**Exh. LAB-4T**
**Docket UG-240008**
**Witnesses: Lori A. Blattner**

**BEFORE THE**
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

| | |
|---|---|
| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,<br><br>Complainant,<br><br>v.<br><br>CASCADE NATURAL GAS CORPORATION,<br><br>Respondent. | DOCKET UG-240008 |

**CASCADE NATURAL GAS CORPORATION**

**TESTIMONY OF LORI A. BLATTNER**

**IN SUPPORT OF FULL MULTIPARTY SETTLEMENT STIPULATION**

**December 11, 2024**

**TESTIMONY OF LORI A. BLATTNER**

**IN SUPPORT OF FULL MULTIPARTY SETTLEMENT STIPULATION**

**CONTENTS**

**TESTIMONY OF LORI A. BLATTNER**

**IN SUPPORT OF FULL MULTIPARTY SETTLEMENT STIPULATION**

## I. INTRODUCTION

**Q. Are you the same Lori A. Blattner who submitted Direct Testimony on March 29, 2024, on behalf of Cascade Natural Gas Company ("Cascade" or "Company") in this proceeding?**

A. Yes, on March 29, 2024, I filed the Direct Testimony of Lori A. Blattner, Exhibit LAB-1T, and two supporting exhibits (Exh. LAB-2 and Exh. LAB-3).

**Q. What is the purpose of this testimony?**

A. This testimony ("Settlement Testimony") supports the Full Multiparty Settlement Stipulation filed in this proceeding ("Settlement Stipulation") executed by and between regulatory staff of the Washington Utilities and Transportation Commission ("Staff"), The Energy Project ("TEP"), the Alliance of Western Energy Consumers ("AWEC"), and Cascade in this proceeding (together, the "Settling Parties").

For the reasons described further below, Cascade recommends the Washington Utilities and Transportation Commission ("Commission") approve the Settlement Stipulation in its entirety without any conditions. The Settlement Stipulation represents a compromise among differing methodologies and points of view. This testimony explains and demonstrates the thorough analysis and deliberations that went into resolving the issues in this case. Its approval is in the public interest. As explained below, the Settlement Stipulation is supported by sound analysis and sufficient evidence.

**Q. Please summarize your Settlement Testimony.**

A. This Settlement Testimony addresses Cascade's general rate case filing, describes the principal aspects of the Settlement Stipulation, and sets forth why the Settlement Stipulation is in the public interest, and should be approved by the Commission.

## II. OVERVIEW OF THIS PROCEEDING

**Q. Please provide a brief summary of Cascade's initial filing in this case.**

A. On March 29, 2024, Cascade filed with the Commission revisions to its currently effective Tariff WN-U-3 for natural gas service together with testimony and exhibits.

In its first multiyear rate plan ("MYRP") governed by RCW 80.28.425, Cascade attempts to balance the competing goals of providing safe, reliable, affordable service to customers with reducing carbon emissions. The filing also reflects Cascade's shifting perspective from traditional cost-of-service ratemaking towards ratemaking that applies an equity lens and incorporates principles of energy justice. The proposal includes, among other elements, efforts to provide assistance to low-income customers served by the Company, as well as performance measures required by RCW 80.28.425 and an explanation of how the

Company is integrating equity into all aspects of its work, consistent with the Commission's guidance in Order 09, Docket UG-210755 ("Final Order 09").[1]

Specifically, Cascade's proposed revised tariff sheets provided an effective date of May 1, 2024, with a two-year rate plan starting March 1, 2025 ("Rate Year 1") and March 1, 2026 ("Rate Year 2"). In Rate Year 1, Cascade sought a $43.8 million (or an 11.59 percent) increase in overall natural gas revenues. In Rate Year 2, Cascade sought an $11.7 million (or a 2.75 percent) increase in overall natural gas revenues.

Cascade proposed a 10.5 percent return on common equity, with a capital structure consisting of 50.285 percent equity, 44.214 percent long-term debt, and 5.501 percent short-term debt resulting in a 7.894 percent overall rate of return. The Company also proposed two temporary recovery mechanisms related to COVID-19 and Commission Fee deferrals, increased basic service charges, and included rate design based on a cost-of-service study that was supported by a load study. Finally, the Company proposed to eliminate its pipeline cost recovery mechanism ("CRM").

