ISSUED: February 21, 2014

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1654

In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Investigation of Interstate Storage and Optimization Sharing.	MEMORANDUM AND BENCH REQUEST

On February 3, 2014, the Public Utility Commission of Oregon conducted a Commission Examination hearing in this docket. On February 12, 2014, the Commission held a telephone conference to discuss the remainder of the docket schedule. Representatives appeared on behalf of Northwest Natural Gas Company, dba NW Natural; the Citizens' Utility Board of Oregon; and Commission Staff. At the conference, I notified the parties that the Commissioners intended to issue bench requests to address questions raised during Commission Examination, and stated that I would schedule a second conference after bench requests were issued to address the procedural schedule.

The Commission requests that NW Natural respond to the following questions within seven calendar days of issuance of this bench request:

1. Liquids Extraction

a. NW Natural purchases gas out of Alberta, and participates in liquids extraction by employing a processing company to perform the extraction. What other local gas distribution companies (LDCs) purchase natural gas out of Alberta? Which of these LDCs employ companies to extract and sell natural gas liquids? Do any of these LDCs undertake these activities in-house to negotiate with and employ extraction companies and sell natural gas liquids? For these LDCs, what is the net margin allocation between ratepayers, shareholders, and third-party marketing companies? For any of these LDCs, is this function treated as a normal business activity?

b. What specific services does Tenaska Marketing Ventures (or previous third-party marketing companies employed by NW Natural) provide to NW Natural related to Alberta natural gas liquids extraction and sales? What are the key features of the contractual arrangement between NW Natural and Tenaska for liquids extraction? What does Tenaska receive for the services provided for liquids extraction services? By year, what have been the effective net revenues from liquids extraction? By year, what has been the net margin/revenue allocation between ratepayers, shareholders, and Tenaska or any other third-party marketing company?

2. Mist Storage Optimization

a. Assume for purposes of this question that NW Natural did not make shareholder investments in Mist in or after 2001.

(1) What optimization activities could the company conduct with Mist storage using only the previously existing facility? For each year since 2001, compare actual yearly Mist optimization results with the results of Mist optimization using only the pre-existing Mist facility.

(2) Alternatively, assume that NW Natural made investments in Mist in or after 2001 only to meet core customer needs. What core customer investments would the company have made, and when would they have been made? What optimization activities could the company conduct with Mist storage using the previously existing facility, with only these hypothetical customer investments in and after 2001? For each year since 2001, compare actual yearly Mist optimization results with the results of Mist optimization using the pre-existing facility with only core customer investments.

b. Answer the following questions regarding Mist storage.

(1) NW Natural states that the physical Mist capacity available to Tenaska did not exceed 3,625,000 Dth in 2012.[1] What is the basis for NW Natural's calculation of the maximum Mist capacity available to Tenaska each year?

(2) What would be the maximum Mist capacity available to Tenaska if NW Natural's shareholders had not invested in Mist expansion in and after 2001?

(3) Does Tenaska's ability to leverage trading activity increase with increased available capacity? If yes, why? What would Tenaska's leverage be if NW Natural's shareholders had not invested in Mist storage?

[1] *See* NWN/402, Friedman/1.

(4) Does Tenaska's expected average margin in dollars per Dth increase with increased volume of transactions? If yes, why?

Dated this 21st day of February, 2014, at Salem, Oregon.

Shani Pines
Administrative Law Judge