

CASCADE

Natural Gas

2015 GRC (UG-152286)	<i>Multi-Party Settlement – No Discussion of Cost of Service</i>
2006 GRC (UG-060256)	<i>Multi-Party Settlement – No Discussion of Cost of Service</i>
1995 GRC (UG-951415)	<i>Multi-Party Settlement – No Discussion of Cost of Service</i>
1986 GRC (U-86-100)	<i>Commission Order</i> Revenue requirement issues were settled through a multi-party agreement. However, Cost of Service and rate design remained as issues to be addressed by the Commission which resulted in the “Cascade Method.” <i>See Discussion Below</i>

1986 General Rate Case

This case marks the first application of the 1978 Generic Cost of Service case to the natural gas industry. This case served as a notable precedent for future orders concerning natural gas cost of service and is referred to generally as the “Cascade Method.”

Purpose of Cost of Service:

Embedded (fully-allocated) cost studies do not reflect the actual costs imposed on the system by a particular group of customers for two reasons. First, as stated above, joint and common costs, by definition, cannot be traced directly to specific customers and customer classes. Second, fully allocated cost of service studies reflect embedded costs. These embedded costs have been incurred to serve various customers over the company's history. Such costs may have been triggered by customers who have changed their consumption patterns or who are no longer even on the company's system.

Therefore, the customers to whom the company's costs are currently allocated cannot necessarily be said to have “caused” the costs. Nonetheless, cost of service studies can assist regulators in making informed judgements when they address the question of how revenue requirements will be reflected in rates.

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The Commission is aware of the many differences between electric and natural gas industries which dictate careful evaluation of cost of service methodologies. The Commission has determined that cost of service analyses provide information useful to the Commission in evaluating rate spread alternatives for natural gas companies. In future natural gas rate proceedings, the Commission will consider cost of service study results as one factor when making rate spread and rate design decisions. The Commission will therefore require a cost of service study to accompany future general rate increase filings.

Other important findings:

- Transmission plant and expenses should be allocated on a combination of coincident peak demand and throughput

More information about the 1986 filing will be available at a later date.