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December 4, 2017

CNG/O17-12-02

Oregon Public Utility Commission
Attn: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: Schedule 31, Public Purpose Charge

Cascade Natural Gas Corporation (Cascade or the Company) files herewith the following revision to its Tariff P.U.C. Or. No. 10, stated to become effective with service on and after January 4, 2018:

First Revision of Sheet No. 31

Overview

The purpose of this filing is to increase the Rule 31, Public Purpose Charge (PPC) from 4.87 % to 5.38%. This increase will ensure collections are sufficient to meet 2018 program goals.

The PPC applies a charge to bills equal to a percentage of customers' total charges for gas service. Collections from this charge fund the Energy Trust of Oregon (Energy Trust) delivered natural gas energy efficiency programs offered to sales customers in Cascade's Oregon service territory as well as the Company's low-income programs, which include the Oregon bill pay assistance program, Oregon Low Income Energy Conservation (OLIEC) Program, and the Conservation Achievement Tariff (CAT).

The proposed 5.38% charge is set to collect \$2,752,026. 79% of PPC collections or \$2,183,789 will go to Energy Trust for the administration of Cascade's residential and commercial energy efficiency programs. The remaining 21% of funds collected will be used for Cascade's low-income programs: \$50,000 will fund low income bill pay assistance and \$518,237 will fund OLIEC and CAT.

Bill Impacts

The public purposes funding charge is revised from 4.87% to 5.38%. The estimated monthly bill impact for the average residential customer using 60 therms per month will be an additional \$0.21 per month and the average commercial customer using 255 therms per month will pay \$0.71 more. Industrial customers, using an average of 1,813 therms per month will pay an additional \$28.79 per month.

Program Budgets

Energy Trust Programs

Energy Trust forecasts needing \$2,717,423 in 2018 to acquire 547,106 therm savings. Energy Trust and Cascade have agreed upon an additional budget reserve of \$467,076 for a total 2018 budget of \$3,184,499. The reserve is a large percentage of the overall budget because Cascade's budget is relatively small and one unexpected industrial project can consume a large portion of the reserve

that is also used to mitigate increased uptake or lower than expected PPC collections. The PPC is set to collect Energy Trust's budget plus reserve minus the 2017 carryover amount of \$1,000,710. 4.27% of the proposed 5.38% PPC charge will fund Energy Trust's 2018 efforts on behalf of Cascade.

Oregon Bill Pay Assistance

Order No. 06-191 approved the Company's decoupling mechanism filed in UG-167, and established the low-income bill pay assistance program's annual budget at \$50,000.

OLIEC/CAT

OLIEC and CAT are complementary programs established in Schedule 33. OLIEC offers prescriptive rebates for the installation of qualifying energy efficiency measures at the residences of low income customers. CAT supplements OLIEC rebates by paying the remaining measure cost. CAT was developed as a means for addressing the barriers that prevent OLIEC from achieving a reasonable market penetration.

The Company began piloting CAT on January 1, 2014, with a termination date of December 31, 2015. The initial CAT pilot was funded using \$400,000 of unspent OLIEC dollars. In order to continue studying CAT's ability to increase OLIEC's reach to low income customers, the Company filed Advice No. O15-11-02, wherein it asked to extend the CAT pilot term to December 31, 2017, which the Commission approved at its December 15, 2015, public meeting. In 2016, Cascade filed to revise its public purpose charge so collections for the CAT program would be \$400,000 over twelve months. On Staff's recommendation, the Commission approved a \$200,000 increase in collections for CAT. Since this amount did not prove sufficient, the Company filed an Application for Authorization to Defer accounting of CAT program costs (Application) on March 15, 2016, which was docketed as UM 1765. This Application was withdrawn January 18, 2017, after the approval of Advice No. O16-10-02 which authorized the Company to collect 0.625% of its gross revenues for the OLIEC and CAT programs.

