

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 3, 2023**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE** \_\_\_\_\_ **N/A**

**DATE:** September 7, 2023

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Bryan Conway and Marc Hellman **SIGNED**

**SUBJECT:** CASCADE NATURAL GAS:  
(Docket No. UM 1336(16))  
Approving reauthorization to defer accounting treatment of Intervenor Funding.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Cascade Natural Gas Company's (Cascade, CNG, or the Company) application for deferred accounting of costs associated with Intervenor Funding Grants for the 12-month period beginning November 1, 2023.

**DISCUSSION:**

Issue

Whether the Commission should approve Cascade's request for reauthorization to record and defer costs related to intervenor funding grants for the 12-month period beginning November 1, 2023.

Applicable Law

ORS 757.259(3)<sup>1</sup> and OAR 8600270300<sup>2</sup> allow the deferral of expenses provided as

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<sup>1</sup> ORS 757.259(3).

<sup>2</sup> OAR 860-027-0300.

financial assistance under an agreement entered into under ORS 757.072<sup>3</sup> for later incorporation in rates. A deferral may be authorized under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application.

ORS 757.072 is the statute that authorizes a utility to enter funding agreements with organizations that represent broad customer interests in Commission proceedings.<sup>4</sup> Once a funding agreement is approved by the Commission, organizations eligible to receive grants under the funding agreement are identified pursuant to OAR 860-001-0120.<sup>5</sup> When a public utility provides financial assistance under a funding agreement, ORS 757.072(4) states that the Commission shall allow a public utility to defer inclusion of the funding provided in rates as provided in ORS 757.259.<sup>6</sup>

OAR 860-027-0300<sup>7</sup> specifies the required contents of an application for deferred accounting. This includes: a description of the expense or revenue for which deferral is requested, the basis for the request, the accounts proposed for recording the amounts to be deferred, an estimate of the amounts to be recorded in the deferred account, and a copy of the notice of the application for deferred accounting.<sup>8</sup>

## Analysis

### *Background*

On July 31, 2023, the Company filed an application for reauthorization to record and defer—on an ongoing basis—any and all costs associated with intervenor funding grants. The Company did so in accordance with ORS 757.259(3) and the Fifth Amended and Restated Intervenor Funding Agreement (the “Agreement”) approved by the Commission in Order No. 22-506. The Company requests reauthorization to record and defer said costs from November 1, 2023, through October 31, 2024.

Additionally, The Company states in its application that at the time of consideration for incorporation into rates, the Company plans to propose an appropriate amortization period for Intervenor Funding Grants for the Commission’s consideration.

### *Reason for Deferral*

This request is made in accordance with ORS 757.259(3) that allows for the deferral of Intervenor funds, and Commission Order No. 22-506, Docket UM 2264, which directs

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<sup>3</sup> ORS 757.072.

<sup>4</sup> ORS 757.072.

<sup>5</sup> OAR 860-001-0120(2).

<sup>6</sup> ORS 757.072(4).

<sup>7</sup> OAR 860-027-0300.

<sup>8</sup> OAR 860-027-0300(3).

the Company to pay to intervenors the amounts made available as defined and provided for in the Agreement.

*Description of Expense*

The maximum of amount that can be deferred per the agreement during the 12-month period November 1, 2023, through October 31, 2024, is \$130,313. See the table below.

<b>Fund Type as Defined in Agreement</b>	<b>Maximum Amount</b>
CUB Fund	\$45,425
Preauthorized Matching Fund	\$42,713
Issue Fund- General Account	\$39,675
Issue Fund- Case-Certified Account	\$2,500

**Total \$130,313.**

*Current Deferral Activity*

In accordance with OAR 860-027-0300(4)(a), The Company provided the following information regarding the deferral activity to the date of this application. The Company will seek recovery of these deferred amounts concurrent with its upcoming purchased gas cost adjustment filing.

	<b>CUB Fund</b>	<b>AWEC Fund</b>
	<u>Acct 20444</u>	<u>Acct 20449</u>
Deferred amounts July 1, 2022, through June 30, 2023	\$50,669.02	\$2,707.46

*Amortization and Interest Rate Applied to Accounts*

The deferred balance accrues interest at the rate of 7.071 percent.<sup>9</sup> The balance to be amortized will accrue interest at the rate of 1.82 percent through October 2023. Beginning November 2023, the amortized balance will accrue interest at the rate of 5.13 percent. The change in interest rates is due to the overall market change in interest rates as the Federal Reserve attempts to lower inflation.

*Estimate of Upcoming PGA-period Deferral and/or Amortization*

The Company estimates that it will not seek to defer more than \$130,313. The Company will seek to amortize the total deferral balance.

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<sup>9</sup> Authorized Rate of Return as approved by Commission Order No. 21-001 in docket No. UG 390.

*Amount Amortized Last Year*

	<b>CUB Fund</b>	<b>AWEC Fund</b>
	<u>Acct 20443</u>	<u>Acct 20448</u>
Amortized amounts July 1, 2022, through June 30, 2023 with interest	(\$47,908.57)	(\$20,105.18)

*Proposed Accounting*

The Company proposes to record payment of Intervenor Funding Grants in a sub-account of Account 186.

*Information Related to Future Amortization*

- Earnings Review – Pursuant to Commission Order No. 18-017, Appendix A, page 28, paragraph 7.9: If a Participating Public Utility seeks rate recovery through a deferred account, the account and amortization of the account shall be, exempt from the amortization caps and earnings test set forth in Subsections 5,6,7,8 and 10 of ORS 757.259, as such subsections may be amended from time to time and shall not be included in any calculation of the amortization cap for other deferred accounts.
- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Account balances are to be spread to the appropriate customer classes per Order No. 18-017, Appendix A, page 27, paragraph 7.7(b).
- Three Percent Test (ORS 757.259(6)) – The three percent test does not apply to amortization of this deferral. See “Earnings Review” above.

Conclusion

The Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300 for deferred accounting, and the reason for the deferral—costs related to intervenor funding grants—is still valid. Therefore, Staff recommends the Commission approve Cascade Natural Gas's application for reauthorization to record and defer costs associated with Intervenor Funding Grants.

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Cascade has reviewed this memo and agrees with its contents.

**PROPOSED COMMISSION MOTION:**

Approve Cascade Natural Gas's Application to defer the costs associated with Intervenor funding grants for the 12-month period beginning November 1, 2023, through October 31, 2024.

CNG UM 1336(16) Intervenor Funding Deferral