

Agenda Date: October 19, 2018
Item Number: A3

Docket: UG-180788
Company: Cascade Natural Gas Corporation

Staff: Betty Erdahl, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff sheet filed by Cascade Natural Gas Corporation in Docket UG-180788 to become effective on November 1, 2018, by operation of law.

Purchased Gas and Temporary Technical Adjustments

On September 17, 2018, Cascade Natural Gas Corporation (Cascade or company) filed with the Washington Utilities and Transportation Commission (commission) a revision to its tariff Schedule No. 595, Temporary Technical Adjustment, effective November 1, 2018. The company proposes to revise the rate for Purchased Gas Adjustment (PGA) for the next rate period. It also seeks to increase 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 the deferral balance based on the prior year's gas costs. Taken together, the two components are designed to pass on the actual cost of gas to customers. The PGA estimates 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 filing is a decrease in annual revenues of \$17.0 million (7.34 percent). The rate decrease is driven by gas commodity costs that are lower than last year's forecast and a refund of over collection of gas costs over the last year.

Description	Revenue Change	Percent Change
Deferral	\$(11,283,763)	(4.85)%
PGA	<u>(5,785,436)</u>	<u>(2.49)%</u>
Total Impact	<u>\$(17,069,199)</u>	<u>(7.34)%</u>

Cascade serves approximately 210,000 gas customers in various areas situated primarily along the Williams Gas Pipeline. Major Washington locations include Aberdeen, Bellingham, Bremerton, Tri-Cities, Yakima, Walla Walla, and Longview.

Deferred Gas Cost Amortization

Deferral amortization is designed to pass back 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. The company accrued a surplus as of August 31, 2018, requiring a refund to customers. The rate revision will result in a decrease to revenue of approximately \$11.0 million, (4.85 percent). The recovery period will start November 1, 2018, and end on October 31, 2019.

Purchased 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 \$5.8 million, (2.49 percent) in annual revenue for this filing. The current residential weighted average cost of gas (WACOG) is \$0.44067 per therm (\$0.27336 commodity and \$0.16731 firm demand). In this filing, Cascade proposes a WACOG of \$0.41741 per therm (\$0.24240 commodity and \$0.17501 firm demand) for residential customers.

Although the PGA rate will become effective November 1, 2018, the cost estimate is based on the period from November 1, 2017 to October 31, 2018. Any difference between projected cost and actual PGA revenue will be trued up in the next rate year.

The following chart shows the residential customer commodity and demand charges for the natural gas LDC's regulated by this commission.¹

WACOG	Avista	Puget Sound Energy	NW Natural	Cascade Natural Gas
Commodity	\$0.17067	\$0.18055	\$0.21379	\$0.24240
Demand (firm)	0.10239	0.13125	0.10643	0.17501
Total	\$0.27306	\$0.31180	\$0.32022	\$0.41741

Combined Rate Impacts of PGA and TTA

With combined effects from the PGA and Deferral rate adjustment, a residential customer with a monthly use of 54 therms will see a decrease of \$3.91, from \$51.69 to \$47.78. The following table provides rate changes and revenue impact by schedule.

	<u>PGA Rate Change</u>	<u>Deferral Rate Change</u>	<u>Revenue Impact</u>	<u>Revenue Percent Change</u>
Residential (503)	\$(0.02446)	\$(0.04797)	\$(8,746,606)	(7.56)%
Commercial (504)	(0.02458)	(0.04797)	(6,223,938)	(8.37)%
Industrial-Firm (505)	(0.02517)	(0.04797)	(908,775)	(10.58)%
Industrial Lg Vol (511)	(0.02517)	(0.04797)	(1,029,345)	(11.32)%
Industrial Interruptible (570)	(0.02577)	(0.04797)	<u>(160,535)</u>	<u>(12.82)%</u>
Total			<u>\$(17,069,199)</u>	<u>(7.34)%</u>

¹ Commodity and demand charges for all LDC's are *before* revenue sensitive items for comparison purposes.

Hedging Plan

In the commission’s Policy and Interpretive Statement, Docket UG-132019, the commission directed each of the regulated natural gas companies to submit a preliminary hedging plan at the same time as its PGA filing. Cascade’s hedging plan, UG-180825, will be a discussed at a future open meeting.

Combined Effects of all filings effective November 1, 2018

The combined effects of all proposed tariff revisions for the October 19 open meeting are summarized below. As a result of these revisions, a residential customer with monthly average consumption of 54 therms will see a decrease of \$4.07, from \$51.69 to \$47.62.

	Avista	Cascade	PSE	NWN
Current Typical Residential Bill	\$51.21	\$51.69	\$65.18	\$52.73
Average Therms	65	54	64	57
Rate Adjustments:				
Cost Recovery Mechanism		\$0.46	\$0.32	
Decoupling Rate Adj.	\$(.40)	\$(1.32)		
Energy Efficiency Rider		\$0.75		\$0.22
Low Income Adj.				\$0.01
Purchased Gas Adj.	\$0.03	\$(3.91)	\$(6.34)	\$(4.00)
Reorganization Benefits				\$(0.05)
Adj. for Tax Effects		\$(0.05)		
Sum of All Adjustments	\$(5.37)	\$(4.07)	\$(6.02)	\$(3.81)
% Change in Customer Bills	-10.5%	-7.9%	-9.2%	-7.2%

Customer Comments

Cascade issued customer notice with the October billing cycle. No customer comments have been received.

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. Therefore, staff recommends the commission take no action, thereby allowing the tariff sheet filed by Cascade Natural Gas Corporation in Docket UG-180788 to become effective on November 1, 2018, by operation of law.