

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**CASCADE NATURAL GAS
CORPORATION,**

Respondent.

DOCKET UG-240008

**FULL MULTIPARTY
SETTLEMENT STIPULATION**

I. INTRODUCTION AND SETTLING PARTIES

- 1.* Pursuant to WAC 480-07-740(3)(a), this full multiparty settlement stipulation (“Settlement Stipulation”) is entered into and submitted by Cascade Natural Gas Corporation (“Cascade” or “Company”), the regulatory staff of the Washington Utilities and Transportation Commission (“Staff”), the Energy Project (“TEP”), and the Alliance of Western Energy Consumers (“AWEC”). The parties are hereinafter collectively referred to as “Settling Parties” and each individually as “Settling Party.” The Public Counsel Section of the Washington Attorney General’s Office (“Public Counsel”) is a party to this proceeding and is not a signatory to the Settlement Stipulation. However, counsel for Public Counsel has confirmed that the party does not oppose the Settlement Stipulation.
- 2.* The Settlement Stipulation presented to the Washington Utilities and Transportation Commission (“Commission”) in this case is a “full multiparty settlement,” as that term is defined in WAC 480-07-730(3)(a), because the Settlement Stipulation is entered into by

some, but not all, parties and resolves all disputed issues among them. The Settling Parties are also filing testimony in support of their agreement, pursuant to WAC 480-07-740(3)(a).

3. The Settling Parties request that the Commission review the Settlement Stipulation and testimony and approve the terms of the Settlement Stipulation in their entirety and without condition.

4. Consistent with the requirements of WAC 480-07-740(2)(a), the Settling Parties agree that this proceeding is a general rate case and are submitting this Settlement Stipulation and supporting testimony for Commission review more than sixty days prior to the statutory deadline for Commission action in this proceeding.

5. Pursuant to WAC 480-07-740(3)(b), each Settling Parties will present one or more witnesses to testify in support of the Settlement Stipulation at the hearing on January 7-8, 2024, if the Commission continues to believe the hearing will assist the Commission in deciding whether to approve the Settlement Stipulation.

II. BACKGROUND

6. 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. Cascade's filing proposed its first multiyear rate plan, governed by RCW 80.28.425. 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 11.59 percent) increase in overall natural gas revenues. In Rate Year 2, Cascade sought a \$11.7 million (or 2.75 percent) increase in overall natural gas revenues.

7. On April 18, 2024, the Commission entered Order 02, suspending the tariffs and setting this matter for adjudication. Attorneys for Staff and Public Counsel filed appearances in the case, and TEP and AWEC requested intervention. No other parties requested intervention.
8. On May 16, 2024, the Commission convened a virtual prehearing conference before an Administrative Law Judge. The Commission issued a Prehearing Conference Order granting TEP's and AWEC's petitions for intervention and setting a procedural schedule.
9. Pursuant to the prehearing conference order, Staff, Public Counsel, TEP and AWEC each issued data requests to Cascade, and Cascade responded to all requests. The parties in this proceeding convened a formal settlement conference on August 8, 2024, in accordance with the procedural schedule. 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.
10. 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. The Commission suspended the procedural schedule, pending its review of the Settlement Stipulation and supporting testimony, to be filed by December 11, 2024. The Commission preserved the January 2, 2024, public comment hearing date and the January 7-8, 2024, evidentiary hearing dates.

III. AGREEMENT

11. This Settlement Stipulation and this Section III Agreement is based on the Company’s initial filing in this proceeding, with the adjustments and changes described below. This Section III Agreement describes the Settling Parties’ stipulated terms and conditions. The Settling Parties agree to a 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.

12. 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.

	Ratio	Cost	Required Return
Long-Term Debt	50.50%	4.916%	2.482%
Short-Term Debt	0.00%	0.000%	0.000%
Common Equity	49.50%	9.500%	4.703%
Total	100.00%		7.185%

A. Rate Spread and Rate Design:

13. The Settling Parties agree to a rate spread that spreads the revenue requirement increase on an equal percent of margin basis. In its original filing, Cascade had proposed to increase the Residential basic service charge from the current \$5.00 to \$10.00 in Rate Year 1 and \$11.50 in Rate Year 2. The Settling Parties agree to a compromise that increases the

Residential basic service charge to \$5.50 in Rate Year 1 and \$6.00 in Rate Year 2. All other classes will see increases as proposed in Cascade's initial filing.

