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November 2, 2015

VIA ELECTRONIC MAIL

Public Utility Commission of Oregon
PO Box 1088
Salem, OR 97308-1088

**Re: Docket UG 287 – In the Matter of Cascade Natural Gas Corporation Request for a
General Rate Revision
Transmittal Letter**

Dear Commissioners:

The parties to docket UG 287, Cascade Natural Gas Corporation (Cascade), Staff of the Public Utility Commission of Oregon (Staff), the Citizens' Utility Board of Oregon (CUB), and the Northwest Industrial Gas Users (NWIGU) submit the enclosed stipulation and joint testimony in support of the stipulation. The stipulation memorializes the settlement of all outstanding issues in this proceeding.

Cascade's original filing proposed an increase of 12.51 percent on a margin basis, or 5.11 percent on a total-company basis. The settlement results in an increase to rates of 2.04 percent on a margin basis, or 0.83 percent on a total-company basis. For a typical residential customer, the monthly bill before the rate increase is \$50.24 based on Cascade's most recent PGA update. After the rate increase, the typical residential customer bill is \$50.65.

Please contact this office with any questions.

Very truly yours,

Jocelyn Pease

cc: Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 287

In the Matter of
CASCADE NATURAL GAS CORPORATION
Application for a General Rate Revision.

STIPULATION

INTRODUCTION

1 The purpose of this Stipulation is to resolve all issues among Cascade Natural Gas
2 Corporation (Cascade or Company), Staff of the Public Utility Commission of Oregon (Staff),
3 the Citizens' Utility Board of Oregon (CUB), and the Northwest Industrial Gas Users
4 (NWIGU) (collectively, the Stipulating Parties) in Docket No. UG 287, Cascade's Application
5 for a General Rate Revision. The Stipulating Parties are the only parties to this docket, and
6 they expect this Stipulation to fully resolve this docket.

BACKGROUND

7 On March 31, 2015, Cascade filed a request for a general rate increase and revised
8 tariff sheets to become effective April 30, 2015. On April 8, 2015, a prehearing conference
9 was held. In accordance with the prehearing conference order, the effective date for rates
10 will be February 1, 2016. The Company's March 31, 2015 filing (Initial Filing) requested a
11 revision to customer rates that would increase the Company's annual Oregon jurisdictional
12 revenues by approximately \$3.6 million, for an increase of 5.11 percent over current
13 customer rates.

14 On July 31, 2015, Staff, CUB, and NWIGU filed opening testimony proposing various
15 adjustments to Cascade's filed case. The parties convened an initial settlement conference
16 on August 11, 2015, which did not result in a settlement. Cascade filed its reply testimony
17 on September 3, 2015. In its reply testimony (Reply Filing), the Company provided

1 corrections and updates to its Initial Filing, and responded to and accepted certain
2 adjustments proposed by Staff, CUB, and NWIGU, resulting in a revised increase to
3 Cascade's annual Oregon jurisdictional revenue requirement of \$756,009. The Stipulating
4 Parties convened a second settlement conference on September 8, 2015. As a result of
5 those discussions, the Stipulating Parties reached a settlement of all issues in this
6 proceeding. This Stipulation memorializes the Stipulating Parties' agreement.

TERMS OF AGREEMENT

7 The Stipulation resolves the issues addressed below:

8 1. Revenue Requirement. The Stipulating Parties agree that the total increase
9 to Cascade's annual Oregon jurisdictional revenue requirement amount is \$590,000, as
10 summarized in the table in Appendix A to this Stipulation. This is based on the Stipulating
11 Parties' agreement that the Oregon-allocated increase to annual revenue requirement
12 shall be reduced by a total of \$3,032,770 from the Initial Filing of \$3,622,770, based on the
13 following adjustments to Cascade's Initial Filing:

14 (a) S-1. Revenue Sensitive Uncollectible Rate and Uncollectibles. A reduction of
15 \$242,032 to reflect the three year average of uncollectibles and removing an
16 anomalous year. This adjustment also revises the uncollectible rate to 0.4776
17 percent calculated on a three-year historical average;

18 (b) S-2. Wages and Salaries. A reduction of \$75,554 to reflect use of Staff's
19 model for wages and salaries and to reflect the actual test period employee
20 count;

21 (c) S-6. Gas Storage. A reduction of \$1,846 to reflect an average level of storage
22 inventory rather than the 2014 year-end amount;

