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 Sep 13, 2024

September 13, 2024

Jeff Killip
 Executive Director and Secretary
 Washington Utilities & Transportation Commission
 P.O. Box 47250
 Olympia, WA 98504-7250

Re: Cascade Natural Gas PGA and TTA Annual Filing

Director Killip,

Cascade Natural Gas Corporation (“Cascade” or “Company”) files the following tariff sheet for revision, with a requested effective date of November 1, 2024:

Eighth Revision Sheet No. 590

Overview

This filing revises two sets of rates listed in Schedule 590, Gas Cost Rate Adjustment: 1) The Weighted Average Cost of Gas (“WACOG”) is updated in accordance with the Purchased Gas Adjustment (“PGA”) mechanism established in Rule 19; and 2) the Temporary Technical Adjustments (“TTA”) are also updated.

In addition, this PGA includes projected biomethane volumes and costs for the first time. Please note that the biomethane projects in the portfolio do not require upstream pipeline capacity therefore mitigating transport costs.

Purchased Gas Adjustment to WACOG

The PGA details the commodity and demand units and costs of Cascade’s core market gas supply portfolio, including Company purchased supplies, pipeline transportation and peaking resources. The filing passes on rate adjustments designed to reflect the cost of gas in the Company’s current gas supply portfolio.

Regarding increased pricing projections for the coming year, the U.S. Energy Information Administration’s September 2024 Energy Outlook has forecast “natural gas prices will remain relatively flat in the upcoming shoulder season during September and October before generally rising in 2025. Price increases in 2025 reflect U.S. natural gas production that does not keep pace with growth in U.S. liquefied natural gas (LNG) exports. Cascade expects the Henry Hub spot price will rise from less than \$2.00 per million British thermal units (MMBtu) in August to around \$3.10/MMBtu next year.” Cascade expects to see a corresponding increase in the Pacific Northwest supply basins.

Cascade’s storage is typically filled throughout the summer, with fill targets of 100% by September/October. Overall, Cascade’s storage valuations were flat when compared to the previous year.

The proposed rate changes to the WACOG in Schedule 590 will result in an estimated annual revenue increase of \$9,284,238 or an increase in annual revenue of 2.71 percent. The average residential customer using 54 therms per month will see an increase of \$1.80 or 1.97 percent. The proposed change in revenue for each customer class is shown in the following table:

Service	Sch. No.	Commodity Change per therm	Demand Change per therm	Total Rate Change	WACOG Proposed Rate Per Therm	Percent Change
Residential	503	\$0.04491	(\$0.01150)	\$0.03341	\$0.66367	2.54%
Commercial	504	\$0.04491	(\$0.01132)	\$0.03359	\$0.66110	2.80%
Industrial	505	\$0.04491	(\$0.01046)	\$0.03445	\$0.64839	3.23%
Industrial Lg Vol	511	\$0.04491	(\$0.01046)	\$0.03445	\$0.64839	3.27%
Interruptible	570	\$0.04491	(\$0.00961)	\$0.03530	\$0.63572	3.94%

Temporary Technical Adjustments

The second part of this filing is the TTA portion, which adjusts the Temporary Gas Cost Amortization rate in Schedule 590 to include changes in the amortization rates to refund or collect the balance of deferred natural gas commodity and demand costs as well as the residual TTA balance from the prior year. All balances to be refunded or collected include accrued interest.

As explained in the Company’s 2023 PGA filing, Cascade set the prior year’s commodity deferral balance to be amortized over 24 months due to the extraordinary gas costs experienced during the 2022-2023 winter. As a result, the amortization associated with this commodity deferral balance is not being adjusted in this PGA filing.

The rates contained in the attached Sheet 590 will collect the demand costs and residual TTA deferrals over the next twelve months. The change in rates will result in an estimated annual revenue increase of \$40,806,486, or 11.91 percent. This increase is due to an under collection of commodity and demand costs incurred by the Company during the PGA year as well as the reversal of the credit rate approved in the prior year PGA filing. The average residential customer using 54 therms per month will see an increase of \$7.98 or 8.70 percent. Below is a table summarizing the proposed changes reflected in the deferral amortization portion of the filing:

<u>Service</u>	<u>Sch. No.</u>	<u>Rate Change</u>	<u>Proposed Rate Per Therm</u>	<u>Percent Change</u>
Residential	503	\$0.14771	\$0.41697	11.24%
Commercial	504	\$0.14771	\$0.41697	12.31%
Industrial	505	\$0.14771	\$0.41697	13.86%
Industrial Lg Vol	511	\$0.14771	\$0.41697	14.00%
Interruptible	570	\$0.14771	\$0.41697	16.48%

Combined Effect

The impact of the PGA and TTA changes combined is a revenue increase of \$50,090,723 or an overall 14.62 percent increase. The impact to an average residential customer using 54 therms per month will be \$9.78 or a 10.67 percent increase.

Attached Supporting Materials

In addition to the supporting materials submitted as part of this combined filing, the Company separately submits all workpapers in electronic format.

The Company therefore, requests that the documents contained in the spreadsheet marked confidential that are identified with the cover page as “Confidential per WAC 480-07-160” be treated as confidential under the provisions of WAC 480-07-160(8), as they each contain sensitive commercial information. It would be unduly burdensome to mark the file as required in 480-07-160(4-7).

As directed by the WUTC in the March 13, 2017, Policy and Interpretive Statement in Docket UG-132019, included as an attachment to this filing is the Company’s 2024 Hedging Plan. The information contained in the plan is confidential pursuant to WAC 480-07-160(2)(c) as the plan contains valuable commercial information.

