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March 31, 2025

Jeff Killip  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

Re: NEW, Advice No. W24-03-02  
Schedule 700, Temporary Climate Commitment Act Adjustment Schedule

Dear Director Killip,

Cascade Natural Gas Corporation (Cascade or Company) submits to the Washington Utilities & Transportation Commission (Commission) the following revisions to its Tariff WN U-3, stated to become effective with service on and after June 1, 2025:

First Revision of Sheet No. 700-1  
Second Revision of Sheet No. 700-2

**Purpose**

The purpose of this filing is to revise the Washington Climate Act Fee and the Washington Climate Act Credit established in Schedule 700, Temporary Climate Commitment Act (CCA) Rate Adjustment Schedule, as needed to comply with carbon emissions mitigation and credit requirements established in the CCA, which is codified as Chapter 70A.65 of the Revised Code of Washington (RCW).

**Background**

On May 23, 2024, the Commission issued Order No. 01 approving Cascade's tariff filing, Advice No. W24-03-01, docketed as UG-240141, which established Schedule 700 to pass through CCA compliance costs and revenues to customers starting June 1, 2024. Schedule 700 applies a WA Climate Act Fee applicable to all customers except those deemed exempt per the CCA legislation. Exempt customers include emissions intensive trade exposed (EITE) industries, customers whose emissions are greater than 25,000 metric tons of carbon dioxide equivalent, and national security designated customers with the North American Industry Classification System (NAICS) code 92811. Schedule 700 also applies a WA Climate Act Credit to known-low-income customers and all non-exempt customers that had their natural gas service installed before July 25, 2021. Customers whose natural gas service was installed after that date are not eligible for the WA Climate Act Credit, unless they are known-low-income residential customers.

In acknowledgement that carbon mitigation unduly burdens low-income customers, the CCA includes a provision to provide known-low-income customers with a credit that in the initial years fully offsets their compliance costs. Cascade defines its known-low-income customers as residential customers receiving bill payment assistance through the Company's Cascade Arrearage Relief and Energy Savings (CARES) program. Customers receiving any form of bill pay assistance are enrolled into CARES, making CARES participation a useful proxy for "known-low-income." To increase Cascade's knowledge of its low-income customers, thereby increasing the application of the fully offsetting Schedule 700 credit, the Commission's approval of Schedule 700 in Order No. 01 included a requirement for Cascade to increase CARES enrollments to 20 percent of Cascade's estimated low-income customers, as identified in the Company's Low Income Needs Assessment Report (LINA), by December 31, 2024.<sup>1</sup> By the end of 2024, Cascade enrolled 13,070 customers into CARES, exceeding the year-end goal of enrolling 11,982 customers by 1,088 or 9 percent.

Schedule 700 was designed such that rates were to be effective through March 31, 2025. However, on January 22, 2025, Cascade filed Advice No. W25-01-01, docketed as UG-250042, to extend the Schedule 700 term through May 31, 2025, which the Commission allowed to become effective per the February 13, 2025, No Action agenda. The additional time allowed first quarter 2025 carbon market and auction results to inform Cascade's 2025 compliance forecast.

The proposed effective date of this filing is June 1, 2025. The current filing is requesting a 12-month recovery period, from June 1, 2025, through May 31, 2026.

#### **Proposed Schedule 700 Rates**

The CCA compliance costs as well as any revenues are deferred in accordance with Commission Order No. 01 issued in Docket UG-220759. Commission approval for authorization to use deferred accounting treatment of CCA costs and revenues includes the ability to accrue interest on the deferred balance using the Company's actual cost of debt.

