

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**
3 **UG 305**

4 In the Matter of

5 CASCADE NATURAL GAS COMPANY

6 Request for a General Rate Revision.
7

MOTION TO ADMIT STIPULATION AND
WAIVE REQUIREMENT TO
CONTEMPORANEOUSLY FILE BRIEF OR
TESTIMONY

8 Staff of the Public Utility Commission of Oregon (Staff) asks the Administrative Law
9 Judge (ALJ) to accept for filing a stipulation resolving all issues raised in this docket and
10 executed by all parties (hereinafter the Stipulation).¹ Staff also seeks a waiver of the
11 requirement in OAR 860-001-0350(7) that settlements between parties be accompanied by joint
12 testimony or a supporting brief when filed. Staff has consulted all other parties to this docket
13 regarding this motion, which include the Citizens' Utility Board of Oregon (CUB), Northwest
14 Industrial Gas Users (NWIGU), and Cascade Natural gas Company (Cascade), and none of them
15 oppose it.

16 Staff seeks to file this Stipulation to show that the parties have resolved the issues in this
17 docket. Cascade's support of suspending the procedural schedule in this case is based in part on
18 Staff's agreement to execute and file the Stipulation as soon as possible.

19 The Parties have not yet had time to complete supporting testimony, although it has been
20 started. Accordingly, Staff asks for a waiver of the requirement in OAR 860-001-0350(7) that
21 the Stipulation be accompanied by Joint Testimony at the time of filing.²

22 _____
23 ¹ The Stipulation is submitted separately.

24 ² OAR860-001-0350(7) provides:

25 7) Settlements must be memorialized in a written stipulation signed by the settling parties
and filed for review by the Commission. With the stipulation, the parties must file:

26 (a) An explanatory brief or written testimony in support of the stipulation, unless waived
by the Commission or ALJ; and

1 The Parties will submit joint testimony in support of the Stipulation and supporting
2 affidavits, as well as a motion to admit both, when they are completed.

3 **CONCLUSION**

4 Staff asks the ALJ to accept the Stipulation for filing and waive the requirement in OAR
5 860-001-0350(7) that joint testimony be filed contemporaneously.

6
7 DATED this 6 day of October, 2016.

8
9 Respectfully submitted,

10 ELLEN F. ROSENBLUM
11 Attorney General

12 *Kaylee Klein for*
13 Stephanie S. Andrus, #925123 ↙
14 Senior Assistant Attorney General
15 Of Attorneys for Staff of the Public Utility
16 Commission of Oregon

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25 (b) A motion to offer the stipulation and any testimony as evidence in the proceeding,
26 together with witness affidavits in support of the testimony.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 305

In the Matter of

CASCADE NATURAL GAS CORPORATION

Application for a General Rate Revision.

STIPULATION

INTRODUCTION

1 The purpose of this Stipulation is to resolve all issues among Cascade Natural Gas
2 Corporation (Cascade or Company), Staff of the Public Utility Commission of Oregon (Staff),
3 the Citizens' Utility Board of Oregon (CUB), and the Northwest Industrial Gas Users
4 (NWIGU) (collectively, the Stipulating Parties) in Docket No. UG 305, Cascade's Application
5 for a General Rate Revision. The Stipulating Parties are the only parties to this proceeding,
6 and they expect this Stipulation to fully resolve the issues in this docket.

BACKGROUND

7 On April 29, 2016, Cascade filed a request for a general rate increase and revised
8 tariff sheets to become effective May 30, 2016. The Company's filing (Initial Filing)
9 requested a revision to customer rates that would increase the Company's annual Oregon
10 jurisdictional revenues by \$1,906,285, for 2.76 percent over current customer rates. On
11 May 2, 2016, the Commission suspended the filing for further investigation. Administrative
12 Law Judge (ALJ) Michael Grant convened a prehearing conference on May 23, 2016. In
13 accordance with the prehearing conference order, the effective date for rates will be March
14 1, 2017.

