact is an increase of $3,144,398. Exhibit No.___ (AIW-3) Staff decided not to contest Cascade’s EOP adjustment even though Cascade provided no testimony or evidentiary support, failing to meet its burden of proof.</td>
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<td>EOP billing determinants are also addressed in Exhibit No.___ (IDM-1T)</td>
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<td>R-5</td>
<td>Restate Wages</td>
<td>This adjustment annualizes wage increases for union employees for 2019. This adjustment reduces net operating income by $68,514. Exhibit No.___ (MCP-5)</td>
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**R-4 Restate End of Period (EOP) Adjustment**

This section presents billing determinants and associated revenues adjusted to 2019 End of Period ("EOP") test year levels. This revenue presentation is consistent with the Company’s EOP methodology utilized in Docket UG-190210 and is presented here for comparison purposes. This section also presents the difference between Adjusted Per Books Margin Revenues and Adjusted 2019 EOP Margin Revenue, which is the EOP Revenue Adjustment. The result of this adjustment is a decrease in net operating income of $1,297,874.

Exhibit No.___ (MCP-5)

EOP billing determinants are also addressed in Exhibit No.___ (IDM-1T)

Revised: Decrease in net operating income of $812,389. The rate base impact is an increase of $3,144,398.

Exhibit No.___ (MCP-14)

Exhibit No.___ (MCP-7T)

Exhibit No.___ (IDM-6T)

Revised: Decrease in net operating income of $812,389. The rate base impact is an increase of $3,062,419.

Exhibit No.___ (MCP-10)

Exhibit No.___ (MCP-7T)

Exhibit No.___ (IDM-6T)

Exhibit No.___ (AIW-3)

Staff decided not to contest Cascade’s EOP adjustment even though Cascade provided no testimony or evidentiary support, failing to meet its burden of proof.

**R-5 Restate Wages**

This adjustment annualizes wage increases for union employees for 2019. This adjustment reduces net operating income by $68,514.

Exhibit No.___ (MCP-5)

Neutral

NOI: -$529,585

RB: $0

Note: In testimony, AWEC applied its wage adjustments against the restating Adjustment R-5. In this summary, the adjustments were applied against Adjustment P-2.
**CASCADE NATURAL GAS GENERAL RATE CASE DOCKET UG-200568**  
**JOINT ISSUES MATRIX—January 29, 2021**  
**CONTESTED ISSUES**

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<td><strong>R-6 Executive Incentives</strong></td>
<td>This adjustment removes all incentive compensation paid to the Company’s executive group. The result is an increase in net operating income of $972,281. Exhibit No.____(MCP-5)</td>
<td>This adjustment corrects a classification error where $67,752.15 was classified as Executive Incentive Plan but was actually Employee Incentive Plan. Correction results in reduction to executive compensation and results in minor increase in revenue requirement of $70,910. Exhibit No.<strong><strong>(MCG-11T) Exhibit No.</strong></strong>(MCG-14)</td>
<td>PC recommends a correction to the executive incentives excluded by the Company which was identified in the response to data request PC-43 (Exhibit No. MEG-13). PC further recommends the recovery of incentive compensation be limited to the target level to reflect reasonable level of compensation in the revenue requirement. This adjustment increases net operating income by $478,567 and reduces the Company’s originally requested revenue requirement by $634,019. Exhibit Nos. MEG-7, MEG-3</td>
<td>NOI: $1,919,854 RB: $0 AWEC recommends removing the cost of incentive awards allocated from affiliates, since Cascade has been unable to demonstrate that those amounts benefit Washington ratepayers. AWEC also recommends normalizing the remaining Cascade incentives consistent with PC’s recommendation.</td>
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<td><strong>P-1 Interest Coordination Adjustment</strong></td>
<td>Adjusts federal income taxes for the effect of the average debt rate used to calculate the rate of return applied to the proposed rate base shown in Exhibit No MCP-2, column (3), line 24. The result is a decrease in net income of $91,861. Exhibit No.____(MCP-5)</td>
<td>Adjusts federal income taxes for the effect of the average debt rate used to calculate the rate of return applied to the proposed rate base shown in Exhibit No MCG-12, column (3), line 24. The result is a decrease in net income of $207,951. Exhibit No.____(MCG-14)</td>
<td>Not contested. Staff’s calculation is the same as the company’s, but Staff’s amount is different due to ROR calculation and pro forma plant. Exhibit No. (KMH-1T)</td>
<td>Adjusts federal income taxes for the effect of the average debt rate used to calculate the rate of return applied to the proposed rate base shown in Exhibit No MEG-4. The result is a decrease in net income of $360,420. This adjustment increases the Company’s originally requested revenue requirement by $355,796. Exhibit No. MEG-9</td>
<td>NOI: (-)$444,448 RB: $0</td>
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### P-2 Pro Forma Wage Adjustment

