



# Oregon

Tina Kotek, Governor

**Public Utility Commission**

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March 7, 2023



BY EMAIL

Northwest Natural Gas Company

[efiling@nwnatural.com](mailto:efiling@nwnatural.com)

RE: Advice No. 23-02

At the public meeting on March 7, 2023, the Commission adopted Staff's recommendation in this matter docketed as ADV 1488. The Staff Report, LSN, and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 7, 2023**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** March 15, 2023

**DATE:** February 23, 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 1488/Advice No. 23-02)  
Amortization of the Residential Rate Mitigation deferral.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Northwest Natural’s (NW Natural, NWN, or Company) Advice No. 23-02, which proposes to amortize the rate mitigation deferral generated from the winter rate credit for residential customers during the period November 1, 2022 through March 14, 2023, effective for service on and after March 15, 2023, with less than statutory notice (LSN).

**DISCUSSION:**

Issue

Whether the Commission should approve NW Natural’s request to collect the deferred revenues (amortize) from residential customers through a surcharge from March 15, 2023 through October 31, 2023.

Applicable Law

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

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

## Analysis

### *Background*

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, to mitigate the combined bill impact from the rate changes associated with the purchased gas adjustment (PGA) and base rate increases from UG 435. NW Natural deferred a portion of a rate increase that was effective last November during the winter heating season through these credits, with the deferred bill credit monies proposed to be amortized (at issue in this filing) during the period March 15, 2023 through October 31, 2023.<sup>1</sup>

### *Cost Recovery and Proposed Changes*

The Company generated a regulatory asset with the credit included in rates effective November 1, 2022 through March 14, 2023.<sup>2</sup> As per Commission Order No. 22-425, NW Natural accrued interest at the Company's actual cost of short-term debt during the deferral and amortization periods, rather than at the Company's authorized ROE and the modified blended treasury rate (MBT) rate. The Company would not accrue interest at its authorized rate of return while the credit is in place but rather will use the short-term debt cost, which is of benefit to customers since the former is higher than the latter.

The effect of this new tariff adjustment schedule is to increase the Company's annual revenues by \$29,834,050. The monthly bill of the average residential customers using 30.8 therms during the amortization phase will see an average increase of \$6.73. Given that the new rate with the deferral amortization goes into effect on March 15, 2023, which was less than thirty days from the filing date, NWN has also included a waiver for LSN with this current filing.

### Staff Review

Staff has reviewed the filing, associated work papers, and engaged in discussions with the Company.

### *Application of February Optimization Credits*

Under Special Condition 2 of Schedules 185 and 186, optimization credits are applied to bills for commercial, industrial, and residential customers in February of each year. As

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

<sup>2</sup> The Company estimated likely usage for the remaining time period through March 14, 2023, and included those amounts in the calculation of the rate surcharge.

docketed in ADV 1473/Advice No. 22-24, the February optimization credits will be placed into an interest-bearing account for use as an offset to NW Natural's amortization of the rate mitigation credit given to residential customers. Residential 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 from 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. The \$13,397,873 optimization credits will offset the total deferral balance to be collected from customers, with the amortized amount being \$14,496,663.<sup>3</sup>

#### *Intra-Class Subsidy Issues*

Staff report on UG 459 discussed cross-subsidization issues with a mismatch between groups who save money in the deferral accrual phase when bill credits are in place and groups who pay more in the amortization period. The report noted that space-heating users as the largest group would have used more natural gas with the bill credits in place but used less in months when the deferred revenues will be collected. The groups that will continue to use gas from mid-March through October are the water-heating users and cooking users, and these groups will bear the majority of costs during the amortization phase. While Staff had supported the mitigation credits, Staff had identified these concerns in UG 459 and considered the implementation of mitigation credits as a policy call. Staff reiterates that these issues will continue to be present when the deferred revenues will be collected.

