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September 30, 2022

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

RE: Docket No. UM _____ — Cascade Natural Gas Application for Deferred Accounting

Filing Center:

In accordance with ORS 757.259 and OAR 860-027-0300, Cascade Natural Gas Corporation, (“Cascade” or “Company”), submits for electronic filing an Application for Authorization to Defer the Costs of Compliance with the Climate Protection Program (CPP).

As required by OAR 860-027-0300(3)(e) and (6), a Notice of Application and list of persons served with the Notice has been sent to all parties in the Company’s most recent general rate case, Docket No. UG 390. A copy of the Notice and the Certificate of Service is attached as an Exhibit to the Application.

If you have any questions, please call me at (208) 377-6015.

Sincerely,

/s/ Lori A. Blattner

Lori A. Blattner
Director, Regulatory Affairs
Cascade Natural Gas Corporation
8113 W. Grandridge Blvd.
Kennewick, WA 99336-7166
Lori.blattner@intgas.com

In the Community to Serve®

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
Docket No. UM _____**

IN THE MATTER OF THE APPLICATION OF
CASCADE NATURAL GAS CORPORATION FOR
FOR AN ORDER AUTHORIZING DEFERRAL OF COST
OF COMPLIANCE WITH THE CLIMATE PROTECTION
PLAN (CPP)

APPLICATION FOR
AUTHORIZATION OF
DEFERRAL OF CERTAIN COSTS

1 Cascade Natural Gas Corporation (“Cascade” or “Company”), pursuant to ORS 757.259
2 and OAR 860-027-0300(4), applies to the Public Utility Commission of Oregon
3 (“Commission”) for an order authorizing Cascade to defer for later ratemaking treatment the
4 recovery of costs of compliance (the “Deferred Amount”) with the Climate Protection Plan
5 (“CPP”). Cascade seeks authorization to defer the recovery of costs for the 12-month period
6 beginning September 30, 2022, through September 30, 2023 (the “Deferral Period”). Cascade
7 will seek amortization of the Deferred Amount in a tariff rider filing in 2023, for a rate
8 adjustment that coincides with other annual tariff rider adjustments.

9 In support of this Application, the Company states:

10 Cascade provides natural gas service in southwestern and northeastern Oregon and is a
11 public utility subject to the Commission’s jurisdiction under ORS 757.005(1)(a)(A).

12 Cascade requests that all notices, pleadings, and correspondence regarding this
13 Application be sent to the following:

14 Lori Blattner
15 Director of Regulatory Affairs
16 Cascade Natural Gas Corporation
17 8113 W Grandridge Blvd
18 Kennewick, WA 99336-7166
19 (208) 377-6015
20 lori.blattner@intgas.com

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2 This Application is filed pursuant to ORS 757.259, which empowers the Commission to
3 authorize the deferral of expenses or revenues of a public utility for later incorporation into rates.
4 As required by ORS 757.259(4), any amortization of the Deferred Amount will be subject to an
5 earnings review and a finding by the Commission that the costs were prudently incurred. Cascade
6 does not expect that amortization of the Deferred Amount will cause Cascade to meet or exceed its
7 most recently authorized return on equity.

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11 **I. OAR 860-027-0300(3) REQUIREMENTS**

12 The following is provided pursuant to OAR 860-027-0300(3):

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20 **A. Background Description**

On December 16, 2021, the Oregon Department of Environmental Quality (“ODEQ”) adopted the CPP, which are administrative rules that set GHG reduction targets.¹ The CPP sets a declining limit, or cap, on greenhouse gas emissions from fossil fuels used throughout the state of Oregon, including diesel, gasoline, natural gas and propane, used in transportation, residential, commercial and industrial settings (the program is not inclusive of fossil fuel used in electric generation).² The CPP also regulates site-specific greenhouse gas emissions at large stationary sources, such as emissions from industrial processes.³ The program baseline is set at average greenhouse gas emissions from covered entities from years 2017-2019.⁴ Reductions from this baseline are set at 50 percent by 2035 and 90 percent by 2050.⁵

¹ OAR 340-271-0010 – 9000.

² OAR 340-271-0110.

³ OAR 340-271-0310.

⁴ Rulemaking, Action Item A, Greenhouse Gas Emissions Program 2021 Rulemaking Climate Protection Program, at 8 (Dec. 16, 2021), available at https://www.oregon.gov/deq/EQCdocs/121621_ItemA.pdf.

⁵ Id.

1 Cascade is a “covered fuel supplier”⁶ under the CPP and is the point of regulation for the
2 emissions associated with natural gas used by its sales and transport customers. ⁷ Transport
3 customers purchase the commodity they use directly from marketers and suppliers and have
4 historically only paid Cascade for delivery via the distribution system.

5 Covered entities’ emissions are reported annually through the existing ODEQ greenhouse
6 gas reporting program⁸ and compliance will be demonstrated by each covered entity at the end of
7 each three-year compliance period.⁹ To comply, Cascade can work to reduce natural gas
8 usage through efficiency measures, introduce renewable and low carbon alternative fuels,
9 trade for additional compliance instruments with other covered entities, or purchase a limited
10 amount of Community Climate Investments (“CCIs”).¹⁰

11 **B. Reason for Deferral**

12 Cascade respectfully requests approval authorizing the deferral for future ratemaking
13 treatment of the costs and revenues of complying with the CPP, which are not currently included in
14 rates. Cascade must increase its planning activities to determine how it will comply with the CPP
15 and based on those activities, take actions to lower its covered emissions. For example, Cascade
16 has contracted with an independent consultant to guide the Company in best practices and
17 approaches to meet all aspects of compliance. It is anticipated that the outcome of such guidance
18 will include the need for incremental employees in key departments such as
19 regulatory, business development, gas supply, environmental, and resource planning. Another
20 activity Cascade is exploring to comply with the CPP is energy efficiency programs for

⁶ OAR 340-271-0020(15).

⁷ OAR 340-271-0110(4).

⁸ OAR 340-215.

⁹ OAR 340-271-0440.

¹⁰ OAR 340-271-0450.

1 interruptible and transport customers, which these customers currently cannot participate in due to
2 tariff terms and conditions. In addition, the CPP allows covered fuel suppliers to trade compliance
3 instruments among themselves.¹¹ Although it is currently uncertain how a CPP compliance
4 instrument market will develop, a deferral will give Cascade the opportunity to recover the costs
5 and revenues of any compliance instruments that it may acquire from or sell to other covered fuel
6 suppliers. Cascade is also pursuing the possibility of expending funds for Research and
7 Development (“R&D”) with a primary focus on innovative uses and applications of green
8 hydrogen in order to continue with a safe, reliable service for customers as well as meeting our
9 CPP requirements. The cost of Renewable Natural Gas (“RNG”) beyond the cost of the brown gas
10 will also be deferred. The brown gas portion of the RNG cost will be incorporated into the current
11 Purchase Gas Adjustment mechanism. Cascade also proposes that any revenues from, yet to be
12 developed, voluntary carbon offset programs be deferred to reduce the overall cost of compliance
13 efforts.

14 Under ORS 757.259(2)(e), deferral of utility expenses or revenues is allowed when it will
15 appropriately match the costs borne and benefits received by customers. Deferral of these costs
16 will align the costs of Cascade’s service with the benefits Cascade customers receive from
17 such service.

18 **C. Proposed Accounting**

19 Cascade proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Other
20 Regulatory Assets), crediting FERC Account 407.4 (Regulatory Credits). In the absence of a
21 deferred accounting order, Cascade would record the costs to a variety of accounts. Interest does
22 not accrued on this balancing account.

¹¹ OAR 340-271-0050.

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D. Estimate of Amounts

Cascade cannot estimate the costs of compliance associated with the Climate Protection Plan at this time. Cascade expects to incur compliance costs through 2050.

E. Notice

A Copy of the Notice of Application for Deferral of Costs of Compliance with the Climate Protection Plan and a list of persons served with the Notice are attached to the application as Attachment A.

II. SUMMARY OF FILING CONDITIONS

A. Earnings Review

Cost Recovery for costs associated with the costs of compliance with the Climate Protection Plan will be subject to an earnings review in accordance with ORS 757.259(5).

B. Prudence Review

A prudence review will be performed by the OPUC Staff no later than the proceeding to authorize amortization of the costs associated with the costs of compliance with the Climate Protection Plan.

C. Sharing Percentages

All prudently incurred costs are to be recoverable by Cascade with no sharing mechanism.

D. Rate Spread / Rate Design

The rate spread / rate design will be determined during the proceeding to authorize amortization of the costs associated with the deferral.

E. Three or Six Percent Tests (ORS 757.259(6)(7)(8))

Amortization of the deferred costs will be subject to a three percent test in accordance with ORS 757.259(7) or possible six percent test in accordance with ORS 757.259(8) and with

1 Commission authorization. These tests limit aggregated deferral amortizations during a 12-month
2 period to no more than three or six percent of the utility’s gross revenues for the preceding year.

3 **III. CONCLUSION**

4 WHEREFORE, Cascade Natural Gas respectfully requests that the Commission authorize
5 the Company to defer the costs of compliance with the Climate Protection Plan.

6 DATED this 30th day of September 2022.

7 Respectfully submitted,

8 Cascade Natural Gas Corporation

9 By: /s/ Lori A. Blattner

10 Lori A. Blattner, Director, Regulatory Affairs
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Attachment A

Cascade Natural Gas Corporation

September 30, 2022

NOTICE OF APPLICATION FOR AUTHORIZATION OF DEFERRAL OF CERTAIN COSTS

To All Parties Who Participated in UG-390

Please be advised that today, Cascade Natural Gas Corporation (“Cascade” or the “Company”) applied for authorization of deferral of certain costs with Climate Protection Plan. Copies of the Company’s application are available for inspection at the Company’s main office.

Parties who would like additional information or would like a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the Company or the Public Utility Commission of Oregon as follows:

Cascade Natural Gas
Attn: Lori Blattner
8113 W Grandridge Blvd
Kennewick, WA 99336
208-377-6015
lori.blattner@intgas.com

Public Utility Commission of Oregon
Attn: Brian Fjeldheim
201 High Street SE, Suite 100
Salem, OR 97301-3398
971-375-5084
brian.m.fjeldheim@puc.oregon.gov

Any person may submit to the Commission written comments on the application no sooner than 25 days from the date of this notice.

The Company’s application will not authorize a change in rates but will permit the Commission to consider allowing such deferred amount in rates in a subsequent proceeding.

Attachment A

Cascade Natural Gas Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZAION TO DEFER CERTAIN COSTS upon all parties of record in UG-390, which is the Company's latest general rate case.

Oregon Citizens' Utility Board dockets@oregoncub.org	Michael Goetz Oregon Citizens' Utility Board mike@oregoncub.org
Tommy A Brooks Cable Huston LLP tbrooks@cablehuston.com	Chad M Stokes Cable Huston LLP cstokes@cablehuston.com
Jocelyn C Pease McDowell, Rackner & Gibson PC jocelyn@mrg-law.com	Edward Finklea Alliance of Western Energy Consumers efinklea@awec.solutions
Stephanie S Andrus PUC Staff – Dept of Justice Stephanie.andrus@state.or.us	Lisa F Rackner McDowell, Rackner & Gibson PC dockets@mrg-law.com
William Gehrke Oregon Citizens' Utility Board will@oregoncub.com	

Dated this 30th day of September 2022.

/s/ Maryalice Gresham
Maryalice Gresham
Regulatory Analyst III
Cascade Natural Gas Corporation
8113 W Grandridge Blvd
Kennewick, WA 99336
maryalice.gresham@cngc.com