

ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 25, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE July 26, 2017

DATE: July 12, 2017

TO: Public Utility Commission

FROM: Mitchell Moore *mph*

THROUGH: *Jef* Jason Eisdorfer and Marc Hellman *MH*

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1850) Requests an Accounting Order Associated with Multi-Family Tariffs Schedules 405 and 4.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural's (NW Natural or Company) request for an Accounting Order establishing a regulatory asset to record payments and collections associated with Multi-Family Tariffs Schedules 405 and 4, and to include the regulatory asset in rate base.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for an Accounting Order establishing a regulatory asset that enables the Company to record payments made under Schedule 405 and collection of amortized amounts from Schedule 4 customers, and its request to include the asset, net of recoveries from Schedule 4 customers, in rate base.

Applicable Law

NW Natural makes this filing in accordance with ORS 757.120, which requires a utility to keep and render to the Commission uniform accounts of all business transacted, and ORS 757.125, which provides the Commission with the authority to prescribe the type and manner of accounts and records to be utilized by the Utility.

Analysis

Background:

On June 2, 2017, NW Natural filed Advice No. 17-03 in docket ADV 576 requesting approval of two new tariff schedules, Schedule 405 and Schedule 4, to become effective July 12, 2017. The schedules were created to enable tenants of multi-story, multi-family housing to access natural gas in individual units. The program and associated tariffs were approved by the Commission as Consent Agenda Item 6 at the July 11, 2017 Public Meeting. Schedule 405 allows NW Natural to invest \$750 per tenant residence to partially offset developers' initial costs of installing natural gas facilities to the tenant's end-use gas appliances. Schedule 4 enables NW Natural to recover its investment from the individual tenants through a monthly fixed charge, which also includes a return on the investment, as well as other O&M costs over the life of the service.

Description:

With approval of this filing, the \$750 per unit amounts paid by NW Natural to builder/developers of multi-family, multi-story housing under Schedule 405 would be recorded as a regulatory asset in a regulatory asset account dedicated to recording and tracking these payments. Tenants at these multi-family buildings will be Residential customers of NW Natural and will pay down the balance of the regulatory asset through their monthly bill payments under Schedule 4. In other words, as Schedule 4 customers make monthly payments, the portion of those payments related to recovery of the \$750 investment will be counted as an amortization of the regulatory asset. This ensures that the Company can recover the costs associated with providing services under Schedule 405 and Schedule 4, and it helps ensure that the Company recovers its costs from customers receiving services under those schedules over the expected term.

For accounting purposes, NW Natural requests an order from the Commission authorizing it to:

- 1) Establish a regulatory asset to record: (a) payments made to builders/developers under Schedule 405, and (b) the collection of amortized amounts from the Company's Schedule 4 Residential customers; and
- 2) Include the regulatory asset net of amortizations in rate base, with the recovery of the return on that asset being a component of the Schedule 4 rate.

Conclusion

Staff finds the Company's request to be an appropriate means of establishing an accounting mechanism for the recovery of costs to implement the program enabling tenants of multi-story, multi-family housing to access natural gas service that was recently approved by the Commission at the July 11, 2017 Public Meeting, and the filing is in accordance with ORS 757.120 and 757.125.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's request for an Accounting Order establishing a regulatory asset to record payments and collections associated with Multi-Family Tariffs Schedules 405 and 4, and to include the regulatory asset, net of amortizations, in rate base.