

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 10, 2013**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2014

DATE: November 5, 2013

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

MG

AA

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1557(5)) Requests reauthorization to defer the changes in margin due to conservation and variances from normal weather as set forth in Rule 19, Conservation Alliance Plan Mechanism.

STAFF RECOMMENDATION:

I recommend Cascade Natural Gas's (Cascade or Company) application be approved for the period January 1, 2014, through December 31, 2014.

DISCUSSION:

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 as set forth in Rule 19, Conservation Alliance Plan.

This deferral, most recently authorized by Order No. 13-171, was for the 8-month period of May 1, 2013, through December 31, 2013.

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.

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Staff Analysis

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, 2014, through December 31, 2014.

PROPOSED COMMISSION MOTION:

Cascade's application be approved for the period January 1, 2014, through December 31, 2014.

Cascade UM 1557(5) CAP deferral