

ORDER NO. 99-762

ENTERED DEC 14, 1999

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 136
UM 949

In the Matter of Cascade Natural Gas)
Corporation's 1999 Gas Cost Tracking and) ORDER
Technical Adjustment Filing (UG 136) and)
Application for Reauthorization of the PGA)
Deferred Account (UM 949).)

DISPOSITION: FILING APPROVED

On October 15, 1999, the Commission received Cascade Natural Gas Corporation's (Company) annual gas cost tracking and technical adjustment filing and an application filed pursuant to ORS 757.259, ORS 757.210 and OAR 860-027-0300, requesting reauthorization of deferrals. The Company requests a waiver of the statutory 30-day notice requirement on revised filings in both dockets.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At a Special Public Meeting on November 30, 1999, the Commission adopted Staff's recommendation to approve the application and the annual filing. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that Cascade Natural Gas Corporation's 1999 Gas Cost Tracking and Technical Adjustment filing (UG 136) and the Company's application for reauthorization to continue deferring certain revenues and expenses (UM 949) are approved, subject to conditions, if any, stated in Appendix A.

Made, entered, and effective _____ .

BY THE COMMISSION:

Vikie Bailey-Goggins
Commission Secretary

A party may request rehearing or reconsideration of this order within 60 days pursuant to ORS 756.561. A party may appeal this order pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 30, 1999**

REGULAR AGENDA X **CONSENT AGENDA** _ **EFFECTIVE DATE** December 1, 1999

DATE: November 18, 1999

TO: Bill Warren through Lee Sparling and Ed Busch

FROM: Judy Johnson

SUBJECT: Cascade Natural Gas Corporation's 1999 Gas Cost Tracking and Technical Adjustment Filing (Docket No. **UG 136** and Advice Nos. CNG/099-10-01 and CNG/099-10-01A), and Application for Reauthorization of the PGA Deferred Account (**UM 949**)

SUMMARY RECOMMENDATION:

I recommend that the Commission approve Cascade Natural Gas Corporation's (Cascade or company) Application to Waive Statutory Notice and allow the proposed tariff sheet in Advice No. CNG/099-10-01A and the tariff sheets (Eleventh Revision of Sheet 177-B, Seventy-Third Revision of Sheet 191, and Thirtieth Revision of Sheet 193) in Advice No. CNG/099-10-01 to become effective with service on and after December 1, 1999.

This filing proposes to: 1) increase net base gas costs by 4.723 cents per therm; 2) amortize various deferred account balances; and 3) reauthorize the Purchased Gas Adjustment (PGA).

DISCUSSION:

On October 15, 1999, Cascade submitted its annual gas cost tracking and technical adjustment filing. This filing consisted of a proposed increase in annual revenues in Advice No. CNG/099-10-01 (docketed as UG 136), effective December 1, 1999. In a concurrent filing docketed as UM 949, Cascade requested reauthorization of deferrals under the company's PGA mechanism. On November 17, 1999, in Advice No. CNG/099-10-01A, Cascade submitted a replacement sheet to correct minor errors in the original filing.

UG 136

With the tariffs in Advice No. CNG/099-10-01 and CNG/099-10-01A, Cascade proposed to increase annual rates effective December 1, 1999, by \$2.1 million or 5.3 percent, as summarized below and shown in Attachment A:

PGA Base Gas Cost Change	\$2,675,815
Removal of 12/1/98 Temporary Increment	770,975
Adding New Temporary Increment	(1,390,103)
Total Proposed Increase	\$2,056,687

The PGA mechanism is specified on Cascade's Tariff Schedule No. 177 and initially became effective November 1, 1989, in compliance with the Commission Order No. 89-1046. The PGA allows the company to adjust tariff schedules annually for known and measurable changes in purchased gas costs and for changes in amortization rates pertaining to the PGA Balancing Account.

Base Gas Cost Change and PGA Commodity Balancing Account Amortization

Cascade's application proposes to increase rates associated with current purchased gas cost levels applicable to Oregon gas operations by \$2,675,815 or 6.9% (Attachment A).

Recently, Canadian pipeline expansions have increased the gas deliverability available to markets other than the Northwest. The greater demand from Chicago and the Midwest has put upward price pressure on Alberta gas prices. As a result, Cascade's Oregon gas supply prices have risen this past year from last year by 4.7 cents per therm. Staff's review of the company's development of demand and commodity cost components of the filing concludes that the increase is acceptable and has been incorporated into Cascade's Seventy-Third Revision Sheet No. 191. Moreover, base commodity gas costs have been appropriately listed on Eleventh Revision Sheet No. 177-B.

The amortization rates for Cascade's PGA Commodity Balancing account (No. 2530-G10113) decrease 0.642 cents per therm as shown on Thirtieth Revision Sheet No. 193.