15 On August 11, 2016, Staff, CUB, and NWIGU filed opening testimony proposing
16 various adjustments to Cascade's Initial Filing. The parties convened an initial settlement

1 conference on August 17, 2016, which resulted in a partial settlement. Cascade filed its
2 reply testimony on September 13, 2016. In its reply testimony (Reply Filing), the Company
3 provided corrections and updates to its Initial Filing, incorporated the results of the partial
4 settlement, and responded to and accepted certain adjustments proposed by Staff and
5 CUB, resulting in a revised requested increase to Cascade's annual Oregon jurisdictional
6 revenue requirement of \$988,093. The Stipulating Parties convened a second settlement
7 conference on September 20, 2016. As a result of those discussions, the Stipulating Parties
8 reached a settlement of all issues in this proceeding. This Stipulation memorializes the
9 Stipulating Parties' agreements reached at the August 17, 2016 and September 20, 2016
10 settlement conferences.

TERMS OF AGREEMENT

11 The Stipulation resolves the issues addressed below:

12 1. Revenue Requirement. The Stipulating Parties agree that the total increase
13 to Cascade's annual Oregon revenue requirement amount is \$700,000, as summarized in
14 the table in Appendix A to this Stipulation. The \$700,000 annual revenue requirement
15 increase in this proceeding is based on the Stipulating Parties' agreement that the
16 Oregon-allocated increase to annual revenue requirement shall be reduced by a total of
17 \$1,206,285 from the Initial Filing of \$1,906,285, based on the following adjustments to
18 Cascade's Initial Filing:

19 (a) Revenue Sensitive Uncollectible Rate and Uncollectibles. A reduction of
20 \$118,000 to expense reflects a correction to the uncollectibles amounts
21 included in the Company's Initial Filing and a reduction of \$3,000 to revenue
22 requirement to revise the Company's uncollectible rate to 0.3745 percent. This
23 adjustment results in a reduction to revenue requirement of \$124,000;

- 1 (b) Wages and Salaries. A reduction of \$113,000 to expense and a reduction of
2 \$29,000 to rate base to reflect the results of Staff's model for wages and
3 salaries and to reflect the actual test period employee count. This adjustment
4 results in a reduction to revenue requirement of \$120,000;
- 5 (c) MDU Cross-Charged Labor. A reduction of \$159,000 to expense and a
6 reduction of \$45,000 to rate base to reflect application of Staff's wages and
7 salaries model, a correction to Cascade's Initial Filing to increase the test year
8 salaries for cross-charged employees by the actual 4 percent salary increase
9 approved for 2016, removal of 100 percent of officer incentives, removal of 75
10 percent of non-officer incentives tied to financial performance and cost
11 reductions, and removal of 50 percent of incentives related to customer
12 service. This adjustment results in a reduction to revenue requirement of
13 \$169,000;
- 14 (d) Rate Case Costs. A reduction of \$56,000 to expense to reflect three-year
15 amortization of rate case costs. This adjustment results in a reduction to
16 revenue requirement of \$58,000;
- 17 (e) Franchise Fee Rate. An increase of \$16,000 to expense to reflect a correction
18 to the franchise fee rate filed by Cascade to 0.2310 percent. This adjustment
19 results in an increase to revenue requirement of \$26,000;
- 20 (f) Other Benefits. A reduction of \$18,000 to expense for actuarial services,
21 investment consultants, and audit fees to reflect use of the Company's 2016
22 budgeted amount rather than the 2016 test year amount. This adjustment
23 results in a reduction to revenue requirement of \$18,000;