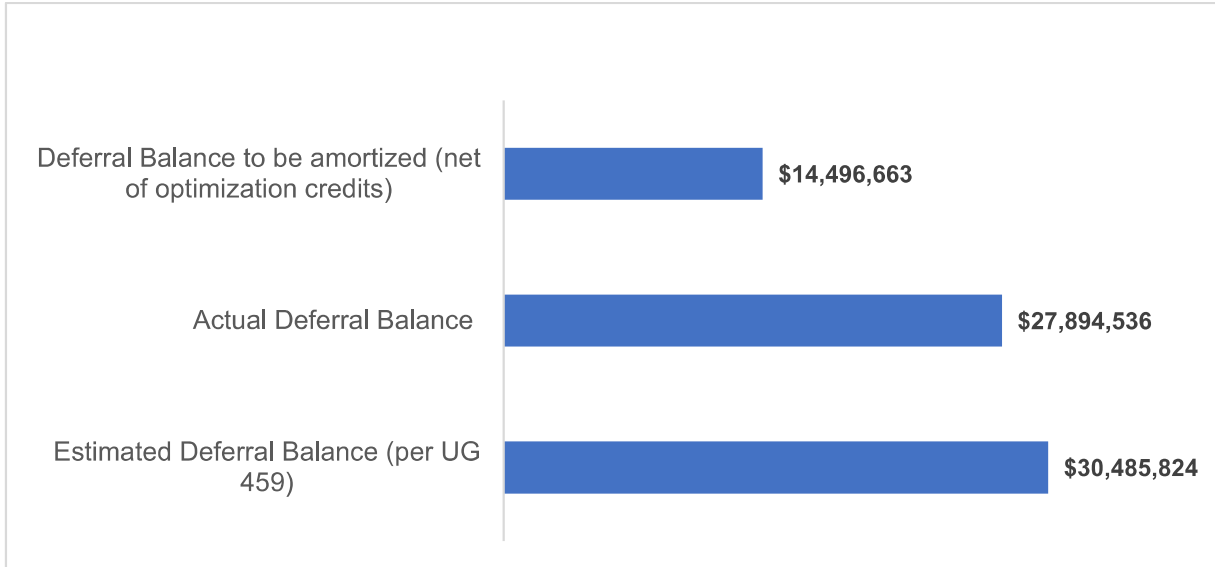
However, Staff highlights some key issues. Firstly, NW Natural's use of the optimization credits to offset the deferral balance can reduce the harm discussed above regarding a potential mismatch between the charges deferred for low-use customers and those ultimately paid by low-use customers. A reduction in the deferral balance net of the optimization credits can somewhat benefit the non-space users. Secondly, the actual deferral balance is lower than Company forecast, driven by lower customer usage in November.<sup>4</sup> The table below shows the estimated deferral balance, the actual balance and the balance that will be amortized from customers (\$14,496,663). Finally, the Company indicated that the use of optimization credits has lowered the actual rate per therm to be collected from customers than what was estimated in UG 459.

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<sup>3</sup> From Company workbooks.

<sup>4</sup> From Company-provided numbers.

**Table 1 – Residential Rate Mitigation Deferral Balance**



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

**PROPOSED COMMISSION MOTION:**

Approve NW Natural’s request to amortize the rate mitigation deferral generated from the winter rate credit for residential customers during the period November 1, 2022 through March 14, 2023, through a rate surcharge effective for service on and after March 15, 2023, with less than statutory notice.

# LESS THAN STATUTORY NOTICE APPLICATION

This document may be electronically filed by sending it as an attachment to an electronic mail message addressed to the Commission's Filing Center at [puc.filingcenter@puc.oregon.gov](mailto:puc.filingcenter@puc.oregon.gov).

ADV 1488  
23-02

## BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

IN THE MATTER OF THE APPLICATION OF	)	UTILITY L.S.N. APPLICATION
<u>Northwest Natural Gas Company dba NW Natural</u>	)	NO. <u>2303</u>
(UTILITY COMPANY)	)	(LEAVE BLANK)
TO WAIVE STATUTORY NOTICE.	)	

**NOTE:** ATTACH EXHIBIT IF SPACE IS INSUFFICIENT.

1. GENERAL DESCRIPTION OF THE PROPOSED SCHEDULE(S) ADDITION, DELETION, OR CHANGE. (SCHEDULE INCLUDES ALL RATES, TOLLS AND CHARGES FOR SERVICE AND ALL RULES AND REGULATIONS AFFECTING THE SAME)

First Revision of Sheet 166-1 - Residential Rate Mitigation  
Fourteenth Revision of Sheet 2-1 - Residential Sales Service

2. APPLICANT DESIRES TO CHANGE THE SCHEDULE(S) NOW ON FILE KNOWN AND DESIGNATED AS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)

Original Sheet 166-1 - Residential Rate Mitigation  
Thirteenth Revision of Sheet 2-1 - Residential Sales Service

