



# Oregon

Tina Kotek, Governor

## Public Utility Commission

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October 26, 2023



BY EMAIL

Northwest Natural Gas Company

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

RE: Advice No. 23-07A

At the public meeting on October 26, 2023, the Commission adopted Staff's recommendation in this matter docketed as UG 474. The Staff Report 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  
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 474/Advice No. 23-07A)  
Request for Amortization of Amounts Collectible Through Site  
Remediation Recovery Mechanism, Revises Schedule 183.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-07A, amortizing deferred amounts related to its Environmental Cost Recovery and the Site Remediation Recovery Mechanism (SRRM), for service rendered on and after November 1, 2023.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's Advice No. 23-07A, updating the rate increments in its Schedule 183 (relating to the SRRM) to reflect the continued recovery of deferred environmental remediation costs and offset future environmental remediation costs.

Applicable Rule or Law

ORS 757.259(5) states that unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall be allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The Commission may require that amortization of deferred amounts be subject to refund.

The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. 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. 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 757.259(6) states that, with some exceptions, the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.

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.

## Analysis

### *Background*

The SRRM was initially adopted in Order No. 12-437, Docket No. UG 221. In UG 221, the Commission ordered an earnings test for the SRRM but no sharing mechanism.<sup>1</sup>

The SRRM was addressed in a series of orders issued in Docket No. UM 1635, with Order Nos. 15-049 and 16-029 being the most relevant for this filing. The SRRM provides for a mechanism for recovery of past remediation costs, a review of deferred remediation expenditures for prudence prior to amortization, a tariff rider, and insurance recovery with application of an earnings test.

Annual deferrals of environmental remediation costs have been authorized in Docket No. UM 1078, and most recently in Order No. 23-334 for the 12-month period beginning January 26, 2023. Annual prudence reviews of environmental remediation costs have been conducted by Staff, and subsequently approved by the Commission in Docket No. UM 1732; most recently, in Order No. 23-309, the Commission determined that \$19,355,594 in costs, related to the time period between January 1, 2022 and December 31, 2022, were prudent and eligible for recovery through the SRRM.

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<sup>1</sup> Under ORS 757.259(5), an earnings review must be conducted prior to amortization of deferred amounts, unless those amounts are subject to an automatic adjustment clause. In Order No. 12-437, the Company's suggestion to implement an automatic adjustment clause with an earnings test as part of the SRRM was approved. *In the Matter of NW Natural, Request for General Rate Revision*, Docket No. UG 221, Order No. 12-437, at 31-33 (November 16, 2012).

*Earnings Test*

The purpose of the Company's most recent filing (UG 474) is to update Schedule 183 with continued recovery of deferred environmental remediation costs consistent with the SRRM mechanism. The initial filing was made on July 31, 2023, and was replaced with the Company's filing on September 14, 2023. The replacement filing requests amortization of deferred amounts totaling \$9,699,112. The effect of this temporary adjustment is to increase the Company's annual revenues by \$2,700,406, or about 0.32 percent.

For 2022, NWN's earnings were 6.63 percent, which is below the authorized rate of return on equity of 9.4 percent. Because the costs identified are not included in the results of operations (ROO), recognizing both the costs and revenues to recover the costs will not affect that ROO and therefore the entire balance is recoverable.

This proposed tariff adjustment reflects the per therm effect of the amortization of one-fifth of the SRRM Account balance, as calculated by NW Natural, on customer rates. For purposes of this filing, the Company has applied the amount of \$9,699,112 to the SRRM Account. This balance represents one-fifth of the amount of deferred environmental remediation expense through 2022 (which has been deemed prudent)<sup>2</sup> less the disallowances ordered by the Commission in Docket No. UM 1635, less the application of insurance receipts as ordered by the Commission, plus associated interest accumulated on the deferred expense and insurance through November 1, 2023. The current balance in the SRRM amortization account as of October 31, 2023, is expected to be approximately \$(462,664). The net result of the current SRRM account balance and the \$9.17 million applied to the SRRM account result in an expected balance of \$9.4 million (including revenue sensitive effects) to be amortized over the course of the year.

*Discussion of SRRM Changes*

The total estimated amount for collection is \$9,425,718. In Compliance with OAR 860 022-0025, the proposed rate adjustment will affect 699,614 total customers.

<b>Customer Type</b>	<b>Count</b>
Residential	636,785
Commercial	61,984

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<sup>2</sup> Advice No. 23-07A, Exhibit A, pg 5.

