

ITEM NO. CA11

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 14, 2019

REGULAR CONSENT EFFECTIVE DATE February 15, 2019

DATE: February 4, 2019

TO: Public Utility Commission

FROM: Moya Enright *ME*

THROUGH: Jason Eisdorfer *EJM* and John Crider *JC*

SUBJECT: NORTHWEST NATURAL: (ADV 913/Advice No. 19-01) Revises
Schedule 80. Firm Storage Service.

STAFF RECOMMENDATION:

Staff recommends approving Northwest Natural's Advice No. 19-01, and allowing the new tariff sheet to become effective on or after February 15, 2019.

DISCUSSION:

Issue

Advice No. 19-01 was filed by Northwest Natural (NWN) on January 14, 2019, and it proposes to revise the rates in Rate Schedule 80 Firm Interstate Storage with an effective date of on or after February 15, 2019.

Applicable Rule or Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls and charges for service that have been established and are in force at the time. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make 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 changes. ORS 757.220. The Commission reviews tariffs filed under ORS 757.205 and 757.210 to determine whether they are fair, just and reasonable.

The Federal Energy Regulatory Commission (FERC) regulates interstate storage services, using a maximum cost of service model¹ where gas storage prices may be set at or below the cost of service as approved by the agency in their last regulatory filing. NWN filed its most recent Mist Interstate Storage Rate Petition with FERC on October 12, 2018, incorporating the new federal corporate income tax rate as well as an updated depreciation study². The petition was automatically deemed effective under the FERC's Optional Notice Procedure regulations³. The next FERC rate update is required to take place on or before November 1, 2023.

Analysis

The Firm Storage Service offered under Schedule 80 is provided by NWN using the Mist underground natural gas storage facility (Mist), a facility owned and operated by the company in Columbia County near Mist, Oregon. In addition to using the storage facility for its retail customers, NWN has pre-built storage in advance of core need and uses that excess capacity to provide storage services to customers in the interstate and intrastate market.

The Firm Storage Service provided under Schedule 80 consists of a bundled storage and transportation service of customer-owned gas subject to interruption by NWN due to force majeure. All gas stored under Schedule 80 must be consumed by a customer capable of receiving the service from Mist within NWN's Oregon service territory.

OPUC Staff has investigated the proposed Firm Storage Service rate changes. A summary of the changes is provided in the table below, and shows a decrease of between six percent and 16 percent in four per Dekatherm (Dth) charges. This is estimated to represent a weighted average decrease of 7.3 percent in unavoidable per Dth charges.

¹ See: <https://www.marketwatch.com/press-release/10-q-northwest-natural-gas-co-2018-11-06>.

² See: <https://seekingalpha.com/filing/4226420>.

³ See: <https://www.ferc.gov/industries/gas/gen-info/intrastate-trans/tariff/preparation.asp?csrt=11996411803562775306#filing>.

Charge	Current Rate	Proposed Rate	Change
Maximum Monthly Deliverability Reservation Charge	\$5.0274 per Dth	\$4.6445 per Dth	-7.6%
Maximum Monthly Capacity Charge	\$.0600 per Dth	\$0.0562 per Dth	-6.3%
Maximum Authorized Overrun Charge	\$0.1653 per Dth	\$0.1527 per Dth	-7.6%
Fuel Charge	2.5% per Dth	2.1% per Dth	-16.0%

The proposed rate decrease indicates an overall reduction in the cost of operating Mist, a change which also stands to benefit core ratepayers through reduced storage costs.

The potential benefit for core ratepayers can be approximated by applying the proposed Schedule 80 rate changes to test year expenses in the NWN 2017 General Rate Case^{4,5}. Staff analysis indicates a potential decrease in the total operation and maintenance expenses for NWN of approximately -0.05 percent, representing a reduction of cost for core ratepayers. This is shown in the table below.

Operating Expenses	Test Year	Adv. 19-01 Restated
Gas Purchased	\$276,854,000	\$276,854,000
Total Underground Storage	\$2,703,647	\$2,505,307
Other O&M Expenses	\$161,112,353	\$161,112,353
Total Operating & Maintenance	\$440,670,000	\$440,471,660
Total O&M Expense Change		- 0.05%

Conclusion

This indicative decrease in core customer cost will continue until the next NWN general rate case, thereby allowing NWN to collect slightly more from core ratepayers than included in the current rates during that period. Because this indicative decrease is

⁴ Docket No. UG 344 Order No. 18-419 Appendix C.

⁵ Docket No. UG 344 NWN Exhibit 206.

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extremely small, deferred accounting is not recommended for accumulating the excess collection.

Staff has reviewed the proposed revisions in this filing and recommends their implementation by NWN. NWN requests that the revisions be approved to become effective on or after February 15, 2019.

PROPOSED COMMISSION MOTION:

Approve NWN Advice No. 19-01, and allow the tariff sheet revisions to go into effect on or after February 15, 2019.

ADV 913 – Final Memo 02.14.2019