

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

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE  November 1, 2023

DATE: October 17, 2023

TO: Public Utility Commission

FROM: Anna Kim

THROUGH: Bryan Conway and Marc Hellman

SUBJECT: NORTHWEST NATURAL:  
(Docket No. UG 486/Advice No. 23-19A)  
Reflects changes in the cost of purchased gas, amortization of deferred gas costs, and the combined changes associated with the annual Purchased Gas Adjustment (PGA) filing.

**STAFF RECOMMENDATION:**

Staff recommends that Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-19A, which includes the Company's 2023 Purchased Gas Adjustment (PGA) tariff sheet updates, be approved for service rendered on and after November 1, 2023.

**DISCUSSION:**

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve NW Natural's 2023 annual PGA as reflected in its Advice No. 23-19A.

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. ORS 757.259(7) allows the Commission to consider an overall average rate impact greater than that specified in subsection (6) for natural gas commodity and pipeline transportation costs incurred by a natural gas utility, if the Commission finds that allowing a higher amortization rate is reasonable under the circumstances.

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.

The PGA mechanism was originally established by Order No. 89-1046 to minimize the frequency of gas cost-related rate changes and the fluctuation of rate levels pursuant to ORS 757.259(2)(e). Since the mechanism's creation in 1989, the Commission has issued a series of orders concerning PGA filings through open-docket UM 1286.<sup>1</sup> Order No. 18-144 is the most recent of these orders and revises the Commission's procedures and requirements of the Natural Gas Portfolio Development Guidelines in Docket No. UM 1286 by adding language concerning review and approval of long-term hedging instruments in a local distribution company's (LDC) natural gas portfolio. No changes were made to the PGA Filing Guidelines previously established in Order No. 14-238.

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<sup>1</sup> Order No. 08-504 established the form of the PGA Mechanism. PGA Guidelines were acknowledged by the Commission in Docket No. UM 1286, Order No. 09-248, on June 23, 2009. The Guidelines in Docket No. UM 1286 have been modified four different times since they were first acknowledged by the Commission, in Order No. 10-197, in Order No. 11-196, in Order No. 14-238, and in Order No. 18-144.

In 2019, the Oregon legislature enacted Senate Bill 98,<sup>2</sup> authorizing portfolio targets for large natural gas utilities for the percentage of natural gas purchased for distribution to Oregon customers that is renewable natural gas (RNG). Under ORS 757.396(2), the Commission is directed to adopt ratemaking mechanisms that allow for the recovery of prudently incurred costs that contribute to the utility meeting the voluntary statutory targets.

Effective July 17, 2020, the Commission adopted OAR 860-150-0300 addressing renewable thermal certificates (RTCs), which states in part:

1. A large natural gas utility may make a filing, consistent with the requirements of OAR 860-022-0070 and other applicable rules of the Commission, seeking to pass through prudently incurred costs associated with the purchase of RNG to meet the annual targets for a large natural gas utility established in ORS 757.396, excluding qualified investments, by means of its purchased gas adjustment mechanism. Such costs may also include the utility's cost of registration for the RTC tracking system described in OAR 860-150-0050, transaction costs for any RTCs acquired in association with the purchase of RNG from another entity, and transaction costs incurred to retire the RTCs associated with gas delivered to retail utility customers.
2. In filings, annual earnings reviews, and quarterly updates associated with the purchased gas adjustment mechanism, a large natural gas utility must clearly identify costs of purchased RNG and the costs associated with RTCs described in section (1) of this rule.

On December 16, 2021, the Department of Environmental Quality (DEQ) adopted the Oregon Climate Protection Program (CPP) rules, which set a cap on greenhouse gas emissions from transportation fuels and natural gas, and are set forth in OAR 340-271-0010 through OAR 340-271-9000.

### Analysis

On July 31, 2023, NW Natural submitted Advice No. 23-19, which constitutes its annual PGA filing (Initial 2023 PGA Filing). On September 15, 2023, NW Natural filed a supplement to its initial filing with updated gas costs and tariff sheets, Advice No. 23-19A (Supplemental 2023 PGA Filing). In aggregate, these filings are commonly referred to as the 2023 PGA Filing. The 2023 PGA Filing is comprised of two parts: a forward-looking part for the 2023-2024 Gas Year (Projected Purchased Gas Cost) and a backward-looking part for the 2022-2023 Gas Year (True-Up).

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<sup>2</sup> ORS 757.390 to ORS 757.398.

