

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2257(3)

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 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:



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. CA11

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

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

DATE: November 21, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: CASCADE NATURAL:
(Docket No. UM 2257(3))
Requests Reauthorization of Deferred Costs and revenues Associated
with the Climate Protection Program.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Cascade Natural Gas Corporation's (Cascade, CNG, or Company) request for authorization to defer for later ratemaking treatment costs of compliance associated with the Climate Protection Plan (CPP), for the 12-month period beginning October 1, 2025.

DISCUSSION

Issue

Whether the Commission should approve Cascade's application to defer costs associated with CPP compliance expenses.

Applicable Law

ORS 757.259 authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include the following:

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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.¹

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

In December 2021, the Oregon Environmental Quality Commission (EQC) adopted administrative rules implementing the CPP to regulate Green House Gas (GHG) emissions.² The 2021 CPP set a declining limit, or cap, on greenhouse gas emissions from fossil fuels used throughout the state of Oregon, including diesel, gasoline, natural gas and propane, used in transportation, residential, commercial and industrial settings (the program is not inclusive of fossil fuel used in electric generation).³

The DEQ's 2021 rules implementing the CPP were invalidated by the Court of Appeals. In 2025, EQC completed a rulemaking process to reinstate the 2021 CPP with some revisions. Under the 2025 CPP Cascade is a "covered fuel supplier" under the 2021 CPP and is the point of regulation for the emissions associated with natural gas used by its sales and transport customers.

Covered entities' emissions are reported annually through the existing DEQ GHG reporting program and compliance is demonstrated at the end of each three-year compliance period. Cascade may comply with the CPP emissions reduction targets by promoting energy efficiency, replacing some percentage of natural gas sales with renewable natural gas ("RNG") or other low carbon alternative fuels, trading for

¹ ORS 757.259(2)(e).

² OAR 340-271-0010 – 9000.

³ OAR 340-271-0110.

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additional compliance instruments with other covered entities, or purchasing a limited amount of Community Climate Investments (“CCIs”). Since this is a complex program, Cascade may use consultants to guide the Company on how to optimize compliance to CPP.

Cascade has deferred costs to comply with the CPP since 2022. Staff continues to recommend that the Company be authorized to track and defer CPP costs. Whether or not the costs are recoverable, and whether they should be incorporated into general rates rather than recovered through deferral and amortization, will be handled separately.

Reason for Deferral

Cascade is requesting reauthorization to continue deferring the expenses and revenues related to complying with the CPP as this requirement is ongoing in nature.

Description of expenses

The Company is requesting reauthorization to continue deferring the expenses and revenues related to complying with the CPP. Expenses include the costs of consultants, incremental employees, compliance instruments, renewable natural gas (“RNG”) and/or renewable thermal certificates (“RTCs”), other compliance strategies, and emission allowance 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 does not have an estimate of the costs it will incur to comply with CPP during the 12-month timeframe starting October 1, 2025.

Compliance cost deferrals are offset with revenues collected through Schedule 220, Climate Protection Plan (CPP) Cost Recovery Adjustment, minimizing the positive balance in the Deferred Account.

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).

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- 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.
- 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 12-month period beginning on October 1, 2025.