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July 31, 2025

Oregon Public Utility Commission
Attn: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: Advice No. O25-07-04, Schedule 220, Climate Protection Program Cost Recovery Adjustment

Cascade Natural Gas Corporation ("Cascade" or "Company") submits to the Oregon Public Utility Commission ("Commission") the following revisions to its Tariff P.U.C. No. 10, stated to become effective with service on and after October 31, 2025:

First Revision of Sheet No. 220-1

Purpose

The purpose of this filing is to update Cascade's tariff Schedule 220, Climate Protection Program ("CPP") Cost Recovery Adjustment, which is designed to collect the actual January 2024 through April 2025 costs incurred to comply with the requirements established by the Oregon Department of Environmental Quality ("DEQ") in Oregon Administrative Rule ("OAR") 340-271, Oregon CPP. With this filing, the Company is seeking to recover its actual costs related to CPP compliance for January 2024 through April 2025, including compliance planning for the revised CPP.

Background

The Oregon DEQ's CPP rules became effective in 2022, establishing enforceable and declining limits on Greenhouse Gas ("GHG") emissions from fossil fuel combustion in Oregon. The CPP was originally established to reduce statewide GHG emissions from fossil fuels by 50% by 2035 and 90% by 2050. The CPP was in effect for approximately two years, but in December 2023, the Oregon Court of Appeals invalidated the CPP on process technicalities. When in effect, the CPP required covered fuel suppliers, including natural gas utilities, to mitigate the emissions from a portion of their customers' annual aggregated natural gas combustion. The CPP rule that was in place through December 2023 was effective for all Cascade customer classes via the throughput of customers receiving natural gas service.

The DEQ reinstated the CPP rule on November 21, 2024, retaining the same emissions reductions of 50% by 2035 and 90% by 2050 from 2017-2019 baseline emissions. Compliance with the revised CPP rule began on January 1, 2025. In the revised rule, DEQ determined to regulate emissions-intensive and trade-exposed (EITE) customers individually and outside natural gas suppliers' compliance obligation. DEQ

Climate Protection Program Cost Recovery Adjustment

identified six of Cascade's largest transport customers as EITE. Cascade must still demonstrate compliance for natural gas delivered to other non-EITE transport customers.

CPP Compliance Costs

In 2024, Cascade incurred costs to mitigate GHG emissions, which included the purchase of renewable thermal credits ("RTCs"), brokerage fees to obtain the RTCs, consultant costs, and incremental employee labor costs. The Company entered into long-term contracts to purchase RTCs to offset the Company's GHG emissions. Some of the contractual RTC agreements were executed in 2023 to meet the CPP compliance requirements; however, the agreements required payment in 2024. To facilitate the purchase of RTCs, the Company needed to work with brokers, thus incurring brokerage fees. In addition to facilitating RTC transactions, the brokers also presented potential deals to the Company, vetted the RTC projects for longevity, and evaluated the counterparty for credit worthiness. To lessen the impact of this adjustment, Cascade engaged with counterparties to sell RTCs in 2024 whenever possible and in the best interest of the Company's customers. The sellbacks of the RTCs decreased the deferral by \$1,810,973, and are reflected in the 2024 Cost Recovery Adjustment.

To support successful RTC purchases and establish decarbonization compliance systems and procedures for tracking compliance requirements, Cascade needed assistance from external legal advisors and a consultant. The external legal advisor and consultant hired by the company completed work related to renewable natural gas, including market intelligence, pricing, and procurement strategies. Cascade also incurred legal fees for support during CPP-related rulemaking processes and compliance with reporting requirements related to renewable natural gas reporting and contract development and reviews for the RTC purchases. The consultant provided effective approaches to accelerate the development of Cascade's internal resources and processes to better comply with decarbonization requirements while minimizing customer costs. These activities included technical trainings on Oregon compliance programs and various decarbonization approaches.

The Company and a consultant have continued to engage with transportation customers for Energy Analysis reports through Cascade's Transport Customer Carbon Compliance Assessment Pilot program. This program resulted in three Energy Analysis reports in Cascade's Oregon service territory. Each Energy Analysis report is customized to each customer's need and provides detailed potential energy savings and GHG reductions. Cascade has continued to engage with transportation customers for potential Energy Audits, resulting in multiple audits in the queue.

Proposed Adjustment Schedule

Cascade seeks recovery of the CPP compliance costs incurred from January 2024 through April 2025. The majority of compliance costs for the prior year are generally known and incurred by March 31, when emissions reports are submitted. In future filings, the Company will utilize a May through April time period to determine the CPP compliance costs. The CPP rate proposed in Schedule 220 is a uniform rate that will apply to all therms and will be applicable to all customer classes for a twelve-month period beginning October 31, 2025, and ending October 30, 2026.