The Projected Purchased Gas Cost forecasts the costs of natural gas for the upcoming gas year (i.e., November 1, 2023, to October 31, 2024) and results in the new rates set forth in Schedule P.<sup>3</sup> The True-Up of the 2022-2023 Gas Year trues up the costs of natural gas in the previous gas year (November 1, 2022, to October 31, 2023) by comparing the amount collected from customers in that year with the actual costs incurred by the Company in the same year.<sup>4</sup> Any over- or under-collection from customers in the 2022-2023 Gas Year, together with any over- or under-collection from previous years,<sup>5</sup> is either given back (in the case of over-collection) or surcharged (in the case of under-collection) to customers in the upcoming gas year after sharing. The True-Up of the 2022-2023 Gas Year results in the new rates set forth in Schedule 162 and Schedule 164.<sup>6</sup>

*Projected Purchased Gas Cost for the 2023-2024 Gas Year (Rate Schedule P)*

The Projected Purchased Gas Cost comprises two rate components: 1) the commodity component rate; and 2) the capacity or demand component rate. The rates for these components are represented in Table 1 on a \$ per therm basis.

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<sup>3</sup> Schedule P is titled "Purchased Gas Cost Adjustments."

<sup>4</sup> The 2022-2023 Gas Year began November 1, 2022, and concludes October 31, 2023. However, per page 10 of Appendix A to Order No. 14-238 in Docket No. UM 1286 (See: <http://apps.puc.state.or.us/orders/2014ords/14-238.pdf>), all deferrals to be amortized into rates will be based on June deferral balances plus interest for July-October, and the deferrals that occur after June will be carried forward to the next PGA period.

<sup>5</sup> Any over-collection or under-collection from previous years is because actual volumetric sales of natural gas will always be different from forecasted volumetric sales. Since amortizations are intended to be recovered in volumetric forecasted sales, a remaining balance will always be present.

<sup>6</sup> Schedule 162 is titled "Temporary (Technical) Adjustments to Rates;" and Schedule 164 is titled "Purchased Gas Cost Adjustment to Rates."

**Table 1: Projected Purchased Gas Cost for 2023-2024<sup>7</sup>**  
 (\$/Therm or as noted otherwise)

Item		Current Rate 2022-23 Gas Year <sup>8</sup>	Proposed Rate 2023-24 Gas Year	Change
Commodity	(A)	\$0.50676	\$0.44732	(\$0.05944)
Demand	(B)	\$0.08571	\$0.10025	\$0.01454
<b>Total Gas Cost</b>	<b>(C = A+B)</b>	<b>\$0.59247</b>	<b>\$0.54757</b>	<b>(\$0.04490)</b>

The commodity component of the Weighted Average Cost of Gas (WACOG) proposed for the 2023-2024 Gas Year is decreasing by 0.05944 per therm, a decrease of 11.7 percent from the previous PGA gas year, as shown in Table 1. Last year, wholesale natural gas prices were predicted to increase significantly. At this point, gas prices are predicted to decline from the last year’s prediction.

In 2022, several factors led to increased natural gas prices and elevated price volatility:

- Global market disruption after Russia invaded Ukraine, and Western Countries responded with economic sanctions – Liquefied Natural Gas (LNG) exports from the U.S to Europe surged.
- Surging inflation associated with a healthy job market increased demand for production inputs;
- Storage inventories fell below the five-year average level in 2022 and failed to recover during the 2022 injection season.

Over the course of the last 12 months, the wholesale market price of gas has declined overall.

- Natural gas production increased in 2023, leading to lower prices now than forecast and going forward.
- Prices along the west coast remain relatively high in contrast to gas purchased at AECO.
- The volume of natural gas exports remains high, which may increase gas prices.
- The amount of natural gas in storage is high nationally and available storage space will increase next year with the expansion of Aliso Canyon.
- The recent conflict between Hamas and Israel may also impact the market although it is unclear at the time what effect the conflict will have.

<sup>7</sup> Addressed in UG 462 Compliance Filing for Order No. 23-367, workpaper “NWN 2023-24 PGA Rate Development and Dakota City CoS Combined”

<sup>8</sup> Please see UG 435 Compliance Filing for Order No. 22-388.

The proposed demand component reflects an increase of approximately \$0.01454 per therm, an increase of 16.96 percent from the previous PGA gas year.

