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September 15, 2023

Kathy Hunter
Acting Executive Director and Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Received
Records Management
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Re: Cascade Natural Gas PGA and TTA Annual Filing

Director Hunter,

Cascade Natural Gas Corporation (“Cascade” or “Company”) files the following tariff sheet for revision, with a requested effective date of November 1, 2023:

Seventh Revision Sheet No. 590

Overview

This filing revises two sets of rates listed in Schedule 590, Gas Cost Rate Adjustment: 1) The Weighted Average Cost of Gas (“WACOG”) is updated in accordance with the Purchased Gas Adjustment (“PGA”) mechanism established in Rule 19; and 2) the Temporary Technical Adjustments (“TTA”) are also updated.

Purchased Gas Adjustment to WACOG

The PGA details the commodity and demand units and costs of Cascade’s core market gas supply portfolio, including Company purchased supplies, pipeline transportation and peaking resources. The overall cost of gas, which includes pipeline, reservation, and storage costs, has decreased since last year. The filing passes on rate adjustments designed to reflect the cost of gas in the Company’s current gas supply portfolio.

NYMEX natural gas futures are notably lower than last summer. However, with the exception of AECO, the regional basins of British Columbia and Rockies supplies continue to experience some level of elevated pricing.

The price spike this past heating season was due to much higher-than-average demand going into November 2022 and lasting into late December 2022, which had a heavy impact on pricing in the region that still lingers to some extent at Sumas and Rockies. During this past winter, temperatures remained below average across much of the Pacific Northwest for extended periods of time, leading to notable drains on storage, including Cascade’s limited storage position. Day pricing was very high due to Northwest and California pipeline constraints, which impacted storage usage even further for much of that timeframe. Cascade had very cold weather going into

bid-week for January 2023. Given the short positions across the region and the fear of continued cold weather, both Sumas and Rockies closed at unprecedented levels. While forward pricing is not at the \$14 to \$45 per dekatherm range experienced in January 2023, Cascade is still seeing the Sumas November 2023 to October 2024 average winter strip in the \$8.60 to \$9.00 range. Cascade’s hedging strategy will continue to play an important role in mitigating supply costs for the upcoming PGA year.

Cascade’s storage is typically filled throughout the summer, with fill targets of 100% by September/October. It is worth noting that due to the lower cost of injected supplies, Cascade’s storage accounts at Mist and Jackson Prairie saw over a 50% reduction in average storage commodity costs.

The proposed rate changes to the WACOG in Schedule 590 will result in an estimated annual revenue decrease of approximately \$26,409,036 or a decrease in annual revenue of 7.56 percent. The average residential customer using 54 therms per month will see a decrease of \$5.50 or 7.31 percent. The proposed change in revenue for each customer class is shown in the following table:

Service	Sch. No.	Commodity Change per therm	Demand Change per therm	Total Rate Change	WACOG Proposed Rate Per Therm	Percent Change
Residential	503	(\$0.10022)	(\$0.00166)	(\$0.10188)	\$0.63026	-7.03%
Commercial	504	(\$0.10022)	(\$0.00163)	(\$0.10185)	\$0.62751	-7.85%
Industrial	505	(\$0.10022)	(\$0.00151)	(\$0.10173)	\$0.61394	-9.22%
Industrial Lg Vol	511	(\$0.10022)	(\$0.00151)	(\$0.10173)	\$0.61394	-9.46%
Interruptible	570	(\$0.10022)	(\$0.00138)	(\$0.10160)	\$0.60042	-10.96%

Temporary Technical Adjustments

The second part of this filing is the TTA portion, which adjusts the Temporary Gas Cost Amortization rate in Schedule 590 to include changes in the amortization rates to refund or collect the balance of deferred natural gas commodity and demand costs as well as the residual TTA balance from the prior year. All balances to be refunded or collected include accrued interest.

During the 2022-2023 winter, the Company experienced unprecedented levels of gas costs for the reasons discussed in the WACOG section above. As a result of these extraordinary gas costs, the Company’s commodity deferral balance as of July 31, 2023 was \$151,045,650, significantly larger than last year’s commodity deferral balance of \$42,303,713. To mitigate the impact that this large deferral would have on customer rates, the Company proposes to collect the commodity deferral balance over twenty-four months.

The Company's decision to amortize the commodity gas deferral balance over twenty-four months will require the Company to carry more debt than it otherwise would

have. Consequently, the Company anticipates filing a proforma adjustment to increase its equity ratio in its next general rate case filing.

The rates contained in the attached Sheet 590 will collect the demand costs and residual TTA deferrals over twelve months, but the commodity portion of the deferral will be spread out over twenty-four months as discussed above. The change in rates will result in an estimated annual revenue increase of \$25,683,184, or 7.36 percent. The average residential customer using 54 therms per month will see an increase of \$5.35 or 7.11 percent. Below is a table summarizing the proposed changes reflected in the deferral amortization portion of the filing:

<u>Service</u>	<u>Sch. No.</u>	<u>Rate Change</u>	<u>Proposed Rate Per Therm</u>	<u>Percent Change</u>
Residential	503	\$0.09905	\$0.26926	6.84%
Commercial	504	\$0.09905	\$0.26926	7.64%
Industrial	505	\$0.09905	\$0.26926	8.98%
Industrial Lg Vol	511	\$0.09905	\$0.26926	9.21%
Interruptible	570	\$0.09905	\$0.26926	10.69%

Combined Effect

The impact of the PGA and TTA changes combined is a revenue decrease of \$725,852 or an overall 0.21 percent decrease. The impact to an average residential customer using 54 therms per month will be \$0.15 or a 0.20 percent decrease.