[1] *WUTC v. Cascade Nat. Gas Corp.*, Docket UG-210755, Order 09 Approving and Adopting Settlement Agreement Subject to Conditions (Aug. 23, 2022) ("Final Order 09").

**Q. What were the main drivers of Cascade's revenue requirement request?**

A. Cascade's revenue requirement request was driven by several factors, including:

- The need to recover the costs of significant capital investments in system reliability, safety, and growth, as well as costs of complying with the Washington Climate Commitment Act;
- The need to maintain a fair and reasonable return on equity and capital structure that supports the Company's financial integrity and access to capital markets; and
- The need to reflect changes in operating expenses, such as wages, benefits, insurance, and property tax expenses, that have occurred since the Company's last general rate case.

**Q. Please describe the process that led to the filing of the Settlement Stipulation.**

A. Pursuant to the prehearing conference order in this proceeding, Staff, Public Counsel, TEP and AWEC each issued data requests to Cascade, and Cascade responded to all requests.

All parties in this proceeding convened a formal settlement conference on August 8, 2024, in accordance with the procedural schedule. On September 25, 2024, Staff, Public Counsel, AWEC, and TEP filed response testimony. The parties convened a second formal settlement conference on October 2, 2024. The parties did not reach a full settlement at those conferences, but the parties participated in several settlement-related calls and correspondence after the formal settlement conferences and convened formally again on October 18, 2024.

Settling Parties ultimately reached a settlement in principle, and on October 30, 2024, counsel for Cascade contacted the presiding officer indicating such. Cascade filed a formal letter in the docket on November 5, 2024, to inform the Commission that all parties except Public Counsel had reached a settlement in principle.

Significant discovery over approximately six months informs this Full Multiparty Settlement Stipulation. Cascade responded to over 350 data requests and provided responses to all parties. As a result, Cascade believes that the issues in this case were thoroughly vetted by all participants.

## III. THE SETTLEMENT STIPULATION SATISFIES CASCADE'S INTEREST AND THE PUBLIC INTEREST

**Q. Will you briefly summarize the Settlement Stipulation?**

A. The Settlement Stipulation resolves all issues among the Settling Parties and reflects an outcome that is in the public interest and establishes rates that are fair, just, reasonable, equitable, and sufficient. The Settlement Stipulation provides sufficient financial resources for Cascade to provide safe and reliable gas to its customers in a more equitable way. The Settlement Stipulation establishes the Company's revenue requirement increase for both rate years in the MYRP. The Settlement Stipulation includes an overall rate of return for the Company. It outlines rate spread and compromises on residential basic service charge increases. The Settlement Stipulation resolves issues related to plant additions, as well as sets forth a process for annual review of provisional pro forma plant additions. In addition, the Settlement Stipulation includes several provisions regarding equity, low-income programs, a language access plan, disconnection policies, and the Company's performance metrics. The Settlement Stipulation also addresses COVID-19 deferrals, line extension allowances, and reporting requirements relating to the Inflation Reduction Act ("IRA") and the Infrastructure Investment and Jobs Act ("IIJA"). Finally, the Settlement Stipulation supports Cascade's proposal to eliminate the CRM and include recovery of these costs in base rates.

## A. <u>The Revenue Requirement Satisfies the Public Interest and is a Reasonable Compromise</u>

**Q. Please explain the overall revenue requirement agreed to in the Multiparty Settlement Stipulation.**

A. The Settling Parties have agreed to a significant revenue requirement reduction from Cascade's initial filing (i) from $43.8 million to $29.799 million in Rate Year 1 and (ii) from $11.7 million to $10.814 million in Rate Year 2. Being a full settlement, all other revenue requirement adjustments raised by any party in this proceeding, other than adjustments specifically addressed in the Settlement Stipulation, are resolved by the Settlement Stipulation.

**Q. Please explain the revenue requirement compromises reflected in the Multiparty Settlement Stipulation.**

A. The reduction in revenue requirement from Cascade's initial filing to the Settlement Stipulation in Rate Year 1 and Rate Year 2 generally reflects five principal compromises, explained below.