- 1 (d) S-8. Distribution O&M. A reduction of \$351,144 to reflect removal of pipeline
2 inspection expense that will not be incurred for the benefit of Oregon customers
3 until 2016;
- 4 (e) S-9. Advertising. A reduction of \$59,509 to reflect an adjustment to advertising
5 costs;
- 6 (f) S-10, C-1, & N-1. Pensions. A reduction of \$315,565 to reflect the
7 Commission's Order No. 15-226 in Docket No. UM 1633;
- 8 (g) S-12 & C-8. Miscellaneous Administrative and General (A&G). A reduction of
9 \$302,766 to reflect a reduction to miscellaneous A&G expenses;
- 10 (h) S-13 & C-7. Plant in Service, Capital Additions, Property Tax. A reduction of
11 \$399,199 to reflect removal of plant that will not be in service and used and
12 useful by November 30, 2015;
- 13 (i) S-16, C-9, & N-6. Environmental Remediation. A reduction of \$480,833 to
14 reflect the Stipulating Parties' agreement that Cascade will remove its request
15 for recovery of expenses associated with environmental remediation from this
16 case;
- 17 (j) S-17 & N-4. Depreciation. A reduction of \$482,231 to reflect the revised
18 depreciation rates per proposed settlement in Docket No. UM 1727;
- 19 (k) N-3. Rate Case Costs. A reduction of \$59,851 to reflect a three-year
20 amortization of rate case costs; and
- 21 (l) N-5. Accumulated Depreciation. A reduction of \$262,239 to reflect the impact
22 of an additional year of depreciation expense on existing plant.

23 2. Cost of Capital. The Stipulating Parties agree to a rate of return (ROR) of
24 7.468%, which is based on a 51.0 percent common equity ratio with a Return on Equity
25 (ROE) of 9.55% and a debt cost of 5.30%.

1 3. Rate Spread and Rate Design. The agreed upon rate spread and rate design
2 is shown in Appendix B to this Stipulation.

3 4. Plant Additions. The Stipulating Parties agree to include in Cascade's rate
4 base all 2015 plant additions that are in service by November 30, 2015. Cascade will
5 provide an update regarding plant in service via attestation of a Company officer by
6 December 15, 2015.

7 5. Labor Additions. The Stipulating Parties agree to use actual 2015 FTEs as
8 verified at the end of September 2015, as the basis for the Company's labor additions,
9 which was 83.25 FTEs. The Company verified that the FTE count used in the wage
10 analysis is accurate, as shown in Appendix C to the Stipulation.

11 6. Pipeline Recovery Mechanism. The Stipulating Parties agree that Cascade
12 will address the Pipeline Recovery Mechanism in the Commission's generic docket
13 regarding this matter, Docket No. UM 1722.

14 7. Allocations. The Stipulating Parties agree that Cascade will file an updated
15 Allocations Manual each year with the previous year's Affiliated Interest report.

16 8. Decoupling Mechanism. The Stipulating Parties agreed to continue the
17 current Decoupling Mechanism, and agreed to initiate review of the Decoupling
18 Mechanism on September 30, 2019, with any proposed changes be effective January 1,
19 2020.

20 9. Decoupling Workshop in 2016. Staff and CUB will organize a decoupling
21 workshop to be held in September 2016. In the workshop, parties will explore whether
22 and how Cascade may implement a real-time adjustment for the weather component of its
23 decoupling mechanism.

24 10. Peak Methodology. The Stipulating Parties agree to Cascade's proposed
25 peak methodology for purposes of this docket.

1 11. Tariffs. Upon approval of this Stipulation, Cascade will file revised rate
2 schedules as a compliance filing in docket UG 287, to be effective February 1, 2016,
3 reflecting rates as agreed in this Stipulation.

4 12. The Stipulating Parties recommend and request that the Commission
5 approve the adjustments and provisions described herein as appropriate and reasonable
6 resolutions of the identified issues in this docket.

7 13. The Stipulating Parties agree that this Stipulation is in the public interest, and
8 will result in rates that are fair, just and reasonable, consistent with the standard in ORS
9 756.040.

10 14. This Stipulation will be offered into the record as evidence pursuant to OAR
11 860-001-350(7). The Stipulating Parties agree to support this Stipulation throughout this
12 proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and
13 recommend that the Commission issue an order adopting the Stipulation. The Stipulating
14 Parties also agree to cooperate in drafting and submitting joint testimony or a brief in
15 support of the Stipulation in accordance with OAR 860-001-0350(7).

16 15. If this Stipulation is challenged, the Stipulating Parties agree that they will
17 continue to support the Commission's adoption of the terms of this Stipulation. The
18 Stipulating Parties agree to cooperate in cross-examination and put on such a case as
19 they deem appropriate to respond fully to the issues presented, which may include raising
20 issues that are incorporated in the settlements embodied in this Stipulation.

