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Ref: Docket No. UG-170003

Cascade Natural Gas Corporation (Cascade) submits the following comments in the referenced docket concerning the Washington Utilities and Transportation Commission (WUTC) staff's request for written comments issued May 6, 2019. The comments are organized according to the order of questions issued in the May 6, 2019 Revised Notice of Informal Draft Rules and Opportunity to File Written Comments.

Questions for all interested stakeholders:

1. How should a cost of service study reflect special contracts?
 - a. Is it appropriate to treat them as a separate customer class?
RESPONSE: Yes, including Special Contracts as a separate class for purposes of the embedded COSS would provide useful information as to the rate of return performance of this group of customers vis-à-vis the remaining customer classes.
 - b. How should revenue from special contracts be included or shown as an offset to other customer classes?
RESPONSE: If Special Contracts were not treated as separate customer class in the cost of service study, then revenue from special contracts should be credited back to the other customer classes.
 - i. Would this require a specific adjustment in the revenue requirement model?
RESPONSE: No.
2. Are the proposed input data types (advanced metering infrastructure, special contracts, load studies) sufficient, or should there be other types of data?
RESPONSE: Cascade's position as to the use of AMI consumption data is that hourly or sub-hourly usage data is irrelevant to a gas COSS. Gas utilities operate on a 24-hour gas day for supply and upstream capacity resources. If seasonal variations in cost can be identified, inclusion in the COSS may be appropriate, as it could provide useful information for rate design purposes.

3. How often should load studies be performed?

RESPONSE: Load studies are already part of the requirements under the Integrated Resource Plan (IRP) process and therefore filed bi-annually with a Company’s IRP. Therefore, the only requirement for purposes of a COSS should be that the class-by-class demands be consistent with the methodology employed and the results from the most recently accepted IRP. No further rule is necessary.

Natural Gas Scenarios:

The Staff requested three distribution mains classification scenarios and three distribution mains allocation scenarios. Below is a description of the scenarios conducted by Cascade to provide the information Staff requested around sensitivity of classification and allocations, as well as the resulting revenue to cost ratios. The scenarios were based on Cascade’s most recent cost of service model filed in UG-170929.

Classification Scenarios

Classification Scenario No. 1 “System Load Factor”

In this scenario, the distribution mains were classified as demand-related based on the test year system load factor, and the balance of distribution mains costs were classified as commodity-related. The demand-related costs were allocated to customer classes based on the Staff’s demand allocation method using the top five peak days in each of the last three years. The commodity-related costs were allocated to customer classes based on weather normalized throughput. The results of this scenario are shown in Table C-1 below.

Table C-1

Rate Class	Revenue Requirement Avg. ROR	Revenue Requirement % by Class	Revenue to Cost Ratio (current rates)
Residential	\$114,075,000	52.9%	0.96
Commercial	\$61,920,000	28.7%	1.08
Industrial	\$7,319,000	3.4%	1.07
Large Volume	\$6,837,000	3.2%	1.05
Interruptible	\$2,089,000	1.0%	1.00
Transport	\$18,724,000	8.7%	0.90
Special Contract	\$4,550,000	2.1%	1.34
Unit Cost Analysis			
Rate Class	Demand	Energy	Customer
Residential	\$ 0.5513	\$ 0.5326	\$ 18.70
Commercial	\$ 0.5746	\$ 0.5277	\$ 41.52
Industrial	\$ 0.4637	\$ 0.5105	\$ 158.65
Large Volume	\$ 0.6627	\$ 0.5115	\$ 508.48
Interruptible	\$ 0.4219	\$ 0.4764	\$ 1,253.40
Transport	\$ 0.3970	\$ 0.0184	\$ 1,530.01
Special Contract	\$ 0.1717	\$ 0.0051	\$ 4,628.75

Classification Scenario No. 2 “Design Day”.

In this scenario, all distribution mains were classified as demand-related. The allocation to customer classes was based on the class contribution to design day peak demand. The results of this scenario are shown in Table C-2 below.

