

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 167,UG 224

In the Matter of

CASCADE NATURAL GAS
CORPORATION,

Motion to Amend Order No. 07-221
regarding Company's Decoupling
Mechanism

ORDER

DISPOSITION: MOTION DENIED; FURTHER INVESTIGATION ORDERED

I. INTRODUCTION

In Order No. 06-191, the Public Utility Commission of Oregon approved a Conservation Alliance Plan (CAP) for Cascade Natural Gas Corporation (Cascade). An integral feature of the CAP was a decoupling mechanism. The CAP originally was set to expire on September 30, 2010. In Order No. 07-221 the Commission extended the term of the decoupling mechanism to September 30, 2012, as part of the Commission's approval of Cascade's purchase by MDU Resources Group, Inc.

Cascade uses the services of the Energy Trust of Oregon (ETO) to administer its CAP program. The company finances the program through two measures. It collects funds from ratepayers through a public purpose charge that is based on the ETO's program budget with the use of a deferral account for balancing purposes. Cascade also provides 0.75 percent of its revenues from residential and commercial customers to the ETO as public purpose funds. Presently the company records these public purpose funds above the line as an operating expense. In its next general rate case, Cascade will propose to remove these funds from operating expenses and increase its public purpose charge to reflect its actual costs for public purpose funding.

II. CASCADE'S MOTION

By motion filed August 16, 2012, Cascade requests that the Commission modify a provision in Order No. 07-221 to remove the expiration date for its decoupling mechanism and accept its proffered "demonstration of current earnings" (attached to its motion labeled "Adjusted Statement of Operations and Rate of Return for the Twelve Months Ended 12/31/11") in lieu of the requirement of a general rate case for

continuation of the decoupling mechanism. Cascade further requests that the Commission clarify that the Company is authorized to continue its decoupling mechanism originally established in docket UG 167.

As authority for its motion, Cascade cites ORS 756.568, which provides that the Commission may "at any time" amend its orders, upon proper notice and opportunity to be heard. Cascade served its notice on the service list in UG 167.

Cascade styled its filing as a motion in docket UG 167. Given the substance of the Company's filing, the Commission assigned this matter its own docket – docket UG 224.

III. STAFF'S REPLY

The Commission Staff filed a reply in opposition to Cascade's motion on August 31, 2012. Staff proposes that the Commission extend the life of the decoupling mechanism for six months while Staff and interested parties investigate Cascade's request in a formal proceeding. Staff states that both the Citizens' Utility Board of Oregon and the Northwest Industrial Gas Users support its position.

In its reply, Staff cites Order No. 07-221 in docket UG 173, an investigation into Cascade's earnings, where the Commission approved a stipulation that included the condition that "the public purpose funding provided by Cascade * * * shall be reflected as an operating expense for ratemaking and revenue sharing purposes." Presumably Staff cited that language to signal a possible concern with Cascade's indication that in its next general rate case it will propose to remove those funds from operating expenses and assign them to its public purpose charge.

Staff states that parties require time to review and investigate Cascade's request. To maintain the status quo during that investigation, Staff recommends that the Commission extend the existing decoupling mechanism, related tariffs, and associated ETO funding until March 31, 2013. Staff further requests the Commission direct Cascade to file tariffs to comply with the order granting the extension, to be effective for the period October 1, 2012, through March 31, 2013.

IV. RESOLUTION

Staff's concerns are well founded. Although the decoupling mechanism may stand on its own, it is part of an overall regulatory construct that was adopted and modified in several proceedings. Parties should be allowed to evaluate Cascade's proposal in that larger context.

We adopt Staff's recommendations. We designate docket UG 224 as the proceeding wherein parties will be able to evaluate and investigate Cascade's proposal. We extend the life of the decoupling mechanism to March 31, 2013, pending further order, along with all related tariffs and associated ETO funding.

V. ORDER

IT IS ORDERED that:

1. Order No. 07-221 is modified to extend the decoupling mechanism of Cascade Natural Gas Corporation through March 31, 2013;
2. An investigation shall be conducted to examine the request by Cascade Natural Gas Corporation to remove the termination date of its decoupling mechanism.
3. Cascade Natural Gas Corporation shall file tariffs consistent with this order to be effective for the period October 1, 2012, through March 31, 2013.

Made, entered, and effective SEP 28 2012.

COMMISSIONER ACKERMAN WAS
UNAVAILABLE FOR SIGNATURE

Susan K. Ackerman
Chair



John Savage
John Savage
Commissioner

Stephen M. Bloom
Stephen M. Bloom
Commissioner

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.