

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 25, 2012

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2012

DATE: September 6, 2012

TO: Public Utility Commission

FROM: Deborah Garcia *OG*

THROUGH: Jason Eisdorfer *E*, Maury Galbraith *MG*, and Judy Johnson *JJ*

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1336(5)) Requests reauthorization to defer costs related to intervenor funding grants.

STAFF RECOMMENDATION:

I recommend the Commission approve Cascade Natural Gas's (Cascade or Company) request for reauthorization to defer costs related to intervenor funding grants effective November 1, 2012.

DISCUSSION:

Pursuant to ORS 757.259 and OAR 860-027-0300, Cascade requests reauthorization to record and defer for a 12-month period beginning November 1, 2012, the cost of intervenor funding grants as allowed under ORS 757.072.

Deferral of these costs was originally granted by the Commission in Order No. 07-397 and has been annually reauthorized, most recently in Order No. 11-430.

Summary Background

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

On June 5, 2007, the Commission issued Order No. 07-221, approving 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.

In its subsequent Order No. 07-564, the Commission approved an amended and restated IFA that extends intervenor funding until December 31, 2012.

The Commission's Administrative Hearings Department (AHD) reports that most of the details for a new agreement to extend Intervenor Funding for five more years have been settled. AHD anticipates that the proposed agreement will be presented for Commission consideration at one of the public meetings scheduled this October.

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 Order No. 07-564.

Proposed Accounting

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying intervenor. The proposed 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.

Order No.	CUB Fund	Preauthorized Matching Fund	Issues Fund
12-009	30,000.00		
12-138		851.25	
	\$30,000.00	\$851.25	\$-0-

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, 2012 will be as shown in the table below. Depending on the Commission’s decision regarding the extension of the IFA, these estimated amounts may change.

CUB Fund	30,000
Preauthorized Matching Fund	30,000
Issues Fund	30,000
Total	\$90,000

Information Related to Future Amortization

- Earnings Review – Pursuant to Commission Order 07-564, Appendix A, page 26, 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. 07-564, Appendix A, page 25, paragraph 7.7(b)
- Three Percent Test (ORS 757.259(6)) – The three percent test does not apply to amortization of this deferral. See “Earnings Review” above.

Staff Analysis

As Cascade’s filing meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for deferral is still valid, I recommend the Commission approve the application

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PROPOSED COMMISSION MOTION:

Cascade's application to defer the costs associated with intervenor funding grants for the 12-month period beginning November 1, 2012, be approved.

Cascade UM 1336(5) Intervenor Funding