B. Portfolio and Provisional Plant Review:

14. The Settling Parties reached a compromise on recovery for plant and agree generally to a portfolio review for plant projects less than \$3 million (except for two projects in Kennewick and Richland) and a project-by-project review for plant projects of \$3 million or over (plus the two projects in Kennewick and Richland).
15. 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, FP320144, 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. Attachment A defines the funding projects subject to project review and those subject to portfolio review.
16. The Settling Parties also agree to annual reporting requirements for the provisional plant. Cascade will file an annual provisional plant report by April 30th each year, and non-

Company parties will have six months to review the report. The annual report will include the following elements, which should compare the actual Funding Project versus the

Commission-authorized Funding Projects:

1. Actual costs versus authorized costs, as well as explanations for significant cost variances, defined as variances greater than 10 percent or \$500,000 from the authorized cost;
2. Actual in-service date by month and year;
3. Any material changes to the project descriptions;
4. In the case of significant cost overruns, an update to the project description that includes the justification to continue to invest in the project;
5. Updated information (if any) on offsetting factors for any Funding Projects;
6. Detailed description of any Funding Projects not approved by Commission Order;
7. All data and information included in the Company's annual provisional plant report will include the same level of detail expected in a general rate case filing pursuant to WAC 480-07-510(3)(a), (c), (h), (i), and (4);
8. Compare actual used and useful plant with the level of plant included in provisional rates, thus applying a refund that is consistent with the property valuation statute, RCW 80.04.250;
9. Demonstrate all offsetting benefits received or for which it has applied for through the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA) for all provisional plant. Reporting on all IRA/IIJA funding, tax benefits, or any other benefit for which the Company has applied and the reason justifying any decision not to pursue IRA and IIJA funding options for which the Company may be eligible.

C. Rate Base:

17. Settling Parties agree to reductions in Cascade's initial proposed rate base, based on Cascade's Third Supplemental Response to WUTC Staff Data Request No. 46 revisions, as shown in Attachment A hereto. The revisions 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.

18. Settling Parties further agree to a \$600,000 run rate revenue requirement reduction related to general capital projects for both Rate Year 1 and Rate Year 2.
19. The revisions also remove plant associated with Renewable Natural Gas (“RNG”) production from this case. The exception 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.
20. 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. Cascade will ensure only customers included under Cascade’s compliance obligation will pay for the RNG production-related plant. In such a filing, Cascade will address the allocation of RNG production-related plant costs between jurisdictions. The non-company parties may take any position regarding this filing.
21. The combined total of these rate base revisions results in a decrease in revenue requirement of \$4.947 million in 2025 and an increase of \$254,000 in 2025 as shown on Attachment B, lines 5 through 7.

22. Plant subject to refund are identified in Attachment A, and after including all the adjustments outlined above, the total amounts are \$97,736,858 in Rate Year 1 and \$114,513,524 in Rate Year 2. Of the total, \$56,270,605 is subject to portfolio review in Rate Year 1 and \$37,080,280 is subject to portfolio review in Rate Year 2.

D. Revenue Requirement Adjustments:

23. The Settling Parties reached a compromise in this case on Cascade's revenue requirement adjustments, which are shown in Attachment B hereto.

E. Performance Metrics:

24. Settling Parties agree that Cascade will report on all performance metrics that apply to natural gas utilities provided in Section III, Initial Reported Performance Metrics of the Performance Metric Policy Statement and any updates that may be issued in Docket U-210590.¹

25. Cascade will also report on the following metrics in the same report, which will distinguish between those metrics required by the Policy Statement and those required by this Settlement Stipulation:

1. Affordability

- a. Compare outcomes among all customers, low-income households, highly impacted communities, and vulnerable populations when reporting:
 - i. Number of residential customers in arrears by period;
 - ii. Number and percentage of customers receiving bill assistance, and
 - iii. Number and percentage of customers experiencing high energy burden.
- b. Number and percentage of (1) disconnect notices, (2) residential disconnections for non-payment, and (3) reconnection, each broken out by month and census tract, and comparing outcomes among all customers,

¹ 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).

estimated low-income households, known low-income households, highly impacted communities, and vulnerable populations.

