

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Tariff Revisions of

CASCADE NATURAL GAS
CORPORATION,

Petitioner,

For Proposed New Tariff Revisions,
Schedule 590, Temporary Gas Cost
Amortization

DOCKET UG-190145

ORDER 01

ORDER ALLOWING TARIFF
REVISIONS TO GO INTO EFFECT
SUBJECT TO CONDITION

BACKGROUND

- 1 On February 28, 2019, Cascade Natural Gas Corporation (Cascade or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective tariff, adding proposed Rate Schedule 590, Temporary Gas Cost Amortization. The purpose of the filing is to recover deferred commodity gas costs associated with the cost increases resulting from a supply interruption due to the Enbridge pipeline explosion in British Columbia on October 9, 2018, and the subsequent recovery period lasting through the end of January 2019.
- 2 The Company requests an effective date of April 1, 2019, for the tariff revision, and proposes a two-year amortization of the temporary rate increase to help mitigate the financial burden on customers. Cascade states that any residual balance at the end of the two-year amortization will be included in the Company's annual commodity deferral amortization filing effective November 1, 2021.
- 3 The commodity gas cost deferral balance is \$48,162,014; Cascade explains that, with a two-year amortization period, the annual revenue change reflected in the filing is an increase of \$26,813,340 to customers, which reflects an annual revenue increase of 11.94 percent. Under Cascade's proposed revision, the average residential customer using 54 therms per month would see an increase of \$6.07, or 13.88 percent.
- 4 Cascade states that the significant commodity gas deferral balance as of the end of January 2019 is due to several factors, including supply shortfalls, volatile pricing,

limited storage, entitlements, operational flow orders issued by Northwest Pipeline, increased demand, and uncertainty about Enbridge capacity.

5 Cascade states that it provided notice to customers in accordance with WAC 480-90-195, that it will issue bill inserts to customers explaining the deferred gas cost increase, and that it posted on its website the anticipated rate increase.

6 Table 1, below, illustrates the proposed rate.

**Table 1. Proposed Rate – Two-Year Amortization of
Deferral Balance as of January 31, 2019**

Service	Schedule No.	Proposed Rate per Therm	Percent Change
Residential	503	\$0.11245	13.88%
Commercial	504	\$0.11245	15.71%
Industrial	505	\$0.11245	16.94%
Industrial Large Volume	511	\$0.11245	20.22%
Interruptible	570	\$0.11245	20.93%

7 Cascade serves approximately 188,216 residential, 26,255 commercial, and 484 industrial customers in Washington.

8 Staff recommends that the Commission allow the tariff revisions to go into effect on April 1, 2019, by operation of law.

DISCUSSION

9 We authorize Rate Schedule 590 to go into effect on April 1, 2019, subject to the condition that Cascade revise the proposed rate schedule to reflect a 36-month amortization period. Given that a two-year amortization period of such a large deferral balance results in proposed per-therm rate increases ranging from 13.88 to 20.93 percent for various rate schedules, extending the amortization period is necessary to mitigate the significant rate increase. The Commission must weigh the need to mitigate rate increases against the increased overall interest costs associated with an extended amortization term.

We find that extending the amortization period by one additional year strikes an appropriate balance between these two factors.

10 Accordingly, we approve the revised tariff filings and will allow them to go into effect subject to the condition set out in paragraph 9, *supra*. The Company must file revised tariff pages consistent with our decision prior to the stated effective date. Our approval of the tariff revisions does not determine the prudence of the Company's hedging practices.

FINDINGS AND CONCLUSIONS

- 11 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including natural gas companies.
- 12 (2) Cascade is a natural gas company, and a public service company, subject to Commission jurisdiction.
- 13 (3) On February 28, 2019, Cascade filed revisions to its currently effective tariff, adding proposed Rate Schedule 590, Temporary Gas Cost Amortization.
- 14 (4) The purpose of the filing is to recover deferred commodity gas costs associated with the cost increases resulting from a supply interruption due to the Enbridge pipeline explosion in British Columbia on October 9, 2018, and the subsequent recovery period lasting through the end of January 2019.
- 15 (5) This matter came before the Commission at its regularly scheduled meeting on March 28, 2019.
- 16 (6) After reviewing Cascade's proposed tariff revisions filed in Docket UG-190145 on February 28, 2019, and giving due consideration to all relevant matters and for good cause shown, the Commission finds the proposed tariff revisions are consistent with the public interest, and should be allowed to go into effect on April 1, 2019, subject to the condition that Cascade revise the proposed rate schedule to reflect a 36-month amortization period.

ORDER

THE COMMISSION ORDERS:

- 17 (1) Cascade Natural Gas Corporation must revise proposed Rate Schedule 590 to
reflect a 36-month amortization period.
- 18 (2) The tariff revisions filed by Cascade Natural Gas Corporation in Docket UG-
190145 on February 28, 2019, and revised to reflect a 36-month amortization
period, will be allowed to go into effect on April 1, 2019.
- 19 (3) The Commission Secretary is authorized to accept or approve a filing that
complies with the requirements of this Order.

DATED at Olympia, Washington, and effective March 28, 2019.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner