CASCADE NATURAL GAS CORPORATION
A Subsidiary of MDU Resources Group, Inc.

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August 31, 2021

CNG/O21-07-01

Oregon Public Utility Commission
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3612

Re: **Special Contract and Related Tariff Supplemental, ADV 1289 (do not re-docket)**

Cascade Natural Gas Corporation ("Cascade" or "the Company") hereby encloses for filing an application pursuant to OAR 860-022-0035 for approval of a special contract between Cascade and Hermiston Generating Company, L.P. ("Hermiston") dated August 16, 2021, (the "Special Contract"). This filing in tandem with the PacifiCorp special contract previously filed in this docket, which completes in total the contracts to be filed for review in this docket.

To facilitate review of the proposed contract, a non-confidential rate summary is attached as Exhibit 1b to this application. In addition to the Special Contract itself, the application includes Exhibit 2b, a discussion addressing the requirements of Order 87-402 ("the Order"). The Order specifies that any utility filing a special contract or tariff related to price competition or service alternatives must demonstrate that it meets specific requirements as established in the Order. Accordingly, the attached Exhibit 2b discussion is included to satisfy these requirements and to provide sufficient documentation to support the Special Contract.

Enclosed is Second Revision Sheet No. 201.3 and First Revision Sheet No. 201.4. The filing reflects incorporation within the tariff of information relevant to the terms and conditions of the proposed Special Contract. Since this filing does not involve a change in rates to be charged to customers generally, no Notice to the Public has been included in this filing.

This Special Contract is intended to renew half of the existing special contract identified in Cascade's tariff Schedule 201, page 201.3 and 201.4, the Hermiston Generating Company, LP. Special Contract. The two owners of the generating facility have agreed to separate services from Cascade. As such, Cascade has agreed to separate Special Contracts with Hermiston and PacifiCorp.

Included with this application under separate cover are confidential copies of the subject Special Contract and Attachment 1 Rate Calculation. These documents included in this filing and previously filed under this Docket are considered valuable commercial information relating to proprietary and confidential business matters for which the Company is requesting confidential treatment and protection of these documents. Public disclosure of this valuable commercial information would severely compromise any future negotiation between Cascade and any other owner. Accordingly, the Company requests that this information be treated as records exempt from disclosure under OAR 860-001-0070. The documents for which confidential treatment is requested are clearly marked "Confidential".

In addition, Cascade will file under a separate docket to request deferral of the revenue reduction associated with these changes related to the contracts being presented from the previous contract to the currently proposed two separate contracts.

Based upon the attached discussion and accompanying documentation, Cascade respectfully requests Oregon Public Utility Commission ("OPUC") consideration and approval of the attached and previously filed Special Contract applications and tariffs effective November 1, 2021. Cascade considers this proposal to be essential to retain this service opportunity and is committed to working closely with OPUC Staff to facilitate an effective review.

If you have any questions regarding this filing, please contact me at (509) 734-4549.

Sincerely,

/s/ *Christopher Mickelson*

Christopher Mickelson
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Attachments

SCHEDULE 201
SPECIAL CONTRACTS

HEINZ FROZEN FOODS (formerly known as Ore-Ida Foods, Inc.) - ONTARIO, OREGON (continued)

c. Special Conditions
All operating obligations are detailed within the contract. Customer agrees that all gas used at the plant will be delivered by Cascade during the term of this agreement.

Contract provisions exist to address the potential for Adverse Regulatory Action by federal, state or municipal government or other regulatory authority, inclusive of the Oregon Public Utilities Commission. In the event such action occurs, the disadvantaged Party may terminate the agreement, given sufficient notice between the parties.

d. Eligibility:
The contract is specifically designed to address the customer's potential distribution service alternative (bypass of Company facilities). A condition precedent to availability is that Special Contracts for service must be reviewed and approved by the Oregon Public Utilities Commission pursuant to Oregon Statutes (ORS 757.230), Rules (OAR 860-022-0035), and Commission policies for market based rates (Order No. 87-402).

