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June 23, 2015

Mr. Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Advice No. **CNG/W15-06-01**

Subject: Rate Increase Request of 1.59%

Enclosed for filing is a rate increase request of \$3.9 million or a 1.59% increase on overall revenues with a proposed effective date of September 1, 2015. This request is supported using Cascade's recently refiled Commission Basis Report (CBR) as support for the increase. After discussion with staff regarding the specific language in WAC 480-90-257, Cascade modified and refiled the CBR on June 19, 2015. The CBR filed in Docket UG-150668 does not include pro forma adjustments.

The intent of the filing is to provide the Commission with an approach to adjust rates in an expeditious manner, supported by reports already on file with the Commission, reduce cost of litigation and review, reduce regulatory lag, and produce a result that is fair, just, and reasonable.

Since the initial filing of the CBR on April 24, 2015, Commission Staff has performed an extensive audit in anticipation of this filing. The Company is providing every data request and response to all parties of its last general rate case in UG-060256 in order to expedite the review in this docket. It is anticipated that based on the outcome of Staff's review and the sharing of all documentation that a September 1 effective date is reasonable and allows an adequate review period for all interested parties. A September 1 effective date also allows time for Cascade to provide proper notice to customers via bill inserts during the month of July.

The Company met with Staff, Public Counsel, Northwest Industrial Gas Users, and the Energy Project on May 27, 2015, to provide the CBR filing and supporting documentation as well as discuss Cascade's proposed approach. Many issues were discussed by the parties including but not limited to: new form of filing, preferences towards traditional rate case filings, low-income impacts, impact to transportation customers, and level of review necessary.

Cascade, with this filing, is requesting a waiver of WAC 480-07-505(1)(c). Cascade is seeking a waiver to request a change in its authorized rate of return. Cascade's current authorized rate of return is 8.86%. Cascade is requesting rates based on an overall rate of return of 7.5%. This is a reduction in the authorized rate of return and thus is a change requiring a waiver of WAC 480-07-505(1)(c).

Cascade proposes that the 1.59% increase be applied to an equal percent of margin which would necessitate an increase of 6.28% to the transportation customers talking service under rate schedules 663 and 664. Since Cascade is not restructuring rates but rather applying the increase on an equal percent of margin a waiver of WAC 480-07-505 (1)(b) does not appear necessary.

On May 29, 2015, Cascade made its annual pipeline replacement cost recovery mechanism (CRM) filing in Docket UG-151155. The CRM included proposed replacement costs for the period November 1, 2014, through October 31, 2015. If this current filing is accepted Cascade will, with its scheduled update filing on September 30, 2015, remove the November and December 2015 actual investment as those costs are reflected in the actual 2014 per books results. Cascade also proposes that the four year clock to file a rate case be restarted with this current filing, as all the costs and revenues from previous CRM filings are reflected in the actual per books results of operations.

Cascade contemplated whether to file adjustments to the current low income bill assistance program in recognition of the Commission's desire to update programs. However, since the inception of the low income bill assistance program, as a result of the last rate case in docket UG-060256, the community action agencies have only recently been able to spend the annual allotted \$800,000 (2013 was close, 2014 was slightly more than \$800,000). Cascade believes some agencies are better than others at maximizing the available funds and would propose a working group to better align a program, adjusting benefits to the agencies better capable of maximizing the allotted pot of dollars. Cascade would then propose adding a separate tariff to recover a greater amount than the current \$800,000 which is embedded in general expenses. Cascade currently provides about half the level of assistance of Northwest Natural and PSE (gas).

The average residential customer using 53 therms a month will see their monthly bill increase from \$56.35 to \$57.30, a \$.95 increase (1.70%).

Cascade serves approximately 200,000 customers in various locations in Washington including Bellingham, Mt Vernon, Bremerton, Longview, Yakima, Kennewick, and Walla Walla.

Sincerely,



Michael Parvinen
Director, Regulatory Affairs

Attachments