A summary of the bill impacts for all customer classes is provided in the Table 1 below. The proposed CPP collection of approximately \$3.3 million is less than the amount in the Company's current CPP collection of approximately \$4.2 million, approved in Docket UG 502. However, the removal of the EITE customer therm usage results in an overall increase in the CPP recovery rate.

Climate Protection Program Cost Recovery Adjustment

Table 1 - Bill Impacts for All Customers

| Customer Class | Current Monthly Bill | Proposed Monthly Difference | Proposed Bill Impact |
|----------------------------|----------------------|-----------------------------|----------------------|
| Residential (Sch. 101) | \$61.60 | \$0.08 | 0.13% |
| Commercial (Sch. 104) | \$230.81 | \$0.37 | 0.16% |
| Industrial Firm (Sch. 105) | \$1,434.16 | \$2.40 | 0.17% |
| Large Volume (Sch. 111) | \$12,526.42 | \$23.63 | 0.19% |
| Interruptible (Sch. 170) | \$37,971.39 | \$75.84 | 0.20% |
| Distribution (Sch. 163) | \$14,538.78 | \$173.26 | 1.19% |

Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers by rate class affected by proposed Schedule 220 is presented Table 2 below, and the annual revenue before and after the impact of the proposed rate change is provided in Table 3 below.

Table 2 - Number of Customers by Rate Schedule

| Rate Schedule | Number of Customers |
|---------------|---------------------|
| 101 | 74,215 |
| 104 | 10,619 |
| 105 | 160 |
| 111 | 17 |
| 163 | 34 |
| 170 | 4 |
| 800 | 0 |

Table 3 - Annual Revenue Before and After Implementation of Schedule 220

| Rate Schedule | Description | Current Revenues | Proposed Revenues | Revenue Change | Percent Change |
|---------------|---------------|------------------|-------------------|----------------|----------------|
| 101 | Residential | \$48,982,878 | \$49,053,472 | \$70,594 | 0.14% |
| 104 | Commercial | \$27,954,013 | \$28,000,668 | \$46,655 | 0.17% |
| 105 | Industrial | \$2,686,966 | \$2,691,572 | \$4,606 | 0.17% |
| 111 | Large Volume | \$2,526,016 | \$2,530,836 | \$4,820 | 0.19% |
| 163 | Transport | \$1,235,866 | \$1,251,255 | \$15,389 | 1.25% |
| 170 | Interruptible | \$1,808,216 | \$1,811,856 | \$3,640 | 0.20% |

After combining the impact of this filing, along with three other tracking filings, Advice Nos. O25-07-01, O25-07-02, and O24-07-03, the overall effect of the proposed rates adjustment on the monthly bill of a residential customer with consumption of 56 therms per month will be a decrease of \$0.50 or 0.81 percent for a revised monthly bill of \$61.10, effective October 31, 2025.

Climate Protection Program Cost Recovery Adjustment**Customer Notification**

Coincident with the updated annual Purchased Gas Cost Adjustment (PGA) filing in mid-September, the Company will issue a bill insert stating the bill impacts of this filing as well as the combined bill impacts of all filings with an October 31, 2025, requested effective date.

The Company's workpaper is confidential. This complies with the Commission's waiver of rules in Order No. 20-088, issued on March 18, 2020. The attached confidential Excel file titled, "CNGC Confidential Adv. No. O25-07-04 Sch 220 WP 07-31-25.xlsx," provides the workpapers demonstrating how the Company determined the Schedule 220, Climate Protection Program (CPP) Cost Recovery Adjustment.

Three Percent Test

Cascade's gross revenue for 2024 was \$114,616,801, and the Company is requesting to recover \$3,317,001 with this filing. The overall rate impact of complying with the CPP is approximately 2.89 percent and does not exceed the three percent requirement in ORS 757.259(6).

If you have any questions regarding this filing, please contact me at (208) 377-6015 or Zach Harris at (208) 734-4593.

Sincerely,

/s/ Lori Blattner

Lori Blattner
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Attachments

SCHEDULE 220
CLIMATE PROTECTION PROGRAM (CPP) COST RECOVERY ADJUSTMENT

PURPOSE

The purpose of this schedule is to recover the historic costs Cascade incurred to comply with greenhouse gas (GHG) emissions reduction requirements established by the Oregon Department of Environmental Quality in Oregon Administrative Rule (OAR) 340-271, Oregon Climate Protection Program.

APPLICABLE

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

RATE

The following rate shall be applied to customer bills on a per therm basis:

| Rate Schedule | Rate Adjustment |
|---|-----------------|
| 101, 104, 105, 111, 163, 170, and 800 | \$0.03210 |

(I)

LIMITATION

This rate will be in effect until October 30, 2026.

(C)

SPECIAL TERMS AND CONDITIONS

The rates named herein are subject to increases as set forth in Schedule No. 100, Adjustment For 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.