#### **Renewable Natural Gas Plant**

The proposed WA Climate Act Fee includes the costs of plant associated with renewable natural gas (RNG) production that was placed in service by December 31, 2024. The Direct Testimony of Scott Madison in Docket UG-240008, Exh. SWM-1T, outlines the advantages of Cascade directly investing in some low carbon fuel related capital projects to achieve its compliance obligations; "While carbon allowance purchases allow CCA-covered entities to comply, they do not directly mitigate the natural gas utility's GHG emissions. By meeting the CCA requirements through durable, direct investments in targeted decarbonization measures, Cascade will continue to provide vital energy services to customers while being an important part of Washington's decarbonized energy solution".<sup>2</sup>

A compliance strategy that is only focused on purchasing emissions allowances at auction or in the secondary market may also increase the price volatility of CCA compliance for customers. A direct investment in RNG plant allows Cascade to "secure long-term access to Low-Carbon Fuel (LCF) supply

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<sup>1</sup> Forefront Economics, Peach, H. Gil, *Cascade Natural Gas Corporation Low-Income Rate Analysis for Washington* (a.k.a. Low-Income Needs Assessment or LINA), May 31, 2022.

<sup>2</sup> Direct Testimony of Scott Madison, Exh. SWM-1T, Docket UG-240008, pps. 15-18.

and limit exposure to long-term risk of LCF price volatility, providing more security in costs for our customers”.<sup>3</sup>

Cascade had initially included plant associated with RNG production in its proposed rate base as filed in UG-240008. During the course of the case, it became clear that it would be difficult to exclude non-covered entities from paying for plant associated with RNG production if that plant was embedded in Cascade’s base rates. As a result, settling parties to UG-240008 agreed that “Cascade may file a request to include the plant associated with RNG production in its Climate Commitment Act (Schedule 700) annual recovery filing”.<sup>4</sup> Removing the plant associated with RNG production from UG-240008 and including it in the proposed Schedule 700 rates will ensure that only customers included under Cascade’s compliance obligation will pay for the RNG production-related plant.

The Company is proposing to recover its investment in plant associated with RNG production through the Schedule 700 WA Climate Act Fee using the same methodology it previously applied to plant in Schedule 597 Cost Recovery Mechanism, which the Commission deemed compliant to its Pipeline Replacement Policy Statement issued in UG-120715 in Docket UG-180512.

### **True-Up Component**

The Company’s previous CCA filing, UG-240141, requested recovery of actual CCA compliance costs and benefits from January 2023 through March 2024, and forecasted costs and benefits for the remainder of 2024. The current filing includes a true-up component that considers differences between the forecasts and actual values for costs and benefits included in Cascade’s UG-240141 filing.

The true-up is composed of a separate calculation for costs and benefits because the benefits must be credited to customers as a fixed dollar value while the costs are recovered via a volumetric fee. In UG-240141, Cascade overestimated customers’ forecasted therm usage, causing the CCA deferral accounts to under-amortize during the recovery period. The overestimated therm usage is the primary cause of the cost and benefit true-up values.

### **Costs True-Up**

The costs presented in UG-240141 were forecasted to be \$131.54 million. Estimating amortization and interest on the remaining balance through May 31, 2025, and including interest on the true-up balance through the amortization period of June 2025 through May 2026, results in a total cost true-up of \$26.07 million.

### **Benefits True-Up**

The benefits included in UG-240141 were forecasted to be \$110.99 million. Estimating amortization and interest on the remaining balance through May 31, 2025, and including interest accrued on the benefits true-up balance during the amortization period result in a true-up benefit of \$50.10 million. This benefit true-up value is added to the benefits forecasted for 2025 and will be provided to customers in the form of the monthly CCA Credit.

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<sup>3</sup> *Ibid.*

<sup>4</sup> WUTC Order No. 05, Appendix A, Docket UG-240008, p.7.

### **End of Compliance Period True-Up**

At the end of the first CCA compliance period, December 31, 2026, the Company will conduct a true-up of the entire compliance period. This compliance period true-up will ensure that all customers were correctly allocated costs and benefits over the entire compliance period based on actual usage.

