


ITEM NO. *CA6*

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 2, 2016

REGULAR _____ CONSENT _____ EFFECTIVE DATE July 1, 2016

DATE: July 14, 2016

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer  and Marc Hellman 

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1101(13)) Requests
Reauthorization for Deferred Accounting of Intervenor Funding Grants.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural Gas Company's (NW Natural or Company) request for reauthorization to defer costs related to Intervenor Funding Grants effective July 1, 2016.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for reauthorization to defer costs related to Intervenor Funding Grants for the 12-month period beginning July 1, 2016.

Applicable Law

Pursuant to ORS 757.259 and OAR 860-027-0300, NW Natural requests reauthorization to record and defer for a 12-month period beginning July 1, 2015. The cost of intervenor funding grants as allowed under ORS 757.259(3). Specifically, ORS 757.259(3) authorizes the deferral of amounts provided as financial assistance under an agreement entered into under ORS 757.072.

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 these costs was originally granted by the Commission in Order No. 03-388 and has been annually reauthorized, most recently in Order No. 15-535.

Discussion and Analysis

Background

In its Order No. 03-388, the Commission approved an Intervenor Funding Agreement (IFA) between various utilities including NW Natural, and several intervenors including the Citizens' Utility Board of Oregon (CUB), and Northwest Industrial Gas Users (NWIGU). The IFA sets forth the funding amount each utility will contribute, the procedures for an intervenor's budget submittal, Commission approval of a budget, and a utility's grant payment. 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 cost allocation of each fund 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.

Staff counsel advises that the IFA qualifies as an agreement for financial assistance under ORS 757.259(3).

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

Most recently, by Order No. 15-535, the Commission approved an amended and restated IFA that extends intervenor funding until December 31, 2017. This IFA also provides authority for intervenors to request an increase in annual funding.

Reason for Deferral

In accordance with OAR 860-027-0300(3)(b), the Company requests continuation of deferred accounting to recover amounts approved pursuant to Order No. 15-535.

Proposed Accounting

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying intervenor. The proposed deferrals will 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 FERC Account 401.

Current Deferral Activity

In accordance with OAR 860-027-0300(3)(d) NW Natural provided the following information regarding the deferral activity to the date of this application, for the current period.

New CUB Funding Grants Paid	Date	Amount	Docket/Commission Order
Funding Grant	01/06/16	66,125	UM 1357/16-004
Issue Fund	08/26/15	8,000	UM 1633/15-252
Issue Fund	08/26/15	9,840	UM 1717/15-255
Issue Fund	12/04/15	39,000	UM 1744/15-391
Total CUB		\$122,965	

New NWIGU Funding Grants Paid	Date	Amount	Docket/Commission Order
Issue Fund	09/30/15	9,122	UM 1633/15-301
Issue Fund	01/26/16	13,760	UM 1635/16-030
Issue Fund	03/15/16	23,271	UM 1744/16-108
Total NWIGU		\$46,153	

Estimated Deferrals in Authorization Period

At the time of its application, NW Natural estimated that the maximum deferred amounts during the 12-month period, beginning July 1, 2016, will be as shown in the table below.

Fund	Amount
CUB Fund	\$ 66,125
Preauthorized Matching Fund	\$66,125
Issue Fund	\$143,750
Total	\$276,000

Information Related to Future Amortization

- Earnings Review – Pursuant to Commission Order 12-452, Appendix A, page 27, 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 26, 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.

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 NW Natural’s application.

PROPOSED COMMISSION MOTION:

Approve NW Natural’s application to defer the costs associated with intervenor funding grants for the 12-month period, beginning July 1, 2016. Further, NW Natural is required to use a separate subaccount for each grant.