

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS CORPORATION,

Respondent.

Docket UG-210755

**CASCADE NATURAL GAS
CORPORATION’S MOTION FOR
CLARIFICATION OF ORDER 12**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS CORPORATION,

Respondent.

Docket UG-220198

**CASCADE NATURAL GAS
CORPORATION’S MOTION FOR
CLARIFICATION OF ORDER 03**

I. INTRODUCTION

- I.* Pursuant to WAC 480-07-835, Cascade Natural Gas Corporation (“Cascade” or “the Company”) respectfully requests that the Washington Utilities and Transportation Commission (“Commission”) clarify the Commission’s final orders, served on January 23, 2023, in the above captioned dockets (“Final Orders”). Both Final Orders address the treatment of Protected-Plus Excess Deferred Income Tax (“PP EDIT”) and how it should be passed back to customers in a manner that avoids a normalization violation. Through this motion, Cascade seeks to clarify the meaning and requirements in the Final Orders so that Cascade can accurately prepare compliance filings.

II. DISCUSSION OF POINTS FOR CLARIFICATION

A. Description of the Two Proceedings

2. There are two proceedings in which Cascade’s treatment of PP EDIT was considered by the Commission. These two proceedings are (i) the Cascade’s 2021 rate case, Docket UG-210755, and (ii) the tariff filing in Docket UG-220198.

1. Docket UG-210755 - Cascade’s 2021 Rate Case

3. In the final order in the 2021 rate case, the Commission required Cascade and parties to work collaboratively on the proper going-forward treatment for PP EDIT and directed Cascade to make a compliance filing reflecting the collaborative resolution of this issue within 60 days of the effective date of the rate case order.¹ The parties worked collaboratively and reached a settlement that the parties viewed as “a fair resolution of the issue” with respect to including PP EDIT in base rates going forward, eliminating the separate schedule, and addressing historical pass back of PP EDIT.² The parties filed a signed PP EDIT Resolution Compliance Filing in Docket UG-210755³ that consisted of four items that would resolve the PP EDIT issues and thus resolve the compliance filing in Docket UG-210755 and the tariff filing in Docket UG-220198. In Order 12, the Commission rejected in part and approved in part the compliance filing.

2. Docket UG-220198 - Tariff Filing to Address Proper Pass Back of PP EDIT

4. On March 24, 2022, Cascade filed revised tariffs in Docket UG-220198 to ensure the Company was properly passing back PP EDIT in a manner that did not violate IRS normalization rules. On June 7, 2022, the tariffs were suspended and the matter was set for hearing. The parties reached a settlement in Docket UG-210755 that ultimately resulted in the PP EDIT Resolution

¹ Docket UG-210755, Order 09, ¶ 181.

² Docket UG-210755. CLtr at 1-2 (Oct. 21, 2022).

³ Parties who submitted the PP EDIT Resolution Compliance Filing were Cascade, Staff, the Alliance of Western Energy Consumers, and the Energy Project. Public Counsel participated in the collaborative resolution of the PP EDIT Compliance Filing and filed a letter in support of the PP EDIT Resolution, but ultimately took no position on the Compliance Filing. *See* Public Counsel Letter Expressing Public Counsel Support for the PP EDIT Resolution, Docket UG-210755 (Oct. 28, 2022).

Compliance Filing and resolved the issues in Docket UG-220198.⁴ The parties agreed that upon Commission approval of the PP EDIT Resolution Compliance Filing, Cascade would withdraw its petition in Docket UG-220198.⁵ The Commission issued a final order, Order 03, rejecting Cascade's proposed tariff revisions that had been filed by Cascade and further rejecting aspects of the PP EDIT Resolution Compliance Filing.

B. Clarification is Needed So Cascade Can Accurately Prepare a Compliance Filing

5. WAC 480-07-835(1) provides that a party may seek clarification of a final order within ten days of entry of the final order to ensure that the parties know their rights and responsibilities under the final order. In such a motion, a party may ask the Commission to take one of the following actions: (a) Clarify the meaning of, or requirements in, the order so that the parties can accurately prepare compliance filings; (b) Make technical changes to reconcile the application of principle to data, resolve inconsistencies, or correct patent error without the need for parties to request reconsideration and without delaying post-order compliance; or (c) Correct typographical or other ministerial errors. Here, Cascade is seeking clarification of the Final Orders to understand its rights and responsibilities under the Final Order, clarify requirements so that it can accurately prepare compliance filings, and to resolve apparent inconsistencies.

6. As previously discussed, the PP EDIT Resolution Compliance Filing contained four separate items. This motion for clarification specifically addresses the Commission's determination with respect to the third and fourth items and seeks clarification of potential inconsistencies so that Cascade may properly make its compliance filing addressing PP EDIT.

7. The third and fourth items in the PP EDIT Resolution Compliance Filing are as follows:

3. The third item is a reversal of the current year deferred PP EDIT balance on October 31, 2022, thus treating the PP EDIT consistent with all other rate base items on a going forward basis. As of August 31, 2022, the deferred balance was a credit of \$1,190,099. It is not anticipated that the

⁴ Docket UG-210755. CLtr (Oct. 21, 2022).

