

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 11, 2020**

REGULAR CONSENT EFFECTIVE DATE September 1, 2020

DATE: July 31, 2020

TO: Public Utility Commission

FROM: Curtis Dlouhy

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: CASCADE NATURAL GAS:

(Docket No. UM 1631)

Request for a waiver of 30-day notice period required to implement a change to the franchise fee¹ for customers in the city of Redmond, Oregon, effective September 1, 2020.

STAFF RECOMMENDATION:

Approve Cascade's request to waive the 30-day customer notice requirement so that Cascade can implement the new franchise fee imposed by Redmond, Oregon, on the day it becomes effective, which is September 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request to waive the 30-day required notice to implement a new franchise fee on September 1, 2020, in Redmond, Oregon.

Applicable Rule

ORS 756.040 and OAR 860-022-0015 require a utility to inform customers at least 30 days before the effective date of filing with the Commission any new changes in rates, tolls, charges, rules or regulations.

¹ A franchise fee is a fee that allows a company to operate in an area. In Oregon, utilities pay franchise fees to a city as a percentage of gross revenue generated.

Under OAR 860-021-0005, the Commission can grant waivers of Division 21 rules for good cause shown.

Under OAR 860-022-0040, only all fees or taxes imposed on gross revenues will be paid by the gas utility up to a 3 percent fee on gross revenue.

Analysis

Background

On July 8, the city of Redmond approved an increase of the franchise fee imposed on Cascade to 7 percent of gross revenues, up from 5 percent of gross revenues. The increase in the franchise fee goes into effect on September 1, 2020. Cascade pays only the first 3 percent on any municipal tax or fee, and then passes the rest onto ratepayers, as was approved by the Commission in the attached document discussing Cascade's adjustment for municipal exactions.² In accordance with OAR 860-022-0040 and Cascade's adjustment for municipal exactions, this raises the franchise fee that ratepayers are responsible for from 2 percent to 4 percent.

Conditions necessitating a waiver

The Company, however, was not informed of this change in the franchise fee until July 16, 2020, and its regulatory group did not receive notice of it until Monday, July 20. Cascade acted as fast as should be expected and filed for a waiver on July 22. Cascade traditionally informs consumers of rate changes through bill inserts, and plans to include bill inserts about the impending change to franchise fees in their August bill.

Cascade reads meters and sends out bills in batches, and the last wave of customers will receive the bills or the bill insert until August 28, just four days prior to the rate change.

Staff Analysis

Staff could not find any previous precedent of allowing or disallowing a waiver of this form in Oregon. However, Cascade notes cities rarely give utilities adequate time to inform their ratepayers of changes to franchise fees or taxes and these waivers are common. Staff sees no reason to break this precedent.

In a phone call with Cascade, Staff was told that ratepayers have their meters read and receive their bills around the same time each month. This means that although some

² See <https://www.cngc.com/wp-content/uploads/PDFs/Rates-Tariffs/Oregon/100-adjustment-for-municipal-exactions.pdf>.

ratepayers may receive as little as a four day notice before the franchise fee increase, they will still not receive the first bill for at least 30 days after their initial notice.

Conclusion

Based on the circumstances outlined above, Staff concludes that Cascade's request to waive the 30-day notice requirement should be approved.

PROPOSED COMMISSION MOTION:

Approve Cascade's request to waive the 30-day notice required to implement the new franchise fee on September 1, 2020, in Redmond, Oregon.