

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 31, 2018

REGULAR  CONSENT  EFFECTIVE DATE August 1, 2018

DATE: July 18, 2018

TO: Public Utility Commission

FROM: Deborah Glosser and Scott Gibbens *OG SG*

THROUGH: Jason Eisdorfer and John Crider *JE JC*

SUBJECT: NORTHWEST NATURAL GAS (Docket No. ADV 809/Advice No. 18-03)  
Revises Schedule H, Large Volume Non-Residential High Pressure Gas  
Service Rider.

**STAFF RECOMMENDATION:**

Staff recommends that Northwest Natural's Advice No. 18-03 be approved and the replacement tariff sheet be allowed to go into effect for service rendered on and after August 1, 2018.

**DISCUSSION:**

Issue

Whether the Commission should allow Northwest Natural's (NWN) Advice 18-03, which revises the cost recovery factors set forth in Schedule H to reflect the effect of the federal Tax Cuts and Jobs Act ("tax reform act"), to become effective with service rendered on and after August 1, 2018.

Applicable Rule or Law

This filing is made in accordance with OAR 860-022-0015 and OAR 860-022-0025 which governs tariff changes by energy utilities and large telecommunications utilities and requirements for filing tariffs or schedules changing rates, respectively.

The Commission may approve tariff changes if they are fair, just and reasonable. See ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date

of the change. See ORS 757.220; OAR 860-022-0020. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

#### Analysis

NWN filed Advice No. 18-03 on June 26, 2018, proposing to revise the cost recovery factors set forth in Schedule H, its large volume non-residential high pressure gas service rider ("HPGS") to reflect the effect of the federal Tax Cuts and Jobs Act ("tax reform act"), which was enacted on December 22, 2017, with most provisions becoming effective on January 1, 2018.

Cost recovery factors for Schedule H were last proposed by NWN in OPUC Advice No 14-20, on September 26, 2014, and were approved by the Commission effective with service on and after December 1, 2014.

NWN provided workpapers in support of its filing. Staff reviewed the workpapers to establish consistency among the model inputs, outputs, and the actual tariff entries. Staff found the calculations to be correct and accurate.

The cost recovery factors for a 10-year term for the proposed tariff are listed below:

Cost Recovery Factors Primary 10-Year Term Effective September 1, 2013		
Year	No Bonus Depreciation	With Bonus Depreciation
Year 1	21.6%	21.0%
Year 2	20.1%	19.2%
Year 3	18.7%	18.0%
Year 4	17.3%	16.8%
Year 5	16.1%	15.8%
Year 6	15.0%	14.7%
Year 7	13.8%	13.7%
Year 8	12.7%	12.7%
Year 9	11.7%	11.7%
Year 10	10.8%	10.8%

These costs include scheduled and unscheduled maintenance charges. NWN has one active Schedule H customer. The customer is in the first year of the contract; at year 1 with bonus depreciation, the customer will see a monthly reduction of \$1,587.13, or 5.9 percent.

The cost recovery factor is defined to have the cost of capital and long-term debt used in the calculation equal to the amounts set in their most recent general rate case. NWN's last general rate case was Docket UG 221, filed in 2011. The Company currently has a rate case pending before the Commission (UG 344), which could impact the Company's authorized cost of capital. The current tariff revisions utilize the cost of capital and long term debt set in NWN's prior rate case, which Staff considers to be appropriate at this time. In the event that NWN's cost of capital changes in its currently pending general rate case, the Company anticipates it would again update rates for Schedule H to be in compliance with the Commission's order in docket UG 344. Staff finds the rates under NWN's proposed Schedule H to be just and reasonable.

### Conclusion

Staff reviewed each of the proposed revisions in this filing and recommends their implementation as filed by NWN. Staff supports NWN's request that the revisions be approved to become effective for service rendered on and after August 1, 2018.

### **PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's Advice No. 18-03 and allow the replacement tariff sheet to go into effect for service rendered on and after August 1, 2018.