

ORDER NO. 24-224

ENTERED Jul 10 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1557(15)

In the Matter of

CASCADE NATURAL GAS
CORPORATION,

Request for Reauthorization of Deferred
Accounting for Costs Related to the
Company's Conservation Alliance Plan
(CAP).

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 9, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey
Chief Administrative Law Judge



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.

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A deferral may be authorized under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application.

OAR 860-027-0300 specifies the required contents of an application for deferred accounting, including a description of the expense or revenue for which deferral is requested, the basis for the request, the accounts proposed for recording the amounts to be deferred, an estimate of the amounts to be recorded in the deferred account, and a copy of the notice of the application for deferred accounting.

Analysis

Background

In Order No. 06-191, the Public Utility Commission of Oregon approved the CAP for Cascade, which includes a decoupling mechanism, deferred accounting, a public purpose charge, Company funding for conservation, and provisions governing the use of the Energy Trust of Oregon (ETO).

Since its adoption, the Commission has made adjustments to the CAP and its various components and conditions over time. Cascade makes this filing pursuant to ORS 757.259 and OAR 860-027-0300(4) requesting reauthorization to defer the changes in margin due to conservation and variances from normal weather for its decoupling mechanism in CAP Schedule 193.

The Commission has authorized Cascade to defer these amounts in previous years, most recently in Order No. 22-394, for the 12-month period beginning January 1, 2022, at the Public Meeting held on October 25, 2022.

Cascade Natural Gas Corporation submitted an Application for Reauthorization to defer variances in its collection of distribution margin due to conservation and weather. Such deferral entries will be consistent with the parameters outlined in the Company's Rule 19, Conservation Alliance Plan (CAP).

Reason for Deferral

The CAP mechanism minimizes both the frequency of rate changes and the fluctuation of rate levels pursuant to Subsection (2)(e) of ORS 757.259.

Proposed Accounting

The Company proposed deferrals will be recorded in a sub-account of FERC Account 186 (Miscellaneous Deferred Debits).

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Description of Expense

Under- or over-collections of margins due to conservation or extreme weather, consistent with the procedures outlined in the Company's CAP Rule 19, which was most recently approved by the Commission in Docket ADV No. 1071.

According to the provisions in the Company's Rule 19, 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.

Estimate of Amounts

The Company cannot accurately estimate the variances in collections due to conservation and weather.

The Amount Deferred Last Year

	CAP Residential Weather	CAP Residential Conservation
	<u>Acct 1862.20482</u>	<u>Acct 1862.20483</u>
Deferred balance as of September 2023	(\$527,739.64)	(\$579,484.24)
	CAP Commercial Weather	CAP Commercial Conservation
	<u>Acct 1862.20484</u>	<u>Acct 1862.20485</u>
Deferred balance as of September 2023	(\$219,337.80)	(\$729,085.21)

The Interest Rate to Be Applied to Accounts.

The deferred balance accrues interest at the rate of 7.071 percent. The amortized balance will accrue interest at the rate of 1.82 percent through October 2023. Beginning November 2023, the amortized balance will accrue interest at the rate of 5.13 percent.

An Estimate of the Upcoming PGA-Period Deferral and/or Amortization

Cascade is unable to estimate the amount it will defer during the next PGA cycle. The Company's intent is to amortize the total amount that is deferred.

Information Related to Future Amortization

- Earnings Review – The Commission has historically relied on the results of the annual Spring Earnings Review to determine whether Cascade must share overearnings. As this deferral is related to the conservation of natural gas resources, an earnings test is not applied, and the amortization of the correctly calculated costs has always been approved.

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- Prudence Review – The prudence review should consist of a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – See “Earnings Review” above.
- Rate Spread/Design – The amortization amount will be spread as specified by Cascade’s Rule 19 – CONSERVATION ALLIANCE PLAN MECHANISM.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year.

Conclusion

As the Company’s application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is still valid, Staff recommends the Commission approve Cascade’s application. For the reasons discussed earlier in this memo, Staff recommends the Commission authorize deferred accounting for the 12-month period beginning January 2024.

The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Cascade’s application to defer amounts collected through the CAP for the 12-month period beginning January 1, 2024.

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