

# Cascade Natural Gas Corporation

UG-143616

Investigation of Natural Gas  
Infrastructure



*A Subsidiary of MDU Resources Group, Inc.*

# Current Line Extension Policy

- Established in 1997
- Offer an upfront credit
  - Applied to construction costs
  - 3.3 times commodity margin for a service line
  - 6.6 times commodity margin for a main and service line
- Customer charged if load doesn't materialize in 12 months

# Unintended Consequences

- Prohibitive first cost barrier to connect
- Lost opportunities to serve

# Line Extension Costs

- Average length of service line
  - 43 feet
- Average cost for a new service line (not main)
  - \$1666
- Average customer
  - uses 53 therms a months.
- Cascade's current tariff allows for 3.3 times annual margin which equates to a credit of \$568.  
Therefore, the customer would be required to contribute [ $\$1666 - \$568 = 1098 * 1.2387(\text{FIT}) = \mathbf{\$1360}$ ]
- Other customer costs for gas appliance(s) and appliance installation

# Proposed Line Extension Policy

- Offer an upfront credit for construction costs
  - 20 times commodity margin for service line and, or mains
- Supplement with promotional concession
  - Provide water heaters to new residential conversion customers.

# Line Extension Policy Goals

- Provide affordable access to natural gas service
- Compete with low cost municipal/PUD electrics
- Get more Washington residents using a cleaner burning fuel
- Increase throughput for rate of fixed cost recovery per customer
- Improve distribution system through expansion

# Other Considerations

- Commission Policy on “used and useful” for natural gas main extensions
  - Plan for future growth
  - Avoid lost opportunities to serve
- Commission waiver to allow recovery of costs for promotional advertising
  - Make public aware of low cost, clean burning heating fuel option
- Separate solution needed for underserved communities
  - Need a unique solution to spread costs and reduce regulatory lag

# Summary

- To provide Washingtonians with access to low cost, clean gas service
  - Need to revise current line extension policy through tariff filing
  - Need Commissioner Policy on “used and useful” for future growth
  - Need Commission action to allow cost recovery for promotional advertising
  - Need a unique solution for underserved or stranded communities