

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 24, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** February 1, 2023

DATE: January 10, 2023

TO: Public Utility Commission

FROM: Ishraq Ahmed

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: NORTHWEST NATURAL GAS COMPANY:
(Docket No. ADV 1473/Advice No. 22-24)
Updates Schedule 185 – Special Annual Interstate and Intrastate Storage
and Transportation Credit and Schedule 186 – Special Annual Core
Pipeline Capacity Optimization Credit.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural's (NW Natural or Company) Advice No. 22-24, which updates Schedule 185 and Schedule 186 to reflect the per-term optimization credit calculation for a lump sum credit payment to customers served under Rate Schedules 3, and customers served under the Sales Service option of Schedules 31 and 32, effective for service on and after February 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's proposal to revise Schedule 185 and Schedule 186 to credit funds to customers served under Rate Schedules 3 and under the Sales Service option of Schedules 31 and 32.

Applicable Law

ORS 757.205 requires public utilities file to all rates, rules, and charges with the Commission.

ORS 757.210 establishes a hearing process to address utility filings and requires rates to be fair, just, and reasonable.

ORS 757.220 provides that no change shall be made in any schedule, except upon 30 days' notice to the Commission before the time the changes are to take effect.

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

This filing concerns lump sum "optimization" credits to NW Natural customers 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.

Under Special Condition 2 of Schedules 185 and 186, the optimization credits are applied to customer bills, or placed in an interest-bearing account, in February. For 2023, the lump sum February bill credit will be applied to customer bills for rate Schedules 3 (Commercial), 31 (Commercial Firm), and 32 (Industrial Firm and Industrial Interruptible). For Schedule 2 (residential) customers, the credit will be placed into an interest-bearing account for later use as an offset to NW Natural's amortization of a temporary bill credit given to residential customers.

NW Natural implemented the temporary bill credit program for residential customers served under Schedule 2 for the period November 1, 2022, through March 14, 2023.¹ Under this program, NW Natural is deferring a portion of a rate increase that was effective November 1 during the winter heating season for amortization during warmer months. NW Natural plans to use the optimization credits to offset the deferral balance that will be amortized (collected from residential customers).

The bill credits were calculated based on the customer's actual billed gas usage for the period November 1, 2021 through October 31, 2022. To receive the bill credits, a

¹ The Company's temporary winter bill credit was docketed as UG 459 and approved in Commission Order No. 22-425.

customer must have an active gas service account at the time of the customer's February 2023 billing cycle.

Staff Review

Staff has reviewed the filing, associated work papers and engaged in discussions with the Company. Staff finds that the calculations of the proposed credits calculated under Schedule 185 and Schedule 186 are accurate.

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

The Schedule 185 credits represent the credit of the Oregon share of revenues NW Natural received for interstate storage and related transportation service activities under a Limited Jurisdiction Blanket Certificate granted under FERC Regulations, 18 C.F.R. 294.224.

The 2023 credit is \$3,822,972 (before revenue-sensitive effects) and is comprised of:

- \$3,753,298 from revenues for November 2021 through October 2022 activity, plus,
- The residual remaining balance of \$69,674 from the winter 2022 credits.

The credit amounts under Schedule 185 are calculated on an equal percentage of margin basis for customers under Rate Schedules 3 and under the Sales Service option of Schedules 31 and 32.

Schedule 186 - Special Annual Core Pipeline Capacity Optimization Credits

The Schedule 186 credits are disbursed 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 2023 credit is \$19,674,976 (before revenue-sensitive effects) and is comprised of:

- \$19,316,396 from revenues for November 2021 through October 2022 activity, plus
- The residual remaining balance of \$358,580 from the winter 2022 credits.

The Schedule 186 credit is a credit of \$0.02822 per-therm and is applied across all sales-based rate schedules.

Schedule 185 and 186 Credits for Residential Customers

The optimization credits for customers under Schedule 2 have been calculated based on the prior year's usage (November 1, 2021 through October 31, 2022). As noted

above, NW Natural plans to apply these credits to offset the deferral balance that will be collected from residential customers. Schedule 2 customers will therefore not receive the customer-specific credits on their February 2023 bills but will instead experience a reduction to the deferral that will be amortized starting March 15, 2023. The application of the optimization credits was discussed in Staff Report on UG 459 during the Special Public Meeting on October 25, 2022.

Combined Effects

The combined effects of the customer credits proposed under Schedule 185 and Schedule 186 result in a refund of \$23,497,948 (before revenue-sensitive effects). The last column in Table 1 shows the estimated average February bills for 2023 resulting from the combined effects of the Schedule 185 and Schedule 186 credits. The average bill figures of residential customers under Schedule 2 comprise the mid-March through October period of 2023 when the optimization credits will be applied to the amortized amounts.

Table 1 – Average February Bills by Customer Classes²

Customer Schedules	Bills without credits	Bills with credits
Schedule 2 Residential*	\$52	\$49
Schedule 3 Commercial	\$695	\$591
Schedule 31 Commercial Firm Sales	\$5,258	\$4,143
Schedule 32 Industrial Firm Sales	\$15,574	\$9,675
Schedule 32 Industrial Interruptible Sales	\$33,112	\$14,127

* Average residential bill from mid-March through October.

Conclusion

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 filing.

The Company has reviewed the memo and agrees with its contents.

² From Company provided numbers.

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PROPOSED COMMISSION MOTION:

Approve Advice No. 22-24, NW Natural's request to revise Schedule 185 and Schedule 186 to return funds to customers served under Rate Schedules 3 and under the Sales Service option of Schedules 31 and 32, effective with service rendered on and after February 1, 2023.

NWN ADV 1473/Advice No. 22-24 Schedule 185, 186 Updates