First, Cascade initially proposed a 10.5 percent return on common equity and a capital structure that included 50.285 percent equity, which resulted in an overall rate of return of 7.894 percent. The Settling Parties agree to a 9.5 percent return on common equity and a capital structure for both rate years that includes 49.5 percent equity, resulting in an overall rate of return of 7.185 percent. Cascade agrees to remove short-term debt, as requested by the Setting Parties. These revisions reduce revenue requirement by $6.609 million and $637,000 in Rate Years 1 and 2, respectively. This compromise is reasonable because it balances the Company's need for a fair return to stabilize its credit rating and maintain access to funding from capital markets under reasonable terms at regular intervals with the customer's need for safe, reliable, affordable, and equitable energy service.

Second, Settling Parties agree to reductions in Cascade's initial proposed rate base based on Cascade's Third Supplemental Response to Staff Data Request No. 46, which include moving the Kitsap Lateral Expansion Phase V (FP-302595) to 2026 and, thus, outside of this proposed multiyear rate plan; moving the 20-inch Burlington Transmission Reinforcement project (FP-322776) and the 8-inch Aberdeen HP Reinforcement Wishkah Road project (FP-321879) from 2024 to 2025; and including small 2023 projects that closed in 2024. These revisions result in a net decrease in revenue requirement of $3.530 million in Rate Year 1 and a net increase in revenue requirement of $3.473 million in Rate Year 2.

Third, the Settling Parties agree to remove plant associated with Renewable Natural Gas ("RNG") production from this case. This adjustment results in a decrease in revenue requirement in Rate Years 1 and 2 by $817,000 and $2.619 million, respectively. The exception to the removal of plant associated with RNG production is the infrastructure related to connecting the Divert, Inc. ("Divert") project to Cascade's system (FP-323431, FP-323432, FP-323434, & FP-323435). Specifically, this project consists of a new interconnect facility at the location of Divert's biorefinery and 1,700 feet of 2-inch high pressure steel from the interconnect facility to Cascade's existing 12-inch high pressure system located in Longview, Washington. Because the Company is only transporting gas for Divert, Divert will become a new Cascade Rate Schedule 663 transportation customer and the facility cost to Divert is determined in accordance with Cascade's Extension of Distribution Facilities Rule 8 in effect when the term sheet for this project was exchanged in late 2021. Settling Parties agree that Cascade will reduce the proposed revenue requirement to account for Divert revenues. The Settling Parties agree, however, that Cascade may file a request to include the plant associated with RNG production in its Climate Commitment Act (Schedule 700) annual recovery filing.

Fourth, Settling Parties agree to a $600,000 capital run rate revenue requirement reduction related to general capital projects for both Rate Year 1 and Rate Year 2. The capital run rate reduction will be included as part of the portfolio review outlined below.

Fifth, Settling Parties agree to several other revenue requirement adjustments which are shown in Attachment B to the Settlement Stipulation. The sum of these other adjustments reduces revenue requirement by $2.475 million and $473,000 in Rate Years 1 and 2, respectively.

**Q. What are the expected rates resulting from the revenue requirement agreed to in the Settlement Stipulation in comparison with the rates in effect at the time of the original filing?**

A. The following table illustrates the proposed changes effective in Rate Year 1 (March 1, 2025), and Rate Year 2 (March 1, 2026).

