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VIA ELECTRONIC FILING

October 31, 2017

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street SE, Suite 100
Post Office Box 1088
Salem, Oregon 97301-1088

Re: OPUC Docket UM 1798; Application for Reauthorization to Defer Certain Expenses or Revenues

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), files herewith the above-referenced Application for Reauthorization to Defer Certain Expenses or Revenues. The Application is filed in order to defer amounts relative to the Company's Schedule 195 Weather Adjusted Rate Mechanism ("WARM") pursuant to Commission Order No. 16-223 ("the Order") issued in Docket UM 1750, for later recovery in rates coincident with the annual Purchased Gas Adjustment ("PGA") process.

A Notice of this Application has been served on all parties who participated in the Company's last general rate case, UG 221, and is attached hereto as Exhibit B.

A Certificate of Service is attached as Exhibit C.

Please address correspondence on this matter to me with copies to the following:

eFiling
Rates & Regulatory Affairs
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3589
eFiling@nwnatural.com

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Analyst

Attachments

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1798

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba, NW NATURAL

For Reauthorization to Defer Certain
Expenses or Revenues Pursuant to
ORS 757.259

APPLICATION

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the
2 “Company”) hereby files with the Public Utility Commission of Oregon (the
3 “Commission”) this application (“Application”) seeking reauthorization to use deferred
4 accounting pursuant to ORS 757.259 and OAR 860-27-300, for the 12-month period
5 beginning November 1, 2017 through October 31, 2018, for amounts associated with
6 NW Natural’s Schedule 195 Weather Adjusted Rate Mechanism (WARM), (“Schedule
7 195”).

8 Pursuant to Commission Order No. 16-223 (“the Order”) issued in Docket UM
9 1750¹, the Company made changes to the WARM program that impacted residential
10 and commercial customer bills as follows:

11 Residential Bills. The maximum WARM adjustment increase that will be applied
12 to a monthly bill during the WARM Period will be twelve dollars (\$12.00), or twenty-five
13 percent (25%) of the usage portion of that bill, whichever is less. The maximum WARM
14 adjustment credit applied to a monthly bill during the WARM Period will be twelve

¹ *In the Matter of the Public Utility Commission of Oregon Investigation into Northwest Natural Gas Co.’s WARM Program*, Docket UM 1750, Order No. 16-223 (June 20, 2016).

1 dollars (\$12.00), or twenty-five percent (25%) of the usage portion of that bill, whichever
2 is less.

3 Commercial Bills. The maximum WARM adjustment increase that will be applied
4 to a monthly bill during the WARM Period will be thirty-five dollars (\$35.00), or twenty-
5 five percent (25%) of the usage portion of that bill, whichever is less. The maximum
6 WARM adjustment credit applied to a monthly bill during the WARM Period will be thirty-
7 five dollars (\$35.00), or twenty-five percent (25%) of the usage portion of that bill,
8 whichever is less.

9 The Order established that any amounts not applied to a customer's bill during
10 the WARM Period due to the cap and floor described above will be deferred in a
11 residential or commercial deferral account and then amortized on an equal cent per
12 therm basis through the annual Purchased Gas Adjustment (PGA) process to rate
13 schedules 2 and 3 customers, respectively, over the 12 month period November 1
14 through October 31 of each year.

15 In accordance with the Order, the Company will accrue interest on the deferred
16 amounts at the Modified Blended Treasury Rate, plus 100 basis points; the Company
17 will accrue interest during the amortization period at the Modified Blended Treasury
18 Rate. The Order also acknowledged that the deferred amounts will not be subjected to
19 an earnings test, given the fact that the WARM mechanism is an automatic adjustment
20 clause.

21 In support of this Application, NW Natural states:

22 ///

23 ///

1 **A. NW Natural.**

2 NW Natural is a public utility in the State of Oregon and is subject to the
3 jurisdiction of the Commission regarding rates, service, and accounting practices. NW
4 Natural also provides retail natural gas service in the States of Oregon and Washington.

