ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 21, 2023

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** ________N/A________

DATE: March 2, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: CASCADE:
(Docket No. UM 1980(4)
Request for Re-authorization for Deferral Accounting for Public Purpose Charge Expenditures.

STAFF RECOMMENDATION:

Approve Cascade Natural Gas' (Cascade, CNG, 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, 2023

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request for Authorization to defer revenues and expenses associated with its Public Purpose Charge (PPC).

Applicable Rule or Law

Beginning with the date of the Application, the Commission may approve the deferral of identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes for the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. ORS 757.269(2)(e) and (4). Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates 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. ORS 757.259(4); OAR 860-027-0300(9). 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. ORS 757.259(5).

Analysis

Background
In May 2006, in accordance with the terms established in Commission Order No. 06-191 issued in Docket UG-167, the Company began charging the Schedule 31, PPC.

The PPC adds a charge equal to a set percentage of a customer's total monthly natural gas bill. This charge funds the Company's energy efficiency programs that are administered by the Energy Trust of Oregon (Energy Trust) as well as the Company's low-income weatherization and low-income bill pay assistance programs that are administered by Community Action Agencies (CAAs).

Schedule 31 establishes the parameters for the PPC, including the amount charged and the percentage of monthly collections that are passed through to either the Energy Trust or the CAAs. The PPC charge percentages are determined by taking the annual budget for each program supported by the charge then dividing the amount by expected annual revenues.

The Company has historically adjusted the annual budgets needed in a preceding calendar year by any carryover of funding, whether that carryover is positive or negative.

Reason for Deferral
The continuation of deferred debits and credits associated with the Company's Public Purpose Charge is justified as these allocations are continuing in nature and were previously approved by the Commission per Docket No. UM 1980, Order No. 21-473 on December 20, 2021.

Proposed Accounting
Cascade proposes to account for balancing PPC debit and credits in the deferral sub-account 242.9. In the absence of deferred accounting, the Company would record PPC program expenses in the appropriate sub-account for Federal Energy Regulatory Commission (FERC) Account 908

Estimated Deferral in Authorization Period
The Company is not able to estimate the amount that may be deferred and considered a carryover balance at the end of 12 months since these funds are passed through to other third parties who manage the spending of these dollars.

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 of 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.

The Company has reviewed this memo and agrees with its contents.

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, 2023.