- c. Arrearage Forgiveness Program: By census tract and quarterly, the number of residential customers provided arrearage forgiveness and dollars of arrearage forgiveness.

2. Equity

- a. Compare outcomes among all customers, low-income households, highly impacted communities, and vulnerable populations when reporting:
 - i. Utility spending on demand response and energy efficiency, and
 - ii. Number of customers enrolled in utility energy efficiency and demand response programs.
- b. Percentage of customers that participate in energy efficiency and demand response programs, for all customers and comparing outcomes in low-income communities, Vulnerable Populations, and Highly Impacted Communities.

F. Energy Justice and Equity:

26. The Settling Parties agree that Cascade will discuss the following topics with its

Equity Advisory Group (“EAG”):

- 1. Vendor selection;
- 2. Soliciting representation from all fourteen Vulnerable Populations (and discussion as to whether the list is still accurate);
- 3. EAG meeting logistics;
- 4. Commission Policy Statement in Docket U-240013 and IRA/IIJA funding opportunities;
- 5. Language access;
- 6. More effective outreach to customers in need of bill assistance;
- 7. Communications related to the disconnection process

27. Cascade will allow the EAG to select the order of discussion and allow discussion of additional related topics deemed to be important by the EAG. There will be no time limit nor deadline associated with concluding discussion of these topics. However, Settling Parties expect the EAG to propose an order of discussion within nine months of the Commission issuing the order approving this Settlement Stipulation. And Cascade will provide a report

concurrent with the Company's annual Commission basis report and new performance based ratemaking filings that outlines which topics were discussed, the date of the meeting(s), and the topics remaining on the list.

G. Credit and Collections:

28. Settling Parties agree that Cascade's minimum disconnection threshold for residential customers will be set at an outstanding balance of \$150 and 60 days old. Cascade will also remove "other debt" as a factor for determining eligibility for disconnection.
29. Cascade may contact customers with arrears under the \$150 and 60-day old disconnection thresholds to discuss their past due amounts, but communications with customers under the threshold will not implicitly or explicitly threaten disconnection. Cascade will also include information about how to access energy assistance programs in communication with past-due residential customers. Written communications (excluding text messages) will refer customers to their local community action agency.
30. Cascade will (i) review its disconnection policies in consultation with its CARES Advisory Group and the EAG; (ii) monitor the rulemaking in Docket U-210800 and incorporate any resulting policy statements or orders that result from that rulemaking, and (iii) file a report, including any action items, with the annual CARES Program Year Report.

H. Language Access:

31. Settling Parties agree that Cascade will work with its CARES Advisory Group and EAG to create and implement a language access plan. Settling Parties acknowledge that Cascade has already made significant progress on improving language access for customers. The Company will report on its progress in the 2023-2024 CARES Program Year Report (submitted January 2025) and will report on the progress toward accomplishing the formal

language access plan in the annual 2024-2025 CARES Program Year Report (submitted January 2026). The January 2026 report will include, at a minimum, a narrative on Cascade's evaluation of language barriers to accessing low-income programs, the CARES Advisory Group's and the EAG's feedback on the plan, a list of action items, and a progress report on fulfilling the action items. Cascade agrees to maintain and revise the language access plan as needed, with approval and feedback from the CARES Advisory Group and EAG.

I. COVID-19 Deferral:

32. In Docket UG-200479, Cascade was authorized by the Commission to defer several COVID-19 related expenses, including bad debt, late payment fees, direct costs, and disconnection and reconnection charges.² Settling Parties agree with adjustments on a new tariff schedule to recover the deferred balance related to bad debt expense. The Settling Parties agree the amount will be amortized over three years from the date of the order approving this Settlement Stipulation. The amount to be amortized is \$1,067,047 (reduced from the Company's original proposal of \$7,924,722). After applying the revenue sensitive gross-up, the total amount to be amortized is \$1,122,310.

33. Cascade may also 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 rulemaking in Docket U-210800 is complete, the Company can then petition for collection of those deferred fees consistent with that rulemaking. The non-Company parties reserve the right to oppose any such petition.

² See generally *In re Petition of Cascade Nat. Gas Corp. for an Order Approving Deferral of Costs Associated with the COVID-19 Public Health Emergency*, Docket UG-200479, Orders 01, 02 and 03.

