

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 26, 2021**

REGULAR CONSENT EFFECTIVE DATE February 1, 2021

DATE: January 14, 2021

TO: Public Utility Commission

FROM: Brian Fjeldheim

THROUGH: Bryan Conway and John Crider **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. ADV 1220/Advice No. 20-20)
Updates Schedule 185 – Special Annual Interstate and Intrastate Storage
and Transportation Credit and Schedule 186 – Special Annual Core
Pipeline Capacity Optimization Credit.

STAFF RECOMMENDATION:

Approve Northwest Natural's (NW Natural or Company) Advice No. 20-20, which updates Schedule 185 and Schedule 186, to reflect the per-therm credit calculation for a lump sum credit payment to customers served under Rate Schedules 2 and 3, and under the Sales Service option of Schedules 31 and 32, respectively, effective for service on and after February 1, 2021.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (OPUC or Commission) should approve NW Natural's proposal to revise its Schedule 185 and Schedule 186 to return funds to customers served under Rate Schedules 2 and 3, and under the Sales Service option of Schedules 31 and 32.

Applicable Law

ORS 757.205 requires public utilities to file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time.

ORS 757.210 (1)(a) states a utility must show that a proposed rate or schedule of rates is fair, just, and reasonable. The Commission may authorize a rate or schedule of rates only if it is deemed to be fair, just, and reasonable.

ORS 757.220 and OAR 860-022-0015 state that energy utilities must provide the Commission with at least 30 days' notice prior to the effective date for any change in rates, tolls, charges, rules, or regulations.

OAR 860-022-0005 defines the required formatting all large energy utilities must use when making tariff submissions to the Commission.

OAR 860-022-0025 illustrates energy utility requirements for filing tariffs or changes to rate schedules.

Analysis

Background

On December 22, 2020, the Company filed Advice No. 20-20 requesting revisions to Schedule 185 and Schedule 186. The Company proposes to credit customers served under applicable schedules for (a) the Oregon share of revenues received by NW Natural for interstate storage and related transportation service activities under FERC Regulations, 18 C.F.R. 294.224, and (b) the Oregon share of revenues received from the Company's core pipeline capacity optimization activities.

In prior years, customers received this credit with their June bills. In NW Natural's most recent rate case, the stipulating parties agreed to change the delivery of this credit from June to February.¹ Beginning with this filing, customers will now receive a lump sum bill credit beginning with the first billing cycle in February 2021 and ending with the last billing cycle in February 2021.² Individual customer bill credits are calculated based upon a customer's applicable rate schedule and the customer's actual billed gas usage between January 1, 2020 and October 31, 2020.

Schedule 185 – Special Annual Interstate and Intrastate Storage and Transportation Credit

NW Natural's proposed Schedule 185 credit represents a refund of the Company's Oregon share of revenues received for interstate storage and related transportation

¹ See Order No. 20-364, Section III.A.3.a, page 17 in Docket No. UG 388.

² Due to the February 1 rate effective date, Staff is no longer able to analyze the Schedule 185 and Schedule 186 filing in conjunction with NW Natural's Annual Report of Interstate and Intrastate Gas Storage and Optimization Activities filed in Docket No. RG 32.

service activities under a Limited Jurisdiction Blanket Certificate granted under FERC Regulations, 18 C.F.R. §294.224.

The 2021 refund total is \$2,234,186 (before revenue sensitive effects) and is comprised of two parts:

- \$2,298,276 in revenues from January to October 2020 activity, plus
- \$46,910 from a remaining residual balance from the June 2020 credits.

For comparison, the 2020 Schedule 185 credit amount of \$2,822,995 approved by the Commission was comprised of:

- \$2,791,276 in revenues from 2019 activity, plus
- \$31,719 from a remaining residual balance from the June 2019 credits.

The credit amount under Schedule 185 is calculated on an equal percentage of margin basis to reflect rate allocation practices adopted in the Company's previous general rate case, Docket No. UG 344.³

Schedule 186 - Special Annual Core Pipeline Capacity Optimization Credit

NW Natural proposes to revise Schedule 186 by applying a per-therm refund credit to customer bills for Oregon's share of revenues received from the Company's core pipeline capacity optimization activities. The Schedule 186 credit applies across all sales-based rate schedules.

The 2021 refund total of \$6,771,307 (before revenue sensitive effects) is comprised of two parts:

- \$6,635,861 in revenues from January to October 2020 activity, plus
- \$135,446 from a remaining residual balance from the June 2020 credits.

For comparison, the 2020 Schedule 186 refund amount previously approved by the Commission totaled \$14,271,975 and was comprised of:

- \$14,111,616 in revenues for 2019 activity, plus
- \$160,359 from a remaining residual balance from the June 2019 credits.

The Schedule 186 credit applies across all sales-based rate schedules and is a credit of \$0.01403 per-therm.

³ See Order No. 18-419 at 11.

Effects of Filing

The combined effects of the rate payer credits proposed under Schedule 185 and Schedule 186 amounts in a refund of \$9,116,493 (before revenue sensitive effects), which is comprised of \$8,934,137 from revenues for January 1 to October 31, 2020 activity, plus \$182,356 that is the residual remaining balance from the June 2020 credits.

The average bill effects of the combined 2021 Schedule 185 and Schedule 186 credits are as follows:

- The average Schedule 2 Residential customer will see a bill credit of approximately \$9.17.
- The average Schedule 3 Commercial customer will see a bill credit of approximately \$38.59.
- The average Schedule 31 Commercial Firm Sales customer will see a bill credit of approximately \$415.65.
- The average Schedule 32 Industrial Firm Sales customer will see a bill credit of approximately \$2,665.83.
- The average Schedule 32 Industrial interruptible Sales customer will see a bill credit of approximately \$5,458.93.

Staff requested and reviewed electronic versions of the Company's workpapers used to calculate the proposed incremental rate changes to Schedule 185 and Schedule 186. Staff finds the calculations used to prepare this filing to be accurate and consistent.

Conclusion

Based on Staff's analysis of NW Natural's application and the workpapers associated with the filing, Staff finds the proposed revisions to tariffs under Schedule 185 and Schedule 186 result in rates that are fair, just, and reasonable. Staff recommends the Commission approve NW Natural's filings.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 20-20, which updates Schedule 185 and Schedule 186, respectively, to reflect a per-term calculation for lump sum credit payment to customers served under Rate Schedules 2 and 3, and under the Sales Service option of Schedules 31 and 32, effective for service on and after February 1, 2021.