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<td><strong>Four components:</strong> The first component is the annualization of the 2019 increase effective April 1, 2019 for union employees. The second component layers on the 2020 actual wage increases for non-union and union employees. The third component adds in the 2021 estimated increases for the union and non-union employees. The non-union increase is estimated to be 4 percent, the same level granted in 2019 and 2020. However, the actual increase for 2021 won’t be known until sometime in December 2020. The Company will update the calculation to reflect the actual non-union increase awarded at a later date. The 2021 union increase is estimated to be 3 percent, the same as 2019. The fourth component is a reflection of the 2020 and 2021 wage increase associated with employees that are allocated to Cascade rather than directly assigned. In general, all non-union employees receive the same level of increases as approved by the Board of Directors. The result is a decrease in net income of $1,596,205. Exhibit No.____(MCP-5)</td>
<td>Cascade proposes to update its costs for non-union wage increases to reflect approved 2020 compensation, producing a 3.55 percent increase. It also proposes to adjust its cost for 2021 non-union wage increases to 3 percent and to remove the costs associated with 2021 union wages. This results in a reduction in the revenue requirement of $627,695 from the Company’s initial filing. Exhibit No.____(JH-1T)</td>
<td>Staff proposed 3% wage increase for both union and non-union wage increases for 2020 and NO wage increases to both non-union and union employees for 2021. Exhibit No. (JH-1T)</td>
<td>PC recommends that the post-test year pay increases added to the revenue requirement be limited to a 2020 pay increase of 3% for all classes of employees. This adjustment reduces net operating income by $649,310 which reduces the Company’s originally requested revenue requirement by $1,254,475. Exhibit No. (MEG-6)</td>
<td>NOI: (-)$(430,347) RB: $0</td>
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<td>Note: In testimony, AWEC applied its wage adjustments against the restating Adjustment R-5. In this summary, this was corrected, and the adjustments were applied against Adjustment P-2.</td>
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### Pro Forma Plant Additions

