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October 13, 2023

Oregon Public Utility Commission  
201 High Street SE, Suite 100  
Salem, OR 97301-3612

**RE: Docket No. UM 2257 - Cascade Natural Gas Application for Deferred Accounting – AMENDED Filing**

Attention: Filing Center

Cascade Natural Gas Corporation (“Cascade” or “Company”) submits the attached Amended Application for reauthorization to defer costs associated with the compliance with the Climate Protection Program in accordance with ORS 757.259 and OAR 860-027-0300. The Amended Application updates the Proposed Accounting section to change the Company’s accounting treatment for the deferral. Specifically, Cascade proposes to accrue interest on the deferral balance using the authorized rate of return.

Cascade filed its first Application for Deferred Accounting on September 30, 2022, in Docket No. UM 2257. At that time, the Company proposed to record the deferral as a regulatory asset without accruing interest. The Oregon Public Utility Commission (“Commission”) approved the Company’s request with Order No. 23-230 to establish the deferral account.

The deferral account is specific to the costs the Company associated with complying with the Climate Protection Plan. The Company’s current deferral balance through July 2023, is approximately \$3,000,000.

The Company is amending the original application to include the accruing of interest on the deferral account. The application of interest to the deferral account, specifically the authorized rate of return, is consistent with Commission Order No. 06-507. Cascade originally contemplated a recovery filing during the initial year of deferral which was the reason no interest was requested in the initial filing. The recovery request has been delayed due to uncertain costs and ramping up of compliance processes. Due to the expected high level of costs that will be incurred before recovery can be requested, Cascade is now proposing the inclusion of interest on the deferral account.

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The Company's amended application seeks to treat the deferral account in a manner consistent with the Commission's Orders. At this time, Cascade proposes to accrue interest on the deferral balance at the authorized rate of return.

If you have any questions, please contact me at (208) 377-6015.

Sincerely,

/s/ Lori A. Blattner

Lori A. Blattner  
Director, Regulatory Affairs  
Cascade Natural Gas Corporation  
8113 W. Grandridge Blvd.  
Kennewick, WA 99336-7166  
[Lori.blattner@intgas.com](mailto:Lori.blattner@intgas.com)

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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
UM 2257**

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In the Matter of  
Cascade Natural Gas Corporation  
For Deferred Accounting of Expenses  
And Credits Related to its  
Climate Protection Plan

APPLICATION FOR  
REAUTHORIZATION FOR  
DEFERRED ACCOUNTING

16 In accordance with ORS 757.259, and OAR 860-027-0300, Cascade Natural Gas  
17 Corporation (“Cascade” or the “Company”) files this application (“Application”) with the Public  
18 Utility Commission of Oregon (“Commission”) for an order reauthorizing the Company to  
19 record and defer costs of compliance (the "Deferred Amount") with the Climate Protection  
20 Plan (“CPP”) for the twelve-month period beginning September 30, 2023, and ending  
21 September 30, 2024. Cascade will seek amortization of the Deferred Amount in a tariff rider  
22 filing in 2024, for a rate adjustment that coincides with other annual tariff rider adjustments.

**I. INTRODUCTION**

24 On December 16, 2021, the Oregon Department of Environmental Quality (“ODEQ”) adopted the  
25 CPP, which are administrative rules that set GHG reduction targets.<sup>1</sup> The CPP sets a declining  
26 limit, or cap, on greenhouse gas emissions from fossil fuels used throughout the state of Oregon,  
27 including diesel, gasoline, natural gas and propane, used in transportation, residential, commercial  
28 and industrial settings (the program is not inclusive of fossil fuel used in electric generation).<sup>2</sup> The  
29 CPP also regulates site-specific greenhouse gas emissions at large stationary sources, such as

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<sup>1</sup> OAR 340-271-0010 – 9000.  
<sup>2</sup> OAR 340-271-0110.

1 emissions from industrial processes.<sup>3</sup> The program baseline is set at average greenhouse gas  
2 emissions from covered entities from years 2017-2019.<sup>4</sup> Reductions from this baseline are set at 50  
3 percent by 2035 and 90 percent by 2050.<sup>5</sup>

4 Cascade is a “covered fuel supplier”<sup>6</sup> under the CPP and is the point of regulation for the  
5 emissions associated with natural gas used by its sales and transport customers.<sup>7</sup> Transport  
6 customers purchase the commodity they use directly from marketers and suppliers and have  
7 historically only paid Cascade for delivery via the distribution system.

8 Covered entities’ emissions are reported annually through the existing ODEQ greenhouse  
9 gas reporting program<sup>8</sup> and compliance will be demonstrated by each covered entity at the end of  
10 each three-year compliance period.<sup>9</sup> To comply, Cascade can work to reduce natural gas  
11 usage through efficiency measures, introduce renewable and low carbon alternative fuels,  
12 trade for additional compliance instruments with other covered entities, or purchase a limited  
13 amount of Community Climate Investments (“CCIs”).<sup>10</sup>

14 The Company filed its first Application for Deferred Accounting on September 30, 2022, in  
15 Docket No. UM 2257 requesting authorization to defer costs of compliance associated with the  
16 CPP. The Commission approved the Company’s request in Order No. 23-230.