*Renewable Natural Gas (RNG), and Oregon DEQ Climate Protection Plan (CPP)*  
NWN's filing includes RNG commodity costs of \$0, with a net RNG RTC commodity cost in the 2023-24 PGA of \$5,359,122 in WACOG, \$1,999,311 in Schedule 171 – Transport, and \$355,831 in Schedule 171 – Special Contract for a total impact of \$7,714,263 for the Company's 2023 PGA.<sup>9</sup> In rates, this amount is offset by the differential in the net cost of RTCs associated with the purchase and sales of RTCs in the 2022-2023 PGA year and what was collected in rates.

*Current Impact of Investment in Hydrogen (H)*  
NW Natural reports no immediate impact of H investment herein.

*Sharing Election*  
NW Natural again elects 90/10 sharing.<sup>10</sup>

*Filing and Portfolio Guidelines*  
NW Natural's 2023 PGA filing meets the PGA Filing Guidelines and the Natural Gas Portfolio Guidelines. NW Natural has demonstrated its adherence to these Guidelines with regard to natural gas supplies and financial hedges. Staff's conclusions are supported by the Company's comprehensive work papers and by review and discussion as part of the quarterly PGA meetings.

Staff reviewed NW Natural's forecasted commodity and demand costs to determine whether the Company complied with the Commission's Natural Gas Portfolio Development Guidelines (Portfolio Guidelines). Accepted "best practices" for the purchase of natural gas supply by a local distribution company (LDC) result in a portfolio that balances the objectives of reliability, cost control, and managing price volatility using diversity, flexibility, and balance in a LDC's gas portfolio. The Portfolio Guidelines implement these "best practices" for Oregon LDCs. The Portfolio Guidelines also require each gas utility to include certain information related to its gas supply portfolio with its annual PGA filing. This information assists the Commission in determining the prudence of the LDC's costs.

NW Natural's portfolio preparation and planning process meets the standards in Section III of the Portfolio Guidelines related to portfolio planning, as do NW Natural's physical gas contracts and financial transactions relating to natural gas pricing. NW Natural has

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<sup>9</sup> Addressed in work paper: NWN 2023-2024 PGA RTC Split Model for Sales vs Transport vs SC\_September.

<sup>10</sup> Addressed in Schedule P, P-5, Section 3.

also demonstrated its adherence to the Portfolio Guidelines with regard to natural gas supplies and financial hedges. In addition, the Company has provided all the information called for in Section IV (Information and Work Papers), and Section V (Supporting Data and Analysis) of the Portfolio Guidelines.

*True-Up of the 2022-2023 Gas Year (Schedule 162)*

**Table 2: True-Up of the 2022-2023 Gas Year <sup>11</sup>**  
 (\$/Therm or as noted otherwise)

Item		Current Rate <sup>12</sup>	Proposed Rate	Change
Commodity Amortization <sup>13</sup>	(D)	\$0.05590	\$0.00407	(\$0.05183)
Demand Amortization <sup>14</sup>	(E)	\$0.00249	(\$0.00379)	(\$0.00628)
<b>Total Amortization</b>	<b>(F=D+E)</b>	<b>\$0.05839</b>	<b>\$0.00028</b>	<b>(\$0.05811)</b>

Commodity amortization costs are forecasted to decrease with a lower surcharge from the previous year and will decrease the gas commodity amortization price to \$0.00407 per therm after accounting for the commodity cost variance sharing between the Company and customers.

For demand amortization, there is currently a surcharge of \$0.00249 per therm to customers (except Interruptible customers) which resulted in a slight over-collection. In order to return over-collections from the prior PGA gas year, the Company proposes a rebate of \$0.00379 per therm.

*Three Percent Test*

Pursuant to ORS 757.259(6), ORS 757.259(7), and OAR 860-027-0300, the annual average rate impact of the amortizations authorized under the statutes may not exceed three percent of the natural gas utility's gross revenues for the preceding calendar year unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances.

<sup>11</sup> Addressed in UG 462 Compliance Filing for Order No. 23-367, workpaper "NWN 2023-24 PGA Rate Development and Dakota City CoS Combined"

<sup>12</sup> Please see UG 435 Compliance Filing for Order No. 22-388.

<sup>13</sup> These figures are for Weighted Average Cost of Gas (WACOG) Deferral only.

<sup>14</sup> These figures are for Firm Demand Deferral only.

