

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 17, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE June 1, 2016

DATE: May 2, 2016

TO: Public Utility Commission

FROM: Lisa Gorsuch

THROUGH: Jason Eisdorfer and Michael Dougherty

SUBJECT: NORTHWEST NATURAL: (Docket No. ADV 275/Advice No. 16-03)  
Revises Schedule 185, Special Annual Interstate Storage and  
Transportation Credit, and Schedule 186, Special Annual Core Storage  
and Pipeline Capacity Optimization Credit.

**STAFF RECOMMENDATION:**

Staff recommends that Northwest Natural's (NWN or Company) Docket No. ADV 206/Advice No. 16-01 be approved and the associated tariff sheet revisions be allowed to go into effect on June 1, 2016.

**DISCUSSION:**

Issue

Whether the Commission should approve NWN's proposal to update Schedules 185 and 186 to provide lump sum credits to multiple customer classes, resulting from NWN storage-related business activities.

Applicable Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls and charges for service that have been established and are in force at the time. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make any change in rates, tolls, charges, rules or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

Discussion and Analysis

On April 15, 2016, NWN filed Advice No. 16-03 proposing to revise Schedule 185 “Special Annual Interstate Storage and Transportation Credit” and Schedule 186 “Special Annual Core Storage and Pipeline Capacity Optimization Credit” to credit customers served under certain schedules for portions of the Oregon share of revenues received by NWN for (a) interstate storage and related transportation service provided under a Limited-Jurisdiction Blanket Certificate from FERC granted under FERC Regulations, 18 C.F.R. § 284.224, (b) core storage optimization activities; and (c) intrastate storage activities under Rate Schedule 80 and Rate Schedule 91.

The amounts of the credits are established in NWN’s 2016 Annual Report of Interstate and Intrastate Gas Storage and Optimization Activities filed on March 30, 2016. This filing includes the “Temporary Adjustment” rates under Schedules 185 and 186 that are to apply to the standard Rate/Class Schedules to credit the previously-established refunds. The refunds under Schedules 185 and 186 are, respectively, \$2,807,504 and \$6,517,973. Both amounts include residual remaining balances from the June 2015 credits.<sup>1</sup>

NWN’s Advice No. 16-03 filing contains the following: Tables showing the derivations of the temporary adjustment rates to be applied to the 2015 billed active customer volumes in order to refund, on a one-time basis (i.e., the June 2016 billing cycle) the respective amounts indicated above *plus* a 2.732 percent “revenue sensitivity factor;” a table which calculates the average June credit for customers in the standard Rate/Class Schedules; and Schedules 185 and 186 tariff replacement sheets. Per a prior agreement by the involved parties, the Schedule 185 rate adjustments are proportional to the preceding year’s net margin produced by the indicated rates to which the adjustments are to be applied. (Example of the “indicated rate” application: A credit of \$0.00189/therm is applied to the Block 2 rate of Commercial Schedule 32 CSF. The other Blocks receive different credit amounts because they each produced different margin levels.) The Schedule 186 credit is a uniform volumetric rate that applies to all sales service rate schedules, including interruptible sales schedules. Interruptible sales schedules are not eligible to receive credits under Schedule 185.

Conclusion

By request, electronic worksheets, with formulas intact, were provided to facilitate Staff’s verification of the NWN’s calculation of the revised tariff amounts. Staff concluded that the Company had accurately developed the temporary adjustment rates and how much the average customers in the various rate schedules were to be credited. Staff also reviewed NWN’s 2015 Annual Report of Interstate and Intrastate

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<sup>1</sup> Schedule 185, \$39,367 residual remaining balance from June 2015 credits, and Schedule 186, \$92,697 residual remaining balance from June 2015 credits.

Gas Storage and Optimization to confirm the underlying basis for the refunds. That report contained the various customer sharing percentages that are to be applied to the designated pre-tax income figures.

The combined effects of Schedule 185 and Schedule 186 credits result in returning \$9,418,174 (before revenue sensitive effects), which includes \$9,286,110 from revenues for 2015 activity, plus \$132,064 that is the residual remaining balance from the June 2015 credits.

**PROPOSED COMMISSION MOTION:**

Approve NWN's proposed revisions to its Schedule 185, Special Annual Interstate Storage and Transportation Credit, and Schedule 186, Special Annual Core Storage and Pipeline Capacity Optimization Credit, allowing the associated tariff sheet revisions to go into effect June 1, 2016.