

ORDER NO. 11 426

ENTERED OCT 28 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1558

In the Matter of

CASCADE NATURAL GAS
CORPORATION

Request for Deferred Gas Cost Balancing
Account and Wholesale Gas Costs.

ORDER

DISPOSITION: APPLICATION FOR REAUTHORIZATION APPROVED

On September 19, 2011, Cascade Natural Gas Corporation (Cascade) requested a reauthorization to defer the costs associated with its gas cost balancing account as set forth in Schedule 177, Purchase Gas Cost Adjustment Provision. Cascade makes this filing under ORS 757.259 and OAR 860-027-0300(4). A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

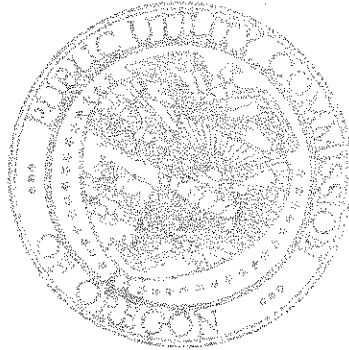
At its Public Meeting on October 18, 2011, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that Cascade Natural Gas Corporation's Application is approved for a 12 month period beginning November 1, 2011.

Made, entered, and effective OCT 28 2011

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA6

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: October 18, 2011

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2011

DATE: September 26, 2011

TO: Public Utility Commission

FROM: Deborah Garcia *DH 22*

THROUGH: *ESS, INC* Lee Sparling, *MEF* Maury Galbraith and *JJ* Judy Johnson

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1558) Requests reauthorization to defer the costs associated with its gas cost balancing account as set forth in Schedule No. 177, Purchase Gas Cost Adjustment Provision.

STAFF RECOMMENDATION:

I recommend that Cascade Natural Gas's (Cascade or Company) application be approved.

DISCUSSION:

Cascade makes this filing pursuant to ORS 757.259 and OAR 860-027-0300(4) requesting reauthorization to defer the for the 12-month period beginning November 1, 2011.

Previously, Cascade submitted a combined application for reauthorization related to the deferral of this item and its Conservation Alliance Plan Mechanism. The combined application was docketed as UM 1498 and approved by Commission Order 10-441. At Staff's request, Cascade has filed separate applications for tracking purposes to ease reconciliation between the deferral applications and subsequent requests for amortization.

Reason for Deferral

The PGA mechanism was originally established by the Commission in Order 89-1046 to minimize the frequency of gas cost-related rate changes and the fluctuation of rate levels pursuant to ORS 757.259(2)(e). Reauthorization of deferred accounting for the 2010-2011 PGA period is still warranted for those reasons.

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Description of Expense

The purpose of this deferral is to account for the monthly difference between gas costs expected to be collected from customers and gas costs actually collected, as set forth in Schedule No. 177 – Purchase Gas Adjustment. The monthly differences arise because the rates associated with gas costs are calculated using forecasted therms. A request to amortize the accumulated deferral is made annually, effective November 1.

Proposed Accounting

Cascade proposes to continue deferring to sub-accounts of FERC Account 253 for distribution to or collection from customers at a later date consistent with the dictates of the PGA methodology. Gas cost differences will be segregated between demand-related and commodity-related cost differences. Absent deferred accounting the charges incurred for gas costs pursuant to PGA activity and other incurred gas costs would be recorded as increases/decreases in approximately 800 gas expense sub-accounts. Customers would not incur the benefits or costs associated with changes in the cost of gas.

Estimated Deferrals in Authorization Period

The goal of the PGA mechanism is to match gas costs incurred by the Company with gas costs included in customer rates. Any differences are the result of unexpected weather or volatility in gas costs, thereby making an accurate estimation of the deferred amount unlikely.

Staff Recommendation

Cascade's application for reauthorization of deferred accounting for the PGA gas costs meets the requirements related to the establishment of the mechanism, as well as the requirements of ORS 757.259 and 860-027-0300, and should be approved.

PROPOSED COMMISSION MOTION:

Cascade's application should be approved for the 12-month period beginning November 1, 2011.

Cascade UM 1558 PGA gas costs