As shown on Table 3 of this memo, the resulting annual average rate impact from the PGA amortization and 17 other filings<sup>15</sup> on overall rates is a 12.5 percent decrease when compared to the Company's 2022 total gross revenues, which is below the three percent amortization limitation specified in ORS 757.259(6).<sup>16</sup>

The percentage changes in Table 3 include the change in revenues related to the gas commodity portion of the Company's gross revenues for the 2023 PGA gas year based on projected customer usage and differs from the three percent calculation.

**Table 3: Overall Commodity and Related Schedule Revenue and Rate Impact**  
 (\$ or as noted otherwise)<sup>17</sup>

Schedule	Description	Total \$ Revenues at Current Rates <sup>18</sup>	Revenue \$ Increase / (Decrease) <sup>19</sup>	Change (%) <sup>20</sup>
<b>2</b>	Residential Sales	\$292,528,263	\$260,800,010	-10.85%
<b>3C</b>	Small Commercial Firm Sales	\$114,287,592	\$96,343,578	-15.70%
<b>3I</b>	Small Industrial Firm Sales	\$3,660,805	\$3,254,400	-11.10%
<b>27</b>	Residential Heating Dry Out	\$530,731	\$467,505	-11.91%
<b>31CFS</b>	Mid-size Commercial Firm Sales	\$13,998,268	\$12,271,039	-12.34%
<b>31CFT</b>	Commercial Firm Transportation	\$35,783	\$61,222	71.09%
<b>31IFS</b>	Mid-size Industrial Firm Sales	\$8,823,356	\$7,770,758	-11.93%
<b>31IFT</b>	Industrial Firm Transportation	\$6,030	\$9,453	56.77%
<b>32CFS</b>	Large Commercial Firm Sales	\$31,906,395	\$28,074,869	-12.01%

<sup>15</sup> UG 472/Advice No. 23-05, Intervenor Funding, Schedule 172; Docket No. UG 473/Advice No. 23-06, Oregon Regulatory Fee Schedule 181; UG 474/Advice No. 23-07A, Environmental Costs, Schedule 183; UG 475/Advice No. 23-08, Industrial Demand Side Management (DSM), Schedule 188; UG 476/Advice No. 23-09, Decoupling, Schedule 190; UG 477/Advice No. 23-10, Weather Adjusted Rate Mechanism (WARM), Schedule 195, UG 478/Advice No. 23-11B Oregon Corporate Activity Tax (CAT); UG 479/Advice No. 23-12, Net Curtailment and Entitlement; UG 480/Advice No. 23-13, Residual Account Balances, Geographically Targeted Energy Efficiency, and Gain on Sale of Property, Schedule 178; UG 481/Advice No. 23-14, Residential Rate Mitigation Schedule 166; UG 482/Advice No. 23-15A, RNG Transport allocation, Schedule 171; UG 483/Advice No. 23-16A, COVID-19 Schedule 173; UG 484/Advice No. 23-17B, Transportation Security Administration (TSA) Compliance; UG 487/Advice No. 23-20A, Renewable Natural Gas Automatic Adjustment Clause, Schedule 198; UG 488/Advice No. 23-21, Excess Deferred Income Taxes, Schedule 196; UG 489/Advice No. 23-22, Horizon 1 Start-Up Costs--Schedule 175, Environmental Cost Recovery--Schedule 182, and Pension Balancing Account--Schedule 197.

<sup>16</sup> Addressed in work paper: Rate Development, Tab: Attach C.

<sup>17</sup> Addressed in UG 462 Compliance Filing for Order No. 23-367, workpaper "NWN 2023-24 PGA Rate Development and Dakota City CoS Combined"

<sup>18</sup> See Attachment A of this public meeting memo, column "Total Revenue at Current."

<sup>19</sup> Id, see column "Total Change in Revenue."

<sup>20</sup> Here, the percentage change denotes the percentage change in revenues by Rate Schedule.