The 0.625 collection percentage was chosen as a close equivalent to the electric utilities' collections for low income weatherization plus a 0.025% premium for the higher costs of serving rural areas. It was anticipated that this methodology would provide Cascade with a combined Program Year (PY) 2016-17 OLIEC and CAT budget of \$361,627. Actual PPC collections and associated interest income which is added to program revenues totaled only \$280,476.12 in PY 2015-16

It is important to note that the Company made multiple filings attempting to address the insufficiency of OLIEC/CAT funding. It took time for the Company and Staff to agree upon a PY budget of 0.625% of gross revenues. Once approved, the adjusted PPC collection did not compensate for the overage that has accrued at the end of program year PY 2015-16. That shortfall resulted from continued program spending to maintain the upward momentum of program activity resulting from the CAT pilot's success while the Company sought authorization to defer program costs in UM 1765 in March of 2016 to meet pre-committed OLIEC obligations.

With the PPC set to collect half of the funds needed to serve the volume of homes anticipated by the agencies, and without authorization for deferred treatment of expanded CAT expenditures, the Company experienced a program deficit beginning in June 2016, even as the Company worked closely with agencies fund only projects that had been pre-committed prior to the requested withdrawal of the deferral application. This deficit remains and continues to grow as interest accrues in the Company's funding mechanism.

This increase in the overall program deficit is due in large part to the setting of the program PPC charge at 0.625 percent of gross revenues. The PPC succeeded in collecting, when combined with ongoing program interest, \$280,476.12 in overall program revenues, which was close to but short of overall PY 2016-17 program expenses of \$294,490.18, and well below the presumed collection of \$361,627 which reflected Staff's recommend PPC collection methodology for the OLIEC and CAT programs.

A reduction in homes served, combined with a reduction in total program expenses per home, helped mitigate a deeper deficit, but it was not possible for PPC collections to address the level of the program deficit from the previous program year. To mitigate this shortfall, the Company is now filing to increase the OLIEC/CAT budget to \$518,237 which is 0.625% of the Company's gross revenues as reported in the Company's 2016 FERC Form 2 filed in Docket No. RG-33, plus the deficit amount of \$118,978.

Work Papers

The following work papers are attached:

- Attachment No. 1 – This attachment shows the 2018 budgets for the programs funded through the PPC. It also shows how the charge is derived using 2018 forecasted volumes.
- Attachment No. 2 – This attachment provides the bill impact this change would have on each rate schedule.

If you have any questions regarding this filing, please contact Jennifer Gross at (509) 734-4635.

Sincerely,

/s/ Michael Parvinen

Michael Parvinen
Director, Regulatory Affairs

Attachment

**SCHEDULE 31
PUBLIC PURPOSE CHARGE**

PURPOSE

The purpose of this provision is to define the funding method for public purposes activities to be administered through one or more independent entities. Public purposes activities include, but may not necessarily be limited to, energy efficiency programs, market transformation and low-income conservation and bill assistance programs designed to benefit sales customers within Cascade Natural Gas’s service territory in Oregon.

ADJUSTMENT TO RATES

Effective December 1, 2016, a public purpose charge equal to 5.38% of current revenues, including customer service charges, in each month will be assessed as a line item on the bills of rate schedules 101, 104, 105, 111 and 170. The level of the public purpose charge will be reviewed and revised as necessary based on periodic evaluation of public purposes funding needs.

(I)

The Public Purposes Funds shall be allocated to specific separate accounts to fund the respective public purposes programs as follows:

- 4.27% will support public purpose funding of energy efficiency programs that replace programs previously administered by Cascade with energy efficiency programs administered by an independent entity. (C)
- 1.11% will support public purpose funding for low-income conservation and bill assistance activities. (C)

SPECIAL TERMS AND CONDITIONS

1. 79% of the monies designated as public purpose funding will be transferred to the Energy Trust of Oregon. The Energy Trust of Oregon will use the funds to design, promote and administer Natural Gas energy efficiency programs in accordance with agreements executed between Cascade and the Energy Trust. (C)
2. 21% of the monies designated as public purpose funding will be transferred to two internal program accounts and dispersed to Community Action Agencies (Agencies) for the purpose of adding or expanding low-income weatherization programs and bill assistance programs. 91% of the funding will be designated for low-income conservation programs, and the remaining 9% will be designated for bill payment assistance. The internal accounts shall accrue interest at the Company’s currently effective authorized rate of return. (C)
(C)

(continued)

