

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: August 23, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** September 1, 2022

DATE: August 15, 2022

TO: Public Utility Commission

FROM: Brian Fjeldheim

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

SUBJECT: CASCADE NATURAL GAS:
(Docket No. ADV 1420)
Request to Withdraw Schedule 195 – Corporate Activity Tax.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Cascade Natural Gas Corporation's (Cascade, CNG or Company) request in Docket No. ADV 1420 to remove temporary rates for the Oregon Corporate Activity Tax (CAT) collected under Schedule 195, effective for service rendered on and after September 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request to remove temporary rates for the CAT that are currently collected via the Company's Schedule 195 tariff, pursuant to Commission Order No. 21-365.¹

Applicable Rule or Law

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable. Filings that make any change in rates, tolls, charges,

¹ See *In the Matter of CASCADE NATURAL GAS CORPORATION, Updates Schedule 195, Oregon Corporate Activity Tax (OCAT)*, Docket No. UG 421/Advice No. O21-07-06, Order No. 21-365, October 26, 2021.

rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

ORS 757.259(5) states that unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall be allowed in rates only 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. The Commission may require that amortization of deferred amounts be subject to refund. The Commission's final determination on the number 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(6) states that the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

Analysis

Background

In Order No. 20-396, the Commission approved Cascade's application for deferred accounting of costs associated with the CAT, estimated to be \$200,000, for the 12-month period beginning January 1, 2020.

In Order No. 21-001, the Commission adopted the parties' stipulation to include CAT expense of \$250,000 per year in base rates effective February 1, 2021.²

The Company did not file an application to further defer CAT expense incurred in the month of January 2021, stating there was no need for an ongoing deferral application, given the incorporation of CAT expense in base rates.

² See *In the Matter of CASCADE NATURAL GAS CORPORATION, Request for a General Rate Revision*, Docket No. UG 390, Order No. 21-001, January 06, 2021, at 13.

Analysis

Specifically, the Company's filing requests to remove from customer rates the temporary collection of funds associated with the CAT. In Docket No. UG 421, the estimated CAT collection for 2020 was estimated at approximately \$340,000 for calendar year 2020 tax payments, which included interest and related revenue sensitive costs that resulted from deferring these costs. On November 1, 2021, Cascade established new rates under Schedule 195 to amortize the 2020 CAT deferral balance. The Company projected this collection would take one year and conclude on or around October 31, 2022.

Under Schedule 195, the Company recovered the deferred CAT expenses on an equal cents per therm basis, excluding special contract customers.

On July 18, 2022, Cascade filed a request to withdraw Schedule 195, stating "The deferral account is expected to reach approximately zero at the end of August, two months earlier than expected." The Company further proposes to "roll any remaining deferral balance into the residual deferred gas cost account."

Staff reviewed the Company's filing with no concerns noted. The early withdrawal of Schedule 195 is in the best interest of Cascade's customers.

Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the Company states that the proposed change will affect approximately 79,993 customers and results in an overall rate decrease of approximately \$340,000 or 0.45 percent. Based on the Company's analysis from the 2021 Purchased Gas Adjustment (PGA) in Docket No. UG 421, a typical residential customer using 60 therms per month will see a monthly bill decrease of approximately \$0.16, or 0.31 percent.

Conclusion

Staff concludes the proposed early retirement of the Schedule 195 tariff is prudent, and results in a customer outcome that is fair, just, and reasonable. Staff recommends the Commission approve Cascade's request to remove Schedule 195 as filed. The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve Cascade's request to withdraw Schedule 195, effective for service rendered on and after September 1, 2022.