Schedule	Description	Total \$ Revenues at Current Rates <sup>18</sup>	Revenue \$ Increase / (Decrease) <sup>19</sup>	Change (%) <sup>20</sup>
<b>32IFS</b>	Large Industrial Firm Sales	\$12,984,396	\$11,316,058	-12.85%
<b>32CFT</b>	Large Commercial Firm Transportation	\$50,050	\$46,743	-6.61%
<b>32IFT</b>	Large Industrial Firm Transportation	\$705,389	\$511,625	-27.47%
<b>32CIS</b>	Commercial Interruptible Sales	\$15,508,972	\$13,082,237	-15.65%
<b>32IIS</b>	Industrial Interruptible Sales	\$21,188,642	\$17,834,074	-15.83%
<b>32CIT</b>	Large Comm. Interruptible Transport	\$53,358	\$36,033	-32.47%
<b>32IIT</b>	Large Indus Interruptible Transport	\$1,310,177	\$781,624	-40.34%
<b>33</b>	High Volume Non-Residential	\$0	\$0	0.00%
<b>SC</b>	Special Contracts	\$0	\$219,412	0.00%
<b>Total</b>		<b>\$517,578,208</b>	<b>\$452,880,640</b>	<b>-12.50%</b>

Note that Table 3 addresses the aggregate impact of the PGA and associated dockets, while Table 4 addresses only the Company's 2023 PGA.

**Table 4: PGA ONLY Revenue and Bill Impact**  
 (\$ or as noted otherwise)

Schedule	Description	Total \$ Revenues at Current Rates <sup>21</sup>	Revenue \$ Increase / (Decrease) <sup>22</sup>	Change (%) <sup>23</sup>
<b>2</b>	Residential Sales	\$251,954,574	(\$19,094,233)	-7.58%
<b>3C</b>	Small Commercial Firm Sales	\$107,073,119	(\$8,114,475)	-7.58%
<b>3I</b>	Small Industrial Firm Sales	\$3,106,086	(\$235,393)	-7.58%
<b>27</b>	Residential Heating Dry Out	\$468,185	(\$35,481)	-7.58%
<b>31CFS</b>	Mid-size Commercial Firm Sales	\$13,075,434	(\$990,914)	-7.58%
<b>31CFT</b>	Commercial Firm Transportation	N/A	N/A	N/A
<b>31IFS</b>	Mid-size Industrial Firm Sales	\$7,514,958	(\$569,517)	-7.58%
<b>31IFT</b>	Industrial Firm Transportation	N/A	N/A	N/A
<b>32CFS</b>	Large Commercial Firm Sales	\$27,189,599	(\$2,060,548)	-7.58%
<b>32IFS</b>	Large Industrial Firm Sales	\$11,107,318	(\$841,762)	-7.58%
<b>32CFT</b>	Large Commercial Firm Transportation	N/A	N/A	N/A

<sup>21</sup> See Attachment A of this public meeting memo, column "Total Revenue at Current."

<sup>22</sup> Id, see column "Total Change in Revenue."

<sup>23</sup> Here, the percentage change denotes the percentage change in revenues by Rate Schedule.

Schedule	Description	Total \$ Revenues at Current Rates <sup>21</sup>	Revenue \$ Increase / (Decrease) <sup>22</sup>	Change (%) <sup>23</sup>
32IFT	Large Industrial Firm Transportation	N/A	N/A	N/A
32CIS	Commercial Interruptible Sales	\$13,030,415	(\$1,454,629)	-11.16%
32IIS	Industrial Interruptible Sales	\$17,825,034	(\$1,989,869)	-11.16%
32CIT	Large Comm. Interruptible Transport	N/A	N/A	N/A
32IIT	Large Indus Interruptible Transport	N/A	N/A	N/A
33	High Volume Non-Residential	N/A	N/A	N/A
SC	Special Contracts	N/A	N/A	N/A
<b>Overall Commodity Only</b>		<b>\$452,344,722</b>	<b>(\$35,386,822)</b>	<b>-7.82%</b>

Table 4 shows the percentage rate changes when only considering the commodity costs. The overall decrease for these costs is 7.82 percent.

Table 5 below shows residential bill impacts assuming the PGA and other rate changes including the effect of adopting the proposed mitigation rate credit that is addressed in agenda item RA5.

**Table 5: 2023-2024 PGA**  
 Proposed Rate & Bill Increases  
 Residential Bill Impacts

Residential Bill Impacts						
Rate Schedule	Average Therms	Customer Charge \$	Current Monthly Bill \$	Proposed Monthly Bill \$	Change Monthly Bill \$	% Change Monthly Bill
<b>January</b>						
2R	107	\$8.00	\$161.86	\$146.69	(\$15.17)	-9.37%
<b>Annual / Monthly</b>						
2R	56	\$8.00	\$88.46	\$80.53	(\$7.93)	-8.97%

*Dakota City*

Schedule 198 is Northwest Natural’s Renewable Natural Gas Automatic Adjustment Clause, which was adopted in Order No. 22-388. As per that order, values in Schedule 198 may only be updated on November 1 of each year. This year, Schedule 198 is being used to update values of the existing Lexington RNG project in UG 487 and integrate costs of the new Dakota City RNG project in UG 462. In UG 462, Northwest Natural proposes to recover \$2.1 million, for the new Dakota City RNG project. In UG 487, Northwest Natural proposes to recover \$2.7 million, which includes a forecasted revenue requirement, true-up deferral from last year’s forecast and a

sharing deferral associated with the Lexington RNG project. In total, these two projects are expected to increase Oregon revenue by approximately \$4.8 million over base rates and result in a recovery of \$0.00435 per therm through Schedule 198 for all customer classes and schedules.

