

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 12, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2017

DATE: September 22, 2017

TO: Public Utility Commission

FROM: Marianne Gardner *MG*

THROUGH: Jason Eisdorfer *J* and John Crider *JC*

SUBJECT: CASCADE NATURAL GAS CORP: (Docket No. UG 336/Advice No. O17-07-02) Updates schedule 192, Intervenor Funding Adjustment.

STAFF RECOMMENDATION:

Staff recommends that Cascade Natural Gas Corp's filing (Cascade or Company) be approved, and the associated tariff be allowed to go into effect on November 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request to update the rate increments in its Schedule No. 192, Intervenor Funding Grants - Oregon, to reflect currently deferred account balances in accordance with Order No. 07-397, which requires the costs associated with intervenor funding be allocated to the customer class on whose behalf the intervenor is acting.

Applicable Law

The Commission has authorized Cascade to enter into intervenor funding grant agreements.¹ Under ORS 757.072(4) and ORS 757.259(3), the Commission shall allow utilities that enter into such agreements to defer costs of the grants for later inclusion in rates.

¹ See Order No. 07-332 (Authorizing Cascade to enter into Intervenor Funding Agreement), and Order No. 15-335(Commission approving a third amended and restated Intervenor Funding Agreement that extends intervenor funding until December 31, 2017.)

Utilities may request to amortize these deferred costs into rates under ORS 757.259(1). In accordance with ORS 757.259(3) and ORS 757.072, the amortization of amounts deferred under ORS 757.259(3) is not subject to an earnings review, but is subject to a prudence review.

OAR 860-027-0300(9) states that amortization in rates of a deferred amount is allowed only as authorized by the Commission. The Commission may authorize amortization of such amounts only for utility expenses or revenues for which the Commission previously has authorized deferred accounting. Unless authorized by the Commission to do otherwise: (a) An energy utility may request that amortizations of deferred accounts commence no later than one year from the date that deferrals cease for that particular account; (b) In the case of ongoing balancing accounts, the energy utility may request amortization at least annually, unless amortization of the balancing account is then in effect; or (c) A utility may request amortization as soon as practical but no later than its next rate case.

Commission Order No. 08-263, modified by Order No. 10-279, sets out the applicable interest rates to use for deferral accounts and to use when such amounts are amortized.

Discussion and Analysis

Deferral of intervenor costs was most recently approved in Order No. 16-424 (Docket No. UM 1336(9)).

For the upcoming November 1, 2017, through October 31, 2018, period (2017/2018 PGA Year), Cascade proposes to adjust rates to recover approximately \$47,191 of deferred expenses from residential customers, and to recover approximately \$30,527 from commercial customers. These amounts represent outstanding deferred balances that result from the addition of intervenor funding expenses incurred and the balances remaining from the reconciliation of the estimated and actual amortization amounts for the 2016/2017 PGA Year.

Because the deferral and recovery of these amounts are authorized by statute, Staff's prudence review is focused on verification of the accounting methodology used to determine the final amortization balance. Staff reviewed Cascade's application and supporting workpapers to determine whether the amortized amounts reconcile with the previous year balances, are consistent with Intervenor Funding grants that were paid by the Company, that interest was applied correctly, and that the proposed rate increments are applied correctly.

Deferred intervenor fund expenses for residential customers are accounted for in Account 1862.20443, and those expenses assigned to industrial customers are accounted for in Account 1860.20448. The balancing account amounts were calculated as shown in the tables on the following page.

Residential Account 1862.20443		
1	New Intervenor Funding Expense to be amortized	\$ 58,817
2	Residual Balance from 2016/2017 PGA Year	(12,974)
3	Total Deferred Balance to be amortized before revenue sensitive adjustment	45,843
4	Revenue Sensitive Factor	2.940%
5	Total Deferred Balance to be amortized adjusted for revenue sensitive factors	47,191

Industrial Account 191724		
2	New Intervenor Funding Expense to be amortized	32,126
4	Residual Balance from 2016/2017 PGA Year	(2,471)
7	Total Deferred Balance to be amortized before revenue sensitive adjustment	\$ 29,655
8	Revenue Sensitive Factor	2.940%
9	Total Deferred Balance to be amortized adjusted for revenue sensitive factors	\$ 30,527

Cascade's proposed changes will decrease the residential amortization rate from the current rate of \$0.00191 to \$0.00112 per therm, a 41.36 percent decrease. The current industrial amortization rate of \$0.00131 will decrease to 0.00073 per therm, resulting in a 44.27 percent decrease. The total change in revenue for residential and industrial combined is approximately \$77,785. Individually, the residential class contributes \$47,191, and the industrial class contributes \$30,527 to the revenue adjustment for this filing.

Conclusion

After a review of Cascade's updated proposal and associated workpapers, Staff finds that Cascade's accounting, including the application of interest, is accurate. Staff also

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finds that the proposed rate increments are calculated correctly. For these reasons, Staff recommends the Commission approve this filing.

The Company has reviewed Staff's public meeting memo and is in agreement with Staff's summary.

PROPOSED COMMISSION MOTION:

Approve Cascade's filing with the associated tariffs to take effect for service on and after November 1, 2017.

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