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January 22, 2019

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Filing Center
P.O. Box 1088
201 High Street SE, Suite 100
Salem, Oregon 97301

**Re: Docket No. UG 347 – Cascade Natural Gas Corporation’s Application for a
General Rate Revision.**

Attention Filing Center:

Attached for filing in the above-captioned docket is the Stipulation of the Joint Parties.

Please contact this office with any questions.

Sincerely,

Wendy McIndoo
Office Manager

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 347

In the Matter of
CASCADE NATURAL GAS CORPORATION
Application for a General Rate Revision.

STIPULATION

INTRODUCTION

1 This Stipulation resolves all issues in Docket No. UG 347, Cascade’s Application for a
2 General Rate Revision, among Cascade Natural Gas Corporation (Cascade or Company),
3 Staff of the Public Utility Commission of Oregon (Staff), the Oregon Citizens’ Utility Board
4 (CUB), and the Alliance of Western Energy Customers (AWEC) (collectively, the Stipulating
5 Parties). PacifiCorp, dba Pacific Power (Pacific Power) and Hermiston Generating Company
6 (Hermiston) are also parties to this proceeding, but are not parties to the Stipulation. Pacific
7 Power has indicated that it will not object to the Stipulation. Hermiston has declined to take a
8 position regarding the Stipulation. Accordingly, the Stipulating Parties expect this Stipulation
9 to fully resolve the issues in this docket.

BACKGROUND

10 On May 31, 2018, Cascade filed a request for a general rate increase and revised tariff
11 sheets to take effect on June 30, 2018. The Company’s filing (Initial Filing) requested a
12 revision to customer rates that would increase the Company’s annual Oregon jurisdictional
13 revenues by \$2,310,808, or 3.53 percent over current customer rates, or a 7.22 percent
14 margin increase to rates. On June 1, 2018, the Commission suspended the filing for further
15 investigation. Administrative Law Judge (ALJ) Patrick Power convened a prehearing
16 conference on July 10, 2018. In accordance with the prehearing conference memorandum,
17 the effective date for rates will be April 1, 2019.

1 On August 15, 2018, the parties convened an initial settlement conference, which
2 resulted in a partial settlement. On September 27, 2018, Staff, CUB, and AWEC filed opening
3 testimony proposing various adjustments to Cascade’s Initial Filing. The parties convened a
4 second settlement conference on October 9, 2018, and a third settlement
5 conference/workshop was held on October 16, 2018. Cascade filed its reply testimony (Reply
6 Filing) on October 30, 2018. In the Company’s Reply Filing, Cascade provided corrections
7 and updates to its Initial Filing, incorporated the results of the partial settlement, and
8 responded to and accepted certain adjustments proposed by Staff, CUB, and AWEC resulting
9 in a revised requested increase to Cascade’s annual Oregon jurisdictional revenue
10 requirement of \$2,310,937. The Stipulating Parties convened a fourth settlement conference
11 on November 7, 2018, and continued settlement discussions on November 8, 2018. As a
12 result of those discussions, the Stipulating Parties reached a settlement of all issues in this
13 proceeding. This Stipulation memorializes the Stipulating Parties’ agreements reached at the
14 August 15 and November 7-8, 2018, settlement conferences.

TERMS OF AGREEMENT

15 The Stipulation resolves the issues addressed below:

16 1. Revenue Requirement. The Stipulating Parties agree that the total margin
17 increase to Cascade’s annual Oregon revenue requirement amount is \$1,677,710, as
18 summarized in the table in Appendix A to this Stipulation and shown in Appendix B to this
19 Stipulation at column (8), row 5. Due to the return of the non-plant excess deferred income
20 tax through a separate tariff (described in Paragraph 5, below), however, the overall impact
21 to customers will be an increase of \$1,175,379. The \$1,677,710 annual revenue
22 requirement increase in this proceeding is based on the Stipulating Parties’ agreement that
23 the Oregon-allocated increase to annual revenue requirement shall be reduced by a total of
24 \$633,098 from the Initial Filing of \$2,310,808. Although the parties proposed different
25 adjustments and took different positions on how to justify the revenue requirement increase,

1 the parties agree that the following adjustments to Cascade's Initial Filing justify the
2 settlement, although there are different ways to justify the agreed upon revenue requirement
3 increase:

4 (a) Wages, Salaries, and Incentives. A reduction of \$535,066 to expense and a
5 reduction of \$220,411 to rate base to reflect the results of Staff's model for wages
6 and salaries and to reflect a reduction to employee incentives. This adjustment
7 results in a reduction to revenue requirement of \$572,505;

