

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A** _____

DATE: October 12, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Rawleigh White **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. UM 2191 and 2191(1))
Reauthorization for Deferred Accounting of lost revenue associated with Special Contracts.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (the Commission) approve Cascade Natural Gas Company's (Cascade, CNG, or the Company) application for Authorization for Deferred Accounting Treatment of Lost Revenue Associated with Special Contracts for the 12-month period, November 1, 2021, through October 31, 2022, and Cascade's application for Reauthorization for Deferred Accounting Treatment of Lost Revenue Associated with Special Contracts for the 12-month period, August 1, 2023, through July 31, 2024.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's requests for authorization and reauthorization to record and defer costs related to accounting treatment of lost revenue associated with Special Contracts for the 12-month periods November 1, 2021, through October 31, 2022, and August 1, 2023, through July 31, 2024, respectively.

Applicable Law

ORS 757.259(2)(e) states that the Commission may authorize the deferral of identifiable utility expenses or revenues, the recovery or refund of which the Commission finds

should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

Subsequently, ORS 757.072(4) states that the Commission shall allow a public utility to defer inclusion of amounts in rates as provided in ORS 757.259 if the public utility so elects.

OAR 860-027-0300(4) states that an application for reauthorization to use a deferred accounts must be made not more than 60 days prior to the expiration of the previous authorization for the deferral. Further, the application must include requirements set forth in subsections (3)(a) through (3)(e) of OAR 860-027-0300 and a description and explanation of the entries in the deferred account to the date of the application for reauthorization; and the reason(s) for continuing the deferred accounting.

Analysis

Background

In accordance with ORS 757.259(2)(e), ORS 752.072(4), and OAR 860-027-0300(4), Cascade Natural Gas Corporation (Cascade or Company) filed an application (Application) with the Public Utility Commission of Oregon (Commission) for an order authorizing the Company to record and defer with interest the lost revenue associated with special contracts with PacifiCorp and Hermiston Generating Company, L.P. The authorization timeframe is November 1, 2021, through October 31, 2022.

On August 1, 2023, the Company filed an application with the Commission for an order reauthorizing the Company to record and defer with interest the lost revenue associated with special contracts with PacifiCorp and Hermiston Generating Company, L.P. The authorization timeframe is the 12-month period beginning August 1, 2023, and ending July 31, 2024.

Reason for Deferral

Pursuant to ORS 757.259(2)(e), the Company seeks deferred accounting treatment of revenues associated with the special contracts on the basis that the deferral of costs and revenues associated with the special contracts will minimize the frequency of rate changes and match appropriately the costs borne by, and benefits received by customers.

Description of Expense

Cascade provided workpapers relating to this deferral including a summary of the costs deferred since November 1, 2021.¹

NOTE: The Company neglected to file for reauthorization at the conclusion of the original request and is showing zero for the months of November 2022 through July 2023.

Proposed Accounting

The Company proposed accounting treatment for the lost revenues is to track them in a separate schedule but not record them on the Company's financial statements. These costs would not be recognized until they are approved for amortization by the Oregon Commission.

Estimate of Amounts

The estimated revenue reduction will be approximately \$595,000 per year based on the 12 months ended October 2022.

Information Related to Future Amortization

- Earnings Review – Staff intends to apply an earnings test prior to assessing the amounts to be amortized.
- Prudence Review – A prudence review will be conducted.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Account balances are to be spread to the appropriate customer classes likely on a percent of margin basis.
- Three Percent Test (ORS 757.259(6)) – The three percent test should apply for this deferral.

Conclusion

Staff recommends the Commission approve Cascade's application for Authorization for Deferred Accounting Treatment of Lost Revenue Associated with Special Contracts for the 12-month period beginning November 1, 2022, and the application for Reauthorization for Deferred Accounting Treatment of Lost Revenue Associated with Special Contracts for the 12-month period beginning August 1, 2023.

¹ P:\Utility\UM Files\UM 2191 CNGC Def Acct\Workpapers.

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Cascade has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Cascade's application for Authorization for Deferred Accounting Treatment of Lost Revenue Associated with Special Contracts for the 12-month period beginning November 1, 2022, ending July 31, 2023, and the Company's application for Reauthorization for Deferred Accounting Treatment of Lost Revenue Associated with Special Contracts for the 12-month period beginning August 1, 2023, ending July 31, 2024.

UM 2191 and UM 2191 (1)