Table C-2

Rate Class	Revenue Requirement Avg. ROR	Revenue Requirement % by Class	Revenue to Cost Ratio (current rates)
Residential	\$117,098,000	54.3%	0.94
Commercial	\$63,868,000	29.6%	1.05
Industrial	\$7,609,000	3.5%	1.03
Large Volume	\$6,731,000	3.1%	1.06
Interruptible	\$2,057,000	1.0%	1.01
Transport	\$13,499,000	6.3%	1.25
Special Contract	\$4,651,000	2.2%	1.31
Unit Cost Analysis			
Rate Class	Demand	Energy	Customer
Residential	\$ 1.0970	\$ 0.4812	\$ 18.70
Commercial	\$ 1.1279	\$ 0.4769	\$ 41.52
Industrial	\$ 1.0597	\$ 0.4648	\$ 158.65
Large Volume	\$ 1.1109	\$ 0.4639	\$ 508.48
Interruptible	\$ 0.6588	\$ 0.4527	\$ 1,253.40
Transport	\$ 0.5324	\$ 0.0010	\$ 1,530.01
Special Contract	\$ 0.2594	\$ 0.0010	\$ 4,628.75

Classification Scenario No. 3 “Hybrid Design Day”.

In this scenario, the distribution mains were classified as demand-related based on the test year system peak divided by the design day demand, and the balance of distribution mains costs were classified as commodity-related. The demand-related costs were allocated to customer classes based on the Staff’s demand allocation method using the top five peak days in each of the last three years. The commodity-related costs were allocated to customer classes based on weather normalized throughput. The results of this scenario are shown in Table C-3 below.

Table C-3

Rate Class	Revenue Requirement Avg. ROR	Revenue Requirement % by Class	Revenue to Cost Ratio (current rates)
Residential	\$115,166,000	53.4%	0.96
Commercial	\$62,567,000	29.0%	1.07
Industrial	\$7,265,000	3.4%	1.08

Large Volume	\$6,828,000	3.2%	1.05
Interruptible	\$2,078,000	1.0%	1.00
Transport	\$17,027,000	7.9%	0.99
Special Contract	\$4,585,000	2.1%	1.33
Unit Cost Analysis			
Rate Class	Demand	Energy	Customer
Residential	\$ 0.9173	\$ 0.4903	\$ 18.70
Commercial	\$ 0.9511	\$ 0.4848	\$ 41.52
Industrial	\$ 0.7535	\$ 0.4712	\$ 158.65
Large Volume	\$ 1.1136	\$ 0.4723	\$ 508.48
Interruptible	\$ 0.6759	\$ 0.4569	\$ 1,253.40
Transport	\$ 0.6450	\$ 0.0044	\$ 1,530.01
Special Contract	\$ 0.2421	\$ 0.0016	\$ 4,628.75

Allocation Scenarios

Allocation Scenario No. 1 "Current Commission Staff method".

In this scenario, the distribution mains were classified as demand-related based on the test year system load factor, and the balance of distribution mains costs were classified as commodity-related. The demand-related costs were allocated to customer classes based on the Staff's demand allocation method using the top five coincident peak days in each of the last three years. The commodity-related costs were allocated to customer classes based on weather normalized throughput. *This scenario is identical to Classification Scenario No. 1 above.* The results of this scenario are shown in Table A-1 below.

