



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. O22-07-05

At the public meeting on October 25, 2022, the Commission adopted Staff's recommendation in this matter docketed as UG 445. 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

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.

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 2022-2023⁶
 (\$/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

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.

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.

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 2022¹⁹. 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

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 filings²¹ 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.

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 docket. 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

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.

Docket Nos. UG 442 and UG 445
October 14, 2022
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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	
<u>Non Gas Amortizations</u>		
Intervenor Funding	\$53,158	
Decoupling		\$(966,833)
Subtotal	\$53,158	\$(966,833)
Total	\$12,724,210	\$(966,833)
Total Proposed Amortizations		
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.

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RATE SCHEDULES (continued)

<u>Schedule</u>	<u>Title</u>	<u>Sheet</u>
111	Large Volume General Service Rate.....	111.1
163	General Distribution System Interruptible Transportation Service	163.1
170	Interruptible Service	170.1
201	Special Contracts.....	201.1

RATE ADJUSTMENTS

<u>Schedule</u>	<u>Title</u>	<u>Page</u>
177	Purchased Gas Adjustment.....	177.1
191	Temporary Rate Addition.....	191.1
192	Intervenor Funding Adjustment	192.1
193	Conservation Alliance Plan Adjustment.....	193.1
196	UM 903 Oregon Earnings Sharing.....	196.1
197	Environmental Remediation Cost Adjustment	197.1
198	Unprotected Excess Deferred Income Tax (EDIT)	198.1

(D)

OTHER CHARGES

<u>Schedule</u>	<u>Title</u>	<u>Page</u>
200	Various Miscellaneous Charges	200.1

OPTIONAL SERVICES

<u>Schedule</u>	<u>Title</u>	
800	Biomethane Receipt Services	800.1

**SCHEDULE 101
GENERAL RESIDENTIAL SERVICE RATE**

APPLICABILITY

This schedule is available to residential customers.

RATE

Basic Service Charge		\$6.00	per month	
Energy Discount Program	Schedule 37	\$0.81	per month	(N)
Delivery Charge		\$0.39467	per therm	
Schedule 177	Cost of Gas (WACOG)	\$0.57995	per therm	(I)
Schedule 191	Temporary Gas Cost Rate	\$0.13789	per therm	(I)
Schedule 192	Intervenor Funding	\$0.00088	per therm	(R)
Schedule 193	Conservation Alliance Plan	(\$0.00824)	per therm	(R)
Schedule 196	Oregon Earnings Sharing	\$0.00000	per therm	(D)
Schedule 197	Environmental Remediation Cost	\$0.00030	per therm	
Schedule 198	Unprotected EDIT	(\$0.00720)	per therm	
	Total	\$1.09825	per therm	(I)

MINIMUM CHARGE

Basic Service Charge \$6.00

TERMS OF PAYMENT

Each monthly bill shall be due and payable within twenty-two days from the date of rendition. (C)

TAX ADDITIONS

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

GENERAL TERMS

Service under this rate 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 rate schedule apply to service under this rate schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

**SCHEDULE 104
GENERAL COMMERCIAL SERVICE RATE**

APPLICABILITY

This schedule is available to commercial customers.

RATE

Basic Service Charge		\$12.00	per month	
Delivery Charge		\$0.27282	per therm	
Schedule 37	Energy Discount Program	\$0.00889	per therm	(N)
Schedule 177	Cost of Gas (WACOG)	\$0.57995	per therm	(I)
Schedule 191	Temporary Gas Cost Rate	\$0.13789	per therm	(I)
Schedule 192	Intervenor Funding	\$0.00000	per therm	
Schedule 193	Conservation Alliance Plan	(\$0.01699)	per therm	(R)
Schedule 196	Oregon Earnings Sharing	\$0.00000	per therm	(D)
Schedule 197	Environmental Remediation Cost	\$0.00030	per therm	
Schedule 198	Unprotected EDIT	(\$0.00462)	per therm	
	Total	\$0.97824	per therm	(I)

MINIMUM CHARGE

Basic Service Charge \$12.00

TERMS OF PAYMENT

Each monthly bill shall be due and payable within twenty-two days from the date of rendition. (C)

TAX ADDITIONS

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

GENERAL TERMS

Service under this rate 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 rate schedule apply to service under this rate schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

**SCHEDULE 105
GENERAL INDUSTRIAL SERVICE RATE**

APPLICABILITY

This schedule is available to industrial customers.

RATE

Basic Service Charge		\$35.00	per month	
Delivery Charge		\$0.24226	per therm	
Schedule 37	Energy Discount Program	\$0.00727	per therm	(N)
Schedule 177	Cost of Gas (WACOG)	\$0.57995	per therm	(I)
Schedule 191	Temporary Gas Cost Rate	\$0.13789	per therm	(I)
Schedule 192	Intervenor Funding	\$0.00022	per therm	(R)
Schedule 193	Conservation Alliance Plan	\$0.00000	per therm	
Schedule 196	Oregon Earnings Sharing	\$0.00000	per therm	(D)
Schedule 197	Environmental Remediation Cost	\$0.00030	per therm	
Schedule 198	Unprotected EDIT	(\$0.00358)	per therm	
	Total	\$0.96431	per therm	(I)

MINIMUM CHARGE

Basic Service Charge \$35.00

TERMS OF PAYMENT

Each monthly bill shall be due and payable within twenty-two days from the date of rendition.