#### *Credits from NW Pipeline*

On August 18, 2017, the Federal Energy Regulatory Commission (FERC) approved a Northwest Pipeline (NW Pipeline) Stipulation and Settlement Agreement in Docket No. RP17-346-000. Section 12.4 of the 2017 Settlement required NW Pipeline to file a Natural Gas Act (“NGA”) Section 4 general rate case for rates to become effective not later than January 1, 2023, unless NW Pipeline entered a pre-filing settlement effectively satisfying the NGA Section 4 general rate case filing requirement. From September 2021 through June 2022 NW Pipeline worked with their shippers to resolve issues to avoid filing a full Section 4 general rate case.

On August 26, 2022, Northwest Pipelines filed a stipulation and settlement agreement. As part of this settlement, NW Pipeline would issue credits to shippers of record (2018-2022) to refund monies due to a reduction in the federal corporate income tax rate per the Tax cuts and Jobs Act signed into law on December 22, 2017. During last year’s PGA, the stipulation was known but did not get approved until after the PGA was finalized. FERC issued the approval on November 15, 2022. NW Natural had incorporated the estimated benefit of this tax rate reduction effective January 2023 in the last PGA filing.

#### *Rate Mitigation*

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.<sup>24</sup> NW Natural deferred a portion of the November 1 rate increase during the winter heating season through these credits. The deferred bill credit monies were amortized from March 15, 2023, through October 31, 2023.<sup>25</sup>

Primarily due to forecasting error, the balancing account for this program was not entirely drawn down and a balance of roughly \$6 million remains. NW Natural is requesting to amortize these funds over the 2023-2024 PGA year. This change would replace the current Schedule 166 rate of \$0.10137 per therm with a rate of \$0.01427 per therm.

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<sup>24</sup> The Company’s temporary winter bill credit was docketed as UG 459 and approved in Commission Order No. 22-425.

<sup>25</sup> The rate change was approved in Docket No. ADV 1488.

### Conclusion

NW Natural's 2023 PGA Filing and other related advice filings reflect a revenue decrease of \$64,697,569 or approximately -12.5 percent, effective November 1, 2023, due to gas costs (Purchased Gas Cost Adjustment Provision; Schedule P) and amortization of previous deferrals. This decrease follows a massive increase of 23.7 percent in the last PGA.

The number of customers affected by the changes proposed in this filing is 636,785 residential customers, 61,896 commercial customers, and 668 industrial customers

With all related changes reflective of Table 3, effective November 1, 2023, the monthly bill of a residential customer using an average of 56 therms per month will decrease by \$7.93, or 9 percent, from \$88.46 to \$80.53.

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

### **PROPOSED COMMISSION MOTION:**

Approve NW Natural's Advice No. 23-19A, which includes the Company's 2023 annual PGA tariff sheet updates, for service rendered on and after November 1, 2023.

**Attachment A: NW Natural Gas 2023 PGA and Related Dockets**  
 Incremental Revenue Change by Customer Rate Schedule – (Red) indicates negative numbers.

