

Agenda Date: October 24, 2019
Item Number: F14

Docket: UG-190773

Company: Cascade Natural Gas Corporation

Staff: Betty Erdahl, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff sheets filed on September 13, 2019, by Cascade Natural Gas Corporation in Docket UG-190773 to become effective on November 1, 2019, by operation of law.

Background

On September 13, 2019, Cascade Natural Gas Corporation (Cascade or company) filed revisions to its tariff Schedules 590, Purchased Gas Adjustment, and 595, Temporary Technical Adjustment, effective November 1, 2019. The company proposes to revise (1) the rate for Purchase Gas Adjustment (PGA) for the next rate period, and the amortization rate from its deferred gas cost account (Deferral).

Schedule 595 captures the PGA for projected gas costs and Schedule 590 captures the amortization of the deferral balance based on difference between the prior year's projected gas costs and actual gas costs. Taken together, the two schedules are designed to pass on the actual cost of gas to customers.

The combined effect of the PGA and the Deferral filing is an increase in annual revenues of \$13.4 million (6 percent). The rate increase is driven by gas costs that exceeded last year's forecast, and includes effects associated with the October 2018 Enbridge pipeline rupture.

Description	Revenue Change	Percent Change
Deferral	\$12,758,992	5.73%
PGA	<u>606,568</u>	<u>0.27%</u>
Total Impact	<u>\$13,365,560</u>	<u>6.00%</u>

Cascade serves approximately 220,000 gas customers in various areas situated primarily along Williams Gas Pipeline. Major Washington locations include Aberdeen, Bellingham, Bremerton, Yakima, Walla Walla, and Longview.

Deferred Gas Cost Amortization

The Enbridge pipeling rupture, combined with cold weather and the depletion of storage reserves, had a significant impact on Cascade's cost of gas, generating large deferrals between November 1, 2018, and March 31, 2019. The company filed an out-of-cycle PGA on February 28, 2019, in Docket UG-190145, requesting to collect approximately \$48 million in deferred gas costs that had accumulated between November 1, 2018, and January 31, 2019. The commission authorized a three-year amortization of that balance beginning April 1, 2019 (Schedule 590).

Cascade's current request relates to approximately \$38 million in additional deferred gas costs that accumulated between February 1, 2019, and July 31, 2019. Cascade proposes to collect the \$38 million deferral over three years, beginning November 1, 2019. The rate revision would result in a revenue increase of approximately \$12.8 million (5.73 percent).

Purchase 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 an increase of approximately \$600,000 (0.27 percent) in annual revenue for this filing. The current residential weighted average cost of gas (WACOG) is \$0.41741/therm (commodity \$0.24240, firm demand \$0.17501). In this filing, Cascade proposes a weighted cost of gas of \$0.41974/therm (commodity \$0.24511, firm demand \$0.17463) for residential customers. The following table shows Cascade's WACOG as compared to the three other gas LDCs operating in the state.

WACOG	Avista	Puget Sound Energy	NW Natural	Cascade Natural Gas
Commodity	\$0.15284	\$0.14905	\$0.19447	\$0.24511
Demand (firm)	0.09651	0.18135	\$0.10629	\$0.17463
Total	\$0.24935	\$0.33040	\$0.30076	\$0.41974

Combined Rate Impacts of Schedules 590 and 595

With combined effects from the PGA and Deferral rate adjustment, a residential customer with a monthly use of 55 therms would see an increase of \$2.97, from \$48.06 to \$51.03. The following table provides rate changes and revenue impact in detail.

	PGA Rate Change	Deferral Rate Change	Revenue Impact	Revenue Percent Change
Residential (503)	\$.00244	\$.05141	\$6,798,805	6.20%
Commercial (504)	.00244	\$.05141	4,923,634	6.92%
Industrial-Firm (505)	.00247	\$.05141	710,875	8.10%
Large Volume (511)	.00247	\$.05141	803,718	9.33%
Industrial Interruptible (570)	.00250	\$.05141	<u>128,528</u>	<u>0.50%</u>
Total			<u>\$13,365,560</u>	<u>6.00%</u>

Combined Effects of all filings effective November 1, 2019

The combined effect of various rate elements on a typical Cascade residential customer with an average monthly use of 55 therms will be an increase of \$5.64, from \$48.06 to \$53.70. The following table shows proposed rate increases requested by each of the regulated natural gas companies in Washington:

	Avista	Cascade	PSE	NWN
Current Typical Residential Bill	47.79	\$48.06	59.60	\$48.92
Average Therms	66	55	64	57

Rate Adjustments:

Cost Recovery Mechanism		\$0.12	\$0.50	
Decoupling Rate Adj.	\$2.07	\$2.19		
Energy Efficiency Rider		\$(0.07)		\$ 0.47
Low Income Adj.		\$(0.01)		\$(0.06)
Purchased Gas Adj.	\$4.99	\$2.97	\$7.91	\$ 2.20
Adj. for EDIT Tax		\$(0.03)		\$ 0.00
Adj. for Over Collection Tax		\$0.47		
Sum of All Adjustments	\$7.06	\$5.64	\$8.46	\$ 2.61
% Change in Customer Bills	14.8%	11.7%	14.19%	5.3%

Customer Comments

Cascade notified its customers of these proposed changes through bill inserts by mail during August 2019, and posting on their website. The commission received 12 customer comments opposed to the set of rate increases.

Conclusion

Commission staff reviewed Cascade's filing, including supporting financial documents, prospective gas costs, and underlying causes of the accumulation of deferral balances, and finds the proposed rates are reasonable and appropriate.

Recommendation

Take no action, thereby allowing the tariff sheets filed on September 13, 2019, by Cascade Natural Gas Corporation in Docket UG-190773 to become effective on November 1, 2019, by operation of law.