## 17 II. COMMUNICATIONS

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<sup>3</sup> OAR 340-271-0310.

<sup>4</sup> Rulemaking, Action Item A, Greenhouse Gas Emissions Program 2021 Rulemaking Climate Protection Program, at 8 (Dec. 16, 2021), available at [https://www.oregon.gov/deq/EQCdocs/121621\\_ItemA.pdf](https://www.oregon.gov/deq/EQCdocs/121621_ItemA.pdf).

<sup>5</sup> Id.

<sup>6</sup> OAR 340-271-0020(15).

<sup>7</sup> OAR 340-271-0110(4).

<sup>8</sup> OAR 340-215.

<sup>9</sup> OAR 340-271-0440.

<sup>10</sup> OAR 340-271-0450.

1 Cascade hereby waives service by means of others than service by electronic mail.  
2 Consistent with that waiver, communications regarding this Application should be addressed to  
3 all of the following:

4	Lori A. Blattner	Department of Regulatory Affairs
5	Cascade Natural Gas Corporation	Cascade Natural Gas Corporation
6	8113 W. Grandridge Blvd	8113 W. Grandridge Blvd
7	Kennewick, WA 99336	Kennewick, WA 99336
8	Email: <a href="mailto:lori.blattner@intgas.com">lori.blattner@intgas.com</a>	Email: <a href="mailto:CNGCregulatory@cngc.com">CNGCregulatory@cngc.com</a>
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### 10 III. DEFERRED ACCOUNTING RULE REQUIREMENTS

11 The following information is provided pursuant to the requirements set forth in OAR  
12 860-027-0300(3).

#### 13 A. Description of Utility Expense – OAR 860-027-0300(3)(a)

14 In this Application, Cascade is requesting to defer the expenses related to complying with  
15 the Climate Protection Plan.

#### 16 Reasons for Deferral – OAR 860-027-0300(3)(b)

17 Cascade respectfully requests approval authorizing the deferral for future ratemaking  
18 treatment of the costs and revenues of complying with the CPP, which are not currently included in  
19 base rates. Cascade must increase its planning activities to determine how it will comply with the  
20 CPP and based on those activities, take actions to lower its covered emissions. For example,  
21 Cascade is exploring energy efficiency programs and activities for interruptible and transport  
22 customers. The Company has also contracted an independent consultant to guide the Cascade in  
23 best practices and approaches to meet all aspects of compliance. It is anticipated that the final  
24 outcome of such guidance will include the need for incremental employees in key departments  
25 such as regulatory, business development, gas supply, environmental, and resource planning.

26 In addition, the CPP allows covered fuel suppliers to trade compliance instruments among

1 themselves.<sup>11</sup> Although it is currently uncertain how a CPP CCI market will develop, a deferral  
2 provides Cascade the opportunity to recover the costs and revenues of any compliance instruments  
3 that it may acquire from or sell to other covered fuel suppliers. The cost of Renewable Natural Gas  
4 (“RNG”) beyond the cost of the brown gas will also be deferred. The brown gas portion of the  
5 RNG cost will be incorporated into the current Purchase Gas Adjustment mechanism.

6 **Proposed Accounting - OAR 860-027-0300(3)(c)**

7 Cascade proposes to record the deferral as a regulatory asset in FERC Account 182.3  
8 (Other Regulatory Assets), crediting FERC Account 407.4 (Regulatory Credits). The Company  
9 will accrue interest on this deferral account at its authorized rate of return in compliance with  
10 Commission Order No. 06-507.

11 **Estimate of Amounts - OAR 860-027-0300(3)(d)**

12 The Company estimates the amount that may be deferred and considered a carryover  
13 balance at the end of 12-months will be in the range of \$20 - \$35 million.

14 **B. Notice – OAR 860-27-0300(6)**

15 The Notice of Application and a Certificate of Service are provided as an attachment to  
16 this Application.

17 **C. A Description and Explanation of Entries in the Deferred Account – OAR 860-027-  
18 300(4)(a)**

19 In this Application, Cascade is requesting to defer costs to comply with the Climate  
20 Protection Program. These costs include consultants, incremental employees, compliance  
21 instruments, certain RNG costs, and emission allowances purchases. The Company’s current  
22 deferral balance through July, 2023, is \$3,0063,243.

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<sup>11</sup> OAR 340-271-0050.

1 **D. The Reason for Continuation of Deferred Accounting – OAR 860-027-0300(4)(b)**

2 The continuation of deferred debits and credits associated with the Company’s Climate  
3 Protection Plan is justified as these costs are continuing in nature and were previously approved  
4 by the Commission per Docket No. UM 2257, Order No. 23-230 on June 30, 2023.

5 **IV. CONCLUSION**

6 Cascade requests that in accordance with ORS 757.259, the Commission reauthorize the  
7 Company to defer the debits and credits described in this Application.

8 DATED: September 1, 2023

9 Sincerely,

10 /s/Lori A. Blattner

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14 Lori A. Blattner  
15 Director, Cascade Natural Gas Corporation  
16 8113 W. Grandridge Blvd  
17 Kennewick, WA 99336  
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