



Oregon

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Public Utility Commission

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October 26, 2023



BY EMAIL

Cascade Natural Gas Corporation

cngcregulatory@cngc.com

RE: Advice No. O23-07-03

At the public meeting on October 26, 2023, the Commission adopted Staff's recommendation in this matter docketed as UG 465. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

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

REGULAR **CONSENT** X **EFFECTIVE DATE** November 1, 2023

DATE: October 9, 2023

TO: Public Utility Commission

FROM: Rawleigh White

THROUGH: Bryan Conway, Marc Hellman, and Anna Kim **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. UG 465/Advice No. O23-07-03)
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. O23-07-03, effective for service on and after November 1, 2023.

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 \$1,634,569, or 1.69 percent of overall rates, for inclusion in rates for service rendered on and after November 1, 2023.

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. 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). No earnings test is applied to a decoupling mechanism.

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. 22-394 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 November 1, 2022. 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 total deferred refund is \$2,621,719 for the twelve months ended June 30, 2023, and includes interest accrued at the Modified Blended Treasury rate.

The Company is requesting a decrease in annual revenues of \$1,634,569 (net of the prior year amortization and the current year amortization) or 1.69 percent, effective on November 1, 2023, amortized over the following 12 months. For compliance with OAR 860-022-0025, the Company indicated that the proposed rate adjustment will affect 82,221 total customers:

Customer Type	Count
Schedule 101	71,755
Schedule 104	10,466

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:

Customer Type	Avg therms/month	Current Avg Monthly Bill	Proposed Avg Monthly Bill	Difference \$	Difference %
101	65	\$79.45	\$77.92	\$(1.53)	(1.93)%
104	289	\$296.57	\$291.53	\$(5.04)	(1.70)%

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.

Three Percent Test

Cascade's total Oregon gross revenues for calendar year 2022 was \$96,467,596. The total amortization requested in this filing is a refund of \$2,621,719 with the resulting impact of 2.72 percent which is below the 3 percent revenue test.

Prudence Review

Staff reviewed the workpapers provided by Cascade and requested additional information. Staff met with the company to confirm 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. O23-07-03, requesting amortization of conservation and weather variance deferred decoupling balances for service rendered on and after November 1, 2023.

**SCHEDULE 193
CONSERVATION ALLIANCE PLAN ADJUSTMENT**

APPLICABLE

This rate applies to Schedules 101 and 104.

PURPOSE

The purpose of this schedule is to amortize deferred conservation and weather variances associated with the Company’s approved conservation alliance plan as outlined in Rule 19 of the Company’s tariff.

RATES

Each of the charges specified in the schedules for gas service hereinafter listed shall be adjusted by the following per therm increase or decrease or appropriate multiple thereof in determining annual minimum bill, if any:

Schedule	Rate
101	(\$0.02954)
104	(\$0.03353)

(R)

(R)

LIMITATION

This temporary rate addition shall remain in effect until cancelled pursuant to an order from the Public Utility Commission of Oregon.

TAX ADDITIONS

The rates named herein are subject to increases as set forth in Schedule 100 for Municipal Exactions.

GENERAL TERMS

Service under this schedule is governed by the terms of this schedule, the Rules contained in this Tariff, any other schedules that by their terms or by the terms of this schedule apply to service under this schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.