

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 28, 2014**

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2014

DATE: September 17, 2014

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: NORTHWEST NATURAL: (Docket No. UG 272/Advice No. 14-14)
Updates Schedule 177, System Integrity Program (SIP).

STAFF RECOMMENDATION:

I recommend that the Commission approve Northwest Natural's (NW Natural or Company) filing to develop the base rate increments associated with the SIP and make the rates effective November 1, 2014.

DISCUSSION:

For purposes of this filing, the adjustments to base rates that relate to SIP include: Part A: Bare Steel; Part B: Transmission Integrity Management (TIMP); and Part C: Distribution Integrity Management (DIMP) pursuant to a stipulation adopted by the Commission in Docket No. UG 221. The Company last adjusted rates for this purpose effective November 1, 2013. The effect of this portion of the filing is to increase the Company's annual revenues by \$1,958,504.

The Company notes that pursuant to the stipulation in UG 221, the SIP sunsets in 2014, and this filing implements the last adjustment under the sun-setting program. The Company intends to seek an extension and modification of the SIP program that it hopes would be effective before the next PGA, which begins November 1, 2015.

The second purpose of this filing is to develop a one-year temporary adjustment to rates to true-up the effects of an overestimate of SIP costs that were placed into base rates effective with the Company's last PGA Year commencing November 1, 2013. For the 2013-2014 PGA Year, the Company discovered after the rates went into effect that the actual capitalized costs for August through October were \$3.8 million lower than the

estimated amounts. The Company proposes to include the cost of service difference in the amount of \$575,841 and is requesting that the Commission approve this amount to be credited to customers with the 2014–2015 PGA Year.

The true-up of this deferred cost is made on the same basis as the initial SIP cost allocation. The net effect of the SIP and cost of service reserve amounts is an increase to the Company's annual revenues of \$1,382,663, or 0.21 percent. The number of customers affected by the proposed change is 563,128 residential customers, 59,508 commercial customers, and 825 industrial customers.

The monthly bill of the average residential customer served under Rate Schedule 2 using 53 therms per month will increase by 13 cents. The monthly increase for the average commercial Rate Schedule 3 customer using 233 therms is about 45 cents, and the monthly increase for the average commercial Rate Schedule 31 customer using 3,524 therms is about \$5.59. The average Rate Schedule 32 firm sales industrial customer using 19,284 therms will see a monthly increase of about \$8.22.

In Commission Order No. 09-067, the Commission granted NW Natural's request that the SIP program costs be recorded as capital expenditures. The Commission last authorized this program in Order No. 13-179 in Docket No. UM 1406. Staff understands that the annual revenue requirement of these capital costs are passed through the PGA.

Staff Analysis

After a review of this filing and workpapers, Staff believes that the proposed rates are correctly calculated and applied. The Company has reviewed this memo and has no issues.

PROPOSED COMMISSION MOTION:

The Commission approve Northwest Natural's filing to recover the revenue requirement related to the System Integrity Program and the associated tariff sheets be allowed to take effect on November 1, 2014.