| **Table 1**<br>**Customer Class** | **Rates in Effect at Original filing date** | **Rate Effective March 1, 2025** | **Rate Effective March 1, 2026** |
|---|---|---|---|
| **Residential - 503** | | | |
| Basic Service Charge | $5.00 | $5.50 | $6.00 |
| Delivery Charge | $0.33951 | $0.45648 | $0.48600 |
| Cost Recovery Mechanism | $0.01769 | $0.00000 | $0.00000 |
| **Commercial - 504** | | | |
| Basic Service Charge | $13.00 | $20.00 | $25.50 |
| Delivery Charge | $0.28432 | $0.35239 | $0.36206 |
| Cost Recovery Mechanism | $0.01096 | $0.00000 | $0.00000 |
| **Industrial - 505** | | | |
| Basic Service Charge | $60.00 | $100.00 | $130.00 |
| Delivery Charge - first 500 therms | $0.21929 | $0.26864 | $0.27398 |
| Delivery Charge - next 3,500 therms | $0.17998 | $0.22241 | $0.22683 |
| Delivery Charge - over 4,000 therms | $0.17404 | $0.21543 | $0.21971 |
| Cost Recovery Mechanism | $0.00915 | $0.00000 | $0.00000 |
| **Large Volume - 511** | | | |
| Basic Service Charge | $125.00 | $250.00 | $350.00 |
| Delivery Charge - first 20,000 therms | $0.17424 | $0.21508 | $0.22323 |
| Delivery Charge - next 80,000 therms | $0.13551 | $0.16871 | $0.17511 |
| Delivery Charge - over 100,000 therms | $0.03970 | $0.05401 | $0.05606 |
| Cost Recovery Mechanism | $0.00541 | $0.00000 | $0.00000 |
| **Interruptible - 570** | | | |
| Basic Service Charge | $163.00 | $300.00 | $400.00 |
| Delivery Charge - first 30,000 therms | $0.09838 | $0.12406 | $0.12815 |
| Delivery Charge - over 30,000 therms | $0.03301 | $0.04646 | $0.04799 |
| Cost Recovery Mechanism | $0.00613 | $0.00000 | $0.00000 |
| **Transport - 663** | | | |
| Contract Demand | $0.20 | $0.40 | $0.45 |
| System Balancing Charge | $0.00040 | $0.00110 | $0.00110 |
| Basic Service Charge | $625.00 | $1,000.00 | $1,200.00 |
| Delivery Charge - first 100,000 therms | $0.06463 | $0.05150 | $0.05029 |
| Delivery Charge - next 200,000 therms | $0.02542 | $0.02092 | $0.02043 |
| Delivery Charge - next 200,000 therms | $0.01659 | $0.01403 | $0.01370 |
| Delivery Charge - over 500,000 therms | $0.00941 | $0.00842 | $0.00822 |
| Cost Recovery Mechanism | $0.00139 | $0.00000 | $0.00000 |

**Q. What is the expected bill impact of the revenue requirement agreed to in the Settlement Stipulation in comparison with the Company's original proposal?**

A. The following table summarizes the impact to customer bills of both the COVID-19 Cost Recovery Adjustment and the Commission Fee Adjustment, as well as the base rate increase proposed to become effective March 1, 2025. The final columns of the table show the combined bill impact of all three rate changes.

**Table 2**

| March 1, 2025 | COVID-19 | | UTC Fees | | Rate Case | | Overall* | |
|---|---|---|---|---|---|---|---|---|
| Service, Schedule No. | Bill Difference | Bill % Change | Bill Difference | Bill % Change | Bill Difference | Bill % Change | Bill Difference | Bill % Change |
| Residential, Schedule 503 | $0.13 | 0.17% | $0.17 | 0.23% | $5.75 | 7.71% | $6.04 | 8.12% |
| Commercial, Schedule 504 | $0.15 | 0.04% | $0.58 | 0.16% | $22.82 | 6.43% | $23.55 | 6.63% |
| Industrial Firm, Schedule 505 | $1.11 | 0.05% | $2.93 | 0.12% | $111.67 | 4.66% | $115.71 | 4.83% |
| Large Volume, Schedule 511 | $0.70 | 0.00% | $14.89 | 0.09% | $622.71 | 3.92% | $638.30 | 4.02% |
| Industrial Interruptible, Schedule 570 | $0.75 | 0.00% | $14.48 | 0.06% | $625.19 | 2.44% | $640.42 | 2.50% |
| Transport, Schedule 663 | $0.00 | 0.00% | $88.59 | 0.61% | $1,388.91 | 7.56% | $1,477.50 | 8.04% |

*The sum of the components may be different than the Overall due to rounding.

