

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET UG-121592
TRANSPORTATION COMMISSION,)	
)	ORDER 01
Complainant,)	
)	
v.)	
)	COMPLAINT AND ORDER
CASCADE NATURAL GAS)	SUSPENDING TARIFF REVISION;
CORPORATION,)	ALLOWING RATES ON A
)	TEMPORARY BASIS, SUBJECT TO
Respondent.)	REVISION
.....)	

BACKGROUND

1 On September 27, 2012, Cascade Natural Gas Corporation, (Cascade or Company) filed with the Washington Utilities and Transportation Commission (Commission) a revision to its currently effective Tariff WN U-3, designated as follows:

Twenty-First Revision of Sheet 101.1	Canceling	Twentieth Revision of Sheet 101.1
Twenty-First Revision of Sheet 101.2	Canceling	Twentieth Revision of Sheet 101.2
Ninth Revision of Sheet 103.3	Canceling	Eighth Revision of Sheet 103.3
Twenty-First Revision of Sheet 127.1	Canceling	Twentieth Revision of Sheet 127.1
Seventh Revision of Sheet 141.9	Canceling	Sixth Revision of Sheet 141.9
Second Revision of Sheet 141.10	Canceling	First Revision of Sheet 141.10
Eighth Revision of Sheet 142.10	Canceling	Seventh Revision of Sheet 142.10
Third Revision of Sheet 142.10.1	Canceling	Second Revision of Sheet 142.10.1
Seventh Revision of Sheet 142.11	Canceling	Sixth Revision of Sheet 142.11
Seventh Revision of Sheet 143.6	Canceling	Sixth Revision of Sheet 143.6
Eighteenth Revision of Sheet 201.1	Canceling	Seventeenth Revision of Sheet 201.1
Ninth Revision of Sheet 201.2	Canceling	Eighth Revision of Sheet 201.2
Twentieth Revision of Sheet 203.1	Canceling	Nineteenth Revision of Sheet 203.1
Seventh Revision of Sheet 220.1	Canceling	Sixth Revision of Sheet 220.1
Seventh Revision of Sheet 220.1	Canceling	Original Sheet 220.1
Fourth Revision of Sheet 230.1	Canceling	Third Revision of Sheet 230.1
Second Revision of Sheet 230.2	Canceling	First Revision of Sheet 230.2

The stated effective date is November 1, 2012. This matter came before the Commission at its October 25, 2012, Open Meeting.

- 2 Cascade Natural Gas Corporation (Cascade or company) filed tariff revisions for both the company's Purchased Gas Adjustment (PGA) and Deferred Gas Cost Amortization (Deferral) mechanisms in Docket UG-121592 and UG-121623, respectively. The impact of the combined filings is an annual revenue decrease of approximate \$14.5 million or 6.3 percent. Cascade is a natural gas utility serving approximately 196,081 gas customers in various areas. Its major Washington service locations include Bellingham, Bremerton, Yakima, and Walla Walla. The PGA reflects the projected costs of purchased gas for the coming year, November 2012 through October 2013. The Company proposes an estimated residential weighted average cost of gas (WACOG) of \$0.55457 per therm (\$0.40281 commodity and \$0.15176 demand) resulting in an estimated overall annual decrease in sales revenues of approximately \$14.5 million. The proposed decrease is in large part the result of decreasing wholesale natural gas prices.
- 3 The cost of gas passed on to ratepayers includes the actual spot/index market prices, financial hedging costs, and the cost of transporting the gas from the point of purchase to the point of distribution. The last few years have seen a sharp decline in natural gas prices with a slower decline in the cost of gas passed on to ratepayers. There is the possibility that locking in prices of future gas supplies through financial hedging has led to commodity costs for ratepayers being significantly higher than what those costs would have been absent financial hedging or at least a decrease in the volumes hedged. Commission Staff has not pre-determined prudence or lack thereof for any of the natural gas utilities the Commission regulates and notes that financial hedging in the face of rising natural gas prices could benefit ratepayers.
- 4 Staff has concerns regarding the variety of procurement and hedging strategies, and the differences in PGA reporting by natural gas companies the Commission regulates. Staff requests more time to investigate Cascade's books, accounts, practices and activities and recommends that the Commission suspend the tariff filing so that the Commission can examine hedging practices in general and determine if the rates resulting from this tariff filing are fair, just, reasonable and sufficient. Cascade proposes a decrease in rates, therefore, Staff recommends that the rates become effective on November 1, 2012, on a temporary basis, subject to revision.

5 Additionally, Public Counsel filed a letter on October 19, 2012, raising concerns about the future inclusion of conservation program costs in the gas deferral accounts. The Company filed a letter in reply to Public Counsel on October 22, 2012, agreeing to make a separate conservation cost recovery filing for conservation program costs in 2013. Staff agrees with this approach. Other issues raised by Public Counsel will be discussed with the Company's conservation advisory group.

DISCUSSION

6 The Commission agrees that an investigation is warranted into the hedging and procurement practices of Cascade and the other natural gas companies the Commission regulates. As Staff suggests, such practices may benefit the companies' customers under appropriate circumstances, but the Commission should investigate whether the hedging and procurement in which the companies currently engage results in rates that are fair, just, reasonable, and sufficient.

FINDINGS AND CONCLUSIONS

- 7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including Electric companies. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.
- 8 (2) Cascade Natural Gas Corporation is a natural gas local distribution company and a public service company subject to Commission jurisdiction.
- 9 (3) This matter came before the Commission at its regularly scheduled meeting on October 25, 2012.
- 10 (4) The tariff revision Cascade filed on October 1, 2012, would decrease charges and rates for service provided by Cascade, and might injuriously affect the rights and interest of the public.

- 11 (5) Although Cascade has not yet demonstrated that the tariff revision would ultimately result in rates that are fair, just, reasonable and sufficient, the Commission finds it reasonable to allow the rates to become effective, on a temporary basis, subject to revision.
- 12 (6) As authorized in RCW 80.04.130 and RCW 80.04.220, an investigation into this tariff filing is warranted, including an examination of Cascade's books, accounts, practices and activities.
- 13 (7) Under RCW 80.04.130(4), Cascade would bear the burden of proof to show that the proposed decreases are fair, just, reasonable and sufficient in the event this matter were set for hearing. Nothing in the Order is intended to limit the issues as to the fairness, justness, reasonableness and sufficiency of the proposed decreases.

ORDER

THE COMMISSION ORDERS:

- 14 (1) The tariff revision Cascade Natural Gas Corporation, filed on October 1, 2012, is suspended.
- 15 (2) The proposed tariff revisions Cascade Natural Gas Corporation, filed on October 1, 2012, shall become effective on November 1, 2012, on a temporary basis, subject to revision if the Commission determines that different rates will be fair, just, reasonable, and sufficient.
- 16 (3) The Commission will hold hearings and conduct workshops at such times and places as may be required.
- 17 (4) Cascade Natural Gas Corporation must not change or alter the tariffs filed in these dockets during the suspension period unless authorized by the Commission.
- 18 (5) The Commission will investigate Cascade Natural Gas Corporation's books, accounts, practices, activities as described in this Order.

- 19 (6) Commission Staff will report to the Commission on the status of Staff's investigation no later than March 1, 2013, and that report shall include recommendations on the disposition of this tariff filing by Cascade Natural Gas Corporation or the need for further process to make the appropriate determination.

DATED at Olympia, Washington, and effective October 31, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner