

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 19, 2024**

REGULAR **CONSENT** **EFFECTIVE DATE** April 1, 2024

DATE: March 8, 2024

TO: Public Utility Commission

FROM: David Abraham

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. ADV 1598/Advice No. 24-03)
Supplemental 2024 Bill Adjustments – Schedule 185 – Special Annual
Interstate and Intrastate Storage and Transportation Credit and Schedule
186 – Special Annual Core Pipeline Capacity Optimization Credit.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (OPUC or Commission) approve Northwest Natural Gas Company's (NW Natural or Company) Advice No. 24-03, which revises Schedule 185 and Schedule 186.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's supplemental request to revise Schedule 185 and Schedule 186 to return funds to customers served under Rate Schedules 2 and 3, and under the Sales Service option of Schedules 31 and 32, as a lump sum beginning April 1, 2024.

Applicable Law

ORS 757.205 requires public utilities to file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. ORS 757.210 (1)(a) states a utility must show that a proposed rate or schedule of rates is fair, just, and reasonable. The Commission may authorize a rate or schedule of rates only if it is deemed to be fair, just, and reasonable.

ORS 757.220 and OAR 860-022-0015 state that energy utilities must provide the Commission with at least 30 days' notice prior to the effective date for any change in rates, tolls, charges, rules, or regulations.

OAR 860-022-0005 defines the required formatting all large energy utilities must use when making tariff submissions to the Commission.

OAR 860-022-0025 illustrates energy utility requirements for filing tariffs or changes to rate schedules.

Analysis

In this section, I provide background on the Company's discovery of an error in the original lump sum credit included in the December 2023 filing.

Background

On December 15, 2023, the Company filed Advice No. 23-28 requesting revisions to Schedule 185 and Schedule 186. The filing was approved by the Commission on Consent Agenda Docket No. 1581/Advice No. 23-28 on January 23, 2024. Schedules 185 and 186 establish a bill credit based on Oregon's share of revenue received by the Company for: (a) interstate storage and related transportation services provided, b) core storage optimization activities, c) intrastate storage activities under Schedules 80 and 91, and d) optimization of core customer pipeline and storage capacity.

In compliance with the filing, NW Natural implemented a lump sum bill credit of \$20,796,618 that appeared on customer bills during the February billing cycle. However, subsequent to the Commission approval on January 23, 2024, NW Natural identified an administrative error and has determined that the lump sum credit should have been \$29,197,818. The error was the result of using a credit balance that was a partial balance and not the full balance from the November 1, 2022 through October 31, 2023, storage and optimization activity. NW Natural proposes to provide the difference of \$8,401,200 to customers who have an active gas service account at the time of the customers' April 2024 billing cycle. As with the February bill credit, NW Natural proposes the April bill credits will be calculated based on the customer's actual billed usage for the period November 1, 2022 through October 31, 2023.

Schedule 185 – Special Annual Interstate and Intrastate Storage and Transportation Credit

NW Natural's proposed Schedule 185 credit represents a refund of the Company's Oregon share of revenues received for interstate storage and related transportation

service activities under a Limited Jurisdiction Blanket Certificate granted under FERC Regulations, 18 C.F.R. §294.224.

The credit of \$464,870 (before revenue sensitive effects) is comprised of revenues for November 2022 through October 2023 activity that was erroneously not included with the ADV 1581 February bill credit. The credit amount under Schedule 185 is calculated on an equal percentage of margin basis.

Schedule 186 - Special Annual Core Pipeline Capacity Optimization Credit

This filing also revises Schedule 186 to add the per-therm credits that will be credited for the Oregon share of revenues received from the Company's core pipeline capacity optimization activities. The credit of \$7,936,330 (before revenue sensitive effects) is comprised of revenue from November 2022 through October 2023 activity that was erroneously not included with the ADV 1581 February bill credit.

Effects of Filing

The combined effects of the customer credits proposed under Schedule 185 and Schedule 186 results in a refund of \$29,197,818 (before revenue sensitive effects), which is comprised of \$8,401,200 from storage, transportation, and optimization revenues generated November 1, 2022 to October 31, 2023, activity that was erroneously not included with the ADV 1581 February bill credit. These credits will be provided to customers with actual billed gas usage for the period November 1, 2022 through October 31, 2023, and have an active gas service account at the time of the customer's April 2024 billing cycle. The number of customers that will have an account during the April 2024 billing cycle is not known at this time; however, an estimate is provided on page 1 of IPC's Exhibit A.

The average monthly bill effects of the Schedule 185 and Schedule 186 credits for the April time period are as follows:

- The average Schedule 2 Residential customer that used approximately 648 therms will see a one-time April bill credit of approximately \$7.48. This estimated credit is in addition to the \$19.27 received in February 2024.
- The average Schedule 3 Commercial customer that used approximately 3,330 therms will see a one-time April bill credit of approximately \$37.70. This estimated credit is in addition to the \$92.91 received in February 2024.
- The average Schedule 31 Commercial Firm Sales customer that used approximately 35,947 therms will see a one-time April bill credit of approximately \$398.74. This estimated credit is in addition to the \$935.24 received in February 2024.

- The average Schedule 32 Industrial Firm Sales customer that used approximately 242,821 therms will see a one-time April bill credit of approximately \$2,615.90. This estimated credit is in addition to the \$5,664.63 received in February 2024.
- The average Schedule 32 Industrial interruptible Sales customer will see a one-time April bill credit of approximately \$6,289.51. This estimated credit is in addition to the \$13,395.30 received in February 2024.

Staff reviewed the Company's workpapers used to calculate the proposed incremental rate changes to Schedule 185 and Schedule 186. Staff finds the calculations used to prepare this filing to be accurate and consistent. Staff notes that the dollar amounts from Schedules 185 and 186 that will be credited to customers are not the result of over-collections. Instead, these dollar amounts result from NW Natural's efforts to maximize the use of existing pipeline and storage capacity resources when these resources are not needed to serve NW Natural's customer load requirements.

Conclusion

Supplemental Advice No. 24-03 corrects Advice No. 23-28 and provides an additional credit of \$464,870 in Schedule 185 and \$7,936,330 in Schedule 186.

Based on Staff's analysis of NW Natural's supplemental revised filing and the workpapers associated with the filing, Staff finds the proposed revisions to tariffs under Schedule 185 and Schedule 186 result in rates that are fair, just, and reasonable. Staff recommends the Commission approve NW Natural's filing.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Supplemental Advice No. 24-03, which revises Schedule 185 and Schedule 186, respectively, to reflect a per-therm calculation for a lump sum credit payment to customers served under Rate Schedules 2 and 3, and under the Sales Service option of Schedules 31 and 32, effective for service on and after April 1, 2024.