

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-190210

JOINT SETTLEMENT AGREEMENT

I. INTRODUCTION

1 This Settlement Agreement (“Settlement”) embodies an agreement by Cascade Natural Gas Corporation (“Cascade” or the “Company”), the Staff of the Washington Utilities and Transportation Commission (“Staff”), the Public Counsel Unit of the Washington Office of Attorney General (“Public Counsel”), the Alliance of Western Energy Consumers (“AWEC”), and The Energy Project, referred to herein individually as a “Party” or jointly as the “Parties.”

2 All of the parties to this docket have entered into this Settlement, and it resolves all issues raised by Cascade’s initial filing in Docket UG-190210. Accordingly, this Settlement is a full settlement as the Commission defines that term in WAC 480-07-730(1).

3 Each Party agrees that the Settlement is in the public interest and recommends its adoption without condition by the Washington Utilities and Transportation Commission (“Commission”).

II. BACKGROUND

4 On March 29, 2019, Cascade filed with the Commission tariff revisions to increase
rates for natural gas service provided to customers in Washington. These revisions, had they
become effective, would have increased the charges for Cascade's natural gas services in
Washington by approximately \$12,700,000.¹

5 On April 3, 2019, the Commission suspended the tariff revisions pending a hearing
as to their fairness, justness, reasonableness, and sufficiency, and set a prehearing
conference to consider, among other things, a procedural schedule for the adjudication
initiated by the order suspending the tariff revisions. After that conference, the Commission
ordered a procedural schedule that set certain deadlines and required the parties to meet
during specified time periods to discuss settlement.

6 The Parties met for an initial settlement conference on July 17, 2019, as required by
the procedural schedule. The Parties engaged in productive conversations on that day and
over the following days. These discussions ultimately produced this Settlement, which the
Parties now present to the Commission for approval.

III. AGREEMENT

A. Revenue Requirement

7 The Parties agree that Cascade's revenue requirement should increase by \$6,500,000
above the currently-allowed amount set in Docket UG-170929, effective March 1, 2020.
This equates to an increase in base rates charged by Cascade for its service in Washington
by 2.84 percent on a billed basis and a margin increase of 9.32 percent.

¹ Had the tariff revisions gone into effect, it would have increased the base rates charged by Cascade for its services in Washington by 5.56 percent on a billed basis and a margin increase of 18.21 percent.

8 The Parties do not agree on the specific adjustments necessary to reach the agreed-upon increase to revenue requirement, except as otherwise specified in this settlement. Accordingly, no plant investment is deemed to have been included in or excluded from the agreed upon revenue requirement. The Parties (other than Cascade) retain the right to challenge in future proceedings the recovery of investments not yet explicitly included in rates.

B. Cost of Capital

9 Capital Structure. The Parties agree to a capital structure comprised of 49.1 percent equity and 50.9 percent long-term debt.

10 Return on Equity. The Parties agree to a cost of equity (“ROE”) of 9.4 percent.

11 Cost of Debt. The Parties agree to a cost of long-term debt of 5.155 percent.

12 Rate of Return. The Parties agree to an overall rate of return (“ROR”) of 7.24 percent.

C. Cost of Service, Rate Spread, and Rate Design

13 Cost of Service. The Parties continue to agree that it is more appropriate to address cost-of-service in the ongoing generic proceeding, Docket UG-170003. The parties do not agree on a specific cost-of-service methodology in this case.

14 Rate Spread. The Parties agree that any revenue changes approved by the Commission in its final order will be applied on an equal percentage of margin basis to each schedule, except for Special Contracts, as required by the Commission’s final order in Docket UG-170929.

15 Rate Design and Basic Charge. The Parties agree that the basic charges for each schedule should remain unchanged, as required by the Commission’s final order in Docket UG-170929.

D. Other Settlement Terms

16 The parties agree that the terms from the settlement in Docket UG-152286 regarding conservation targets shall remain in effect. The Parties understand that this provision applies solely to this Settlement, and does not preclude Cascade from complying with new or existing statutory requirements. The Parties understand that new laws, such as those enacted by the passage of House Bill (“HB”) 1257 (An Act Relating to Energy Efficiency), which the Governor signed into law (Chapter 285, 2019 Laws), effective July 28, 2019, or new or amended Commission rules with respect to natural gas energy efficiency, may supersede the terms of this Settlement and may require Cascade to modify its conservation plan.

