

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1727

In the Matter of

CASCADE NATURAL GAS
CORPORATION

Depreciation Study on All Gas Plant as
of December 31, 2013.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On April 30, 2015, Cascade Natural Gas Corporation (Cascade) filed the results of its detailed depreciation study of its utility property as of December 31, 2013, including depreciation lives, survivor curves, and net salvage rates (collectively, the "parameters") and depreciation rates for the company's transmission, distribution, and general plant assets. Based on the December 31, 2013 plant balances, the changes in depreciation parameters proposed by Cascade would have increased depreciation expense by about \$2 million annually.

On March 31, 2015, Cascade filed an application for a general rate revision (docket UG 287), to be effective February 1, 2016. The depreciation rates to be used in docket UG 287 will be the rates set in this docket.

A prehearing conference was held on May 15, 2015. Parties appearing at the prehearing conference were Cascade, the Commission Staff, and the Citizens' Utility Board of Oregon.

On September 10, 2015, Cascade and Staff filed a stipulation and joint testimony in support of the stipulation. In their stipulation, Cascade and Staff settle all issues in this proceeding. The stipulation and testimony are received as evidence in this proceeding. The stipulation is attached to this order as Appendix A.

II. DISCUSSION

Based on its review of Cascade's depreciation study, Staff proposed two types of adjustments. The first type of adjustment concerned Iowa survivor curves and projected average service lives. The second type of adjustment concerned net salvage rates. Staff proposed six adjustments concerning Iowa survivor curves and projected average service lives, and twelve adjustments concerning net salvage rates.

Following settlement discussions, Cascade and Staff reconciled their differences and reached settlement. The selected survivor curve-projection lives were made in the average service life or dispersion curve (or both) for the FERC account categories in the Transmission Plant, Distribution Plant, and General Plant.

With respect to net salvage rates for plant assets, Cascade had proposed both negative and positive net salvage rates depending on the asset account. In their settlement the parties agreed to a higher (less negative, or more positive) net salvage rate for the asset under each of the FERC accounts. Net salvage is the difference between gross salvage and the cost of removal. Net salvage is positive when gross salvage exceeds the cost of removal and reduces the revenue requirement. Net salvage is negative when cost of removal exceeds gross salvage and increases the revenue requirement. The parties note that it is important to include a net salvage component in depreciation rates for proper cost allocation so that the customers who have benefitted from the use of an asset pay its full costs.

Based on these agreements, the parties included two tables in their testimony supporting the stipulation. Table 1 shows a complete list of all depreciation parameters and depreciation expense and rates for all plant accounts. In Table 2 the parties show a list of all depreciation parameters for the identified lives, survivor curves, and net salvage for all plant accounts. The tables are attached as Appendix B to this order. The parties agree that the revised depreciation parameters are reasonable and should be adopted.

Their revised depreciation parameters and rates result in a net annual depreciation expense reduction of about \$1.985 million from the \$2 million increase proposed in the application.

The parties support an effective date for the revised depreciation rates of January 1, 2016 for accounting purposes only. The parties support the revised depreciation rates to be effective for ratemaking purposes upon completion of Cascade's general rate case (docket UG 287).

The parties state that at the settlement meeting Cascade agreed to file a new detailed depreciation study within five years of the date of its most recent filing – within five years of April 30, 2015.

III. DISCUSSION

The terms of the stipulation are well-supported by the detailed testimony explaining how the parties settled their differences. The stipulation should be is adopted.

IV. ORDER

IT IS ORDERED that the stipulation between Cascade Natural Gas Company and the Staff of the Public Utility Commission of Oregon, attached as Appendix A, is adopted.

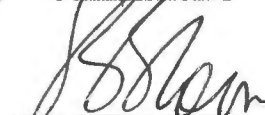
Made, entered, and effective OCT 14 2015.

COMMISSIONER ACKERMAN WAS
UNAVAILABLE FOR SIGNATURE

Susan K. Ackerman
Chair




John Savage
Commissioner


Stephen M. Bloom
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1727

In the Matter of

CASCADE NATURAL GAS
CORPORATION,

STIPULATION

Depreciation Study on All Gas Plant as
Of December 31, 2013.

This Stipulation is between Cascade Natural Gas Corporation (CNG or Company) and the Staff of the Public Utility Commission of Oregon (Staff) (collectively, the Stipulating Parties).¹ This Stipulation includes the following exhibits: Staff-CNG/100 through Staff-CNG/104.

On April 30, 2015, CNG filed with the Public Utility Commission of Oregon (Commission) the results of a detailed depreciation study of its utility properties as of December 13, 2013, which include depreciation lives, survivor curves, and net salvage rates (collectively, the "parameters") and depreciation rates for CNG's transmission, distribution, and general plant assets. Based on the December 31, 2013 plant balances, the change in depreciation parameters proposed by CNG would have resulted in an annual depreciation increase of approximately \$2.0 million.