Attached Supporting Materials

In addition to the supporting materials submitted as part of this combined filing, the Company separately submits all workpapers in electronic format.

The Company therefore, requests that the documents contained in the spreadsheet marked confidential that are identified with the cover page as “Confidential per WAC 480-07-160” be treated as confidential under the provisions of WAC 480-07-160(8), as they each contain sensitive commercial information. It would be unduly burdensome to mark the file as required in 480-07-160(4-7).

As directed by the WUTC in the March 13, 2017, Policy and Interpretive Statement in Docket UG-132019, included as an attachment to this filing is the Company’s 2021-22 Hedging Plan. The information contained in the plan is confidential pursuant to WAC 480-07-160(2)(c) as the plan contains valuable commercial information.

Cascade’s Hedging Program

Cascade’s Hedging Program uses a three-year, forward-looking ladder while establishing maximum and minimum percentage boundaries that allow hedge volumes to adjust to market conditions. In addition, the 2023 Hedge Plan implements a change to the years two and three maximum percentages from 50% to 55% and 30% to 35%, respectively, reflecting the Company’s increased capability for technical analysis and internal expertise.

Hedge volume comparison: hedged volumes for the 2022 plan (November 2021, through October 2022) totaled 18,902,250. Hedge volumes for the 2023 plan as of August 1st (November 2022, through October 2023) totaled 19,706,500. Over the period, since the approval of the 2022 Hedge Execution Plan (“HEP”) (April 2022-March 2023), the Cascade HEP saved customers about \$107 million of gas costs as compared to market prices. Backing out the fees paid to Gelber and Associates, the program realized a net gain of about \$106.9 million.

Customer Notice

In accordance with WAC 480-90-198, the Company declares that notice to customers was made in accordance with WAC 480-90-194. Cascade issued bill inserts to customers during August 2023, explaining the PGA process, and Cascade will publish on its webpage the anticipated rate decrease. Also, on September 15, 2023, Cascade began issuing another bill insert to customers stating the proposed decreased rates. Finally, Cascade will provide copies of the notice to Community Action agencies and organizations within its service territory and provide notice to the news media. Both copies of the 2023 bill inserts are included with this filing. The proposed change will affect all of Cascade’s Washington customers. Cascade serves approximately 202,519 residential, 27,445 commercial, 492 industrial, 100 large volume, and seven industrial interruptible customers in the state of Washington.

If you have any questions, please direct them to me at (208) 377-6015.

Sincerely,

/s/ Lori A. Blattner

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Attachments

PGA

NEW-CNGC-Advice-W23-09-01-PGA-Trf Sheets-09-15-23.pdf
NEW-CNGC-Advice-W23-09-01-PGA-Bill-Insert-09-15-23.pdf
NEW-CNGC-Advice-W23-09-01-PGA-Exhibit-A-09-15-23.pdf
NEW-CNGC-Advice-W23-09-01-PGA-WP-09-15-23.xlsx
NEW-CNGC-Advice-W23-09-01-PGA-Gas-Cost-WP-09-15-23(R).pdf
NEW-CNGC-Advice-W23-09-01-PGA-Gas-Cost-WP-09-15-23(C).xlsx

Hedge Plan

NEW-CNGC-RETROSPECTIVE-REPORT-WORKBOOK-09-15-23(C).xlsx
NEW-CNGC-RETROSPECTIVE-REPORT-WORKBOOK-09-15-23(R).pdf
NEW-CNGC-VAR-to-Life-09-15-23(C).xlsx
NEW-CNGC-VAR-to-Life-09-15-23(R).pdf
NEW-CNGC-2023-Annual-Hedge-Plan-09-15-23(C).pdf
NEW-CNGC-2023-Annual-Hedge-Plan-09-15-23 (R).pdf
NEW-CNGC-2023-HEDGE-PLAN-PROCESS-FLOW-CHARTS-09-15-23.pdf
NEW-CNGC-Annual-Plan-Check-In-Meeting-09-15-23(C).pdf
NEW-CNGC-Annual-Plan-Check-In-Meeting-09-15-23(R).pdf
NEW-CNGC-Compliance-Matrix-09.15.2023.xlsx
NEW-CNGC-GELBER-ASSOCIATES-2023-FORECAST-09-15-23(C).pdf
NEW-CNGC-GELBER-ASSOCIATES-2023-FORECAST-09-15-23(R).pdf
NEW-CNGC-Hedge-Book-Model-2023-09-15-23(C).xlsx
NEW-CNGC-Hedge-Book-Model-2023-09-15-23(R).pdf
NEW-CNGC-HEDGE-SCHDL-CHART-09-15-23.xlsx
NEW-CNGC-Mark-to-Market-Calculator-09-15-23(C).xlsx
NEW-CNGC-Mark-to-Market-Calculator-09-15-23(R).pdf
NEW-CNGC-Monthly-Guidance-09-15-23(C).pdf
NEW-CNGC-Monthly-Guidance-09-15-23(R).pdf