Table A-1

	Revenue Requirement Avg. ROR	Revenue Requirement % by Class	Revenue to Cost Ratio (current rates)
Residential	114,075,000	52.9%	0.96
Commercial	61,920,000	28.7%	1.08
Industrial	7,319,000	3.4%	1.07
Large Volume	6,837,000	3.2%	1.05
Interruptible	2,089,000	1.0%	1.00
Transport	18,724,000	8.7%	0.90
Special Contract	4,550,000	2.1%	1.34
Unit Cost Analysis			
Rate Class	Demand	Energy	Customer
Residential	\$ 0.5513	\$ 0.5326	\$ 18.70
Commercial	\$ 0.5746	\$ 0.5277	\$ 41.52
Industrial	\$ 0.4637	\$ 0.5105	\$ 158.65
Large Volume	\$ 0.6627	\$ 0.5115	\$ 508.48
Interruptible	\$ 0.4219	\$ 0.4764	\$ 1,253.40
Transport	\$ 0.3970	\$ 0.0184	\$ 1,530.01
Special Contract	\$ 0.1717	\$ 0.0051	\$ 4,628.75

Allocation Scenario No. 2 “Commission Staff proposed method in February 22 technical workshop”.

In this scenario, the distribution mains were classified as demand related based on the test year system load factor, and the balance of distribution mains costs were classified as commodity related. The demand-related costs were allocated to customer classes based on the average of each of the last five years’ coincident peak day. The commodity-related costs were separated into two groups. Mains four inches and greater in diameter were allocated to all customer classes based on weather normalized throughput. Mains less than four inches in diameter were allocated to customer classes, excluding transportation and interruptible customers, based on weather normalized throughput. The results of this scenario are shown in Table A-2 below.

Table A-2

Rate Class	Revenue Requirement Avg. ROR	Revenue Requirement % by Class	Revenue to Cost Ratio (current rates)
Residential	\$114,968,000	53.3%	0.96
Commercial	\$62,517,000	29.0%	1.07
Industrial	\$7,402,000	3.4%	1.06
Large Volume	\$6,921,000	3.2%	1.03
Interruptible	\$2,062,000	1.0%	1.01
Transport	\$16,557,000	7.7%	1.02
Special Contract	\$5,087,000	2.4%	1.20
Unit Cost Analysis			
Rate Class	Demand	Energy	Customer
Residential	\$ 0.5471	\$ 0.5406	\$ 18.70
Commercial	\$ 0.5697	\$ 0.5357	\$ 41.52
Industrial	\$ 0.4566	\$ 0.5186	\$ 158.65
Large Volume	\$ 0.6544	\$ 0.5198	\$ 508.48
Interruptible	\$ 0.4168	\$ 0.4695	\$ 1,253.40
Transport	\$ 0.4047	\$ 0.0132	\$ 1,530.01
Special Contract	\$ 0.1723	\$ 0.0069	\$ 4,628.75

Allocation Scenario No. 3 “Design Day”.

In this scenario, all distributions mains were classified as demand-related. The allocation to customer classes was based on the class contribution to design day peak demand. *This scenario is identical to Classification Scenario No. 2 above.* The results of this scenario are shown in Table A-3 below.

Table A-3

Rate Class	Revenue Requirement Avg. ROR	Revenue Requirement % by Class	Revenue to Cost Ratio (current rates)
Residential	\$117,098,000	54.3%	0.94
Commercial	\$63,868,000	29.6%	1.05
Industrial	\$7,609,000	3.5%	1.03
Large Volume	\$6,731,000	3.1%	1.06
Interruptible	\$2,057,000	1.0%	1.01
Transport	\$13,499,000	6.3%	1.25
Special Contract	\$4,651,000	2.2%	1.31
Unit Cost Analysis			
Rate Class	Demand	Energy	Customer
Residential	\$ 1.0970	\$ 0.4812	\$ 18.70
Commercial	\$ 1.1279	\$ 0.4769	\$ 41.52
Industrial	\$ 1.0597	\$ 0.4648	\$ 158.65
Large Volume	\$ 1.1109	\$ 0.4639	\$ 508.48
Interruptible	\$ 0.6588	\$ 0.4527	\$ 1,253.40
Transport	\$ 0.5324	\$ 0.0010	\$ 1,530.01
Special Contract	\$ 0.2594	\$ 0.0010	\$ 4,628.75

Any questions regarding these comments should be directed to Michael Parvinen at (509)-734-4593 or michael.parvinen@cngc.com.

Sincerely,

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