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May 31, 2018

CNG/O18-05-01

Public Utility Commission of Oregon
P.O. Box 1088
201 High St SE, Suite 100
Salem, OR 97308-1088

Attn: Filing Center

Re: UG 347, Cascade Natural Gas Corporation's Application for General Rate Case Revision

Cascade Natural Gas Corporation (Cascade or the Company) files herewith its Application for a General Rate Revision. In accordance with OAR 860-001-0170(2), an original and twenty (20) copies of the Application and, in accordance with OAR 860-01-0480(5), work papers are provided on Huddle and filed thru PUC.workpapers@state.or.us.

As part of this application, Cascade herewith files the following revision to its Tariff P.U.C. OR 10 stated to become effective with service on and after **June 30, 2018:**

Sixth Revision of Sheet No. iii
Second Revision of Sheet No. 2.1
First Revision of Sheet No. 10.2
Second Revision of Sheet No. 17.1
Fifth Revision of Sheet No. 101.1
Second Revision of Sheet No. 104.1
First Revision of Sheet No. 105.1
Third Revision of Sheet No. 111.1
Third Revision of Sheet No. 163.1
Second Revision of Sheet No. 163.2
Second Revision of Sheet No. 163.3
First Revision of Sheet No. 163.4

First Revision of Sheet No. 163.5
First Revision of Sheet No. 163.6
Third Revision of Sheet No. 163.7
Second Revision of Sheet No. 163.8
First Revision of Sheet No. 163.9
Third Revision of Sheet No. 170.1
Second Revision of Sheet No. 170.2
Second Revision of Sheet No. 197.1
Third Revision of Sheet No. 200.1
First Revision of Sheet No. 800.2

The proposed tariff revisions are discussed in detail in the testimony of Pamela J. Archer, included as Exhibit No. CNGC/501. Redlined version of the proposed changes to the tariff are provided in Exhibit No. CNGC/502.

The purpose of this general rate case filing is to increase in the Company's Oregon revenues by \$2,310,808 or 3.53%. This request is primarily driven by an increased investment. The executive summary required per OAR 860-022-0019 is attached.

Schedule 197 is also included as part of this filing which increases annual revenues by \$29,211, which is not part of the general rate increase of \$2,310,808. Schedule 197 is the amortization of environmental remediation deferred costs.

If approved, this filing would impact customer bills as follows:

Rate Schedule	Current Average Monthly Bill	Therms per Month	Proposed Average Monthly Bill	Change in Average Monthly Bill (\$)	Change in Average Annual Bills	Change in Average Monthly Bill (%)
RS 101 - Residential	\$48.19	57	\$50.57	\$2.38	\$28.56	4.94%
RS 104- General Commercial	\$172.65	252	\$172.64	(\$0.01)	(\$0.12)	0.00%
RS 105 – General Industrial	\$714.16	1,147	\$767.87	\$53.71	\$644.52	7.52%
RS 111 – Large Volume	\$4,320.24	7,46	\$4,320.27	\$0.04	\$0.48	0.00%
RS 163 – Transportation	\$8,089.37	82,168	\$9,040.51	\$951.14	\$11,413.68	11.76%
RS 170 - Interruptible Gas	\$26,688.43	50,385	\$26,688.64	\$0.21	\$2.52	0.00%

This filing will affect all customers that Cascade serves in Oregon. Cascade has 74,000 customers in Oregon: 63,800 residential, 10,050 commercial and 150 Industrial.

In compliance with OAR 860-022-0019(2)(b), Cascade filed a motion for a general protective order on May 21, 2018. In response, the Commission issued protective Order No. 18-172, issued on May 21, 2018. Exhibits that should be granted the protections provided in this protective order are marked confidential.

Pursuant to OAR 860-022-0019(2)(a), the Company's responses to Standard Data Requests will be uploaded to Huddle.

Customer notification of this filing will be published within fifteen (15) days in accordance with the requirements of OAR 860-022-0017.

