

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2018

REGULAR CONSENT EFFECTIVE DATE January 1, 2019

DATE: December 7, 2018

TO: Public Utility Commission

FROM: Steve Storm *STS*

THROUGH: *I* Jason Eisdorfer and *Jc* John Crider

SUBJECT: CASCADE NATURAL GAS: (Docket No. ADV 892/Advice No. O18-11-01)
Revises Schedule 31, Public Purpose Charge.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Cascade Natural Gas' (Cascade or Company) request to revise Schedule 31, reducing the Public Purpose Charge from the current 4.85 percent to 6.28 percent, with an effective date of January 1, 2019.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's proposed revisions to Schedule 31, increasing the Public Purpose Charge (PPC) from 4.85 percent to 6.28 percent.

Applicable Law

The applicable statutes in this filing are: ORS 469.633, which requires investor-owned utilities to have energy efficiency programs, and ORS 757.262, which states that the Public Utility Commission (Commission) may adopt policies designed to encourage the acquisition of cost-effective conservation resources and may authorize period rate adjustments associated with the implementation of such policies.

The Commission may approve tariff changes if they are determined 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 prior to the effective date of the change. See ORS 757.220 and OAR 860-022-0020.

Background

The Public Purpose Charge (PPC) applies a charge to utility bills equal to a percentage of customers' total charges for gas service. Collections from this charge fund natural gas energy efficiency programs offered by Energy Trust of Oregon (Energy Trust) to sales customers in Cascade's Oregon service areas, as well as to the Company's low-income programs for its Oregon customers. The low-income programs include the Oregon Low Income Bill Pay Assistance (OLIBA) program, the Oregon Low Income Energy Conservation (OLIEC) program, and the Conservation Achievement Tariff (CAT) program.

The OLIBA program is the Cascade's bill pay assistance program for income-qualifying residential customers in the Company's Oregon service areas. The Commission approved tariffs associated with the OLIBA program in Order No. 06-191 in Docket No. UM 167.

The OLIEC program is Cascade's low-income weatherization program that provides rebates for installation of certain weatherization and conservation measures in qualifying residential dwellings within the Company's Oregon service areas by community action agencies (Agencies). The Commission approved the OLIEC program in Order No. 06-191 in Docket No. UG 167.

The CAT program complements the OLIEC program and defines the terms and conditions under which funds designated for Cascade's low-income energy conservation programs are administered and delivered to eligible residential customers within the Company's Oregon service areas. The intent of the CAT is to provide funding necessary to bridge the gap between Cascade's payments associated with customer energy savings via the OLIEC program and the level of funding necessary for full delivery of the OLIEC program to the Company's qualified Oregon customers. The Agencies with which Cascade partners to deliver the OLIEC program, Commission Staff, and the Community Action Partnership of Oregon developed the CAT program as an overlay to the OLIEC program. They identified the gap in funding—between funding allowable under the OLIEC program and the funding level necessary to adequately cover the costs of installing qualified efficiency measures—as the major barrier to implementing low-income energy efficiency projects.

The Commission first approved the CAT program as a pilot program in 2013 and it became effective January 1, 2014. Cascade's Oregon Rate Schedule 33 details the

parameters of the program and define how the Company may redirect collected revenues that were available for the OLIEC program, as well as collect additional public purpose monies. The Commission approved implementing the pilot program as a permanent program beginning December 1, 2016 at the November 22, 2016, public meeting, as well as Cascade's revised Schedule 33 tariff, which implemented a number of measures that addressed Staff's concerns regarding the program's efficacy, accountability and sustainability. The Company also agreed to a combined OLIEC and CAT budget equal to 0.625 percent of its annual gross revenues.¹

Analysis

Cascade filed Advice No. O18-11-01 to revise its Schedule 31 on November 30, 2018, proposing to increase the PPC from 4.85 percent to 6.28 percent of customers' bills for gas service in order to meet its 2019 program goals.

The Company's proposed 6.28 percent charge is set to collect a total of \$3,345,047 from Oregon ratepayers. Of this amount, \$3,069,279 (approximately 92 percent of the total to be collected) is allocated to Energy Trust for the administration of the Company's residential and commercial energy efficiency programs in Oregon. The additional amount (approximately 8 percent of the total) is allocated to Cascade's low-income programs in Oregon: \$50,000 to fund the low income bill pay assistance program (OLIBA), and a total of \$401,717 to fund the OLIEC and CAT programs.

Regarding the \$3,069,279 of the 2019 PPC allocated to Energy Trust, \$2,718,582 is for funding Energy Trust's programs to acquire a forecasted 497,442 in therm savings. The additional \$350,697 is to serve as a budget reserve for ETO's Cascade programs. The budget reserve is a relatively large portion (11.4 percent) of Cascade's total ETO funding due to Cascade's relatively small level of funding for ETO programs. Funding one unexpected industrial project could consume a large portion of the reserve, which is also used to mitigate any increase in the uptake of ETO program offerings or lower-than-expected PPC collections.

¹ See the Staff Report regarding ADV 409/Advice No. 016-10-02 dated November 15, 2016 and Agenda Item CA8 for the November 22, 2016 Public Meeting.

The following table illustrates the allocated budget for Cascade's estimated 2019 PPC-funded programs and 2019 collections.

**2019 Public Purpose
Budget**

Energy Trust Expenditures	\$2,718,582
- Budget Reserve	<u>\$350,697</u>
Total Energy Trust Budget	\$3,069,279
Low Income Programs	
- OLIBA Expenditures	\$50,000
- LESS: OLIBA 10/31/18	
Balance	-\$44,430
- OLIEC + CAT Expenditures	401,717
- LESS: OLIEC/CAT Carryover	<u>-\$131,519</u>
Total Low Income Program Budget	\$275,768
Total PPC 2018 Collection	\$3,345,047

Cascade asserts that the estimated bill impact for the average residential customer using an average of 60 therms per month will be an additional \$0.63 per month; that the bill impact to an average commercial customer using 253 therms per month will be an additional \$2.10 per month; and that an industrial customer using an average of 1,722 therms per month is an additional \$13.11 per month.

Conclusion

Staff reviewed Cascade's filing and accompanying workpapers, and supports the tariff revisions that collectively increase the collections in 2019 that support public purpose funding for the energy efficiency programs delivered through Energy Trust of Oregon, the OLIEC/CAT low-income weatherization programs, and the OLIBA low-income bill assistance program. The tariff revisions involve Cascades' Oregon Schedule 31.

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PROPOSED COMMISSION MOTION:

Approve Cascade's request to revise Schedule 31, increasing the Company's Public Purpose Charge, with an effective date of January 1, 2019.

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