

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: January 26, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE February 1, 2016

DATE: January 19, 2016

TO: Public Utility Commission

FROM: Suparna Bhattacharya <sup>SB</sup>

THROUGH: Jason Eisdorfer and Marc Hellman <sup>#</sup>

SUBJECT: CASCADE NATURAL GAS: (Docket No. ADV 172/Advice No. O15-12-01) Revision to Rule 31, Public Purposes Funding.

**STAFF RECOMMENDATION:**

Staff recommends that Cascade Natural Gas Company's (Cascade or Company) revised Rule 31 Public Purposes Funding be approved effective on and after February 1, 2016. Staff also recommends approval of Cascade's waiver request for Less than Statutory Notice.

**ISSUE:**

The main issue for consideration is whether the Commission should temporarily increase the public purpose Schedule 31 charge from 1.85 percent to 3.4 percent for residential, commercial, and industrial customers in 2016 so that the money collected through this tariff can be allocated to the Energy Trust of Oregon (ETO) delivered programs and low income programs that include Oregon bill pay assistance program, Oregon Low Income Energy Conservation (OLIEC) program, and Conservation Achievement Tariff (CAT) pilot program.

**APPLICABLE RULES AND LAWS:**

The applicable statutes in this filing are: ORS 757.315(3) which allows gas utilities to have bill pay assistance programs, ORS 469.633 which requires energy efficiency programs, and ORS 757.262 which states rates will be adopted to encourage energy efficiency.

**ANALYSIS:**

Schedule 31, Public Purposes Funding, describes the funding method for conservation and bill assistance programs and sets a Public Purpose Charge (PPC) to applicable customers. The Company revises PPC periodically based on the ETO's annual budget

needs for administering and delivering cost-effective conservation programs as well as funding needs for OLIEC and bill assistance programs. In Order No. 06-191, the Commission approved an annual collection of \$150,000 for OLIEC and \$50,000 for bill payment assistance through the Public Purpose Charge (PPC). The amount for ETO programs is developed by the ETO through their annual budgeting process. PPC appears as a line item on a customer's bill and the rate is equal to a percentage of a customer's total gas service bill. So, for instance, with the current average residential customer bill of \$49.40, the proposed PPC rate of 3.4 percent would result in a monthly PPC charge of \$1.82 (3.4 percent of \$49.40) for residential customers. The current PPC rates are applicable to residential customers (Schedule 101) and commercial customers (Schedule 104).

Pursuant to Order No. 06-191, Cascade also provides each month an additional 0.75 percent of current Oregon revenues generated by rate Schedules 101 and 104, including customer service charges, but no less than \$500,000 per year, as public purposes funds. This charge is not a separate line item on customer's bills and is recorded as a general expense in account 908.

The CAT pilot is a complimentary offering established as a part of the OLIEC program. On January 1, 2014, the Company began the CAT pilot with a termination date of December 31, 2015. The pilot has been further extended until December 31, 2017 (Advice No. O15-11-02). Schedule 33-D describes the CAT provisions approved by the Commission. While OLIEC offers rebates for the installation of qualifying energy efficiency measures, CAT supplements those OLIEC rebates by paying the remaining measure costs. The Company initially funded CAT using \$400,000 of unspent OLIEC dollars. Per Schedule 33-D, at its sole discretion, the Company may allocate funds collected under Schedule 31 for low income conservation programs to a separate CAT pool if funding for OLIEC is sufficient to meet the needs of agencies providing weatherization services to Cascade customers under the OLIEC Schedule 33.

On December 11, 2015, the Company submitted an application to request an increase in the Schedule 31 charge from 1.85 percent to 3.7 percent. In the Company's most recent general rate case, docketed as UG 287, Staff and other parties agreed that the total PPC fund, including \$500,000, should be collected from residential, commercial, and industrial customers that benefit from these programs. The filing thus proposed to collect total funds needed for 2016 conservation programs including \$500,000 from rate Schedules 101, 104, 105, 111, and 170. In addition, the Company budgeted \$400,000 for the CAT pilot and proposed to collect this amount through PPC in 2016.

