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October 31, 2016

Oregon Public Utility Commission
P.O. Box 1088
Salem, OR 97308-1088

Attention: Filing Center

Re: UM 1636(5) - Request for Deferral Accounting for the Cost of Expenses for Manufactured
Gas Plant in Eugene

Cascade Natural Gas Corporation (Cascade or the Company) submits the attached Application for an accounting order for reauthorization to record and defer environmental remediation work at the Manufactured Gas Plant (MGP) in Eugene, Oregon.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Parvinen", with a long horizontal flourish extending to the right.

Michael Parvinen
Director, Regulatory Affairs

Enclosures

1 **3. COMMUNICATIONS**

2 Cascade waives paper service in this docket and requests that all communications regarding this

3 Application should be addressed to the following:

4 Michael Parvinen	Department of Regulatory Affairs
5 Director, Regulatory Affairs	Cascade Natural Gas Corporation
6 Cascade Natural Gas Corporation	8113 West Grandridge Boulevard
7 8113 West Grandridge Boulevard	Kennewick, WA 99336-7166
8 Kennewick, WA 99336-7166	E-mail: CNGCregulatory.cngc.com
9 Telephone: (509) 734-4593	
10 E-mail: michael.parvinen@cngc.com	

11 **4. REQUIREMENTS FOR APPLICATION**

12 In compliance with the requirements of OAR 860-027-030(3) and (4) and Commission Order No.
13 09-263, Cascade provides the following:

14 **A. A description of the utility expenses or revenues for which deferred accounting is
15 requested – OAR 860-027-0300(3)(a)**

16 Due to the variable and unpredictable nature of environmental remediation costs,
17 Cascade seeks authorization to record all environmental costs, which shall include, but are not
18 necessarily limited to, all costs related to investigation, monitoring, legal, study, oversight, and
19 remediation costs, and all costs associated with pursuing insurance recoveries (hereafter
20 “Environmental Costs”) that are associated with MGP projects.

21 Cascade will pay its share of the remediation costs in the future and the other parties
22 will pay the remainder of the costs. Through September 30, Cascade has deferred \$189,883.76,
23 net of insurance proceeds.

24 **B. Justification for the deferred accounting requested with reference to the sections of
25 ORS 757.259 under which the deferral can be authorized - OAR 860-027-0300(3)(b)**

26 This application is made pursuant to ORS 757.259(2)(e), which authorizes the deferral of
“utility expenses or revenues, the recovery or refund of which the commission finds should be

1 deferred in order to minimize the frequency of rate changes. . .or to match appropriately the
2 costs borne by benefits received by ratepayers.”

3 **C. The accounts proposed for recording the amount to be deferred and the accounts that**
4 **would be used for recording the amounts in the absence of approval of deferred accounting –**
5 **OAR 860-027-0300(3)(c)**

6 Cascade’s proposed deferrals would be recorded in a sub-account of FERC Account 186
7 (Miscellaneous Deferred Debits). In the absence of deferral approval, Cascade would record the
8 Environmental Costs of labor to FERC Account 920, Administrative and General Expensed, and
9 the costs of outside services (e.g. consulting) to FERC Account 923, Outside Services Employed.

10 **D. An estimate of the amount to be recorded in the deferred accounts for the 12-month**
11 **period subsequent to the application – OAR 860-027-0300(3)(d)**

12 In January of 2015, the Department of Environmental Quality (DEQ) issued a Record of
13 Decision (ROD) which identified and authorized specific remediation measures. Cascade
14 anticipates that its portion of the effort will amount to approximately \$1.7 million. Cascade will
15 continue to seek insurance recovery of remediation costs which will be used to offset the
16 recorded expenses.

17 **E. A Copy of the Notice of Application and Certificate of Service – OAR 860-027-**
18 **0300(3)(e)**

19 Attached as Appendix B is the copy of the notice and the certificate of service verifying
20 the notice was served on parties to the Company’s most recently completed general rate case,
21 UG-305.