21 16. The Stipulating Parties have negotiated this Stipulation as an integrated
22 document. If the Commission rejects all or any material portion of this Stipulation or
23 imposes additional material conditions in approving this Stipulation, any of the Stipulating
24 Parties are entitled to withdraw from the Stipulation or exercise any other rights provided in
25 OAR 860-001-0350(9). To withdraw from the Stipulation, a Stipulating Party must provide

1 written notice to the Commission and other Stipulating Parties within five days of service of
2 the final order rejecting, modifying or conditioning this Stipulation.

3 17. By entering into this Stipulation, no Stipulating Party approves, admits, or
4 consents to the facts, principles, methods, or theories employed by any other Stipulating
5 Party in arriving at the terms of this Stipulation, other than those specifically identified in
6 the body of this Stipulation. No Stipulating Party shall be deemed to have agreed that any
7 provision of this Stipulation is appropriate for resolving issues in any other proceeding,
8 except as specifically identified in this Stipulation.

9 18. This Stipulation is not enforceable by any Stipulating Party unless and until
10 adopted by the Commission in a final order. Each signatory to this Stipulation avers that
11 they are signing this Stipulation in good faith and that they intend to abide by the terms of
12 this Stipulation unless and until the Stipulation is rejected or adopted only in part by the
13 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction
14 to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation,
15 the Stipulating Parties reserve the right to seek reconsideration or rehearing of the
16 Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the
17 Commission order under ORS 756.610.

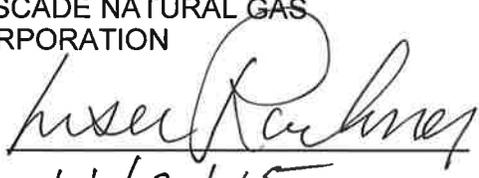
18 19. This Stipulation may be executed in counterparts and each signed
19 counterpart shall constitute an original document.

20 This Stipulation is entered into by each Stipulating Party on the date entered below
21 such Stipulating Party's signature.

22 DATED this 2nd day of November, 2015.

CASCADE NATURAL GAS CORPORATION

By:



Date:

11/2/15

STAFF OF PUBLIC UTILITY COMMISSION OF OREGON

By: _____

Date: _____

CITIZENS' UTILITY BOARD OF OREGON

By: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

By: _____

Date: _____

CASCADE NATURAL GAS
CORPORATION

By: _____

Date: _____

CITIZENS' UTILITY BOARD OF
OREGON

By: _____

Date: _____

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: [Signature] for Stephanie
Arbuz

Date: 11/2/15

NORTHWEST INDUSTRIAL GAS USERS

By: _____

Date: _____

CASCADE NATURAL GAS
CORPORATION

By: _____

Date: _____

CITIZENS' UTILITY BOARD OF
OREGON

By: Summer Moxer

Date: 10/30/15

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

By: _____

Date: _____

CASCADE NATURAL GAS
CORPORATION

By: _____

Date: _____

CITIZENS' UTILITY BOARD OF
OREGON

By: _____

Date: _____

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

By:  _____

Date: 11/2/15 _____

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 287

Appendix A

to

Stipulation

Settlement Summary Table

Appendix A to Stipulation

**Cascade Natural Gas – Docket UG 287
Settlement Summary
Twelve Months Ended December 31, 2015**

Company Filed General Rate Case Required Change to Revenue Requirement		\$3,622,770
Item	Parties Adjustments	Revenue Requirement Effect
S-1	Revenue Sensitive Uncollectible Rate	(11,883)
S-1	Uncollectibles	(230,149)
S-2	Wage & Salaries	(75,554)
S-6	Gas Storage	(1,846)
S-8	Distribution O&M	(351,144)
S-9	Advertising	(59,509)
S-10, C-1, & N-1	Pensions	(315,565)
S-12 & C-8	Misc. A&G	(302,766)
S-13 & C-7	Plant in Service, Capital Additions & Property Tax	(399,199)
S-16, C-9, & N-6	Environmental Remediation	(480,833)
S-17 & N-4	Depreciation	(482,231)
N-3	Rate Case Costs	(59,851)
N-5	Accumulated Depreciation	(262,239)

Total Proposed Adjustments (Base Rates):

(3,032,770)

Calculated Revenue Requirements Change
(Base Rates):