- **P-3**

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<tr>
<td><strong>P-3 Pro Forma Plant Additions</strong></td>
<td>Reflects the Company’s budgeted level of capital additions expected to go into service by December 31, 2020. The proposed projects are both non-revenue and revenue producing and will not be included in the 2020 annual Cost Recovery Mechanism (CRM). Exhibit No. ____ (MCP-6) identifies each project, the proposed in-service date, most current proposed budget amount, and most importantly an explanation on the investment. Company witness Mr. Michael Parvinen, Exhibit No. ____ (MPP-1T), explains, as the case proceeds. As and standing of each project will update the actual costs and timing of most of these projects is complete and proposed budget amount, and most importantly an explanation on the investment. Company witness Mr. Michael Parvinen, Exhibit No. ____ (MCP-6) identifies each project, the proposed in-service date, and an explanation on the investment. Company witness Mr. Patrick Darras, Exhibit No. ____ (MCP-5) testifies regarding the project details and costs. Although one of the projects is complete and uses the actual cost, the cost and timing of most of these projects are budgeted and estimated. Therefore, Cascade will update the actual costs and standing of each project as the case proceeds. As Company witness Mr. Michael Parvinen, Exhibit No. ____ (MPP-1T), explains, the Company’s intent is to add into rate base only those projects that will be used and useful by the time rates from the current proceeding go into effect. The net income effect of the rate base additions, for depreciation expense, property taxes, and offsetting revenue increase is a decrease of $2,790,997. Exhibit No. ____ (MCP-10) This adjustment is the net income effect of the updated new customer revenue is an offsetting revenue increase results in a decrease in operating income of $2,790,997. Exhibit No. ____ (MCP-10) reflects the Company’s level of capital additions in service by December 31, 2020. The proposed projects are both non-revenue and revenue producing and are not included in the 2020 annual Cost Recovery Mechanism (CRM). Exhibit No. ____ (MCP-5) identifies each project, the in-service date and an explanation on the investment. Company witness Mr. Patrick Darras, Exhibit No. ____ (PCD-3T), testifies regarding the updated project details and costs. Company witness Mr. Michael Parvinen, Exhibit No. ____ (MPP-2T) testifies regarding the appropriateness of including these pro forma plant additions in rates under the Commission’s rules and policies. The net operating income is reduced by $1,552,047 due to depreciation expense, property taxes, and offsetting revenue; while rate base is increased by $55,998,114. This adjustment decreases the Company’s revenue requirement request by $2,763,264. Exhibit No. ____ (MCP-14) reflects the Company’s proposed budget amount, and most importantly an explanation on the investment. Company witness Mr. Patrick Darras, Exhibit No. ____ (PCD-1T), testifies regarding the updated project details and costs. Company witness Mr. Michael Parvinen, Exhibit No. ____ (MPP-2T) testifies regarding the appropriateness of including these pro forma plant additions in rates under the Commission’s rules and policies. The net operating income is reduced by $1,552,047 due to depreciation expense, property taxes, and offsetting revenue; while rate base is increased by $55,998,114. This adjustment decreases the Company’s revenue requirement request by $2,763,264. Exhibit No. ____ (MCP-14)</td>
<td>Staff accepts three of the ten specific projects proposed by Cascade in Darras, Exh PCD-3T at 4-3, Figure 1, line numbers 5-7 (Arlington Gate Project, Bellingham 8” HP Project, and Moses Lake 4” PE Project). Staff recommends rejecting all other discrete and blanket growth projects. Staff’s response testimony recommended accepting four discrete projects, but on rebuttal Cascade has combined Arlington HP Reinforcement (FP-300233), Arlington Gate (FP-316586) under “Arlington Gate Project”. Staff recommended plant additions increase rate base by approx. $6.9 million. Exhibit No. ____ (DJF-2)</td>
<td>PC recommends that the projected plant additions for the post test year period not be included in the revenue requirement because the projected balances were overstated during the review period and the offsetting balances of accumulated depreciation and accumulated deferred income tax (“ADIT”) were ignored for plant that was in service at the end of the test year. The exclusion of the post test year plant additions also results in the exclusion of adjustments to accumulated depreciation, ADIT, revenue, revenue taxes, customer accounts expense, depreciation and amortization expense, and taxes other than income tax. This adjustment excludes the Adjustment No. P-4 proposed by the Company and reduces the Company’s originally requested revenue requirement by $10,172,129. Exhibit Nos. (MEG-5, MEG-3, MEG-4)</td>
<td>PC recommends 1) removing pro forma plant additions included in Cascade’s last rate case, UG-190210, that were also included as pro forma additions in this proceeding; 2) removing the Walla Walla Gate pro forma plant addition since it has not been placed into service at the time of submitting this testimony; 3) removing blanket capital additions, including growth capital, from Cascade’s capital forecast because those amounts are not “major” plant additions, and are recoverable through incremental accumulated depreciation in calendar year 2020; 4) considering proforma retirements and removal costs.</td>
<td>NOI: (+)$140,425 RB: $7,120,609</td>
<td>AWE:</td>
<td>THE ENERGY PROJECT</td>
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<td>P-4</td>
<td>MAOP Deferral Amortization</td>
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<td>approval in Docket No. UG-160787 of Cascade’s request for deferred accounting treatment of incremental costs to implement the Maximum Allowable Operating Pressure (“MAOP”) Determination and Validation Plan submitted to the Commission on April 29, 2016, under Docket No. PG-150120. Cascade’s general rate case, Docket UG-170929, all parties agreed that Cascade should recover pre-code pipe replacement expenses from customers over a 10-year amortization period, beginning on August 1, 2018. The deferred balance is anticipated to be $13,212,465. The net operating income effect is a reduction of $731,342.</td>