### **WA Climate Act Fee**

The WA Climate Act fee collects the CCA costs true-up value as well as the actual and forecasted CCA compliance costs for January through December 2025. The CCA compliance costs are allocated to each customer class based on total therm usage. The WA Climate Act fee recovers the CCA compliance costs via a volumetric per therm charge. Compliance costs during 2025 are comprised of the purchase of emissions allowances, RNG production-related plant expenses, and interest on the forecasted CCA compliance costs during the amortization period. The CCA compliance costs for this filing are \$76.48 million. After including the true-up costs of \$26.07 million, the total CCA costs for this filing are \$102.54 million, a decrease of \$29.00 million from the costs in UG-240141 of \$131.54 million.

### **WA Climate Act Credit**

The WA Climate Act Credit mitigates the impact of CCA compliance by distributing to customers the revenues generated from the sale of no-cost allowances and interest on the forecasted consignment revenues during the amortization period. For all customer classes, the credit is the lesser of the maximum WA Climate Act Credit amount as stated in Schedule 700 or the cap (currently 80 percent) of the WA Climate Act Fee that the customer has incurred for the month. The value of benefits provided to customers in this filing are \$47.88 million. After including the true-up benefit amount of \$50.09 million, the total value of the benefits is \$97.97 million, a decrease of \$13.02 million from the benefits of \$110.98 million in UG-240141.

### **WA Climate Act Credit Cap**

The credit cap ensures that no customer receives a credit larger than their CCA Climate Act Fee. In UG-240141, the cap was set at 80 percent. The Company is proposing to increase the cap to 85 percent to allow customers that use fewer therms to receive a greater credit going forward. The WA Climate Act Credit distributes to customers the revenues generated from the sale of no-cost allowances. The benefits are allocated to each customer class based on proportional non-exempt and eligible therm usage.

### **Customer Bill Impacts**

The bill impact for known-low-income residential customers is zero percent. For non-known-low-income residential customers who use 53 therms per month at a location where gas service was installed before July 25, 2021, the Schedule 700 credit and fee will result in an average monthly bill decrease of \$1.19 or -1.25 percent. A summary of the bill impacts for customers served at locations that were connected to gas service by July 25, 2021, are provided in the Table 1 below. The actual impact may vary and will depend on a customer's actual natural gas usage and is subject to the proposed cap of 85 percent of the billed WA Climate Act Fee.

Table 1 - Bill Impacts for Customers at Locations where Gas Service was Installed on or before July 25, 2021

Customer Class	Current Monthly Bill	Proposed Monthly Difference	Proposed Bill Impact
Known-Low-Income Residential (Sch 503)	\$92.19	\$0	0%
Non-Known-Low-Income Residential (Sch. 503)	\$95.27	-\$1.19	-1.25%
Commercial (Sch. 504)	\$450.64	-\$6.24	-1.38%
Industrial (Sch. 505)	\$3,021.22	-\$46.18	-1.53%
Large Volume (Sch.511)	\$20,520.39	-\$316.44	-1.54%
Interruptible (Sch. 570)	\$32,746.32	-\$430.61	-1.31%
Transportation (Sch. 663)	\$86,600.01	-\$5,062.35	-5.85%

Table 2 provides the bill impacts for customers receiving service at locations where gas service was installed after July 25, 2021. Although the proposed bill impact is a greater decrease for new customers relative to those with service prior to July 25, 2021, note the actual monthly bill is still higher for new customers.

Table 2 – Customer Bill Impacts for Customers at Locations where Gas Service was Installed after July 25, 2021

Customer Class	Current Monthly Bill	Proposed Monthly Difference	Proposed Bill Impact
Known-Low-Income Residential (Sch 503)	\$92.19	\$0	0%
Non-Known-Low-Income Residential (Sch. 503)	\$107.56	-\$2.83	-2.63%
Commercial (Sch. 504)	\$514.90	-\$14.83	-2.88%
Industrial (Sch. 505)	\$3,496.73	-\$109.72	-3.14%
Large Volume (Sch.511)	\$23,778.96	-\$751.85	-3.16%
Interruptible (Sch. 570)	\$38,538.59	-\$1,336.45	-3.47%
Transportation (Sch. 663)	\$119,977.23	-\$19,756.68	-16.47%

If approved, this filing will decrease the Company's revenues by \$15.98 million.

