

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: October 9, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Rawleigh White **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. UM 2230(1))
Reauthorization for Deferred Accounting Treatment of Energy Discount Program Costs and Revenues associated with the Energy Affordability Act.

STAFF RECOMMENDATION:

Staff recommends that the Oregon Public Utility Commission (the Commission) approve Cascade Natural Gas Corporation (Cascade or Company) application to defer incremental costs and revenues associated with implementation of the Company's Energy Discount Program (EDP) and Revenues under House Bill (HB) 2475 for the 12-month period beginning on October 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's application to defer costs and revenues associated with implementation and administration of the Company's EDP under HB 2475, otherwise known as the Energy Affordability Act.

Applicable Law

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

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 or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.¹

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

ORS 757.230, as amended by 2021's HB 2475, provides the Commission the authority to take certain considerations into account when determining a comprehensive classification of service for each public utility; including, the quantity used, the time when used, the purpose for which used, the existence of price competition or a service alternative, the services being provided, the conditions of service, differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers. Section 7 of HB 2475, codified at ORS 757.695(1), provides that in addition to comprehensive classifications, tariff schedules, rates and bill credits, the Commission may address the mitigation of energy burdens through bill reduction measures or programs such as demand response or weatherization.

Analysis

Background

On January 31, 2022, Cascade filed a request for authorization to defer costs and revenues associated with implementation and administration of 2021's House Bill 2475 for the 12-month period beginning on March 1, 2022. The Company stated its intent to file a proposal providing for a bill discount program for eligible residential customers. Cascade requests authorization to defer the costs for administering such a bill discount program in the deferral account along with the revenue received to fund the program.

On June 1, 2022, Cascade made an advice filing utilizing the new provisions in HB 2475 and proposed the EDP.² The Commission, on its own motion, ordered the suspension for investigation (Docket No. UG 437) of the advice filing until no later than August 1, 2022. This docket is brought before the Commission concurrent with this application.

¹ ORS 757.259(2)(e).

² See Docket Nos. ADV 1409 and UG 437.

Also included in its initial filing under Docket No. ADV 1409, Cascade submitted an amended petition to the Commission for an accounting order authorizing the Company to defer associated EDP costs to clarify accounting treatment and initial estimated costs to be associated with this deferral request. This amended request sought authorization for a deferral for the 12 months beginning October 1, 2022, rather than March 1, 2022. Staff notes that the Company's intent was to track the costs associated with EDP benefits and administration to be contemporaneously recovered in its proposed AAC, Schedule 37.

Thus, on August 1, 2023, and in accordance with ORS 757.259(2)(e), ORS 752.072(4), and OAR 860-027-0300(4), Cascade Natural Gas Corporation (Cascade or Company) filed this application (Application) with the Commission for an order reauthorizing deferred accounting treatment for all incremental costs and revenues associated with the Company's Schedule 36, Energy Discount Program and Schedule 37, Energy Discount Program Cost Recovery. The Company's Energy Discount Program is offered in compliance with Oregon House Bill 2475, The Energy Affordability Act, partially codified as ORS 757.230. Cascade seeks reauthorization for the 12-month period beginning October 1, 2023.

NOTE: After Staff review of PacifiCorp's, PGE's, and Cascade's applications to defer costs and revenues associated with HB 2475, Staff found that all applications are nearly identical in principle and should be given the same treatment. As such, Staff's position in this docket mirrors Staff's position in the previous related dockets. As noted in the Staff report on ADV 1409,³ Staff does not support contemporaneous recovery of administrative costs associated with differential rate programs through an AAC at this time and has recommended exclusion of agency costs in Schedule 37 to maintain consistency with the direction provided to peer utilities.

Furthermore, Staff clarifies that the costs included in this deferral are only those incurred pursuant to HB 2475, which authorizes the Commission to approve rate mitigation measures or programs.

Proposed Accounting

The Company will record the deferral amount as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets), crediting various applicable FERC accounts.

Ordinarily, the deferred balance will accrue interest at the Company's effective authorized rate of return (ROR) and all amortized balances will accrue interest at the effective Modified Blended Treasury (MBT) rate. However, consistent with agreed-upon

³ See Docket Nos. ADV 1409 and UG 437.

approach in the HB 2475 deferral dockets of several other utilities,⁴ Staff believes that it is also appropriate for Cascade that all costs accrue interest at the modified blended treasury (MBT) rate, as previously in this docket per Order No. 22-287.

