

ORDER NO. 24-377

ENTERED Oct 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 2230(2)

In the Matter of

CASCADE NATURAL GAS  
CORPORATION,

Application for Reauthorization to Defer  
Costs and Revenues Associated with  
House Bill 2475 Energy Affordability Act.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its Special Public Meeting on October 29, 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.

ITEM NO. CA12

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

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

**DATE:** October 9, 2024

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Caroline Moore, Scott Gibbens, Anna Kim, and Ted Drennan **SIGNED**

**SUBJECT:** CASCADE NATURAL GAS:  
(Docket No. UM 2230(2))  
Reauthorization for Deferred Accounting Treatment of Energy Discount  
Program Costs and Revenues associated with the Energy Affordability Act  
Oregon House Bill 2475.

**STAFF RECOMMENDATION:**

Staff recommends that the Oregon Public Utility Commission (the Commission) approve Cascade Natural Gas Corporation's (Cascade or Company) application to defer incremental and administrative costs and revenues associated with implementation of the Company's Energy Discount Program (EDP) under House Bill (HB) 2475 for the 12-month period beginning on October 1, 2024, subject to accrual of interest at the modified blended treasury (MBT) rate for amortized balances, and maintaining a separate account to track and defer incremental administrative costs associated with the EDP under HB 2475.

**DISCUSSION:**

Issue

Whether the Commission should approve Cascade's application to defer costs and revenues associated with implementation and administration of the Company's EDP under HB 2475, otherwise known as the Energy Affordability Act.

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### Applicable Law

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

ORS 757.230, as amended by 2021's HB 2475, provides the Commission the authority to take certain considerations into account when determining a comprehensive classification of service for each public utility; including, the quantity used, the time when used, the purpose for which used, the existence of price competition or a service alternative, the services being provided, the conditions of service, differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers. Section 7 of HB 2475, codified at ORS 757.695(1), provides that in addition to comprehensive classifications, tariff schedules, rates and bill credits, the Commission may address the mitigation of energy burdens through bill reduction measures or programs such as demand response or weatherization.

### Analysis

#### *Background*

On January 31, 2022, Cascade filed a request for authorization to defer costs and revenues associated with implementation and administration of 2021's HB 2475 for the 12-month period beginning on March 1, 2022. The Company stated its intent to file a proposal for a bill discount program for eligible residential customers, which it did on June 1, 2022, in ADV 1409. Cascade requests authorization to defer the costs for administering such a bill discount program in the deferral account along with the revenue received to fund the program.

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This deferral was first authorized for the 12 months beginning October 1, 2022, per Order No. 22-287. In Order No. 23-414, the deferral was re-authorized for the 12 months beginning October 1, 2023.

Staff notes that the Company's intent is to track the costs associated with EDP benefits and administration to be contemporaneously recovered in its annual, Schedule 37, EDP Cost Recovery filing. Thus, on August 1, 2024, and in accordance with ORS 757.259(2)(e), and OAR 860-027-0300(4), Cascade filed this application for reauthorization.

Staff clarifies that the costs included in this deferral are only those incurred pursuant to HB 2475, which authorizes the Commission to approve rate mitigation measures or programs. The Company has been tracking separately the administrative costs of this program as required by the Commission and will continue to do so following this re-authorization.

*Reason for Deferral*

The Company requests reauthorization to defer the costs and revenues associated with its EDP, on the basis that the deferral will minimize the frequency of rate changes, or the fluctuation of rate levels and match the costs borne by and benefits received by ratepayers.

*Proposed Accounting*

Cascade proposes to record the deferral amount as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets).

*Description of Expense*

Cascade requests reauthorization to defer the incremental costs and revenues associated with offering service to qualified low-income residential customers on Schedule 36, Energy Discount Program, and collecting forecasted program costs per Schedule 37, Energy Discount Program Cost Recovery.

*Estimate of Amounts*

Cascade collects the forecasted budget on Schedule 37, EDP Cost Recovery, while at the same issuing EDP discounts on Schedule 36, EDP. Therefore, Cascade estimates the deferred expense and revenue for the 12-month period beginning November 1, 2024, to be near net zero based on costs and revenues experienced in the first program year.

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*Information Related to Future Amortization*

- Earnings Review – No earnings review will be applied to these deferral amounts due to the type of expenses being deferred. Note the MBT is used as the interest rate on the amortized amount.
- Prudence Review – A prudence review will be performed when updating the amounts for amortization as part of the- annual EDP Cost Recovery filing.
- Sharing – All prudently incurred costs are recoverable by Cascade with no sharing mechanism.
- Rate Spread/Design – Costs will be allocated when reviewing the annual EDP Cost Recovery filing.
- Three Percent Test (ORS 757.259(6)) – The three percent would not apply because of the annual EDP Cost Recovery filing.

Conclusion

Staff recommends the Commission authorize Cascade to defer all costs and revenues incurred to implement and administer the EDP under HB 2475, subject to the following conditions:

1. Incremental administrative costs will be separately deferred and tracked for later ratemaking.
2. Deferred balances will accrue interest at the Company's effective authorized rate of return and amortized balances will accrue interest at the modified blended treasury (MBT) rate.

The Company has reviewed a draft of this memo and voiced no concerns.

**PROPOSED COMMISSION MOTION:**

Approve Cascade's application to defer incremental costs and revenues associated with implementation and administration of the EDP under HB 2475 for the 12-month period beginning October 1, 2024. Require Cascade to establish a separate account to track and defer incremental administrative costs associated with the EDP under HB 2475.