8 (b) MDU Cross-Charges. A reduction of \$7,595 to expense to accept AWEC's
9 adjustment regarding amounts cross-charged to Cascade by its parent, MDU
10 Resources , as corrected by Cascade at CNGC/700, Peters/13. This adjustment
11 results in a reduction to revenue requirement of \$7,836;

12 (c) Directors and Officers Liability Insurance. A reduction of \$16,326 to expense to
13 reflect Staff's methodology for purposes of settlement, resulting in removal of
14 50 percent of all levels of Directors and Officers Liability Insurance premiums.
15 This adjustment results in a reduction to revenue requirement of \$16,843;

16 (d) Franchise Fee Expense. An increase of \$4,694 to expense to reflect the use of
17 a 10-year average for the franchise fee rate, but excluding two years in which
18 the franchise fee rates were lower than normal. This adjustment results in an
19 increase to revenue requirement of \$4,842;

20 (e) Franchise Fee Rate. A reduction in the revenue sensitive franchise fee rate from
21 2.4493 percent to 2.4124 percent. This adjustment results in a reduction to
22 revenue requirement of \$941;

23 (f) Interest Synchronization. An increase of \$23,327 to revenue requirement
24 reflects Staff's interest synchronization adjustment;

- 1 (g) Charitable Contributions. A reduction of \$1,248 to expense to reflect Staff's
2 proposed adjustment regarding charitable contributions. This adjustment results
3 in a reduction to revenue requirement of \$1,288;
- 4 (h) Administrative and General (A&G). A reduction of \$37,316 to expense to reflect
5 Staff's adjustment to A&G expense, which removes 50 percent of the meals and
6 entertainment expense. This adjustment results in a reduction to revenue
7 requirement of \$38,498;
- 8 (i) Plant. The additional rate base and revenue requirement amounts for plant
9 includes the projects listed in the Company's Exhibit CNGC/801, and the
10 Company will provide an officer attestation by March 1, 2019 affirming that all
11 projects were completed and in service by December 31, 2018 and describing
12 actual costs. The parties agreed that the project cost amount described in Exhibit
13 CNGC/801, \$21.9 million, would be reduced by \$1.6 million to \$20.3 million. The
14 Stipulating Parties agree that the amounts recoverable for plant shall be the
15 actual amounts provided in the Company's March 1, 2019 attestation, and
16 projects not complete and in service by December 31, 2018 shall be removed
17 from the test year rate base. Stipulating Parties acknowledge that costs may
18 vary from the amounts described in Exhibit CNGC/801, and agree that the total
19 amount the Company may recover for plant will be based on net changes in costs
20 up to the plant amount agreed upon, \$20.3 million. This adjustment results in a
21 reduction to revenue requirement of \$150,000;
- 22 (j) UM 1816 Deferral. A reduction of \$36,833 to expense to reflect the removal of
23 the UM 1816 deferral balance, involving the Company's maximum allowed
24 operating pressure (MAOP) records review. The Stipulating Parties agree that
25 these costs will be treated consistent with Cascade's proposed alternative
26 treatment described in Exhibit CNGC/903. Additionally, Cascade will withdraw

1 its request for deferred accounting treatment for MAOP records review in Docket
2 UM 1816. This adjustment results in a reduction to revenue requirement of
3 \$38,000;

4 (k) Cost of Long Term Debt. A reduction to the cost of long term debt from 5.25
5 percent, as proposed in the Company's Initial Filing, to 5.140 percent. This
6 adjustment results in a reduction to revenue requirement of \$86,523.

7 2. Cost of Capital. The Stipulating Parties agree to a rate of return of 7.270
8 percent, which is based on a capital structure of 50.0 percent equity and 50.0 percent long-
9 term debt, with a Return on Equity of 9.40 percent and a debt cost of 5.140 percent.

Agreed-upon Cost of Capital			
	Percent of Total Capital	Cost	Component
Long-Term Debt	50.0%	5.140%	2.570%
Common Equity	50.0%	9.40%	4.700%
Total	100.0%		7.270%

10

11 3. Rate Spread. The Stipulating Parties agree to an equal percentage of margin
12 rate spread, except for Schedule 105, General Industrial Service, which will be given three
13 times the increase.

