



Oregon

Kate Brown, Governor

Public Utility Commission

201 High St SE Suite 100

Salem, OR 97301-3398

Mailing Address: PO Box 1088

Salem, OR 97308-1088

503-373-7394

December 29, 2020



BY EMAIL

Cascade Natural Gas Corporation

Michael.parvinen@cngc.com

RE: Advice No. O20-11-01

At the public meeting on December 29, 2020, the Commission adopted Staff's recommendation in this matter docketed as ADV 1209. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

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

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2021

DATE: December 17, 2020

TO: Public Utility Commission

FROM: Brian Fjeldheim

THROUGH: Bryan Conway and John Crider **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. ADV 1209/Advice No. O20-11-01)
Revises Schedule 31, Public Purpose Charge.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Cascade Natural Gas Company's (Cascade or Company) request to revise Schedule 31, increasing the Public Purpose Charge (PPC) from the current 4.928 percent to 5.103 percent, effective with service on and after January 1, 2021.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's proposed revisions to Schedule 31, increasing the PPC from 4.928 percent to 5.103 percent.

Applicable Rule or Law

The applicable statutes in this filing are: ORS 469.633, which requires investor-owned utilities to have energy efficiency programs, and ORS 757.262, which states that the Public Utility Commission (Commission) may adopt policies designed to encourage the acquisition of cost-effective conservation resources and may authorize period rate adjustments associated with the implementation of such policies.

The Commission may approve tariff changes if they are determined to be fair, just and reasonable, per ORS 757.210. Tariff revisions or corrections may be made by filing

revised sheets with the information required under the Commission's administrative rules. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days prior to the effective date of the change. See ORS 757.220 and OAR 860-022-0020.

Cascade's Conservation Alliance Plan, which included a decoupling mechanism and established Schedule 31, the public purpose charge, was first approved by the Commission in Docket No. UM 167 with Commission Order No. 06-191.

Analysis

Background

The PPC applies a monthly charge to utility bills equal to a percentage of customers' total charges for gas service. Collections from this charge fund natural gas energy efficiency programs offered by Energy Trust of Oregon (Energy Trust or ETO) to sales customers in Cascade's Oregon service areas, as well as to the Company's low income programs for its Oregon customers. Cascade's low-income programs include the Oregon Low Income Bill Pay Assistance (OLIBA) program, the Oregon Low Income Energy Conservation (OLIEC) program, and the Conservation Achievement Tariff (CAT)¹ program.

The OLIBA program is Cascade's bill payment assistance program for income qualifying residential customers in the Company's Oregon service areas. The Commission approved tariffs associated with the OLIBA program in Order No. 06-191 in Docket No. UM 167.

The OLIEC program is Cascade's low-income weatherization program that provides rebates for installation of certain weatherization and conservation measures in qualifying residential dwellings within the Company's Oregon service areas by community action agencies (Agencies). The Commission approved the OLIEC program in Order No. 06-191 in Docket No. UG 167.

The CAT program complements the OLIEC program and defines the terms and conditions under which funds designated for Cascade's low-income energy conservation programs are administered and delivered to eligible residential customers within the Company's Oregon service areas. The intent of the CAT is to provide additional funding necessary to bridge the gap between rebate payments for customer energy savings and the level of funding necessary for full delivery of the OLIEC program to the Company's qualified Oregon customers. The Company, Cascade's Agency partners that deliver OLIEC program services, Commission Staff, and the Community

¹ This is unrelated to the Corporate Activity Tax (CAT) passed in 2019 under Oregon House Bill 3427.

Action Partnership of Oregon developed the CAT program as an overlay to the OLIEC program. They identified the gap between allowable funding under the OLIEC program and adequate funding levels necessary to cover the costs of installing qualified efficiency measures is a major barrier to implementing low-income energy efficiency projects.

