

ORDER NO. 16 389

ENTERED OCT 18 2016

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 320

In the Matter of

CASCADE NATURAL GAS
CORPORATION,

Updates Schedule 192, Intervenor Funding
Adjustment Rates.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at our October 18, 2016 Special Public Meeting, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

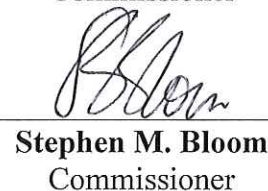
Dated this 18 day of October, 2016, at Salem, Oregon.



Lisa D. Hardie
Chair



John Savage
Commissioner



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 Circuit Court for Marion County in compliance with ORS 183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 18, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2016

DATE: October 9, 2016

TO: Public Utility Commission

FROM: Mitchell Moore *MP m*

THROUGH: *F* Jason Eisdorfer and Marc Hellman *M*

SUBJECT: CASCADE NATURAL GAS CORP: (Docket No. UG 320/Advice No. O16-07-02) Updates schedule 192, Intervenor Funding Adjustment.

STAFF RECOMMENDATION:

Staff recommends that Cascade Natural Gas Corp's filing (Cascade or Company) be approved, and the associated tariff be allowed to go into effect on November 1, 2016.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request to update the rate increments in its Schedule No. 192, Intervenor Funding Grants - Oregon, to reflect currently deferred account balances in accordance with Order No. 07-397, which requires the costs associated with intervenor funding be allocated to the customer class on whose behalf the intervenor is acting.

Applicable Law

The Commission has authorized Cascade to enter into intervenor funding grant agreements.¹ Under ORS 757.072(4) and ORS 757.259(3), the Commission shall allow utilities that enter into such agreements to defer costs of the grants for later inclusion in rates. Utilities may amortize these deferred costs into rates under ORS 757.259(5). In accordance with ORS 757.259(3) and ORS 757.072, the amortization of amounts deferred under ORS 757.259(3) is not subject to an earnings review, but is subject to a prudence review.

¹ See Order No. 07-332 (Authorizing Cascade to enter into Intervenor Funding Agreement), and Order No. 12-452 (Commission approving a second amended and restated Intervenor Funding Agreement that extends intervenor funding until December 31, 2017.)

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These currently deferred intervenor costs were most recently approved by Order No.15-307 (Docket No. UM 1336(8)).

Discussion and Analysis

For the upcoming November 1, 2016, through October 31, 2017, period (2016/2017 PGA Year), Cascade proposes to adjust rates to recover approximately \$75,995 of deferred expenses from residential customers, and to recover approximately \$52,976 from commercial customers. These amounts represent outstanding deferred balances that result from the addition of intervenor funding expenses incurred and the balances remaining from the reconciliation of the estimated and actual amortization amounts for the 2014/2015 PGA Year.

Because the deferral and recovery of these amounts are authorized by statute, Staff's prudence review is focused on verification of the accounting methodology used to determine the final amortization balance. Staff reviewed Cascade's application and supporting workpapers to determine whether the amortized amounts reconcile with the previous year balances, are consistent with Intervenor Funding grants that were paid by the Company, that interest was applied correctly, and that the proposed rate increments are applied correctly.

Deferred intervenor fund expenses for residential customers are accounted for in Account 1862.20443, and those expenses assigned to industrial customers are accounted for in Account 1860.20448. The balancing account amounts were calculated as shown in the tables on the following page.

	Residential Account 1862.20443	
1	New Intervenor Funding Expense to be amortized	\$ 73,737
2	Residual Balance from 2015/2016 PGA Year	120
3	Total Deferred Balance to be amortized before revenue sensitive adjustment	73,857
4	Revenue Sensitive Factor	2.618%
5	Total Deferred Balance to be amortized adjusted for revenue sensitive factors	75,790

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	Industrial Account 191724	
2	New Intervenor Funding Expense to be amortized	51,651
4	Residual Balance from 2015/2016 PGA Year	114
7	Total Deferred Balance to be amortized before revenue sensitive adjustment	\$ 51,765
8	Revenue Sensitive Factor	2.856%
9	Total Deferred Balance to be amortized adjusted for revenue sensitive factors	\$ 53,244

Cascade's proposed changes will increase the residential amortization rate from the current rate of \$0.00102 to \$0.00191 per therm, an 87 percent increase. The current industrial amortization rate of \$0.00006 will increase to (\$0.00131) per therm, resulting in a 2083 percent increase. The total change in revenue for residential and industrial combined is approximately \$85,961. Individually, the residential class contributes \$35,411, and the industrial class contributes \$50,550, to the revenue adjustment for this filing.

Conclusion

After a review of Cascade's updated proposal and associated workpapers, Staff finds that Cascade's accounting, including the application of interest, is accurate. Staff also finds that the proposed rate increments are calculated correctly. For these reasons, Staff recommends the Commission approve this filing.

The Company has reviewed Staff's public meeting memo and is in agreement with Staff's summary.

PROPOSED COMMISSION MOTION:

Approve Cascade's filing with the associated tariffs to take effect for service on and after November 1, 2016.

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