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April 29, 2016

CNG/O16-04-01

Oregon Public Utility Commission
 P.O. Box 1088
 201 High St SE, Suite 100
 Salem, OR 97308-1088

Attn: Filing Center

Re: UG 305, Cascade Natural Gas Corporation's Application for General Rate Case Revision

Cascade Natural Gas Corporation (Cascade or the Company) files herewith its Application for a General Rate Revision. In accordance with OAR 860-001-0170(2), an original and twenty (20) copies of the Application and, in accordance with OAR 860-01-0480(5), work papers are provided on Huddle.

Included with the Company's Application is Tariff P.U.C. OR 10 (See CNG/402) which replaces Tariff P.U.C. Or. No. 9 in its entirety and is stated to become effective with service on and after **May 30, 2016**.

This filing requests a general rate increase in the Company's Oregon revenues by \$1,906,285 or 2.7592%. The executive summary required per OAR 860-022-0019 is attached.

If approved, this filing would impact customer bills as follows:

Rate Schedule	Current Average Monthly Bill	Therms per Month	Proposed Average Monthly Bill	Change in Average Monthly Bill (\$)	Change in Average Monthly Bill (%)
RS 101 - Residential	\$50.58	55	\$52.66	\$2.07	4.10%
RS 104- General Commercial	\$182.87	237	\$182.87	\$0.00	n/a
RS 105 – General Industrial	\$1,152.46	1,658	\$1,258.43	\$105.97	9.20%
RS 111 – Large Volume	\$6,372.03	9,784	\$6,762.03	\$390.01	6.12%
RS 163 – Transportation	\$8,464.80	87,983	\$9,040.18	\$575.38	6.80%
RS 170 - Interruptible Gas	\$31,477.07	50,817	\$31,477.25	\$0.18	0.00%

The Company is requesting this general rate increase to provide recovery of and on investment in aging and at-risk infrastructure.

In compliance with OAR 860-022-0019(2)(b), the Company filed a motion for a general protective order on April 4, 2016. In response, the Commission issued protective Order No. 16-141 on April 5, 2016.

Pursuant to OAR 860-022-0019(2)(a), the Company's responses to Standard Data Requests will be uploaded to Huddle.

Customer notification of this filing will be published within fifteen (15) days in accordance with the requirements of OAR 860-022-0017.

The Company waives paper service in this proceeding and requests that all correspondence related to this filing be sent to me with copies to the following:

Lisa Rackner
McDowell Rackner & Gibson PC
419 SW 11th Avenue, Suite 400
Portland, OR 97205
Telephone: 503-595-3925
Email: lisa@mrg-law.com

Cascade Natural Gas Corporation
Department of Regulatory Affairs
8113 West Grandridge Blvd
Kennewick, WA 99336
Telephone: 503-734-4593
Email: CNGCRegulatory@cngc.com

If you have any questions regarding this filing, please contact me at (509) 734-4593.

Sincerely,



Michael Parvinen
Director, Regulatory Affairs
Email: michael.parvinen@cngc.com

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 305

In the Matter of

CASCADE NATURAL GAS CORPORATION

Application for a General Rate Revision.

**CASCADE NATURAL GAS
CORPORATION'S
EXECUTIVE SUMMARY**

I. INTRODUCTION

1 Cascade Natural Gas Corporation (Cascade or Company) is filing a general rate
2 increase with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.205,
3 757.215 and 757.220, to revise its schedules of rates and charges for natural gas service in
4 Oregon to become effective with service provided on and after May 30, 2016. With this filing,
5 the Company requests a revision to customer rates that will increase the Company's annual
6 Oregon jurisdictional revenues by \$1,906,285, for an increase of 2.7592 percent over current
7 customer rates.

8 The revised rates produce revenues necessary to sustain the provision of safe, reliable,
9 and low-cost natural gas service to customers in Oregon, while preserving the Company's ability
10 to attract capital for future investments. The Company files this Executive Summary in
11 accordance with OAR 860-022-0019(1). Exhibit A to the Executive Summary provides the
12 required information in accordance with OAR 860-022-0019(1)(a)-(h).

II. BACKGROUND

13 Cascade is headquartered in Kennewick, Washington and provides natural gas
14 distribution service in 96 communities in Washington and Oregon. Cascade has 278,026
15 customers, of which 70,224 are in Oregon, and serves 25 communities in Oregon, the largest of
16 which are Bend, Baker City, and Pendleton. In 2007, Cascade became a wholly-owned

1 subsidiary of MDU Resources Group, Inc. (MDU Resources or MDUR), which is located in
2 Bismarck, North Dakota.

3 Cascade is a public utility providing natural gas service in Oregon within the meaning of
4 ORS 757.005. The Company is subject to the jurisdiction of this Commission, the Washington
5 Utilities and Transportation Commission, the Federal Energy Regulatory Commission, and the
6 Department of Transportation.

