

ITEM NO. CA12

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** November 1, 2023

DATE: September 25, 2023

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, Marc Hellman, Anna Kim, and Rawleigh White **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 472/Advice No. 23-05)
Requests Amortization of Intervenor Funding, Schedule 172.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-05 requesting amortization of Intervenor Funding for inclusion in rates for service rendered on and after November 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request to update Schedule 172 to amortize deferred costs for grant funds paid to intervenors.

Applicable Rule or Law

ORS 757.072 allows energy utilities to enter into agreements for financial assistance to organizations representing customer interests in Commission proceedings, contingent upon Commission approval.

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable.

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation into rates. Specifically, ORS 757.259(3) allows for deferral of costs that

fall under the cost category of financial assistance to organizations representing customer interests.¹ Under ORS 757.259(4), deferred costs qualifying under ORS 757.259(3) are not subject to an earnings review² or three percent test³ prior to amortization of deferred costs.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

OAR 860-027-0300 sets forth the deferred accounting procedures for public utilities.

Analysis

Background

An Intervenor Funding Agreement (IFA) governs intervenor funding grants under which energy utilities may pay organizations representing broad customer interests in Commission proceedings.⁴ The IFA sets forth eligibility criteria, regulatory procedures, and payment issuance and review.

Expenses included for amortization in Docket No. UG 472 were deferred by the Company in the period between July 1, 2022 and June 30, 2023. Use of intervenor funding grants for this deferral period are in accordance with the Fifth Amended and Restated Intervenor Funding Agreement, which was approved by the Commission in Order No. 22-506, and by Section IV of the Interim Funding Agreement (from HB 2475) adopted by the Commission in Order No. 22-043.

The Commission approved deferral of NW Natural's intervenor funding costs in Docket No. UM 1101(19), Order No. 22-398, for 12 months beginning July 1, 2022.

¹ ORS 757.072.

² ORS 757.259(5).

³ ORS 757.259(6).

⁴ Intervenor funding grants include the CUB Fund, Preauthorized Matching Fund, Issue Fund, and HB 2475 Fund.

NW Natural proposes to amortize amounts deferred under Docket No. UM 1101(19) with an effective date of November 1, 2023. The net effect of the removal of the current temporary adjustment for intervenor funding, effective November 1, 2022, and the addition of the new temporary adjustment for intervenor funding, proposed to go into effect November 1, 2023, will result in an increase to the Company's annual revenues in the amount of \$311,634. As a result, NW Natural customers may experience the following bill impacts:

- The average residential customer served under Rate Schedule 2, using an average of 56 therms/month, will see a monthly increase of \$0.03.
- The average industrial customer served under Rate Schedule 3, using an average of 1,304 therms/month, will see a monthly increase of \$0.33.
- The average industrial firm sales customer served under Rate Schedule 31, using an average of 5,776 therms/month, will see a monthly increase of about \$1.44.
- The average industrial firm sales customer served under Rate Schedule 32 using an average of 18,823 therms/month, will see a monthly increase of about \$4.71.

Staff's review focused on verification of the accounting methodology used to determine the final amortization balance. Staff reviewed NW Natural's application and supporting work papers to determine if the amortized amounts reconciled with the previous year's balances, amounts are consistent with intervenor funding grants that were paid by the Company, interest was applied correctly, and the proposed rate increments are applied correctly. Additionally, Staff checked the Company's records against the OPUC Filing Center's Intervenor Funding Summary.⁵

The proposed adjustments for the amortization of the Intervenor Funding Account are \$0.00079 per therm for the residential Rate Schedule 2 customers and \$0.00044 for Rate Schedule 3, Rate Schedule 31, and Rate Schedule 32 industrial customers.

The number of customers affected by the proposed changes is 636,785 residential customers and 845 industrial customers.

⁵ Available at: <https://www.oregon.gov/puc/filing-center/Pages/Intervenor-Funding.aspx>.

Deferred expenses for residential customer are recorded in FERC Account 151866. Deferred expenses for industrial customers are recorded in FERC Account 151870. The table below summarizes the inputs for the balancing accounts.

Residential Accounts 151866, 151880, & 151878	
Add new intervenor funding estimated balance to be amortized (2023/2024 PGA Year)	315,914
Add estimated interest during amortization (2023/2024 PGA Year)	8,847
Total deferred balance to be amortized before revenue sensitive adjustment	<u>324,761</u>
Total deferred balance to be amortized adjusted for revenue sensitive factors	334,181

Industrial Accounts 151870, 151882, & 151878	
Add new intervenor funding estimated balance to be amortized (2023/2024 PGA Year)	144,108
Add estimated interest during amortization (2023/2024 PGA Year)	4,036
Total Deferred Balance to be amortized before revenue sensitive adjustment	<u>148,144</u>
Total Deferred Balance to be amortized adjusted for revenue sensitive factors	152,441

Staff reviewed the Company's work papers and found them to be sufficient in demonstrating the validity of the amounts recorded and correct application of interest. Staff also finds the Company's accounting to be consistent with Commission records of intervenor funding activity.

As noted in the *Applicable Law* section above, deferred expenses for intervenor funding grants are not subject to an earnings review or the three percent test, and therefore no earnings review was performed for this application.

Conclusion

Staff finds that NW Natural's accounting, including the application and rate of interest, is accurate. Staff also finds that the proposed rate increments are correctly calculated and applied. For these reasons, Staff recommends the Commission approve this filing.

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

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PROPOSED COMMISSION MOTION:

Approve Northwest Natural's Advice No. 23-05, requesting amortization of Intervenor Funding for inclusion in rates for service rendered on and after November 1, 2023.

NWN UG 472 Intervenor Funding Amortization