The Company waives paper service in this proceeding and requests that all correspondence related to this filing be sent to me with copies to the following:

Cascade Natural Gas Corporation
Department of Regulatory Affairs
8113 West Grandridge Blvd
Kennewick, WA 99336
Telephone: 503-734-4593
Email: CNGCRegulatory@cngc.com

Lisa Rackner
McDowell Rackner & Gibson PC
419 SW 11th Avenue, Suite 400
Portland, OR 97205
Telephone: 503-595-3925
Email: lisa@mrg-law.com

If you have any questions regarding this filing, please contact 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
Email: michael.parvinen@cngc.com

Attachment

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UG 347

In the Matter of

CASCADE NATURAL GAS CORPORATION

Application for a General Rate Revision.

CASCADE NATURAL GAS
CORPORATION'S
EXECUTIVE SUMMARY

I. INTRODUCTION

1 Cascade Natural Gas Corporation (Cascade or Company) is filing a general rate
2 increase with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.205,
3 757.215 and 757.220, to revise its schedules of rates and charges for natural gas service in
4 Oregon to become effective with service provided on and after June 30, 2018. With this filing,
5 the Company requests a revision to customer rates that will increase the Company's annual
6 Oregon jurisdictional revenues by \$2,310,808, for an increase of 3.53 percent over current
7 customer rates. The Company also requests a revision to its amortization rate to recover
8 environmental remediation cost that will increase the Company's annual revenues by \$29,211.

9 The revised rates produce revenues necessary to sustain the provision of safe, reliable,
10 and low-cost natural gas service to customers in Oregon, while preserving the Company's ability
11 to attract capital for future investments. The Company files this Executive Summary in
12 accordance with OAR 860-022-0019(1). Exhibit A to the Executive Summary provides the
13 required information in accordance with OAR 860-022-0019(1)(a)-(h).

II. BACKGROUND

14 Cascade is headquartered in Kennewick, Washington and provides natural gas
15 distribution service in 96 communities in Washington and Oregon. Cascade has approximately
16 288,000 customers, of which 74,000 are in Oregon, and serves 25 communities in Oregon, the
17 largest of which are Bend, Baker City, and Pendleton. In 2007, Cascade became a wholly-

1 owned subsidiary of MDU Resources Group, Inc. (MDU Resources or MDUR), which is located
2 in Bismarck, North Dakota.

3 Cascade is a public utility providing natural gas service in Oregon within the meaning of
4 ORS 757.005. The Company is subject to the jurisdiction of this Commission, the Washington
5 Utilities and Transportation Commission, the Federal Energy Regulatory Commission, and the
6 Department of Transportation.

7 Cascade waives paper service in this docket. Communications regarding this filing
8 should be addressed to:

Cascade Natural Gas Corporation
Department of Regulatory Affairs
8113 West Grandridge Boulevard
Kennewick, WA 99336-7166
Telephone: 509-734-4593
Facsimile: 509-737-9834
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9 Communications regarding discovery matters, including data requests issued to the Company,
10 should be addressed to:

Cascade Natural Gas Corporation
Department of Regulatory Affairs
8113 West Grandridge Boulevard
Kennewick, WA 99336-7166
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III. CASE SUMMARY

11 A. The Test Year

12 The Company's test year in this case is the twelve months ending December 31, 2018
13 (Test Year). Cascade provides information for a historical base year of the twelve months
14 ending December 31, 2017 (Base Year), and makes adjustments to that information to reflect
15 the forecasted Test Year. In order to meet the legal requirement that rates be fair, just,

1 reasonable, and sufficient, the Company has selected a test year that closely reflects the
2 investment and expense levels that will exist during the time that the rates adopted in this case
3 are expected to be in effect. The new rates are filed with a requested effective date of June 30,
4 2018. Assuming the addition of the full nine-month statutory suspension period to the 30-day
5 effective date now contained in the tariffs, the new rates would become effective April 1, 2019.

6 **B. Return on Equity**

7 The Company's current return on equity (ROE) is 9.4 percent, as established in
8 Commission Order No. 16-477, issued in Docket UG 305, the Company's most recent general
9 rate case. In this case, the Company seeks an ROE of 9.4 percent. The Company believes
10 that an ROE of 9.4 percent represents a fair return for both shareholders and customers.