3. HERMISTON GENERATING COMPANY, L.P. - Firm Distribution Transportation Services Special Contract.

a. Term
The contract, dated August 16, 2021, has a minimum primary contact term of 15 years (C)
commencing on the Effective Date of the contract, as defined within, and continuing in effect thereafter from year to year until canceled by either party with provision of at least one (1) year's advance written notice, which notice must be given at least one (1) year prior to the end of the primary term if termination is to occur at the end of the primary term. There is a provision that allows Hermiston the ability to termination the contract, at any time, with at least one-year written notice prior to termination. (C)

(continued)

SCHEDULE 201
SPECIAL CONTRACTS

HERMISTON GENERATING COMPANY, L.P. (continued)

b. Rates
Commencing on the Effective Date of the contract Hermiston shall pay Cascade, during each month for the term of the Agreement and any extension thereof, a monthly Demand Charge equal to $11,250. For each MMBtu of Gas delivered through the Cascade Pipeline, Hermiston shall pay Cascade a Commodity Charge. The initial Commodity Charge shall be $0.0278 per MMBtu. (C)

The Commodity Charge shall be changed by the percentage change in the Consumer Price Index. In the event that such Consumer Price Index ceases to exist or becomes unavailable, the Parties shall agree on a substitute index that reasonably measures changes in prices of goods and services in the United States. Commencing on the Effective Date, Hermiston shall pay Cascade, during each month for the term of the Agreement and any extension thereof, a monthly basic service charge of $625 (the "Basic Service Charge"). (C)

c. Special Conditions
All operating obligations are detailed within the contract. Customer agrees that all gas used at the generating plant will be delivered by Cascade during the term of this agreement.

(D)

d. Eligibility
The contract is specifically designed to address the customer's potential distribution service alternative (bypass of Company facilities) as well as the customer's need for firm transportation (C)
service not offered under any current tariff. A condition precedent to availability is that Special (C)
Contracts for service must be reviewed and approved by the Oregon Public Utilities Commission pursuant to Oregon Statutes (ORS 757.230), Rules (OAR 860-022-0035), and Commission policies for market based rates (Order No. 87-402).

(continued)

SCHEDULE 201
SPECIAL CONTRACTS

HEINZ FROZEN FOODS (formerly known as Ore-Ida Foods, Inc.) - ONTARIO, OREGON (continued)

c. Special Conditions
All operating obligations are detailed within the contract. Customer agrees that all gas used at the plant will be delivered by Cascade during the term of this agreement.

Contract provisions exist to address the potential for Adverse Regulatory Action by federal, state or municipal government or other regulatory authority, inclusive of the Oregon Public Utilities Commission. In the event such action occurs, the disadvantaged Party may terminate the agreement, given sufficient notice between the parties.

d. Eligibility:
The contract is specifically designed to address the customer's potential distribution service alternative (bypass of Company facilities). A condition precedent to availability is that Special Contracts for service must be reviewed and approved by the Oregon Public Utilities Commission pursuant to Oregon Statutes (ORS 757.230), Rules (OAR 860-022-0035), and Commission policies for market based rates (Order No. 87-402).

3. HERMISTON GENERATING COMPANY, L.P. - Firm Distribution Transportation Services Special Contract. (~~T~~)

a. Term
The contract, dated August 16, 2021,~~March 28, 1994 with Amendment No. 1 dated June 3, 1994 and applicable letter agreements dated March 25, 1994,~~ has a minimum primary contact term of 15~~20~~ years commencing on the Effective Date of the contract, as defined within, and continuing~~will continue~~ in effect thereafter from year to year until canceled by either party with provision of at least one (1) year's advance written notice, which notice must be given at least one (1) year prior to the end of the primary term if termination is to occur at the end of the primary term. There is a provision that allows Hermiston the ability to termination the contract, at any time, with at least one-year written notice prior to termination. (C) (C)
~~.~~

(continued)

SCHEDULE 201
SPECIAL CONTRACTS

HERMISTON GENERATING COMPANY, L.P. (continued)

b. Rates (C)

