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September 1, 2023

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

RE: Docket No. UM 2257 - Cascade Natural Gas Application for Deferred Accounting

Attention: Filing Center

Cascade Natural Gas Corporation submits the attached Application for reauthorization to defer costs associated with the compliance with the Climate Protection Program in accordance with ORS 757.259 and OAR 860-027-0300.

If you have any questions, please contact 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®

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**
3 **UM 2257**
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7 In the Matter of
8 Cascade Natural Gas Corporation
9 For Deferred Accounting of Expenses
10 And Credits Related to its
11 Climate Protection Plan
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APPLICATION FOR
REAUTHORIZATION FOR
DEFERRED ACCOUNTING

16 In accordance with ORS 757.259, and OAR 860-027-0300, Cascade Natural Gas
17 Corporation (“Cascade” or the “Company”) files this application (“Application”) with the Public
18 Utility Commission of Oregon (“Commission”) for an order reauthorizing the Company to
19 record and defer costs of compliance (the "Deferred Amount") with the Climate Protection
20 Plan (“CPP”) for the twelve-month period beginning September 30, 2023, and ending
21 September 30, 2024. Cascade will seek amortization of the Deferred Amount in a tariff rider
22 filing in 2024, for a rate adjustment that coincides with other annual tariff rider adjustments.

23 **I. INTRODUCTION**

24 On December 16, 2021, the Oregon Department of Environmental Quality (“ODEQ”) adopted the
25 CPP, which are administrative rules that set GHG reduction targets.¹ The CPP sets a declining
26 limit, or cap, on greenhouse gas emissions from fossil fuels used throughout the state of Oregon,
27 including diesel, gasoline, natural gas and propane, used in transportation, residential, commercial
28 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

¹ OAR 340-271-0010 – 9000.

² OAR 340-271-0110.

1 emissions from industrial processes.³ The program baseline is set at average greenhouse gas
2 emissions from covered entities from years 2017-2019.⁴ Reductions from this baseline are set at 50
3 percent by 2035 and 90 percent by 2050.⁵

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

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

14 The Company filed its first Application for Deferred Accounting on September 30, 2022, in
15 Docket No. UM 2257 requesting authorization to defer costs of compliance associated with the
16 CPP. The Commission approved the Company’s request in Order No. 23-230.

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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.

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 **II. COMMUNICATIONS**

2 Cascade hereby waives service by means of others than service by electronic mail.

3 Consistent with that waiver, communications regarding this Application should be addressed to
4 all of the following:

5 Lori A. Blattner
6 Cascade Natural Gas Corporation
7 8113 W. Grandridge Blvd
8 Kennewick, WA 99336
9 Email: lori.blattner@intgas.com

Department of Regulatory Affairs
Cascade Natural Gas Corporation
8113 W. Grandridge Blvd
Kennewick, WA 99336
Email: CNGCregulatory@cngc.com

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11 **III. DEFERRED ACCOUNTING RULE REQUIREMENTS**

12 The following information is provided pursuant to the requirements set forth in OAR
13 860-027-0300(3).

14 **A. Description of Utility Expense – OAR 860-027-0300(3)(a)**

15 In this Application, Cascade is requesting to defer the expenses related to complying with
16 the Climate Protection Plan.

17 **Reasons for Deferral – OAR 860-027-0300(3)(b)**

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

1 In addition, the CPP allows covered fuel suppliers to trade compliance instruments among
2 themselves.¹¹ Although it is currently uncertain how a CPP CCI market will develop, a deferral
3 provides Cascade the opportunity to recover the costs and revenues of any compliance instruments
4 that it may acquire from or sell to other covered fuel suppliers. The cost of Renewable Natural Gas
5 (“RNG”) beyond the cost of the brown gas will also be deferred. The brown gas portion of the
6 RNG cost will be incorporated into the current Purchase Gas Adjustment mechanism.

7 **Proposed Accounting - OAR 860-027-0300(3)(c)**

8 Cascade proposes to record the deferral as a regulatory asset in FERC Account 182.3
9 (Other Regulatory Assets), crediting FERC Account 407.4 (Regulatory Credits). Interest does not
10 accrue on this balancing account.

11 **Estimate of Amounts - OAR 860-027-0300(3)(d)**

12 The Company estimates the amount that may be deferred and considered a carryover
13 balance at the end of 12-months will be in the range of \$20 - \$35 million.

14 **B. Notice – OAR 860-27-0300(6)**

15 The Notice of Application and a Certificate of Service are provided as an attachment to
16 this Application.

17 **C. A Description and Explanation of Entries in the Deferred Account – OAR 860-027-
18 300(4)(a)**

19 In this Application, Cascade is requesting to defer costs to comply with the Climate
20 Protection Program. These costs include consultants, incremental employees, compliance
21 instruments, certain RNG costs, and emission allowances purchases. The Company’s current
22 deferral balance through July, 2023, is \$3,0063,243.

¹¹ OAR 340-271-0050.

1 **D. The Reason for Continuation of Deferred Accounting – OAR 860-027-0300(4)(b)**

2 The continuation of deferred debits and credits associated with the Company’s Climate
3 Protection Plan is justified as these costs are continuing in nature and were previously approved
4 by the Commission per Docket No. UM 2257, Order No. 23-230 on June 30, 2023.

5 **IV. CONCLUSION**

6 Cascade requests that in accordance with ORS 757.259, the Commission reauthorize the
7 Company to defer the debits and credits described in this Application.

8 DATED: September 1, 2023

9 Sincerely,

10
11 /s/Lori A. Blattner

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13 _____
14 Lori A. Blattner
15 Director, Cascade Natural Gas Corporation
16 8113 W. Grandridge Blvd
17 Kennewick, WA 99336
18 lori.blattner@intgas.com

APPENDIX A

Cascade Natural Gas Corporation

September 01, 2023

**NOTICE OF APPLICATION TO DEFER COSTS
ASSOCIATED WITH THE CLIMATE
PROTECTION PROGRAM**

To All Parties Who Participated in UG-390

Please be advised that today, Cascade Natural Gas Corporation (“Cascade” or the “Company”) applied for reauthorization to defer costs associated with the compliance with the Climate Protection Program. 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: Ishraq Ahmed
201 High Street SE, Suite 100
Salem, OR 97301-3398
971-208-0850
Ishraq.ahmed@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.

APPENDIX B

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 REAUTHORIZAION OF DEFERRED ACCOUNTING WITH THE CLIMATE PROTECTION PROGRAM upon all parties of record in UM-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@doj.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 1st day of September 2023.

/s/ Jacob Betterbed
Jacob Betterbed
Regulatory Analyst I
Cascade Natural Gas Corporation
8113 W Grandridge Blvd
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jacob.betterbed@cngc.com