

ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 27, 2018

REGULAR _____ CONSENT X EFFECTIVE DATE March 1, 2018

DATE: February 20, 2018

TO: Public Utility Commission

FROM: Mitchell Moore *MPM*

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

SUBJECT: CASCADE NATURAL GAS: (Docket No. ADV 711/Advice No. O18-01-02)
Revises Schedule 31, Public Purpose Charge.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Cascade Natural Gas's (Cascade or Company) request to revise Schedule 31, reducing the Public Purpose Charge from 4.87 percent to 4.85 percent, with an effective date of March 1, 2018.

Staff recommends that the Commission approve Cascade's request to revise Schedule 33, which governs the Company's low-income energy conservation program, with an effective date of March 1, 2018.

ISSUE:

Whether the Commission should approve Cascade's proposed revisions to Schedule 31, decreasing the Public Purpose Charge (PPC) from 4.87 percent to 4.85 percent.

Whether the Commission should approve Cascade's proposed revisions to Schedule 33, the Company's "Conservation Achievement Tariff" by making certain housekeeping revisions.

DISCUSSION:

Applicable Law

The applicable statutes in this filing are: ORS 469.633 which requires energy efficiency programs, and ORS 757.262 which states that rates will be adopted to encourage energy efficiency.

The Commission may approve tariff changes if they are deemed to be fair, just and reasonable per ORS 757.210. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. See ORS 757.220; OAR 860-022-0020.

Background

The PPC applies a charge to bills equal to a percentage of customers' total charges for gas service. Collections from this charge fund the Energy Trust of Oregon (Energy Trust) natural gas energy efficiency programs offered to sales customers in Cascade's Oregon service territory, as well as to the Company's low-income programs. The low-income programs include the Oregon bill pay assistance program, Oregon Low Income Energy Conservation (OLIEC) program, and the Conservation Achievement Tariff (CAT).

Cascade initiated the Oregon Low-Income Energy Conservation (OLIEC) program in 2006 in OPUC Docket No. UG 167. (See Order No. 06-191.) OLIEC is the Company's low-income weatherization program that provides rebates for cost effective energy efficiency measures installed by community action agencies (Agencies).

The purpose of the CAT program fills a funding gap to increase the number of weatherization improvement measures for qualified low-income customers beyond what the OLIEC program was achieving. The Agencies with which Cascade partners to deliver the OLIEC Programs, OPUC staff and the Community Action Partnership of Oregon, developed the CAT as an overlay to the OLIEC program. They identified the major barrier to low-income efficiency project demand is the gap in funding between what is allowable under the OLIEC and what is necessary to adequately cover the costs of installing qualified efficiency measures.

The CAT was first approved as a pilot program by the Commission in 2013 and became effective January 1, 2014. Schedule 33 details the parameters of the program that define how the Company may redirect collected revenues that were available for the OLIEC Program, as well as collect additional public purpose monies. The pilot program was implemented as a permanent program beginning December 1, 2016 at the November 22nd 2016 public meeting.¹ With the implementation of CAT as a permanent program, Cascade modified its Schedule 33 tariff by implementing a number of measures that address the program's efficacy, accountability and sustainability. The Company also agreed to cap the total OLIEC and CAT funding to 0.625 percent of gross revenues.²

Analysis

On January 17, 2018 Cascade filed Advice No. O18-01-02 to revise Schedule 31, decreasing the PPC from 4.87 percent to 4.85 percent in order to meet its 2018 program goals.

The proposed 4.85 percent charge would collect a total of \$2,633,048 from ratepayers. Of the total amount collected, 83 percent is allocated to Energy Trust for the administration of Cascade's residential and commercial energy efficiency programs. The remaining 17 percent is allocated to Cascade's low-income programs: \$50,000 to fund low income bill pay assistance, and \$399,259 will fund OLIEC and CAT.

With regard to the Energy Trust portion of the PPC collection, the proposed amount of \$2,717,423 reflects Energy Trust's forecasted need to acquire 547,106 therm savings. The amount also reflects an additional budget reserve of \$467,076 for a total 2018 budget of \$3,184,499. The reserve is a large percentage of the overall budget due to the relatively small budget. One unexpected industrial project can consume a large portion of the reserve that is also used to mitigate increased uptake or lower-than-expected PPC collections. The need for the additional budget reserve was agreed upon by ETO and Cascade.

¹ See Staff memo ADV 409, November 15, 2016.

² Approved by the Commission at the November 22, 2016 public meeting, ADV 409.

The following table illustrates the allocated budget for the PPC.

2018 Public Purpose Budget

Energy Trust Budget	\$2,717,423
- Negotiated Reserve	\$467,076
Total Energy Trust Budget	\$3,184,499
- Carryover	(\$1,000,710)
PPC for Energy Trust	\$2,183,789
Low Income Program Budgets	
- OLIEC /CAT	\$399,259
- Bill Pay Assistance	\$50,000
Total LI Program Budget	\$449,259
Total PPC 2018 Collection	\$2,633,048

In addition, the filing revises Schedule 33, the OLIEC tariff, clarifying that the program will be managed such that expenditures will not exceed the annual budget of 0.625 percent of the Company's gross revenues, consistent with the amount previously approved by the Commission.

The impact to residential rates for a customer using an average of 60 therms per month is a reduction of \$0.01.

Staff reviewed the Company's filing and accompanying workpapers, showing the 2018 budgets for the programs funded through the PPC, as well as how the rate is derived using 2018 forecasted volumes.

Conclusion

Staff reviewed the Company's filing and accompanying workpapers, and supports the tariff revisions that decrease the collections that support public purpose funding for energy efficiency programs delivered through the Energy Trust of Oregon, the OLIEC/CAT low-income weatherization program, and low-income bill assistance. Schedules 31 and 33.

PROPOSED COMMISSION MOTION:

Approve Cascade's request to revise Schedule 31, decreasing the Public Purpose Charge, with an effective date of March 1, 2018.

Approve Cascade's request to revise Schedule 33, which governs the Company's low-income energy conservation program, with an effective date of March 1, 2018.