

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 14, 2012**

REGULAR _____ CONSENT X EFFECTIVE DATE July 1, 2012

DATE: July 10, 2012

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: Jason Eisdorfer and Maury Galbraith *ME*

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1101(9)) Reauthorizes deferral of Intervenor Funding Grants

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural's request for reauthorization to defer costs related to Intervenor Funding Grants effective July 1, 2012 through June 30, 2013.

DISCUSSION:

On June 20, 2012, Northwest Natural (NW Natural or the Company) requested reauthorization to defer costs related to Intervenor Funding Grants for later incorporation in rates. The Commission originally authorized deferral of these costs on September 17, 2003, under ORS 757.259 in Order No. 03-559 (Docket UM 1101). Current authorization for this deferral was issued in Commission Order 11-240, and runs through June 30, 2012.

Background

Pursuant to 757.072(4) and 757.259(3), the Commission shall allow a public utility that provides financial assistance to organizations representing broad customer interests to defer inclusion of such amounts in rates, if the public utility elects to do so. Such grants would be used by these qualifying organizations when participating in certain types of regulatory proceedings before the Commission. Deferred amounts under ORS 757.259(3) are not subject to the percentage of gross revenue limitation or other provisions of subsections (5), (6), (7), and (8) of the amended section.

On July 2, 2003, the Commission issued Order No. 03-388, which, among other things, approved the Intervenor Funding Agreement (IFA) among PacifiCorp, PGE, NW Natural, Northwest Industrial Gas Users, Citizens' Utility Board of Oregon (CUB), and Industrial Customers of Northwest Utilities, dated February 5, 2003. Any agreement entered into must be approved by the Commission before any financial assistance is provided in administering an agreement.

On December 19, 2007, the Commission approved the First Amended and Restated IFA which extended intervenor funding through December 12, 2012 (Commission Order No. 07-564). The IFA amends and clarifies the use of funds for dockets that extend two or more calendar years, modifies some of the original terms and conditions, adds new reporting requirements and changes the funding amounts to be contributed by each utility. Additionally, the IFA adds new accounts for additional participating utilities.¹

Description of Expense

The IFA sets forth the amounts to be contributed by each utility, the procedures for budget submittals by Intervenor, and the payment of grants by each utility. For NW Natural the agreement authorizes the utility to account for the grants in three separate funds:

- 1) CUB Fund of \$57,500;
- 2) Preauthorized Matching Fund of \$57,500; and
- 3) Issue Fund of \$57,500.

Reason for Deferral

This request is made in accordance with ORS 757.259(3) that allows for the deferral of Intervenor Funds, and Commission Order No. 12-009 in Docket No. 1357 which directs NW Natural to pay CUB the amounts made available for the CUB Fund Grants as defined and provided for in the Intervenor Funding Agreement.

Proposed Accounting

The proposed deferrals will be recorded in separate sub-accounts of FERC Account 186 (Miscellaneous Deferred Debits). Amounts are to be debited to the deferred account only as the utility actually disperses money for intervenor funding. In the absence of deferral approval, the Company would record the amounts in the sub-accounts of FERC Account 401 (Utility Operation Expense).

¹ The Order adds new accounts for Cascade Natural Gas and Avista Utilities.

Estimate of Amounts

For the 12-month period covered by this Application, NW Natural anticipates that the amount subject to this deferral will not exceed \$172,500. However, the Intervenor Funding Agreement permits under certain circumstances for an advance of funds that would otherwise be available in future years, or for the rollover of unused funds from a previous year for Intervenor Funding Grants from the CUB Fund and the Preauthorized Matching Fund. Additionally, NW Natural understands that the Intervenor Funding Agreement may be re-negotiated before the end of this year, and this re-negotiation could change the amounts deferred under this Application.

Information Related to Future Amortization

- Earnings review – An earnings review is not applicable to this deferral.
- Prudence Review – A prudence review is a requirement of the earnings review which does not apply to this deferral.
- Sharing – Sharing is not applicable to this deferral.
- Rate Spread/Design – The Commission, by rule or by order, may determine the manner in which the financial assistance will be recovered in rates (OAR 757.072).
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. The three percent test is not applicable to this deferral.

Staff Analysis

NW Natural reports that for the prior period the Company has deferred \$57,500 for the CUB fund, \$58,351 for the Issue Funds and no accruals related to the Matching Funds. Staff has verified NW Natural's accruals with the issuances approved by the Commission and agrees with the balances and accruals submitted by NW Natural.

PROPOSED COMMISSION MOTION:

The Commission approve NW Natural's request for reauthorization to defer costs related to Intervenor Funding Grants effective July 1, 2012 through June 30, 2013.