On March 31, 2015 CNG filed an application for a general rate revision. CNG's application was docketed as Docket No. UG 287. CNG requests in UG 287 for its rates to be effective February 1, 2016. The depreciation rates that will be used in Docket UG 287 are the rates set in this docket (UM 1727).

On August 18, 2015, CNG and Staff participated in a settlement conference. The discussions resulted in a compromise settlement by the Stipulating Parties. Exhibits Staff-

¹ The Citizens' Utility Board of Oregon (CUB) is a party to this case. However, CUB has notified CNG and Staff that it has decided not to actively participate in the case.

1 CNG/100 through Staff-CNG/102, included with this Stipulation, set forth the detailed account-
2 by-account depreciation parameters and rates that the Stipulating Parties agree should be adopted
3 by the Commission.

4 The Stipulating Parties request that the Commission issue an order in this docket
5 accepting the Stipulation. The Stipulating Parties have agreed to depreciation parameters and
6 rates that would result in a net annual depreciation expense reduction of approximately \$1.985
7 million from the \$2.0 million depreciation increase originally proposed in this docket based on
8 plant data as of December 31, 2013. Stated differently, CNG will have an annual depreciation
9 expense increase of approximately \$35,797 as a result of this Stipulation.

10 TERMS OF STIPULATION

11 1. This Stipulation resolves all issues regarding CNG's application seeking a change in
12 depreciation rates applicable to its plant.

13 2. The Stipulating Parties agree that the changes shown in Staff-CNG/101 (Table 1) is a
14 complete list of all CNG depreciation parameters and depreciation expense and rates for all plant
15 accounts.

16 3. Staff-CNG/102 (Table 2) is a list of all CNG depreciation parameters for the identified
17 lives, survivor curves, and net salvage for all plant accounts.

18 4. The revised depreciation parameters described above and set forth in Staff-CNG/101
19 and Staff-CNG/102 are reasonable and should be adopted.

20 5. The Parties support an effective date for the revised depreciation rates set forth in the
21 Joint Testimony to be effective January 1, 2016 for accounting purposes only; the Parties support
22 the revised depreciation rates to be effective for ratemaking purposes upon completion of
23 Cascade's general rate case (UG 287).

24 6. The Stipulating Parties recommend and request that the Commission approve the
25 adjustments described herein as appropriate and reasonable resolutions of all issues in this docket
26 (UM 1727).

1 7. The Stipulating Parties agree that this Stipulation is in the public interest and will
2 result in rates that are fair, just and reasonable and, if approved, will meet the standard in ORS
3 756.040.

4 8. The Stipulating Parties agree that this Stipulation represents a compromise in the
5 positions of the parties. Without the written consent of all parties, evidence of conduct or
6 statements, including but not limited to term sheets or other documents created solely for use in
7 settlement conferences in this docket, are confidential and not admissible in the instant or any
8 subsequent proceeding, unless independently discoverable or offered for other purposes allowed
9 under ORS 40.190.

10 9. The Stipulating Parties have negotiated this Stipulation, with its accompanying
11 exhibits, as an integrated document. If the Commission rejects all or any material part of this
12 Stipulation, or adds any material condition to any final order that is not consistent with this
13 Stipulation, each Stipulating Party reserves its right to: (i) withdraw from the Stipulation, upon
14 written notice to the Commission and other Parties within five (5) business days of service of the
15 final order that rejects this Stipulation, in whole or material part, or adds such material condition;
16 (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in
17 support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as
18 deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in
19 the settlement embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-
20 001-0720, to seek rehearing or reconsideration or to appeal the Commission order under ORS
21 756.610. Nothing in this paragraph provides any Party the right to withdraw from this
22 Stipulation as a result of the Commission's resolution of issues that this Stipulation does not
23 resolve.


24 10. This Stipulation will be offered into the record in this proceeding as evidence
25 pursuant to OAR 860-01-0350(7). The Stipulating Parties agree to support this Stipulation
26 throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if

1 specifically required by the Commission), and recommend that the Commission issue an order
2 adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in
3 drafting and submitting an explanatory brief and written testimony per OAR 860-001-0350(7),
4 unless such requirement is waived. By entering into this Stipulation, no Stipulating Party shall
5 be deemed to have approved, admitted or consented to the facts, principles, methods or theories
6 employed by any other Party in arriving at the terms of this Stipulation. Except as provided in
7 this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this
8 Stipulation is appropriate for resolving issues in any other proceeding.

9 This Stipulation may be signed in any number of counterparts, each of which will be an
10 original for all purposes, but all of which taken together will constitute one and the same
11 agreement.

