CASCADE NATURAL GAS CORPORATION®
A Subsidiary of MDU Resources Group, Inc.

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July 31, 2014

Oregon Public Utility Commission
3930 Fairview Industrial Drive SE
Salem, OR 97302

Re: Advice No. **CNG/O14-08-01/UG_____**
(UM 1558)

Re: Schedule No. 177 Purchased Gas Cost Adjustment and Schedule No. 191 Temporary Gas Cost Rate Adjustment Proposal to Change Rates

Attention: Filing Center

Pursuant to OAR 860-022-0070, Docket UM 1286 Order Nos. 11-196 and 14-238, ORS 757.210 and ORS 757.259(5), Cascade hereby submits three copies of the following revisions to Cascade's P.U.C. OR No. 9 Tariffs containing an effective date on and after November 1, 2014:

Ninth Revision No. 177-A, Canceling Eighth Revision Sheet No. 177-A.
Eleventh Revision Sheet No. 191, Canceling Tenth Revision Sheet No. 191.

The purpose of this filing is to pass on a change in Cascade's gas cost, which is scheduled to occur annually as a result of the provisions established in Purchase Gas Adjustment (PGA) Tariff Schedule No. 177. The purchased gas cost change proposed in this filing results from changes in the cost of commodity gas supply, transportation capacity, and realignment of existing firm transportation capacity. In accordance with the PGA methodology, amortization of outstanding deferred gas cost balances is also developed in this filing.

Tables 1 through 3 below summarize the changes in the 1) forward looking commodity costs included in Schedule 177-A, 2) the demand costs included in Schedule 177-A, and 3) the combined changes to Schedule 177-A (both commodity and demand):

Table 1 - Schedule 177-A Commodity

Rate Schedule	Present	Proposed	Change
101, 104, 105, 111, 170	$0.40172	$0.43645	**$0.03473**

Table 2 - Schedule 177-A Demand

Rate Schedule	Present	Proposed	Change
101, 104, 105, 111, 170	$0.15763	$0.16468	**$0.00705**

Table 3 - Schedule 177-A Commodity + Demand

Rate Schedule	Present	Proposed	Change
101, 104, 105, 111, 170	$0.55935	$0.60113	**$0.04178**

Commodity Costs (Schedule 177-A)

As shown in the Table 1 above, the estimated commodity cost (WACOG) change is an increase of .03473 cents per therm. The proposed WACOG is .43645 cents per therm compared to the present WACOG of .40172 cents per therm included in rates. The winter of 2013-2014 was significantly colder than normal not only in the western United States but nationally. The colder than normal weather led to an increase in overall natural gas demand and a heavy reliance on natural gas storage reserves. Natural gas storage both nationally and in the west were drawn down well below their five year average balance. The cold weather and increased demand increased wholesale natural gas prices both in the winter as well as in the summer as more natural gas is required to replenish storage facilities. Nationally, storage may not be full by the coming winter, and this storage imbalance may persist through the coming winter. While prices are currently forecast to remain higher throughout the upcoming winter, natural gas prices in future winter periods are below the upcoming winter. As a result, the market prices indicate that the storage imbalance issue is temporary, and the long-term trend of lower priced gas should return.

Cascade has been hedging natural gas on both a periodic and discretionary basis throughout 2014 for the forthcoming PGA year. Approximately 40% of estimated annual load requirements for the PGA year (November 2014 through October 2015) will be hedged at a fixed price, comprised of: 1) volumes hedged for a term of one year or less and 2) volumes from prior multi-year hedges. Through June 30, 2014, a majority of the planned hedge volumes for the PGA year have been executed.

The information contained in the Company's responses to "Natural Gas Portfolio Development Guidelines" describes the Company's Natural Gas Procurement Plan ("Procurement Plan"). The Company's Procurement Plan uses a diversified approach to procure natural gas for the upcoming year. While the Procurement Plan generally incorporates a structured approach for the hedging portion of the portfolio, the Company exercises flexibility and discretion in all areas of the plan based on changes in the wholesale market. The Company meets with the Commission Staff quarterly to discuss the state of the wholesale market and the status of the Company's Procurement Plan, among other things. Should there be a deviation from the Procurement Plan due to a change in market dynamics etc., the Company documents and communicates any such changes with the Gas Supply Oversight Committee (GSOC) and provides updates to Commission Staff.

Demand Costs (Schedule 177-A)

Demand costs reflect the cost of pipeline transportation to the Company's system, as well as fixed costs associated with natural gas storage. As shown in the Table 2 above, demand costs are expected to be relatively stable, with the Company proposing only a slight increase of 0.00705 cents per therm. No significant pipeline rate changes are anticipated for the upcoming PGA year. The primary reason for the incline in the demand rate per therm is due to assigning certain Northwest Pipeline capacity used to serve Oregon versus Washington.

