

ORDER NO. 25-062

ENTERED Feb 19 2025

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 2257(2)

In the Matter of

CASCADE NATURAL GAS  
CORPORATION,

Application for Reauthorization to Defer  
Cost of Compliance with the Climate  
Protection Plan (CPP)

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.



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*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.<sup>1</sup>*

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).

In Order No. 05-1070, Docket No. UM 1147, the Commission determined that interest may accrue on deferred accounts at the authorized rate of return until amortization. Subsequent orders in Docket No. UM 1147 establish the rate during amortization. See Order Nos. 08-263 and 10-279.

## Analysis

### *Background*

The Company filed its first Application defer costs of compliance associated with the CPP on September 30, 2022. The Commission approved the Company's request in Order No. 23-230. The Company asked to re-authorize the deferral on October 13, 2023, and the Commission approved the Company's request in Order No. 24-292.

The CPP was invalidated by the Oregon Court of Appeals in December 2023 based on process technicalities. The DEQ adopted rules implementing a replacement mitigation program in November 2024. The DEQ's new emission reduction targets were made effective January 2025.

The deferral period includes the first nine months of 2025, which is after DEQ's new CPP became effective, and three months of 2024, which is prior to the effective date of the new CPP. Staff considered whether it is appropriate for Cascade to defer CPP costs incurred after October 1, 2024, and before January 2025. As with Cascade's previous deferrals of emission-control related costs, Staff believes that there continue to be compelling reasons to allow the Company to continue to track costs incurred after the CPP was invalidated and before the successor rules went into effect.

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<sup>1</sup> ORS 757.259(2)(e).

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Staff also highlights that many of the costs that the Company sought to defer in its application, such as the purchase of CCIs, were not needed or incurred during the deferral period, and other costs, such as EE investments, have broad benefits that the Company should pursue even without a deferral.

Staff continue to recommend that the Company be authorized to track and defer CPP costs. Whether or not the costs are recoverable will be handled separately.

*Reason for Deferral*

Cascade's deferral request is to record its direct CPP costs as well as including planning activities to determine how Cascade will comply with the CPP and based on those activities, take actions to lower its covered emissions.

*Description for expenses*

The expenses included costs of consultants, incremental employees, compliance instruments, certain RNG costs, and emission allowances purchases.

*Proposed Accounting*

The Company proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets), crediting FERC Account 407.4 (Regulatory Credits). The Company will accrue interest on this deferral account at its authorized rate of return in compliance with Commission Order No. 06-507

*Estimate of Amounts*

The Company's current deferral balance through July 2024, is \$7,724,176.

Cascade states that it is difficult to estimate compliance costs given that the CPP rules have not been finalized.

*Information Related to Future Amortization*

- Earnings Review – Cost Recovery for costs associated with the costs of compliance with the Climate Protection Plan will be subject to an earnings review in accordance with ORS 757.259(5).
- Prudence Review – Will be performed by the OPUC Staff no later than the proceeding to authorize amortization of the costs associated with the costs of compliance with the Climate Protection Plan.
- Sharing – Staff makes no recommendation at this time regarding sharing.

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- Rate Spread/Design – Will be determined during the proceeding to authorize amortization of the costs associated with the deferral.
- Three or Six Percent Test (ORS 757.259(6)(7)(8)) – Amortization of the deferred costs will be subject to a three percent test in accordance with ORS 757.259(7) or possible six percent test in accordance with ORS 757.259(8) and with Commission authorization. These tests limit aggregated deferral amortizations during a 12-month period to no more than three or six percent of the utility's gross revenues for the preceding year.

### Conclusion

The Company's application meets the requirements of OAR 757.259 and OAR 860-027-0300, and the Commission's discretionary criteria. Staff believes it is reasonable to approve the deferral. This is consistent with the Staff recommendation in the last Cascade deferral request, which the Commission approved, and the implementation of the replacement CCP.

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

### **PROPOSED COMMISSION MOTION:**

Approve Cascade's application for authorization to defer CPP compliance costs for the twelve-month period beginning on October 1, 2024.

CNG UM 2257(2) CPP Deferral