IV. EFFECT OF THE SETTLEMENT AGREEMENT

17 Binding on Parties. The Parties understand that this Settlement is subject to Commission approval. The Parties agree to support the terms of this Settlement throughout this proceeding, including any appeal, and recommend that the Commission issue an order approving and adopting this Settlement without condition. If the Commission does not accept this Settlement, then the Parties shall be free to assert their pre-settlement positions and agree that neither this Settlement nor any statements or admissions contained herein shall be admissible or used for any purpose in this docket or any other proceeding for any purpose; provided, however, that any Party may disclose the existence or terms of the Settlement when required to do so by law.

18 Settlement is a Compromise. The Parties agree that this Settlement represents a compromise of the positions of the Parties.

19 Negotiations not Admissible. Conduct, statements, and documents disclosed while negotiating this Settlement shall not be admissible evidence in this or any other proceeding except in any proceeding to enforce the terms of this Settlement or any Commission Order adopting those terms.

20 Integrated Terms of Settlement. The Parties have negotiated this Settlement as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Settlement in its entirety and without condition. As each Party has participated in the drafting of this Settlement, it should not be construed in favor of, or against, any particular Party.

21 Procedure. The Parties shall cooperate in submitting this Settlement promptly to the Commission for acceptance. Each Party shall make available at least one witness or representative in support of this Settlement. The Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Settlement and to supplement the record accordingly.

22 Reservation of Rights. Each Party may offer into evidence its pre-filed testimony and exhibits as they relate to the issues in this proceeding, together with such evidence in support of this Settlement as may be offered at the time of the hearing on the Settlement. If the Commission rejects all or any material portion of this Settlement, or adds additional material conditions, each Party reserves the right, upon written notice to the Commission and all parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from this Settlement. If any Party exercises its right of withdrawal, this

Settlement shall be void and of no effect, and the Parties will support a joint motion for a procedural schedule to address the issues that would otherwise have been settled herein.

23 No Precedent. The Parties enter into this Settlement to avoid further expense, uncertainty, and delay. By executing this Settlement, no Party shall be deemed to have accepted or consented to the facts, principles, methods, or theories employed in arriving at this Settlement, and no Party shall be deemed to have agreed that this Settlement is appropriate for resolving any issues in any other proceeding.

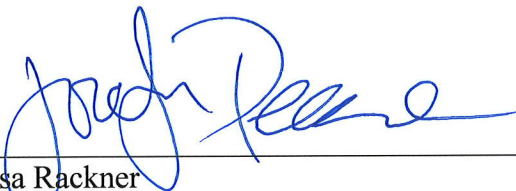
24 Public Interest. The Parties agree that this Settlement is in the public interest.

25 Execution. This Settlement may be executed by the Parties in several counterparts and as executed shall constitute a single settlement agreement.

Entered into this 20th day of September 2019.

Cascade Natural Gas Co.:

By:



Lisa Rackner
Jocelyn Pease
McDowell Rackner Gibson PC

Commission Staff:

By:

Jeff Roberson
Assistant Attorney General

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Jocelyn Pease
McDowell Rackner Gibson PC

Commission Staff: By: Jeff Roberson for
Jeff Roberson
Assistant Attorney General

Public Counsel:

By:



Lisa W. Gafken
Assistant Attorney General

AWEC:

By:

Chad M. Stokes
Tommy A. Brooks
Cable Huston LLP

The Energy Project:

By:

Simon ffitch
Attorney at Law


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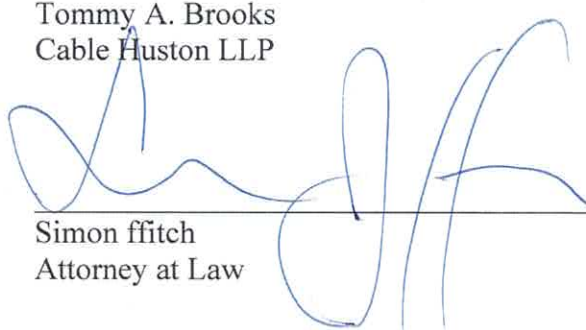
By:

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The Energy Project:

By:

Simon ffitch
Attorney at Law

A large, stylized handwritten signature in blue ink is written over the signature line for Simon ffitch. The signature is highly cursive and loops around the text.