

ORDER NO. 15 324

ENTERED OCT 19 2015

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 301

In the Matter of

CASCADE NATURAL GAS
CORPORATION,

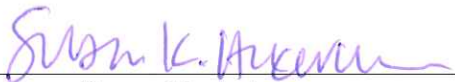
Updates Schedule 193, Conservation Alliance
Plan Temporary Adjustments.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

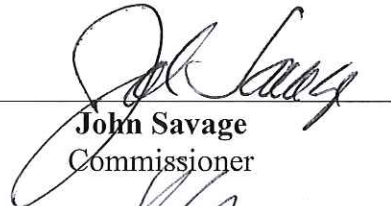
This order memorializes our decision, made and effective at the special public meeting on October 19, 2015 to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 19 day of October, 2015, at Salem, Oregon.




Susan K. Ackerman
Chair





John Savage
Commissioner



Stephen M. Bloom
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA12

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT

PUBLIC MEETING DATE: October 19, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2015

DATE: October 6, 2015

TO: Public Utility Commission

FROM: Suparna Bhattacharya *SB*

THROUGH: *J* Jason Eisdorfer and *M* Marc Hellman

SUBJECT: CASCADE NATURAL GAS: (Docket No. UG 301/Advice No. O15-07-03)
Updates Schedule 193, Conservation Alliance Plan Temporary
Adjustments.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Cascade Natural Gas's (Cascade or Company) proposed Schedule 193 tariff, as described in the filing of Advice O15-07-03, effective on and after November 1, 2015.

DISCUSSION:

Issue:

Cascade seeks to amortize conservation and weather variance deferred balances for residential Schedule 101 and commercial Schedule 104. The total proposed balance for amortization is \$681,451. To amortize this balance, Cascade requests a temporary rate increase of \$0.01035 per therm for Schedules 101 and 104 customers.

Applicable Administrative Rules:

- I. ORS 757.259(5) states that unless subject to an automatic adjustment clause amounts deferred under ORS 757.259 shall be allowed in rates only to the extent authorized by the commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The commission may require that amortization of deferred amounts be subject to refund. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the commission that the amount was prudently incurred by the utility.

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- II. ORS 757.259(6) states that the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.
- III. 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. Upon request for amortization of a deferred account, the energy or large telecommunications utility must provide the Commission with its financial results for a 12-month period or for multiple 12-month periods to allow the Commission to perform an earnings review. The period selected for the earnings review will encompass all or part of the period during which the deferral took place or must be reasonably representative of the deferral period. 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; and, (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.

Analysis:

The Conservation Alliance Plan (CAP) mechanism established by the Commission in Order No. 06-191 is a decoupling mechanism that allows Cascade to separately track changes in usage due to conservation and weather. Specifically, the mechanism consists of two deferral accounts, one to record changes in the margin due to weather-normalized usage (Conservation Variance) and another to track changes in the margin due to weather that varies from normal (Weather Variance).

Each month the Company calculates the difference between the actual weather normalized commodity margin and expected commodity margin for Rate Schedules 101 and 104. Expected margin is the baseline margin per customer multiplied by the current customer counts. The resulting dollar amount difference is recorded in the Conservation Variance deferral account. Additionally, each month the Company calculates the difference between the non-weather normalized actual margin and the expected margin for its rate schedules to determine the total change in margin. The amount recorded in the Conservation Variance deferral account is then subtracted from the total change in margin and the remainder is recorded in the Weather Variance deferral account.

In this filing, Cascade reports that the balance in the Weather Variance deferral account for amounts deferred July 2014 through June 2015 is \$1,774,342.73. Interest accruals

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estimated through October 2015, at an 8.7 percent deferral interest rate, is \$52,649.51, while interest accrual during the amortization period from November 1, 2015, through October 31, 2016, is \$14,214.06, at 1.93 percent interest rate. The total estimated Weather Variance deferral balance is \$1,841,206.30.

The same procedure is used to calculate the total Conservation Variance deferral amount. The estimated balance due to conservation variance from July 2014 through June 2015 is (\$1,001,889.96). Interest accrual through October 2015, at an 8.7 percent interest rate, is (\$29,728.77) and interest estimated during the amortization period from November 1, 2015, through October 31, 2016, is (\$8,026.04), at 1.93 percent interest rate. The total amortization balance is a credit of (\$1,039,644.77). The remaining unamortized balance of the previous weather, conservation, and residual balances is recorded in the Residual Balance and the estimated amount is (\$139,573.11).

The sum of weather, conservation and residual balances gives a total amortization balance of \$681,451, for the upcoming PGA year.¹ The forecasted usage from November 2015 through October 2016 is 65,831,960 therms. Based on the forecasted therms, the calculated temporary rate increment to amortize the balance of \$681,451 is \$0.01035. This rate increase is applicable to both Schedules 101 and 104.

Staff reviewed the work papers showing the deferred balances associated with weather, conservation and residual accounts, as well as verified the Schedule 193 rates calculated based on these balances and predicted therms. Staff also found no unusual terms or conditions in Schedule 193 tariff sheet. The proposed rate increase for Schedules 101 and 104 customers is appropriately calculated.

The filing satisfies the requirements of the Statutes mentioned above. ORS 757.259(5) and OAR 860-027-0300(9) authorize amortization of deferred utility expenses or revenues in rates to the extent authorized by the Commission. Staff finds that the deferral balances and amortization rate are properly calculated. Pursuant to ORS 757.259(6), this filing does not impose a rate increase greater than 3 percent of Cascade's 2014 gross revenues. Staff has verified the work paper that shows the 3 percent test.

The Company has reviewed this memo and has no areas of disagreement.

¹ \$1,841,206 (weather variance) + \$1,039,645 (conservation variance) + \$139,573 (residual) = \$661,988. With revenue sensitive cost equals 2.856 percent, the total amortization balance is \$681,451.

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PROPOSED COMMISSION MOTION:

Cascade Natural Gas's proposed Schedule 193 rates, as described in the Advice filing O15-07-03, effective with service on and after November 1, 2015, be approved.

Cascade CAP