

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 12, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2017

DATE: September 27, 2017

TO: Public Utility Commission

FROM: Marianne Gardner *MA*

THROUGH: Jason Eisdorfer and John Crider *JE JC*

SUBJECT: NORTHWEST NATURAL: (Docket No. UG 327/Advice No. 17-05)
Requests amortization of Intervenor Funding.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural Gas Company's (Company, NW Natural or NWN) filing to amortize deferred amounts related to Intervenor Funding to make rates effective November 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request to update Tariff Schedule 172 to amortize deferred costs for grant funds paid to intervenors.

Applicable Law

The Commission has authorized NW Natural to enter into intervenor funding grant agreements.¹ Under ORS 757.072(4) and ORS 757.259(3), the Commission shall allow utilities that enter into such agreements to defer the costs of the grants for later inclusion in rates.

Utilities may request to amortize these deferred costs into rates under ORS 757.259(1). In accordance with ORS 757.259(3) and ORS 757.072, the amortization of amounts deferred under ORS 757.259(3) is not subject to an earnings review, but is subject to a prudence review.

¹ See Order No. 15-335.

OAR 860-027-0300(9) states that amortization in rates of a deferred amount is allowed only as authorized by the Commission. The Commission may authorize amortization of such amounts only for utility expenses or revenues for which the Commission previously has authorized deferred accounting. Unless authorized by the Commission to do otherwise: (a) An energy utility may request that amortizations of deferred accounts commence no later than one year from the date that deferrals cease for that particular account; (b) In the case of ongoing balancing accounts, the energy utility may request amortization at least annually, unless amortization of the balancing account is then in effect; or (c) A utility may request amortization as soon as practical but no later than its next rate case.

Commission Order No. 08-263, modified by Order No. 10-279, sets out the applicable interest rates to use for deferral accounts and to use when such amounts are amortized.

Discussion and Analysis

Deferral of the Company's intervenor costs was approved most recently in Order Nos. 16-296 (for the twelve months beginning July 1, 2016) and 17-319 (twelve months beginning July 1, 2017).

For the upcoming November 1, 2017, through October 31, 2018, period (2017/2018 PGA Year), NWN proposes to adjust rates to recover approximately \$75,630 of deferred expenses from residential customers, and to recover approximately \$13,867 from commercial customers. These amounts represent outstanding deferred balances that result from the addition of intervenor funding expenses incurred and the balances remaining from the reconciliation of the estimated and actual amortization amounts for the 2016/2017 PGA Year.

The net effect of the removal of the current temporary adjustments applied to rates effective November 1, 2017, and the application of the new temporary adjustments is to decrease the Company's annual revenues by \$112,322. The number of customers affected by the proposed change is 588,720 residential customers and 942 industrial customers.

Because the deferral and recovery of these amounts are authorized by statute, Staff's prudence review is focused on verification of the accounting methodology used to determine the final amortization balance. Staff reviewed NW Natural's application and supporting workpapers to determine whether the amortized amounts reconcile with the previous year balances, are consistent with Intervenor Funding grants that were paid by the Company, that interest was applied correctly, and that the proposed rate increments are applied correctly.

Deferred intervenor fund expenses for residential customers are accounted for in Account 186276 and 186284, and those expenses assigned to industrial customers are accounted for in Account 186278 and 186284. The balancing account amounts were calculated as shown in the tables below.

Residential Accounts 186276 & 186284		
1	New Intervenor Funding Expense to be amortized	\$95,041
2	Residual Balance from 2016/2017 PGA Year	(\$21,525)
3	Total Deferred Balance to be amortized before revenue sensitive adjustment	\$73,516
4	Revenue Sensitive Factor	2.795%
5	Total Deferred Balance to be amortized adjusted for revenue sensitive factors	\$75,630

Industrial Accounts 186287 & 186284		
1	New Intervenor Funding Expense to be amortized	\$12,620
2	Residual Balance from 2016/2017 PGA Year	\$859
3	Total Deferred Balance to be amortized before revenue sensitive adjustment	\$13,479
4	Revenue Sensitive Factor	2.795%
5	Total Deferred Balance to be amortized adjusted for revenue sensitive factors	\$13,867

The incremental change between the 2016/2017 PGA year and the 2017/2018 PGA year is shown in the table below.

Temporary Increments				
1				
2	Removal of Current Temporary Increments	2016/2017 PGA		
3	Amortization of Intervenor Funding – Citizen Utility Board (CUB)			(\$143,589)
4	Amortization of Intervenor Funding – Northwest Industrial Gas Users (NWIGU)			(58,230)
5				(201,819)
6	Addition of Proposed Temporary Increments	2017/2018 PGA		
7	Amortization of Intervenor Funding – CUB			75,630
8	Amortization of Intervenor Funding - NWIGU			13,867
9				89,497
10				
11	TOTAL OF ALL COMPONENTS OF RATE CHANGES			(\$112,322)
12				
13				
14				
15	2016 Oregon Earnings Test Normalized Total Revenues			\$645,156,000
16				
17	Effect of this filing, as a percentage change (line 13 ÷ line 17)			-0.02%

Conclusion

After a review of this filing and workpapers, Staff finds that NW Natural's accounting regarding this filing, including the application of interest, is accurate. Staff finds that the proposed rates are correctly calculated and applied. For these reasons, Staff recommends the Commission approve this filing.

The Company has reviewed this memo and has no issues.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's filing to amortize deferred amounts related to Intervenor Funding and the associated tariff sheets be allowed to take effect for service on and after November 1, 2017.