

Agenda Date: October 30, 2014  
Item Number: A1

**Docket:** UG-141202  
**Company:** Cascade Natural Gas Corporation

**Staff:** Betty Erdahl, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the tariff sheet filed in Docket UG-141202 to become effective on November 1, 2014, by operation of law.

### **Background**

On May 30, 2014, Cascade Natural Gas Corporation (Cascade or company) filed its pipeline replacement cost recovery mechanism (CRM) tariff in Docket UG-141202. The CRM was updated on October 10, 2014 to reflect actual expenditures from November 1, 2013, through September 30, 2014, plus estimated expenditures for October 2014.

### **Cost Recovery Mechanism (CRM)**

The effect of the CRM is an increase of \$971,175, or 0.45 percent on annual revenues of \$240,151,205. The impact of the filing on a residential customer's monthly bill with consumption of 56 therms will be an increase of \$0.23, resulting in a change to the average bill from \$55.97 to \$56.20. The total increase related to the CRM, Conservation, PGA, and Deferral amortization charges will increase the bill by \$3.34, from \$55.97 to \$59.31.

The pipeline replacement plan and cost recovery mechanism were filed in accordance with the commission's policy statement in Docket UG-120715, providing for accelerated replacement of pipeline facilities with elevated risk to the public.

The policy statement allows a return of and return on specific identified investment with elevated risk, as approved in a company's pipeline replacement plan. The company proposes a CRM related to high risk pipe and does not seek to recover the costs associated with:

- Locating pipe;
- Normal growth, system expansion, and repair and replacement of pipe damaged by third parties; and
- Pipe that a company is required to replace by a commission order or approved settlement.

Of the four companies that file pipeline replacement plans bi-annually, Cascade and PSE are the only two companies that propose a CRM.

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.

**Customer Comments**

Cascade notified its customers of the proposed rate increase through a news release and bill inserts mailed to customers in September. The commission received one customer comment opposing the increase. The customer objects to paying the replacement costs for the gas pipes. He believes the company should bear a larger portion of the expenses for pipeline replacement.

**Conclusion**

Staff has analyzed the supporting documentation of this proposed cost recovery mechanism and recommends the commission take no action, thereby allowing the tariff sheet filed in Docket UG-141202 to become effective on November 1, 2014, by operation of law.