5 **B. Statutory Authority.**

6 This application is filed pursuant to ORS 757.259, which empowers the
7 Commission to authorize the deferral of expenses or revenues of a public utility for later
8 inclusion in rates.

9 **C. Communications.**

10 Communications regarding this Application should be addressed to:

11 NW Natural
12 e-Filing for Regulatory Affairs
13 220 NW Second Avenue
14 Portland, Oregon 97209-3991
15 Telephone: (503) 226-4211, ext. 3589
16 Facsimile: (503) 721-2516
17 Email: eFiling@nwnatural.com;

18
19 Zachary D. Kravitz (OSB# 152870)
20 Associate Counsel
21 220 NW Second Avenue
22 Portland, Oregon 97209-3991
23 Phone: (503) 220-2379
24 Email: zdk@nwnatural.com;

25
26 and

27
28 Kyle Walker, CPA
29 Rates & Regulatory Affairs
30 220 NW Second Avenue
31 Portland, Oregon 97209-3991
32 Phone: (503) 226-4211 Ext. 5858
33 Email: Kyle.Walker@nwnatural.com

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1 **D. Description of the Expenses or Revenues for which Deferred Accounting is**
2 **Requested – OAR 860-027-0300(3)(a).**

3 NW Natural will defer any amounts not applied to customer bills during the
4 WARM Period due to the monthly cap and floor in accordance with the Order 16-223.
5 The deferred amounts may result in a charge or credit to customers depending on the
6 variability in the weather during the WARM period.

7 **E. Reasons for Application for Reauthorization of Deferred Accounting – OAR**
8 **860-027-0300(3)(b).**

9 ORS 757.259 is a “statutorily authorized exception to the general prohibition
10 against retroactive ratemaking” that allows a “means to address utility expenses or
11 revenues outside of the utility’s general rate case proceeding.² Under ORS
12 757.259(2)(e), the Commission has discretion to authorize a deferral of “[i]dentifiable
13 utility expenses or revenues, the recovery or refund of which the commission finds
14 should be deferred in order to minimize the frequency of rate changes . . . or to match
15 appropriately the costs borne by and benefits received by rate payers.” To determine
16 whether an expense or revenue should be deferred, the Commission “utilizes a flexible,
17 fact-specific approach that acknowledges the wide range of reasons why deferred
18 accounting might be beneficial to customers.”³ Of those reasons, the Commission has
19 found that “encourag[ing] utility or customer behavior consistent with regulatory policy”
20 is appropriate for deferred accounting.⁴

² *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 2 (October 5, 2005).

³ *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 5 (October 5, 2005).

⁴ *Id.* at 2.

1 This application is made pursuant to Commission Order 16-223 entered June 20,
2 2016 in Docket UM 1750.

3 **F. Accounting – OAR 860-027-0300(3)(c).**

4 Beginning on November 1, 2017, and ending twelve months from this date, NW
5 Natural proposes to account for the WARM deferral amounts by recording the deferral
6 in Account 186 in two separate accounts (residential and commercial). In the absence
7 of approval of deferred accounting, NW Natural would be precluded from recognizing
8 the amounts as deferred, which would affect the Company's income statement either
9 positively or negatively, and would be directly in contravention of Order 16-223. NW
10 Natural would record the amounts in several accounts affecting the Company's income
11 statement.

12 **G. Estimated Accounts Subject to Deferral – OAR 860-027-0300(3)(d).**

13 NW Natural cannot estimate what amounts will be recorded in the WARM
14 deferral account for the upcoming twelve-month period because the amount is
15 dependent on the affect that weather may have on customer use.

16 **H. Entries into deferred account during past 12 months - OAR 860-027-0300(4)(a)**

17 Exhibit A, which is attached, displays the residential and commercial accounts,
18 which deferred \$2,721,553 and \$2,121,568, respectively. The activity in these accounts
19 represent the WARM adjustment outside the caps and floors.

20 **I. Reason for Continuation of Deferral Account – OAR 860-027-0300(4)(b)**

21 NW Natural seeks continuation of this deferral to capture WARM adjustments
22 that exceed the caps and floors of the WARM program. In addition, to be consistent
23 with Commission Order No. 16-223.

1 **J. Requirement per Commission Order No. 09-263**

2 Below is the information required per Commission Order No. 09-263, issued in
3 Docket UM-1286, Staff’s Investigation into Purchase Gas Adjustment Mechanisms:

4 **1. A completed Summary Sheet, the location in the PGA filing, and an**
5 **account map that highlights the transfer of dollars from one account to**
6 **another.**

7 Exhibit A includes the Summary Sheet which shows the amounts deferred
8 and demonstrates the transfer of dollars from one account to another. Exhibit
9 A was attached to our electronic 2017-18 PGA filing as a file entitled,
10 “Proposed Temps Oregon 2017-18 PGA August filing.xlsx.”

11 **2. The effective date of the deferral**

12 This application is for the 12-month period beginning November 1, 2017 and
13 ending October 31, 2018.

14 **3. Prior year Order Number approving the deferral**

15 Approval to use deferred accounting for revenues and expenses relative to
16 Schedule 195, Weather Adjusted Rate Mechanism, was last granted on
17 October 25, 2016, in Commission Order No. 16-412

18 **4. The amount deferred last year.**

19 See Exhibit A.

20 **5. The amount amortized last year.**

21 No amounts were amortized last year. Commission Order No. 16-223
22 created the WARM deferral accounts which were first approved for
23 amortization in the PGA Special Public Meeting on October 12th, 2017.

1 Amortization will commence on November 1st, 2017.

2 **6. The interest rate that will apply to the accounts.**

3 The interest rate for deferral accounts is the Modified Blended Treasury Rate,
4 plus 100 basis points. Monies that have been transferred to amortization
5 accrue interest at the Modified Blended Treasury Rate.

6 **7. An estimate of the upcoming PGA-period deferral and/or amortization.**

7 NW Natural is unable to estimate the amount to be deferred during the
8 upcoming PGA cycle due to the deferrals being driven by weather. The
9 Company's intent is to amortize for collection all that is deferred.

10 **K. Notice – OAR 860-027-0300(6).**

11 A notice of this Application has been served on the all parties who participated in
12 the Company's most recent general rate case, UG 221, and is attached to this
13 Application.

14 WHEREFORE, NW Natural respectfully requests that the Commission issue an
15 order reauthorizing the Company to defer the WARM adjustments that exceed the
16 monthly cap and floor for all customers enrolled in WARM to ensure that the Company
17 will be authorized to recover from, or credit back to customers those adjustments
18 associated with its WARM Program, beginning on the date of this Application.

19 Dated this 31st day of October, 2017

20 Respectfully Submitted,

21 NW NATURAL

22 /s/ Kyle Walker, CPA

23 Kyle Walker, CPA
24 Rates/Regulatory Analyst
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/s/ Zachary D. Kravitz
Zachary D. Kravitz (OSB# 152870)
Associate Counsel
220 NW Second Avenue
Portland, Oregon 97209-3991
Phone: (503) 220-2379
Email: zdk@nwnatural.com

Company: Northwest Natural Gas Company
 State: Oregon
 Description: OR Deferred WARM-Residential
 Account Number: 186238
 Docket UM 1798
 Deferral authorization approved in Order 16-412

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Debit	(Credit)	Month/Year	Note	Deferral	Transfers	Interest Rate	Interest	Activity	Balance									
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)											
Beginning Balance																		
Nov-16	NEW	134.42				3.20%	0.18	134.60	134.60									
Dec-16		157,691.68				3.20%	210.61	157,902.29	158,036.89									
Jan-17		(2,243,841.02)				3.28%	(2,634.62)	(2,246,475.64)	(2,088,438.75)									
Feb-17		(544,002.49)				3.28%	(6,451.87)	(550,454.36)	(2,638,893.11)									
Mar-17		(45,594.24)				3.28%	(7,275.29)	(52,869.53)	(2,691,762.64)									
Apr-17		5,429.12				3.28%	(7,350.06)	(1,920.94)	(2,693,683.58)									
May-17		(13,331.21)				3.28%	(7,380.95)	(20,712.16)	(2,714,395.74)									
Jun-17		261.83				3.28%	(7,418.99)	(7,157.16)	(2,721,552.90)									
Jul-17						3.28%	(7,438.91)	(7,438.91)	(2,728,991.81)									
Aug-17						3.28%	(7,459.24)	(7,459.24)	(2,736,451.05)									
Sep-17						3.28%	(7,479.63)	(7,479.63)	(2,743,930.68)									
Oct-17						3.28%	(7,500.08)	(7,500.08)	(2,751,430.76)									

