

Agenda Date: October 30, 2014

Item Numbers: A6 and A7

Dockets: UG-143591 and UG-143594

Company: Cascade Natural Gas Corporation

Staff: Betty Erdahl, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff sheets filed in Dockets UG-143591 and UG-143594 to become effective on November 1, 2014, by operation of law.

Background

On September 30, 2014, Cascade Natural Gas Corporation (Cascade or company) filed its Purchase Gas Adjustment (PGA), Deferred Gas Cost Amortization (Deferral), and the Conservation Program Adjustment tariffs in Dockets UG-143591, UG-143594, and UG-143596, respectively. The combined effect of the PGA and the Deferral filings is an increase in annual revenues of \$12,586,378 (5.24 percent). Prior to last year, PGA filings have included the conservation adjustment; however, it is now being addressed separately.

<u>Docket</u>	<u>Description</u>	<u>Incremental Revenue Change</u>	<u>Percent of Total Revenue</u>
UG-143591	PGA	\$ 7,087,126	2.95 percent
UG-143594	Deferral	\$ 5,499,252	2.29 percent
UG-143596	Conservation	<u>\$ (251,558)</u>	<u>(0.10) percent</u>
Total impact of rate changes		\$12,334,820	5.14 percent

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.

The PGA and Deferral Amortization mechanisms 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.

Purchase Gas Adjustment

Docket UG-143591 is the proposed PGA filing. In this filing, Cascade presents data and methods used in the determination of prospective gas cost for the coming year. The company is proposing an increase of approximately \$7.08 million (2.95 percent) in annual revenue for this filing. The current residential weighted average cost of gas (WACOG) is \$0.6019/therm (commodity \$0.43796, firm demand \$0.16394). Cascade proposes a weighted cost of gas of \$0.63236/therm (commodity \$0.43750, firm demand \$0.19486) in this filing.

Deferred Gas Cost Amortization

Docket UG-143594 is the gas cost deferral amortization filing. This filing is designed to pass on actual gas costs to customers. The difference between the prior year's projected gas cost and the actual gas cost is deferred and amortized back to customers with interest, whether it is a refund or surcharge. Actual gas costs of the past year exceeded the projected costs requiring an increase to annual revenues of \$5.5 million (2.29 percent) to recover the difference.

Overall rate impacts

The impact of the filings on a residential customer's monthly bill (including the conservation), with consumption of 56 therms, will be an increase of \$3.34, resulting in a change to the average bill from \$55.97 to \$59.31. The impact of the conservation filing is a decrease of \$0.00111 for an average residential customer. The increase related to the PGA and Deferral charges only will increase the bill by \$3.17, from \$55.97 to \$59.14.

The combined effects of the PGA and Deferral on the company's rates (\$/therm) and annual Washington revenues are as follows:

	<u>PGA</u> <u>Change</u>	<u>Deferral</u> <u>Change</u>	<u>Revenue</u> <u>Impact</u>	<u>Percent</u> <u>Change</u>
Residential	\$.03184	\$.02476	\$6,728,751	5.53%
Commercial	.03135	.02476	4,543,905	5.85%
Industrial-firm	.02894	.02476	722,290	6.82%
Industrial	.02894	.02476	464,880	6.80%
Institutional	.02654	.02476	21,172	6.90%
Industrial Int.	.02654	.02476	217,451	7.58%
Non-Core		(0.00025)	<u>(112,071)</u>	- .78%
Total			<u>\$12,586,378</u>	

Customer Comments

Cascade notified its customers of the proposed rate increase through a news release and bill inserts to mailed customers in September. The commission received five customer comments opposing the increase: Two customers stated that there is a lot of natural gas available and four customers commented that everything keeps going up and it is getting difficult to pay for everything because their income is not increasing.

Conclusion

Commission staff completed its analysis of the company's supporting financial documents, prospective gas costs and deferral amortization filing. The company's financial information supports the conclusion that the proposed rates are fair, just, reasonable, and sufficient.

Dockets UG-143591 and UG-143594
October 30, 2013
Page 3

Recommendation

Staff recommends the commission take no action, thereby allowing the tariff sheets filed in Dockets UG-143591 and UG-143594 to become effective on November 1, 2014, by operation of law.