

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1558(14)

In the Matter of

CASCADE NATURAL GAS  
CORPORATION,

Application for Reauthorization to Defer  
Costs Associated with Accounting  
Treatment of Gas Costs.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on December 9, 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:



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**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. CA3

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 9, 2025**

**REGULAR** \_\_\_\_\_ **CONSENT**   X   **EFFECTIVE DATE** \_\_\_\_\_ **N/A**

**DATE:** November 25, 2025

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

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

**SUBJECT:** CASCADE NATURAL GAS:  
Docket No. UM 1558(14)  
Reauthorization to Defer Costs Associated with 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, 2025.

**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, 2025.

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 October 31, 2025.

In addition, the Company Attached as Appendix B a copy of the notice and the certificate of service verifying the notice was served at parties to the Company's most recent general rate case, UG-390. Thus, beginning a new PGA-period for the 12-month period.

#### *Description of the Expenses*

The Company's expenses refer to gas costs differences as set forth currently in Purchase Gas Cost Adjustment (PGA) Provision Schedule No. 177.

#### *Proposed Accounting*

The differences have been accumulated in subaccounts of 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.

#### *Reasons for Deferral*

According to the Company, the PGA mechanism established in Order 89-1046, allows for minimizing the frequency of rate changes and the fluctuation of rate levels consistent with the authority granted the Commission in ORS 757.259(2)(e).

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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.

*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 at the moment.

However, this filing provides a description and explanation for entries into the deferred accounts over the last three years<sup>1</sup>, including last year's deferrals shown in the next table.

	<b>Commodity</b>	<b>Demand</b>
	<u>Acct 01272</u>	<u>Acct 01273</u>
Deferral balances through July 31, 2025	\$2,315,916.53	(\$2,280,150.41)

*Also, the amortization for the last year is shown in the next table.*

	<b>Consolidated</b>
	<u>Acct 01287</u>
Amortized amounts with interest from November 1, 2024, through July 31, 2025	(\$2,310,488.67)

The following interest rates will be applied to the Company's accounts. The deferred balance accrues interest at the rate of 7.071 percent<sup>2</sup>. The amortized balance will accrue interest at the rate of 5.40 percent through October 2025. Beginning November 2025, the amortized balance will accrue interest at the rate of 5.16 percent<sup>3</sup>.

Regarding an estimate of the upcoming PGA-period deferral and/or amortization, Cascade is unable to estimate the amount it will defer during the next PGA cycle. Nevertheless, the Company's intent is to amortize the total amount it defers.

<sup>1</sup> See Appendix A.

<sup>2</sup> See Authorized Rate of Return as approved in the Company's most recently concluded rate case, Commission Order No. 21-001 in Docket No. UG-390.

<sup>3</sup> See Modified Blended Treasury (MBT) rates per annual staff calculation authorized in Docket Nos. UM 1147 and UG 221.

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*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.
- 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, 2025.

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, 2025, through October 31, 2026.