

Agenda Date: August 27, 2015  
Item Number: A4

**Docket:** UG-151598  
**Company:** Cascade Natural Gas Corporation

**Staff:** Jing Liu, Regulatory Analyst  
Joanna Huang, Regulatory Analyst  
Betty Erdahl, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the tariff sheet filed in Docket UG-151598 to become effective on September 1, 2015, by operation of law.

### **Background**

On July 31, 2015, Cascade Natural Gas Corporation (Cascade or company) filed a revision to its tariff Schedule No. 595, Temporary Technical Adjustment, effective September 1, 2015. Cascade revised its filing and supporting documents on August 18, 2015. The company proposes to revise the rate for Purchase Gas Adjustment (PGA) for the next rate period. It also seeks to decrease the amortization rate from its deferral gas cost account (Deferral).

Schedule No. 595 includes both the PGA for expected gas costs and the amortization of deferral balance based on prior year's gas costs. Taken together, the two components 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.

The combined effect of the PGA and the Deferral filings is a decrease in annual revenues of \$30.1 million (13.8 percent). The rate reduction is driven by gas commodity cost lower than last year's forecast and expected to remain low going forward.

<b>Description</b>	<b>Revenue Change</b>	<b>Percent Change</b>
Deferral	(\$ 9,380,722)	(4.3%)
PGA	(20,685,361)	(9.5%)
<b>Total Impact</b>	<b><u>(\$30,066,083)</u></b>	<b><u>(13.8%)</u></b>

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.

### **Deferred Gas Cost Amortization**

Deferral amortization is designed to pass on the difference between the prior year's projected gas cost and the actual gas cost. Actual gas cost for the past PGA rate year was less than what was projected last year. The company accrued over one million dollar deferral balance as of June 30, 2015, requiring a refund to customers. The rate revision will result in \$9.4 million revenue change (4.3 percent). The refund period will start September 1, 2015, and end on October 31, 2016.

### **Purchase Gas Adjustment**

In this filing, Cascade presented data and methods used in the determination of prospective gas cost for the coming year. The company is proposing a decrease of approximately \$20.7 million (9.5 percent) in annual revenue for this filing. The current residential weighted average cost of gas (WACOG) is \$0.66103/therm (commodity \$0.45734, firm demand \$0.20369). In this filing, Cascade proposes a weighted cost of gas of \$0.55181 therm (commodity \$0.35978, firm demand \$0.19203) for residential customers.

Although the PGA rate will become effective September 1, 2015, the cost estimate is based on the period from November 1, 2015, to October 31, 2016. Any difference between projected cost and actual PGA revenue will be trued up in the next rate year.

### **Overall Rate Impacts**

With combined effects from the PGA and Deferral rate adjustment, the average residential customer using 46 therms will see a decrease of \$7.26, from \$50.72 to \$43.46. The following table provides rate changes and revenue impact in detail.

	<b><u>PGA Rate</u></b>	<b><u>Deferral</u></b>	<b><u>Revenue</u></b>	<b><u>Revenue</u></b>
	<b><u>Change</u></b>	<b><u>Rate</u></b>	<b><u>Impact</u></b>	<b><u>Percent</u></b>
		<b><u>Change</u></b>		<b><u>Change</u></b>
Residential	(\$0.10922)	(\$0.04977)	(\$15,454,705)	(14.3%)
Commercial	(.10905)	(.04977)	(10,880,495)	(15.3%)
Industrial-Firm	(.10818)	(.04977)	(1,719,274)	(17.8%)
Industrial	(.10818)	(.04977)	(1,435,629)	(18.4%)
Institutional	(.10731)	(.04977)	(45,937)	(18.3%)
Industrial Interruptible	(.10731)	(.04977)	(593,442)	(21.0%)
Non-Core		.00016	63,401	0.5%
Total			<u>(\$30,066,082)</u>	<u>(13.8%)</u>

**Customer Comments**

Cascade notified its customers of the proposed rate decrease through bill inserts by mail during August 2015. The commission did not receive any customer comments.

**Conclusion**

Commission staff completed its analysis of the company's supporting financial documents, prospective gas costs and deferral amortization filing. The company's 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 sheet filed in Docket UG-151598 to become effective on September 1, 2015, by operation of law.