

Agenda Date: October 27, 2016
Item Number: A4

Docket: UG-160788
Company: Cascade Natural Gas Corporation

Staff: Kristen Hillstead, Regulatory Analyst
Amy White, Regulatory Analyst
Betty Erdahl, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff sheet filed in Docket UG-160788 to become effective on November 1, 2016, by operation of law.

Background

On June 1, 2016, Cascade Natural Gas Corporation (Cascade or company) filed its pipeline replacement cost recovery mechanism (CRM) tariff in Docket UG-160788. The CRM was updated on September 30, 2016 and updated again on October 17, 2016, to reflect actual expenditures from November 1, 2015, through September 30, 2016, plus estimated expenditures for October 2016.

The pipeline replacement plan and cost recovery mechanism were filed in accordance with the commission's policy statement in Docket UG-120715, providing for accelerated replacement of pipeline facilities with elevated risk to the public.

The policy statement allows a return of and return on specific identified investment with elevated risk, as approved in a company's pipeline replacement plan. The company proposes a CRM related to high risk pipe and does not seek to recover the costs associated with:

- Locating pipe;
- Normal growth, system expansion, and repair and replacement of pipe damaged by third parties; and
- Pipe that a company is required to replace by a commission order or approved settlement.

Of the four companies that file pipeline replacement plans bi-annually, only Cascade and PSE requested a CRM.

Discussion

The effect of the CRM is an increase of \$1,921,720 or 0.82 percent of annual revenues. The impact of the filing on a residential customer's monthly bill with average consumption of 49 therms will be an increase of \$0.39, resulting in a change to the average bill from \$41.69 to \$42.08.

Staff has analyzed the supporting documentation of this proposed cost recovery mechanism and

believes that the projects and costs are reasonable and meet the requirements of UG-120715. Cascade had originally included \$2.1 million of operation and maintenance (O&M) expenses related to incremental costs associated with the company's maximum allowed operating pressure determination and validation plan. After discussions with staff, the company removed these O&M expenses from this filing.

Cascade serves approximately 207,000 gas customers in various areas situated primarily along Williams Gas Pipeline. Major Washington locations include Aberdeen, Bellingham, Bremerton, Yakima, Walla Walla, and Longview.

Customer Comments

Cascade notified its customers of the proposed rate increase through a bill insert mailed to customers in September. The commission has not received any customer comments regarding the increase.

Conclusion

Take no action, thereby allowing the tariff sheet filed in Docket UG-160788 to become effective on November 1, 2016, by operation of law.