ITEM NO. CA10

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 21, 2019

REGULAR ____ **CONSENT** _X_ **EFFECTIVE DATE** **January 1, 2019**

DATE: March 15, 2019

TO: Public Utility Commission

FROM: Mitchell Moore MPu

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1980) Requests Authorization to Defer Costs and Revenues associated with the Public Purpose Charge.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Cascade Natural Gas' (Cascade or Company) request to authorize the deferral of costs and revenues associated with its Public Purpose Charge (PPC) for the 12-month period beginning January 1, 2019.[1]

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request for authorization to defer revenues and expenses associated with its PPC programs.

Applicable Law

Cascade makes this filing in accordance with 757.259 and OAR 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for applications to defer.

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[1] Cascade filed this deferral at the request of Staff due to a change in understanding regarding the need for deferrals underlying certain balancing accounts.

<u>Analysis</u>

Background:
In Cascade's 2005 general rate case (Docket No. UG 167), the Commission approved the implementation of Cascade's Public Purpose Charge (PPC) tariff, Schedule 31, established to provide for the recovery of costs associated with energy efficiency and low-income bill pay assistance programs. Programs funded through the PPC include: conservation acquisition managed by the Energy Trust of Oregon (ETO); Cascade's Oregon Low Income Energy Conservation Program, and the Conservation Achievement Tariff program.

This deferral authorization is associated with energy efficiency costs that are amortized through Cascade's Schedule 31 tariff. The deferral covers the variance between revenues collected through the tariff and costs incurred in the programs from year to year. Advice No. 18-11-01, adjusting the rates in Schedule 31, was approved by the Commission at its December 18, 2018 public meeting.

Proposed Accounting:
Cascade proposes to account for balancing the debits and credits associated with the PPC by recording them in FERC Account 242.6.

Estimated Deferrals in Authorization Period:
Cascade's proposed budget for the 2019 program year as stated in Advice No. 18-11-01 is approximately $3.5 million. Rates in Schedule 31 are proposed to collect this amount in 2019. Any unspent or uncollected costs will be held over to the following year.

Information Related to Future Amortization:

- Earnings review – An earnings review is required prior to amortization, pursuant to ORS 757.259(5).

- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.

- Sharing – One hundred percent of the deferred balance is subject to utility recovery, pending a prudence review.

- Rate Spread/Design – The costs are allocated among all Cascade's Oregon customers on an equal cents per therm basis.

- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is valid, Staff recommends the Commission approve Cascade's application.

PROPOSED COMMISSION MOTION:

Approve Cascade's request to authorize the deferral of costs and revenues associated with its energy efficiency programs for the 12-month period beginning January 1, 2019.