

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 18, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE November 1, 2016

DATE: October 11, 2016

TO: Public Utility Commission

FROM: Mitchell Moore *MPM*

THROUGH: Jason Eisdorfer and Marc Hellman *J* *MA*

SUBJECT: NORTHWEST NATURAL: (Docket No. UG 310/Advice No. 16-14A)  
Revises Site Remediation Recovery Mechanism (SRRM) Schedule 183.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural or Company) filing for rates reflective of Environmental Cost Recovery and the Site Remediation Recovery Mechanism (SRRM) and make the rates effective November 1, 2016.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's request to update the rate increments in its Schedule 183 (relating to the SRRM) to reflect the continued recovery of deferred environmental remediation costs and offset future environmental remediation costs.

Applicable Law:

1. 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.

2. 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.
3. Commission Order No. 08-263 sets out the applicable interest rates to use for deferral accounts and to use when such amounts are amortized.
4. 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; and, (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.
5. In addition, the Commission should review the Company's filing to determine whether it is consistent with the requirements set forth in a series of Orders issued in Docket No. UM 1635. Order Nos. 15-049 and 16-029 are the most relevant of these Orders for this filing. The amounts the Company asks to amortize were allowed to be deferred pursuant to Commission Order No. 16-066.

Discussion and Analysis

The purpose of the filing is to request amortization of amounts the Commission allowed the Company to defer in its Order No. 16-066 [UM 107813] for inclusion in rates effective November 1, 2016.

This tariff adjustment reflects the per therm effect of the amortization of one-fifth of the SRRM Account balance, as calculated by NW Natural, on customer rates. For purposes of this filing, the Company has applied the amount of \$8.9 million to the SRRM Account. This balance represents one-fifth of the amount of deferred

environmental remediation expense through 2013, which has been deemed prudent, less the disallowances ordered by the Commission in UM 1635, less the application of insurance receipts as ordered by the Commission, plus associated interest accumulated on the deferred expense and insurance through November 1, 2016. Additionally, the Company proposes to include in the balance of the SRRM amounts that represent the \$5 million per year tariff rider for the January 1, 2013, through October 31, 2016, period, which the Commission characterized as “future costs.” See Order 15-049 at page 6.

The effect of this temporary adjustment is to increase the Company’s revenues by \$1,685,190 (including revenue sensitive effects) or 0.26 percent. The monthly bill of the average residential customer served under Rate Schedule 2 using 50 therms per month will increase by 18 cents, or 0.3 percent. The monthly increase for the average commercial Rate Schedule 3 customer using 233 therms is about \$0.55, or 0.2 percent, and the monthly increase for the average commercial Rate Schedule 31 customer using 3,092 therms is about \$6.03, or 0.3 percent. The average Rate Schedule 32 firm sales industrial customer using 21,274 therms will see a monthly increase of about \$28.79, or 0.3 percent.

The number of customers affected by the proposed changes described above is 579,129 residential customers, 60,111 commercial customers, and 935 industrial customers.

#### Conclusion

After a review of Northwest Natural’s proposal and associated workpapers, Staff finds that the Company’s accounting, including the application of interest, is accurate. For these reasons, Staff recommends the Commission approve this filing.

#### **PROPOSED COMMISSION MOTION:**

Approve Northwest Natural’s filing and the associated tariff to take effect for service on and after November 1, 2016.