(C)

TAX ADDITIONS

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

GENERAL TERMS

Service under this rate 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 rate schedule apply to service under this rate schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

**SCHEDULE 111
LARGE VOLUME GENERAL SERVICE RATE**

APPLICABILITY

Service under this schedule shall be for natural gas supplied for all purposes to customers having an annual fuel requirement of not less than 50,000 therms and where the customer's major fuel requirement is for process use.

RATE

Basic Service Charge		\$144.00	per month	
Delivery Charge		\$0.16113	per therm	
OTHER CHARGES:				
Schedule 37	Energy Discount Program	\$0.00479	per therm	(N)
Schedule 177	Cost of Gas (WACOG)	\$0.57995	per therm	(I)
Schedule 191	Temporary Gas Cost Rate	\$0.13789	per therm	(I)
Schedule 192	Intervenor Funding	\$0.00022	per therm	(R)
Schedule 193	Conservation Alliance Plan	\$0.00000	per therm	
Schedule 196	Oregon Earnings Sharing	\$0.00000	per therm	(D)
Schedule 197	Environmental Remediation Cost	\$0.00030	per therm	
Schedule 198	Unprotected EDIT	(\$0.00275)	per therm	
	Total	\$0.88153	per therm	(I)

MINIMUM CHARGE

Basic Service Charge \$144.00

SERVICE AGREEMENT

Customers receiving service under this rate schedule shall execute a service agreement for a minimum period of twelve consecutive months' use. The service agreement term shall be for a period not less than one year and the termination date of the service agreement in any year shall be September 30th.

ANNUAL DEFICIENCY BILL

In the event the customer purchases less than the Annual Minimum Quantity of 50,000 therms as stated in the service agreement, the customer shall be charged an Annual Deficiency Bill. The Annual Deficiency Bill shall be calculated as the difference between the Annual Minimum Quantity and the actual purchase of transport therms times the difference between the per therm rates effective in this schedule and any modifying schedules less WACOG.

(continued)

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CASCADE NATURAL GAS CORPORATION

First Revision of Sheet No. 111.2

Cancelling

P.U.C. OR. No. 10

Original Sheet 111.2

**SCHEDULE 111
LARGE VOLUME GENERAL SERVICE RATE**

TERMS OF PAYMENT

Each monthly bill shall be due and payable within twenty-two days from the date of rendition.

(C)

TAX ADDITIONS

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

GENERAL TERMS

Service under this rate 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 rate schedule apply to service under this rate schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

**SCHEDULE 163
GENERAL DISTRIBUTION SYSTEM INTERRUPTIBLE TRANSPORTATION SERVICE**

PURPOSE

This schedule provides interruptible transportation service on the Company’s distribution system of customer-supplied natural gas. Service under this schedule is subject to entitlement and curtailment.

APPLICABILITY

To be served on this schedule, the customer must have a service agreement with the Company. The customer must also have secured the purchase and delivery of gas supplies, which may include purchases from a third party agent authorized by the customer served on this schedule. Such agent, otherwise known as a marketer or supplier and hereafter referred to as supplier, nominates and transports natural gas to the Company’s system on a Customer’s behalf in the manner established herein.

RATE

A. **Basic Service Charge** \$625.00 per month

B. **Distribution Charge** for All Therms Delivered Per Month

		Base Rate	Sch. 37	Sch. 192	Sch. 196	Sch 197	Sch 198	Billing Rate	
First	10,000	\$0.12833	\$0.00207	\$0.00022	\$0.000	\$0.00030	(\$0.00114)	\$0.12978	per therm (l)
Next	10,000	\$0.11577	\$0.00207	\$0.00022	\$0.000	\$0.00030	(\$0.00114)	\$0.11722	per therm (l)
Next	30,000	\$0.10877	\$0.00207	\$0.00022	\$0.000	\$0.00030	(\$0.00114)	\$0.11022	per therm (l)
Next	50,000	\$0.06680	\$0.00207	\$0.00022	\$0.000	\$0.00030	(\$0.00114)	\$0.06825	per therm (l)
Next	400,000	\$0.03389	\$0.00207	\$0.00022	\$0.000	\$0.00030	(\$0.00114)	\$0.03534	per therm (l)
Next	500,000	\$0.01816	\$0.00207	\$0.00022	\$0.000	\$0.00030	(\$0.00114)	\$0.01961	per therm (l)
Over	1,000,000	\$0.00189	\$0.00207	\$0.00022	\$0.000	\$0.00030	(\$0.00114)	\$0.00334	per therm (l)

C. **Commodity Gas Supply Charge**

The Company will pass through to the customer served on this schedule all costs, if any, incurred for securing the necessary supply at the city gate excluding pipeline transportation charges.