14 4. Rate Design. Basic service charges will be increased as proposed by
15 Cascade, to better reflect the underlying costs of providing basic customer service as well
16 as the proposed change in class revenues. The changes to the basic service charges are
17 as follows:

- 18 • General Residential Service, Schedule 101 – increase from \$4 to \$5;
- 19 • General Commercial Service, Schedule 104 – increase from \$4 to \$10;

- 1 • General Industrial Service, Schedule 105 – increase from \$12 to \$30;
- 2 • Large Volume General Service, Schedule 111 – establish a new basic
- 3 service charge of \$125;
- 4 • General Distribution System Transportation Service, Schedule 163 –
- 5 increase from \$500 to \$625; and
- 6 • Interruptible Service, Schedule 170 - establish a new basic service charge of
- 7 \$300.

8 The remaining increase will be applied to commodity charges.

9 5. Non-Plant Excess Deferred Income Taxes (EDIT). The Stipulating Parties
10 agree to return \$502,331 non-plant EDIT (unprotected EDIT) annually over a five-year
11 period through a separate tariff schedule, on an equal percent of margin basis.

12 6. Interim Period EDIT. The Stipulating Parties agree that Interim Period EDIT will
13 not be addressed in this docket, and will instead be addressed in the ongoing deferral
14 dockets.

15 7. Customer Deposits. The Stipulating Parties agree to CUB’s proposal for a two-
16 year pilot program in which Cascade will waive collection of customer deposits for Schedule
17 101 customers.

18 8. Safety Cost Recovery Mechanism (SCRM). The Stipulating Parties agree that
19 Cascade’s request for a SCRM will be withdrawn from the rate case and that Cascade is
20 able to file for approval of the SCRM in a separate proceeding.

21 9. Schedule 163. The Stipulating Parties agree that service for Schedule 163 will
22 not be changed as proposed by Cascade in its initial filing and customers will continue to be
23 treated as “interruptible service,” and that Cascade will coordinate with AWEC and provide
24 notice to customers before proposing any changes to Schedule 163 in the future.

25 10. Uncollectibles. For the purposes of settlement, the Stipulating Parties agree
26 to accept Staff’s methodology using the last three years of actual net bad debt write-offs to
27 determine the amount of uncollectibles to include in rates.

1 11. Tariffs. Upon approval of this Stipulation, Cascade will file revised rate
2 schedules as a compliance filing in Docket No. UG 347, to be effective April 1, 2019,
3 reflecting rates as agreed upon in this Stipulation.

4 12. The Stipulating Parties recommend and request that the Commission approve
5 the adjustments and provisions described herein as appropriate and reasonable resolutions
6 of the identified issues in this docket.

7 13. The Stipulating Parties agree that this Stipulation is in the public interest, and
8 will result in rates that are fair, just and reasonable, consistent with the standard in
9 ORS 756.040.

10 14. This Stipulation will be offered into the record as evidence pursuant to
11 OAR 860-001-350(7). The Stipulating Parties agree to support this Stipulation throughout
12 this proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing,
13 and recommend that the Commission issue an order adopting the Stipulation. The
14 Stipulating Parties also agree to cooperate in drafting and submitting joint testimony or a
15 brief in support of the Stipulation in accordance with OAR 860-001-0350(7).

16 15. If this Stipulation is challenged, the Stipulating Parties agree that they will
17 continue to support the Commission's adoption of the terms of this Stipulation. The
18 Stipulating Parties agree to cooperate in cross-examination and put on such a case as they
19 deem appropriate to respond fully to the issues presented, which may include raising issues
20 that are incorporated in the settlements embodied in this Stipulation.

21 16. The Stipulating Parties have negotiated this Stipulation as an integrated
22 document. If the Commission rejects all or any material portion of this Stipulation or imposes
23 additional material conditions in approving this Stipulation, any of the Stipulating Parties are
24 entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-
25 001-0350(9). To withdraw from the Stipulation, a Stipulating Party must provide written

1 notice to the Commission and other Stipulating Parties within five days of service of the final
2 order rejecting, modifying or conditioning this Stipulation.

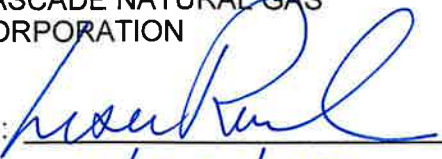
3 17. By entering into this Stipulation, no Stipulating Party approves, admits, or
4 consents to the facts, principles, methods, or theories employed by any other Stipulating
5 Party in arriving at the terms of this Stipulation, other than those specifically identified in the
6 body of this Stipulation. No Stipulating Party shall be deemed to have agreed that any
7 provision of this Stipulation is appropriate for resolving issues in any other proceeding,
8 except as specifically identified in this Stipulation.

