

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 22, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE December 1, 2016

DATE: November 15, 2016

TO: Public Utility Commission

FROM: JP Batmale

THROUGH: *JCF* Jason Eisdorfer and *JB* John Crider

SUBJECT: CASCADE NATURAL GAS: (Docket No. ADV 408/Advice No. 016-10-01)
Annual update to Schedule 31, revising the company's public purpose funding for 2017.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve the annual update to Schedule 31 covering the PPC expenditures for 2017 as made in Cascade Natural Gas Company's supplemental advice filing ADV 408 /Advice No. 016-10-01.

DISCUSSION:

Issue

Whether the Commission should allow the Company to update Schedule 31 and thereby increase the amount of funds collected in 2017 to cover Cascade's planned Public Purpose Charge (PPC) expenditures.

Applicable Law

The applicable statutes in this filing are: ORS 757.315(3) which allows gas utilities to have bill pay assistance programs; ORS 469.633 which requires energy efficiency programs; and ORS 757.262 which states that rates will be adopted to encourage energy efficiency.

Analysis

Background

The Company's 2017 revision to its PPC raises it from 3.40 percent to 4.87 percent. The PPC funds four activities: Energy Trust's natural gas energy efficiency activities; Bill pay assistance; the Oregon Low Income Energy Conservation (OLEIC) program; and a pilot program called Conservation Achievement Tariff that acts as a financial complement to OLEIC. OLEIC and CAT function together as a single low-income program.¹

Schedule 31, Cascade PPC Funding for 2017		
<i>Total funds to be collected in 2017: \$ 3,339,422</i>		
Program Name	Percent of 2017 PPC	Est. Total Funds
Energy Trust of Oregon	87.7 %	\$ 2,927,795
OLEIC & CAT	10.8%	\$ 361,627
Bill Pay Assistance	1.5%	\$ 50,000
Total	100%	\$ 3,339,422

The amount for Energy Trust programs is developed collaboratively through its annual budgeting process.

Schedule 31 was launched as part of Cascade's decoupling agreement with the Commission in April 2006.² Cascade's PPC appears as a line item on the customer's bill. The rate is equal to a percentage of a customer's total gas service bill. The current PPC rates are applicable to residential customers (Schedule 101), commercial customers (Schedule 104), and industrial customers (Schedule 105 and 111).³

The 2017 increase in Schedule 31 is driven by three things: Energy Trust's growth in 2017 savings;⁴ the repayment to Energy Trust of a revenue shortfall in 2016; and the transition of the CAT pilot to being covered through normal ratepayer funding.⁵

¹ See Docket No. ADV 408/Advice No. O16-10-02 for more information on these programs working together and the total amount the Company can spend annually.

² See UG 167, Order No. 06-191

³ Growth in the PPC between 2015 and 2016 is partially attributable to changes in billing practices. Schedule 31 began directly recovering over \$500,000 in PPC funds where they had previously been embedded in general rates. It also extended the PPC to industrial customers. See ADV 172/Advice No. 015-12-01

⁴ Energy Trust expects savings to grow by over 100,000 therms in 2017; nearly a 22 percent increase over 2016.

⁵ When CAT was launched in 2012 mainly utilizing unspent, OLEIC low-income funds that had accumulated over time. See Cascade ADV 157/Advice No. 015-11-02 for more background and information.

Source of 2017 Budget Increase	Funding Increase for 2017	% of 2017 Funding Growth
Repayment to Energy Trust for 2016 Shortfall	\$ 177,775	35%
Cost of Increased Energy Efficiency Savings in 2017	\$ 167,590	33%
Funding CAT	\$ 161,627	32%

Despite Energy Trust having a \$200,000+ reserve for Cascade, 2016 revenues from Cascade to Energy Trust are projected to fall short.⁶ The 2016 revenue shortfall for Energy Trust was caused by a convergence of several factors, which included:

- Energy Trust exceeding its 2016 savings projections by an estimated 113 percent;
- A reduction in Cascade’s revenue collections due to its 2016 purchased gas adjustment; and
- Cascade’s delayed filing of UG 287 in 2016 forcing it to miss at least two winter months of higher average billing. In 2016, Schedule 31 was tied-up with this filing.

Customer Impact

The estimated monthly bill impact for Cascade’s average residential customer will be approximately \$0.60/month and approximately \$2.04/month for commercial customers. The increase to fund PPC activities is spread somewhat proportionately across ratepayers. Because of this, the Company’s industrial customers will pay the most in absolute terms; approximately an additional \$40.18/month.

The impact on Cascade customers of Schedule 31’s growth over time has been minimal due to the larger market forces driving down natural gas prices. Despite increases in Public Purpose expenditures, the average total bill for Cascade customers has declined by 22 percent since 2011.⁷

The timing of this filing is much improved over 2016. Because the effective date of the 2017 Schedule 31 revision is December 1, Cascade should be able to avoid the under-collection funds that occurred last year.

⁶ In UG 245, Order No. 13-221 a reserve for Energy Trust was established because of a similar shortfall in revenue collections by Cascade in 2012.

⁷ See 2015 Oregon Utility Statistics Book

Cascade ADV 408
November 15, 2016
Page 4

Conclusion

The revised Schedule 31 charges are reasonable and would appear to recover enough revenues to fully fund Energy Trust's programs and fund Cascade's low-income assistance programs.

PROPOSED COMMISSION MOTION:

Approve the annual update to Schedule 31 covering the PPC expenditures for 2017 as made in Cascade Natural Gas Company's supplemental advice filing ADV 408 /Advice No. 016-10-01.

Cascade Natural Gas, ADV 408/Advice No. 016-10-01