Oregon
Kate Brown, Governor

Public Utility Commission
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October 25, 2022

BY EMAIL
Cascade Natural Gas Corporation
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RE: Advice No. O22-07-02

At the public meeting on October 25, 2022, the Commission adopted Staff's recommendation in this matter docketed as UG 442. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser
Chief Administrative Law Judge
Public Utility Commission of Oregon
(503) 378-3098

ITEM NO. RA3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 25, 2022

REGULAR __X__ CONSENT ____ EFFECTIVE DATE November 1, 2022

DATE: October 14, 2022

TO: Public Utility Commission

FROM: Matt Muldoon

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. UG 442/Advice No. O22-07-02)
Reflects changes in the cost of purchased gas and the amortization rate for the Purchased Gas Adjustment (PGA) balancing account.

CASCADE NATURAL GAS:
(Docket No. UG 445/Advice No. O22-07-05)
Revises multiple schedules to reflect the changes resulting from the annual PGA filing.

STAFF RECOMMENDATION:

Staff recommends that Cascade Natural Gas Corporation (Cascade, CNG, or Company) Advice No. O22-07-02, which is the Company's 2022 Purchased Gas Adjustment (PGA), and Advice No. O22-07-05, which updates Company tariff sheets to reflect changes resulting from the annual PGA filing, be approved for service rendered on and after November 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's 2022 annual PGA as reflected in its Advice No. O22-07-02, and revisions to multiple rate schedules to reflect changes resulting from the annual PGA filing, as reflected in its Advice No. O22-07-05.

Applicable Rule or Law

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable. ORS 757.220 provides that filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. The Commission may, for good cause shown, allow changes without requiring 30 days' notice.

ORS 757.259(5) states that unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall be allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The Commission may require that amortization of deferred amounts be subject to refund. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

ORS 757.259(6) states that the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year. ORS 757.259(7) allows the Commission to consider an overall average rate impact greater than that specified in subsection (6) for natural gas commodity and pipeline transportation costs incurred by a natural gas utility, if the Commission finds that allowing a higher amortization rate is reasonable under the circumstances.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

The PGA mechanism was originally established by Order No. 89-1046 to minimize the frequency of gas-cost-related rate changes and the fluctuation of rate levels pursuant to ORS 757.259(2)(e). Since the mechanism's creation in 1989, the Commission has issued a series of orders concerning PGA filings through open-docket UM 1286.[1] Order No. 18-144 is the most recent of these orders, and revises the Commission's

[1] Order No. 08-504 established the form of the PGA Mechanism. PGA Guidelines were acknowledged by the Commission in Docket No. UM 1286, Order No. 09-248, on June 23, 2009. The Guidelines in Docket No. UM 1286 have been modified four different times since they were first acknowledged by the Commission, in Order No. 10-197, in Order No. 11-196, in Order No. 14-238, and in Order No. 18-144.

procedures and requirements of the Natural Gas Portfolio Development Guidelines in Docket No. UM 1286 by adding language concerning review and approval of long-term hedging instruments in a local distribution company's (LDC) natural gas portfolio. No changes were made to the PGA Filing Guidelines previously established in Order No. 14-238.

Analysis

On July 29, 2022, Cascade submitted Advice No. O22-07-02, which constitutes its annual PGA filing (Initial 2022 PGA Filing). On September 15, 2022, Cascade filed a supplement to its initial filing with updated gas costs; and, also submitted revised tariff sheets with Advice No. O22-07-05 (Supplemental 2022 PGA Filing). In aggregate, these filings are commonly referred to as the 2022 PGA filing. The 2022 PGA Filing is comprised of two parts: a forward-looking part for the 2022-2023 Gas Year (Projected Purchased Gas Cost) and a backward-looking part for the 2021-2022 Gas Year (True-Up).

