Agenda Date:	October 28, 2010
Item Numbers:	A2, A3
Dockets:	**UG-101636 and UG-101637**
Company Name:	Cascade Natural Gas Corporation
Staff:	Rick Applegate, Regulatory Analyst Ann LaRue, Regulatory Analyst Roger Kouchi, Consumer Protection Staff

Recommendation

Take no action, thereby allowing the tariff filings made by Cascade Natural Gas Corporation (Cascade or company) in Dockets UG-101636 and UG-101637 to become effective November 1, 2010, by operation of law.

Background

On October 1, 2010, Cascade filed revisions to its Purchased Gas Adjustment (PGA) and deferred gas cost amortization tariffs in Dockets UG-101636 and UG-101637, respectively. The net effect of the proposed filings is a decrease in annual natural gas sales revenues of $23,105,275 (-9.34 percent).

The PGA and deferred natural gas cost amortization mechanisms are designed to pass through to customers the utility's actual cost of natural gas on a periodic basis. The PGA establishes for the upcoming year a projection of the utility's gas costs. The difference between the projected cost and the actual cost is deferred and ultimately amortized back to customers with interest, whether it is a refund or a charge.

Cascade is a natural gas utility serving approximately 191,375 gas customers in various areas along the Northwest Pipeline. Its major Washington service locations include Bellingham, Bremerton, Yakima, and Walla Walla.

Discussion

Purchased Gas Adjustment

In Docket UG-101636, Cascade's PGA filing, the company proposes a decrease of approximately $27.0 million (-10.90 percent) in annual revenue, which reflects a weighted average cost of gas of $0.66454/therm (commodity $0.56143, firm demand $0.10311). Cascade forecasts lower natural gas costs for the coming year, which it determined using various analytical methods and supporting historical data that staff found reasonable.

Gas Cost Deferral Amortization

In Docket UG-101637, Cascade proposes a rate to amortize deferred natural gas costs. This filing is designed to pass through to customers the additional natural gas costs the company incurred above the amounts collected. The filing results in an increase to annual revenues of $3.9 million (1.56 percent).

Revenue and Residential Bill Impacts

The combined effect of the two filings is a decrease in annual natural gas sales revenues of $23,105,275, which decreases overall rates for natural gas customers by 9.34 percent. The following table shows the impacts of the filings by customer class:

TABLE 1

	PGA Per Therm Change	Amortization Per Therm Change	Total Annual Revenue Change	Percent Change
Residential	(0.13079)	0.01871	(11,994,150)	-9.82%
Commercial	(0.13062)	0.01293	(9,070,060)	-10.93%
Industrial Firm	(0.12980)	0.00611	(1,032,340)	-12.45%
Industrial Large	(0.12980)	0.00299	(1,167,127)	-12.48%
Interruptible	(0.12899)	(0.00277)	(583,970)	-15.32%
Interruptible Inst.	(0.12899)	0.00024	(59,671)	-14.18%
Noncore Dist		0.00203	809,220	6.20%
Noncore Trans		(0.00095)	(7,177)	-1.93%
TOTAL			**(23,105,275)**	**-9.34%**

The impact of the company’s two filings on the average monthly bill for a residential customer with monthly consumption of 53 therms will be a net decrease of $5.94 or 9.82 percent.

Customer Comments

The company notified its customers by bill insert during the month of August 2010. The company explained the PGA process and the anticipated rate change. The commission did not receive any customer comments on this filing.

Conclusion

Staff has reviewed Cascade’s prospective natural gas costs and deferral amortization filings and found them to be reasonable. Therefore, staff recommends the commission take no action, thereby allowing the tariff filings in Dockets UG-101636 and UG-101637 to take effect November 1, 2010, by operation of law.