

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 22, 2016

REGULAR _____ CONSENT _____ EFFECTIVE DATE July 1, 2017

DATE: August 15, 2017

TO: Public Utility Commission

FROM: Mitchell Moore *mpm*

THROUGH: *J* Jason Eisdorfer and *JCFa MH* Marc Hellman

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1101(14)) 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 for the 12-month period beginning July 1, 2017.

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, 2017.

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, 2017 the cost of intervenor funding grants as allowed under ORS 757.259(3).

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.

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.

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. 16-296.

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).

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 Funding Grants Paid	Date	Amount	Docket/Commission Order
CUB Fund	01/03/17	66,125	UM 1357/17-003
NWIGU Fund	3/24/17	6,013	UM 1357/17-130
Issue Fund-CUB	7/26/17	8,000	UM 1722/16-279
Issue Fund-CUB	3/24/17	12,270	UM 1720/16-498
Issue Fund NWIGU	7/26/16	5,581	UM 1722/16-278
Issue Fund-NWIGU	1/5/17	853	UM 1722/17-002
Total		\$98,842	

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, 2017, 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, 2017.