Amortization of Deferral Accounts (Schedule 191)

Below summarizes the changes in the commodity and demand amortization rates included in Schedule 191, both commodity and demand:

Schedule 191 PGA Temporary Gas Cost Rate Adjustment Amortization

Rate Schedule	Present	Proposed	Change
101, 104, 105, 111, 170	-$0.01106	$0.00281	**$0.01387**

As shown in the Table above, the current overall amortization amount approved in the Company's 2013 PGA is a refund rate of approximately 0.01 cents per therm. For reasons discussed earlier in this letter, actual wholesale natural gas prices were higher than the level approved in the Company's 2013 PGA. As a result, commodity costs exceeded collections from customers and created a surcharge deferral balance of approximately $1.0 million or 1.4 cents per therm.

Three Percent Test

Pursuant to ORS 757.259 and OAR 860-027-0300, the overall annual average rate impact of the amortizations authorized under the statutes may not exceed three percent of the natural gas utility's gross revenues for the preceding calendar year, unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances. Total Oregon gross revenues for calendar year 2013 were $65,973,538. The total amortization revenue requested for the "Prior Period Gas Cost Deferral" as shown in Attachment C is $206,114. The resulting annual average rate impact from the PGA amortization is 0.31% and falls within the requirements of the statute.

The combination of the "Prior Period Gas Cost Deferral" and the "Non-Gas Cost Amortization" related to the Company's Demand Side Management filing also made on July 31, 2014, is a total amortization revenue request of $1,484,787. The net effect of combining the results of these two filings is an overall revenue change of ($1,735,830), an average rate impact of -2.45% which falls within the requirements of the statute.

Other Information

In this filing, the Company is requesting an increase in revenues of $206,015 or .34%, effective on November 1, 2014. The current amortization rates and the proposed changes, both inclusive of the gross revenue factor, are as follows:

Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by this filing, the annual revenue before and after the impact of the rate change, and the average monthly use and resulting bills under existing and proposed rates are as follows:

Rate Schedule	Number of Customers
101	56,831
104	9,548
105	108
111	13
170	4
163	29
164	3

Rate Schedule	Description	Current Revenues	Proposed Revenues	Revenue Incr (Decr)	Percent Incr (Decr)	Therms per Month	Current Avg Bill	Proposed Avg Bill	Monthly Change	Proposed Rates % Change
101	Residential	$34,854,642	$34,963,437	$108,795	0.31%	54	$51.61	$51.77	$0.16	0.31%
104	Commercial	$21,912,957	$21,989,900	$76,943	0.35%	232	$188.66	$189.32	$0.66	0.35%
105	Industrial Firm	$2,194,239	$2,202,702	$8,463	0.39%	2,349	$1,723.29	$1,729.94	$6.65	0.39%
111	Com-Ind Dual	$974,822	$978,767	$3,945	0.40%	9,554	$6,634.01	$6,660.86	$26.85	0.40%
170	Industrial Interr	$1,879,774	$1,887,643	$7,869	0.42%	58,674	$39,387.27	$39,552.15	$164.88	0.42%

Cascade, under Advice Nos. O14-08-02, O14-08-03 and O14-08-04, has also filed its Non-Gas Cost Tracking Filings. The overall impact of the proposed changes results in an increase. Below is a table showing the net impact to the Company's customers, by rate schedule, inclusive of all of the filings made by the Company on August 1, 2014:

Rate Schedule	Proposed Rate Change
Schedule 101	3.91%
Schedule 104	3.86%
Schedule 105	7.68%
Schedule 111	8.06%
Schedule 170	8.34%
Schedule 163	.55%
Schedule 164	.78%

The Company will issue a media release coincident with the update annual Purchased Gas Cost Adjustment ("PGA") filing in mid-September and provide notice to customers via a bill insert following the approval on this filing.

The rate adjustments proposed in this filing are consistent with the Oregon Public Utility Commission Staff's recommendations with regard to rate spread requirements and amortization procedures.

Attached in support of this filing are Exhibits 1, 2, and 3. Exhibit 1 contains schedules developing the level of the per therm gas cost change consistent with the procedure described in PGA Rate Schedule No. 177. Exhibit 2 contains summary information of the proposed impacts of the filings on the Company's rates and revenues on the various rate schedules as well as a proposed notice to the public. Exhibit 3 contains a summary of the proposed changes to the company's revenues.

The Company agrees to rate adjustments and refunds should the Commission determine that these rates have been inappropriately calculated. Any rate adjustments and refunds will be retroactive to November 1, 2014 provided that the Commission advises the Company of the necessity for such rate adjustments or refunds within 30 days after the effective date of these rates.

Please direct any questions regarding this filing to me at (509) 734-4593.

Sincerely,

Michael Pa

Michael Parvinen
Director, Regulatory Affairs

Enclosures