Amount deferred during Nov 16 - Jun 17 with interest: (2,721,552.90)

Company: Northwest Natural Gas Company
 State: Oregon
 Description: OR Deferred WARM-Commercial
 Account Number: 186244
 Other Info: Docket UM 1798
 Deferral authorization approved in Order 16-412

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
Debit	(Credit)	Month/Year	Note	Deferral	Transfers	Interest Rate	Interest	Activity	Balance										
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)												
	Beginning Balance																		
	Nov-16	56.89				3.20%	0.08	56.97	56.97										
	Dec-16	265,321.40				3.20%	353.91	265,675.31	265,732.28										
	Jan-17	(1,695,606.94)				3.28%	(1,590.99)	(1,697,197.93)	(1,431,465.65)										
	Feb-17	(553,393.48)				3.28%	(4,668.98)	(558,062.46)	(1,989,528.11)										
	Mar-17	(108,524.44)				3.28%	(5,586.36)	(114,110.80)	(2,103,638.91)										
	Apr-17	27,255.82				3.28%	(5,712.70)	21,543.12	(2,082,095.79)										
	May-17	(28,151.87)				3.28%	(5,729.54)	(33,881.41)	(2,115,977.20)										
	Jun-17	192.50				3.28%	(5,783.41)	(5,590.91)	(2,121,568.11)										
	Jul-17					3.28%	(5,798.95)	(5,798.95)	(2,127,367.06)										
	Aug-17					3.28%	(5,814.80)	(5,814.80)	(2,133,181.86)										
	Sep-17					3.28%	(5,830.70)	(5,830.70)	(2,139,012.56)										
	Oct-17					3.28%	(5,846.63)	(5,846.63)	(2,144,859.19)										

Amount deferred during Nov 16 - Jun 17 with interest: (2,121,568.11)



UM 1798

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER CERTAIN EXPENSES OR REVENUES**

October 31, 2017

To All Parties Who Participated in UG 221:

Please be advised that on October 31, 2017 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to continue deferrals relative to the Company's Schedule 195 Weather Adjusted Rate Mechanism ("WARM") pursuant to the provisions of ORS 757.259(2)(e). A copy of the Company's application is available for inspection at its main office or at the Public Utility of Oregon's ("Commission") eDocket website.

This is not a rate case. The purpose of this Notice is to inform parties that participated in the Company's most recent general rate case, UG 221, that the Application was filed.

Parties who desire more information or who wish to obtain a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the Company or the Public Utility Commission of Oregon as follows:

**NW Natural
Attn: Kyle Walker
220 NW Second Ave
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 Ext 5858**

**Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, Oregon 97301-1088
Telephone: (503) 373-0886**

Any person may submit to the Commission written comments on this matter by November 30, 2017. The granting of this Reauthorization of Deferral Application will not authorize a change in rates, but will permit the Company to defer amounts in rates to a subsequent proceeding.

* * * * *



**CERTIFICATE OF SERVICE
UM 1798**

I hereby certify that on October 31, 2017 I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION OF DEFERRED ACCOUNTING FOR NORTHWEST NATURAL'S SCHEDULE 195 WEATHER ADJUSTED RATE MECHANISM ("WARM") upon all parties of record in docket UG 221, which is the Company's most recent general rate case.

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DATED October 31, 2017 Portland, OR.

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