Table 2 is the incremental change from the rates effective March 1, 2025, and Table 3 provides the bill impact of rates proposed to become effective March 1, 2026. The average residential customer using 53 therms per month would see an overall monthly increase of $6.04 in Rate Year 1, and $2.06 in Rate Year 2. The average commercial customer using 277 therms per month would see an overall monthly increase of $23.55 in Rate Year 1, and $8.18 in Rate Year 2.

| Table 3 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **March 1, 2026** | **COVID-19** | | **UTC Fees** | | **Rate Case** | | **Overall*** | |
| | **Bill** | **Bill** | **Bill** | **Bill** | **Bill** | **Bill** | **Bill** | **Bill** |
| **Service, Schedule No.** | **Difference** | **% Change** | **Difference** | **% Change** | **Difference** | **% Change** | **Difference** | **% Change** |
| Residential, Schedule 503 | $0.00 | 0.00% | $0.00 | 0.00% | $2.06 | 2.57% | $2.06 | 2.56% |
| Commercial, Schedule 504 | $0.00 | 0.00% | $0.00 | 0.00% | $8.18 | 2.16% | $8.18 | 2.16% |
| Industrial Firm, Schedule 505 | $0.00 | 0.00% | $0.00 | 0.00% | $39.52 | 1.58% | $39.52 | 1.57% |
| Large Volume, Schedule 511 | $0.00 | 0.00% | $0.00 | 0.00% | $214.49 | 1.30% | $214.49 | 1.30% |
| Industrial Interruptible, Schedule 570 | $0.00 | 0.00% | $0.00 | 0.00% | $202.13 | 0.77% | $202.13 | 0.77% |
| Transport, Schedule 663 | $0.00 | 0.00% | $0.00 | 0.00% | $872.84 | 4.42% | $872.84 | 4.40% |

*Overall includes COVID-19 and UTC Fees revenue, which did not incrementally change from the prior year, so the Bill % Change is lower for all customer classes, but due to the relative revenue amount, the % change may not be seen due to rounding.

**Q. Why is the Settlement Stipulation in the public interest?**

A. The Settlement Stipulation is in the public interest because the revenue requirement is attributable to a limited set of adjustments that are justified by the substantial record in this case, and sufficient to allow for recovery of used and useful investments as well as the additional investments projected during the two-year rate plan that will allow Cascade to safely and reliably deliver gas to its customers. The Settlement Stipulation also balances the need for some flexibility and true-up via the annual review process, described below, which adequately provides for adjustments (and refunds) based on actual, final costs and placed-in-service dates.

## B. The Portfolio and Provisional Plant Review Process Satisfies the Public Interest

**Q. Please explain the portfolio-level versus project-level review process proposed in the Settlement Stipulation.**

A. Settling Parties reached a compromise on recovery for plant and agree generally that the annual provisional pro-forma capital reviews will be performed at the portfolio level for plant projects less than $3 million (except for two projects in Kennewick and Richland) and at a project level for plant projects of $3 million or over (plus the two projects in Kennewick and Richland). The portfolio level review will allow new projects to be substituted for projects included in this filing as situations warrant, but only to the amount included in Attachment A to the Settlement Stipulation. The project level review will require that the particular, identified large projects be completed during the correct year. This balances the need for Cascade to redeploy capital to complete important projects that may arise while still allowing for a robust review process by all parties to the case. It also ensures that changes in a single large project do not have an outsized impact on the projects included in the portfolio review.

The projects in Kennewick and Richland that will be subject to project review are the South Kennewick Gate and Reinforcement Project (FP-320034, FP-319057, FP-319061) and the Richland HP Reinforcement Project (FP-320155, FP-320144, FP-320159). The Kennewick Gate and Reinforcement Project consists of installing 2,500 feet of 8-inch plastic pipe and a new South Kennewick

Gate and regulator station to address a pressure deficit in southeast Kennewick and support core growth. The Richland HP Reinforcement Project is Phase 2 of a larger project to address the deficit on the existing 6-inch and 8-inch Richland high pressure lateral. This project consists of upgrading the Richland Y Gate and installing 5.5 miles of 12-inch high pressure steel along the Columbia Park Trail and 1.2 miles of 6-inch high pressure steel south to tie into the existing 6-inch and 8-inch Richland high pressure lateral at Queensgate Drive and Leslie Road. Settling Parties agree to project-level review to confirm projected progress, actual costs, and benefits associated with these two projects.