D. **Gross Revenue Fee**

The total of all charges invoiced by Company shall be subject to a Gross Revenue Fee reimbursement charge to cover state utility tax and other governmental levies imposed upon the Company, as those fees and levies may be in effect from time to time.

(continued)

**SCHEDULE 170
INTERRUPTIBLE SERVICE**

AVAILABILITY

This schedule is available for natural gas delivered for all purposes to customers having an annual fuel requirement of not less than 180,000 therms per year and where customer agrees to maintain standby fuel burning facilities and an adequate supply of standby fuel to replace the entire supply of natural gas delivered hereunder.

SERVICE

Service under this schedule shall be subject to curtailment by the Company when in the judgment of the Company such curtailment or interruption of service is necessary. Company shall not be liable for damages for or because of any curtailment of natural gas deliveries hereunder.

RATE

Basic Service Charge		\$300.00	per month	
Delivery Charge		\$0.12376	per therm	
OTHER CHARGES:				
Schedule 37	Energy Discount Program	\$0.00364	per therm	(N)
Schedule 177	Cost of Gas (WACOG)	\$0.57995	per therm	(I)
Schedule 191	Gas Cost Rate Adjustment	\$0.13789	per therm	(I)
Schedule 192	Intervenor Funding Adjustment	\$0.00022	per therm	(R)
Schedule 193	Conservation Alliance Plan	\$0.00000	per therm	
Schedule 196	Oregon Earnings Sharing	\$0.00000	per therm	(D)
Schedule 197	Environmental Remediation Costs	\$0.00030	per therm	
Schedule 198	Unprotected EDIT	(\$0.00204)	per therm	
All Therms per Month:	Total Per Therm Rate	\$0.84372	per therm	(I)

MINIMUM CHARGE

Basic Service Charge \$300.00

TERMS OF PAYMENT

Each monthly bill shall be due and payable twenty-two days from the date of rendition. (C)

TAX ADDITIONS

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

SERVICE AGREEMENT

Service under this schedule requires an executed service agreement between the Company and the customer. The service agreement term shall be for a period not less than the period covered under the customer's gas purchase contract with the customer's supplier. However, in no event shall the service agreement be for less than one year and the termination date of the service agreement in any year shall be September 30th. (continued)

**Schedule 800
Biomethane Receipt Services**

PURPOSE:

This Schedule establishes terms and conditions whereby qualifying producers of biomethane (Biomethane Producer) may request either a newly constructed interconnection to the Company’s distribution system or increased capacity at an existing interconnection point for the purpose of injecting qualifying biomethane on the Company’s distribution system.

APPLICABILITY:

Service under this Schedule is available to Biomethane Producers who meet all of the following conditions:

- 1) The Biomethane Producer must meet the following credit screening criteria as established for nonresidential customers in Rule 2;
- 2) The raw biogas from which the biomethane is produced must be from one or a mix of the following feedstocks: a) agricultural byproducts; b) wastewater; c) landfill waste; or d) food and beverage waste;
- 3) The Company, in its sole opinion, has determined that injection of biomethane will not jeopardize or interfere with normal operation of the Company’s distribution system and its provision of gas service to its customers;
- 4) Prior to the Company’s building an interconnection, the Biomethane Producer must demonstrate to the satisfaction of Company that it has secured end user(s) that are Company’s customers who agree to purchase all the estimated biomethane production; and
- 5) The Biomethane Producer must comply with all terms and conditions preceding biomethane receipt services as established herein, including:
 - a. Paying all costs for the Interconnection Capacity Study and the Engineering Study as well as all interconnect costs; and
 - b. Executing a Biomethane Receipt Services Agreement for ongoing receipt services under this Schedule.

MONTHLY CHARGES

A Biomethane Producer receiving service under this Schedule shall receive the following monthly charges:

Basic Service Charge \$2,500.00

Blocks By Therms		Base Rate	Odorant	Sch. 37	Sch. 192	Sch. 197	Sch. 198	Billing Rate
First	10,000	\$0.12833	\$0.0002125	\$0.00207	\$0.00022	\$0.00030	(\$0.00114)	\$0.12999
Next	10,000	\$0.11577	\$0.0002125	\$0.00207	\$0.00022	\$0.00030	(\$0.00114)	\$0.11743
Next	30,000	\$0.10877	\$0.0002125	\$0.00207	\$0.00022	\$0.00030	(\$0.00114)	\$0.11043
Next	50,000	\$0.06680	\$0.0002125	\$0.00207	\$0.00022	\$0.00030	(\$0.00114)	\$0.06846
Next	400,000	\$0.03389	\$0.0002125	\$0.00207	\$0.00022	\$0.00030	(\$0.00114)	\$0.03555
Over	500,000	\$0.01816	\$0.0002125	\$0.00207	\$0.00022	\$0.00030	(\$0.00114)	\$0.01982

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