

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 19, 2015**

REGULAR _____ CONSENT X EFFECTIVE DATE June 1, 2015

DATE: May 12, 2015

TO: Public Utility Commission

FROM: George R. Compton *MRG/CC*

THROUGH: Jason Eisdorfer and Marc Hellman *ME*

SUBJECT: NORTHWEST NATURAL: (Docket No. ADV 29/Advice No. 15-04)
Revises Schedule 185, Special Annual Interstate Storage and
Transportation Credit, and Schedule 186, Special Annual Core Storage
and Pipeline Capacity Optimization Credit.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve NW Natural's proposed revisions to its Schedule 185, Special Annual Interstate Storage and Transportation Credit, and Schedule 186, Special Annual Core Storage and Pipeline Capacity Optimization Credit.

BACKGROUND:

On April 15, 2015, NW Natural filed Advice No. 15-04 revising Schedule 185 "Special Annual Interstate Storage and Transportation Credit" and Schedule 186 "Special Annual Core Storage and Pipeline Capacity Optimization Credit" to credit customers served under certain schedules for portions of the Oregon share of revenues received by NW Natural for (a) interstate storage and related transportation service provided under a Limited-Jurisdiction Blanket Certificate from FERC granted under FERC Regulations, 18 C.F.R. § 284.224, (b) core storage optimization activities; and (c) intrastate storage activities under Rate Schedule 80 and Rate Schedule 91.

The amounts of the credits are established in NW Natural's 2014 Annual Report of Interstate and Intrastate Gas Storage and Optimization Activities filed on March 15, 2015. Advice No. 15-04 includes the "Temporary Adjustment" rates under Schedules 185 and 186 that are to apply to the standard Rate/Class Schedules to credit the previously-established refunds. The refunds under Schedules 185 and 186 are, respectively, \$2,003,324 and \$7,661,779. Both amounts include residual remaining balances from the June 2014 credits.

DISCUSSION:

NW Natural's Advice No. 15-04 filing contains the following: Tables showing the derivations of the temporary adjustment rates to be applied to the 2014 billed active customer volumes in order to refund, on a one-time basis (i.e., the June 2015 billing cycle) the respective amounts indicated above *plus* a 2.777 percent "revenue sensitivity factor;" a table which calculates the average June credit for customers in the standard Rate/Class Schedules; and Schedules 185 and 186 tariff replacement sheets. Per a prior agreement by the involved parties, the Schedule 185 rate adjustments are proportional to the preceding year's net margin produced by the indicated rates to which the adjustments are to be applied. (Example of the "indicated rate" application: A credit of \$0.00122/therm is applied to the Block 2 rate of Commercial Schedule 32 CSF. The other Blocks receive different credit amounts because they each produced different margin levels.) The Schedule 186 credit is a uniform volumetric rate that applies to all sales service rate schedules, including interruptible sales schedules. Interruptible sales schedules are not eligible to receive credits under Schedule 185.

By request, electronic worksheets, with formulas intact, were provided to facilitate Staff's verification of the indicated tabular calculations and tariff amounts. The verification exercise was performed and Staff concluded that NW Natural had accurately developed the temporary adjustment rates and how much the average customers in the various rate schedules were to be credited. Staff also reviewed NW Natural's 2014 Annual Report of Interstate and Intrastate Gas Storage and Optimization to confirm the underlying basis for the refunds. That report contained the various customer sharing percentages that are to be applied to the designated pre-tax income figures.

RECOMMENDATION TO NW NATURAL:

The tariff sheets *per se* provide considerable detail regarding the customer-sharing ratios that are to be applied to the net margin revenues produced by these activities. But nothing is said about the way the rates themselves are to be calculated. Staff recommends that NW Natural's 2016 revisions to Schedules' 185 and 186 tariff sheets insert into the schedules language along these lines, respectively: "The indicated adjustment rates are established in proportion to the preceding year's net margin produced by the indicated rates to which the temporary adjustments are to be applied," and "The indicated rate has been established so as to credit a uniform, per-therm amount to the total sales for the preceding year."

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PROPOSED COMMISSION MOTION:

NW Natural's proposed revisions to its Schedule 185, Special Annual Interstate Storage and Transportation Credit, and Schedule 186, Special Annual Core Storage and Pipeline Capacity Optimization Credit be approved, effective June 1, 2015.

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