- 1 (g) Interest Synchronization. An increase of \$13,000 to reflect Staff's interest
2 coordination adjustment for change in the weighted cost of long-term debt to
3 2.678 percent;
- 4 (h) Inflation. A reduction of \$22,000 to expense to reflect a compromise between
5 Cascade's application of the March 2016 value for the Consumer Price Index
6 (CPI) in the Company's Initial Filing and Staff's proposed application of the
7 June 2016 value for CPI. This adjustment results in a reduction to revenue
8 requirement of \$23,000;
- 9 (i) Cost of Long Term Debt. A reduction of \$32,000 to revenue requirement to
10 revise the Company's cost of long term debt from 5.295 percent as proposed in
11 the Initial Filing to 5.250 percent cost of debt and a weighted cost of long-term
12 debt of 2.678 percent;
- 13 (j) Load Forecast Revenue and Other Revenue. A reduction of \$290,000 to
14 revenue requirement based on a compromise between the Company's Initial
15 Filing and Staff's recommended adjustments for load forecast revenue and
16 other revenue, and based on Cascade's agreement to conduct a load study for
17 all schedules except Schedule 201 (Special Contracts);
- 18 (k) Gas Storage. A reduction of \$38,000 to rate base to reflect an average level of
19 storage inventory rather than the 2015 year-end amount. This adjustment
20 results in a reduction to revenue requirement of \$4,000;
- 21 (l) Meals and Entertainment; Memberships, Dues, and Donations; Travel;
22 Customer Accounts. A reduction of \$139,000 to expense to reflect a
23 compromise between the Company's Initial Filing and Staff's proposed
24 adjustments for meals and entertainment, memberships, dues, and donations,

1 travel, and customer accounts. This adjustment results in a reduction to
2 revenue requirement of \$143,000;

3 (m) Materials and Supplies. A reduction of \$62,000 to rate base to reflect use of a
4 mid-year average of 2015 and 2016 rather than end of year values. This
5 adjustment results in a reduction to revenue requirement of \$7,000;

6 (n) Administrative and General (A&G). A reduction of \$16,000 to expense to
7 reflect removal of 50 percent of the insurance expense for directors and
8 officers. This adjustment results in a reduction to revenue requirement of
9 \$16,000;

10 (o) Plant. A reduction of \$2,032,000 to rate base to reflect updates to project
11 expenses during this proceeding and to reflect removal of plant that will not be
12 in service and used and useful by the rate effective date, March 1, 2017. This
13 adjustment results in a reduction to revenue requirement of \$217,000;

14 (p) Accumulated Depreciation. A reduction of \$390,000 to rate base to reflect a
15 correction to the Company's Initial Filing regarding the calculation of
16 accumulated depreciation. This adjustment results in a reduction to revenue
17 requirement of \$42,000;

18 (q) Allocations. An additional reduction from the Company's Reply Filing to reflect
19 removal of certain miscellaneous non-recoverable expenses including fixed
20 costs of the corporate airplane. This adjustment results in a reduction to
21 revenue requirement of \$62,000;

22 (r) Accumulated Deferred Income Tax (ADIT). An increase of \$749,000 to rate
23 base to reflect a correction to Company's calculation of ADIT provided in the

1 Reply Filing. This adjustment results in an increase to the revenue requirement
2 of \$80,000.¹

3 2. Cost of Capital. The Stipulating Parties agree to a rate of return of 7.284%,
4 which is based on a 49.0 percent equity and 51.0 percent long term debt capital structure,
5 with a Return on Equity of 9.400% and a debt cost of 5.250%.

| Agreed-upon Cost of Capital | | | |
|-----------------------------|-----------------------------|--------|-----------|
| | Percent of Total Capital | Cost | Component |
| Long-Term Debt | 51.0% | 5.250% | 2.678% |
| Common Equity | 49.0% | 9.400% | 4.606% |
| Total | 100.0% | | 7.284% |

6
7 3. Rate Spread and Rate Design. The agreed upon rate spread is shown in
8 Appendix B to this Stipulation. The Stipulating Parties also agreed to increase the basic
9 charge from \$3.00 to \$4.00 for Schedules 101 (Residential) and 104 (Commercial).

10 4. Housekeeping Revisions to Tariffs. The Stipulating Parties agree to accept
11 the revisions to Cascade's tariffs as presented in the Company's Reply Filing in Exhibit
12 CNGC/1103.