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<td>Exhibit No.__(MCP-5)</td>
<td>Staff proposed adjusting the amortization period for each deferral, and Cascade accepted this recommendation. The MAOP deferral amortization adjustment increases the expense by $800,404 and decreases the net operating income after tax by $632,320. This adjustment reduced the Company’s revenue requirement request by $131,189. Exhibit No.__(MCG-14)</td>
<td>Not contested.</td>
<td>Staff proposed adjusting the amortization period for each deferral, and Cascade accepted this recommendation. The MAOP deferral amortization adjustment increases the expense by $800,404 and decreases the net operating income after tax by $632,320. This adjustment reduced the Company’s revenue requirement request by $131,189.</td>
<td>Neutral</td>
<td>NOI: (-) $731,342</td>
<td>RB: $0</td>
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<td><strong>Rate Spread/Rate Design</strong></td>
<td>The Company’s proposed rate spread and design methodologies remain the same as those approved by the Commission in Order No. 05 of Docket UG-190210. In that case, the parties agreed to “apply the revenue changes approved by the Commission on an equal percentage of margin, except for Special Contracts.” The Company’s basic service charges for each rate schedule will remain unchanged, a requirement stipulated in the final order of a previous Cascade rate case, Docket UG-170929. Exhibit No.___(IDM-1T)</td>
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<td>Staff recommended spread rates using 2019 EOP customer counts and class therm usage, as opposed to using the projected 2020 EOP customer count and class therm usage as proposed by the Company. Staff agrees with continuing to uphold previous settlements of spreading rates on equal percent of margin until the Company performs a load study. Exhibit No.___(ANH-1T)</td>
<td>Neutral</td>
<td>AWEC recommends that the Commission affirmatively require Cascade to perform a load study prior to filing its next general rate case.</td>
<td>TEP agrees with maintaining the customer charge at its current level, and otherwise upholding previous settlements re rate spread/rate design</td>
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<td><strong>Decoupling Baseline Calculations</strong></td>
<td>Consistent with the methodology approved in Order No. 04 in Docket UG-152286, the authorized margin revenue per customer per month revised to reflect the proposed changes in revenue requirement. This methodology was also reaffirmed in the final order of the Company’s prior general rate case, Docket UG-170929. Exhibit No.<em><strong>(IDM-1T) Exhibit No.</strong></em>(IDM-5)</td>
<td>Updated monthly baseline decoupling calculations for all decoupled rate schedules. Exhibit No.<em><strong>(IDM-10) The monthly baseline calculations were adjusted to reflect the impacts of seven large volume accounts transferring from rate Schedule 511 to rate Schedule 663. Exhibit No.</strong></em>(IDM-6T)</td>
<td>Updated monthly baseline decoupling calculations for all decoupled rate schedules. Exhibit No.<em><strong>(IDM-15) Exhibit No.</strong></em>(IDM-11T)</td>
<td>Staff calculated the decoupling baseline using 2019 EOP customer count. Exhibit No.___(ANH-1T)</td>
<td>Neutral</td>
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<td>R-7</td>
<td>Remove Interim Period EDIT Benefits</td>
<td>Cascade corrected an out-of-period revenue adjustment related to an additional refund as a result of Order in Docket UG-170929. This resulted in an understatement of Cascade’s revenues and this adjustment reflects the difference. This adjustment results in a decrease to the Company’s revenue requirement of $406,245.</td>
<td>Neutral</td>
<td>Exhibit No. ____ (MPP-2T)</td>
<td>Exhibit No. ____ (MCG-14)</td>
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<td>R-8</td>
<td>Remove 50% Director Fees</td>
<td>Public Counsel proposed to share Directors’ fees 50/50 and AWEC joined this recommendation. Cascade accepted this recommendation which results in a decrease to expenses of $175,185 and reduces the Company’s revenue requirement by $183,352.</td>
<td>NOI: $138,396</td>
<td>PC recommends that the director’s fees be shared 50/50 between ratepayers and shareholders. This adjustment increases net operating income by $138,397 and reduces the Company’s originally requested revenue requirement by $183,352.</td>
<td>NOI: $138,396</td>
<td>RB: 50</td>
<td>AWEC recommends an adjustment to remove 50% of director fees, consistent with the Commission’s past practice.</td>
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<td>R-9</td>
<td>Restate UTC Audits</td>
<td>Staff identified three adjustments to the Company’s revenue requirement stemming from a per-book audit of the Company’s test year expenses. These were an unrecoverable sponsorship expense, an expense which should have been directly assigned to OR, and minor costs deemed unrecoverable from ratepayers. Adjustment decreases net operating income after taxes by $36,202. Exh. No.____ (MCG-11T) Exh. No. ____ (MCG-14)</td>
<td>Neutral</td>
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<td>R-10</td>
<td>Restate Removal and Retirements</td>
<td>Depreciation impact on the replaced and retire plant associated with the pro forma capital additions adjustment. Both of these combined reduce the Company’s net operating income by $123,827, which then reduces the revenue requirement effect by $156,559. Exh. No. ____ (MPP-2T) Exh. No. ____ (MCG-14)</td>
<td>Part of P-3. Neutral</td>
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<td>Disconnection Program</td>
<td>In response to a proposal from The Energy Project, Cascade proposes to participate in a workshop regarding a Disconnection Reduction Plan by end of 2021. No direct GRC revenue requirement impact. Exhibit No.____(NAK-2T)</td>
<td>Neutral</td>
<td>TEP recommends that Cascade in conjunction with the WEAF Advisory Group, develop a Disconnection Reduction Plan to be filed within one year of the final order in this docket.</td>
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**Load Study**

