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January 28, 2019

Records Center
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504

**Re: UG-160967, Informational Filing
January 2019 Line Extension Data**

On July 29, 2016, Cascade Natural Gas Corporation (Cascade or Company) submitted Advice No. W16-07-01, docketed as UG-160967, which the Washington Utilities and Transportation Commission (Commission) approved with an effective date of September 1, 2016. The filing revised the Company's line extension policy to offer an upfront allowance based on the perpetual net present value (PNPV) of the revenues generated from that customer.

When the Commission approved the Company's filing in Advice No. W16-07-01, Commission staff expressed an interest in receiving periodic line extension data to track the impact of the policy changes. This report therefore provides an update of line extension data for Q3 and Q4 of 2018.

On August 2, 2018, Cascade Natural Gas Corporation (Cascade or Company) submitted Advice No. W18-08-01, docketed as UG-180673, which the Commission approved with an effective date of September 1, 2018.

The 2018 filing further revised the Company's line extension allowances for its residential (rate schedule 503) and commercial (rate schedule 504) customers to reflect the correct perpetual net present value (PNPV) as derived from calculations utilizing the Company's authorized rate of return from its last rate case.¹

The allowances are calculated by taking the sum of 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 rate of return as approved in Commission

¹ See Commission Order No. 06 in UG-170929

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Order No. 06 issued in UG-170929. This methodology provides an upfront allowance for residential customers not to exceed \$3,275 and an allowance of no more than \$12,500 for commercial customers.²

The table below provides a history of the number of new services added per quarter, the total length of new service lines and mains installed, the overall cost, and the average cost per foot of pipe:

Year-Quarter	Number of Services	Total Service Footage	Total Main Footage	Total Footage	Cost	Cost Per Foot
2014 Q3 - July thru September Total	471	26,821	35,754	62,575	573,663.87	9.17
2014 Q4 - October thru December Total	552	34,805	40,937	75,742	946,773.45	12.50
2015 Q1 - January thru March Total	523	32,106	32,051	64,157	818,538.39	12.76
2015 Q2 - April thru June Total	561	30,706	56,432	87,138	1,594,264.57	18.30
2015 Q3 - July thru September Total	529	27,913	40,772	68,685	977,336.95	14.23
2015 Q4 - October thru December Total	751	43,354	45,809	89,163	1,441,120.47	16.16
2016 Q1 - January thru March Total	630	32,314	41,385	73,699	1,034,005.55	14.03
2016 Q2 - April thru June Total	735	36,056	26,084	62,140	913,930.95	14.71
2016 Q3 - July thru September Total	647	34,350	27,431	61,781	986,557.67	15.97
2016 Q4 - October thru December Total	745	41,415	18,508	59,923	843,103.54	14.07
2017 Q1 - January thru March Total	524	30,271	34,163	64,434	1,466,013.02	22.75
2017 Q2 - April thru June Total	644	37,935	20,000	57,935	1,533,194.46	26.46
2017 Q3 - July thru September Total	957	55,107	101,168	156,275	4,108,224.43	26.29
2017 Q4 - October thru December Total	1,051	67,551	44,642	112,193	2,668,589.04	23.79
2018 Q1 - January thru March Total	1,031	61,877	67,547	129,424	3,320,183.43	25.65
2018 Q2 - April thru June Total	1,191	67,777	30,368	98,145	3,244,220.12	33.06
2018 Q3 - July thru September Total	770	51,152	84,770	135,922	4,711,758.54	34.67
2018 Q4 - October thru December Total	1,602	91,434	52,696	144,130	4,402,214.49	30.54
Grand Total	13,914	802,944	800,517	1,603,461	35,583,692.94	22.19

The cost per foot installed in Q4 2018 is trending slightly downward from Q3 2018. The methodology for generating Cascade’s cost per foot reports has been a work in progress. This is because PowerPlan (Cascade’s plant accounting software) does not natively track service line footage, so a more manual process needed to be set up. Previously, before this yearend report, Cascade required its districts to provide all of the data via manual record keeping.

However this introduced a timing error based on when the districts gathered their cost information. As Cascade has been using this data now for a few years, it was determined that the timing error on costs was excessive. Further, after some experimentation Cascade determined that it was possible to query the system for accurate cost data that could then be merged with the district provided statistical data. The process is reasonably straight forward and does not add extensively to the difficulty in preparing the report. The result is more accurate installation cost figures going forward.

² See Cascade’s Rule 8 Tariff – *Extension of Distribution Facilities*

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The Company submits semi-annual informational filings by the end of January and July of each year. Each filing provides an additional two quarters of line extension information. The next update will be filed in July 2019.

This submission is comprised of the following two files:

UG-160967, CNGC Line Ext. Data CLtr, 1.28.2019.pdf
UG-160967, CNGC Line Ext Data WP, 1.28.2019.xlsx

If you have any questions regarding this report, please contact me at (509) 734-4593.

Sincerely,

/s/ Michael Parvinen

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