

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 30, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE _____ Upon Commission's Approval

DATE: May 23, 2017

TO: Public Utility Commission

FROM: Deborah Glosser and Lisa Gorsuch

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: CASCADE NATURAL GAS: (Docket No. UG 326/Advice No. O17-04-01)
Establishes Schedule 800, Biomethane Receipt Services, to allow biomethane injection into the distribution system, and revises the Tariff Index to reflect the addition of this schedule.

STAFF RECOMMENDATION:

Staff recommends that Cascade Natural Gas's (Cascade or CNG Company) Docket No. ADV 346/Advice No. O17-04-01 be approved and the associated tariff sheet revisions be allowed to go into effect for service on or after June 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's proposal to revise its Tariff P.U.C. Or. No. 10 and revise Schedule 800, to allow biomethane producers the ability to inject pipeline-quality biomethane into the Company's distribution system for delivery to a Cascade transportation end-use customer.

Applicable Rule or Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls and charges for service that have been established and are in force at the time. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make 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 changes. ORS 757.220. The Commission reviews tariffs filed under ORS 757.205 and 757.210 to determine whether they are fair, just and reasonable.

Analysis

On April 7, 2017, CNG filed Advice Number O17-04-01, proposing to revise its Tariff P.U.C. Or. No. 10 to provide the opportunity for biomethane producers to inject pipeline-quality biomethane into the Company's distribution system for delivery to a Cascade transportation end-user, such a commercial or residential customer.

This filing introduces a new service. Currently, policies aimed at encouraging biomethane production allow the renewable attribute associated with biomethane to be sold separately as a commodity to interested parties. Such entities have an interest in purchasing the renewable attribute in order to comply with either the Environmental Protection Agency's (EPA's) renewable fuel standard or the State's low carbon fuel standard. Cascade wants to offer this service in order to support the development of renewable gas. The receipt of the proposed service would be interruptible.

Under the Company's proposed Schedule 800, the biomethane producer will bear all costs associated with biomethane receipt services, including those incurred by the Company for equipment maintenance and gas testing. The producer will pay a monthly service charge of \$2500.00 as well as unscheduled costs as they are incurred. This amount is the sum of the fixed costs associated with service to a Schedule 163 Transportation customer because billing and metering costs are comparable. In addition, there are unique monthly costs for biomethane producers (e.g., odorant; gas chromatograph monitoring), which the Company factored into the monthly charge calculation. Staff believes these costs are necessary and prudent, as they are integral to ensuring pipeline and environmental safety, and also for avoiding future costs associated with infrastructure or environmental repairs. Importantly, Cascade retains sole discretion to refuse to inject the biomethane gas into its distribution system. The per therm rate of the service recovers the distribution system investment as well as other costs necessary for the safety and operation of the proposed service.

Additionally, Cascade's filing indicates that biomethane producers are large enough customers using the distribution system that they are subject to Schedule 192,¹ Intervenor Funding Adjustment, which is the schedule that recovers the costs of Intervenor Funding Grants. In support of its filing, the Company submitted biomethane testing standards; a representative biomethane receipt service agreement; and a

¹ Schedule 192 is applicable to customers served on Schedules 101, 104, 105, 111, 112, 126, 163, 170, and 800.

calculation of the Schedule 800 service charge. Staff reviewed all components of the application and agrees that the new service should be approved.

Conclusion

After reviewing Cascade's filing, Staff believes the tariff offers a reasonable balance between encouraging the development of renewable natural gas and protecting the interests of Cascade's current natural gas customers. Importantly, the safety and testing standards for biomethane quality and pipeline enhancements are reasonable and necessary for protecting health, safety, and infrastructure. Finally, under the proposed tariff, the biomethane producer will bear the cost of service and there should be no impact or harm to current ratepayers.

PROPOSED COMMISSION MOTION:

Approve Cascade's proposal to revise its Tariff P.U.C. Or. No. 10 and revise Schedule 800 to allow biomethane producers the ability to inject pipeline-quality biomethane into the Company's distribution system for delivery to a Cascade transportation end-use customer, effective for service on or after June 01, 2017.