9 18. This Stipulation is not enforceable by any Stipulating Party unless and until
10 adopted by the Commission in a final order. Each signatory to this Stipulation avers that
11 they are signing this Stipulation in good faith and that they intend to abide by the terms of
12 this Stipulation unless and until the Stipulation is rejected or adopted only in part by the
13 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction
14 to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation,
15 the Stipulating Parties reserve the right to seek reconsideration or rehearing of the
16 Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the
17 Commission order under ORS 756.610.

18 19. This Stipulation may be executed in counterparts and each signed counterpart
19 shall constitute an original document.

1 This Stipulation is entered into by each Stipulating Party on the date entered below
2 such Stipulating Party's signature.
3 DATED this 22nd day of January 2019.

CASCADE NATURAL GAS
CORPORATION

By:  _____

Date: 1/22/19 _____

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

STAFF OF PUBLIC UTILITY COMMISSION
OF OREGON

By: _____

Date: _____

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: _____

Date: _____

1 This Stipulation is entered into by each Stipulating Party on the date entered below
2 such Stipulating Party's signature.
3 DATED this 18th day of January 2019.

CASCADE NATURAL GAS
CORPORATION

By: _____

Date: _____

STAFF OF PUBLIC UTILITY COMMISSION
OF OREGON

By: John Rievers

Date: 1-18-19

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: _____

Date: _____

- 1 This Stipulation is entered into by each Stipulating Party on the date entered below
- 2 such Stipulating Party's signature.
- 3 DATED this 22nd day of January 2019.

CASCADE NATURAL GAS CORPORATION

STAFF OF PUBLIC UTILITY COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

OREGON CITIZENS UTILITY BOARD

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: [Signature]

By: _____

Date: 1/22/19

Date: _____

1 This Stipulation is entered into by each Stipulating Party on the date entered below
2 such Stipulating Party's signature.
3 DATED this 18th day of January 2019.

CASCADE NATURAL GAS
CORPORATION

STAFF OF PUBLIC UTILITY COMMISSION
OF OREGON

By: _____

By: _____


Date: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: _____

By:  _____

Date: _____

Date: 1/18/19 _____

APPENDIX A

Cascade Natural Gas UG 347 Twelve Months Ended December 31, 2018 ISSUE SUMMARY - Stipulation

CNG requested Incremental Revenue Requirement							\$	2,310,808
Opening Testimony Exhibit No.	Staff Witness	Issue No.	Issue Description	Revenue	Expense	Rate Base	Revenue Requirement Effect	
Settlement	Gardner		Interest Synch.	\$ -	\$ -	\$ -	\$	23,327
Settlement	Muldoon		Rate of Return - Cost of LT Debt					(86,523)
Settlement	Gibbens		D&O Insurance		(16,326)			(16,843)
100	Gardner	1	Franchise Fee Expense		4,694			4,842
100	Gardner	1	Franchise Fee - revenue sensitive rate 2.4493% to 2.4124%					(941)
100	Gardner	3	W&S, Incentives & FTEs		(535,066)	(220,411)		(572,505)
200	Fox	1	Unprotected EDIT to be amortized over 5 years on separate Tariff (reverses CNG filed amortization)		177,710			251,165
200	Fox	2a	Plant			(1,613,913)		(150,000)
600	Moore	1	UM 1816 deferral offset by allowance for accounting		(36,833)			(38,000)
800	Rossow	1	Misc. A&G		(37,316)			(38,498)
800	Rossow	2	Charitable Contributions		(1,248)			(1,288)
AWEC/100/ Mullins/3	Mullins	A4	MDU cross charges		(7,595)			(7,836)
Total Staff-Proposed Adjustments (Base Rates):				\$ -	\$ (451,980)	\$ (1,834,324)	\$	(633,098)
Staff-Calculated Revenue Requirements Change (Base Rates):							\$	1,677,710
Separate Tariff to amortize unprotected EDIT over 5 years. \$502,331 to be refunded to customers annually.							\$	(502,331)
Total Stipulated Change in Revenues							\$	1,175,379

