

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 15, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2016

DATE: November 19, 2015

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: Jason Eisdorfer and Marc Hellman *AW*

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1557(7)) Requests reauthorization to defer the changes in margin due to conservation and variances from normal weather as set forth in Schedule 30, Conservation Alliance Plan.

STAFF RECOMMENDATION:

I recommend Cascade Natural Gas's (Cascade or Company) application be approved for the period January 1, 2016, through December 31, 2016.

ISSUE:

Whether Cascade should be allowed to continue to defer costs for later recovery in rates in accordance with its Conservation Alliance Plan (CAP).

APPLICABLE LAW:

ORS 757.259(2), utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as reason for the deferral, estimated amount of the deferral, etc.

ANALYSIS:

In Order No. 06-191, the Public Utility Commission of Oregon approved the CAP for Cascade, which includes a decoupling mechanism, deferral accounting, a public purpose charge, Company funding for conservation, and provisions governing the use of the Energy Trust of Oregon (ETO). Since its adoption, the Commission has made

adjustments to the CAP and its various components and conditions over time, including extending its expiration date to December 15, 2015.

Cascade makes this filing pursuant to ORS 757.259 and OAR 860-027-0300(4) requesting reauthorization to defer the changes in margin due to conservation and variances from normal weather for its decoupling mechanism in CAP Schedule 30. The Commission has authorized Cascade to defer these amounts in previous years, most recently in Order No. 15-117, for the 12-month period of January 1, 2015, through December 31, 2015.

Cascade's CAP is scheduled to expire on December 15, 2015. However, Cascade, Staff, the Citizens' Utility Board of Oregon, and the Northwest Industrial Gas Users have entered into a stipulation in Cascade's pending general rate case (Docket No. UG 287), under which CAP is extended until September 2019.

Reason for Deferral

The use of deferred accounting, related to the Conservation Alliance Plan (CAP) mechanism established by the Commission in Order No. 06-191, minimizes the frequency of rate changes and the fluctuation of rate levels pursuant to ORS 757.259(2)(e). Reauthorization of deferred accounting is still warranted for those reasons.

Description of Expense

Consistent with procedures outlined in Schedule No. 30 – Conservation Alliance Plan, the CAP is a decoupling mechanism consisting of two deferral accounts, one to track changes in margin due to variations in weather-normalized usage (conservation) and another to track changes in margin due to weather that varies from normal.

Proposed Accounting

In accordance with the provisions in Schedule No. 30, differences are accumulated as regulatory assets or liabilities for distribution or collection from customers annually at the time of the Company's PGA filing. Absent deferred accounting treatment the Company would record under- or over-collected margins as utility operating revenue in FERC Account 480.

Deferral Activity

In its application, the company states that it is difficult to estimate the amounts to be recorded in the deferral account, as the deferral amount is dependent on a number of variables.

Information Related to Future Amortization

- Earnings Review – The Commission has historically relied on the results of the annual Spring Earnings Review to determine whether Cascade must share overearnings. As this deferral is related to the conservation of natural gas resources, the amortization of the correctly calculated costs has always been approved.
- Prudence Review – The prudence review should consist of a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – See “Earnings Review” above.
- Rate Spread/Design – The amortization amount will be spread as specified by Cascade’s Rule 19 – CONSERVATION ALLIANCE PLAN MECHANISM.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year.

Staff Recommendation

Cascade’s application for reauthorization of deferred accounting for the CAP meets the requirements related to the establishment of the mechanism, as well as the requirements of ORS 757.259 and 860-027-0300.

For the reasons discussed earlier in this memo, Staff recommends the Commission authorize deferred accounting for the period January 1, 2016, through December 31, 2016.

PROPOSED COMMISSION MOTION:

Cascade’s application for deferral reauthorization be approved for the period January 1, 2016, through December 31, 2016.