13 5. Allocations. The Stipulating Parties agree that Cascade will hold a workshop
14 for Stipulating Parties regarding the Company's allocations process no later than May 31,

¹ The Company agrees to refund customers savings that may arise if the Company takes bonus depreciation on its 2016 consolidated tax return.

1 2017 to address issues related to inter-company allocations that were raised by Staff in
2 this case. Specifically, Cascade commits to the following:

- 3 • Reviewing MDU Resources' corporate structure;
- 4 • Reviewing its current processes for allocating labor-related costs performed by
5 employees of MDU Resources and MDU Utilities who are responsible for customer
6 service functions, and proposing changes to ensure that such costs are allocated
7 based on objective factors;
- 8 • Explaining any proposed changes to Cascade's allocations methodologies to be
9 implemented in 2017;
- 10 • Evaluating the treatment of combination gas and electric customers and presenting
11 its findings as part of the allocations workshop;
- 12 • Providing detailed explanations as to how allocated costs are treated and coded
13 using the applicable software to ensure that all allocated costs can be identified and
14 traced in the system;
- 15 • Providing a spreadsheet demonstrating several examples of costs allocated, directly
16 assigned, or otherwise charged to Cascade from affiliates, with journal descriptions
17 of the original charge, the amount of the original charge, and the basis for the
18 amount charged to Cascade;
- 19 • If any charges to Cascade are based on time, Cascade will provide several
20 examples of time-based allocations and Cascade will provide supporting
21 documentation;
- 22 • If any charges to Cascade result from discretionary choices by affiliate employees or
23 management, Cascade will provide several examples for such allocations and
24 Cascade will provide supporting documentation; and
- 25 • Explaining the MDU Resources and affiliates' capitalization.

26
27 Staff and parties may provide written comments, no later than January 1, 2017;
28 regarding Cascade's allocation methodologies, including suggestions for modifications to
29 the methodologies. Cascade may consider any proposed modifications to its allocations
30 methodologies, but is not obligated to implement such modifications. Cascade will include
31 its proposed changes to its allocations methodologies in any rate case filed in 2017 (rather
32 than waiting for a subsequent rate case filing).

33 6. Environmental Remediation Amortization. The Stipulating Parties agree that
34 Cascade will begin amortization and recovery of environmental remediation expenses over
35 three years in a separate tariff sheet coincident with the effective date of the current filing.

1 The Stipulating Parties further agree that the separate tariff sheet will allow Cascade to
2 amortize \$54,000 in each of the three years.

3 7. Tariffs. Upon approval of this Stipulation, Cascade will file revised rate
4 schedules as a compliance filing in Docket No. UG 305, to be effective March 1, 2017,
5 reflecting rates as agreed in this Stipulation.

6 8. The Stipulating Parties recommend and request that the Commission
7 approve the adjustments and provisions described herein as appropriate and reasonable
8 resolutions of the identified issues in this docket.

9 9. The Stipulating Parties agree that this Stipulation is in the public interest, and
10 will result in rates that are fair, just and reasonable, consistent with the standard in ORS
11 756.040.

12 10. This Stipulation will be offered into the record as evidence pursuant to OAR
13 860-001-350(7). The Stipulating Parties agree to support this Stipulation throughout this
14 proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and
15 recommend that the Commission issue an order adopting the Stipulation. The Stipulating
16 Parties also agree to cooperate in drafting and submitting joint testimony or a brief in
17 support of the Stipulation in accordance with OAR 860-001-0350(7).

18 11. If this Stipulation is challenged, the Stipulating Parties agree that they will
19 continue to support the Commission's adoption of the terms of this Stipulation. The
20 Stipulating Parties agree to cooperate in cross-examination and put on such a case as
21 they deem appropriate to respond fully to the issues presented, which may include raising
22 issues that are incorporated in the settlements embodied in this Stipulation.