The Projected Purchased Gas Cost projects the costs of natural gas for the upcoming gas year (i.e., November 1, 2022 to October 31, 2023) and results in the new rates set forth in Schedule 177.[2] The True-Up of the 2021-2022 Gas Year trues up the costs of natural gas from the previous gas year (November 1, 2021 to October 31, 2022) by comparing the amount collected from customers in that year with the actual costs incurred by the Company in the same year.[3] Any over or under-collection from customers in the 2021-2022 Gas Year, together with any over or under-collection from previous years,[4] is either given back (in the case of over-collection) or surcharged (in the case of under-collection) to customers in the upcoming gas year. The True-Up results in the new rates set forth in Schedule 191.[5]

Projected Purchased Gas Cost for the 2022-2023 Gas Year (Rate Schedule 177)
The Projected Purchased Gas Cost comprises two rate components: 1) the commodity component rate and 2) the capacity or demand component rate. The rates for these components are represented in Table 1 on the following page in dollar per therm.

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2 Schedule 177 is titled "Purchased Gas Adjustment."

3 The 2021-2022 Gas Year covers the period beginning on November 1, 2021, and ending on October 31, 2022. However, per page 10 of Appendix A to Order No. 14-238 in Docket No. UM 1286 (See: http://apps.puc.state.or.us/orders/2014ords/14-238.pdf), all deferrals to be amortized into rates will be based on June deferral balances plus interest for July-October, and the deferrals that occur after June will be carried forward to the next PGA period.

4 Any over-collection or under-collection from previous years is due to the fact that actual volumetric sales of natural gas will always be different from forecasted volumetric sales. Since amortizations are intended to be recovered in volumetric forecasted sales, a remaining balance will always be present.

5 Schedule 191 is titled "Temporary Gas Cost Rate Addition."

Table 1: Projected Purchased Gas Cost for 2022-2023[6]
($/Therm or as otherwise noted)

Item		Current Rate 2021-2022 Gas Year [7]	Proposed Rate 2022-2023 Gas Year[8]	Change
Commodity	(A)	0.28120	0.44324	0.16204
Demand	(B)	0.15009	0.13671	(0.01338)
Total Gas Cost	**(C = A+B)**	**0.43129**	**0.57995**	**0.14866**

The commodity component of the Weighted Average Cost of Gas (WACOG) proposed for the 2022-2023 Gas Year is increasing by $0.16204 per therm, an increase of 57.6 percent from the previous PGA gas year, as shown in Table 1.

Actual wholesale natural gas prices significantly outpaced the Company's WACOG price projection approved in the Company's 2021 PGA.

Staff summarizes the drivers for Changes in Gas Price as:

a. Global market disruption after Russia invaded Ukraine, and Western Countries responded with economic sanctions – Liquefied Natural Gas (LNG) exports from the U.S to Europe surged. Additionally, LNG capacity at Sabine Pass and Calcasieu has been added over the past year;

b. Surging inflation associated with a healthy job market increases demand for production inputs;

c. Fire damage occurring on June 8, 2022, at America's second-largest liquefied natural gas export facility at Freeport LNG, near Galveston, Texas temporarily decreased exports, somewhat increasing domestic gas supply. Freeport LNG will be fully operational again in Q1, 2023, but will not be in service again until mid-November, according to the U.S. Energy Information Administration (EIA).[9]

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6 Addressed in work paper: UG 442 UG 443 UG 444 UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22, tab: Summary Rate-Rev Impact filed as part of the Company's September 15, 2022, September Gas Update under Docket No. UG 442.

7 See "Estimated Cost of Gas per therm" section approved by the Public Utility Commission of Oregon in Order No. 21-361 of Docket No. UG 417 and Docket No. UG 420.

8 See the Company's 2022 PGA September Gas Update filed September 15, 2022, for Docket No. UG 422/Advice No. O22-07-02 and Docket No. UG 425/Advice No. O22-07-05.