J. Line Extension Allowances:

34. 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, as follows:

1. No later than March 1, 2025, line extension allowances for rate schedules 503 and 504 shall reflect an allowance based on the net present value (NPV) methodology using a two-year timeframe and updated inputs from this rate case.
2. No later than March 1, 2026, line extension allowances for rate schedules 503 and 504 shall reflect an allowance based on the NPV methodology using a one-year timeframe and the same updated inputs from this rate case.
3. No later than March 1, 2027, line extension allowances for rate schedules 503 and 504 shall be reduced to zero.

K. Other Items:

35. Cascade will follow the Commission's Policy Statement on the IRA/IIJA in Docket U-240013. The Settling Parties also support Cascade's proposal to eliminate the Cost Recovery Mechanism (CRM) and include recovery of these costs in base rates.

L. Energy Burden Analysis:

36. Cascade will perform an energy burden analysis every two years. Cascade will 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 (including census tracts), and one or more indicators of low-income status.

IV. MISCELLANEOUS PROVISIONS

37. The Settling Parties agree to support the terms and conditions of this Settlement Stipulation as a settlement of all contested issues between them in the above-captioned proceeding.
38. This Settlement Stipulation represents an integrated resolution of all issues in Cascade's general rate proceeding. Accordingly, the Settling Parties recommend that the Commission adopt and approve this Settlement Stipulation in its entirety, without conditions.
39. The Settling Parties shall cooperate in submitting this Settlement Stipulation promptly to the Commission for approval of Section III Agreement above and shall cooperate in developing supporting testimony as required in WAC 480-07-740(3)(a). The Settling Parties agree to support the Settlement Stipulation throughout this proceeding, provide witnesses to sponsor such Settlement Stipulation at a Commission hearing, and recommend that the Commission issue an order adopting the Settlement Stipulation in its entirety.
40. In the event the Commission rejects Section III Agreement of the Settlement Stipulation, the provisions of WAC 480-07-750(2)(c) shall apply. In the event the Commission approves Section III Agreement subject to conditions not proposed herein, each Settling Party reserves the right, upon written notice to the Commission and all other Settling Parties to this proceeding within ten (10) days of the Commission order, to state its rejection of the conditions. In such event, the provisions of WAC 480-07-750(b)(ii) shall apply. In any further proceedings triggered by this paragraph, the Settling Parties agree to cooperate in development of a hearing schedule that concludes such proceeding at the

earliest possible date. Any further proceedings triggered by this paragraph shall not delay any compliance filing of Cascade ordered by the Commission and such compliance filing shall remain in effect pending any further proceeding.

41. Settling Parties enter into this Settlement Stipulation to avoid further expense, uncertainty, and delay associated with continued litigation. By executing this Settlement Stipulation, no Settling Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Settlement Stipulation except to the extent expressly set forth in this Settlement Stipulation. No Settling Party shall be deemed to have agreed that this Settlement Stipulation is appropriate for resolving any issues in any other proceeding. No Settling Party shall represent that any of the facts, principles, methods, or theories employed by any Settling Party in arriving at the terms of this Settlement Stipulation are precedents in any other proceeding or as to any matter remaining in dispute in this proceeding.
42. The Settling Parties agree to the admission into evidence of all pre-filed written testimony and exhibits filed to date in this proceeding.
43. This Settlement Stipulation may be executed in counterparts, through original and/or facsimile signature, and each signed counterpart shall constitute an original document.
44. All Settling Parties agree:
- i. to provide all other Settling Parties the right to review in advance of publication any and all announcements or news releases that any other Settling Party intends to make about the Settlement Stipulation. This right of advance review includes a reasonable opportunity for a Settling Party to request changes to the text of such announcements. However, no Settling Party is required to make any change requested by another Settling Party, and
 - ii. to include in any news release or announcement a statement that Staff's recommendation to approve the settlement is not binding on the Commission

itself. This subsection does not apply to any news release or announcement that otherwise makes no reference to Staff.

DATED this 11th day of December 2024.

Respectfully submitted,

ROBERT W. FERGUSON
Attorney General

CASCADE NATURAL GAS
CORPORATION

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THE ENERGY PROJECT

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DATED this 11th day of December 2024.

Respectfully submitted,

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