7 Cascade waives paper service in this docket. Communications regarding this filing
8 should be addressed to:

Cascade Natural Gas Corporation
Department of Regulatory Affairs
8113 West Grandridge Boulevard
Kennewick, WA 99336-7166
Telephone: 509-734-4593
Facsimile: 509-737-9834
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419 SW 11th Avenue, Suite 400
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Telephone: 503-595-3925
Facsimile: 503-595-3928
Email: lisa@mcd-law.com

9 Communications regarding discovery matters, including data requests issued to the Company,
10 should be addressed to:

Cascade Natural Gas Corporation
Department of Regulatory Affairs
8113 West Grandridge Boulevard
Kennewick, WA 99336-7166
Telephone: 509-734-4593
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III. CASE SUMMARY

11 A. The Test Year

12 The Company's test year in this case is the twelve months ending December 31, 2016
13 (Test Year). Cascade provides information for a historical base year of the twelve months
14 ending December 31, 2015 (Base Year), and makes adjustments to that information to reflect
15 the forecasted Test Year. In order to meet the legal requirement that rates be fair, just,

1 reasonable, and sufficient, the Company has selected a test year that closely reflects the
2 investment and expense levels that will exist during the time that the rates adopted in this case
3 are expected to be in effect. The new rates are filed with a requested effective date of May 30,
4 2016. Assuming the addition of the full nine-month statutory suspension period to the 30-day
5 effective date now contained in the tariffs, the new rates would become effective March 1, 2017.

6 **B. Return on Equity**

7 The Company's current return on equity (ROE) is 9.55 percent, as established in
8 Commission Order No. 15-412, issued in Docket UG 287, the Company's most recent general
9 rate case. In this 2016 case, the Company seeks an ROE of 9.4 percent. The Company
10 believes that an ROE of 9.4 percent represents a fair return for both shareholders and
11 customers.

12 **C. Factors Driving Rate Adjustment**

13 As described in the testimony of Nicole Kivisto, the primary factor driving Cascade's
14 need for a rate increase is the need to replace portions of its existing pipeline system to ensure
15 the provision of safe and reliable service. Through implementation of the Company's
16 Distribution Integrity Management Process (DIMP), Cascade fully evaluated the physical
17 condition of its distribution pipeline system and identified a number of at-risk areas that could
18 eventually impact the Company's ability to provide safe reliable service and that have been
19 prioritized for replacement. Over the last four years, as Cascade has initiated replacement of
20 the at-risk sections of its distribution pipeline system, Cascade has devoted a significant amount
21 of capital to these projects. As Cascade continues this work to ensure the reliability and integrity
22 of its system, the Company will continue to dedicate substantial resources to this effort.

IV. TESTIMONY SUMMARY

1 The Company's direct case consists of the testimony and exhibits of 4 witnesses:

- 2 • In CNGC/100, **Nicole Kivisto**, President and Chief Executive Officer (CEO), provides a
3 general overview of the Company, explains the primary drivers of the rate increase, and
4 introduces the Company witnesses and briefly describes their testimony;
- 5 • In CNGC/200, **Michael Parvinen**, Director of Regulatory Affairs, presents the overall
6 revenue requirement and explains the Company's philosophy underlying its basic charge
7 requests for residential and commercial customers in this case.
- 8 • In CNGC/300, **Ron Amen**, Cascade's consultant from Black & Veatch Corporation,
9 presents the Company's long-run incremental cost study for the Oregon service territory,
10 discusses his study results, and describes how each schedule's present and proposed
11 rates compare to the indicated costs.
- 12 • In CNGC/400, **Pamela Archer**, Supervisor of Regulatory Analysis, discusses the
13 proposed tariff changes.

V. CONCLUSION

14 The Company requests that the Commission issue an order approving the proposed rate
15 changes and the proposed tariffs.

16

DATED: April 29, 2016



Michael Parvinen
Director, Cascade Natural Gas Corporation
8113 W. Grandridge Blvd
Kennewick, WA 99336
michael.parvinen@cngc.com

Exhibit A to Cascade's Executive Summary
Summary of Requested General Rate Increase
 Filed April 29, 2016

Total Revenues Collected Under Proposed Rates:	\$ 70,993,771
Revenue Change Requested:	\$ 1,906,285
Revenues Net of any Credits from Federal Agencies:	\$ 70,993,771
Percentage Change in Revenues Requested:	2.76%
Percentage Change in Revenues Net of any Credits from Federal Agencies:	2.76%
Test Period:	January 1, 2016 to December 31, 2016
Requested Overall Rate of Return	7.31%
Requested Rate of Return on Equity:	9.40%
Proposed Rate Base:	\$84,871,728
Results of Operation ¹	
Before Proposed Rate Change	
Utility Operating Income:	\$5,319,548
Average Rate Base:	\$77,633,408
Rate of Return on Capital:	6.85%
Rate of Return on Equity:	9.55%
After Proposed Rate Change ²	
Utility Operating Income:	\$6,200,751
Average Rate Base:	\$84,871,728
Rate of Return on Capital:	7.31%
Rate of Return on Equity:	9.40%

Effect of Rate Change on Each Customer Class

Customer class	% Change
Residential - 101	4.10%
Commercial - 104	0.00%
Industrial - 105	9.20%
Large Volume - 111	6.12%
General Distribution - 163	6.80%
Interruptible - 170	0.00%

¹ Based upon the Company's 2015 Results of Operations as filed in RG-36

² Based upon the Company's 2016 general rate case filing docketed as UG-305.