### **Permanent Adjustment Mechanism**

In November 2024, Washington residents voted to reject Initiative 2117 which would have repealed the CCA. Because the CCA was not repealed, the Company proposes to remove the "temporary" language from Schedule 700.

### **Communications Plan**

As a courtesy, Cascade is mailing customers a bill insert notifying them of the proposed rate decrease starting June 1, 2025, and ending May 31, 2026. The bill insert is provided in both English and Spanish. The bill insert contains a very slight discrepancy from the bill impacts included in this filing due to a late adjustment to numbers filed. A copy of the customer notice is included with this filing.

**Exhibit A**

The attached Exhibit A titled, "NEW-CNCG-W25-03-02-Exh.A-03-31-25.pdf," provides the summary of the CCA compliance costs and benefits, the WA Climate Act Fee and the WA Climate Act Credit for each customer class and the customer bill impact. Below is a description of each page:

- CCA Revenue Impact: An overview of the proposed CCA costs and benefits and a comparison of the currently-approved CCA costs and benefits
- CCA Allocation: An apportionment of the CCA costs and benefits across rate schedules based on allocation methodology
- WA Climate Act Credit, 503 and 504: The calculations for determining the monthly credits for Schedules 503 and 504
- Customer Bill Impact: The bill impacts of the Schedule 700 WA Climate Act Fee and the WA Climate Act Credit
- RNG Plant Calculation: The calculation of the RNG plant investment for the recovery period
- Summary of Deferral Accounts: The summary of the true-up balances for the CCA deferral accounts

**Components of Filing**

This electronic filing is comprised of the following files:

- NEW-CNCG-W25-03-02-CLtr-03-31-25.pdf
- NEW-CNCG-W25-03-02-Trf-03-31-25.pdf
- NEW-CNCG-W25-03-02-Cust-Not-03-31-25.pdf
- NEW-CNCG-W25-03-02-Exh.A-03-31-25.pdf

If you have any questions regarding this filing, please contact me at (208) 377-6015 or Zach Harris at (208) 870-2476.

Sincerely,

*/s/ Lori Blattner*

Lori Blattner  
Director, Regulatory Affairs  
Cascade Natural Gas Corporation  
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Attachments

**CLIMATE COMMITMENT ACT (CCA) RATE ADJUSTMENT  
SCHEDULE NO. 700**

(C)

**AVAILABILITY**

This schedule is applicable to Schedule 503, 504, 505, 511, 570, and 663 customers with the exception of those customers identified in the Exemptions section below.

**PURPOSE**

The purpose of this schedule is to collect costs incurred and credit revenues received in compliance with the Climate Commitment Act (CCA) as codified in Revised Code of Washington (RCW) 70A.65 and Chapter 173-446 of the Washington Administrative Code (WAC).

**LOW-INCOME RESIDENTIAL CUSTOMER**

For the purpose of this adjustment schedule, a low-income residential customer is a customer who receives gas service on Schedule 503 customers and simultaneously is actively enrolled in the Cascade Arrearage Relief and Energy Savings (CARES) program as defined in Rule 20 and offered per Schedule 302, regardless of whether or not the CARES discount has been temporarily suspended for the application of a Low-Income Home Energy Assistance Program (LIHEAP) grant.

**MONTLY RATES****Table 1 – WA Climate Act Fee and WA Climate Act Credit**

<b>Rate Schedule</b>	<b>WA Climate Act Fee</b>	<b>Maximum WA Climate Act Credit<sup>1, 2</sup></b>
Schedule 503, Low-Income Residential Customers	\$0.23653 per therm	Credit will equal the customer's total monthly WA Climate Act Fee
Schedule 503, Residential (not including Low-Income Residential Customers)	\$0.23653 per therm	<b>See the Monthly Credits listed in Table 2 Below</b>
Schedule 504, General Commercial Customers	\$0.23643 per therm	<b>See the Monthly Credits listed in Table 2 Below</b>
Schedule 505, Industrial Customers	\$0.23643 per therm	(\$539.39) per month
Schedule 511, Large Volume Customers	\$0.23643 per therm	(\$3,809.56) per month
Schedule 570, Interruptible Gas Service Customers	\$0.23643 per therm	(\$4,886.43) per month
Schedule 663, Transportation Customers	\$0.23643 per therm	(\$18,682.90) per month