The Commission first approved the CAT program as a pilot program in 2013 and it became effective January 1, 2014. Cascade's Oregon Rate Schedule 33 details the parameters of the program and defines how the Company may redirect collected revenues that were available for the OLIEC program, as well as collect additional public purpose monies. The Commission approved the transition of the pilot program to a permanent program beginning December 1, 2016, as well as Cascade's revised Schedule 33 tariff, which implemented a number of measures that addressed Staff's concerns regarding the program's efficacy, accountability, and sustainability. Cascade agreed to cap the combined funding for OLIEC and CAT at 0.625 percent of its annual gross revenues.²

Current filing

Cascade filed Advice No. O20-11-01 on November 25, 2020, proposing a revision to its Schedule 31 by increasing the PPC from 4.928 percent to 5.103 percent of customers' bills for monthly gas service. Cascade deems this change necessary in order to meet its 2021 energy conservation and low-income customer assistance program goals.

The Company's proposed 5.103 percent PPC charge is set to collect a total of \$3,374,491 from Oregon ratepayers. Of this amount, \$3,310,580 (approximately 98.1 percent of the total to be collected) is allocated to Energy Trust for administration of the Company's residential and commercial energy efficiency programs in Oregon. A carryover of \$1,296,355 related to unspent ETO funds and interest collected in the 2020 period were included in the Company's PPC funding total and rate calculations for the 2021 period.³

The additional amount (approximately 1.9 percent of the total) is allocated to Cascade's low-income programs in Oregon: \$120,000 to fund the low-income bill pay assistance program (OLIBA), and a total of \$416,741 to fund the OLIEC and CAT programs. Partially offsetting the low-income funding need is a \$472,830 carryover from 2020. The \$120,000 for OLIBA represents a \$70,000 increase over historical funding amounts.

² See the Staff Report for ADV 409/Advice No. 016-10-02 dated November 15, 2016, Agenda Item CA8 for the November 22, 2016, Public Meeting.

³ Without the carryover from the prior year, Cascade would have needed to collect \$4,606,935 in 2021 for ETO projects. This includes \$395,908 in ETO project reserves.

The Company attributes the increased funding needs to significant financial hardships related to the COVID-19 pandemic.

Regarding the \$3,310,580 of the 2021 PPC allocated to Energy Trust, \$2,914,672 is for funding Energy Trust's programs to acquire approximately 573,000 in projected therm savings. The additional \$395,908 serves as a budget reserve for ETO's Cascade programs. The budget reserve is a moderate portion (12.0 percent) of Cascade's total ETO funding due to Cascade's relatively small level of funding for ETO programs. Funding one unexpected industrial project could consume a large portion of the reserve, which is also used to mitigate any increase in the uptake of ETO program offerings or lower-than-expected PPC collections.

The following table illustrates the allocated budget for Cascade's 2021 PPC funded programs, 2020 carryover funds, and estimated 2021 collections.⁴

2021 Public Purpose Budget Calculation		PPC %
2021 ETO Est. Expenditures	\$4,211,027	
+ Negotiated Reserve @ 9.5%	\$395,908	
- Carryover & Interest	(\$1,296,355)	
Total Energy Trust Budget	\$3,310,580	98.11%
Low Income Program Budgets		
+ OLIEC /CAT Projected Revenue	\$416,741	
- OLIEC/CAT Carryover	(\$472,830)	
+ Bill Pay Assistance Adjust	\$120,000	
Total LI Program Budget	\$63,911	1.89%
Total PPC Budget	\$3,374,491	100.00%

Customer Impact

Cascade estimates the monthly bill impact for an average residential customer using 60 therms per month will increase \$0.09 per month; an average commercial customer using 252 therms per month will increase \$0.29 per month; and an average industrial customer using 1,693 therms will increase \$1.86.⁵

⁴ See Docket No. ADV 1209/Advice No. O20-11-11, Attachment 1.

⁵ See Docket No. ADV 1209/Advice No. O20-11-11, Attachment 2.

