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Mark L. Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
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Ref: Docket No. UG-170003

Cascade Natural Gas Corporation (Cascade) submits the following comments in the referenced docket concerning the Washington Utilities and Transportation Commission (WUTC) staff's proposed topic areas and rulemaking proposal. The comments are organized according to the topical areas provided by the staff in its email communication of April 24, 2018.

I. Templates

Staff indicates the goal is to make everyone's job easier when reviewing rate cases. Templates allow historical reference and comparison between positions, cases, and companies, and is aligned with the spirit of a streamlined process. Staff proposes the following topical areas be handled by Commission Rule. Cascade supports the inclusion of the following three items in a Commission Rule.

A. COSS Presentation – Rule

Cascade supports a common format for the output schedules of a COSS as part of the specified set of Minimum Filing Requirements (MFRs) for general rate cases, which are not uncommon among utility commissions. Examples may include: Summary schedules showing COSS results by customer class at present and proposed system rates-of-return; functionalized and classified revenue requirement results by customer class; and functionalized and classified unit costs by customer class. However, the rule should not be proscriptive as to the structure, computational processes, and functionality of the COSS model itself, provided the structure of the COSS model is transparent and auditable.

B. Revenue Requirement/COSS Cross-Check – Rule

Cascade supports the presentation of a reconciliation of the proposed total revenue requirement with the class-by-class results of the COSS.

C. COS Allocations List – Rule

Cascade supports the inclusion of a schedule in the MFRs that lists the named allocation or direct assignment factor, including a brief description of each factor, for each FERC Plant, O&M, and A&G account costs included in the COSS.

II. Procedures

A. Load study – Rule

Load studies are already part of the requirements under the Integrated Resource Plan (IRP) process and therefore filed bi-annually with a Company's IRP. Therefore, the only requirement for purposes of a COSS should be that the class-by-class demands be consistent with the methodology employed and the results from the most recently accepted IRP. No further rule is necessary.

B. COSS with minimal confidential information – Rule

Cascade supports the inclusion of a provision eliminating all personal and/or customer identification information from a COSS in the rule.

C. Reconciliation of billing determinants and test year unadjusted revenues – Rule

Cascade supports the inclusion of a provision that reconciles test year as billed revenues and billing determinants as part of a rule (commonly referred to as a revenue proof). The revenue proof should also provide the adjustments for annualization of the number of bills and normalization of billed volumes for the pro forma revenue at present rates.

D. Special Contract customers must have a marginal cost study – Rule

The Commission's rules specify the requirements for eligibility for a Special Contract and the necessary underlying cost support for a special contract, which is primarily focused on the incremental cost to serve the customer and the costs related to the potential by-pass of the utility's distribution system by that customer, for which a special contract is requested. A revisiting of this cost support should only be made upon a revision to the terms and conditions of the existing special contract or at the expiration of the initial term of the special contract whereby a renewal of the existing special contract or a new special contract is requested on behalf of the customer.

A COSS submitted in a general rate case should not include a "marginal cost study" for each of the Company's Special Contract customers. However, including Special Contracts as a separate class for purposes of the embedded COSS would provide useful information as to the rate of return performance of this group of customers vis-à-vis the remaining customer classes.

III. Policy Statement

Cascade supports the staff's proposal that a policy statement should discuss various COSS methodologies, the attendant strengths and weaknesses of the various methods, and identify cost allocation options. Cascade also concurs that the policy statement

provide clarity concerning commonly used terms, and the definition and treatment of the various cost categories.

A. Various COS method for Demand/Throughput Split – Policy

No further comment.

B. Common and Joint Costs – Policy

No further comment.

C. A&G Costs – Policy

No further comment.

D. COS Method for Main Allocations (Small vs. Large, Class specific exemptions, Throughput vs. demand, etc.) – Policy

No further comment.

E. COS Method for demand allocation (by class) – Policy

No further comment.

F. Language used to describe COSS – Policy

No further comment.

G. Billing Determinants – Policy

Billing determinants should be based on the number of regular monthly bills rendered, as opposed to number of customers or meters. Customers may have more than one account per rate schedule. Meters may be inactive due to the lack of a current customer at the premises and therefore not resulting in the issuance of a monthly bill. Some large industrial customers may have multiple meters at a plant facility due the configuration and location of its gas end-use equipment. The consumption from these individual sub-meters may be additive for billing purposes.

H. Special Contract customers and Pass-through Costs – Policy

Cascade's position on the topic of "pass-through" costs is that it should be covered by the provisions of the Special Contract unless otherwise superseded by Commission rule

I. Granularity of Data – Policy

With reference to the staff's description of this item, Cascade's position as to the use of AMI consumption data is that hourly or sub-hourly usage data is irrelevant to a gas COSS. Gas utilities operate on a 24-hour gas day for supply and upstream capacity resources. If seasonal variations in cost can be identified, inclusion in the COSS may be appropriate, as it could provide useful information for rate design purposes.

J. Baseline COSS – Policy

Staff indicates that an approved COSS for each Company will serve as a baseline for future cases. This does not preclude proposed changes from the baseline in future cases but such changes would require explicit approval by the Commission.

Cascade has no further comment to the staff's description for this topic.

Any questions regarding these comments should be directed to Michael Parvinen at (509)-734-4593 or michael.parvinen@cngc.com.

Sincerely,

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