

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2338

In the Matter of

CASCADE NATURAL GAS
CORPORATION,

Application for Deferral of Renewable
Natural Gas Program Costs and Revenues.

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. CA13

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

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A**

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 2338)
Authorization to Defer Costs related to Voluntary Renewable Natural Gas
Costs and Revenues, Schedule 805.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Cascade Natural Gas Corporation's (Cascade or Company) application for authorization to defer costs related to Voluntary Renewable Natural Gas Costs and Revenues, Schedule 805, for the 12-month period beginning November 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request for authorization to defer Costs related to Voluntary Renewable Natural Gas Costs and Revenues associated with the PGA mechanism for the 12-month period beginning November 1, 2024.

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

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frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

ORS 757.259(2)(e).

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. 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).

Amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review. A review of the utility's earnings is required, unless subject to an automatic adjustment clause. With some exceptions, a company's amortization of amounts deferred cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

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

Cascade filed this deferral application on July 31, 2024, for authorization to recognize Voluntary RNG Program revenues and expenses in deferred balance sheet accounts with no resulting impact on the income statement. This application was filed concurrently with Advice Filing O24-07-01, seeking approval for proposed Schedule 805.

The Company plans to periodically revise the Schedule 805 block charge for renewable natural gas to true up the difference in revenues and expenses. By using deferred accounting for revenues and expenses, and truing-up the block rate as needed, the Company states that it will ensure it recovers all costs from participating customers.

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Reason for Deferral

Deferred accounting minimizes both the frequency of rate changes and the fluctuation of rate levels pursuant to subsection (2)(e) of ORS 757.259.

Proposed Accounting

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

Description of Expense

The expenses are related to the Company's renewable natural gas activities. The Company plans to periodically revise the Schedule 805 block charge for renewable Natural Gas Costs and Revenues.

Estimate of Amounts

The Company does not have a good estimate of the costs it will defer other than that the costs of the RTCs deferred will correspond to the number of voluntary offsets purchased as well as the revenue from Schedule 805.

Information Related to Future Amortization

- Earnings Review – Prior to amortization, an annual spring earnings review will be conducted pursuant to OAR 860-022-0070.
- Prudence Review – Prior to amortization, a prudence review will be conducted. The review should include verification of the accounting methodology used to determine the final amortization balance.
- Rate Spread/Design – Rate spread/design would be as approved for Schedule 805.
- 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

Based upon review of Cascade's application, Staff concludes that the proposed request represents an appropriate use of deferred accounting under ORS 757.259.

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In future filings for this program, Staff encourages the Company to provide greater detail regarding its renewable natural gas activities. That will allow for a more efficient review and reduce regulatory costs.

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

PROPOSED COMMISSION MOTION:

Approve Cascade's application for authorization to defer costs related to Voluntary Renewable Natural Gas Costs and Revenues, Schedule 805, associated with the PGA mechanism for the 12-month period beginning November 1, 2024.

Cascade Natural Gas UM 2338