Staff communicated with Cascade verbally and electronically throughout the review process. This dialog resulted in two Staff requests for additional supporting documentation:

- Prior period ETO, OLIBA, OLIEC, and CAT account balances for the months of November and December.⁶
- ETO's 2021 funding request.⁷

Conclusion

Staff reviewed Cascade's filing and accompanying workpapers and supports the proposed tariff revisions that collectively increase Schedule 31 collections for public purpose funding of energy efficiency programs delivered through Energy Trust of Oregon, the OLIEC/CAT low-income weatherization programs, and the OLIBA low-income bill assistance program. The proposed increase appears reasonable and sufficient to fund Energy Trust's programs and Cascade's low-income assistance programs in 2021.

PROPOSED COMMISSION MOTION:

Approve Cascade's request to revise Schedule 31, increasing the Company's Public Purpose Charge, effective with service on and after January 1, 2021.

⁶ See Staff Attachment 1.

⁷ See Staff Attachment 2.

ATTACHMENT 4 - ADVICE NO. O19-11-01

Energy Trust of Oregon

	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Beg. GL balance (346,866.55)	(346,866.55)	(504,643.62)	(510,785.33)	(408,184.18)	(281,055.83)
Customers' contributions (from customers' bills) (CC&B INTERFACE)	(462,418.49)	(515,324.22)	(580,318.78)	(405,778.34)	(230,630.00)
PP charge from unbilled revenue (reversing accrual) for both CNGC & customers' portions (LG Vol Unbilled & UNBILDXXXX)	(375,700.60)	(412,037.40)	(277,044.78)	(178,050.41)	(90,470.00)
Reversal of prior month's accrual (from unbilled revenue calc) (UNBILDXXXX) Prior Mon.	288,278.58	375,700.60	412,037.40	277,044.78	178,050.41
Reduction of liability for uncollectibles by the estimated average net write off percentage. (ETOACCXXXX)	1,743.71	1,820.49	1,663.48	1,288.50	580.00
Reclass (8%) to CNG Weatherization and Low Income Bill Assist Programs (ETOACCXXXX)	43,453.18	43,987.24	35,887.58	24,439.64	11,390.00
Payment to Energy Trust of Oregon (Prior month balance)	346,866.55	499,711.58	510,376.25	408,184.18	281,055.83
Total - per above (346,866.55)	(504,643.62)	(510,785.33)	(408,184.18)	(281,055.83)	(131,070.00)
Ending GL balnce	(504,643.62)	(510,785.33)	(408,184.18)	(281,055.83)	(131,070.00)
Difference	0.00	0.00	0.00	0.00	0.00

Oregon Low Income Assistance
(OR Low Income Program Liability)

ATTACHMENT 4 - ADVICE NO. O19-11-01

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
Beg. GL balance (48,875.44)	(48,875.44)	(41,584.04)	(36,640.80)	(34,802.36)	(26,206.15)	(22,542.58)	(20,209.17)
Transfer 30% of the 7% ETO eligible Liab (24208502) to Bill Assistance program. (ETOACCXXX)	(869.06)	(879.74)	(717.76)	(488.79)	(227.96)	(234.79)	(187.50)
Pmts to Community Agencies (admin fees) Neighborimpact, Community Connection, Community in Action, and CAPECO	1,273.20	1,438.60	851.20	341.00	1,748.80	439.20	423.00
Reduction for Bill Assistance Credited to Customers' Accounts (CC&B Interfacexxxx)	7,183.00	4,102.33	1,705.00	8,744.00	2,142.73	2,129.00	4,490.00
Interest expense on unused low income assistance as of 20th of each month (DEFORXXX)	(295.74)	282.05					
Adjustments / Rounding YTD							
Total - per above (48,875.44)	(41,584.04)	(36,640.80)	(34,802.36)	(26,206.15)	(22,542.58)	(20,209.17)	(15,480.00)
Ending GL balnce	(41,584.04)	(36,640.80)	(34,802.36)	(26,206.15)	(22,542.58)	(20,209.17)	(15,480.00)
Difference	-	-	-	-	-	-	-

