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November 2, 2020

Public Utility Commission of Oregon
550 Capitol St. N.E. Suite 215
Salem, OR 97301-2551

Regarding: UM 2072 - Cascade COVID-19 Deferred Accounting Quarterly Report

Cascade Natural Gas Corporation (Cascade or the Company), hereby submits its first COVID-19 deferred accounting quarterly report. As described in the Stipulation in Docket UM 2114, which is to be held on November 3, 2020, OPUC Public Meeting for approval, this quarterly report complies with the following condition:

Each Utility shall provide the Commission with reports that itemize the utility costs, savings, and benefits resulting from COVID-19 described in paragraph 25. The first report will be for the period between March 1, 2020, and September 30, 2020, and shall be filed by November 1, 2020. Thereafter, reports will be due 30-days after the close of each quarter and shall include information from previous quarter. Each Utility shall file a Report for every quarter until the quarter ending December 31, 2023, unless waived by the Commission.

As of September 30, 2020, Cascade has identified the following direct costs and benefits associated with the COVID-19 pandemic. None of the costs related to Oregon have been deferred yet, as the Company is awaiting final orders both in Dockets UM 2072 and UM 2114.¹

Direct Costs

Direct costs for reasonable measures taken by the Utility in response to the COVID-19 pandemic net of credits, payments, direct cost savings, or other benefits received by the Utility from a federal, state, or local government will continue to be analyzed; however, no deferral has been recorded at this time. Based on complete annual data, a determination as to what is appropriate to additionally include in the deferral will be made by the end of the year and reflected in the next COVID deferred accounting quarterly report.

Benefits from Federal Acts

Cascade evaluated the various provisions of the CARES act. The only provision that the Company expects to avail itself of is the ability to defer payment of Payroll Taxes under the delay in deposit of payroll taxes provision noted, where:

¹ Order No. 20-379 in Docket UM 2072 was entered on October 27, 2020, approving the Company's application for deferred accounting of COVID-19 related costs.

- Employers may delay the deposit of the employer portion of the 6.2 percent of Social Security payroll tax through 12/31/20.
- 50 percent of deferred taxes to be deposited by end of 2021 with remaining 50 percent due by end of 2022.
- Would need to accelerate payments before August 2021 in order to achieve income tax deductibility for the 2020 tax year.

The Company is currently evaluating this provision and determine whether the timing of when payroll taxes will be paid considering the benefits of deferring versus the benefits of earlier income deductibility is worthwhile.

In addition, the Company evaluated the provisions of the Family First Act, where the Company is generating a credit of approximately \$3,200 (Oregon share) from March 1, 2020, through September 30, 2020. Once the order is received in Docket UM 2114, the Company believes it is prudent to record a deferral.

Late Payment Fees

For Oregon, the Company's late fee revenues have decreased approximately \$83,500 from March 1, 2020, through September 30, 2020, as compared to 2019. The Company is currently analyzing accounting rules and has not recorded a deferral at this time.

Bad Debt Expense

The Company's bad debt expense has significantly increased as a result of the COVID-19 pandemic. In order to determine the incremental impact on bad debt expense, the Company compared the actual bad debt expense incurred to the amounts set in each of its jurisdiction's most recent general rate cases. In all instances, bad debt exceeded the levels built into customers' rates. As of September 30, 2020, actual bad debt expense incurred for Oregon has exceeded the amount authorized by approximately \$80,500. Once the order is received in Docket UM 2114, the Company believes it is prudent to record a deferral.

Reconnection Charges

Reconnection charges are being analyzed and a deferral determination will be made at a later date.

Bill Payment Assistance Program Costs

Cascade is developing a program proposal to identify and manage residential customer arrearages associated with the pandemic to prevent bad debt accumulating on customer accounts per the Stipulation in Docket UM 2114. A programmatic tariff is expected to be filed in February 2021. The costs to fund such program will be deferred after the program has been approved by the Commission and is being offered to customers.

If there are any questions regarding this report, please contact me at (509) 734-4593.

/s/ Michael Parvinen

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