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

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July 2, 2021

CNG/O21-07-01

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

Re: PacifiCorp Special Contract and Related Tariffs

Cascade Natural Gas Corporation ("Cascade" or "the Company") is filing an application pursuant to OAR 860-022-0035 for approval of a special contract between Cascade and PacifiCorp dated June 7, 2021 (the "Special Contract").

To facilitate review of the proposed contract, a non-confidential rate summary is attached as Exhibit 1 to this application. In addition to the Special Contract itself, the application includes Exhibit 2, 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 2 discussion is included to satisfy these requirements and to provide sufficient documentation to support the Special Contract.

Also enclosed is Original Sheet No. 201.7. The filing reflects incorporation within the tariff of information relevant to the terms and conditions of the proposed Special Contract. As of now, no effective date is provided because the Special Contract will not go into effect until after certain conditions are met. The date these conditions will be met is currently unknown.

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.

Included with this application under separate cover are confidential copies of the subject Special Contract and Attachment 1 Rate Calculation.

This Special Contract is intended to replace half the existing special contract identified in Cascade's tariff Schedule 201, page 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 this Special Contract with PacifiCorp. Cascade is continuing discussion with the second owner to determine service going forward for that portion of the existing special contract.

These documents included in this filing 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".

Based upon the attached discussion and accompanying documentation, Cascade respectfully requests Oregon Public Utility Commission ("OPUC") consideration and approval of the attached Special Contract application and tariffs effective September 1, 2021. Cascade considers this proposal to be essential to retaining 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) 734-4593.

Sincerely,

/s/ Michael Parvinen

Michael Parvinen
Director, Regulatory Affairs
Cascade Natural Gas Corporation
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Attachments

SCHEDULE 201
SPECIAL CONTRACTS (N)

5. **PacifiCorp.**

   a. **Term**
   The contract, dated June 7, 2021, has a minimum primary contract term of 15 years 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 PacifiCorp the ability to termination the contract, at any time, with at least one-year written notice prior to termination.

   b. **Rates**
   Commencing on the Effective Date of the contract PacifiCorp 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, PacifiCorp shall pay Cascade a Commodity Charge. The initial Commodity Charge shall be $0.0278 per MMBtu. Commencing on the Effective Date and each twelve (12) months' anniversary thereafter, 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, PacifiCorp 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. **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. **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 service not offered under any current tariff. 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).

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. (N)

AGREEMENT FOR NATURAL GAS DISTRIBUTION TRANSPORTATION SERVICE

EXHIBIT 1
CASCADE NATURAL GAS CORPORATION
NON-CONFIDENTIAL RATE SUMMARY

Summary information regarding the Agreement for Natural Gas Distribution Transportation Services between Cascade Natural Gas Corporation (“Cascade”) and PacifiCorp dated June 7, 2021 (“Special Contract”).

1. The specific initial Special Contract rate or rates for the services sold by Cascade:

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

2. The term of the Special Contract:

   The primary term shall be 15 years from the effective date and shall continue in effect thereafter from year to year until canceled by either Party. There is a provision that allows PacifiCorp the ability to termination the contract, at any time, with at least one-year written notice prior to termination.

3. The nature of service provided by Cascade:

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

4. Rate escalation provisions:

   Commencing on the effective date of the Special Contract and each twelve (12) month anniversary 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 PacifiCorp and provides a reasonable rate of return. If PacifiCorp was to pursue its own direct connection to Gas Transmission Northwest Company ("GTN") facilities, existing customers would receive no margin contribution at all from PacifiCorp. The ability of the proposed rate to recover the cost of providing service to PacifiCorp 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.

PacifiCorp 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.

AGREEMENT FOR NATURAL GAS DISTRIBUTION TRANSPORTATION SERVICES
BETWEEN
CASCADE NATURAL GAS CORPORATION AND PACIFICORP

[redacted]