

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 25, 2022

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2022

DATE: September 19, 2022

TO: Public Utility Commission

FROM: Julie Jent

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

SUBJECT: CASCADE NATURAL GAS:
(Docket No. UG 444/Advice No. O22-07-04)
Decoupling Schedule 193 - Base Rate Adjustments for Conservation
Alliance Plan.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Cascade Natural Gas Company's (Cascade, CNG, or Company) proposed Schedule 193.1, as described in the filing of Advice No. O22-07-04, effective for service on and after November 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's proposed Schedule 193.1 tariff changes associated with conservation and weather variance deferred decoupling balances, wherein the Company seeks a decrease in annual revenues from Schedule 101 and Schedule 104 customers of \$700,622, or 0.90 percent of overall rates, for inclusion in rates for service rendered on and after November 1, 2022.

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, 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 amount 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

The Conservation Alliance Plan (CAP) mechanism was established by the Commission in Docket No. UG 167, Commission Order No. 06-191. This docket implemented a decoupling mechanism that allows Cascade to separately track changes in usage due to conservation and weather, collect a public purpose charge, and allows Company funding for conservation and provisions governing the use of the Energy Trust of Oregon. Specifically, the mechanism consists of two deferral accounts, one to record changes in the margin due to weather-normalized usage (Conservation Variance) and another to track changes in the margin due to weather that varies from normal (Weather Variance).

This mechanism is described in Cascade’s Rule 19, Conservation Alliance Plan Mechanism.¹ According to the Rule’s provisions, the CAP margin differences accumulate as regulatory assets or liabilities for distribution to, or collection from, customers annually at the time of the Company’s PGA filing. On December 17, 2019, the Commission approved certain changes to Rule 19 as proposed by the Company in Docket No. ADV 1071/Advice No. O19-11-02. The revised Rule 19 requires the Company to initiate another review of the CAP mechanism on September 30, 2024, with any proposed changes to be effective January 1, 2025.

Discussion of CAP Rate Changes

In Docket No. UM 1557, Order No. 21-420, the Commission approved Cascade’s request for reauthorization to defer variances in its collection of distribution margin due to conservation and weather for the 12-month period which began January 1, 2022. In Docket No. UG 444/Advice No. 22-07-04 filed on July 29, 2022, Cascade requested to apply new temporary adjustments to base rates amortizing the outstanding deferred balances for variances in collections due to conservation and weatherization. Cascade noticed an error with their initial filing; the model was not capturing the revised rates that went into effect November 1, 2021. Therefore, Cascade submitted revisions to PUC OR No. 10 tariff along with supporting workpapers. As the deferral is related to the conservation of natural gas resources, the amortization of the correctly calculated costs has been approved with the mechanism.

The Company is now requesting a decrease in annual revenues of \$700,622, or 0.90 percent effective on November 1, 2022. For compliance with OAR 860-022-0025, the Company indicated that the proposed rate adjustment will affect 78,840 total customers:

Customer Type	Count
Schedule 101	68,534
Schedule 104	10,306

Rate Spread/Design

The total amortization requested in this filing is a rebate of \$966,833 with the resulting annual average rate impact (or in other words, allowed amortization as a percent of gross revenues) of (1.25) percent. The amortization amount is spread as specified by Cascade’s Rule 19. The following table illustrates the average monthly bill impact of only this amortization to Cascade’s Residential (Rate Schedule 101) and Commercial (Rate Schedule 104) customers:

¹ Link to Cascade’s Rule 19: https://www.cngc.com/docs/default-source/rates-tariffs/oregon/19_-_rule_19_-_conservation_alliance_plan_mechanism_34484.pdf?sfvrsn=4.

Customer Type	Avg therms/month	Current Avg Monthly Bill	Proposed Avg Monthly Bill	Difference \$	Difference %
101	62	\$59.81	\$59.41	\$(0.40)	(0.67)%
104	272	\$213.72	\$210.04	\$(3.67)	(1.72)%

Three Percent Test

Cascade's total Oregon gross revenues for calendar year 2021 was \$77,563,145. The allowed amortizations, which include the rebated (credit) above, totaled \$11,704,219. Intervenor Funding is excluded from the result of the three percent test pursuant to ORS 757.259(4). This results in an annual average rate impact of 15.09 percent, well above the three percent statute threshold; due to higher commodity costs in the year 2021.

Prudence Review

Staff found the workpapers provided by the Cascade along with follow-up explanations to be sufficient and did not ask any information requests. Staff confirmed the accuracy of the data sources in the Company's workpapers. Staff confirmed that the monthly Weather Variance, traced back to the historical usage data, and the Conservation Variance found in the Company's workpapers matched the aggregate CAP amortization found in the filing.

Conclusion

After reviewing Cascade's filing, Staff finds that the deferral balances and amortization rate are properly calculated. Staff recommends approval for amortization of CAP adjustments through deferred accounts relating to Docket No. UM 1557, CAP Plan. The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve Cascade's proposed Schedule 193.1 rates, as described in Advice No. 22-07-04, requesting amortization of conservation and weather variance deferred decoupling balances for service rendered on and after November 1, 2022.