23 12. The Stipulating Parties have negotiated this Stipulation as an integrated
24 document. If the Commission rejects all or any material portion of this Stipulation or
25 imposes additional material conditions in approving this Stipulation, any of the Stipulating

1 Parties are entitled to withdraw from the Stipulation or exercise any other rights provided in
2 OAR 860-001-0350(9). To withdraw from the Stipulation, a Stipulating Party must provide
3 written notice to the Commission and other Stipulating Parties within five days of service of
4 the final order rejecting, modifying or conditioning this Stipulation.

5 13. By entering into this Stipulation, no Stipulating Party approves, admits, or
6 consents to the facts, principles, methods, or theories employed by any other Stipulating
7 Party in arriving at the terms of this Stipulation, other than those specifically identified in
8 the body of this Stipulation. No Stipulating Party shall be deemed to have agreed that any
9 provision of this Stipulation is appropriate for resolving issues in any other proceeding,
10 except as specifically identified in this Stipulation.

11 14. This Stipulation is not enforceable by any Stipulating Party unless and until
12 adopted by the Commission in a final order. Each signatory to this Stipulation avers that
13 they are signing this Stipulation in good faith and that they intend to abide by the terms of
14 this Stipulation unless and until the Stipulation is rejected or adopted only in part by the
15 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction
16 to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation,
17 the Stipulating Parties reserve the right to seek reconsideration or rehearing of the
18 Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the
19 Commission order under ORS 756.610.

20 15. This Stipulation may be executed in counterparts and each signed
21 counterpart shall constitute an original document.

22 This Stipulation is entered into by each Stipulating Party on the date entered below
23 such Stipulating Party's signature.

24

25

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2

DATED this 5 day of Oct, 2016.

CASCADE NATURAL GAS CORPORATION

By: Lisa Ruckner
Date: 10-5-16

STAFF OF PUBLIC UTILITY COMMISSION OF OREGON

By: _____
Date: _____

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Date: _____

NORTHWEST INDUSTRIAL GAS USERS

By: _____
Date: _____

1

2 DATED this 6 day of October, 2016.

CASCADE NATURAL GAS
CORPORATION

By: _____

Date: _____

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: Kaylee Klein

Date: 10/16/16

CITIZENS' UTILITY BOARD OF
OREGON

By: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

By: _____

Date: _____

CASCADE NATURAL GAS
CORPORATION

By: _____

Date: _____

CITIZENS' UTILITY BOARD OF
OREGON

By:  _____

Date: 10/6/16

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

By: _____

Date: _____

1

2 DATED this 6 day of October, 2016.

CASCADE NATURAL GAS CORPORATION

STAFF OF PUBLIC UTILITY COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

CITIZENS' UTILITY BOARD OF OREGON

NORTHWEST INDUSTRIAL GAS USERS

By: _____

By:  _____

Date: _____

Date: 10/6/2016

| Appendix A: SUMMARY OF ADJUSTMENTS TO REVENUE REQUIREMENT AND RATE BASE | | | | |
|---|----------------|-----------------|-------------------|-----------------------------------|
| (\$000'S OF DOLLARS) | | | | |
| | | | | Revenue Requirement Effect |
| | Revenue | Expense | Rate Base | |
| Amount as filed: | | | \$ 84,872 | \$ 1,906 |
| Adjustments | Revenue | Expense | Rate Base | Revenue Requirement Effect |
| (a) Uncollectible Rate | | | | (3) |
| (a) Uncollectibles | | (118) | | (121) |
| (b) Wages & Salaries | | (113) | (29) | (120) |
| (c) MDU Cross-Charged Labor | | (159) | (45) | (169) |
| (d) Rate Case Costs | | (56) | | (58) |
| (e) Franchise Fee Rate | | 16 | | 26 |
| (f) Other Benefits | | (18) | | (18) |
| (g) Interest Synchronization | | | | 13 |
| (h) Inflation | | (22) | | (23) |
| (i) Rate of Return - Cost of LT Debt | | | | (32) |
| (j) Load Forecast Revenue & Other Revenue | 290 | | | (290) |
| (k) Gas Storage in Rate Base | | | (38) | (4) |
| (l) Meals and Entertainment, Memberships, Dues and Donations, Travel, Customer Accounts | | (139) | | (143) |
| (m) Material and Supplies | | | (62) | (7) |
| (n) A&G | | (16) | | (16) |
| (o) Plant | | | (2,032) | (217) |
| (p) Accumulated Depreciation | | | (390) | (42) |
| (q) Allocations & Affiliates | | | | (62) |
| (r) ADIT - 2015-2016 deferred tax related to depreciation book/tax timing difference | | | | 80 |
| (r) ADIT - 2016 deferred tax related to bonus depreciation | | | | - |
| Total Adjustments: | \$ 290 | \$ (624) | \$ (2,596) | \$ (1,206) |
| Adjusted Base Revenue Requirement & Rate Base - Effective March 1, 2017: | | | \$ 82,275 | \$ 700 |
| Separate Tariff - Amortization and recovery of environmental remediation expenses: | | | | \$ 54 |
| Net Revenue Increase Effective March 1, 2017: | | | \$ 82,275 | \$ 754 |

