

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 19, 2015

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE November 1, 2015

DATE: September 22, 2015

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: Jason Eisdorfer and Marc Hellman *J* *H*

SUBJECT: NORTHWEST NATURAL: (Docket No. UG 296/Advice No. 15-10A)  
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 System Integrity Program (SIP) and make the rates effective November 1, 2015.

**Pertinent authority:**

ORS 757.259(5) authorizes the Commission to allow utilities to amortize deferred amounts into rates in a proceeding to change rates subject to a prudence review. Because the amortization request is part of an automatic adjustment clause, ORS 757.259(5) does not require the Commission to perform an earnings review prior to amortization.

Because the amounts to be amortized were tracked and deferred according to a previously-approved automatic adjustment mechanism, Staff's prudence review focuses on whether the costs were incurred, tracked in accordance with the mechanism, and whether the rates correctly calculated.

**DISCUSSION:**

In Order No. 09-067, the Commission approved a stipulation between NW Natural, Staff, and other parties under which NW Natural was allowed to implement a temporary automatic adjustment clause to recover costs for NW Natural's SIP. The Company's SIP has three components: Part A: Bare Steel Replacement; Part B: Transmission Integrity Management (TIMP); and Part C: Distribution Integrity Management (DIMP).

The Commission extended the mechanism in Order No. 13-179. Under Order No. 13-179, SIP Parts B and C ended effective October 31, 2014, and SIP Part A is scheduled to end December 31, 2015.

The Company filed an Advice Filing 14-23 with the Commission on October 21, 2014, to once again extend the SIP Mechanism (Docket No. UG 286). The Commission suspended the Advice Filing and opened an investigation into cost recovery for gas utility safety programs (Docket UM 1722). These dockets are currently ongoing.

Advice Filing 15-10A includes rate adjustments for SIP Part A, which has not yet expired. The net effect of the SIP Part A and cost of service reserve amounts is an increase to the Company's annual revenues of \$582,277, or 0.09 percent. This is associated with just the Bare Steel Investments. The other components of SIP are not operative. The number of customers affected by the proposed changes is 572,721 residential customers, 58,300 commercial customers, and 805 industrial customers.

The monthly bill of the average residential customer served under Rate Schedule 2 using 53 therms per month will increase by 6 cents. The monthly increase for the average commercial Rate Schedule 3 customer using 233 therms is about 22 cents, and the monthly increase for the average commercial Rate Schedule 31 customer using 3,324 therms is about \$3.00. The average Rate Schedule 32 firm sales industrial customer using 21,272 therms will see a monthly increase of about \$1.16.

**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 Part A and the associated tariff sheets be allowed to take effect on November 1, 2015.