

Agenda Date: November 23, 2011
Item Number: A1

Docket: UG-111875
Company Name: Cascade Natural Gas Corporation

Staff: EJ Keating, Regulatory Analyst
Rick Applegate, 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 Docket UG-111875 to become effective December 1, 2011, by operation of law.

Background

On October 1, 2011, Cascade filed revisions to its deferred gas cost amortization tariffs in Docket UG-111757 resulting in a decrease in annual natural gas sales revenues of approximately \$12 million or (-4.8 percent). The purchased gas adjustment (PGA) and natural gas cost amortization tariffs are often filed simultaneously. Cascade did not file a PGA tariff revision at that time based on supporting workpapers that showed a two percent decrease in gas commodity costs essentially being offset by a two percent increase in its pipeline demand costs.

During the course of the filing an allocation error between Washington commodity costs and Oregon commodity costs was found and brought to the attention of Staff. Since it was not known at the time how much the error would affect commodity costs, Staff determined it was in ratepayer interest to support the existing filing and recommended the Company file updated commodity costs as soon as they were known. During the open meeting on October 27, 2011 a discussion ensued regarding the gas cost amortization tariff filing and the error found for commodity costs. The Commission ultimately decided to allow the filing in Docket UG-111757 to go into effect, and requested the Company update its commodity costs through a PGA filing as soon as they were known.

On October 31, 2011, the Company honored the Commission request and filed revisions to its PGA tariffs in Docket UG-111875. The effect of the proposed filing is a decrease in annual natural gas sales revenues of approximately \$16.5 million (-7.4 percent). 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 194,950 gas customers in various areas along the Northwest Pipeline. Its major Washington service locations include Bellingham, Bremerton, Yakima, and Walla Walla.

Discussion

Cascade’s proposed rates in Docket UG-111875 reflect the costs of purchased gas for the months of December 2011 through October 2012. The Company is proposing a decrease of approximately \$16.5 million (-7.4 percent) in annual revenue, which reflects a weighted average cost of gas (WACOG) of \$0.62552/therm (commodity \$0.50169, firm demand \$0.12383) for residential customers. Table 1 below shows the PGA per therm change, annual revenue change and percent change per respective customers.

TABLE 1

	PGA Per Therm Change	Total Annual Revenue Change	Percent Change
Residential	(0.07169)	(8,552,899)	-7.01%
Commercial	(0.07199)	(6,154,530)	-7.53%
Industrial Firm	(0.07349)	(733,447)	-8.41%
Industrial Large	(0.07349)	(643,118)	-8.61%
Interruptible	(0.07497)	(326,694)	-9.97%
Interruptible Inst.	(0.07497)	(34,549)	-9.28%
TOTAL		(16,445,237)	-7.4%

The impact of the Company’s filing on the average monthly bill for a residential customer with monthly consumption of 58 therms is a net decrease of \$4.16 or 7.01%.

Customer Comments

Cascade Natural Gas issued bill inserts to customers during September 2011 explaining the purchased gas cost adjustment (PGA) process. On October 31, the Company provided a news release to the editors of newspapers, television stations and radio stations within the Company's service area about the PGA. The Commission received no customer comments. The Company will follow up with a bill insert to its customers after the final disposition of this filing.

Conclusion

Staff has reviewed Cascade's PGA filing and found it to be reasonable. Therefore, Staff recommends the Commission take no action, thereby allowing the tariff filings in Docket UG-111875 to take effect December 1, 2011 by operation of law.