\$590,000

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 287

Appendix B

to

Stipulation

Rate Spread and Rate Design

Appendix B to Stipulation

Cascade Natural Gas - Docket UG 287
Rate Spread

	<u>Total</u>	101 Residential <u>Service</u> Core	105 Commercial <u>Service</u> Core	105 Industrial <u>Service</u> Core	111 Large Volume <u>Service</u> Core	163+164 General <u>Distribution</u> Non-Core	170 <u>Interruptible</u> Core	900 Special <u>Contracts</u> Non-Core
Non-Gas Revenue at Current Rates	\$28,954,127	\$16,312,863	\$7,513,446	\$472,884	\$230,926	\$2,295,862	\$340,717	\$1,787,429
Increase \$	\$590,000	\$375,036	\$172,736	\$28,373	\$13,856			
Increase %	2.04%	2.30%	2.30%	6.00%	6.00%	0.00%	0.00%	0.00%

Rate Design:

The basic charges in all schedules will remain the same as current. The revenue increase will be applied to the volumetric or commodity rate.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 287

Appendix C

to

Stipulation

Employee Count

Appendix C to Stipulation

From: [Parvinen, Michael](#)
To: [HELLMAN Marc](#); [Bob Jenks \(Bob@oregoncub.org\)](mailto:Bob@oregoncub.org); cstokes@cablehuston.com; [Jocelyn Pease](#); [Lisa Rackner](#); [GARDNER Marianne](#); ["sommer@oregoncub.org"](mailto:sommer@oregoncub.org); [Andrus Stephanie](#); ["tbrooks@cablehuston.com"](mailto:tbrooks@cablehuston.com)
Subject: UG 287 - Employee Count Verification
Date: Friday, October 09, 2015 1:44:28 PM
Attachments: [20151008162405534.pdf](#)

All,

As agreed upon in the Settlement Cascade would provide verification that all employees included in the rate case are indeed hired and working full time. Attached is our September 30 actual employee counts. As you remember Staff used 83.25 FTEs in its calculation. The attached highlighted figures support that number as follows:

Southern Region (Oregon)	61	(60 regular employees with 1 open position, the open position had an offer out to a candidate as of the end of Septmeber. Also, it was filling a vacancy (someone left) not one of the new positions as those were filled quite a while ago).
General Office (allocated)	22.6	(93 * 24.3% (Oregon's allocation))
Total	83.6	

CNGC CUSTOMER & EMPLOYEE COUNT BY REGION/DISTRICT/OPERATING CENTER

09/30/15

Appendix C to Stipulation

REGIONS	EMPLOYEE COUNTS						CUSTOMERS PER REG/PT EMP
	GAS	TOTAL	REGULAR	PART TIME	TEMPORARY	TOTAL	COUNT
Northwest Region	131,567	131,567	102	0	5	107	1290
Central Region	72,831	72,831	66	0	1	67	1104
Southern Region	68,614	68,614	60	0	4	64	1144
TOTAL	273,012	273,012	228	0	10	238	1197

OPEN POSITIONS		
POSITION	LOCATION	FTE
Service Mechanic	Bremerton	1
Engineer Associate	Kennewick	1
Utility	Bend	1
Financial Technician	Kennewick	1

DISTRICTS	GAS	TOTAL	REGULAR	PART TIME	TEMPORARY	TOTAL	COUNT
Bellingham	47,495	47,495	29	0	2	31	1638
Bremerton	32,043	32,043	23	0	0	23	1393
Aberdeen	6,200	6,200	11	0	0	11	564
Longview	3,868	3,868	11	0	0	11	352
Mt Vernon	41,961	41,961	28	0	3	31	1499
Tri-Cities	27,122	27,122	21	0	1	22	1292
Walla Walla	12,015	12,015	10	0	0	10	1202
Wenatchee	4,641	4,641	12	0	0	12	387
Yakima/Sunnyside	29,053	29,053	23	0	0	23	1263
Central Oregon	47,874	47,874	32	0	1	33	1496
Eastern Oregon	8,311	8,311	14	0	2	16	594
Pendleton	12,429	12,429	14	0	1	15	888
General Office	0	0	93	0	0	93	0
TOTAL	273,012	273,012	321	0	10	331	851

YTD TERMINATIONS	COUNT
Financial Analyst	1
Central Meter Shop Leader	1
HR Generalist	1
Backhoe Operator	1
Combination Welder	2
Laborer	1
Mgr, District Ops	1
HR Manager	1
Mgr, Safety & Tech Trng	1
Service Mechanic	1
Temporary Laborer	5
Engineer Associate	1
Total	17

