



# **Introduction**

## **Energy Utility Rate Cases**

**Melissa Nottingham, PUC**  
**April 16, 2024**

# NW Natural proposed residential rate changes

Current Residential	Avg. Useage/Mo.	Residential Avg. Basic Charge \$/Mo.	Residential Avg. Bill \$/Mo.
Single Family	55	\$ 8.00	\$ 79.43
Multi-Family	55	\$ 8.00	\$ 79.43

Nov. 1, 2024 Increase					
Scenario if increase were \$154.9 M*					
NWN Proposed [1]		New Residential Basic Charge \$/Mo.	New Residential Avg. Bill \$/Mo.	Increase \$/Mo	% Increase
Single Family	\$154.9 Million*	\$ 10.00	\$ 93.81	\$ 14.38	18.10%
NP Single Family		\$ 26.25	\$ 66.54	n/a	n/a
Multi-Family		\$ 8.00	\$ 91.82	\$ 12.39	15.60%
NP Multi-Family		\$ 24.25	\$ 63.92	n/a	n/a

\* Oregon jurisdictional revenues overall increase of 16.62 percent

[1] Margin revenues for existing and **new premise** (NP) were designed to generate an equal amount. Monthly bill is driven by usage differences.

# Co. Proposed rates – Residential customer impact

<b>* Scenario</b>	<b>Company OR Proposed Nov. 1, 2024 \$M</b>	<b>Residential Basic Charge Current \$ / Mo.</b>	<b>Residential Average Bill OR Current \$ / Mo.</b>	<b>Residential Basic Charge Proposed \$ / Mo.</b>	<b>Residential Average Bill Proposed \$ / Mo.</b>	<b>Residential Average Bill % Increase</b>
<b>1. Company Proposal Base Cost [1]</b>	683,827,912	8.00	\$45.74	\$10.00	\$59.86	30.8%
<b>2. Company Proposal Base Cost Plus Commodity</b>	1,085,150,671	8.00	\$75.62	\$10.00	\$89.97	19.0%

\* Distinguishes Cost to Serve vs. Cost to Serve Plus the Pass Thru Cost of Natural Gas.

[1] Based on existing single family premise

## Cost drivers: Cited by NW Natural

### Cost Drivers %

Depreciation	35.92%
Operations & Maintenance	28.57%
Capital Projects	18.36%
Cost of Capital	7.90%
Tax Effects	4.12%
Property Taxes	2.72%
Uncollectible Expense	2.14%
Other Rate Base	0.26%
	100.00%

Rate Case Cost Drivers	Approximate NWN Proposed Oregon Revenue Requirement	
	\$ Millions	Percent
<b>Driver 1: Capital Projects [1]</b> (Examples Below) Current Rate Base \$1,755,679 Million (UG 435); Proposed Rate Base \$2,136,361 million	<b>32,948</b>	21.27%
<i>Central Resource Center</i>	788	0.51%
<i>Meter Modernization</i>	4,559	2.94%
<i>Incremental Cloud Capital</i> (replace end of life software)	3,100	2.00%
<i>Storage Investments for Winter Peak</i>	4,765	3.08%
<i>Other</i>	19,736	12.74%
<b>Driver 2: Cost of Capital</b> (as requested) 10.1% ROE, 50% Equity, 4.712% Cost LT Debt	<b>14,167</b>	9.15%
<b>Driver 3: Depreciation</b>	<b>64,453</b>	41.61%
<i>Depreciation Study</i>	35,403	22.85%
<i>Increased Capital</i>	29,050	18.75%
<b>Driver 4: O&amp;M</b>	<b>51,273</b>	33.10%
<i>2 Years of Wages and Salaries</i>	19,389	12.52%
<i>Customer Payment Processing</i>	1,333	0.86%
<i>Locating Services</i>	2,997	1.93%
<i>IT&amp;S (software licenses)</i>	4,650	3.00%
<i>Other (inflationary pressures across all costs)</i>	22,904	14.79%
<b>Driver 5: Gross Up</b>	<b>7,401</b>	4.78%
<i>Federal Income Taxes</i>	1,151	0.74%
<i>State Income Taxes</i>	1,073	0.69%
<i>Franchise Taxes</i>	4,572	2.95%
<i>Corporate Activity Tax</i>	605	0.39%
<b>Driver 6: Uncollectible Expense</b>	<b>3,848</b>	2.48%
<b>Driver 7: Property Taxes</b>	<b>4,888</b>	3.16%
<b>Driver 8: Other Rate Base</b>	<b>463</b>	0.30%
<b>Driver 9: Revenue (net of Cost of Gas)</b>	<b>-24,531</b>	-15.84% <sup>4</sup>
<b>Total</b>	<b>154,910</b>	100.00%

# About PUC Staff

- Staff Working on Rate Cases:
  - Accountants
  - Financial Analysts
  - Economists
  - Engineers
  - Among others
- Paired with Attorney from DOJ

# PUC Staff Role

- Staff:
  - Analyze NW Natural filing
  - Request more information
  - Submit, defend written testimony
  - Review all testimony, assess for reasonableness
  - Develop settlement positions
- Attorneys working with Staff:
  - Cross examine witnesses
  - Submit legal briefs
  - Make oral arguments



# Thank you!

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