Staff reviewed the filing and work papers showing how rates for all schedules were derived based on OLIEC and CAT carryover and 2016 funds, the ETO carryover and

2016 budget, and the dollar amount for the bill assistance programs. The Company's proposal to collect \$400,000 for the CAT program was not supplemented with sufficient explanation and documentation. Staff identified this issue and had several rounds of discussion with the Company. CAT was developed to address the barriers that prevent the OLIEC from achieving the weatherization targets. The Company however, is unsure if the success of this pilot is sustainable. Based on the 2015 annual report on OLIEC programs (Docket No. RG-7) as well as current carryover funds available for the low income programs,<sup>1</sup> Staff proposes to reduce the funding target from \$400,000 to \$200,000 for the 2016 CAT pilot. Staff's proposal complies with the UG 167 Stipulation that allows the Company to collect \$150,000 for the OLIEC programs, \$50,000 for the bill assistance programs, and the ETO's 2016 program budget as well as provide adequate funds for the 2016 CAT pilot. As mentioned above, the Company can always transfer funds from the OLIEC to the CAT account, if necessary.

The Company agreed to Staff's proposal and submitted a supplemental filing on January 13, 2016, revising the PPC rates based on the \$200,000 CAT budget.

#### *PPC Charge*

The total PPC funding needed for the ETO, OLIEC, CAT, and bill pay assistance in 2016 is \$2,280,570. The Schedule 31 rate is 3.4 percent when the total funding amount is spread over forecasted revenues of \$67,093,777 (as filed in UG 287). Based on budget needs for the ETO and low income programs, 3.15 percent is allocated to the ETO programs and 0.25 percent to the low income programs.

Thus, 93 percent of the proposed Schedule 31 charge will be allocated to the ETO, which combined with the carryover funds from 2015 collections will be approximately \$2,582,430 and sufficient to acquire 466,577 therm savings.<sup>2</sup> The remaining seven percent of funds collected will be used for the low income programs. Of this seven percent allocation, 70 percent will be used for the OLIEC (17 percent) and CAT (52 percent) programs, and 30 percent for the bill pay assistance. Specifically, \$350,000 (includes 2015 balance) will be available in 2016 for OLIEC and CAT programs, and \$50,000 will fund low income bill pay assistance.

Staff verified that the adjustment to rates and special terms and conditions in the revised tariff Schedule 31 reflect proposed PPC percentages for the ETO and low income programs.

#### *Bill Impact*

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<sup>1</sup> As of November 2015, the carryover balance for OLIEC is \$144,751 and for CAT is \$189,101.

<sup>2</sup> [http://assets.energytrust.org/api/assets/plans/2016\\_Annual\\_Budget\\_Action\\_Plan.pdf](http://assets.energytrust.org/api/assets/plans/2016_Annual_Budget_Action_Plan.pdf)

Staff reviewed the work paper showing the bill impact for applicable rate schedules. The normalized volumes and customer counts used to calculate the bill increase for each rate schedule did not match the Company's 2016 forecasted therms and customers. The bill impact was also not measured based on 3.4% PPC rate. Staff worked with the Company on this issue and the bill increase for all rate schedules is correct in the figures shown below.

With the proposed increase in PPC, an average residential customer (Schedule 101) using 56 therms will pay additional \$0.78 per month; an average commercial customer (Schedule 104) using 238 therms will pay \$2.77 more per month.

Industrial customers who are not currently paying for public purposes will have PPC charges as a line item on their bills and an average customer under Schedule 111 using 9,404 therms will pay additional \$197.90 per month. Industrial customers under Schedule 105 using 1,920 therms each month will pay additional \$43.04 per month and monthly payments for Schedule 170 interruptible customers will increase by \$1,168.30.

The proposed PPC is higher in 2016 because the Company is recovering directly through the public purpose charge the \$500,000 amount that was previously embedded in general rates. Also, public purpose charge for the first time is funding both OLIEC and CAT programs.

The Company has reviewed this memo and has expressed no issues other than identifying the potential need to request more funds later on should the \$200,000 not prove sufficient.

**RECOMMENDATION:**

Staff recommends that the Commission approve Cascade's public purpose Schedule 31 tariff submitted in the supplemental filing. The revised Schedule 31 charge for applicable rate schedules is reasonable and will recover ETO's budget for Cascade's conservation programs, established funds for OLIEC and bill assistance programs as well as funding needs for piloting CAT in 2016. Customers will benefit from cost effective ETO and low income conservation programs.

**PROPOSED COMMISSION MOTION:**

Cascade's Supplemental Advice No. O15-12-01 with the Tenth Revision Sheet No. 31 effective with service on and after February 1, 2016, be approved, with less than statutory notice.