

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

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

DATE: October 2, 2023

TO: Public Utility Commission

FROM: Rawleigh White

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 479/Advice No. 23-12)
Amortization of Net Curtailment and Entitlement Revenues, Schedule 168.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-12, revising its Schedule 168 rates to reflect amortization of deferred Net Curtailment and Entitlement Revenues, for service rendered on and after November 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 23-12, revising its Schedule 168 rates to reflect amortization of amounts deferred under Docket No. UM 2123 Net Curtailment and Entitlement Revenues, pursuant to Commission Order Nos. 20-364 and 21-454.

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 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 757.259(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.

Analysis

Background

In Order No. 20-364, the Commission adopted a comprehensive stipulation among which the parties agreed that, beginning in 2021, NW Natural will credit net curtailment and entitlement revenues to firm sales customers, i.e., credited revenues offset by identifiable incremental costs, through the company's PGA on an equal percent of margin basis.¹

In Order No. 22-498, the Commission approved the Company's application to defer net curtailment and entitlement revenues for the 12-month period beginning November 1, 2022.²

Analysis

The Company's filing requests amortization of deferred amounts totaling \$853,066 over a 12-month period beginning November 1, 2023. The deferrals were accumulated over the 12-month period ended June 30, 2023. The deferred amount includes accrued interest and a revenue sensitivity adjustment.

¹ See *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Request for a General Rate Revision*, Docket No. UG 388, Order No. 20-364, October 16, 2020, at 17-18.

² See *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Application to Defer Net Curtailment and Entitlement Revenues*, Docket No. UM 2123(2), Order No. 22-498, December 28, 2022.

Staff has reviewed the Company's work papers and confirmed that interest charges are accruing at the appropriate approved rate of return (AROR) prior to amortization and the currently effective modified blended treasury rate (MBT) for the amortization year. The proposed tariff rate is designed to recover the amounts stated above.

The effect of applying this new temporary adjustment is to decrease the Company's annual revenues by \$706,412.

The monthly bill of the average residential customer served under Rate Schedule 2 using 56 therms will decrease \$0.06. The monthly decrease for the average industrial Rate Schedule 3 customer using about 1,304 therms is \$0.83. The average industrial Rate Schedule 31 firm sales customer using 5,776 therms will see a monthly decrease of about \$2.28, and the average industrial Rate Schedule 32 firm sales customer using about 18,823 therms will see a monthly decrease of about \$4.16.

In compliance with OAR 860-022-0025, the Company states that the number of customers affected by the proposed change in this filing is 636,785 residential customers, 61,857 commercial customers, and 601 industrial customers.

There is no earnings test associated with the amortization of curtailment and entitlement revenues, which is consistent with past practice.

Conclusion

Staff finds that the Company has accurately implemented the deferral and amortization mechanism for net curtailment and entitlement revenues. Staff recommends approval of NW Natural's Advice No. 23-12, revising its Schedule 168 rates for service rendered on and after November 1, 2023.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 23-12, revising its Schedule 168 rates to reflect amortization of deferred Net Curtailment and Entitlement Revenues, for service rendered on and after November 1, 2023.