9 See "Weekly US Gas Use Nudges Down 1.2% Driven by Decline in Power Generation Demand by Tim Siccion – S&P Global Market Intelligence – Oct. 7, 2022."

d. Greater focus on profitability and less on volume for domestic natural gas producers (including fracking) in 2021 and 2022. Additionally, the E&P community is also impacted by supply chain issues, including a shortage of labor—adding to the lag in production growth;

e. Increased natural gas consumption during the summer of 2022 by thermal electric power generators due to record setting heat waves in the West. Less gas-to-coal fuel switching flexibility is now available due to low coal inventories, coal supply constraints and coal plant retirements;

f. Most of the Pacific Northwest (PNW) had an above average hydro year while California and the Southwest (SW) had extremely poor hydro years;

g. Increased Canadian natural gas production paired with forced outages put some temporary downward pressure on NW gas prices; and

h. Storage inventories fell below the five-year average level in 2022 and has failed to recover during the injection season.

The proposed demand component reflects a reduction of approximately ($0.01338) per therm, a decrease of 8.91 percent from the previous PGA gas year.[10]

Current Impact of Oregon DEQ Climate Protection Plan (CPP)
Cascade reports no immediate impact of the CPP herein.

Current Impact of Cascade Investment in Renewable Natural Gas (RNG)
Cascade reports no immediate impact of RNG investment herein.

Current Impact of Cascade Investment in Hydrogen (H)
Cascade reports no immediate impact of H investment herein.

Staff notes that SB 98 programs are voluntary. Cascade does not yet have a SB 98 program approved by the Commission.

Sharing Election
Cascade again elects 90/10 sharing. For more detail, see Schedule 177.3, Section: Calculation of Monthly Gas Cost for Deferrals Purposes. For the true-up of the 2021-2022 Gas Year, see Schedule 191.1.

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[10] Addressed in work paper: UG 442 UG 443 UG 444 UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22, tab: Summary Rate-Rev Impact filed as part of the Company's September 15, 2022, September Gas Update under Docket No. UG 442.

Filing and Portfolio Guidelines
Cascade's 2022 PGA Filing meets the PGA Filing Guidelines and the Natural Gas Portfolio Guidelines. Cascade has demonstrated its adherence to these Guidelines with regard to natural gas supplies and financial hedges.[11] Staff's conclusions are supported by the Company's comprehensive work papers and by review and discussion as part of the quarterly PGA meetings.

Staff reviewed Cascade's forecasted commodity and demand costs to determine whether the Company complied with the Commission's Natural Gas Portfolio Development Guidelines (Portfolio Guidelines). Accepted "best practices" for the purchase of natural gas supply by a local distribution company (LDC) result in a portfolio that balances the objectives of reliability, cost control, and managing price volatility using diversity, flexibility, and balance in a LDC's gas portfolio. The Portfolio Guidelines implement these "best practices" for Oregon LDCs. The Portfolio Guidelines also require each gas utility to include certain information related to its gas supply portfolio with its annual PGA filing. This information assists the Commission in determining the prudence of the LDC's costs.

Cascade's portfolio preparation and planning process meets the standards in Section III of the Portfolio Guidelines related to portfolio planning, as do Cascade's physical gas contracts and financial transactions related to natural gas pricing. Cascade has also demonstrated its adherence to the Portfolio Guidelines with regards to natural gas supplies and financial hedges. In addition, the Company has provided all the information called for in Section IV (Information and Work Papers), and Section V (Supporting Data and Analysis) of the Portfolio Guidelines.

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[11] Accepted "best practices" for the purchase of natural gas supply by local distribution companies (LDCs) is portfolio construction that balances the objectives of reliability, cost, and price volatility using the tools of diversity, flexibility, and balance. The "Natural Gas Portfolio Development Guidelines" (Portfolio Guidelines) implement these "best practices" for Oregon LDCs. The Portfolio Guidelines require gas utilities to include certain information related to their gas supply portfolio with their annual PGA filing. This information allows the Commission to determine the prudence of the utility's costs. Staff's analysis of and conclusions regarding the Company's natural gas supply portfolio and related purchasing strategies and actions are based on the Portfolio Guidelines in Docket No. UM 1286.