Customer Rate Schedule	Description	Gas Costs and Adjustment Schedule Revenues \$ at Current Rates	Gas Costs and Adjustment Revenues \$ at Proposed Rates	Incremental Change in \$ Revenue	% Change by Rate Schedule	% Contribution to Total Incremental Change
2	Residential Sales	\$ 292,528,263	\$ 260,800,010	(\$31,728,253)	-10.8%	49.0%
3C	Small Commercial Firm Sales	\$ 114,287,592	\$ 96,343,578	(\$17,944,014)	-15.7%	27.7%
3I	Small Industrial Firm Sales	\$ 3,660,805	\$ 3,254,400	(\$406,405)	-11.1%	0.6%
27	Residential Heating Dry Out	\$ 530,731	\$ 467,505	(\$63,226)	-11.9%	0.1%
31CFS	Mid-size Commercial Firm Sales	\$ 13,998,268	\$ 12,271,039	(\$1,727,229)	-12.3%	2.7%
31CFT	Commercial Firm Transportation	\$ 35,783	\$ 61,222	\$25,439	71.1%	0.0%
31IFS	Mid-size Industrial Firm Sales	\$ 8,823,356	\$ 7,770,758	(\$1,052,598)	-11.9%	1.6%
31IFT	Industrial Firm Transportation	\$ 6,030	\$ 9,453	\$3,423	56.8%	0.0%
32CFS	Large Commercial Firm Sales	\$ 31,906,395	\$ 28,074,869	(\$3,831,527)	-12.0%	5.9%
32IFS	Large Industrial Firm Sales	\$ 12,984,396	\$ 11,316,058	(\$1,668,338)	-12.8%	2.6%
32CFT	Large Comm Firm Transportation	\$ 50,050	\$ 46,743	(\$3,308)	-6.6%	0.0%
32IFT	Large Indus Firm Transportation	\$ 705,389	\$ 511,625	(\$193,765)	-27.5%	0.3%
32CIS	Commercial Interruptible Sales	\$ 15,508,972	\$ 13,082,237	(\$2,426,734)	-15.6%	3.8%
32IIS	Industrial Interruptible Sales	\$ 21,188,642	\$ 17,834,074	(\$3,354,568)	-15.8%	5.2%
32CIT	Large Comm Interruptible Transportation	\$ 53,358	\$ 36,033	(\$17,326)	-32.5%	0.0%
32IIT	Large Indus Interruptible Transportation	\$ 1,310,177	\$ 781,624	(\$528,553)	-40.3%	0.8%
33	High Volume Non-Residential	\$ -	\$ -	\$0	N/A	0.0%

Customer Rate Schedule	Description	Gas Costs and Adjustment Schedule Revenues \$ at Current Rates	Gas Costs and Adjustment Revenues \$ at Proposed Rates	Incremental Change in \$ Revenue	% Change by Rate Schedule	% Contribution to Total Incremental Change
SC	Special Contracts	\$ -	\$ 219,412	\$219,412	N/A	-0.3%
	<b>Overall</b>	<b>\$ 517,578,208</b>	<b>\$ 452,880,640</b>	<b>(\$64,697,569)</b>	<b>-13%</b>	<b>100%</b>

**Attachment B: NW Natural Gas 2023 PGA and Related Dockets**  
 Incremental Revenue Change by Adjustment Schedule – (Red) indicates negative numbers.

Adjustment Schedule	Description	Gas Cost & Adjustment Schedule Total Revenue at Current Rates	Gas Cost & Adjustment Schedule Total Revenue at Proposed Rates	Total Incremental Change in Revenue	% Change by Rate Schedule	% Contribution to Total Incremental Change
P	PGA Forecast	\$452,344,722	\$416,957,900	(\$35,386,822)	-8%	55%
162	PGA Gas Cost Differences	\$44,898,396	\$415,259	(\$44,483,136)	-99%	69%
172	Intervenor Funding	\$179,929	\$486,734	\$306,805	171%	0%
180	TSA Security Directive (O&M)	\$2,219,024	\$1,679,831	(\$539,193)	-24%	1%
181	Oregon Regulatory Fee	\$616,773	\$385,515	(\$231,258)	-37%	0%
183	SRRM Adjustment	\$7,251,644	\$9,699,797	\$2,448,153	34%	-4%
188	Industrial DSM	\$5,395,636	\$6,621,853	\$1,226,216	23%	-2%
190	Decoupling	(\$17,503,873)	(\$6,153,603)	\$11,350,270	65%	-18%
195	WARM	\$842,201	(\$2,798,863)	(\$3,641,064)	-432%	6%
196	Gas Reserves EDIT	(\$3,824,206)	\$0	\$3,824,206	-100%	-6%
177	CAT Deferral & Incremental	\$569,981	\$518,776	(\$51,205)	-9%	0%
168	Curtailment and Entitlement Revenue	(\$153,958)	(\$852,223)	(\$698,265)	454%	1%
178	Regulatory Rate Adjustment	\$63,526	\$31,763	(\$31,763)	-50%	0%
166	Residential Rate Mitigation	\$14,496,664	\$6,068,479	(\$8,428,185)	-58%	13%
171	RNG Transport Allocation	\$1,731,777	(\$422,876)	(\$2,154,653)	-124%	3%
173	COVID Years 2 & 3	\$5,993,947	\$14,501,958	\$8,508,011	142%	-13%
189	TSA Security Directive (Cost of Service)	\$708,785	\$915,291	\$206,506	29%	0%
198	RNG Adj Mechanism	\$1,747,239	\$4,825,050	\$3,077,810	176%	-5%
	<b>Overall</b>	<b>\$517,578,208</b>	<b>\$452,880,640</b>	<b>(\$64,697,569)</b>	<b>-13%</b>	<b>100%</b>

