

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

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

DATE: October 11, 2023

TO: Public Utility Commission

FROM: Rose Pileggi

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 475/Advice No. 23-08)
Revises Schedule 188, Industrial Demand-Side Management Program.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (Commission) approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) proposed Schedule 188 tariff revisions, as described in Docket No. UG 475, effective for service rendered on and after November 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request to revise Schedule 188, Industrial Demand-Side Management (Industrial (DSM) program.

Applicable Rule or Law

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(5) states:

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.

With certain exceptions, ORS 757.259(6) states that 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.¹

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.²

Analysis

NW Natural filed its Advice No. 23-08 to request amortization of amounts deferred under Docket No. UM 1420, related to its Industrial DSM programs for inclusion in rates effective November 1, 2023.³ The program calendar year runs from March through February of each year. All newly deferred amounts for the March 2022 through February 2023 program year occurred during the 2022 calendar year. The Company updates this schedule annually with its Purchased Gas Adjustment (PGA) filing. NW Natural's Schedule 188 recovers the costs of its Industrial DSM programs and applies them to Industrial Sales Service Customers taking service under Rate

¹ OAR 860-022-0025(2).

² OAR 860-022-0030(1).

³ Docket No. UG 475, NW Natural Advice No. 23-08 Industrial Demand Side Management, Updates to Schedule 188, Industrial Demand Side Management (DSM) Program, July 31, 2023 accessed at <https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=23819>.

Schedules 3, 31, or 32, and Commercial Sales Service Customers taking service under Rate Schedule 32.⁴ In this Advice Filing, the Company is seeking to recover \$6,621,209, which will result in an increase in revenues of \$1,003,712 when netted against the removal of the current temporary rate adjustment of (\$5,617,497) or approximately 0.12 percent of NWN's 2022 annual revenues.⁵ The proposed amortization rate is \$0.04655 per therm. The amount to be amortized reflects the balance as of June 30, 2023, as well as estimates through October 31, 2023.⁶

Given that these costs have arisen out of DSM programs, Staff does not recommend an earnings test be applied. Nevertheless, the Company provides earnings for the 2022 calendar year and notes that earnings are below the authorized level of 9.4 percent and Staff concurs. An earnings review for the amounts accrued during 2023 would need to be based on calendar 2023 earnings, which are not yet available. As an earnings test is not recommended, concerns regarding the Company's 2023 or 2022 earnings are not relevant.

	Including Revenue Sensitive Amount
<u>Temporary Increments</u>	
<u>Removal of Current Temporary Increments</u> Amortization of Industrial DSM	(5,617,497)
<u>Addition of Proposed Temporary Increments</u> Amortization of Industrial DSM	6,621,209
TOTAL OF ALL COMPONENTS OF RATE CHANGES	<u><u>\$1,003,712</u></u>

The following table shows the rate schedules and the number of customers taking service under each schedule that will be impacted by this rate change.

⁴ *Id.* at 2.

⁵ *Id.* at Exhibit A- Supporting Materials.

⁶ *Id.*

NW Natural

Rate Schedule	Number of Customers
Schedule 3	335
Schedule 31	183
Schedule 32	732
Total	1,250

The following table illustrates the average monthly bill impact to NW Natural Industrial Firm Sales customers under Rate Schedule 3, Rate Schedule 31, and Rate Schedule 32:

NW Natural 2023 – Industrial DSM Impact

Industrial Customer Type	Avg. monthly bill (current rates)	Avg. monthly bills (proposed rates)	Difference (\$)	Difference (%)
Schedule 3 Firm Sales @ avg. 1,304 therms/mo	\$1,495.95	\$1,507.19	\$11.24	0.8%
Schedule 31 Firm Sales @ avg. 5,776 therms/mo	\$5,095.29	\$5,145.08	\$49.79	1.0%
Schedule 32C Firm Sales @ avg. 7,043 therms/mo	\$6,088.29	\$6,149.00	\$60.71	1.0%
Schedule 32I Firm Sales @ avg. 18,823 therms/mo	\$14,247.56	\$14,409.82	\$162.26	1.1%
Schedule 32C Interr Sales @ avg. 53,859 therms/mo	\$38,643.34	\$39,107.60	\$464.26	1.2%
Schedule 32I Interr Sales @ avg. 42,886 therms/mo	\$30,744.73	\$31,114.41	\$369.68	1.2%

NW Natural has been recording the authorized deferral amounts in FERC Account 186.⁷ The Company is also applying the appropriate rate of return on the deferrals and the applicable blended treasury rate on the amortization balance to calculate the interest amounts.

⁷ FERC Account 186=Miscellaneous deferred debits. Account definition provided via FERC's Universal System of Accounts (USOA) accessed here: <https://www.ecfr.gov/current/title-18/part-201>.

This amortization is included in the calculation of the three percent test pursuant to ORS 757.259(6). The total proposed amortization subject to the three percent test will be the net of credits and surcharges. NW Natural reports, and Staff has confirmed, that the total amortizations for which NW Natural requests amortization effective November 1, 2023, does not exceed the three percent threshold.

Conclusion

Staff finds that the revisions proposed in this filing meet the requirements of applicable law and previous Commission Orders. Based on its review of this filing and the associated work papers, Staff recommends approval of NW Natural's proposed rates.

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

PROPOSED COMMISSION MOTION:

Approve NW Natural's proposed revisions to Schedule 188, amortizing Demand Side Management costs, as filed in Docket No. UG 475, effective for service rendered on and after November 1, 2023.