

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 25, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** November 1, 2022

DATE: October 13, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1766(6))
Requests for Reauthorization of Deferred Accounting related to annual
Regulatory Fees.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural's (NW Natural, NWN, or Company) request for reauthorization to defer costs associated with an incremental difference in the PUC annual regulatory fee and the costs currently being collected in rates for the 12-month period beginning March 23, 2022.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for reauthorization to defer costs associated with the difference between the annual regulatory fee included in base rates and the currently authorized regulatory fee.

Applicable Rule and Law

NW Natural submitted its request for reauthorization to defer annual regulatory fee amounts on March 18, 2022, in accordance with ORS 757.259, and OAR 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer expenses or revenues for later recovery in rates in order to minimize the frequency of rate changes or to appropriately match the costs and benefits to customers.

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Analysis

Background:

OAR 860-021-0034 requires natural gas utilities to pay regulatory fees to the Commission each year by April 1. The fee payable by the natural gas utility is an annual fee rate multiplied by the utility's gross operating revenues derived within Oregon for the previous calendar year. The annual fee rate is set by Commission order entered on or after March 1 of each year.

In Order No. 21-117, entered in this docket on April 22, 2021, the Commission approved the Company's most recent request to continue deferring the amount of the annual regulatory fee not captured in the Company's last general rate case. On February 24, 2022, the Commission issued Order No. 22-062 increasing the annual fee rate from 0.375 percent to 0.43 percent. Consequently, of the increase, NW Natural requests in this reauthorization to continue deferring the amount for annual fees not captured in its last general rate case, and increasing that amount by 0.055 percent, representing the increase approved by the Commission in Order No. 22-062.

Description:

NW Natural seeks authority to defer the costs that are the difference between the amount collected in rates for the regulatory fee and the amount owed for its annual regulatory fee. The Company's calculation for the amount to defer is the incremental difference between the Company's annual fee assessed by the Commission and the annual fee contained in NW Natural's current rates.

Proposed Accounting:

NW Natural records deferred costs related to the fee increase in Account 186 (Defer PUC Fee). In the absence of deferred accounting, the Company would record the incremental increase in expenses in the appropriate sub-account of FERC Account 909.

Estimated Deferrals in Authorization Period:

NW Natural estimates the amount deferred in the period between March 23, 2022, and March 22, 2023, to be \$555,427.

Regarding future amortization, amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9). The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5). Any amounts approved for amortization will be subject to the three percent test under ORS 757.259(6), which limits 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.

Conclusion

Staff concludes that the Company's application to reauthorize deferral of the incremental increase in the annual regulatory fee should be approved.

The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve NW Natural's request for reauthorization to defer costs associated with a variance in the annual regulatory fee and the amount collected in rates for the 12-month period beginning March 23, 2022.