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September 29, 2017

Oregon Public Utility Commission
201 High St SE, Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Re: Advice No. CNG/O17-09-01, Safety Cost Recovery Mechanism

Cascade Natural Gas Corporation (Cascade or the Company) files herewith the following revisions to its Tariff P.U.C. Or. No. 10, stated to become effective with service on and after January 1, 2018:

Fourth Revision of Sheet No. iii
Original Sheet No. 198.1

The purpose of this filing is to introduce Schedule 198, Safety Cost Recovery Mechanism (SCRM), which is consistent with the guidelines for SCRMs as established in Commission Order No. 17-084 (the SCRM Order). Below are the guidelines and an explanation of how this filing meets each:

- The SCRM Order requires that an SCRM is introduced either in a general rate case or within three years of a general rate case. Cascade's last rate case docketed as UG-305 was filed less than three years ago effective on March 1, 2017.
- An SCRM is limited to "discrete, identified, safety-related capital investments."¹ Attachment A to this filing is the Company's first annual Safety Project Plan (SPP) which outlines the projects the company has worked on and is continuing to work on during the 2017 calendar year. While the SPP also identifies safety projects for 2018, this SCRM is only seeking to recover costs for three discrete, safety-related capital projects occurring in 2017.
- The SCRM must have a cost cap, and the Company herein proposes an annual cost recovery cap of the lesser of \$2 million or 3% of annual revenues. The current request is for \$784,453 or 1.23% of annual revenues.

¹ SCRM Order, page 4.

- The SCRM is subject to an earnings test. All revenues collected from this tariff will be included in the annual Spring Earnings Review which is the determination document for earnings sharing.
- The SCRM must have an established timeframe. The SCRM filing is intended to be an annual filing to coincide with the annual Safety Plan filing. At this time Cascade is only including discrete, safety related capital investment identified in the plan. Cascade is proposing an effective date of January 1, 2018, and is proposing an update to the filing in the middle of November to include actual costs as of the end of October. Only November and December will then be estimated. The annual report will detail and difference between the two months of estimate compared to actual costs.

The Company commends the Commission for adopting guidelines for SCRMs in UM 1722. The Company believes the SCRM is useful for allowing gas utilities to maintain safe and reliable systems that meet the increasing compliance standards for pipelines.

If you have any questions, please call me at (509) 734- 4593.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Parvinen", with a long horizontal flourish extending to the right.

Michael Parvinen
Director, Regulatory Affairs

Attachment

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**SCHEDULE 198
SAFETY COST RECOVERY MECHANISM (SCRM)**

APPLICABLE

This adjustment is applicable to customers served on Schedule 101, 104, 105, 111, 163, 170, and 800.

PURPOSE

This adjustment schedule recovers safety-related capital investments for the 2017 calendar year consistent with Commission Order No. 17-084.

RATE

The following rate shall be applied to all applicable customers as follows:

Rate Schedule	Rate
101	\$0.00922
104	\$0.00815
105	\$0.01095
111	\$0.00592
163	\$0.02724
170	\$0.00023
800	\$0.02724

SAFETY COST RECOVERY MECHANISM (SCRM) CAP

Cascade anticipates that no single year increase will be greater than \$2 million or 3% of annual revenues.

ANNUAL REPORTING

By April 1, the Company will file an annual report with the Commission that provides the status of the safety projects for which the SCRM is recovering costs. The Annual Report will include a comparison of the projected costs and actual costs as well as relevant earnings test information.

SPECIAL TERMS AND CONDITIONS

The rates named herein are subject to increases as set forth in Schedule No. 100 Municipal Exactions.

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.

