

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 502

In the Matter of

CASCADE NATURAL GAS
CORPORATION,


Advice No. O24-07-06, Schedule 220,
Climate Protection Program Cost Recovery
Adjustment.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED WITH MODIFICATIONS

This order memorializes our decision, made and effective at our October 29, 2024 Special Public Meeting, to adopt Staff's recommendation in this matter, modified to limit amortization of brokerage fees to the proportional amount attributable to this year. We open an investigation for the purpose of directing Cascade to file a tariff in compliance with this order. The Staff Report with the recommendation is attached as Appendix A.

Made, entered, and effective Oct 30 2024.



Megan W. Decker
Chair



Letha Tawney
Commissioner



Les Perkins
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.

ITEM NO. CA11

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 29, 2024**

REGULAR **CONSENT** X **EFFECTIVE DATE** November 1, 2024

DATE: October 3, 2024

TO: Public Utility Commission

FROM: Ted Drennan

THROUGH: Scott Gibbens, Anna Kim, and Curtis Dlouhy **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. UG 502/Advice No. O24-07-06)
Climate Protection Program Cost Recovery.

STAFF RECOMMENDATION:

The Oregon Public Utility Commission (Commission) should approve Cascade Natural Gas Company's (Cascade or Company) proposed Schedule 220 tariff, as described in Docket No. UG 502, effective for service rendered on and after November 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request to establish Schedule 220 to recover costs incurred to comply with the requirements established by the Oregon Department of Environmental Quality ("DEQ") in OAR Chapter 340, Division 271, the Oregon Climate Protection Plan (CPP).

Applicable Rule or Law

ORS 757.205(1) states that a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. The Commission reviews tariffs filed under ORS 757.205 and ORS 757.210 to determine whether they are fair, just, and reasonable.

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ORS 757.220 requires that filings that make any change in rates, tolls, charges, rules, or regulations be filed with the Commission at least 30 days before the effective date of the change.

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.

Commission Order No. 08-263, modified by Order No. 10-279, sets out the interest rate to use for deferral accounts and the interest rate to use when such amounts are amortized.

Analysis

Background

Oregon's DEQ established the CPP, which became effective in 2022. This program was in effect until December 2023 when the Oregon Court of Appeals invalidated the program following challenges to it by multiple parties.

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The Company is seeking to recover approximately \$6 million in deferred costs, on an equal cents per therm rate of \$0.04286. This will apply to rate schedules 101, 104, 105, 111, 163, 170, and 880. The deferred amount includes accrued interest and a revenue sensitivity adjustment.

There are 83,724 customers impacted by the Company's request. The following table from the application provides the average impact by rate class.

Customer Class	Current Monthly Bill	Proposed Monthly Difference	Proposed Bill Impact
Residential (Sch. 101)	\$72.07	\$2.44	3.39%
Commercial (Sch. 104)	\$274.89	\$10.97	3.99%
Industrial Firm (Sch. 105)	\$1,764.53	\$72.09	4.09%
Large Volume (Sch. 111)	\$14,453.56	\$649.24	4.49%
Interruptible (Sch. 170)	\$49,034.39	\$2,305.14	4.70%
Distribution (Sch. 163)	\$10,812.20	\$5,357.03	49.55%

Prior to invalidation, Cascade spent monies on CPP compliance in 2022 and 2023 that this filing would recover. These costs included purchase of renewable thermal credits (RTCs) brokerage fees associated with the RTC purchases, legal and consulting expenses, as well as incremental labor costs.

In Order No. 23-20 the Commission allowed deferral of CPP compliance costs for the 12 months beginning September 30, 2022, in UM 2257.¹ The second year deferral of costs was approved by the Commission in Order 24-292 issued August 28, 2024².

Staff reviewed the costs associated with the deferral and proposed for amortization. This included Staff's review of materials submitted related to the consulting expense; Staff found the technical training materials and presentations succinctly laid out the

¹ See In the Matter of CASCADE NATURAL GAS CORPORATION, Application for Authorization to Defer Cost of Compliance with the Climate Protection Plan (CPP), Docket No. UM 2257, Order No. 23-20 June 30, 2023.

² See In the Matter of CASCADE NATURAL GAS CORPORATION, Application for Authorization to Defer Cost of Compliance with the Climate Protection Plan (CPP), Docket No. UM 2257(1), Order No. 24-292 August 28, 2024.

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requirements of the Oregon program for the Company.

Costs associated with Energy Analysis reports for the Company's transport customers were also incurred. The reports at issue here were for reports developed while the CPP was still in force. Staff believes the reports were appropriate at the time developed and does not have issues with the recovery of those costs.

The Company also purchased RTCs to meet CPP requirements. Staff examined these costs and found them in line with RNG costs seen in other dockets. Staff also examined costs in the D3 renewable identification number (RIN) market³ and found the RTC costs compared reasonably well with the D3 costs. Staff examined the costs associated with the brokerage fees charged for the RTCs. These are front-loaded; the overall costs are reasonable.

Three Percent Test

The overall rate impact of Cascade's filing is approximately 5.42 percent, given the gross revenue of \$115,075,536 and recovery requested of \$6,003,223, which obviously exceeds three percent. However, given rate changes in other PGA-related dockets filed at the same time, the overall annual net increase when considering all filings is less than three percent.⁴ See Staff's discussion of the rate impacts and reasoning for approval in Docket No. UG 491/Advice No. O24-07-02 and Docket No. UG 494/Advice No. O24-07-05.

Conclusion

Staff finds that the Company appropriately accounted for costs associated with CPP compliance. These costs are reasonable, and the overall net impact on rates passes the three percent test, even if the individual costs here do not. Staff recommends approval of Cascade's Advice No. O24-07-06, establishing its Schedule 220 rates for service rendered on or after November 1, 2024.

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

³ RINs are credits used for compliance and are the "currency" of the Renewable Fuel Standard (RFS) program.[1] Under the program renewable fuel producers generate the RINs which market participants may trade. Those with obligations may retire the RINs, similar to the approach with Renewable Energy Credits (RECs). The D3 RIN market [GS*P1] [DT*P2] is seen as "the type of RNG the majority of resources[2]" Cascade would purchase for carbon compliance.

⁴ In the Matter of CASCADE NATURAL GAS CORPORATION, Advice No. O24-07-02, Reflects changes to the Purchased Gas Adjustment (PGA) Tariff, Schedule 177 and Schedule 191 Temporary Gas Cost Rate Adjustment, initial application. The overall rate impact is 2.05 percent shown on page 4.

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PROPOSED COMMISSION MOTION:

Approve Cascade Natural Gas Company's proposed Schedule 220 tariff, as described in Docket No. UG 502, effective for service rendered on and after November 1, 2024.