ATTACHMENT 4 - ADVICE NO. O19-11-01

**Oregon Weatherization - 2429.01
&
Conservation Achievement - 2429.03**

Weatherization 47OR.2429.01	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Beg. GL balance (720,197.02)	(720,197.02)	(763,791.89)	(805,999.39)	(838,498.08)	(858,868.55)
Transfer 70% of the 7% ETO eligible Liab to OR Weatherization program (ETOACCXXXX)	(42,584.12)	(43,107.50)	(35,169.82)	(23,950.85)	(11,169.82)
Reduction for Weatherization Payments to Community Agencies (Neighborimpact + Community Conn.)			2,671.13	3,580.38	
Reduction for <u>Weatherization</u> Credited to Customers' Accounts Interest expense on unused OR <u>Weatherization</u> as of 20th of each month (DEFORXXXX)					
Interest expense on unused OR <u>CAT</u> as of 20th of each month (DEFORXXXX)	(1,010.75)	900.00			
<u>Adjustments / Cash Receipts</u>					
Total - per above (720,197.02)	(763,791.89)	(805,999.39)	(838,498.08)	(858,868.55)	(870,038.41)
47OR.2429.01 GL Balance	(763,791.89)	(805,999.39)	(838,498.08)	(858,868.55)	(870,038.41)
<hr/>					
Conservation Achievement 47OR.2429.03	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Beg. GL balance 473,546.58	473,546.58	473,546.58	473,546.58	477,618.35	484,868.35
Reclass from Weatherization 47OR.2429.01 Neighborhood Impact + CAPECO			4,071.77	7,250.00	
Total - per above (246,650.44)	473,546.58	473,546.58	477,618.35	484,868.35	484,868.35
47OR.2429.03 GL Balance	473,546.58	473,546.58	477,618.35	484,868.35	484,868.35
<hr/>					
47OR.2429.01 & 47OR.2429.03	(290,245.31)	(332,452.81)	(360,879.73)	(374,000.20)	(385,170.06)
Difference	-	-	-	0.00	0

ATTACHMENT 4 - ADVICE NO. O19-11-01

Energy Trust of Oregon Liability

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Beg. GL balance (455,525.18)	(455,525.18)	(329,659.74)	(310,821.45)	(237,025.65)	(172,789.08)	(93,608.35)
Customers' contributions (from customers' bills) (Revenue Upload CC&BINTERFACE)	(474,076.37)	(327,620.24)	(395,014.80)	(274,129.91)	(178,718.53)	(107,318.74)
CNGC's liability accrual (based upon Bill Frequency report & less gas used by district) * PP charge from unbilled revenue (reversing accrual) for both CNGC & customers' portions (LG Vol Unbilled & UNBILDXXXX)	(278,773.02)	(305,670.68)	(197,375.82)	(132,282.58)	(66,832.25)	(58,985.14)
Reversal of prior month's accrual (from unbilled revenue calc) (UNBILDXXXX) Prior Mon.	376,920.29	278,773.02	305,670.68	197,375.82	132,282.58	66,832.25
Reduction of liability for uncollectibles by the estimated average net write off percentage. (ETOACCXXXX)	1,315.76	1,311.71	1,146.87	857.05	487.06	400.87
Reclass (7%) to CNG Weatherization and Low Income Bill Assist Programs (ETOACCXXXX) **	44,953.60	42,384.74	48,547.42	35,390.54	19,172.79	16,842.03
Payment to Energy Trust of Oregon (Prior month balance)	455,525.18	329,659.74	310,821.45	237,025.65	172,789.08	93,608.35
Additional Public Purpose Funding *	-	-	-	-	-	-
Total - per above (455,525.18)	(329,659.74)	(310,821.45)	(237,025.65)	(172,789.08)	(93,608.35)	(82,228.73)
Ending GL balnce	(329,659.74)	(310,821.45)	(237,025.65)	(172,789.08)	(93,608.35)	(82,228.73)
Difference	0.00	0.00	0.00	0.00	(0.00)	(0.00)

Oregon Low Income Assistance
(OR Low Income Program Liability)

