CASCADE NATURAL GAS CORPORATION
A Subsidiary of MDU Resources Group, Inc.

8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON 99336-7166
TELEPHONE 509-734-4500 FACSIMILE 509-737-7166
www.cngc.com

CNG/W19-05-01

Received
Records Management
05/31/19 13:59
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

May 31, 2019

Mr. Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Advice No. 19-05-01
Schedule 12, Rule 8, Extension of Distribution Facilities

Dear Mr. Johnson,

Cascade Natural Gas Corporation ("Cascade" or the "Company") files herewith the following revisions to its Tariff sheet stated to become effective with service on and after July 1, 2019:

- Fifth Revision of Sheet No. 12-A

The purpose of this filing is to revise the Company's rules regarding the extension of distribution facilities. Specifically, the revision would require customers on Rate Schedules 511, 570 or 663 who receive a line extension allowance to consume the minimum agreed upon metered annual therms as specified in the customer's service agreement or pay a deficiency balance.

The filing also provides text clarifications regarding the rate schedules to which the tariff rules apply. Cascade is also filing an updated service agreement sample per WAC 480-80-141.

Background

The Company currently uses the Perpetual New Present Value (PNPV) methodology for calculating its line extension allowances. Commission staff has expressed support for this methodology because it produces the maximum line extension allowance that is economically-viable for the company.[1]

A PNPV allowance is the annual basic service charge and distribution revenue for the average residential or average commercial customers, as applicable, divided by 7.31%, which is the Company's approved pre-tax rate of return as approved in Commission Order No. 06 issued

[1] See UG-160967, Washington Utilities and Transportation Commission, Open Meeting Memo dated 08/30/2016

in UG-170929. This methodology results in an upfront allowance for residential customers not to exceed $3,275 and an allowance of no more than $12,500 for commercial customers.

Under its current rules, for large service customers, the Company requires a customer to complete a detailed load study that accurately defines the annual estimated fuel usage based upon a description of the customer's gas fired equipment and estimated days and hours of operation. Based upon the results of the load study, the Company can calculate an economically viable line extension allowance best suited for each customer's usage. The annual minimum metered therm requirements are also specified in the terms of the customer's service agreement.

The Company has observed instances in which customers received a line extension allowance but did not consume the agreed upon minimum annual metered therm requirements. The Company is therefore proposing a requirement that customers in such circumstances to pay a deficiency balance of the therms not used for that 12 month period. For large volume customers, the deficiency can be significant and otherwise would be subsidized by other rate schedules.

This filing is comprised of the following electronic files:

NEW, CNGC Advice No. W19-05-01, CLtr, 05.31.19.pdf
NEW, CNGC Advice No. W19-05-01, Sch. 12-A Rule 8, Leg Tariffs, 05.31.19.pdf
NEW, CNGC Advice No. W19-05-01, Sch. 12-A Rule 8, Tariffs, 05.31.19.pdf
NEW, CNGC Advice No. W19-05-01, WA Service Agreement, 05.31.19.pdf

Questions regarding this filing should be directed to me at (509) 734-4593.

Sincerely,

/s/ Michael Parvinen

Michael Parvinen
Director, Regulatory Affairs
Cascade Natural Gas Corporation
8113 W Grandridge Blvd
Kennewick, WA 99336-7166
michael.parvinen@cngc.com

Enclosures