⁵ *Id.*

October 31, 2022 balance will change significantly from the August balance. This item has no rate impacts. This figure is derived from Attachment C, adding tabs 2540.20481 and 2540.20482.

4. The fourth item eliminates Rate Schedule 581 and moves the PP EDIT back into base rates. This will result in a base rate reduction of \$1,722,241. Eliminating Rate Schedule 581 will have the effect of increasing rates by \$1,971,691. The net effect of moving the PP EDIT into base rates is an annual increase of \$249,450. This portion of the settlement eliminates the normalization violation going forward by placing in general rates the accrued PP EDIT that would have been in the test year (calendar year 2020). Support for these figures is included in Attachment D. This item is proposed to be effective November 1, 2022. The impact on the average residential customer using 57 therms per month is \$0.03 per month. The decoupling baseline must also be updated due to the change in base rates. Support for this adjustment is included in Attachment E.⁶

8. The Commission rejected Item 3, above. The Commission stated that it was unable to validate the claim that this reversal has no impact on rates. The Commission provided no further direction as to the disposition of the \$1,190,099 credit which is in the current year's deferral account and has not been passed back to customers.⁷

9. The Commission approved Item 4, subject to Cascade filing additional information requested by the Commission. In approving Item 4, the Commission cancelled and eliminated Schedule 581.

10. Cascade requests clarification as to the disposition of the current PP EDIT balance that is in a deferral account and has not been passed back to customers, since the Commission rejected Item 3, which would reverse the current PP EDIT balance and allow it to be treated consistent with other rate base items. The Commission's rejection of Item 3 would arguably reinstate the status quo as to that current deferred balance and require Cascade to pass back the current year's

⁶ Docket UG-210755, PP EDIT Resolution Compliance Filing at 2.

⁷ The current balance in Item 3 differs from Item 2, which the Commission rejected. The proposed reversal of the \$3,268,293 in Item 2 would require recapture of amounts returned to customers in prior years, whereas the reversal in Item 3 addresses currently deferred amounts that have not been passed back to customers. The Commission may adjust amounts in deferral accounts during the deferral period. *See In Re the Petition of PacifiCorp d/b/a Pac. Power & Light Co. for an Accounting Order Authorizing Deferral of Excess Net Power Costs.*, UE-020417, 2002 WL 32866434, at *1 (Wash. U.T.C. Sept. 1, 2002), amended in part sub nom. *In Re PacifiCorp*, 226 P.U.R.4th 150 (Wash. U.T.C. July 15, 2003), subsequently aff'd sub nom. *Washington State Attorney Gen.'s Office v. Washington Utilities & Transp. Comm'n*, 128 Wn. App. 818, 116 P.3d 1064 (2005).

deferred PP EDIT to customers and cause Cascade to continue to be in violation of normalization requirements, rather than reversing the balance and treating it consistent with other rate base items as proposed. In addition, the Commission's approval of Item 4 eliminates and cancels Schedule 581, which is the tariff under which the balance that was requested to be reversed in Item 3 resides.

11. Cascade seeks any clarifying language consistent with this motion, but the Company proposes that the Commission revise paragraph 16 of Order 03 to state as follows:

Finally, we reject the parties' proposal to reverse the 2022 deferred PP EDIT balance as of October 31, 2022. Although the parties claim that this reversal has no impact on rates, they failed to provide any documentation to support their position, including an updated revenue requirement. Without the updated revenue requirement, the Commission is unable to validate this claim or otherwise evaluate the Parties' proposal. Cascade may file an updated revenue requirement as part of its compliance filing to demonstrate that this reversal has no impact on rates, and once accepted by the Commission, Cascade may reverse the PP EDIT balance as of October 31, 2022 and treat it consistent with other rate base items as provided in Item 4.

12. With this motion for clarification, Cascade is providing clarification and documentation to demonstrate that this reversal would have no impact on customer rates. The remaining deferral balance represents the over/under recovery balance of Schedule 581. This is the very item that PLR-101961-21 prohibits as it is a "true-up to EDIT ARAM amortization in the year following the rate year based on volume variances between the test year and the rate year without making similar adjustments to rate base, ADIT, book depreciation expense and tax expense," which PLR-101961-2 states "the normalization rules do not permit." In order to prospectively eliminate the violation, one component is the reversal of the current deferred balance. The financial statement impact of Schedule 581, including the remaining deferral balance under this tariff, has not been included in customer base rates because it is a stand-alone tariff. In each of the Company's rate cases since this tariff has been in place, the amounts recorded under the tariff have been carved out of the Company's revenue requirement that has been approved in each rate

case. Likewise, the entry to reverse the deferral balance would not be included in a future revenue requirement and customers would not be impacted because the base rates approved in Item 4, which provide the benefit of the PP EDIT's in base rates, would be in place. Attached hereto as Attachment A, please find the Company's revenue requirement model supporting the Commission's order in this docket with the adjustments (in green) described above. The adjustments are in the tab labeled "Exh MCG-5, Summary of Adj" and the supporting detailed tab labeled "Operating Report".

III. CONCLUSION

13. For the reasons set forth above, Cascade respectfully requests that the Commission enter an order clarifying the Final Order with respect to the issues identified above.

DATED this 1st day of February, 2023.

Respectfully submitted

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