

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 25, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** November 1, 2022

DATE: October 10, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. UM 1557(14))
Requests reauthorization to defer variances in the revenues and expenditures related to the Conservation Alliance Plan.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Cascade Natural Gas's (Cascade, CNG, or Company) request for reauthorization to defer variances in its collection of distribution margin due to conservation and weather for the 12-month period beginning period November 1, 2022.

DISCUSSION

Issue

Whether Cascade should be allowed to continue to defer costs for later recovery in rates in accordance with its Conservation Alliance Plan (CAP).

Applicable Law

ORS 757.259(3) and OAR 860-027-0300 allow the deferral of expenses provided as financial assistance under an agreement entered into under ORS 757.072 for later incorporation in rates.

ORS 757.072 is the statute that authorizes a utility to enter funding agreements with organizations that represent broad customer interests in Commission proceedings. 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. When a public utility provides financial assistance under a funding agreement, ORS 757.072(4) states that the Commission must allow a public utility to defer inclusion of the funding provided in rates as provided in ORS 757.259.

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.

OAR 860-027-0300 specifies the required contents of an application for deferred accounting, including 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.

Analysis

Background

In Order No. 06-191, the Public Utility Commission of Oregon approved the CAP for Cascade, which includes a decoupling mechanism, deferral accounting, a public purpose charge, Company funding for conservation, and provisions governing the use of the Energy Trust of Oregon (ETO).

Since its adoption, the Commission has made adjustments to the CAP and its various components and conditions over time. Cascade makes this filing pursuant to ORS 757.259 and OAR 860-027-0300(4) requesting reauthorization to defer the changes in margin due to conservation and variances from normal weather for its decoupling mechanism in CAP Schedule 30.

The Commission has authorized Cascade to defer these amounts in previous years, most recently in Order No. 21-420, for the 12-month period of January 1, 2021, through December 31, 2021, at the Public Meeting held on November 16, 2021.

Cascade Natural Gas Corporation submitted an Application for Reauthorization to defer variances in its collection of distribution margin due to conservation and weather. Such deferral entries will be consistent with the parameters outlined in the Company's Rule 19, Conservation Alliance Plan (CAP).

Reason for Deferral

The use of deferred accounting, related to the Conservation Alliance Plan (CAP) mechanism established by the Commission in Order No. 06-191, minimizes the frequency of rate changes and the fluctuation of rate levels pursuant to ORS 757.259(2)(e). Reauthorization of deferred accounting is still warranted for those reasons.

Description of Expense

Consistent with procedures outlined Rule 19 – Conservation Alliance Plan, the CAP is a decoupling mechanism consisting of two deferral accounts, one to track changes in margin due to variations in weather-normalized usage (conservation), and another to track changes in margin due to weather that varies from normal.

Proposed Accounting

In absent deferred accounting treatment, the Company would record under or over-collected margins as utility operating revenue in FERC Account 480. Cascade's proposed deferrals would be recorded in a sub-account of FERC Account 186.

Deferral Activity

In its application, the company states that it is difficult to estimate the amounts to be recorded in the deferral account, as the deferral amount is dependent on a number of variances in collections due to conservation and weather.

Information Related to Future Amortization

- Earnings Review – The Commission has historically relied on the results of the annual Spring Earnings Review to determine whether Cascade must share overearnings. As this deferral is related to the conservation of natural gas resources, an earnings test is not applied, and the amortization of the correctly calculated costs has always been approved.
- Prudence Review – The prudence review should consist of a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – See “Earnings Review” above. • Rate Spread/Design – The amortization amount will be spread as specified by Cascade's Rule 19 – CONSERVATION ALLIANCE PLAN MECHANISM.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and

(8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is still valid, Staff recommends the Commission approve Cascade's application. For the reasons discussed earlier in this memo, Staff recommends the Commission authorize deferred accounting for the 12-month period beginning November 1, 2022.

The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Cascade's application to defer amounts collected through the CAP for the 12-month period beginning November 1, 2022, through October 31, 2023.