In response to concerns raised by Staff and AWEC, Cascade is proposing a workshop / updates on Load Study Data Collections. No direct GRC revenue requirement impact.

Exhibit No.__(NAK-2T)

Staff proposed the Commission require Cascade to complete a load study and cost of service study prior to filing its next rate case.

Exhibit No.__(ANH-1T)

**Revenue Offsets**

Cascade is proposing two possible revenue offsets, depending on the final revenue requirement. The first proposal is to reduce the Unprotected EDIT Amortization, which could offset approximately $5 million in revenue requirement. The second proposal is to extend the Deferred Gas Cost Amortization associated with the Enbridge incident by 1-year, which could reduce the revenue requirement impact by over $9 million.

Together, these proposals could offset up to $14 million in revenue requirement. The extent of the revenue requirement effect for these offsets depends on the revenue requirement approved by the Commission in this case.

Exhibit No.__(MPP-2T)

Staff does not believe revenue offsets are necessary because our recommendation is a rate decrease. In principle, Staff is not opposed to reducing the Unprotected EDIT Amortization if the Commission finds it would assist ratepayers through current economic conditions. However, Staff does oppose extending the Deferred Gas Cost Amortization associated with the Enbridge incident. This proposal does not help ratepayers, it simply requires them to pay for any rate increase later and with interest.

Neutral
Low Income

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<td>No changes recommended to WEAF (Washington Energy Assistance Fund). TEP recommends that the Commission set a status report re WEAF budget plan for April 1, 2022.</td>
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