12 DATED this 10 day of September, 2015.

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15 
16 CASCADE NATURAL GAS CORPORATION

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18 STAFF OF THE PUBLIC UTILITY
19 COMMISSION OF OREGON
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UM 1727, Exhibit 101 - Table 1

CASCADE NATURAL GAS CORPORATION									
TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO GAS PLANT AT DECEMBER 31, 2013									
UM 1727, Exhibit 101									
ACCOUNT (1)	SURVIVOR CURVE (2)		NET	ORIGINAL COST	BOOK RESERVE	FUTURE ACCRUALS (6)	CALCULATED		COMPOSITE
			SALVAGE PERCENT (3)	AT DECEMBER 31, 2013 (4)	AT DECEMBER 31, 2013 (5)		ANNUAL ACCRUAL AMOUNT (7)	RATE (8)=(7)/(4)	REMAINING LIFE (9)=(6)/(7)
TRANSMISSION PLANT									
365.2 Rights of Way	S5.0	65	0%	1,026,089	723,038	303,164	16,212	1.58%	18.7
367.1 Mains	S5.0	65	-20%	15,804,274	9,718,327	9,261,944	287,638	1.82%	32.2
369.1 Meas. & Reg.Station Equip.	R2.5	50	-10%	198,115	207,794	10,069	812	0.41%	12.4
				17,028,478	10,649,159	9,575,177	304,662	1.79%	31.4
TOTAL TRANSMISSION PLANT									
DISTRIBUTION PLANT									
374.2 Land Rights	R2.0	60	0%	2,024,481	555,373	1,472,922	38,060	1.88%	38.7
375.1 Structures and Improvements	R4.0	40	0%	1,457,570	1,259,530	197,380	17,782	1.22%	11.1
375.2 Leasehold Improvements	R2.0	26	0%	1,219	564	655	156	12.80%	4.2
376.1 Mains	R4.0	75	-80%	125,838,733	95,299,863	130,947,780	2,768,452	2.20%	47.3
376.2 Mains - High Pressure	R2.5	85	-18%	125,140,041	36,842,755	110,592,546	1,564,251	1.25%	70.7
376.3 Mains - Polyethylene	L3.0	36	-26%	110,360,600	26,989,236	112,124,168	4,557,893	4.13%	24.6
377 Compressor Station Equip.	R3.0	35	0%	2,000,731	1,147,763	854,712	35,613	1.78%	24.0
378 Meas. & Reg.Sta.- General	L1.0	60	-30%	21,468,661	7,185,579	20,774,779	412,198	1.92%	50.4
380.1 Services	R5.0	56	-135%	75,986,423	103,363,585	75,151,336	2,530,348	3.33%	29.7
380.3 Services - Polyethylene	S4.0	35	-30%	113,058,770	39,549,158	107,473,660	4,386,680	3.88%	24.5
381 Meters	S2.0	42	0%	47,965,227	16,046,526	31,902,162	1,088,611	2.27%	29.3
382 Meter Installations	R3.0	55	-15%	30,029,637	11,908,944	22,565,460	558,551	1.86%	40.4
383 Regulators	R5.0	45	0%	9,922,839	3,577,768	6,353,796	230,210	2.32%	27.6
385 Ind'l Meas. & Reg.Sta Equip	R2.0	38	0%	8,890,422	3,536,036	5,349,184	193,811	2.18%	27.6
388 Asset Retirement Obligation	R2.0	38	0%	48,962	39,792	30,905	1,493	3.05%	20.7
				674,194,316	347,102,470	625,791,445	18,384,309	2.73%	34.0
TOTAL DISTRIBUTION PLANT									
GENERAL PLANT									
390.1 Structures & Improvements	R3.0	45	0%	17,480,754	10,720,055	6,784,619	216,761	1.24%	31.3
390.2 Leasehold Improvements	S1.0	30	0%	16,808	32,657	0	0	0.00%	4.9
391.1 Computer System	L0.0	10	6%	92,213	86,365	317	46	0.05%	6.9
391.2 Computer Softw are	L3.0	8	0%	3,306,327	3,306,327	0	0	0.00%	3.5
391.3 Data Communication System	SQ.0	11	0%	1,742,736	16,594	1,726,422	283,020	16.24%	6.1
391.4 Office Equipment	R1.0	15	0%	390,712	(240,421)	631,163	67,867	17.37%	9.3
391.5 Office Furniture & Fixtures	R1.0	25	0%	1,623,532	(116,110)	1,738,318	80,852	4.98%	21.5
392.1 Transportation Equip-Trailers	L3.0	24	3%	476,107	223,385	238,452	14,997	3.15%	15.9
392.2 Transportation Equipment	L1.0	11	18%	11,218,709	3,815,356	5,381,618	689,951	6.15%	7.8
393 Stores Equipment	S6.0	33	0%	55,776	4,236	51,519	2,978	5.34%	17.3
394.1 Tools, Shop & Garage Equip.	S6.0	31	0%	5,672,068	1,650,158	4,018,327	201,826	3.56%	19.9
394.2 CNG Equipment	R4.0	31	0%	127,445	113,108	14,305	2,345	1.84%	6.1
395 Laboratory Equipment	R5.0	25	0%	138,043	58,603	79,375	6,350	4.60%	12.5
396.1 Pow er Operated Equip-Trailers	L2.0	17	25%	464,441	177,196	170,994	14,491	3.12%	11.8
396.2 Pow er Operated Equipment	L1.5	15	30%	2,452,121	294,109	1,422,624	127,020	5.18%	11.2
397.1 Comm. Equip - Base Station	R2.0	20	0%	328,232	166,411	161,644	14,967	4.56%	10.8
397.2 Comm. Equip - Telemetry	L1.0	18	0%	3,489,559	3,443,101	47,628	4,536	0.13%	10.5
397.3 Comm. Equip - Telex & Tel.	L1.5	12	0%	799,129	227,099	572,208	73,360	9.18%	7.8
397.4 Comm. Equip - Mobile	R5.0	12	0%	615,452	(1,293)	617,048	57,668	9.37%	10.7
398 Miscellaneous Equipment	R3.0	20	0%	38,881	(17,908)	56,795	4,086	10.51%	13.9
				50,529,045	23,959,025	23,713,376	1,863,221	3.69%	12.7
TOTAL GENERAL PLANT									
				741,751,839	381,710,655	659,079,998	20,552,192	2.77%	32.1
TOTAL DEPRECIABLE PLANT									