True-Up of the 2021-2022 Gas Year (Schedule 191)[12]

Table 2: True-Up of the 2021-2022 Gas Year[13, 14]
($/Therm or as noted otherwise)

Item		Current Rate[15]	Proposed Rate[16]	Change
Commodity Amortization[17]	(D)	0.03071	0.13649	0.10578
Demand Amortization[18]	(E)	0.00654	0.00140	(0.00514)
Total Amortization	**(F=D+E)**	**0.03725**	**0.13789**	**0.10064**

Commodity and amortization of residual gas costs from the current and previous PGA periods results in a ratepayer surcharge of approximately $12.16 million due to under-collections in the period from November 2021 to June 2022[19]. This surcharge will increase the gas commodity amortization price by $0.10578 per therm after accounting for the commodity cost variance sharing between the Company and customers.

The Company's current demand amortization is a surcharge of $0.00654 per therm to customers (except Interruptible customers). In order to recover under-collections from the prior PGA gas year, the Company proposes a surcharge of $0.00140 per therm. This new rate will recover approximately $125,304 in total during the November 2022 to October 2023 period.[20]

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12 Addressed in work paper: UG 442 UG 443 UG 444 UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22, tab: Gas Cost Rate Increments (Temp), filed as part of the Company's September 15, 2022, September Gas Update under Docket No. UG 442.

13 Positive numbers represent surcharges; negative numbers represent refunds.

14 The Company's revenue sensitive calculation used an aggregate total of the commodity and demand deferral balances. Staff calculated the commodity and demand amortization dollar amounts separately. See the revenue sensitive factor of 3.02 percent in Cascade's RG 36 workbook.

15 See the "Rates" section approved by the Public Utility Commission of Oregon in Order No. 21-361 of Docket No. UG 417 and Docket No. UG 420.

16 See the Company's 2022 PGA September Gas Update filed September 15, 2022, for Docket No. UG 422/Advice No. O22-07-02 and Docket No. UG 425/Advice No. O22-07-05.

17 These figures are for Weighted Average Cost of Gas (WACOG) Deferral only.

18 These figures are for Firm Demand Deferral only.

19 The dollar amount is not adjusted for revenue sensitive costs.

20 Addressed in work paper: UG 442 UG 443 UG 444 UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22, tab: Gas Cost Rate Increments (Temp) filed a part of the Company's September 15, 2022, September Gas Update under Docket No. UG 442. The dollar amount is not adjusted for revenue sensitive costs.

Three Percent Test
Pursuant to ORS 757.259(6), ORS 757.259(7), and OAR 860-027-0300, the annual average rate impact of the amortizations authorized under the statutes may not exceed three percent of the natural gas utility's gross revenues for the preceding calendar year unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances.

As shown in Attachment C of this public meeting memo, the resulting annual average rate impact from the PGA amortization and two other filings[21] is a 15.09 percent increase in rates when compared to the Company's 2021 total gross revenues, which exceeds the 3.0 percent amortization limitation specified in ORS 757.259(6).[22] However, pursuant to ORS 7257.259(7):

> The Commission may allow an overall average rate impact greater than that specified in subsection (6) of this section for natural gas commodity and pipeline transportation costs incurred by a natural gas utility if the Commission finds that allowing a higher amortization rate is reasonable under the circumstances.

Staff recommends the Commission approve the 15.09 percent amortization requested by Cascade pursuant to ORS 757.259(7), due to a sizable and unforeseen increase in gas commodity and transportation costs, exacerbated by Russia's invasion of Ukraine and global response thereto, as well as the other factors listed previously. While the rate increase is large, similar increases are being seen across the Oregon natural gas utilities. Under the circumstances present in this case, Staff finds that such an increase in rates is fair and reasonable for the 2022 PGA gas year.

The percentage changes in Table 3 reflect the change in revenues related to the gas commodity and temporary rates portion of the Company's gross revenues for the 2022-2023 gas year, based on projected customer usage, and differs from the three percent calculation.

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21 Intervenor Funding – Schedule 192, Docket No. UG 443/Advice No. O22-07-03; and Decoupling – Schedule 193, Docket No. UG 444/Advice No. O22-07-04.