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1. With the exception of Low-Income Residential customers, a customer receiving service at a site that was connected to natural gas after July 25, 2021, is not applicable to receive the WA Climate Act Credit.
2. The WA Climate Act Credit shall be the lesser of 85% of the WA Climate Act Fee as charged in the billing month or the maximum WA Climate Act Credit amount as listed in the table above.

(R)

(continued)

CNG/W25-03-02

Issued March 31, 2025

Effective for Service on and after

June 1, 2025

**Issued by CASCADE NATURAL GAS CORPORATION**

By:  Lori A. Blattner

Director, Regulatory Affairs

**CLIMATE COMMITMENT ACT (CCA) RATE ADJUSTMENT  
SCHEDULE NO. 700**

(C)

**MONTHLY RATES (continued)****Table 2 – Non-Low-Income Residential and General Commercial WA Climate Act Credit**

<b>Maximum WA Climate Act Credit<sup>1</sup></b>												
	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May
Sch. 503, Residential <sup>2</sup>	(\$4.27)	(\$3.66)	(\$3.61)	(\$4.58)	(\$11.36)	(\$19.71)	(\$26.66)	(\$25.67)	(\$21.64)	(\$17.51)	(\$11.10)	(\$6.23)
Sch. 504, General Commercial	(\$27.80)	(\$26.54)	(\$26.59)	(\$29.14)	(\$58.57)	(\$98.34)	(\$136.23)	(\$133.86)	(\$112.71)	(\$90.25)	(\$58.02)	(\$36.12)

(N)

(R)

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1. The WA Climate Act Credit shall be the lesser of 85% of the WA Climate Act Fee as charged in the billing month or the maximum WA Climate Act Credit amount as listed in the table above.
2. The Maximum WA Climate Act Credit is not applicable to Low-Income Residential Customers, who receive a monthly WA Climate Act Credit equal to the customer's total monthly WA Climate Act Fee.

(R)

**TERM**

These rates will be in effect until May 31, 2026.

(C)

**EXEMPTIONS**

1. With the exception of Low-Income Residential Customers, the WA Climate Act Credit will not be applicable to customers served on accounts where the gas service line and meter was installed after July 25, 2021. The installation of a gas service line and meter does not include maintenance or repairs to an existing service, relocated service lines, or where service was temporarily disconnected per WAC 480-90-128.
2. The following customers are exempt from the WA Climate Act Fee and WA Climate Act Credit established in this schedule if they notify the Company of their exempt status and provide evidence from Department of Ecology verifying that they should be exempt from this schedule:
  - a. Customers with emissions from facilities with North American Industry Classification System code 928110 (National Security).
  - b. Customers that are designated as covered entities by the Washington State Department of Ecology (Ecology) as subject to RCW 70A.65.060 through 70A.65.210 as noted in RCW 70A.65.010(23).
  - c. Customers identified by Ecology as an Emissions-Intensive Trade-Exposed (EITE) under RCW 70A.65.110. It is the responsibility of the Customer to ensure that the Company has received such evidence of the Customer's status as an EITE.

**TERMS AND CONDITIONS**

1. The rates established herein are subject to increases as set forth in Schedule 500, Municipal Taxes.
2. Service under this adjustment schedule is governed by the terms and conditions outlined in this schedule, the Rules contained in this Tariff, any other applicable schedules, and all rules and regulation prescribed by regulatory authorities, subject to amendments from time to time.

CNG/W25-03-02

Issued March 31, 2025

Effective for Service on and after

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**Issued by CASCADE NATURAL GAS CORPORATION**

By: 

Lori A. Blattner

Director, Regulatory Affairs