ITEM NO. CA11

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 27, 2022

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** ______**January 1, 2023**______

DATE: December 13, 2022

TO: Public Utility Commission

FROM: Charles Lockwood

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. ADV 1465/Advice No. O22-11-01)
Updates Schedule 31, Public Purpose Charge.

STAFF RECOMMENDATION:

Approve Cascade Natural Gas Company's (Cascade or Company) request to revise Schedule 31, decreasing the Public Purpose Charge (PPC) from the current 5.071 percent to 3.455 percent, effective for service rendered on and after January 1, 2023, with Less than Statutory Notice (LSN).

DISCUSSION:

Issue

Whether the Commission should approve Cascade's advice filing to revise Schedule 31, Public Purpose Charge, decreasing the PPC from 5.071 percent to 3.455 percent, with LSN.

Applicable Rule or Law

ORS 469.633, requires investor-owned utilities to have energy efficiency programs, and ORS 757.262, 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.

Under ORS 757.205(1), a public utility shall file with the Public Utility Commission schedules showing all rates, tolls, and charges that it has established and are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.

Pursuant to ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025**.**

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220, OAR 860-022-0015. The Commission may approve tariff changes on less than statutory notice upon a finding of good cause shown pursuant to 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. UG 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 territory, 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) Program.

Cascade filed Advice No. 022-11-01 on November 30, 2022, proposing a revision to Schedule 31 by decreasing the PPC from 5.071 percent to 3.455 percent of customers' bills for monthly gas service. On December 19, 2022, the Company filed an updated version of Advice No. O22-11-01 with LSN. The updated advice filing corrected the percentage amounts appearing in the Special Terms and Conditions section designating the spilt between the ETO and Community Action Agencies funding.

The proposed funding level was developed through discussions with Energy Trust as the level needed to achieve 2023 energy efficiency program funding requirements and meet Cascade's low-income customer assistance program goals.
The Company's proposed 3.455 percent PPC charge is set to collect a total of $3,572,280 from Oregon ratepayers. Of this amount, $3,259,285 (approximately 91.2 percent of the total to be collected) is allocated to Energy Trust for administration of the Company's energy efficiency programs in Oregon. A carryover of $3,853,687 related to unspent ETO funds and interest collected in the 2022 period was included in the Company's PPC funding total and rate calculations for the 2023 period.

The remaining amount of the proposed PPC revenue (approximately 8.8 percent) is allocated to Cascade's low-income programs in Oregon (OLIBA, OLIEC, and CAT).

To fund the low-income bill pay assistance program (OLIBA), the Company proposes an overall budget of $225,367. On August 12, 2022, Cascade filed Advice No. O22-08-01 to increase OLIBA funding from 80 percent of arrears to a new tiered structure which provides assistance for up to 90 percent of arrears. On September 6, 2022, Cascade's proposed changes to OLIBA were approved. The Company now proposes a new tiered assistance adjustment to increase net bill pay assistance funding of $34,777 (12.5 percent increase from 2021) and a low-income bill pay assistance adjustment of $190,590 (7.9 percent increase from 2021), totaling an overall OLIBA budget of $225,367.

As stated in Cascade's filing, the Company has been tracking OLIBA spending since the start of the COVID-19 pandemic and has found that bill assistance to customers and payments to agencies remain well above historical averages. The OLIBA program was overspent by approximately $51,153 as of October 31, 2022. The Company estimates this trend will continue into the 2023 calendar year and believes the proposed 2023 OLIBA budget will match the level of 2023 spending and reduce the outstanding deferral balance. The $225,367 budgeted for OLIBA represents a $48,673 increase from last year and a $175,367 increase over historical funding amounts.

To fund the OLIEC and CAT programs, the Company proposes a total budget of $500,862, which is set at .0625 percent of the Company's 12-months of Oregon gross revenues less transportation revenues ending May 31, 2022. Partially offsetting the funding need is a $413,234 overcollection carryover from these programs in 2021. The OLIEC and CAT net project revenue of $87,628 represents a 72 percent increase in funding as compared to 2022, due to an increase in Oregon gross revenues less transportation revenues and a decreased overcollection balance. On November 30, 2022, the Company filed its 2022 OLIEC and CAT report, which outlined proposed program changes for 2023 that should reduce the overcollection balances the Company has been carrying.[1] The net projected revenue of $87,628 for OLIEC and CAT combined with the proposed $225,367 for OLIBA results in a total budget of $312,995 for Cascade's low-income programs.

Regarding the $3,267,473 of the 2023 PPC allocated to Energy Trust, $570,806 is for funding Energy Trust's programs while the additional $2,696,667 serves as a budget reserve. The budget reserve is a large portion (60.95 percent) of the overall expenditures 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. Per Staff's discussions with Cascade, the Company and ETO negotiated a larger funding reserve for 2023 to levelize rates over multiple years and mitigate the need for a large increase next year.

Table 1 illustrates the allocated budget for Cascade's 2022 PPC funded programs, 2022 carryover funds, and estimated 2023 collections.[2]

Table 1. 2023 Public Purpose Budget Calculation Summary

		PPC %
2023 ETO Est. Expenditures	**$4,424,493**	
- Negotiated Reserve @ 60.95%	$2,688,479	
Carryover	($3,853,687)	
Total Energy Trust Budget	**$3,259,285**	**91.2%**
Low Income Program Budgets		
- OLIEC /CAT Projected Revenue	$500,862	
- OLIEC/CAT Carryover	($413,234)	
- Bill Pay Assistance Adjust	$190,590	
Subtotal LI Program	$278,218	
New Tiered Assistance Adjustment	$34,777	
Total LI Program Budget	**$312,995**	**8.8%**
Total PPC Budget	**$3,572,280**	**100.00%**

[1] See Docket RG 07, Cascade Natural Gas Company Oregon Low-Income Energy Conservation (OLIEC) Annual Report (Nov. 30, 2022).
[2] See Docket No. ADV 1465/Advice No. O22-11-01, Attachment 1.

Customer Impact
Cascade estimates the monthly bill impact for an average residential customer using 62 therms per month will decrease $1.21 per month; an average commercial customer using 272 therms per month will decrease by $4.49 per month; and an average industrial customer using 1,657 therms will decrease $26.39.[3]

Conclusion

Staff reviewed Cascade's filing and accompanying workpapers and supports the proposed tariff revisions that collectively decrease 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 decrease appears reasonable and sufficient to fund Energy Trust's programs and Cascade's low-income assistance programs in 2023. Staff supports approval of this filing on LSN for good cause as the filing was initially timely filed and the update provides the correct percentage amounts designating the spilt between the ETO and Community Action Agencies funding.

PROPOSED COMMISSION MOTION:

Approve Cascade's request to revise Schedule 31, decreasing the Company's Public Purpose Charge, effective with service on and after January 1, 2023, with Less than Statutory Notice.

Docket No. ADV 1465/Advice No. O22-11-1

[3] See Docket No. ADV 1465/Advice No. O22-11-01, Attachment 2.