

Agenda Date: October 30, 2013
Item Numbers: A10 and A11

Dockets: UG-131870 and UG-131871
Company: Cascade Natural Gas Corporation

Staff: Betty Erdahl, Regulatory Analyst
Joanna Huang, Regulatory Analyst
Kristen Russell, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff sheets filed in Dockets UG-131870 and UG-131871 to become effective on November 1, 2013, by operation of law.

Background

On September 27, 2013, Cascade Natural Gas Corporation (Cascade or company) filed its Purchase Gas Adjustment (PGA), Deferred Gas Cost Amortization (Deferral), and the Conservation Program Adjustment tariffs in Dockets UG-131870, UG-131871, and UG-131872, respectively. The combined effect of the PGA and the Deferral filings is an increase in annual revenues of \$33,813,024 (17.06 percent). Previous PGA filings have included the conservation adjustment; however, it is being addressed separately this year.

<u>Docket</u>	<u>Description</u>	<u>Incremental Revenue Change</u>	<u>Percent of Total Revenue</u>
UG-131870	PGA	\$10,513,982	5.31 percent
UG-131871	Deferral	\$23,299,042	11.76 percent
UG-131872	Conservation	<u>\$ (611,126)</u>	<u>(0.30) percent</u>
Total impact of rate changes		\$33,201,898	16.8 percent

Cascade serves approximately 200,000 gas customers in various areas situated primarily along Williams Gas Pipeline. Major Washington locations include Aberdeen, Bellingham, Bremerton, Yakima, Walla Walla, and Longview.

The PGA and Deferral Amortization mechanisms are designed to pass on the actual cost of gas to customers. The PGA projects the cost of gas for the upcoming year. The difference between the projected cost and the actual cost is deferred and amortized back to customers with interest.

Purchase Gas Adjustment

Docket UG-131870 is the proposed PGA filing. In this filing, Cascade presents data and methods used in the determination of prospective gas cost for the coming year. The company is proposing an increase of approximately \$10.5 million (5.31 percent) in annual revenue for this filing. The current weighted average cost of gas (WACOG) is \$0.55457/therm (commodity \$0.40281, firm demand \$0.15176). Cascade proposes a weighted cost of gas of \$0.6019/therm (commodity \$0.43796, firm demand \$0.16394) in this filing.

Deferred Gas Cost Amortization

Docket UG-131871 is the gas cost deferral amortization filing. This filing is designed to pass on actual gas costs to customers. The difference between the prior year's projected gas cost and the actual gas cost is deferred and amortized back to customers with interest, whether it is a refund or surcharge. Actual gas costs of the past year exceeded the projected costs requiring an increase to annual revenues of \$23.3 million (11.76 percent) to recover the difference.

The causes of the increase are due to the following circumstances:

- Eliminating a credit from the prior PGA;
- Adding approximately 381,000 dekatherms per year of capacity from Northwest Pipeline; and
- Changing rates at Northwest Pipeline.

Overall rate impacts

The impact of the filings on a residential customer's monthly bill (including the conservation), with consumption of 54 therms, will be an increase of \$8.50, resulting in a change to the average bill from \$45.41 to \$53.91. The impact of the conservation filing is a decrease of \$0.15 for an average residential customer. The increase related to the PGA and Deferral charges only will increase the bill by \$8.65, from \$45.41 to \$54.06.

The combined effects of the PGA and Deferral on the company's rates (\$/therm) and annual Washington revenues are as follows:

	<u>PGA</u> <u>Change</u>	<u>Deferral</u> <u>Change</u>	<u>Revenue</u> <u>Impact</u>	<u>Percent</u> <u>Change</u>
Residential	\$.04947	\$.11072	\$17,824,702	18.0%
Commercial	.04928	.11062	12,662,207	19.4%
Industrial-firm	.04833	.11042	1,251,761	23.5%
Industrial	.04833	.11038	1,681,967	23.5%
Institutional	.04738	.11031	65,077	25.3%
Industrial Int.	.04738	.11022	643,737	27.9%
Non-Core		(0.00085)	<u>(316,427)</u>	-2.4%
Total			<u>\$33,813,024</u>	

Customer Comments

Cascade provided notice of the proposed rate increase on a bill insert and issued a news release informing the media of the rate proposal in its service territory. The commission received six customer comments opposing the increase. Customers stated that the price of natural gas has not increased enough to warrant a 19 percent increase in rates, and believe the proposed increase is excessive, unreasonable, and not supported by facts. Another concern is the negative impact the increase will have on families and that the company should tighten its own belt.

Conclusion

Commission staff completed its analysis of the company's supporting financial documents, prospective gas costs and deferral amortization filing. The company's financial information supports the conclusion that the proposed rates are fair, just, reasonable, and sufficient.

Recommendation

Staff recommends the commission take no action, thereby allowing the tariff sheets filed in Dockets UG-131870 and UG-131871 to become effective on November 1, 2013, by operation of law.