

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 10, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE January 20, 2015

DATE: February 17, 2015

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1714) Defers Revenues and Expenses Associated With Projects Developed Under SB 844.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural's request to defer costs associated with the development of projects to be submitted under Senate Bill 844 for the 12-month period beginning January 20, 2015, for accounting purposes only.

DISCUSSION:

Northwest Natural (NW Natural) makes this filing in accordance with ORS 757.210, 757.259 and OAR 860-027-0300 related to the development of projects to be submitted under Senate Bill 844, codified as ORS 757.539, and OAR 860-085-0500 through 860-085-0750, implementing that law.

Background:

Senate Bill 844 established a voluntary emission reduction program (Emission Reduction Program) for natural gas utilities to invest in projects that reduce greenhouse gas emissions that the utilities would not otherwise undertake in the normal course of business.

Description:

NW Natural is in the process of developing projects to be implemented pursuant to the law, and files this deferral to ensure that it preserves the ability to assign to each project the appropriate expenses that may incur in developing such project, and to recover those costs as determined appropriate by the Commission.

NW Natural states that it is currently developing several carbon emission reduction projects in response to the passage of Senate Bill 844. NW Natural believes that the Emission Reduction Program, provided in ORS 757.539 and OAR 860-085-0500

through 860-085-0750, has enabled the Company to pursue greenhouse gas reduction projects, that were historically uneconomical, by allowing the utility an opportunity for cost recovery and financial incentives to undertake such projects. NW Natural states that it will soon seek Commission approval for these types of projects, although a specific timetable for filing the applications has not been set.

Proposed Accounting:

Beginning on January 20, 2015, NW Natural proposes to account for the costs associated with the Carbon Solutions Program by recording the deferrals in Account 186. In absence of approval of deferred accounting, NW Natural would record the amounts in several accounts affecting the Company's income statement and balance statement.

Estimated Deferrals in Authorization Period:

NW Natural does not have sufficient information at this time to accurately estimate the amount subject to deferral. NW Natural anticipates that it will need to make a demonstration of the incremental nature of these costs at the time it seeks any cost recovery.

Interest Rates:

The current effective interest rate for the deferral accounts for NW Natural is 7.78 percent as directed in the Commission's Order Nos. 12-408 and 12-437, issued in UG 221.

Staff Analysis:

NW Natural has met the requirements of ORS 757.259 and should be allowed to defer the project costs. The Commission has found that "encourage[ing] utility or customer behavior consistent with regulatory policy" is appropriate for deferred accounting. (See Docket UM 1147, Order No. 05-1070 at 2). Staff believes, in this case, NW Natural's deferral supports the regulatory policy of Senate Bill 844. However, at the time of amortization, each project that the Company would like to amortize must be completed (used and useful) and approved by the Commission.

PROPOSED COMMISSION MOTION:

Northwest Natural's request to defer costs associated with Emission Reduction Program costs for the 12-month period beginning January 20, 2015, be approved.