

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 29, 2020**

REGULAR CONSENT EFFECTIVE DATE January 1, 2021

DATE: December 16, 2020

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. UM 1980(2))
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, 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, 2021.

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.

Analysis

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. 20-11-01, in Docket No. ADV 1209, adjusts the rates in Schedule 31 for the coming 2021 collection year and is pending Commission approval.

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

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 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, 2021.