Reason for Deferral

The Company requests reauthorization to defer the costs and revenues to administer its Energy Discount Program, on the basis that the deferral will minimize the frequency of rate changes or the fluctuation of rate levels and matches the costs borne by and benefits received by ratepayers.

Description of Expense

The Company requests reauthorization to defer the incremental costs and revenues associated with offering service to qualified low-income residential customers in Schedule 36, Energy Discount Program, and collecting forecasted program costs per Schedule 37, Energy Discount Program Cost Recovery.

Estimate of amounts.

Cascade estimates the deferred expense and revenue for the 12-month period beginning October 1, 2023, to be near net zero based on costs and revenues experienced in the first program year.

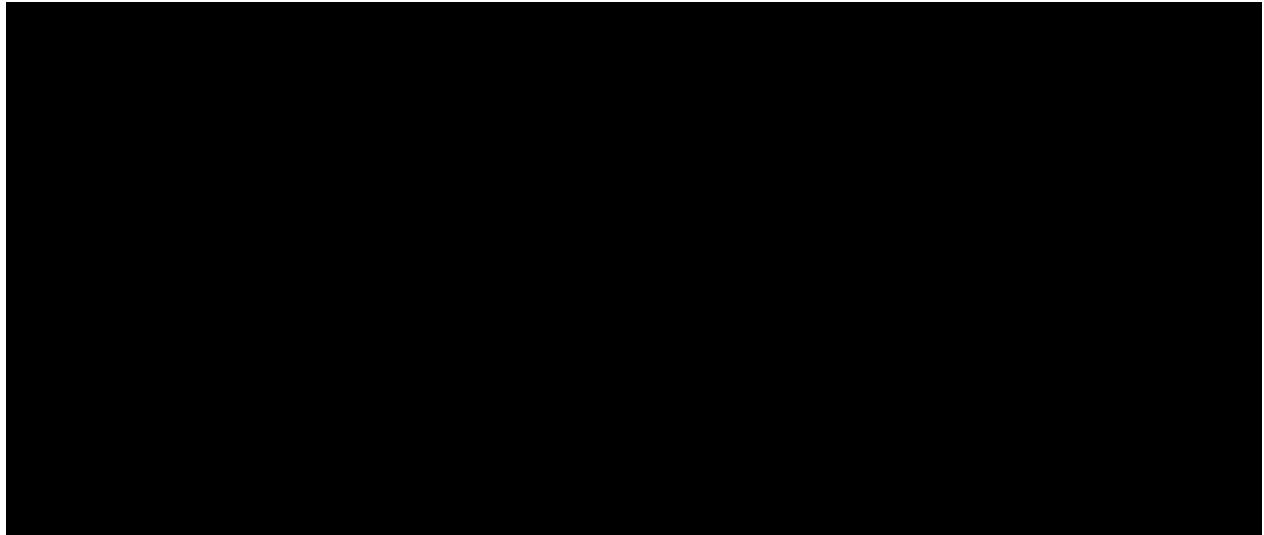
Description of Expenses

The Estimated amounts for 2022-2023 are displayed in the following table.⁵

⁴ In the Matter of Portland General Electric Company, Docket UM 2219, Order No. 22-101 (March 24, 2022); In the Matter of PacifiCorp, Docket No. UM 2223, Order No. 22-094 (March 24, 2022), In the Matter of Northwest Natural, Docket No. UM 2233, Order No. 22-113 (April 7, 2022).

⁵ P:\Utility\UM Files\UM 2230 Cascade Low Income Deferral\Workpapers.

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Information Related to Future Amortization

- Earnings review – No earnings review will be applied to these deferral amounts due to the type of expenses being deferred and note the MBT is used as the interest rate.
- Prudence Review – A prudence review will be performed when updating the amounts for amortization as part of the AAC.
- Sharing – All prudently incurred costs are recoverable by Cascade with no sharing mechanism.
- Rate Spread/Design – Costs will be allocated when reviewing the AAC.
- Three Percent Test (ORS 757.259(6)) – The three percent would not apply because of the AAC.

Conclusion

Staff recommends the Commission authorize Cascade to defer of all costs and revenues incurred to implement and administer the EDP under HB 2475, subject to the following conditions:

- Incremental administrative costs will be separately deferred and tracked for later ratemaking.
- All costs would accrue interest at the modified blended treasury (MBT) rate.

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

PROPOSED COMMISSION MOTION:

Approve Cascade's application to defer costs and revenues associated with implementation and administration of the EDP under HB 2475 for the 12-month period beginning October 1, 2023. Require Cascade to establish a separate account to track and defer incremental administrative costs associated with the EDP under HB 2475.