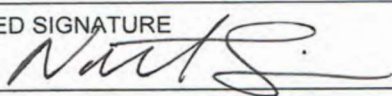

3. THE PROPOSED SCHEDULE(S) SHALL BE AS FOLLOWS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE AND ITEM)

First Revision of Sheet 166-1 - Residential Rate Mitigation  
Fourteenth Revision of Sheet 2-1 - Residential Sales Service

4. REASONS FOR REQUESTING A WAIVER OF STATUTORY NOTICE:

In Order No. 22-425 (docket UG 459) the Commission approved the Company's rate mitigation proposal that provided a bill credit from November 1, 2022 - March 14, 2023 that would generate a deferral of uncollected revenue that will be amortized from March 15, 2023 through October 31, 2023. The proposed tariff sheets in this filing implement the amortization of the deferral from the temporary bill credits from March 15, 2023 through October 31, 2023.

5. REQUESTED EFFECTIVE DATE OF THE NEW SCHEDULE(S) OR CHANGE(S): March 15, 2023

AUTHORIZED SIGNATURE 	TITLE Manager, Regulatory Affairs	DATE February 14, 2023
PUC USE ONLY		
<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DENIED	EFFECTIVE DATE OF APPROVED SCHEDULE(S) OR CHANGE <u>March 15, 2023</u>	
AUTHORIZED SIGNATURE 		DATE <u>March 7, 2023</u>

# NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

First Revision of Sheet 166-1  
Cancels Original Sheet 166-1

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## SCHEDULE 166 RESIDENTIAL RATE MITIGATION

### **PURPOSE:**

To temporarily mitigate residential customer rates due to high natural gas prices and the Company's approved general rate case, UG 435.

### **APPLICABLE:**

To the following Rate Schedules of this Tariff:

Residential:  
Rate Schedule 2

### **ADJUSTMENT TO RATE SCHEDULES:**

The Temporary Adjustments for Residential Customers taking service on the above-listed Rate Schedules includes the following adjustment that sunsets on the date listed and is therefore not applicable for service after the Rate Sunset Date:

Rate	Rate Effective Date	Rate Sunset Date
(\$0.11688)	November 1, 2022	March 14, 2023
\$0.10137	March 15, 2023	October 31, 2023

(I)

### **GENERAL TERMS:**

Service under this Rate Schedule is governed by the terms of this Rate Schedule, the General Rules and Regulations contained in this Tariff, any other schedules that by their terms or by the terms of the Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

Issued February 14, 2023  
NWN OPUC Advice No. 23-02

Effective with service on  
and after March 15, 2023

**NORTHWEST NATURAL GAS COMPANY**

P.U.C. Or. 25

Fourteenth Revision of Sheet 2-1  
 Cancels Thirteenth Revision of Sheet 2-1

**RATE SCHEDULE 2  
 RESIDENTIAL SALES SERVICE**

**AVAILABLE:**

To Residential Class Customers in all territory served by the Company under the Tariff of which this Rate Schedule is a part. Temporary Disconnection of Service is allowed subject to Special Provision 1 of this Rate Schedule. The installation of Distribution Facilities, when required before service can be provided to equipment served under this Rate Schedule, is subject to the provisions of **Schedule X**.

**SERVICE DESCRIPTION:**

Service under this Rate Schedule is Firm Sales Service to gas equipment used for Domestic purposes by qualifying Residential Class Customers.

Service to a Vehicle Fueling Appliance is subject to the conditions set forth in Special Provisions 3 through 6 of this Rate Schedule.

**MONTHLY RATE:**      Effective: March 15, 2023

(C)

The rates shown in this Rate Schedule may not always reflect actual billing rates. See **Schedule 100** for a list of applicable temporary adjustments. Rates are subject to changes for purchased gas costs and technical rate adjustments. The rates for Coos County customers are subject to the additional adjustment set forth in **Schedule 160**. The rates for service to a Vehicle Fueling Appliance shall be further adjusted as set forth in Special Provision 6 of this Rate Schedule.

Minimum Monthly Bill:      Customer Charge plus charges under **Schedule C** or **Schedule 15** (if applicable)

	Base Rate	Base Adjustment	Pipeline Capacity	Commodity	Temporary Adjustment	Total Billing
Customer Charge:	\$8.00	---	---	---	---	<b>\$8.00</b>
Volumetric Charge (per therm):	\$0.68192	\$0.00196	\$0.08571	\$0.50676	\$0.16051	<b>\$1.43686</b>

(I)

(continue to Sheet 2-2)

Issued February 14, 2023  
 NWN OPUC Advice No. 23-02

Effective with service on  
 and after March 15, 2023