22 Addressed in work paper: UG 442 UG 443 UG 444 UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22, tab: C-3% Test, filed as part of the Company's September 15, 2022, September Gas Update under Docket No. UG 442.

Table 3: Overall Commodity and Related Schedule Revenue and Rate Impact [23]
($ or as noted otherwise)

Schedule	Description	Total PGA and Temporary Revenues at Current Rates[24]	Revenue Increase / (Decrease)[25]	Change (%)[26]
101	Residential	$43,071,488	$12,163,775	28.24%
104	Commercial	$24,067,962	$7,727,271	32.11%
105	Industrial	$2,300,012	$803,571	34.94%
111	Large Volume - General Service	$1,997,720	$787,760	39.43%
170	Interruptible - Service	$1,692,502	$709,449	41.92%
163	Interruptible - Transport	$2,221,190	($22,363)	(1.01%)
Total Commodity Only		**$75,350,873**	**$22,169,463**	**29.42%**

Please note that Table 3 looks at the impacts for both PGA and associated dockets. In contrast, Tables 4 and 5 below look at just the impact of the PGA.

23 Addressed in work paper: UG 442 UG 443 UG 444 UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22, tab: A - Rate Schedule Summary, filed as part of the Company's September 15, 2022, September Gas Update under Docket No. UG 442.

24 See Attachment A of this public meeting memo, column "Gas Cost & Adjustment Schedule Total Revenue at Current". Note: the Company included base rates in their Attachment A.

25 Id. See column "Total Incremental Change in Revenue" of Attachment A of this public meeting memo.

26 Here, the percentage change denotes the percentage change in revenues by Rate Schedule.

Table 4: PGA ONLY Commodity Revenue and Bill Impact
($ or as noted otherwise)

Schedule	Description	Total Revenues at Current Rates[27]	Revenue Increase / (Decrease)[28]	Change (%)[29]
101	Residential	$43,071,488	$12,460,154	28.93%
104	Commercial	$24,067,962	8,141,008	33.83%
105	Industrial	$2,300,012	805,703	35.03%
111	Large Volume	$1,997,720	789,851	39.54%
170	Interruptible	$1,692,502	711,333	42.03%
Overall Commodity Only		**$73,129,684**	**$22,908,049**	**29.53%[30]**

Table 5: Total Customers Impacted by PGA

Description	**Customer Count[31]**
Residential	70,250
Commercial	10,378
Industrial	21
Industrial Firm	159
Industrial Interruptible	4

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[27] See Attachment A of this public meeting memo, column “Gas Cost & Adjustment Schedule Total Revenue at Current”. Note: the Company included base rates in their Attachment A.

[28] Addressed in work paper: UG 442 UG 443 UG 444 UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22, tab: B – Detail by Adjustment Schedule, filed as part of the Company’s September 15, 2022, September Gas Update under Docket No. UG 442. Note: One must add rows K3-K7 to rows K10-K14 to determine the incremental revenue.

[29] Here, the percentage change denotes the percentage change in revenues by Rate Schedule.

[30] The overall percentage change is calculated based on operating revenues for the 12-month period ending December 31, 2021 as seen on the Summary Rate-Rev tab in work paper: UG 442, UG 443, UG 444, and UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22 filed as part of the Company’s September 15, 2022, September Gas Update under Docket No. UG 442.

[31] See Total Proposed Average Bill Tab in work paper: UG 442, UG 443, UG 444, and UG 445 Supplemental CNGC Gas & Non-Gas Cost Model WP 9.15.22 filed as part of the Company’s September 15, 2022, September Gas Update under Docket No. UG 442.