| Cascade Natural Gas Corp. Oregon Jurisdiction | | | | | | | | | | |
|--|--|-------------------|--------------------------------|-------------------------------|-------------------------------|---------------------------------|-------------------------------------|-----------------------|----------------------------------|--|
| Parties' Settlement Agreement | | | | | | | | | | |
| | | | 101 | 104 | 105 | 111 | 163 | 170 | 900 | |
| Line | Description | Total | Residential Service core | Commercial Service core | Industrial Service core | Large Volume Service core | General Distribution non-core | Interruptible core | Special Contracts non-core | |
| 1 | Customer Count | 70,743 | 60,662 | 9,901 | 128 | 13 | 31 | 4 | 4 | |
| 2 | Non-Gas Revenue at Current Rates | \$ 29,640,042 | \$ 16,926,173 | \$ 7,741,020 | \$ 505,501 | \$ 242,548 | \$ 2,159,441 | \$ 300,244 | \$ 1,765,115 | |
| 3 | Incremental Non-gas Revenue Requirement | \$ 700,000 | | | | | | | | |
| 4 | Step 1 | | | | | | | | | |
| 5 | Increase multiple relative to system average | | | - | 3.00 | 3.00 | - | - | - | |
| 6 | Percent Increase | 2.36% | | 0.00% | 7.09% | 7.09% | 0.00% | 0.00% | 0.00% | |
| 7 | Increase Step 1 | \$ 52,999 | | \$ - | \$ 35,815 | \$ 17,185 | \$ - | \$ - | \$ - | |
| | Step 1a | | | | | | | | | |
| | Customers | | | 9,901 | | | | | | |
| | Increased Revenues at \$1 per customer-month | | | \$ 118,811 | | | | | | |
| 8 | Increase Step 1 plus Step 1a | \$ 171,810 | | \$ 118,811 | \$ 35,815 | \$ 17,185 | | | \$ - | |
| 9 | Step 2 | | | | | | | | | |
| 10 | Total Non-gas Revenue Increase | \$ 700,000 | | | | | | | | |
| 11 | Increase after Steps 1 and 1a | \$ 528,190 | | | | | | | | |
| 12 | Total Non-gas Revenue Increase | \$ 700,000 | \$ 528,190 | \$ 118,811 | \$ 35,815 | \$ 17,185 | \$ - | \$ - | \$ - | |
| 13 | Non-Gas Revenue after Revenue Increase | \$ 30,340,042 | \$ 17,454,363 | \$ 7,859,831 | \$ 541,316 | \$ 259,733 | \$ 2,159,441 | \$ 300,244 | \$ 1,765,115 | |
| | Percent Increase (Non-gas Rev. Req.) | 2.36% | 3.12% | 1.53% | 7.09% | 7.09% | 0.00% | 0.00% | 0.00% | |
| | Final Percentage Increase Relative to System Average | | 1.32 | 0.65 | 3.00 | 3.00 | 0.00 | 0.00 | 0.00 | |