22 **F. A description and explanation of the entries in the deferred account – OAR 860-027-**
23 **0300(4)(a)**

24 Please see the response under II(A) above as well as Appendix A.
25
26

1 **G. The reasons for continuation for deferred accounting – OAR 860-027-0300(4)(b)**

2 The continuation of the deferred accounting of gas costs are justified as these costs are
3 continuing in nature.

4 **H. Requirements per Commission Order No. 09-263**

5 Below is the information required per Commission Order No. 09-263, issued in Docket
6 UM-1286, Staff's investigation into purchased gas adjustment mechanism.

- 7 **1. A complete Summary Sheet, the location in the PGA filing, and an account**
8 **map that highlights the transfer of dollars from one account to another.**

9 See Appendix A.

- 10 **2. The effective date of the deferral**

11 This application is for the 12-month period beginning December 1, 2016, and
12 ending November 30, 2017.

- 13 **3. Prior Year Order Number approving the deferral**

14 Authorization to defer costs was most recently granted per Commission Order
15 No. 16-010.

- 16 **4. The amount deferred last year**

17

	MGP
	<u>Acct 20472</u>
Deferred amounts November 2015 through September 2016	\$189,883.76

18

- 19 **5. The amount amortized last year**

20 None

- 21 **6. The interest rate that will be applied to accounts**

1 The interest rate for deferral accounts is 7.468%. Monies transferred for
2 amortization accrue interest at the rate of 2.20%.

3 **7. An estimate of the upcoming PGA-period deferral and/or amortization**

4 Cascade is unable to estimate the amount it will defer during the next PGA
5 cycle. Per the settlement agreement in UG 305, Cascade will begin amortization
6 effective March 1, 2017. The annual amortization will be \$54,000.
7

8
9 DATED: October 31, 2016.

10
11
12 Respectfully submitted,

13 CASCADE NATURAL GAS CORPORATION

14 

15 _____
16 Michael Parvinen
17 Director, Regulatory Affairs
18 Cascade Natural Gas Corporation
19 8113 West Grandridge Boulevard
20 Kennewick, WA 99336-7166
21 Telephone: (509) 734-4593
22 E-mail: michael.parvinen@cngc.com
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APPENDIX B

Cascade Natural Gas Corporation

October 31, 2016

**NOTICE OF APPLICATION TO DEFER COSTS ASSOCIATED WITH
ENVIRONMENTAL REMEDIATION**

To All Parties Who Participated in UG-305:

Please be advised that today, Cascade Natural Gas Corporation ("Cascade" or the "Company") applied for reauthorization to defer costs associated with environmental remediation. Copies of the Company's application are available for inspection at the Company's main office.

Parties who would like additional information or would like a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the Company or the Public Utility Commission of Oregon as follows:

Cascade Natural Gas Corporation
Attn: Michael Parvinen
8113 W Grandridge Blvd
Kennewick, WA 99336
509-734-4593
CNGCregulatory@cngc.com

Public Utility Commission of Oregon
Attn: Judy Johnson
201 High Street SE, Suite 100
Salem, OR 97308-1088

Any person may submit to the Commission written comment on the application no sooner than 25 days from the date of this notice.

The Company's application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amount in rates in a subsequent proceeding.

APPENDIX B

Cascade Natural Gas Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS FOR ENVIRONMENTAL REMEDIATION upon all parties of record in UG-305, which is the Company's most recent general rate case.

Citizens' Utility Board dockets@oregoncub.org	Michael Goetz Citizens' Utility Board mike@oregoncub.org
Tommy A. Brooks Cable Huston Benedict Haagensen & Lloyd tbrooks@cablehuston.com	Chad M. Stokes Cable Huston Benedict Haagensen & Lloyd cstokes@cablehuston.com
Stephanie S. Andrus PUC Staff – Dept. of Justice stephanie.andrus@state.or.us	Edward Finklea NWIGU efinklea@nwigu.org
Robert Jenks Citizens' Utility Board of Oregon bob@oregoncub.org	Marianne Gardner Public Utility Commission of Oregon marianne.gardner@state.or.us
Kaylie Klein Public Utility Commission of Oregon kaylie.klein@state.or.us	Lisa F. Rackner McDowell, Rackner & Gibson PC dockets@mrg-law.com

Dated this 31st day of October 2016.


Maryalice Rosales
Department of Regulatory Affairs
Cascade Natural Gas Corporation
8113 W Grandridge Blvd
Kennewick, WA 99336
maryalice.rosales@cngc.com