Cascade’s Hedging Program

Cascade’s Gas Supply Oversight Committee (“GSOC”) oversees the Company’s gas supply physical portfolio and overall hedging strategy. Approximately 50% to 60% of estimated annual load requirements for the PGA year will be hedged through fixed price physicals and financial derivatives. Cascade’s relationship with Gelber & Associates (“G&A”) remains active as the Company’s hedging consultant. Recent price indications suggest fixed price physicals are less expensive than their financial counterpart. G&A recommended continuing hedging with fixed-price physicals due to current flexibility and cost advantages over financial transactions at Northwest Basin combined with financial instruments when economically appropriate. Cascade has been hedging natural gas both on a periodic and discretionary basis throughout 2024 for the forthcoming PGA year (November 2024 through October 2025). In accordance with GSOC guidance, transactions cannot exceed 42 months, except in the case of renewable natural gas (biomethane) supplies. Cascade will continue to execute transactions for hedging purposes throughout the remainder of calendar year 2024, consistent with the current hedge execution plan authorized by GSOC.

Cascade's Hedging Program uses a three-year, forward-looking ladder while establishing maximum and minimum percentage boundaries that allow hedge volumes to adjust to market conditions. In the 2024 Hedge Plan, Cascade documented two significant changes to the Hedge Program: A 10% decrease of hedge targets in each year, and the introduction of a 5-10% layer of call options.

Over the period since the approval of the 2023 HEP (April 2023-March 2024), the Cascade Hedging Plan increased gas costs by approximately \$46.2 million (roughly \$42 million for Washington) when compared to the spot market.¹ Adding in the fees paid to G&A, the program realizes a net cost of about \$46.3 million. In response to the extreme pricing events of the winter of 2022/2023, G&A provided guidance to Cascade, recommending an increase in the hedging percentages of its portfolio as a protective measure. Although this strategy led to a financial cost for the 2023 fiscal year due to record-mild winter in the face of record supply levels, the 3-year rolling hedge program has created a net benefit of \$135.9 million since its inception in 2019.

Customer Notice

In accordance with WAC 480-90-198, the Company declares that notice to customers was made in accordance with WAC 480-90-194. Cascade issued bill inserts to customers during August 2024, explaining the PGA process, and Cascade will publish on its webpage the anticipated rate increase. Also, on September 16, 2024, Cascade began issuing another bill insert to customers stating the proposed increased rates. Finally, Cascade will provide copies of the notice to Community Action agencies and organizations within its service territory and provide notice to the news media. Both copies of the 2024 bill inserts are included with this filing. The proposed change will affect all of Cascade's Washington customers. Cascade serves approximately 204,189 residential, 27,579 commercial, 495 industrial, 99 large volume, and seven industrial interruptible customers in the state of Washington.

If you have any questions, please direct them to me at (208) 377-6015.

Sincerely,

/s/ Lori A. Blattner

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Attachments

¹ Cost estimates based on hedge costs compared to monthly index prices at each supply basin. See table in the appendix (page 10) for a monthly breakdown.

PGA

NEW-CNGC-Advice-W24-09-01-PGA-Trf Sheets-09-13-24.pdf
NEW-CNGC-Advice-W24-09-01-PGA-Bill-Insert-09-13-24.pdf
NEW-CNGC-Advice-W24-09-01-PGA-Exhibit-A-09-13-24.pdf
NEW-CNGC-Advice-W24-09-01-PGA-WP-09-13-24.xlsx
NEW-CNGC-Advice-W24-09-01-PGA-Gas-Cost-WP-09-13-24(R).pdf
NEW-CNGC-Advice-W24-09-01-PGA-Gas-Cost-WP-09-13-24(C).xlsx

Hedge Plan

NEW-CNGC-RETROSPECTIVE-REPORT-WORKBOOK-07-23-24(C).xlsx
NEW-CNGC-RETROSPECTIVE-REPORT-WORKBOOK-07-23-24(R).pdf
NEW-CNGC-VAR-to-Life-07-29-24(C).xlsx
NEW-CNGC-VAR-to-Life-07-29-24(R).pdf
NEW-CNGC-2024-Annual-Hedge-Plan-09-09-24(C).pdf
NEW-CNGC-2024-Annual-Hedge-Plan-09-09-24 (R).pdf
NEW-CNGC-2024-HEDGE-PLAN-PROCESS-FLOW-CHARTS-09-09-24.pdf
NEW-CNGC-Annual-Plan-Check-In-Meeting-07-18-24(C).pdf
NEW-CNGC-Annual-Plan-Check-In-Meeting-07-18-24(R).pdf
NEW-CNGC-Compliance-Matrix-09-09-2024.xlsx
NEW-CNGC-GELBER-ASSOCIATES-2024-FORECAST-02-15-24(C).pdf
NEW-CNGC-GELBER-ASSOCIATES-2024-FORECAST-02-15-24(R).pdf
NEW-CNGC-Hedge-Book-Model-2024-08-15-24(C).xlsx
NEW-CNGC-Hedge-Book-Model-2024-08-15-24(R).pdf
NEW-CNGC-HEDGE-SCHDL-CHART-09-09-24.xlsx
NEW-CNGC-Mark-to-Market-Calculator-07-24-24(C).xlsx
NEW-CNGC-Mark-to-Market-Calculator-07-24-24(R).pdf
NEW-CNGC-Monthly-Guidance-08-15-24(C).pdf
NEW-CNGC-Monthly-Guidance-08-15-24(R).pdf