

Agenda Date: May 22, 2025
Item Number: A2

Docket: UG-250214
Company: Cascade Natural Gas Corporation

Staff: Debra Johnson, Regulatory Analyst

Recommendation

Take no action, thereby allowing Cascade Natural Gas Corporation's proposed Schedule 700, filed on March 31, 2025, to revise Tariff WN U-3 to become effective June 1, 2025, by operation of law.

Background

On February 28, 2023, the Washington Utilities and Transportation Commission (Commission) issued Order 01 in Docket UG-220759. This Order allowed the Company to use deferred accounting of CCA costs and revenues using actual cost of debt.

On January 22, 2025, Cascade Natural Gas Corporation (Cascade or Company) filed to extend the CCA reporting term to May 31, 2025. This request was made to allow first quarter carbon market and auction results to be available to inform the Company's compliance forecast. The Commission approved this request during the Open Meeting held on February 13, 2025.

On February 24, 2025, the Commission issued Order 05 in Docket UG-240008. In the Multiparty Settlement Stipulation (Attachment A to Order 05), paragraph 20 states Cascade may include the plant associated with RNG production in its annual CCA filing.

On March 31, 2025, Cascade submitted its CCA Tariff Schedule 700, Docket UG-250214, with an effective date of June 1, 2025. This filing proposes a revision to Tariff Schedule 700, as requested by the Company. The filing is related to the Climate Commitment Act (CCA) Rate Adjustment Schedule, to comply with carbon emission mitigation established in RCW 70A.65. The revision to Schedule 700 represents the anticipated costs and estimated revenues received from CCA compliant cap-and-invest market operations from June 1, 2025, through May 31, 2026.

The proposed update and revision to Schedule 700 will decrease overall annual revenues of the Company by \$15.98 million, or 16 percent, if approved. Differential bill impacts exist across various ratepayer schedules, as well as within schedules where connections to Cascade's distribution system occurred on or after July 25, 2021.

See Table 1 below for estimated bill impacts to non-low income residential and small commercial customers. There is no impact to low-income customers.

Table 1. Estimated Bill Impact

Ratepayers connected <i>prior to July 25, 2021</i>			
Customer Type	Average Therms	Bill Impact	Percentage
Residential	57	(\$1.19)	-1.25%
Small Business	254	(\$6.24)	-1.38%
Ratepayers connected <i>on or after July 25, 2021</i>			
Customer Type	Average Therms	Bill Impact	Percentage
Residential	57	(\$2.83)	-2.63%
Small Business	254	(\$14.83)	-2.88%

About 4 percent of current utility ratepayers were connected to the Company's distribution system on or after July 25, 2021.

In this filing, Cascade also requests recovery of costs associated with Renewable Natural Gas (RNG) production. These costs were removed from the recent General Rate Case (GRC) and included with this filing as they are directly related to the CCA.

Discussion

Workpapers accompanying the Company's filing demonstrate a decrease in revenue of \$15.98 million or 16 percent. This reduction is a direct result of proposed rate decreases to customers.

Commission Staff (Staff) reviewed the Company's workpapers and believe the workpapers demonstrate Cascade has met the condition set out in Order 01 of Docket UG-240141.¹ The condition required the Company to increase enrollment in their CARES program by 12,000 customers. In practice, the Company increased enrollment by 13,000 customers.

In determining forecast prices for 2025 emission allowances, the Company relies upon the summary of allowance allocations provided by the Department of Ecology. Staff reviewed these allowances with Department of Ecology staff and believe the Company's projections are reasonable.

Beyond CCA cost recovery, Schedule 700 also has a revenue component related to consigning allowances to auction and a requirement that this revenue be used to benefit ratepayers consistent with Commission direction. This includes removing any additional cost burden to low-income customers due to implementation of the CCA. The allowance consignment revenues will be returned to low-income, residential, and commercial ratepayers through utility bill credits.

Staff reviewed the RNG plant costs included with this filing. There are three (3) projects related to the CCA costs that were put into service in 2024 – Horn Rapids, Lamb Weston, and Pasco. In

¹ Docket UG-240141, Order 01, Paragraph 14

addition to information included in the Company's initial filing, Staff requested additional documentation to support the request for cost recovery.

The Horn Rapids project allows Cascade to interconnect with the City of Richland's Landfill biogas facility. This allows the Company the opportunity to purchase up to 50 percent of the environmental attributes and 100 percent of the RNG produced at the facility. The Company was able to complete the project under budget.

The Lamb Weston project allows the Company to interconnect with an agricultural recovery system in Richland. This allows the Company the opportunity to purchase at least 50 percent of the environmental attributes and 100 percent of the RNG produced at this facility. The Company was able to complete the project under budget.

The Pasco project allows the Company to increase the amount of biomethane available for their customers by interconnecting with an already established facility. Cascade was able to complete this project under budget.

Table 2 below details the budgeted cost, actual cost, cost difference, and the differential percentage for each project.

Table 2. RNG Project Cost Details

Project	Budgeted Costs	Actual Costs	Cost Difference	Differential Percentage
Horn Rapids	\$1,526,212	\$1,400,469	(\$125,742)	-8.24%
Lamb Weston	\$1,713,971	\$1,496,065	(\$217,906)	-12.71%
Pasco	\$2,923,637	\$1,561,126	(\$1,362,511)	-46.60%

These projects went into service in 2024 (Horn Rapids March 2024; Lamb Weston April 2024; Pasco December 2024).

With these low-carbon capital projects, Cascade will be able to reduce its carbon emissions while adding to energy resources. This will allow the Company to have long-term access to low-carbon fuel supplies. In discussions with the Company, it is apparent that these projects will assist Cascade in reducing their carbon emissions. Horn Rapids and Lamb Weston are operated by the same third-party producer. These two (2) plants will generate 135,000 therms annually for the next 15 years. The Pasco plant will generate 255,000 therms annually for the next 20 years. By investing in these plants, the Company can either use these therms to reduce the number of credits purchased from the Department of Ecology or sell them at a Renewable Thermal Credit market if the conditions are favorable and the sale would be beneficial to customers.

Staff has thoroughly reviewed the RNG projects. After multiple conversations with the Company along with the receipt and review of supplemental documentation, Staff finds the RNG projects to be used and useful.

Interested Parties

Staff reached out to interested parties, including The Energy Project (TEP), Alliance of Western Energy Consumers, and Public Counsel.

Public Counsel responded with a concern about the phrase “known low-income customers” in the Company’s filing, since RCW 70A.65.130 doesn’t include the word “known” as a clarifying term. Public Counsel believes this results in a situation where Cascade should be providing bill assistance to more customers than planned.

TEP highlighted that RNG costs included in this filing were addressed during the Company’s most recent GRC and should be assessed appropriately. Staff received these costs and supporting documentation to reach its recommendation for prudence.

Customer Comments

The Company notified its customers via bill insert of the proposed decrease in Climate Commitment Act costs. Three comments were received. One commenter expressed concern with the proliferation of fees on their natural gas bills. One commenter expressed concern with the Climate Commitment Act but supported the proposed decrease. Finally, one commenter expressed concern with the complexity of the customer notice.

Conclusion

Staff recommends that the Commission take no action, thereby allowing Cascade Natural Gas Corporation’s filed tariff sheet in Docket UG-250214 filed on March 31, 2025, to become effective June 1, 2025, by operation of law.