Exhibit 102 -Table 2 -page 1 - UM 1727

UM 1727

Exhibit 102

Table 2

CASCADE NATURAL GAS CORPORATION

COMPARISON OF ESTIMATED SURVIVOR CURVES & NET SALVAGE

	CNG PROPOSED PARAMETERS				STAFF PRE-SETTLEMENT PARAMETERS			08-18-15 SETTLED PARAMETERS			
ACCT	SURVIVOR CURVE-LIFE		NET SALVAGE		SURVIVOR CURVE-LIFE		NET SALVAGE		SURVIVOR CURVE-LIFE		NET SALVAGE
	TYPE	YEAR	%		TYPE	YEAR	%		TYPE	YEAR	%
(1)	(2)		(3)		(4)		(5)		(6)		(7)
Transmission Plant											
Rights of Way	365.20	S5.0	65	0%	S5.0	65	0%		S5.0	65	0%
Mains	367.00	S5.0	65	-20%	S5.0	65	-20%		S5.0	65	-20%
Meas. & Reg. Station Equip.	369.00	R2.5	50	-10%	R2.5	50	-10%		R2.5	50	-10%
Total Transmission Plant											
Distribution Plant											
Land Rights	374.20	R2.0	60	0%	R2.0	60	0%		R2.0	60	0%
Structures and Improvements	375.10	R4.0	40	-5%	R4.0	40	0%		R4.0	40	0%
Leasehold Improvements	375.20	R2.0	26	0%	R2.0	26	0%		R2.0	26	0%
Mains	376.10	R4.0	75	-100%	R4.0	75	-59%		R4.0	75	-80%
Mains - High Pressure	376.20	R2.5	85	-23%	R2.5	85	-13%		R2.5	85	-18%
Mains - Polyethylene	376.30	L3.0	36	-30%	L3.0	36	-19%		L3.0	36	-26%
Compressor Station Equip.	377.10	R3.0	35	-5%	R3.0	35	0%		R3.0	35	0%
Meas. & Reg. Sta.- General	378.10	L1.0	60	-40%	L1.0	60	-18%		L1.0	60	-30%
Services	380.10	R5.0	56	-160%	R5.0	56	-113%		R5.0	56	-135%
Services - Polyethylene	380.30	S4.0	35	-30%	S4.0	35	-30%		S4.0	35	-30%
Meters	381.00	S2.0	42	0%	S2.0	42	0%		S2.0	42	0%
Meter Installations	382.10	R3.0	55	-15%	R3.0	55	-15%		R3.0	55	-15%
Regulators	383.00	R3.0	42	0%	R5.0	45	0%		R5.0	45	0%
Ind'l Meas. & Reg. Sta Equip	385.00	R2.0	38	-10%	R2.0	38	14%		R2.0	38	0%
Asset Retirement Obligation	388.00	R2.0	38	0%	R2.0	38	0%		R2.0	38	0%
Total Distribution Plant											