

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 14, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2015

DATE: March 24, 2015

TO: Public Utility Commission

FROM: Linnea Wittekind *W*

THROUGH: Jason Eisdorfer and Marc Hellman *E* *H*

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1557(6)) Requests reauthorization to defer the changes in margin due to conservation and variances from normal weather as set forth in Rule 19, Conservation Alliance Plan Mechanism.

STAFF RECOMMENDATION:

I recommend Cascade Natural Gas's (Cascade or Company) application be approved.

DISCUSSION:

Cascade makes this filing pursuant to ORS 757.259 and OAR 860-027-0300(4) and in compliance with Order No. 13-079, requesting reauthorization to defer the changes in margin due to conservation and variances from normal weather as set forth in Rule 19, Conservation Alliance Plan.

This deferral was most recently authorized for the 12-month period beginning January 1, 2014, by Order No. 13-463.

This application is for accounting purposes only. As in the past, Cascade will seek amortization of the current balance in another proceeding, concurrent with its upcoming purchased gas cost adjustment.

Background

In Order No. 06-191, the Public Utility Commission of Oregon approved Cascade's Conservation Alliance Plan (CAP). The plan 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. Since its adoption, the Commission

has made adjustments to the CAP and its various components and conditions over time, including extending its expiration date to September 30, 2012.¹

Cascade filed a motion to extend the CAP, and remove the expiration date. The Commission denied the motion, extended the expiration date of the CAP through March 31, 2013, and opened Docket No. 224 for further investigation.² To accommodate the schedule in the docket, the Commission further extended the CAP expiration date to April 30, 2013.³ The active parties to the docket filed a stipulation that resolved all issues in the proceedings. The Commission adopted the stipulation which includes new requirements, and extends the CAP expiration date to December 31, 2015.⁴

Description of Expense

Consistent with procedures outlined in Schedule No. 30 – 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. The final amortization balance results from netting the weather deferral against the conservation deferral to eliminate margin changes due to weather.

Reason for Deferral

The use of deferred accounting, related to the CAP) 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.

Proposed Accounting

In accordance with the provisions in Schedule No. 30, differences are accumulated as regulatory assets or liabilities for distribution or collection from customers annually at the time of the Company's PGA filing. Absent deferred accounting treatment the Company would record under- or over-collected margins as utility operating revenue in FERC Account 480.

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 variables.

¹ See Order No. 07-221.

² See Order No. 12-372.

³ See Order No. 12-492.

⁴ See Order No. 13-079.

Information Related to Future Amortization

- Earnings Review – For this mechanism, the Commission has historically relied on the results of the annual Spring Earnings Review as the CAP results are included in the review. This approach is confirmed in Order No. 13-079.
- 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.

Staff Analysis

Cascade’s application for reauthorization of deferred accounting for the CAP meets the requirements related to the establishment of the mechanism, as well as the requirements of ORS 757.259 and 860-027-0300.

For the reasons discussed earlier in this memo, Staff recommends the Commission authorize deferred accounting for the period January 1, 2015, through December 31, 2015.

PROPOSED COMMISSION MOTION:

Cascade’s application be approved for the 12-month period beginning January 1, 2015.