**Q. Please explain the provisional plant review process proposed in the Settlement Stipulation.**

A. Settling Parties agree that in order to compare authorized versus actual project costs and in-service dates, Cascade will file an annual provisional report by April 30th each year, and non-Company parties will have six months to review the report. The annual report will compare the actual Funding Project versus the Commission-authorized Funding Projects and include information regarding offsetting benefits received from federal funding, tax benefits, or other benefits; actual used and useful plant; and material changes to the project, costs, or in-service dates. Regarding cost overruns, Cascade will provide an explanation for significant cost variances, defined as variances greater than 10 percent or $500,000 from the authorized cost.

This annual review process enables the Company to initially fund necessary projects based on estimates, and then to reasonably address project adjustments as needed to reflect actual costs, timelines, and used and useful plant. The process recognizes that, even with proper planning, there are unanticipated or unavoidable circumstances that can impact project execution. Indeed, the Company has identified minor adjustments for five pipeline safety projects that will be placed in service in 2025 (as opposed to 2024), due to permitting and real estate acquisition issues outside the Company's control. This will result in some plant being moved from 2024 to 2025; however, the amount is minimal and thus already addressed by the $600,000 capital run rate revenue requirement reduction. Importantly, there is a refund mechanism for any amounts that are deemed to not be used and useful, which ensures that customers are not overcharged for investments.

**Q. Why is the portfolio and project by project provisional plant review process in the public interest?**

A. The portfolio review provides a balanced approach for allowing flexibility in managing smaller projects while providing additional review and accountability for larger investments through the project-by-project review. By addressing small and large projects appropriately, the Settlement Stipulation supports Cascade's ability to maintain and improve its infrastructure efficiently, which is critical for providing reliable and safe natural gas service to customers. Annual reporting requirements for provisional plant projects increase transparency and allows for ongoing monitoring and assessment of these investments, comparing projected/estimated costs with actual costs. The refund mechanism ensures that any amounts deemed imprudent or not used and useful are returned to customers. The process is designed to ensure capital investments made during the provisional periods are thoroughly reviewed and any necessary refunds are issued to customers, which is consistent with the Commission's direction in the Used and Useful Policy.[2]

### C. The Settlement Stipulation Advances Equity

**Q. Please describe generally how the Settlement Stipulation addresses equity and affordability.**

A. The Settlement Stipulation terms build on Cascade's existing work in the area of equity, allowing Cascade to take important steps to further collaborate with its Equity Advisory Group ("EAG") to explore a variety of distinct topics relating to equity. It also furthers the public interest by revising disconnection policies and committing to energy burden analyses, to further support customers that are more financially vulnerable.

[2] *In the Matter of the Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement on Property that Becomes Used and Useful After Rate Effective Date (Jan. 31, 2020) ("Used and Useful Policy").

**Q. What Settlement Stipulation terms advance equity?**

A. Settling Parties agree that Cascade will discuss various topics with its EAG, including vendor selection, representation from vulnerable populations, and meeting logistics, among other topics. This supports the Commission's and Cascade's goal of integrating equity and energy justice principles into Cascade's decision-making processes and operations. Cascade will also work with its CARES Advisory Group and EAG to create and implement a language access plan, which enhances Cascade's ability to communicate effectively with and serve its diverse customer base.

Further, in addition to reporting on all the performance metrics that apply to natural gas utilities provided in Section III of the Performance Metric Policy Statement and any updates that may be issued in Docket U-210590[3], Cascade will report on performance metrics identified in the Settlement Stipulation relating to affordability and equity. The affordability and equity metrics will compare outcomes among all customers, low-income households, highly impacted communities, and vulnerable populations, measuring affordability by arrearages and disconnections for nonpayment, and measuring equitable outcomes by participation in demand response and energy efficiency programs.

---

[3] *See In the Matter of the Proceeding to Develop a Policy Statement Addressing Alternatives to Traditional Cost of Service Rate Making,* Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics (Aug. 2, 2024).

**Q. How does the Settlement Stipulation provide enhanced support for low-income customers?**

A. Cascade agrees to raise the minimum disconnection threshold for residential customers from an outstanding balance of $50 and 35 days old to an outstanding balance of $150 and 60 days old. Cascade will also remove "other debt" as a factor for determining eligibility for disconnection for nonpayment and review its disconnection policies in consultation with its CARES Advisory Group and the EAG.