ATTACHMENT 1 - ADVICE NO. O17-12-02

| 2018 Public Purpose Budget | | Notes |
|----------------------------------|--------------------|-------|
| Energy Trust Budget | \$2,717,423 | 1 |
| - Negotiated Reserve | \$467,076 | 2 |
| Total Energy Trust Budget | \$3,184,499 | |
| - Carryover | (\$1,000,710) | 3 |
| PPC for Energy Trust | \$2,183,789 | |
| | | |
| Low Income Program Budgets | | |
| - OLIEC /CAT | \$399,259 | 4 |
| - Carryover | \$118,978 | 5 |
| - Bill Pay Assistance | \$50,000 | 6 |
| Total LI Program Budget | \$568,237 | |
| | | |
| Total PPC Budget | \$2,752,026 | |

| | 101 | 104 | 105 | 111 | 170 | |
|----------------------|------------------------|------------------------|-----------------------|------------------|--------------------|------------------------|
| 2018 volumes | 42,977,699 | 30,284,841 | 2,515,445 | 1,628,267 | 2,418,468 | 79,824,720 |
| rate | \$0.68705 | \$0.58449 | \$0.59391 | \$0.55426 | \$0.51143 | |
| Revenue | 29528000.01 | \$17,701,308 | \$1,493,958 | \$902,490 | \$1,236,887 | |
| No. of Customers | 61685 | 9875 | 140 | 18 | 4 | |
| customer charge | \$4.00 | \$4.00 | \$12.00 | | | |
| BSC Revenue | \$2,960,880.00 | \$474,000.00 | \$20,160.00 | | | |
| Total Revenue | \$32,488,880.01 | \$18,175,307.86 | \$1,514,118.00 | \$902,490 | \$1,236,887 | \$54,317,682.41 |

| | | |
|-------------------------|--------------|-----------------------|
| PPC % | 5.07% | |
| Amt for ETO | 4.02% | \$2,183,789.00 |
| Amt for LI Programs | 1.05% | \$568,236.77 |
| Total PPC Budget | 5.07% | \$2,752,025.77 |

| | |
|-------------------------------|--------|
| % to Energy Trust | 79.35% |
| % to LI Programs | 20.65% |
| Low Income Program Allocation | |
| - OLIEC /CAT | 91.20% |
| - Bill Pay Assistance | 8.80% |

NOTES:

- 1 2018 CY Budget
- 2 Cascade's smaller budget makes it more vulnerable to budget overruns.
- 3 Excess funding from 2017
In Advice No. O16-10-01, the Commission authorized 0.625% of the Company's gross revenues as the OLIEC/CAT annual budget. The 2018 budget is 0.625% of gross revenues as reported in the most recently filed FERC Form 2 for 2016 (See Docket No. RG-33).
- 4
- 5 2017 Overspending due to protracted conversations with Staff on CAT Funding. Program expenditures and collections are reported in the Exhibit A attached to the OLIEC Annual Report filed in RG-7.
- 6 Flat amount as agreed to in UG-167

Cascade Natural Gas Corporation

Advice No. O16-10-01

Work Paper No. 3

ATTACHMENT 2 - ADVICE NO. O17-12-02

BILL IMPACT PER RATE SCHEDULE

| | | | Average Therms | | | Average | | Proposed | Bill |
|---|-------------------------|----------|-------------------|-------------------|-------------------|-------------------------|-------------|------------|----------|
| | Customer Class | Schedule | Per Month | Monthly Charge | Per therm Rate | Monthly Bill w/o PPC | Current PPC | PPC | Impact |
| 1 | Residential | 101 | 60 | \$4.00 | \$0.68705 | \$40.36 | \$1.97 | \$2.17 | \$0.21 |
| 2 | Commercial | 104 | 255 | \$4.00 | \$0.58449 | \$138.49 | \$6.74 | \$7.45 | \$0.71 |
| 3 | Industrial | 111 | 11,386 | \$12.00 | \$0.55426 | \$5,645.75 | \$274.95 | \$303.74 | \$28.79 |
| 4 | Industrial | 105 | 1,813 | \$0.00 | \$0.59391 | \$824.95 | \$40.18 | \$44.38 | \$4.21 |
| 5 | Industrial Interruptibl | 170 | 59,290 | \$0.00 | \$0.51143 | \$24,588.25 | \$1,197.45 | \$1,322.85 | \$125.40 |
| | Current PPC | 4.87% | | | | | | | |
| | Proposed PPC | 5.38% | | | | | | | |

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