Deferred Accounting Amortization

Cascade's filing proposes to adjust temporary increments in customer rates related to amortization of deferred accounts. The deferred accounts proposed to be amortized in this application include conventional deferred revenue and gas cost accounts and several small DSM accounts. All of the deferrals subject to amortization were previously authorized by the Commission.

Cascade and the Staff held several discussions about the company's numerous DSM accounts. These accounts, including the company's DSM investment, netted out to a total of \$(342,691) in this filing. The amount is negative because an error was made in a 1998 amortization rate and resulted in too much money being collected from ratepayers.

These accounts were growing larger rather than getting smaller because the annual interest being accumulated in the DSM accounts was greater than the amount being amortized (the interest rate is higher than the amortization rate). Normally, Cascade's DSM costs would be amortized over the average life of the investment. However, Staff and the company have agreed to request the Commission's approval to allow the entire DSM investment balance to be amortized over the next twelve months and take advantage of the large credit that will be returned to ratepayers.

Staff's review of the company's technical adjustments concludes that the proposed amortizations are appropriate. The net effect of the addition of new temporary increments and removal of the current increments (excluding the PGA) decreases annual revenues by about \$0.6 million, or 1.5 percent.

Summary

With these changes, the monthly bill of a typical residential customer using 68 therms per month will increase by \$2.62, or 5.7 percent. A summary of the proposed tariff and revenue changes for Cascade's major rate schedules is shown in Attachment A.

Earnings Review and 3 Percent Test

As a matter of policy, in past years the Commission has conducted earnings reviews for both prospective purchased gas costs changes and PGA-related deferrals. In 1999, the Commission concluded its PGA Investigation in dockets UM 903 and AR 357. Order No. 99-284 issued in Docket No. AR 357 adopted a new rule, OAR 860-022-0070, Procedures and Standards for Reviewing Gas Utility Rates in the Context of the Purchased Gas Adjustment Mechanism. This rule enacted an annual spring earnings review to replace the earnings review related to prospective purchased gas cost changes. In addition, Section (8) of this rule states: "An earnings review will not be applicable to amortization of deferred gas costs if the LDC assumes at least 33 percent of the responsibility for commodity cost differences in the risk sharing mechanism." In 1997, Cascade adopted a 33 percent sharing level and thus is exempt from an earnings review associated with this PGA filing.

ORS 757.259 (6) states that the overall annual average rate impact of the amortizations authorized under the statute must not exceed three percent of the utility's gross revenues for the proceeding calendar year. Cascade's proposed amortizations are below the 3 percent cap and may be implemented as proposed.

UM 949

In this filing, Cascade requests reauthorization of deferrals pursuant to its automatic adjustment clause, the Purchased Gas Adjustment (PGA) mechanism. The PGA allows Cascade to adjust tariffs annually for known and measurable changes in purchased base gas costs and for changes in amortization rates relating to the PGA balancing account.

The information contained in the application is consistent with the requirements of ORS 757.259, 757.210 and OAR 860-27-300. The application states that continued deferral of these cost and revenue differences minimizes the frequency of rate changes and appropriately matches costs borne and benefits received by ratepayers, consistent with ORS 757.259(2)(d). The reasons cited for reauthorization are still valid. Staff recommends the Commission approve the request for reauthorizing the PGA, effective December 1, 1999.

STAFF RECOMMENDATION:

I recommend the Commission take the following action regarding Cascade Natural Gas Corporation's filings:

1. Approve amortization of deferred accounts, base gas cost changes, and rate changes as requested in Docket No. UG 136. Approve Cascade's request for waiver of the 30-day notice requirement and allow the associated tariff sheet (Sub. Twenty-Seventh Revision of Sheet 194) of Advice No. CNG/099-10-01A -- and the tariff sheets of Advice No. CNG/099-10-01 specified below -- to go into effect December 1, 1999.
 - Eleventh Revision of Sheet 177-B
 - Seventy-Third Revision of Sheet 191
 - Thirtieth Revision of Sheet 193
2. Reauthorize deferred accounting for Cascade's Purchased Gas Balancing Account mechanism, Schedule No. 177, for one year beginning December 1, 1999.
3. Allow the entire DSM investment balance to be amortized over the next twelve months beginning December 1, 1999.

Attachment (NOTE: For a copy of the attachment, contact Renee Wallace (503) 378-4372)

cc: Bonnie Tatom
Ray Nuñez

Bill Warren
November 18, 1999
Page 5

ORDER NO. 99-762

Gerry Lundeen
Ed Busch

Bill Warren
November 18, 1999
Page 6

ORDER NO. 99-762

TABLE NOT PROVIDED ELECTRONICALLY.