Table 6: 2022-2023 **PGA**
Proposed Rate & Bill Increases
Residential Bill Impacts

	Residential Bill Impacts					
Rate Schedule	**Average Therms**	**Customer Charge**	**Current January Bill**	**Proposed January Bill**	**Change January Bill**	**% Change January Bill**
January						
101	121	$6.81	$110.25	$139.70	$29.45	26.71%
Annual / Monthly						
101	62	$6.81	$59.81	$74.90	$15.09	25.23%

Potential Credits from NW Pipeline
On August 18, 2017, the Federal Energy Regulatory Commission (FERC) approved a Northwest Pipeline (NW Pipeline) Stipulation and Settlement Agreement in Docket No. RP17-346-000. Section 12.4 of the 2017 Settlement required NW Pipeline to file a Natural Gas Act ("NGA") Section 4 general rate case for rates to become effective not later than January 1, 2023, unless NW Pipeline entered a pre-filing settlement effectively satisfying the NGA Section 4 general rate case filing requirement. President Trump signed the Tax Cuts and Jobs Act (TCJA) into law on December 22, 2017. From September 2021 through June 2022 NW Pipeline worked with their shippers to resolve issues to avoid filing a full Section 4 general rate case.

On June 29, 2022, the parties reached a settlement in principle. As part of this settlement, NW Pipeline will be issuing credits to shippers of record (2018-2022) to refund monies due to a reduction in the federal corporate income tax rate. This is the principal refund amount owed by NW Pipeline. The final refund will also likely include interest at the rate established by FERC. The refund is subject to approval of the 2022 Settlement by FERC. NW Pipeline indicates it hopes that the settlement will be approved before year end by FERC. If FERC agrees to the Settlement, credits inclusive of interest could be effective as early as January 2023.

Conclusion

Cascade's requested natural gas true-up of $22.9 million in incremental revenues is due to gas costs (Purchased Gas Cost Adjustment Provision; Schedule 177) and amortization of previous deferrals (Temporary Gas Cost Rate Adjustment; Schedule 191). The incremental revenues of $22.9 million comprise nearly all of the total requested amortization balance that is subject to the three percent test.

Cascade's 2022 PGA Filing and other advice filings reflect a combined revenue increase of $22,169,463 or approximately 29.42 percent, effective November 1, 2022.

Cascade has not encountered this large of a gas price increase going back the last ten years.

Cascade's Budget Pay program, which equalizes bill payments across winter and summer months is available for customers to sign up for at any time. To increase awareness of the program ahead of this price increase, Cascade recently ran a social media post encouraging customers to sign up. In addition, if a customer is enrolled in the Company's Customer Web App, they will receive a pop-up message encouraging them to sign up for Budget Pay if they are not enrolled. The Company also promotes Budget Pay throughout the year with bill inserts and emails. Currently, 6.8 percent of Cascade's customers are on Budget Pay. Cascade did not file a general rate case in 2022, which somewhat mitigates the impact of this year's PGA. In addition, the Company's new Energy Discount Program began on October 1, 2022. To date, Cascade already has 2,700 residential customers enrolled in the program.

In addition, in discussion with the Company, Cascade is planning to return to customers any credits inclusive of interest determined by FERC in Docket No. RP17-346-000 to be due the Company from NW Pipeline.

With these changes, effective November 1, 2022, the monthly bill of a residential customer using an average of 62 therms per month will increase by $15.09, or 25.23 percent, from $59.81 to $74.90.

As the Commission is aware, NW Natural has proposed a temporary rate mitigation credit to reduce the rate increase customers face relating to the PGA such that the rate increase is roughly 15 percent for the winter heating season. In the event the Commission approves the NW Natural proposal, the Commission could consider whether such a temporary rate credit should be evaluated for Cascade residential customers as well. Given that the Cascade PGA and other rate changes to be effective November 1, 2022, comprise roughly 25 percent increase overall, and thus comparable to the NW Natural rate effect before application of the temporary rate credit, Staff recommends the Commission consider directing Cascade to evaluate whether to file for approval of a similar temporary rate credit to be effective December 1, 2022, and sunset March 31, 2023, with the deferred revenues potentially collected through a surcharge applied to April 1, 2023, through October 31, 2023, bills. Staff has briefly discussed this matter with Cascade and the Company stated that it would evaluate this if directed to do so by the Commission. The Company also noted that an impact of such a proposal is that higher gas bills from winter heating moved to spring and summer would occur during air-conditioning use and billing.

