

CASCADE NATURAL GAS CORPORATION

Fourth Revision Sheet No. 25

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Third Revision Sheet No. 25

WN U-3

**RULE 21
DECOUPLING MECHANISM**

PURPOSE:

This Rule describes the revenue-per-Customer Decoupling Mechanism which annually applies a per therm credit or debit under Schedule 594, "Decoupling Mechanism Adjustment" to applicable Customers' bills for the purpose of truing up the annual difference between Margin Revenues and the Authorized Margin Revenues per Customer served as herein defined.

APPLICABILITY:

This Rule is applicable to all Customers served on Schedules 503, 504, 505, 511, and 570.

MARGIN REVENUES

Margin Revenue is the amount of Margin billed in a billing month, adjusted for unbilled margin revenues. Margin Revenue does not include amounts billed for the Basic Customer Charge, or adjustment schedules, such as Schedules 500, 581, 582, 583, 593, 594, 595, 596, 597, and 598.

AUTHORIZED MARGIN REVENUE PER CUSTOMER

The Authorized Margin per month per customer is established in the tables below. Table 1 shows January through June, and Table 2 shows July through December.

Table 1	Jan	Feb	March	April	May	June
503	\$30.35	\$22.30	\$20.41	\$12.52	\$7.13	\$4.69
504	\$127.65	\$93.93	\$78.32	\$48.24	\$31.22	\$23.85
505	\$498.23	\$423.12	\$397.90	\$289.11	\$210.22	\$189.53
511	\$2112.66	\$1703.10	\$2111.22	\$1307.21	\$797.62	\$870.43
570	\$2353.02	\$2365.04	\$1936.49	\$1927.27	\$1389.07	\$1154.77
Table 2	July	Aug	Sept	Oct	Nov	Dec
503	\$4.20	\$3.50	\$5.17	\$12.93	\$24.04	\$31.96
504	\$24.45	\$21.60	\$32.05	\$59.39	\$89.84	\$127.00
505	\$152.50	\$161.43	\$209.70	\$357.27	\$308.03	\$430.43
511	\$574.00	\$812.31	\$761.38	\$864.72	\$1162.62	\$1882.86
570	\$941.72	\$1104.77	\$866.54	\$1124.56	\$1588.50	\$1825.11

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By:  Michael Parvinen

Director, Regulatory Affairs

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CASCADE NATURAL GAS CORPORATION

**RULE 21
DECOUPLING MECHANISM (Continued)**

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DECOUPLING CALCULATION:

On a monthly basis the Company will perform the following steps separately for each customer class that is applicable to the rate adjustment in this Rule:

- 1) Record Number of Customers per Customer Class
- 2) Determine Actual Margin Revenues
- 3) Determined Authorized Revenue by multiplying the number of Customers per Customer class (No. 1 above) times the Authorized Revenue for the corresponding month per Customer class as established in Tables 1 & 2 above.
- 4) Determine then record the Deferral Amount by subtracting the Authorized Margin Revenue (No. 3 above) from Actual Margin Revenue (No. 2 above).
- 5) Annually determine the new rate to be applied in Schedule 594 by taking the annual sum of monthly Deferral Amounts and dividing the total by forecasted volumes per Customer class.

EARNINGS TEST:

The earnings test will be based on the Company's year-end Commission Basis Reports (CBR) stated on an average-of-monthly-averages basis, prepared in accordance with WAC 480-90-257. This report is prepared using actual recorded results of operations and rate base, adjusted for any material out-of-period, non-operating, nonrecurring, and extraordinary items or any other item that materially distorts reporting period earnings and rate base. These adjustments are consistent with the adjustments described in paragraph (2)(b) of WAC 480-90-257. The CBR includes normalizing adjustments, such as adjustments to reflect operations under normal conditions. For the earnings test, the decoupling accounting entries adjust revenues from a therm sales basis to a revenue per customer basis. The CBR will not include any annualizing or pro forma adjustments.

One of the following will apply:

- If the CBR earned return exceeds the Company's authorized rate of return, the Deferral Amount that will be amortized as a surcharge will be decreased by 50%
- If the CBR earned return exceeds the Company's authorized rate of return, the Deferral Amount that will be amortized as a rebate will be increased by 50%.
- If the CBR earned return is less than the Company's authorized rate of return, no adjustment will be applied to the Deferral Amount whether it will be amortized as a surcharge or a rebate.

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BY AUTHORITY OF ORDER 04 AND SECRETARY LETTER DATED 8/17/16 OF WASH. UTILITIES & TRANSPORTATION COMM. DOCKET UG-152286

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BY 
Michael Parvinen

TITLE Director
Regulatory Affairs

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CASCADE NATURAL GAS CORPORATION

**RULE 21
DECOUPLING MECHANISM (Continued)****EARNINGS TEST (continued)**

The September 1, 2016, through December 31, 2016, Deferral Amount will be subject to the CBR filed April 30, 2017, for the 2016 fiscal year. This amount will be amortized in a filing effective November 1, 2017, that will be submitted concurrently with the 2017 PGA and temporary technical adjustments;

The subsequent decoupling deferral period, January 1, 2017, through December 31, 2017, will be amortized for rebate or surcharge in a filing effective November 1, 2018, and will be subject to the CBR filed April 30, 2018, for the 2017 fiscal year. The 12-month cycle of deferring then collecting after 11 months will continue for the duration of the mechanism.

SPECIAL CONDITIONS:

- 1) Following the application of the Earnings Test, the amount of an incremental proposed rate increase under this Rule alone cannot impact the overall per therm rate charged for natural gas and transmission services more than 3%.
- 2) The Company shall apply interest on the deferred balance on a monthly basis using the interest rate published by FERC. This calculation will be consistent with the current deferred accounting procedures detailed in WAC 480-90-233.

REPORTING:1) Annual Reporting

The Company's annual true-up filing to revise the rate herein will include a work paper detailing monthly amounts deferred, the monthly customer count, and a reconciliation of amounts amortized and recovered in the prior twelve months.

2) Independent Audit

Cascade will procure an independent audit of its decoupling program following three years of implementation. The scope of the independent audit may be informed by the independent audits conducted by PSE and Avista of their decoupling mechanisms.

TERM:

This Adjustment Mechanism shall remain effective for five years, with the final Deferral Amount being recorded for September 2021 and the final Schedule 594 charge or credit billing on December 31, 2022.

GENERAL TERMS:

Service under this Rate Schedule is governed by the terms of this Rate Schedule, the General Rules and Regulations contained in this Tariff, any other Schedules that by their terms or by the terms of this Rate Schedule apply to service under this Rate Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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Michael Parvinen
TITLE Director
Regulatory Affairs