Replacement Projects 1-1-17 to 12-31-17

Project	Location	2017	31-Aug-17						
		Estiminated Cost	Actual Cost	Schedule 101	Schedule 104	Schedule 105	Schedule 111	Schedule 170	Schedule 163
1 Bend Pipe Replacement	Bend	\$3,402,119	\$1,277,853						
2 6" Pilot Rock HP Replacement	Pilot Rock	\$470,430	\$440,505						
3 Pendleton Pipe Replacement	Pendleton	\$2,091,725	\$80,038						
4 Total Estimated Replacement Cost		<u>\$5,964,274</u>	<u>\$1,798,396</u>						
5 Mains Allocation from UG 305 Company COS (CNGC/303, Amen/Page 2 of 2)		\$399,515,575	\$206,822,873	\$124,947,632	\$16,853,748	\$7,413,402	\$39,482,254	\$3,995,666	
6 Percentage		100.00%	51.77%	31.27%	4.22%	1.86%	9.88%	1.00%	
7 Total Investment	Ln 4	5,964,274							
8 Depreciation Expense - Mains & Serv Avg Rate - 2.57%	Ln 7* 2.57%	153,282	153,282						
9 Accumulated Depr. (Avg)	Ln 8 / 2	76,641							
10 Accum Tax depreciation	Ln 7*3.75%	223,660							
11 Deferred Tax	(Ln 10 - Ln 8) * .3994	28,109							
12 Accum Def Tax (Avg)	Ln 11 / 2	14,055							
13 FIT + SIT	Ln 8* .3994		61,221						
14 Interest Coordination Adj (Rate Base x Weighted Cost of Debt (2.678%) x 3994% FIT + SIT)			62,823						
15 Rate Bate	Ln 7 - Ln 9 - Ln 12	5,873,579							
16 Authorized ROR from UG 305		7.284%							
17 NOI	(Ln 15 * Ln 16) and (Ln 8 - Ln 13-Ln 14)	\$427,831	\$29,238						
18 Total NOI	Sum Ln 17	\$457,069							
19 Conversion Factor in UG 305		0.58266							
20 Revenue Requirement (Current Year Investment)	Ln 18 / Ln 19	\$784,453							
21 Total Revenue Requirement	Ln 20	\$784,453							
22 Allocation Rev Req to Schedules	Ln 21 * Ln 6		\$406,099	\$245,336	\$33,092	\$14,556	\$77,524	\$7,846	
23 Weather Normalized Volumes from PGA			44,031,060	30,112,857	3,023,521	2,459,420	2,845,912	33,893,325	
24 Rate Charge	Ln 22 / Ln 23		\$0.00922	\$0.00815	\$0.01095	\$0.00592	\$0.02724	\$0.00023	
25 2016 Spring Earnings Review Total Revenue			\$63,600,893						
26 Percentage Increase in Revenue	Ln 20 / Ln 25		1.23%						

Funding Project Number/Description	Budget Version	January - Actuals	February - Actuals	March - Actuals	April - Actuals	May - Actuals	June - Actuals	July - Actuals	August - Actuals	September - Forecast	October - Forecast	November - Forecast	December - Forecast	Total	Actuals Jan-Aug	Forecast Sept - Dec
FP-200688 - BEND PIPE REPLACEMENT	Working	\$ 47,821.77	\$ 5,899.81	\$ 48,333.93	\$ 184,273.71	\$ 420,724.88	\$ 122,117.23	\$ 253,747.96	\$ 194,933.57	\$ 529,878.47	\$ 591,755.80	\$ 712,818.99	\$ 289,812.61	\$3,402,118.73	\$ 1,277,852.86	\$ 2,124,265.87
FP-302640 - 6" PILOT ROCK HP REPLACEMENT	Working	\$ 111.42	\$ 112.10	\$ 112.77	\$ 103.44	\$ 1,969.68	\$ 15,647.97	\$ 17,836.28	\$ 404,610.91	\$ 29,415.00	\$ 169.16	\$ 170.14	\$ 171.11	\$ 470,429.98	\$ 440,504.57	\$ 29,925.41
FP-303142 - PENDLETON PIPE REPLACEMENT	Working	\$ 1,581.56	\$ 188.84	\$ 189.98	\$ 538.54	\$ 4,090.82	\$ 26,086.03	\$ 3,739.91	\$ 43,622.44	\$ 59,460.73	\$ 353,952.69	\$ 591,308.27	\$ 1,006,965.58	\$2,091,725.39	\$ 80,038.12	\$ 2,011,687.27