

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 11, 2018

REGULAR CONSENT EFFECTIVE DATE November 1, 2018

DATE: September 4, 2018

TO: Public Utility Commission

FROM: Mitchell Moore *mpm*

THROUGH: Jason Eisdorfer *JE* and John Crider *JC*

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1336(11)) Requests reauthorization to defer Intervenor Funding Grants.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Cascade Natural Gas Company's (Cascade or Company) request for reauthorization to defer costs related to Intervenor funding grants effective November 1, 2018.

DISCUSSION:

Issue

Whether the Commission should approve Cascade's request for reauthorization to record and defer costs related to Intervenor funding grants effective November 1, 2018.

Applicable Law

This request is made pursuant to ORS 757.259(3) and OAR 860-027-0300, which allows a deferral of expenses provided as financial assistance under an agreement entered into under ORS 757.072 for later incorporation in rates.

ORS 757.072 is the statute that authorizes a utility to enter funding agreements with organizations that represent broad customer interests in Commission proceedings. Once a funding agreement is approved by the Commission, organizations eligible to receive grants under the funding agreement are identified pursuant to OAR 860-001-0120. When a public utility provides financial assistance under a funding

agreement, ORS 757.072(4) states that the Commission must allow a public utility to defer inclusion of the funding provided in rates as provided in ORS 757.259.

A deferral may be authorized under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application.

OAR 860-027-0300 specifies the required contents of an application for deferred accounting, including 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.

Deferral of the costs was originally granted by the Commission in Order No. 07-397 and has been annually reauthorized, most recently by Order No. 17-401.

Discussion and Analysis

Background:

In its Order No. 03-388, the Commission approved an Intervenor Funding Agreement (IFA) between various utilities including Cascade, and several Intervenors including the Citizens' Utility Board of Oregon (CUB), Northwest Industrial Gas Users (NWIGU), and Industrial Customers of Northwest Utilities (ICNU).

In its Order No. 07-221, the Commission approved the stipulation in the matter of MDU Resources Group, Inc.'s application to acquire Cascade. As part of that stipulated agreement, Cascade agreed to join the Intervenor Funding Program established by Order No. 03-388, subject to the same terms and conditions applicable to the other utilities.

Most recently, by Order No. 18-017, the Commission approved an amended and restated IFA that extends Intervenor funding through December 2022. This IFA also provides authority for Intervenors to request an increase in annual funding.

The IFA sets forth the funding amount to be contributed by each utility, the procedures for budget submittals by Intervenors, Commission approval of budgets, and the payment of grants by utilities. It authorizes three funds with different qualification requirements for each. They are the CUB Fund, the Preauthorized Matching Fund, and the Issue Fund.

The IFA also requires the costs of each fund to be allocated to the appropriate customer class. The CUB fund is generated from residential rates, and industrial customers' rates

include an increment to support the Preauthorized Matching Fund (Matching Fund). The Commission allocates amounts related to the Issue Fund to align the costs of advocacy with the intended beneficiaries of the advocacy.

Reason for Deferral:

In accordance with OAR 860-027-0300(4)(b), the Company requests continuation of deferred accounting to recover amounts approved pursuant to ORS 757.072

Proposed Accounting:

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying Intervenor. The proposed funding grant deferrals would be recorded in separate subaccounts of FERC Account 186. The Company would not normally incur the cost of Intervenor funding grants without deferral approval. However, if such costs were incurred they would be recorded in an appropriate sub account of FERC Account 401.

Current Deferral Activity:

In accordance with OAR 860-027-0300(4)(a) Cascade provided the following information regarding the deferral activity to the date of this application. Cascade requested recovery of these deferred amounts concurrent with this year's purchased gas cost adjustment filing.

| Order No. | Docket No. | Fund | Amount | Intervenor |
|-----------|------------|--------------|-----------------|------------|
| 18-003 | UM 1722 | Issue | \$2,757 | NWIGU |
| 18-020 | | CUB Fund | \$39,500 | CUB |
| | | Interest | \$1,280 | |
| | | TOTAL | \$43,537 | |

Estimated Deferrals in Authorization Period:

At the time of its application, Cascade estimated that the maximum deferred amounts during the 12-month period beginning November 1, 2018, will be as shown in the table below.

| Fund | Amount |
|-----------------------------|------------------|
| CUB Fund | \$39,500 |
| Preauthorized Matching Fund | \$37,940 |
| Issue Fund | \$34,500 |
| Total | \$111,950 |

Information Related to Future Amortization:

- Earnings Review – Pursuant to Commission Order 18-017, Appendix A, page 28, paragraph 7.9:
“If a participating Public Utility seeks rate recovery through a deferred account, the account and amortization of the account shall be exempt from the amortization caps and earnings test set forth in subsections 5,6,7,8 and 10 of ORS 757.259, as such subsections may be amended from time to time, and shall not be included in any calculation of the amortization cap for other deferred accounts.”
- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Account balances are to be spread to the appropriate customer classes per Order No. 18-017, Appendix A page 27, paragraph 7.7(b).
- Three Percent Test (ORS 757.256(6)) – The three percent test does not apply to amortization of this deferral. See “Earnings Review” above.

Conclusion

As the Company’s application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is still valid, Staff recommends the Commission approve Cascade’s application.

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PROPOSED COMMISSION MOTION:

Approve Cascade's application to defer the costs associated with Intervenor funding grants for the 12-month period beginning November 1, 2018.

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