

ORDER NO. 25-058

ENTERED Feb 19 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1558(13)

In the Matter of

CASCADE NATURAL GAS
CORPORATION,

Application for Reauthorization for
Deferred Accounting Treatment of Gas
Costs.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on February 18, 2025, 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. CA8

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 18, 2025**

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

DATE: January 28, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: CASCADE NATURAL:
(Docket No. UM 1558(13))
Reauthorization for Deferred Accounting Treatment of Gas Costs

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Cascade Natural Gas Company's (Cascade, CNG, or the Company) application for Reauthorization for Deferred Accounting Treatment of Gas Costs, for the 12-month period beginning November 1, 2024.

DISCUSSION

Issue

Whether the Commission should approve Cascade's request for reauthorization to record and defer costs related to Accounting Treatment of Gas Costs for the 12-month period beginning November 1, 2024

Applicable Law

Due to the fluctuation of the wholesale price of natural gas, the PGA mechanism was established by Commission Order No.89-1046 to enable utilities to pass on to customers actual gas costs while minimizing the frequency of rate changes and the fluctuation of rate levels in accordance with ORS 757.259(2)(e). Under the PGA mechanism and pursuant to ORS 757.259(4), the Commission may authorize utilities to defer actual purchased gas costs for a 12-month period.

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The difference between the actual gas costs and the cost charged to ratepayers is amortized and passed through into rates if the utility's earnings are not excessive as defined by OAR 860-022-0070.

OAR 860-027-0300 specifies the required contents of an application for deferred accounting. This includes: 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 accordance with ORS 757.259 and OAR 860-027-0300(4), Cascade Natural Gas Corporation files this application with the Public Utility Commission of Oregon for an order reauthorizing the Company to record and defer with interest the difference between actual and embedded commodity and non-commodity costs, in accordance with the parameters established in the Company's Schedule 177, Purchased Gas Adjustment Provision, for the twelve month period beginning November 1, 2024, and ending October 31, 2025.

Reason for Deferral

According to the Company, due to the volatility of the price of gas purchased for customer use, the associated costs are difficult to establish with any degree of certainty. This volatility makes the use of deferral accounting necessary.

Description for expenses

Reauthorization will continue deferred gas cost differences as will explained on currently in Purchase Gas cost Adjustment (PGA)

Estimate of Amounts

Because of market fluctuations, it is impossible to estimate with any accuracy the amount that would be recorded in the deferral accounts during the 12-month period.

However, Company provided a description for entries into deferred accounts over the last three years.¹

¹ See, Appendix A of the Company's Application dated August 30, 2024.

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- The amount deferred last year

	Commodity	Demand
	<u>Acct 01272</u>	<u>Acct 01273</u>
Deferral balances through July 31, 2024	\$3,756,220.48	(\$1,656,764.57)

- The amount amortized last year

	Consolidated
	<u>Acct 01287</u>
Amortized amounts with interest from November 1, 2023, through July 31, 2024	(\$22,822,618.88)

Proposed Accounting

The Company proposes to continue deferring gas cost differences into Account No. 191 for distribution to or collection from customers at a later date consistent with the established PGA methodology. Gas cost differences will be separated between demand-related cost differences and commodity-related cost differences.

Information Related to Future Amortization

- Earnings Review – An earnings review applies to this category of costs.
- Prudence Review – For amortization, a prudence review will be conducted relating to the purchase price and timing of natural gas purchases.
- Sharing – The Company makes a sharing election for each PGA year. Based on the election, a percentage of the difference between actual commodity costs and the commodity costs collected from customers will be deferred. Cascade will absorb the remaining percentage. The commodity portion of purchased gas costs differences include purchasing natural gas, the variable cost of transporting the gas from the supply basin to the city gate, the benefits received from storage optimization, off-system sales, and other miscellaneous costs or benefits. One hundred percent of the demand portion of purchased gas cost differences will be deferred. The demand portion includes fixed pipeline costs, capacity releases, and miscellaneous pipeline related refunds or surcharges.

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- Rate Spread/Design – Prudently incurred gas costs differences that have been correctly accounted for should be developed into a rate per therm based on estimated usage for the upcoming PGA year.
- Three Percent Test (ORS 757.259(6)) – The three percent test applies for amounts subject to amortization.

Conclusion

Staff recommends the Commission authorize Cascade's application for Reauthorization for Deferred Accounting Treatment of Gas Costs for the 12-month period beginning November 1, 2024.

Cascade has reviewed this memo and agrees with its contents

PROPOSED COMMISSION MOTION:

Approve Cascade Natural Gas's Application for Reauthorization for Deferred Accounting Treatment of Gas Costs for the 12-month period beginning November 1, 2024, through October 31, 2025.

Cascade Natural Gas UM 1558(13)