ITEM NO. CA22

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 24, 2019

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** ______**January 1, 2019**______

DATE: October 17, 2019

TO: Public Utility Commission

FROM: Brian Fjeldheim

THROUGH: Jason Eisdorfer and Marianne Gardner

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1557(10)) Reauthorization to defer variances in collection of Distribution Margin.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Cascade Natural Gas Corporation (Cascade, CNGC, or Company) application for reauthorization to defer variances in its collection of distribution margin due to conservation and weather for the period beginning January 1, 2019.

DISCUSSION:

Issue

Whether the Commission should reauthorize Cascade's application to defer, with interest, costs for later recovery in rates in accordance with its Conservation Alliance Plan (CAP) for the 12-month period beginning January 1, 2019.

Applicable Rule or Law

In accordance with 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 the reason for the deferral, estimated amount of the deferral, etc.

Analysis

Background
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. The most recent iteration of the CAP mechanism was approved by the Commission in Order No. 15-412, issued in Docket No. UG 287, the Company's 2015 General Rate Case. In accordance with Order 15-412, the CAP mechanism has no set termination date, but will be reviewed in the fourth quarter of 2019, with any proposed changes in the CAP mechanism to become effective January 1, 2020.

Cascade makes this filing pursuant to ORS 757.259 and OAR 860-027-0300(4), and requests reauthorization to defer the changes in margin due to conservation and variances from normal weather for its decoupling mechanism in CAP Schedule 193. The Commission has authorized Cascade to defer these amounts in previous years, most recently in Order No. 18-355, for the 12-month period of January 1, 2018 through December 31, 2018.

Reason for Deferral
The use of deferred accounting, related to the 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 Cascade Schedule No. 193 - Conservation Alliance Plan, and Rule 19 - Conservation Alliance Plan Mechanism, the CAP is a decoupling mechanism for Residential (Schedule 101) and Commercial (Schedule 104) customers. CAP consists 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. 193 and Rule 18, Cascade proposes to continue deferring differences that are accumulated as regulatory assets or liabilities to sub-accounts of FERC Account 186 for subsequent distribution to, or collection from, customers consistent with the dictates of the CAP mechanism at the time of the Company's annual Purchased Gas Adjustment (PGA) filing. Absent deferred accounting

treatment, the Company would record under- or over-collected margins as utility operating revenue in FERC Account 480.

Estimated Deferrals in Authorization Period
In its Application, the Company states that it cannot estimate the amounts to be recorded in the deferral account, as the deferral amount is dependent on a number of unpredictable variables, such as future weather conditions and customer conservation efforts.

Information Related to Future Amortization

- Earnings Review - An annual spring earnings review will be conducted pursuant to OAR 860-022-0070.

- Prudence Review - Prior to amortization, a prudence review will be conducted. The review should include verification of the accounting methodology used to determine the final amortization balance.

- Sharing - During the annual spring earnings review, if the Company is determined to have excessive earnings, 90 percent of the overearnings must be returned to customers. This is due to Cascade’s 90/10 sharing election associated with the 2019-2020 PGA year.

- 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.

Conclusion

Based on the review of Cascade’s application, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259 and OAR 860-027-0300. The reason for the Company’s deferral remains valid and Staff recommends the Commission approve the Company’s reauthorization application.

PROPOSED COMMISSION MOTION:

Approve Cascade's application to defer, with interest, costs for later recovery in rates in accordance with its CAP for the 12-month period beginning January 1, 2019.