APPENDIX B

Cascade Natural Gas UG 347 Twelve Months Ended December 31, 2018 Stipulation

	2017 Results Per Company Filing	Company Adjustment To Company 2017 Results	2018 Results Per Company Filing	Company Filed Required Change for Reasonable Return	Company Filed 2018 Results at Reasonable Return	Staff Adjustments to Company 2018 Results	Staff Adjusted 2018 Company Results (3) + (6)	Staff Required Change for Reasonable Return	Staff Results at Reasonable Return (7) + (8)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SUMMARY SHEET									
1 Operating Revenues									
2 General Business	59,895,194	1,233,251	61,128,445	2,310,808	63,439,253	-	61,128,445	1,677,710	62,806,155
3 Transportation	4,114,883	(80,421)	4,034,462	-	4,034,462	-	4,034,462	-	4,034,462
4 Other Revenues	264,704	24,715	289,419	-	289,419	-	289,419	-	289,419
5 Total Operating Revenues	64,274,782	1,177,545	65,452,327	2,310,808	67,763,135	-	65,452,327	1,677,710	67,130,037
6 Operating Expenses									
7 Gas Purchased	30,733,688	(198,081)	30,535,607	-	30,535,607	-	30,535,607	-	30,535,607
8 Production	101,025	1,717	102,743	-	102,743	-	102,743	-	102,743
9 Distribution	6,434,534	425,888	6,860,421	-	6,860,421	-	6,860,421	-	6,860,421
10 Customer Accounts	1,904,929	(7,349)	1,897,580	7,496.09	1,905,077	-	1,897,580	5,442.37	1,903,023
11 Customer Service	121,204		121,204	-	121,204	-	121,204	-	121,204
12 Sales	913	(11,482)	(10,569)	-	(10,569)	-	(10,569)	-	(10,569)
13 Admin & General Expenses	6,213,010	49,491	6,262,500	-	6,262,500	(527,985)	5,734,515	-	5,734,515
14 Total Operation & Maintenance	45,509,303	260,183	45,769,486	7,496	45,776,982	(527,985)	45,241,501	5,442	45,246,944
15 Depreciation & Amortization	6,437,588	867,743	7,305,331	-	7,305,331	(44,062)	7,261,270	-	7,261,270
16 Taxes Other than Income	2,155,564	-	2,155,564	-	2,155,564	(62,337)	2,093,227	-	2,093,227
17 Revenue Taxes (Franchise Addon & ODOE)	3,015,262	31,695	3,046,957	63,531	3,110,488	4,694	3,051,651	45,506	3,097,157
18 Income Taxes	1,875,733	(1,206,649)	669,083	604,830	1,273,914	376,987	1,046,070	439,291	1,485,361
19 Total Operating Expenses	58,993,450	(47,028)	58,946,422	675,857	59,622,279	(252,703)	58,693,719	490,239	59,183,958
20 Net Operating Revenues	5,281,332	1,224,573	6,505,905	(6,505,905)	8,140,855.88	252,703	6,758,608	1,187,139	7,946,079
21 Average Rate Base	5,281,332	1,224,573	6,505,905	1,634,950	8,140,856			1,187,471	7,945,747
22 Utility Plant in Service	219,983,640	24,552,055	244,535,695	-	244,535,695	(1,834,324)	242,701,371	-	242,701,371
23 Less: Accumulated Depreciation & Amortization	(102,088,918)	(7,305,331)	(109,394,249)	-	(109,394,249)	-	(109,394,249)	-	(109,394,249)
24 Accumulated Deferred Income Taxes	(26,914,734)	498,717	(26,416,017)	-	(26,416,017)	-	(26,416,017)	-	(26,416,017)
25 Accumulated Deferred Inv. Tax Credit	-	-	-	-	-	-	-	-	-
26 Net Utility Plant	90,979,988	17,745,441	108,725,429	-	108,725,429	(1,834,324)	106,891,105	-	106,891,105
27 Plant Held for Future Use	-	-	-	-	-	-	-	-	-
28 Acquisition Adjustments	-	-	-	-	-	-	-	-	-
29 Working Capital	2,812,500	-	2,812,500	-	2,812,500	-	2,812,500	-	2,812,500
30 Fuel Stock	-	-	-	-	-	-	-	-	-
31 Materials & Supplies	-	-	-	-	-	-	-	-	-
32 Customer Advances for Construction	(408,596)	-	(408,596)	-	(408,596)	-	(408,596)	-	(408,596)
33 Weatherization Loans	-	-	-	-	-	-	-	-	-
34 Prepayments	-	-	-	-	-	-	-	-	-
35 Misc. Deferred Debits & Credits	-	-	-	-	-	-	-	-	-
36 Misc. Rate Base Additions/(Deductions)	-	-	-	-	-	-	-	-	-
37 Total Average Rate Base	93,383,892	17,745,441	111,129,333	-	111,129,333	(1,834,324)	109,295,009	-	109,295,009
38 Rate of Return	5.656%		5.854%		7.326%		6.184%		7.270%
39 Implied Return on Equity	6.459%		6.459%		9.401%		7.228%		9.400%