Industrial	845
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*Rate Spread/Design*

The following table illustrates the average monthly bill impact to NW Natural Residential (Rate Schedule 2), Commercial (Rate Schedules 3 and 31), and Firm Sales Industrial (Rate Schedule 32) customers.

<b>Customer Type</b>	<b>Avg. Therms/month</b>	<b>Current Avg. Monthly Bill</b>	<b>Proposed Avg. Monthly Bill</b>	<b>Difference \$</b>	<b>Difference %</b>
Residential (2)	56	\$88.46	\$88.68	\$0.22	0.2%
Commercial (3)	255	\$317.60	\$318.39	\$0.79	0.2%
Commercial (31)	2,816	\$2,700.12	\$2,705.53	\$5.41	0.2%
Industrial (32)	7,043	\$6,088.29	\$6,097.09	\$8.80	0.1%

*Prudence Review*

Staff reviewed the previous orders associated with NW Natural's SRRM, the Company's initial filing, the work papers showing the calculation of the SRRM balance, amortization, and rate spread. Staff finds that the proposed amortization complies with all previous Commission orders, the amounts were calculated correctly, and the resulting rates are reasonable and fair.

Conclusion

Based on the review of this application, Staff concludes:

1. The Company's proposed rate change complies with previous Commission orders;
2. The Company's accounting for the SRRM and subsequent rate impact is accurate; and
3. The temporary adjustment results in fair and reasonable rates.

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

NWN Docket No. UG 474/Advice No. 23-07A  
September 25, 2023  
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**PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's Advice No. 23-07A, amortizing deferred amounts related to its Environmental Cost Recovery and the Site Remediation Recovery Mechanism, for service rendered on and after November 1, 2023.

NWN UG 474 Sch. 183 SRRM amortization

# NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Ninth Revision of Sheet 183-3  
 Cancels Eighth Revision of Sheet 183-3

## SCHEDULE 183 SITE REMEDIATION RECOVERY MECHANISM (SRRM) (continued)

**APPLICATION TO RATE SCHEDULES:**

**Effective: November 1, 2023**

(C)

The Total Adjustment amount shown below is included in the Temporary Adjustments reflected in the above-listed Rate Schedules. NO ADDITIONAL ADJUSTMENT TO RATES IS REQUIRED.

Rate Schedule/Class	Block	SRRM Adjustment		Rate Schedule/Class	Block	SRRM Adjustment
2		\$0.01564		31 CSF	Block 1	\$0.00804
03 CSF		\$0.01163			Block 2	\$0.00734
03 ISF		\$0.00852		31 CTF	Block 1	\$0.00807
27		\$0.01280			Block 2	\$0.00738
				31 ISF	Block 1	\$0.00554
					Block 2	\$0.00500
				31 ITF	Block 1	\$0.00633
					Block 2	\$0.00572
32 CSF	Block 1	\$0.00504		32 CSI	Block 1	\$0.00296
	Block 2	\$0.00426			Block 2	\$0.00251
	Block 3	\$0.00297			Block 3	\$0.00175
	Block 4	\$0.00168			Block 4	\$0.00099
	Block 5	\$0.00075			Block 5	\$0.00053
	Block 6	\$0.00031			Block 6	\$0.00020
32 ISF	Block 1	\$0.00322		32 ISI	Block 1	\$0.00289
	Block 2	\$0.00273			Block 2	\$0.00245
	Block 3	\$0.00190			Block 3	\$0.00171
	Block 4	\$0.00108			Block 4	\$0.00097
	Block 5	\$0.00051			Block 5	\$0.00052
	Block 6	\$0.00022			Block 6	\$0.00020
32 CTF	Block 1	\$0.00351		32 CTI	Block 1	\$0.00240
	Block 2	\$0.00299			Block 2	\$0.00205
	Block 3	\$0.00212			Block 3	\$0.00145
	Block 4	\$0.00124			Block 4	\$0.00085
	Block 5	\$0.00072			Block 5	\$0.00049
	Block 6	\$0.00037			Block 6	\$0.00026
32 ITF	Block 1	\$0.00284		32 ITI	Block 1	\$0.00258
	Block 2	\$0.00242			Block 2	\$0.00220
	Block 3	\$0.00171			Block 3	\$0.00156
	Block 4	\$0.00101			Block 4	\$0.00091
	Block 5	\$0.00058			Block 5	\$0.00053
	Block 6	\$0.00030			Block 6	\$0.00027
				33		\$0.00000

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Issued September 14, 2023  
 NWN OPUC Advice No. 23-07A

Received  
 Filing Center  
 SEP 14 2023

Effective with service on  
 and after November 1, 2023