

ITEM NO. CA6

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

REGULAR  CONSENT  EFFECTIVE DATE November 1, 2017

DATE: September 22, 2017

TO: Public Utility Commission

FROM: Marianne Gardner *HG*

THROUGH: Jason Eisdorfer and John Crider *JE*

SUBJECT: NORTHWEST NATURAL: (Docket No. UG 329/Advice No. 17-07)  
Revises Schedule 181 Regulatory Fee Schedule.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural or Company) filing requesting amortization of the amount by which the Commission Regulatory Fee was increased for inclusion in rates effective November 1, 2017.

**DISCUSSION:**

Issue

Whether to approve the proposed Schedule 181 tariff for the purpose of allowing NW Natural to recover the increase to the Commission Regulatory Fee in rates.

Applicable Law

ORS 757.259(5) states that unless subject to an automatic adjustment clause amounts deferred under ORS 757.259 shall be allowed in rates only 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. The Commission may require that amortization of deferred amounts be subject to refund. 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(6) states that the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.

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.

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. Upon request for amortization of a deferred account, the energy or large telecommunications utility must provide the Commission with its financial results for a 12-month period or for multiple 12-month periods to allow the Commission to perform an earnings review. The period selected for the earnings review will encompass all or part of the period during which the deferral took place or must be reasonably representative of the deferral period. 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.

#### *Background*

Pursuant to ORS 756.310 and OAR 860-021-0034, NW Natural must pay to the Commission a regulatory fee each year by April 1. The specific amount of the fee assessed for gas utilities is set by March 1 each year. Most recently, with Order No. 17-065, the Commission set the annual fee at 0.30 percent of gross operating revenues. In 2016, per Order No. 16-154) the annual rate was set at 0.275 percent, an increase from the prior rate of .25 percent.

NW Natural's last general rate case, Docket UG 221, set rates based on the annual regulatory fee amount of 0.250 percent of gross operating revenues.

With Commission Order No. 17-151, the Commission allowed the Company to defer costs associated with the incremental increase in the annual regulatory fee.

### Discussion and Analysis

The purpose of the Company's filing is to request amortization of amounts deferred under Commission Order No. 17-151 (Docket No. UM 1766(1)) which addressed the increase to the Commission Regulatory Fee.

The effect of the application of the new temporary rate adjustments is to increase the Company's annual revenues by \$112,793, or about 0.02 percent. The number of customers affected by the proposed change is 588,720 residential customers, 60,839 commercial customers, and 942 industrial customers.

### Conclusion

Staff's prudence review consisted of verifying the accounting methodology employed by the Company to derive the final amortization balance. After a review of this filing and the Company's workpapers, Staff concludes that the proposed rates are correctly calculated and applied. Staff did not conduct an earnings test, considering the Company is subject to an annual earnings review and the regulatory fee is not subject to sharing. Finally, pursuant to ORS 757.259(6), this filing does not impose a rate increase greater than three percent of NW Natural's gross revenues.

The Company has reviewed this memo and has no issues with it.

### **PROPOSED COMMISSION MOTION:**

Approve NW Natural's filing requesting amortization of the amount by which the Commission Regulatory Fee was increased, for inclusion in rates effective for service on and after November 1, 2017.