ATTACHMENT 4 - ADVICE NO. O19-11-01

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Beg. GL balance (41,743.45)	(41,743.45)	(41,189.11)	(43,335.90)	(41,907.46)	(40,455.26)	(39,832.87)	(40,416.56)
Transfer 30% of the 7% ETO eligible Liab (24208502) to Bill Assistance program. (ETOACCXXX)	(5,394.43)	(5,086.17)	(5,340.22)	(3,892.96)	(2,109.01)	(1,852.62)	(1,577.00)
Pmts to Community Agencies (admin fees) Neighborimpact, Community Connection, Community in Action, and CAPECO	379.00	1,154.20	397.20	1,322.40	845.91	422.44	211.00
Reduction for Bill Assistance Credited to Customers' Accounts (CC&B Interfacexxxx)	5,771.00	1,986.00	6,586.84	4,229.54	2,112.71	1,078.00	1,777.00
Interest expense on unused low income assistance as of 20th of each month (DEFORXXX)	(201.23)	(200.82)	(215.38)	(206.78)	(227.22)	(231.51)	(241.00)
Adjustments / Rounding YTD							
Total - per above (41,743.45)	(41,189.11)	(43,335.90)	(41,907.46)	(40,455.26)	(39,832.87)	(40,416.56)	(40,241.00)
Ending GL balnce	(41,189.11)	(43,335.90)	(41,907.46)	(40,455.26)	(39,832.87)	(40,416.56)	(40,241.00)
Difference	-	-	-	-	-	-	-

**Oregon Weatherization - 2429.01
&
Conservation Achievement - 2429.03**

ATTACHMENT 4 - ADVICE NO. O19-11-01

Weatherization 47OR.2429.01	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Beg. GL balance (398,641.31)	(398,641.31)	(438,142.11)	(463,467.44)	(489,257.52)	(514,724.87)
Transfer 70% of the 7% ETO eligible Liab to OR Weatherization program (ETOACCXXXX)	(39,559.17)	(37,298.57)	(43,207.20)	(31,497.58)	(17,063.78)
Reduction for Weatherization Payments to Community Agencies (Neighborimpact + Community Conn.)		12,012.99	17,452.40	6,208.73	1,995.72
Reduction for <u>Weatherization</u> Credited to Customers' Accounts Interest expense on unused OR <u>Weatherization</u> as of 20th of each month (DEFORXXXX)					
Interest expense on unused OR <u>CAT</u> as of 20th of each month (DEFORXXXX)	58.37	(39.75)	(35.28)	(178.50)	(408.43)
Adjustments / Cash Receipts					
Total - per above (398,641.31)	(438,142.11)	(463,467.44)	(489,257.52)	(514,724.87)	(530,201.36)
47OR.2429.01 GL Balance	(438,142.11)	(463,467.44)	(489,257.52)	(514,724.87)	(530,201.36)
<hr/>					
Conservation Achievement 47OR.2429.03	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Beg. GL balance 403,227.42	403,227.42	403,227.42	421,176.51	446,665.36	454,844.82
Reclass from Weatherization 47OR.2429.01 Neighborhood Impact + CAPECO		17,949.09	25,488.85	8,179.46	1,958.92
Total - per above 4,586.11	403,227.42	421,176.51	446,665.36	454,844.82	456,803.74
47OR.2429.03 GL Balance	403,227.42	421,176.51	446,665.36	454,844.82	456,803.74
<hr/>					
47OR.2429.01 & 47OR.2429.03	(34,914.69)	(42,290.93)	(42,592.16)	(59,880.05)	(73,397.62)
Difference	-	-	-	(0.00)	(0.00)