~~The initial contract rate is based upon the specific service alternative (bypass of Company facilities) available to the customer. Buyer pays each month a Dispatch Service Charge of $500 as well as a monthly Demand Charge of $90,500. A monthly commodity Charge of $.001 will be charged for each MMbtu of gas delivered within the Daily Contract Quantity (DQC). Volume in excess of the DCQ will be charged at the commodity rate plus any costs or penalties incurred by Cascade in delivering those volumes.~~ Commencing on the Effective Date of the contract Hermiston shall pay Cascade, during each month for the term of the Agreement and any extension thereof, a monthly Demand Charge equal to $11,250. For each MMBtu of Gas delivered through the Cascade Pipeline, Hermiston shall pay Cascade a Commodity Charge. The initial Commodity Charge shall be $0.0278 per MMBtu.

~~Beginning October 1, 1997 and each October 1 thereafter for the duration of the contract,~~ T~~t~~he Commodity Charge~~Rate~~ shall be changed~~escalated~~ by the percentage change in the Consumer Price Index. In the event that such Consumer Price Index ceases to exist or becomes unavailable, the Parties shall agree on a substitute index that reasonably measures changes in prices of goods and services in the United States. Commencing on the Effective Date, Hermiston shall pay Cascade, during each month for the term of the Agreement and any extension thereof, a monthly basic service charge of $625 (the "Basic Service Charge").~~for the "All Urban Customers - U.S. City Average - All Items," for the twelve months ending on the immediately prior July 1. In addition, Hermiston Generating shall reimburse Cascade for State Utility Tax and other governmental levies imposed upon Cascade in rendering transportation service for Hermiston Generating Company.~~ (C)

c. Special Conditions

All operating obligations are detailed within the contract. Customer agrees that all gas used at the generating plant will be delivered by Cascade during the term of this agreement.

(D)

~~Contract provisions exist to address the potential for Adverse Regulatory Action by federal, state or municipal government or other regulatory authority, inclusive of the Oregon Public Utilities Commission. In the event such action occurs, the disadvantaged Party may cause transfer of distribution facilities ownership to Hermiston Generating given sufficient notice between the parties.~~

d. Eligibility

The contract is specifically designed to address the customer's potential distribution service alternative (bypass of Company facilities) as well as the customer's need for firm transportation (C)
service not offered under any current tariff.~~.~~ A condition precedent to availability is that Special (C)
Contracts for service must be reviewed and approved by the Oregon Public Utilities Commission pursuant to Oregon Statutes (ORS 757.230), Rules (OAR 860-022-0035), and Commission policies for market based rates (Order No. 87-402).

(continued)

AGREEMENT FOR NATURAL GAS DISTRIBUTION TRANSPORTATION SERVICE

EXHIBIT 1
CASCADE NATURAL GAS CORPORATION

Summary information regarding the Service Agreement between Hermiston Generating Company, L.P. ("Hermiston") and Cascade Natural Gas Corporation ("Cascade") dated August 16, 2021.

1. The specific initial contract rate or rates for the services sold by Cascade under the referenced contract:

   Commencing on the effective date Hermiston shall pay Cascade, during each month for the term of the Agreement and any extension thereof, a monthly Demand Charge equal to $11,250. Hermiston shall also pay Cascade each month for the term of this Agreement and any extension thereof, a monthly basic service charge of $625. For each MMBtu of Gas delivered through the Cascade Pipeline, Hermiston shall pay Cascade a Commodity Charge. The initial Commodity Charge shall be $0.0278 per MMBtu.

2. The term of the contract:

   The primary term shall be 15 years and shall continue in effect thereafter from year to year until canceled by either Party.

3. The nature of service provided by Cascade:

   The service provided by Cascade under the referenced Agreement is considered to be distribution transportation service. No upstream services such as capacity on Gas Transmission Northwest Company or storage are provided in the Agreement.

4. Rate escalation provisions:

   Commencing on the Effective Date and each twelve (12) month anniversaries thereafter, the Commodity Charge shall be changed by the percentage change in the Consumer Price Index. In the event that the Consumer Price Index ceases to exist or becomes unavailable, the Parties shall agree on a substitute index that reasonably measures changes in prices of goods and services in the United States.