**Attachment C: NW Natural Gas 2023-2024 PGA – Three Percent Test**

(Red) indicates negative numbers.

	Surcharge \$	Credit \$
<b><u>Non-Gas Amortizations</u></b>		
WARM		(\$2,796,963)
Oregon Regulatory Fee	\$386,351	
CAT Deferral and Incremental	\$517,813	
Net Curtailment and Entitlement		(\$853,066)
RNG Transport Allocation		(\$423,484)
COVID	\$14,503,684	
Rate Mitigation	\$6,069,525	
TSA Cost of Service	\$912,778	
TSA O&M	\$1,680,746	
RNG Special Contracts Allocation		\$96,568
Residual Balances	\$27,325	
<b>Total</b>	<b>\$24,098,222</b>	<b>(\$3,976,945)</b>
<b>Summary</b>		<b>\$</b>
Net Proposed Amortizations (subject to 3% test)		\$20,121,277
Utility Gross Revenues (2021)		\$849,278,042
3% of Utility Gross Revenues		\$25,478,341
<b>Allowed Amortization</b>		<b>\$20,121,277</b>
<b>Allowed Amortization as % of Gross Revenue</b>		<b>2.37%</b>



**Attachment D: 2023-2024 PGA**

Proposed Rate & Bill Increases by Class of Service - (Red) indicates negative numbers.

Class of Service	Rate Schedule	Rate Impacts <sup>26</sup>			
		Current Rate \$ per Therm	Proposed Rate \$ per Therm	Change Rate \$ per Therm	% Change Rate per Therm
<b>Residential</b>					
NW Natural	2R	\$1.43686	\$1.29519	(\$0.14167)	-9.86%
<b>Commercial</b>					
NW Natural	3C	\$1.18666	\$1.08753	(\$0.09913)	-8.35%
<b>Industrial</b>					
NW Natural	311SF	\$0.82490	\$0.72744	(\$0.09745)	-11.81%
<b>Interruptible</b>					
NW Natural	32ISI	\$0.66514	\$0.56614	(\$0.09900)	-14.88%

<sup>26</sup> The residential rates illustrated above do not include pass-through charges included on customer bills that utilities are required to collect and distribute to the appropriate third parties, such as for franchise fees or the Public Purposes Charge.

Proposed Rate & Bill Increases  
 NW Natural Other Schedules Bill Impacts

		Other Schedule Bill Impacts					
NW Natural	Rate Schedule	Average Therms /Month	Customer Charge \$	Current Monthly Bill \$	Proposed Monthly Bill \$	Change Monthly Bill \$	% Change Monthly Bill
<b>January</b>							
Residential	2R	107	\$8.00	\$161.86	\$146.69	(\$15.17)	-9.4%
Commercial	3C	598	\$15.00	\$725.20	\$665.88	(\$59.33)	-8.2%
Industrial	31ISF	5,776	\$325.00	\$5,089.59	\$4,526.71	(\$562.89)	-11.1%
Interruptible	32ISI	42,886	\$675.00	\$29,200.16	\$24,954.50	(\$4,245.66)	-14.5%
NW Natural	Rate Schedule	Annual Therms /Month	Customer Charge \$	Current Monthly Bill \$	Proposed Monthly Bill \$	Change Monthly Bill \$	% Change Monthly Bill
<b>Annual / Monthly</b>							
Residential	2R	56	\$8.00	\$88.46	\$80.53	(\$7.93)	-9.0%
Commercial	3C	255	\$15.00	\$317.60	\$292.32	(\$25.28)	-8.0%
Industrial	31ISF	5,776	\$325.00	\$5,089.59	\$4,526.71	(\$562.89)	-11.1%
Interruptible	32ISI	42,886	\$675.00	\$29,200.16	\$24,954.50	(\$4,245.66)	-14.5%