

RULE 19**PURCHASE GAS ADJUSTMENT MECHANISM****APPLICABLE**

The purchased gas adjustment (PGA) mechanism applies to the calculation of all Rate Schedules in this Tariff for which system gas supplies are purchased by the Company.

PURPOSE

The purpose of this rule is: a) to define the procedures for timely recovery and periodic tracking revisions in rates due to changes in the Company's cost of purchased gas; and b) to define the procedures for balancing the Company's need to communicate to Customers changes and trends in the market price of gas, and the deferral of differences experienced between the Company's actual cost of purchased gas and the cost of purchased gas incorporated in the rates and charges specified in its rate schedules for core service.

REVISIONS TO BASE RATES DUE TO CHANGES IN THE FORECASTED GAS COSTS

1. The Company shall file annually PGA Filing with the Commission, subject to the Commission review, to update all Sales Rate Schedules for forecasted changes in the Weighted Average Cost of Gas (WACOG) to reflect changes in purchased gas costs resulting from adjustments in the rates and prices of the Company's suppliers resources.
2. The WACOG includes the following related charges, if applicable: a) commodity charges and commodity-related fixed charges under the Company's acquisition contracts of all types of natural gas commodities including renewable natural gas (RNG) from producers, suppliers, or marketers; b) pipeline transportation charges; c) storage charges related to withdrawals and injections of natural gas from storage sources; d) off-system sales, capacity releases and exchanges; e) wholesale market hedge program credit facility costs, and f) other miscellaneous expenses directly related to the Company's acquisition of natural gas commodities. (C)
(C)
(C)
3. The demand and commodity costs included in the embedded WACOG will be determined on the basis of the Company's projected volumetric commodity purchase requirements for the prospective twelve-month period. These projected costs will be based on reasonable and consistent methods of forward price forecasting and reflect anticipated material contract changes.

DEFERRAL OF PURCHASED GAS COST DIFFERENCES

1. The Company will maintain purchased gas cost adjustment deferral accounts as sub-accounts of Account No. 191, Unrecovered Purchased Gas Costs. Monthly entries will be made to reflect the difference between the Company's actual cost of purchased gas and the cost of purchased gas collected from volumes consumed by ratepayers, priced at rates and charges as established in the Company's most recent PGA filing plus any offsetting revenues received from a voluntary RNG program.
2. Actual purchased gas costs entered into the adjustment account will be the actual gas commodity costs, demand costs and reservation charges experienced by the Company. Imbalance penalties paid to service or gas suppliers and any refunds or credits received for prior periods will be included in the actual costs of the month in which such amounts are paid or received.

(continued)

CNG/W25-09-07

Issued September 15, 2025

Effective for Service on and after

November 1, 2025

Issued by CASCADE NATURAL GAS CORPORATION

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(T)

RECONCILING ACTUAL GAS COSTS WITH GAS COSTS EMBEDDED IN BASE RATES (continued)

3. Commodity gas cost deferrals will be calculated by multiplying the average commodity cost embedded in sales rates before taxes times the applicable sales volumes for the month and then subtracting this result from the actual commodity costs incurred. (T)
4. Demand cost deferrals will be calculated by multiplying the demand cost for each rate schedule, stated on a per unit of sales basis before taxes embedded in the Company's sales rates times the applicable sales volumes for the month and then subtracting this result from the actual demand charges incurred. (T)
5. Each month 100 percent of the purchased gas cost differentials shall be debited to the purchased gas cost adjustment deferral accounts if positive, or credited to the accounts if negative. A credit balance to the deferral accounts at the end of an adjustment period indicates a subsequent temporary rate decrease (refund), while a debit balance to the deferral accounts represents a temporary rate increase (surcharge).
6. The Company shall impute interest on the deferred balance of the purchased gas cost adjustment accounts on a monthly basis utilizing the interest rate published quarterly by FERC. This calculation will be made consistent with the current deferred accounting procedures detailed in WAC 480-90-233.
7. The Company will include in the annual tracking filing a temporary adjustment amount designed to amortize any balance in the purchased gas cost deferral accounts. Temporary surcharges and/or refund increments will be applied to the Sales rate schedules over the following twelve months or any other appropriate amortization period.

(D)

CNG/W21-01-02
Issued January 15, 2021

Effective for Service on and after
February 15, 2021

Issued by CASCADE NATURAL GAS CORPORATION

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