EXHIBIT 2

Information relating to requirements of Order 87-402

CASCADE NATURAL GAS CORPORATION

Provide a description of the provisions of the contract or tariff.

Attached is Exhibit 1, a brief summary of the Special Contract terms as required by the Order. The summary provides information on the rates and terms of the Special Contract as well as other significant conditions.

Discuss whether the rate generates enough revenue sufficient to cover relevant short and long run costs during the term of the rate.

Absent the Special Contract, if the customer bypassed Cascade's facilities it would contribute nothing toward fixed costs. With the contract, other customers are held harmless from cost shifting. The Special Contract rate is designed to recover all costs associated with the net book value of the distribution service facilities and all allocated costs per Cascade's last cost of service study. In addition, the rate provides margin above these cost and revenue considerations based on the expected cost of bypass. Given that the customer could construct its own distribution facilities and avoid any additional expenditures, the Special Contract rate represents a negotiated agreement that ensures recovery of embedded and operating expenses while maximizing the potential for contribution to system wide fixed cost coverage.

Discuss whether the rate generates enough revenue to ensure just and reasonable rates are established for Cascade's remaining customers.

As established by the confidential Attachment 1, the proposed rate recovers an average of the net book value and estimated bypass construction cost plus cost of servicing Hermiston Generating Company, L.P. ("Hermiston") and provides a reasonable rate of return. If Hermiston was to pursue its own direct connection to Gas Transmission Northwest Company ("GTN") facilities, existing customers would receive no margin contribution at all from Hermiston. The ability of the proposed rate to recover the cost of providing service to Hermiston ensures just and reasonable rates are maintained for Cascade's remaining customers.

Discuss whether to incorporate interruption of service in the rate agreement.

The customer is fully capable of constructing and operating its own service line directly to GTN's pipeline facilities to establish firm distribution deliverability. Such circumstances mandate firm distribution service as the minimum level of service which Cascade must provide in order to compete effectively to retain this customer. Accordingly, the Special Contract does not incorporate interruption of service. Cascade will, as specified by the Special Contract, make a reasonable effort to provide service above Daily Contract Quantity (DCQ) on an interruptible basis.

Discuss whether the rate agreement requires the utility to acquire new resources to serve the load.

The customer will receive firm distribution transportation service over existing facilities for a period of fifteen years as specified by the Special Contract. Since the customer has independently contracted for gas supply and interstate pipeline transportation upstream, no new resources will be required to provide service.

Estimate for the contract term, contribution to fixed costs under contract, contribution to fixed costs absent the contract and the discount from standard tariffs.

Given the customer's direct connect alternative, the proposed Special Contract rate provides an incentive for the customer to not bypass while providing a fair contribution to all other existing rate payers. Cascade currently has no firm transportation schedule which is a required component of the proposed Special Contract. The proposed rate represents a concerted effort by Cascade to reach a balance between the competitive realities of the marketplace and the best interests of remaining ratepayers. The Attachment 1 analysis demonstrates that the proposed rate offers a competitive alternative to the customer.

The minimum term of the Special Contract is fifteen (15) years with a provision that allows termination of the contract with at least one-year written notice prior to termination. Over this term, the demand charge provides revenue sufficient to recover all costs associated with the facilities used to provide service in the event that consumption activity ceases.

Statement explaining conditions of services available after contract termination.

The Special Contract allows for continuing service following termination at the established special contract rate on a year over year basis. The Special Contract would be subject to renegotiation in the event either party desires.

Criteria for other customers to qualify for the discounted rate.

Hermiston represents a unique service opportunity for Cascade. It is capable of independently constructing similar distribution facilities. Cascade developed the proposed Special Contract to meet the competitive alternative to successfully retain this customer given these considerations.

Customers with similar competitive service alternatives and impacts would be addressed in a similar manner, with rates negotiated to similarly satisfy the criteria established in the Order.

CONFIDENTIAL

AGREEMENT FOR NATURAL GAS DISTRIBUTION TRANSPORTATION SERVICES
BETWEEN
CASCADE NATURAL GAS CORPORATION AND HERMISTON GENERATING

[redacted]