

Agenda Date: October 26, 2017  
Item Number: A8

**Docket:** UG-171010, UG-171011, UG-170674, UG-171009, UG-171014  
**Company:** Cascade Natural Gas Corporation

**Staff:** David Panco, Regulatory Analyst  
E. Cooper Wright, Regulatory Analyst  
Ann Erdahl, Regulatory Analyst  
Jing Liu, Regulatory Analyst  
Andrew Roberts, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the tariff sheets filed by Cascade Natural Gas Corporation in Docket UG-171010, UG-171011, UG-170674, UG-171009, and UG-171014 to become effective on November 1, 2017, by operation of law.

### **UG-171010 - Purchased Gas and Temporary Technical Adjustments**

On September 29, 2017, Cascade Natural Gas Corporation (Cascade or company) filed a revision to its tariff Schedule No. 595, Temporary Technical Adjustment, effective November 1, 2017. The company proposes to revise the rate for Purchase 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 projects 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 an increase in annual revenues of \$14.2 million (6.27 percent). The rate increase is driven by gas commodity costs that exceeded last year's forecast and reversal of a prior temporary rate adjustment.

<b>Description</b>	<b>Revenue Change</b>	<b>Percent Change</b>
Deferral	\$22,998,112	10.12%
PGA	<u>(\$ 8,759,564)</u>	<u>(3.85%)</u>
<b>Total Impact</b>	<b><u>\$14,238,548</u></b>	<b><u>6.27%</u></b>

Cascade serves approximately 210,000 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

Deferral amortization is designed to pass on 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 more than what was projected. The company accrued a deficit as of August 31, 2017, of over 11 million dollars requiring recovery from customers. The rate revision will result in approximately \$23.0 million revenue change (10.12 percent). The recovery period will start November 1, 2017, and end on October 31, 2018.

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 a decrease of approximately \$8.8 million (3.85 percent) in annual revenue for this filing. The current residential weighted average cost of gas (WACOG) is \$0.49569/therm (commodity \$0.32009, firm demand \$0.17560). In this filing, Cascade proposes a weighted cost of gas of \$0.46035/therm (commodity \$0.28557, firm demand \$0.17478) for residential customers.

Although the PGA rate will become effective November 1, 2017, the cost estimate is based on the period from November 1, 2016, to October 31, 2017. Any difference between projected cost and actual PGA revenue will be trued up in the next rate year.

Combined Rate Impacts

With combined effects from the PGA and Deferral rate adjustment, a residential customer with a monthly use of 58 therms will see an increase of \$3.33, from \$51.65 to \$54.98. The following table provides rate changes and revenue impact in detail.

	<b>PGA Rate Change</b>	<b>Deferral Rate Change</b>	<b>Revenue Impact</b>	<b>Revenue Percent Change</b>
Residential	(\$0.03534)	\$0.09273	\$7,345,978	6.5%
Commercial	(.03532)	\$0.09273	5,269,241	7.2%
Industrial-Firm	(.03526)	\$0.09273	686,858	8.6%
Industrial	(.03526)	\$0.09273	729,852	9.1%
Institutional	(.03520)	\$0.09273	4,091	13.6%
Industrial Interruptible	(.03520)	\$0.09273	<u>202,527</u>	<u>13.6%</u>
Total			<u>\$14,238,548</u>	<u>6.27%</u>

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 as part of its 2017 PGA filing. Cascade Natural Gas Corporation filed its hedging plan as required. This matter, UG-171045, will be discussed at the recessed open meeting held on November 16, 2017.

### **UG-171011 - Conservation Program Adjustment**

Cascade is seeking to recover \$3,155,123 in expenses pursuant to the Company's conservation program by amending the conservation program adjustment to \$0.01365. The amended surcharge is \$0.00062 less than the current surcharge and will result in a \$0.04 decrease to the average residential customer's monthly bill. For the average commercial customer monthly bill, the new rate will result in a \$0.18 decrease.

In review of this tariff change, Staff conducted an audit of the company's energy efficiency program expenditures from August 2016 through July 2017. Staff noted a few administrative errors, but ultimately found that the program costs are accurately represented in this filing. Therefore, staff recommends that the commission take no action and thereby allow the proposed tariff rates to go into effect.

### **Overall Combined Effects**

The combined effect on a typical residential customer with an average monthly use of 58 therms will be an increase of \$3.38, from \$51.65 to \$55.03.

<b><u>Docket</u></b>	<b><u>Description</u></b>	<b><u>Incremental revenue change</u></b>	<b><u>Percent of total revenue</u></b>
UG-171010	PGA / TTA	\$ 14,238,548	6.27 percent
UG-171011	Conservation	\$ (108,431)	(0.07) percent
UG-170674	CRM	\$ 1,315,959	0.61 percent
UG-171009	Low Income	\$ (443,868)	(0.20) percent
UG-171014	Decoupling	\$ (213,969)	(0.09) percent
	<b>Combined Effect</b>	<b>\$ <u>14,742,903</u></b>	<b><u>6.52 percent</u></b>

### **Customer Comments**

Cascade notified its customers of these proposed changes through bill inserts by mail during August 2017 and posting on their website. The commission did receive two customer comments opposed to the set of rate increases.

### **Conclusions**

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.

### **Recommendation**

Take no action, thereby allowing the tariff sheets filed by Cascade Natural Gas Corporation in Docket UG-171010, UG-171011, UG-170674, UG-171009, and UG-171014 to become effective on November 1, 2017, by operation of law.