11 **C. Factors Driving Rate Adjustment**

12 As described in the testimony of Nicole Kivisto, the primary factor driving Cascade's
13 need for a rate increase is the need to replace portions of its existing pipeline system to ensure
14 the provision of safe and reliable service. Through implementation of the Company's
15 Distribution Integrity Management Process (DIMP), Cascade fully evaluated the physical
16 condition of its distribution pipeline system and identified a number of at-risk areas that could
17 eventually impact the Company's ability to provide safe reliable service and that have been
18 prioritized for replacement. Cascade has initiated replacement of the at-risk sections of its
19 distribution pipeline system, Cascade has devoted a significant amount of capital to these
20 projects. As Cascade continues this work to ensure the reliability and integrity of its system, the
21 Company will continue to dedicate substantial resources to this effort.

1 **IV. TESTIMONY SUMMARY**

2 The Company's direct case consists of the testimony and exhibits of 6 witnesses:

- 3 • In CNGC/100, **Nicole A. Kivisto**, President and Chief Executive Officer (CEO), provides
4 a general overview of the Company, explains the primary drivers of the rate increase,
5 and introduces the Company witnesses and briefly describes their testimony;
- 6 • In CNGC/200, **Michael P. Parvinen**, Director of Regulatory Affairs, will discuss
7 Company's capital structure, the proposed embedded debt, the overall rate of return and
8 Tax Cuts and Jobs Act.
- 9 • In CNGC/300, **Maryalice C. Peters**, Regulatory Analyst III, presents the overall revenue
10 requirement.
- 11 • In CNGC/400, **Isaac D. Myhrum**, Regulatory Analyst, describes the summary of
12 revenues by rate schedules.
- 13 • In CNGC/500, **Pamela J. Archer**, Supervisor-Regulatory Analysis, discusses the
14 proposed tariff changes and increases to miscellaneous charges.
- 15 • In CNGC/600, **Ron Amen**, Cascade's consultant from Black & Veatch Corporation,
16 presents the Company's long-run incremental cost study for the Oregon service territory,
17 discusses his study results, and describes how each schedule's present and proposed
18 rates compare to the indicated costs.

V. CONCLUSION

19 The Company requests that the Commission issue an order approving the proposed rate
20 changes and the proposed tariffs.

21

DATED: May 31, 2018



Michael Parvinen
Director, Cascade Natural Gas Corporation
8113 W. Grandridge Blvd
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509-734-4593
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**Exhibit A to Cascade's Executive Summary
Summary of Requested General Rate Increase
Filed May 31, 2018**

Total Revenues Collected Under Proposed Rates:	\$ 65,452,327
Revenue Change Requested:	\$ 2,310,808
Revenues Net of any Credits from Federal Agencies:	\$ 65,452,327
Percentage Change in Revenues Requested:	3.53%
Percentage Change in Revenues Net of any Credits from Federal Agencies:	3.53%

Test Period: January 1, 2018 to December 31, 2018

Requested Overall Rate of Return 7.33%

Requested Rate of Return on Equity: 9.40%

Proposed Rate Base: \$111,129,333

Results of Operation¹

Before Proposed Rate Change	
Utility Operating Income:	\$5,281,332
Average Rate Base:	\$93,383,892
Rate of Return on Capital:	5.66%
Rate of Return on Equity:	9.40%
After Proposed Rate Change ²	
Utility Operating Income:	\$8,140,855
Average Rate Base:	\$111,129,333
Rate of Return on Capital:	7.33%
Rate of Return on Equity:	9.40%

Effect of Rate Change on Each Customer Class

Customer class	% Change
Residential - 101	4.94%
Commercial - 104	0.00%
Industrial - 105	7.52%
Large Volume - 111	0.00%
General Distribution - 163	11.76%
Interruptible - 170	0.00%

¹ Based upon the Company's 2017 Results of Operations as filed in RG-36

² Based upon the Company's 2018 general rate case filing docketed as UG-347.