2021 Efficiency Funding Model

Cascade

9/25/2020



Goals	2020 Budget	2020 Forecast	2021 2020 Budget	2021 Budget year 1	2022 Budget year 2	2023 Projection*
Expenditures (\$MM)	\$3.36	\$3.09	\$3.29	\$4.21	\$4.05	\$4.05
Energy Savings (MM therms)	0.547	0.492	0.563	0.561	0.604	0.604
Levelized Cost (\$/therm)	\$0.48	\$0.68	\$0.46	\$0.57	\$0.52	\$0.52
Performance Measure Energy Savings (MM therms)	0.47	0.42	0.48	0.48	0.51	0.51
Performance Measure Levelized Cost (\$/therm)	\$0.56	\$0.80	\$0.54	\$0.67	\$0.61	\$0.61
Revenue / Reserve Calculations						
	2020 Budget	2020 Forecast	2021 Budget year 1	2022 Budget year 2	2023 Projection*	
Anticipated interest credited	\$8,928	\$3,032	\$2,113	\$1,016	\$998	
Revenue Forecasted (before adjustment)	\$3,543,738	\$3,246,449	\$3,312,693	\$3,262,312	\$3,262,312	
Revenue adjustment	(\$500,000)	N/A	\$0	\$800,000	\$750,000	
Total utility revenue after adjustment	\$3,052,666	\$3,246,449	\$3,312,693	\$4,062,312	\$4,012,312	
Carryover from prior year	\$892,763	\$1,134,247	\$1,294,242	\$398,021	\$415,771	
Total funds for the year (Rev + Int + reserve)	\$3,945,429	\$4,383,728	\$4,609,048	\$4,461,349	\$4,429,081	
Expenditures	\$3,361,082	\$3,089,486	\$4,211,027	\$4,045,577	\$4,045,577	
Negotiated Program Reserve-before interest	\$584,347	\$1,291,210	\$395,908	\$414,755	\$382,506	
Negotiated Program Reserve	\$593,275	\$1,294,242	\$398,021	\$415,771	\$383,504	
Actual Reserve %	17.7%	41.9%	9.5%	10.3%	9.5%	
Target Program Reserve	\$336,108	\$308,949	\$421,103	\$404,558	\$404,558	
Target Reserve %	10%	10%	10%	10%	10%	
Calculation Inputs						
	2020 Budget	2020 Forecast	2021 2020 Budget	2021 Budget year 1	2022 Budget year 2	2023 Projection*
Interest rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
WAML	19.5	12.2	19.2	20.3	19.6	19.6
IRP Targets	0.62	0.62	0.63	0.56	0.49	0.47
Perf. Measure Range	85%	85%	85%	85%	85%	85%
Discount Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

*2023 is based on 2022 values

**SCHEDULE 31
PUBLIC PURPOSE CHARGE**

PURPOSE

The purpose of this provision is to define the funding method for public purposes activities to be administered through one or more independent entities. Public purposes activities include, but may not necessarily be limited to, energy efficiency programs, market transformation and low-income conservation and bill assistance programs designed to benefit sales customers within Cascade Natural Gas’s service territory in Oregon.

ADJUSTMENT TO RATES

A public purpose charge equal to 5.103% of current revenues, including customer service charges, in each month will be assessed as a line item on the bills of rate schedules 101, 104, 105, 111 and 170. The level of the public purpose charge will be reviewed and revised as necessary based on periodic evaluation of public purposes funding needs. (I)

The Public Purposes Funds shall be allocated to specific separate accounts to fund the respective public purposes programs as follows:

- 5.006% will support public purpose funding of energy efficiency programs that replace programs previously administered by Cascade with energy efficiency programs administered by an independent entity. (C)
- 0.097% will support public purpose funding for low-income conservation and bill assistance activities. (C)

SPECIAL TERMS AND CONDITIONS

1. 98.11% of the monies designated as public purpose funding will be transferred to the Energy Trust of Oregon. The Energy Trust of Oregon will use the funds to design, promote and administer Natural Gas energy efficiency programs in accordance with agreements executed between Cascade and the Energy Trust. (C)
2. 1.89% of the monies designated as public purpose funding will be transferred to two internal program accounts and dispersed to Community Action Agencies (Agencies) for the purpose of adding or expanding low-income weatherization programs and bill assistance programs. The funding will be designated for low-income conservation programs with the remaining funds to be designated for bill payment assistance. (C)

(continued)