

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT**

**PUBLIC MEETING DATE: December 28, 2021**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** January 1, 2022

**DATE:** December 15, 2021

**TO:** Public Utility Commission

**FROM:** Brian Fjeldheim

**THROUGH:** Bryan Conway and John Crider **SIGNED**

**SUBJECT:** NORTHWEST NATURAL:  
(Docket ADV No. 1353/Advice No. 21-18)  
Updates Schedule 185 – Special Annual Interstate and Intrastate Storage  
and Transportation Credit and Schedule 186 – Special Annual Core  
Pipeline Capacity Optimization Credit.

**STAFF RECOMMENDATION:**

Approve Northwest Natural's (NW Natural or Company) Advice No. 21-18, which updates Schedule 185 and Schedule 186, to reflect the per-therm credit 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, respectively, effective for service on and after January 1, 2022.

**DISCUSSION:**

Issue

Whether the Oregon Public Utility Commission (OPUC or Commission) should approve NW Natural's proposal to revise its 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, over a three month period beginning January 1, 2022.

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

#### *Background*

On November 22, 2021, the Company filed Advice No. 21-18 requesting revisions to Schedule 185 and Schedule 186. The Company proposes to credit customers served under applicable schedules for (a) the Oregon share of revenues received by NW Natural for interstate storage and related transportation service activities under FERC Regulations, 18 C.F.R. 294.224, and (b) the Oregon share of revenues received from the Company's core pipeline capacity optimization activities.

Prior to 2021, customers received this credit with their June bills. In NW Natural's most recent rate case, the stipulating parties agreed to change the delivery of this credit from June to February.<sup>1</sup> In 2021, customers received a lump sum bill credit beginning with the first billing cycle in February 2021 and ending with the last billing cycle in February 2021.<sup>2</sup>

Due to unprecedented revenues generated by NW Natural's core pipeline capacity optimization efforts the past 12 months, the Company proposes to spread the upcoming bill credit over a three month period, from January to March of 2022. Spreading the customer credit over a three month period will provide sustained rate relief to customers during the peak 2022 winter heating months. Individual customer bill credits will be calculated based upon a customer's applicable rate schedule and the customer's actual billed gas usage from November 1, 2020 through October 31, 2021.

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<sup>1</sup> See Order No. 20-364, Section III.A.3.a, page 17 in Docket No. UG 388.

<sup>2</sup> Due to the February 1 rate effective date, Staff is no longer able to analyze the Schedule 185 and Schedule 186 filing in conjunction with NW Natural's Annual Report of Interstate and Intrastate Gas Storage and Optimization Activities filed in Docket No. RG 32.

*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 2022 refund total is \$3,982,772 (before revenue sensitive effects) and is comprised of two parts:

- \$3,976,265 in revenues from November 2020 to October 2021 activity, plus
- \$6,507 from a remaining residual balance from the February 2021 credits.

For comparison, the 2021 Schedule 185 credit amount of \$2,234,186 approved by the Commission was comprised of:

- \$2,298,276 in revenues from 2020 activity, plus
- \$46,910 from a remaining residual balance from the June 2020 credits.

The credit amount under Schedule 185 is calculated on an equal percentage of margin basis to reflect rate allocation practices adopted in the Company's previous general rate case, Docket No. UG 344.<sup>3</sup>

*Schedule 186 - Special Annual Core Pipeline Capacity Optimization Credit*

NW Natural proposes to revise Schedule 186 by applying a per-therm refund credit to customer bills for Oregon's share of revenues received from the Company's core pipeline capacity optimization activities. The Schedule 186 credit applies across all sales-based rate schedules.

The 2022 refund total of \$37,494,287 (before revenue sensitive effects) is comprised of two parts:

- \$37,433,027 in revenues from November 2020 to October 2021 activity, plus
- \$61,260 from a remaining residual balance from the February 2021 credits.

For comparison, the 2021 Schedule 186 refund amount previously approved by the Commission totaled \$6,771,307 and was comprised of:

- \$6,635,861 in revenues for 2020 activity, plus

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<sup>3</sup> See Order No. 18-419 at 11.

- \$135,446 from a remaining residual balance from the June 2020 credits.

The Schedule 186 credit applies across all sales-based rate schedules and is a credit of \$0.01906 per-therm.

### *Effects of Filing*

The combined effects of the customer credits proposed under Schedule 185 and Schedule 186 results in a refund of \$41,477,059 (before revenue sensitive effects), which is comprised of \$41,409,293 from storage, transportation, and optimization revenues generated November 1, 2020 to October 31, 2021, plus a residual remaining balance of \$67,767 from the February 2021 credits.

The average monthly bill effects of the combined 2022 Schedule 185 and Schedule 186 credits for the January through March time period are as follows:

- The average Schedule 2 Residential customer will see a monthly bill credit of approximately \$12.97.
- The average Schedule 3 Commercial customer will see a monthly bill credit of approximately \$59.64.
- The average Schedule 31 Commercial Firm Sales customer will see a monthly bill credit of approximately \$672.97.
- The average Schedule 32 Industrial Firm Sales customer will see a monthly bill credit of approximately \$4,156.56.
- The average Schedule 32 Industrial interruptible Sales customer will see a monthly bill credit of approximately \$9,452.46.

Staff requested and reviewed electronic versions of 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

Based on Staff's analysis of NW Natural's application 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.

Docket No. ADV 1353/Advice No. 21-18  
December 15, 2021  
Page 5

**PROPOSED COMMISSION MOTION:**

Approve NW Natural's Advice No. 21-18, which updates 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 January 1, 2022.

NWN ADV 1353/Advice No. 21-18