Cascade has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Cascade's Advice No. O22-07-02, which is the Company's 2022 annual PGA filing, and Advice No. O22-07-05, which updates Company tariff sheets to reflect changes resulting from the annual PGA filing, for services rendered on and after November 1, 2022.

CNG UG 442 / Advice No. O22-07-02, and UG 445 / Advice No. O22-07-05

Attachment A: Cascade Natural Gas 2022 **PGA and Related Dockets**
Incremental Revenue Change by Customer Rate Schedule

Customer Rate Schedule	Description	Gas Costs and Adjustment Schedule Total Revenues at Current Rates[32]	Gas Costs and Adjustment Schedule Total Revenues at Proposed Rates	Incremental Change in Revenue	% Change by Rate Schedule	% Contribution to Total Incremental Change
101	Residential	$43,071,488	$55,235,263	$12,163,775	28.24%	54.87%
104	Commercial	$24,067,962	$31,795,233	$7,727,271	32.11%	34.86%
105	Industrial	$2,300,012	$3,103,583	$803,571	34.94%	3.62%
111	Large Volume	$1,997,720	$2,785,480	$787,760	39.43%	3.55%
170	Interruptible	$1,692,502	$2,401,951	$709,449	41.92%	3.20%
163	Transportation	$2,221,190	$2,198,827	($22,363)	(1.01%)	(0.10%)
Overall		**$75,350,873**	**$97,520,336**	**$22,169,463**	**29.42%**	**100.00%**

32 Revenue at "Current" does not reflect current revenues, but rather what the revenues would be if existing rates continued to be in effect during the upcoming year (i.e., current rates times forecasted therms). There will be small differences with the Advice filings.

Attachment B: Cascade Natural Gas 2022 **PGA and Related Dockets**
Incremental Revenue Change by Adjustment Schedule
(Red) indicates negative numbers

Adjustment Schedule	Description	Gas Costs and Adjustment Schedule Revenue $ at Current Rates[33]	Gas Costs and Adjustment Revenue $ at Proposed Rates	Incremental Change in Revenue $	% Contribution to Total Incremental Change
177	PGA	$39,630,318	$53,290,367	$13,660,049	61.62%
191	Temp. Gas Cost	$3,422,823	$12,670,823	$9,248,000	41.72%
192	Intervenor Funding	$91,439	$53,472	($37,967)	(0.17%)
193	CAP[34]	($266,018)	($966,640)	($700,622)	(3.16%)
Total		**$42,878,562**	**$65,048,022**	**$22,169,460**	**100.00%**

33 Revenue at "Current" does not reflect current revenues, but rather what the revenues would be if existing rates continued to be in effect during the upcoming year (i.e. current rates times forecasted therms). There will be small differences with the Advice filings.

34 Conservation Alliance Plan.

Attachment C: Cascade Natural Gas 2022-2023 **PGA**
Three Percent Test
(Red) indicates negative numbers

	Surcharge	Credit	
Prior Period Gas Cost Deferral True Up	**$12,671,052**		
Non Gas Amortizations			
Intervenor Funding	$53,158		
Decoupling		$(966,833)	
Subtotal	$53,158	$(966,833)	
Total	**$12,724,210**	**$(966,833)**	
Total Proposed Amortizations			**$11,757,377**
Less Intervenor Funding[35]			$53,158
Net Proposed Amortizations (subject to 3% test)			$11,704,219
Utility Gross Revenues (2021)			$77,563,145
3% of Utility Gross Revenues[36]			$2,326,894
Allowed Amortization			**$11,704,219**
Allowed Amortization as % of Gross Revenue			**15.09%**

35 Intervenor Funding is excluded from the result of the three percent test pursuant to ORS 757.259(4).
36 Unadjusted general revenues as shown in the most recent Results of Operation.

