


PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 20, 2015

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE November 1, 2015

DATE: October 9, 2015

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer  and Marc Hellman 

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(14)) Requests reauthorization to defer refunds or collections of Distribution Margin.

**STAFF RECOMMENDATION:**

I recommend that Northwest Natural's filing be approved for the 12-month period beginning November 1, 2015.

**ISSUE:**

NWN requests reauthorization to defer, with interest, the difference between actual distribution margin per residential and commercial customer based on "normal" consumption, and what is collected from those customers. "Normal" consumption was established in the Company's last general rate case, UG 221.

**APPLICABLE LAW:**

Northwest Natural (NWN, NW Natural, or Company) makes this filing pursuant to ORS 757.259, ORS 757.262, and OAR 860-0300-0035 for reauthorization of deferred accounting related to the Company's decoupling mechanism. Previous approval of this deferral was most recently granted by Order No. 14-364.

**ANALYSIS:**

In June of 2001, NW Natural made its original request docketed as UG 143, the purpose of which was two-fold: The first was to make the Company indifferent to the

consumption patterns and energy efficiency activities of its residential and commercial customers through a decoupling mechanism. The second was to provide funding for public purposes to be administered by the Energy Trust of Oregon.

By Order No. 02-634, the Commission adopted a Stipulation between NWN, Staff, and the Community Action Directors of Oregon which allowed the Company to defer margins and recover 90 percent of the differentials between weather-normalized usage and baseline usage.

By Order No. 05-934 (Docket No. UG 163), the Commission approved a modification of the Company's decoupling mechanism to allow 100 percent recovery of the differentials through September 30, 2009.

By Order No. 07-426 (Docket Nos. UG 152 and UG 163), the Commission adopted a Stipulation signed by the Parties to both dockets, wherein the decoupling mechanism was extended from September 30, 2009, to October 31, 2012.

By Order No. 12-408 (Docket No. UG 221), the Commission adopted the Second Partial Stipulation submitted by the Parties which proposed continuation of the Company's decoupling mechanism with some changes. (See Appendix B, paragraph 15.)

#### Reason for Deferral

This deferral is an integral part of the Company's decoupling mechanism. Without the deferral, the mechanism could not function as intended.

#### Description of Expense

The purpose of this deferral is to capture at 100 percent plus interest, the difference between actual distribution margin per residential and commercial customer based on "normal" consumption, and what is collected from those customers. "Normal" consumption was established in the Company's last general rate case, UG 221.

#### Proposed Accounting

The proposed deferrals will be recorded in a sub account of FERC Account 186 (Miscellaneous Deferred Debits). In the absence of deferral approval, the Company would record the amounts in sub accounts of FERC Account 400 (Utility Operating Revenue).

#### Estimated Deferrals in Authorization Period

NWN is unable to estimate what amounts will be recorded during the upcoming deferral period because the amounts are dependent on volume variance resulting from the actual price and conservation responses.

Information Related to Future Amortization

- Earnings Review – As a matter of policy, Parties have considered this mechanism an automatic adjustment clause not subject to an earnings review pursuant to ORS 757.210. However, in the future the Commission could exercise its discretion and require an earnings review.
- Prudence Review – Prior to amortization, a prudence review should be conducted that is limited to the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – No sharing has been required as this mechanism allows deferral of refunds or collections at 100 percent.
- Rate Spread/Design – The mechanism specifies how costs will be spread between residential and commercial customers.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

**CONCLUSION:**

NWN's application for reauthorization of deferred accounting meets the requirements related to the establishment of its decoupling mechanism, as well as the requirements of ORS 757.259 and OARS 860-027-0300, and should be approved. The Company has reviewed this memo and has no issues.

**PROPOSED COMMISSION MOTION:**

Northwest Natural's application for reauthorization to defer refunds or collections of distribution margin for the twelve-month period beginning November 1, 2015, be approved.