Cascade will also perform an energy burden analysis every two years and work with its CARES Advisory Group to determine the parameters of the assessment, which will include an assessment of stratified energy burdens, identification of excess energy burdens by census tracts, and one more indicator of low-income status. This ensures that Cascade continuously monitors and addresses the energy burden experienced by its customers.

### D. The Other Terms of the Settlement Stipulation Also Satisfy the Public Interest

**Q. Please describe why the Full Multiparty Settlement Stipulation terms relating to public funding are in the public interest.**

A. Cascade also agrees to follow the Commission's Policy Statement on the Inflation Reduction Act and the Infrastructure Investment and Jobs Act in Docket U-240013. This enables Cascade to maximize opportunities for funding, tax benefits, and other benefits from federal programs to supports its operations and investments.

**Q. What does the Settlement Stipulation say about natural gas line extension?**

A. Settling Parties agree that Cascade will begin collecting data on the total value of natural gas line extension allowances offered, including supplemental system reinforcements, separated by month and customer class. In the compliance filing immediately after issuance of the final order in this case, Cascade shall file a tariff revision for natural gas line extension allowances for rate schedules 503 - Residential Service Rate and 504 - General Commercial Service to phase-out the line extension allowances gradually by March 1, 2027. This is a reasonable compromise because it aligns with Washington's clean energy goals, but also adopts a phased approach as state policy continues to evolve. The requirement for Cascade to track and report on its growth investments provides transparency and accountability, allowing the Commission and stakeholders to monitor the impacts and make informed decisions in future rate cases.

**Q. What does the Settlement Stipulation say about COVID-19 deferral?**

A. Commission orders in Dockets UG-200479 and U-200281 are intended to provide customers experiencing economic hardship as a result of the COVID-19 pandemic continued access to energy services, while also providing utilities, like Cascade, the ability to defer and recover costs related to actions taken in response to COVID-19. Consistent with that guidance, Settling Parties agree that Cascade may establish a new tariff schedule to recover the deferred balance related to bad debt expense, amortized over three years from the date of the order approving this Settlement Stipulation.

However, with respect to other COVID-19 related expenses, Cascade may continue to defer costs related to late payment, reconnection fees, disconnection fees, or any other fee, direct costs, direct benefits, CARES Act Tax Benefit, and carrying charges. Once the rulemaking in Docket U-210800 is complete, the Company may then petition for collection of those deferred fees consistent with adopted rules. The non-Company parties reserve the right to oppose any such petition.

**Q. In sum, is the Full Multiparty Settlement Stipulation consistent with the public interest?**

A. Yes. The Commission's settlement approval standards are set forth in WAC 480-07-750(2), which states that "[t]he Commission will approve a settlement when doing it is lawful, supported by an appropriate record, and consistent with the public interest …" The Settlement Stipulation meets this standard because it not only assures fair rates to Cascade's customers, it also provides the Company with rates that will be sufficient to cover its prudently incurred costs and provide an opportunity to recover a reasonable return on its investment. These investments are necessary to enable Cascade to deliver gas safely and reliably to its customers. The proposed process for annual updates and review of provisional plant is efficient and reasonable. Further, the Settlement Stipulation adds several commitments that further equity and affordability; namely increasing collaboration and seeking input from Cascade's advisory groups.

**Q. What have Settling Parties agreed to regarding the effect of the Settlement Stipulation on future rate proceedings?**

A. The Settlement Stipulation represents a negotiated compromise among the Settling Parties. Thus, the Settling Parties have agreed that no particular party shall be deemed to have approved the facts, principles, methods or theories employed by any other in arriving at these stipulated provisions, and that the terms incorporated should not be viewed as precedent setting in subsequent proceedings, except as expressly provided.

**Q. Are you aware of any opposition to the Settlement Stipulation?**

A. No. The Settling Parties to this proceeding have joined the Settlement Stipulation and it is a full multiparty settlement of all contested issues between Settling Parties. The only party that has not joined is Public Counsel; however, Public Counsel participated in all settlement discussions and has gone on record as not opposing the Settlement Stipulation.

## VI. CONCLUSION

**Q. Does that conclude your joint testimony?**

A. Yes, it does.