Attachment D: 2022-2023 **PGA**
Proposed Rate & Bill Increases by Class of Service

		Rate Impacts[37]			
Class of Service	**Rate Schedule**	**Current Rate per Therm**	**Proposed Rate per Therm**	**Change Rate per Therm**	**% Change Rate per Therm**
Residential					
Cascade	101	$0.85488	$1.09825	$0.24337	28.47%
Commercial					
Cascade	104	$0.74161	$0.97824	$0.23663	31.91%
Industrial					
Cascade	105	$0.71567	$0.96431	$0.24864	34.7%
Interruptible					
Cascade	170	$0.59508	$0.84372	$0.24864	41.8%

37 The residential rates illustrated above do not include pass-through charges included on customer bills that utilities are required to collect and distribute to the appropriate third parties, such as for franchise fees or the Public Purposes Charge.

SCHEDULE 177
PURCHASED GAS COST ADJUSTMENT PROVISION

DEFINITIONS (continued)

1. Capacity Release Benefits: This component includes revenues associated with pipeline capacity releases. The benefits to customers, through the monthly PGA deferrals, shall be 100% of the capacity release revenues up to the full pipeline rate, and 80% of the capacity release revenues in excess of full pipeline rates. Capacity release revenues shall be quantified on a transaction-by-transaction basis.

2. Estimated Weighted Average Cost of Gas (WACOG): The estimated WACOG for the period November 1st through October 31st is calculated by the following formula: (Forecasted Purchases at Adjusted Contract Prices) divided by (forecasted sales volumes). This WACOG does not include any revenue sensitive factors.
   a. Forecasted Purchases means this year's forecasted sales volumes plus a percentage for distribution system LUFG and pipeline fuel in kind.
   b. Distribution system embedded LUFG means the 5-year average of actual distribution system LUFG, not to exceed 2%.
   c. Adjusted contract prices means actual and projected contract prices that are adjusted by each associated Canadian pipeline's published (closest to August 1) fuel use and line loss amount provided for by tariff, and by each associated U.S. pipeline's tariffed rate.

3. Estimated Non-Commodity Cost: Estimated annual Non-Commodity gas costs shall be equal to estimated annual Demand Costs, less estimated annual Capacity Release Benefits, plus or minus estimated annual pipeline refunds or surcharges.

4. Estimated Non-Commodity Cost per Therm: The Estimated Non-Commodity cost per therm is calculated by the following formula: (Estimated annual Non-Commodity Cost divided by forecasted sales volumes). This estimate does not include any revenue-sensitive factors.

The Estimated Cost of Gas per therm is as follows:

	Cost of Gas Per Therm	Revenue Sensitive Costs	Cost of Gas Per Therm Rate	
WACOG	$0.42985	3.02%	$0.44324	(I)
Non-Commodity Cost	$0.13258	3.02%	$0.13671	(R)
TOTAL	**$0.56243**	**3.02%**	**$0.57995**	(I)

10. Actual Monthly Calendar Sales Volumes: Actual billed sales therms, adjusted for estimated unbilled therms, for firm and interruptible sales schedules.

(continued)

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SCHEDULE NO. 191
TEMPORARY GAS COST RATE ADJUSTMENT

APPLICABLE
The temporary rate applies to Schedules 101, 104, 105, 111, and 170.

RATES
Each of the charges specified in the schedules for gas service hereinafter listed shall be adjusted by the following per therm increase or (decrease) or appropriate multiple thereof in determining annual minimum bill, if any:

Rate Schedule	Amount
101	$0.13789
104	$0.13789
105	$0.13789
111	$0.13789
170	$0.13789

(I)
(I)

LIMITATION
This temporary rate adjustment shall remain in effect until cancelled pursuant to a Commission order.

TAX ADDITIONS
The rates named herein are subject to increases as set forth in Schedule 100 for Municipal Exactions.

GENERAL TERMS
Service under this schedule is governed by the terms of this schedule, the Rules contained in this Tariff, any other schedules that by their terms or by the terms of this schedule apply to service under this schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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