

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 29, 2005**

REGULAR CONSENT EFFECTIVE DATE July 1, 2005

DATE: May 18, 2005

TO: Public Utility Commission

FROM: Ed Durrenberger

THROUGH: Lee Sparling, Ed Busch and Judy Johnson

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 605) Requests reauthorization to defer certain costs associated with demand-side management programs.

STAFF RECOMMENDATION:

I recommend that the Commission approve reauthorization of Cascade Natural Gas Corporation's (Cascade or company) deferrals of conservation or energy efficiency costs for a 12-month period beginning July 1, 2005.

DISCUSSION:

By Order No. 93-1484, the Commission authorized Cascade to defer capitalized expenditures and estimated revenue margin losses associated with Commission-approved demand-side management (DSM) programs. This authorization was for the 12 months ending September 30, 1994. Deferrals were reauthorized for the 12-month period ending September 30, 1995, by Order No. 94-1498. Subsequently, the Commission reauthorized DSM-related deferrals, each year, through June 30, most recently in Order 04-331. Current authorization extends through June 30, 2005.

Deferral of these direct DSM program costs and associated net revenue losses is consistent with the Commission's policy to remove the significant disincentives to acquiring DSM relative to supply-side resources. ORS 757.262 allows the Commission to "...adopt policies designed to encourage the acquisition of cost-effective conservation resources." Without deferral and cost recovery, the disincentives to acquiring cost-effective conservation resources would return.

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The company estimates it will defer approximately \$119,000 in DSM program costs and net revenue losses in the 12-month period ending June 30, 2006 (including \$105,000 for the High Efficiency Equipment Rebate program).

PROPOSED COMMISSION MOTION:

Cascade Natural Gas Corporation's deferred accounting reauthorization for revenue requirements and net lost revenues associated with the company's Commission-approved energy efficiency programs be approved for the 12 months beginning July 1, 2005.