

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2021**

REGULAR CONSENT EFFECTIVE DATE November 1, 2021

DATE: October 7, 2021

TO: Public Utility Commission

FROM: Heather Cohen

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 423/Advice No. 21-04)
Requests Amortization of Amounts Deferred for Oregon Regulatory Fees,
Revises Schedule 181.

STAFF RECOMMENDATION:

Approve Northwest Natural Gas Company's (NW Natural or Company) Advice No. 21-04, requesting amortization of the Commission Regulatory Fee for inclusion in rates for service rendered on and after November 1, 2021.

DISCUSSION:

Issue

Whether to approve NW Natural's request to update to Schedule 181 to amortize deferred costs for changes in the Commission Regulatory Fee.

Applicable Rule or Law

Under ORS 756.310, each public utility must pay a fee to the Commission each calendar year. The amount of the fee is equal to the amount that the Commission deems necessary, together with the amount of all other fees paid or payable to the Commission, to defray the costs of performing the duties imposed by law upon the Commission with respect to the public utilities.

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable.

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation into rates. Unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall only be allowed in rates to the extent authorized by the Commission and upon review of the utility's earnings at the time of application to amortize the deferral. The overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

OAR 860-021-0034 sets forth the regulatory requirements and procedures for annual fees payable to the Commission by gas or steam heat utilities.

OAR 860-027-0300 sets forth the deferred accounting procedures for public utilities.

Analysis

Background

Pursuant to ORS 756.310 and OAR 860-021-0034, as a gas utility, NW Natural must pay the Commission a regulatory fee each year by April 1. The fee is determined by the Commission and assessed as a percentage of the utility's gross operating revenues attributable to Oregon. The rate is set annually, by March 1, in Docket No. UM 1012. In 2021, per Order No. 21-066, the annual fee was set at 0.375 percent of 2020 gross operating revenues.¹

The Company submits an annual filing to defer costs associated with incremental changes in the annual regulatory fee through Docket No. UM 1766. The Commission

¹A rate of 0.3 percent was first established in 2017 per Order No. 17-065, remained unchanged in 2019, and was increased .05 percent in 2020 per Order 20-054.

most recently reauthorized the deferral application in Order No. 21-117. The deferral allows the Company to recover any differences between the Commission regulatory fee collected in base rates and the Commission regulatory fee set annually in Docket No. UM 1012. The requested amortization is the difference between the 0.350 percent collected in NW Natural’s base rates under Docket No. UG 388 per Order No. 20-364 and the 0.375 percent the Company was billed for the Commission regulatory fee for January – December 2020.

The effect of applying the new temporary rate adjustments is to increase the Company’s annual revenues by \$106,675, or about 0.02 percent. The amounts sought for recovery represent an equal-percentage-of-revenue basis. The proposed rate adjustment will affect 687,965 total customers.

Customer Type	Count
Residential	625,679
Commercial	61,440
Industrial	846

The following table illustrates the average monthly bill impact to NW Natural Residential (Rate Schedule 2), Commercial (Rate Schedule 3), and Industrial firm (Rate Schedule 32) customers:

Customer Type	Avg therms/month	Current Avg Monthly Bill	Proposed Avg Monthly Bill	Difference \$	Difference %
Residential	54	\$57.00	\$57.00	\$0	0%
Commercial	242	\$209.13	\$209.16	\$0.03	.014%
Industrial	20,471	\$8,644.59	\$8,645.82	\$1.23	.014%

Staff engaged NW Natural in an open forum to discuss the work papers and data sources related to the filing at which the Company was able to demonstrate the flow and validity of its calculations. Staff found the work papers provided by the Company sufficient and did not ask any information requests outside of the forum. Staff’s review consisted of verifying the accounting methodology employed by the Company to derive the final amortization balance. Staff further confirmed that, pursuant to ORS 757.259(6), this filing does not impose a rate increase greater than three percent of NW Natural’s gross revenues. An earnings test was not performed in this review as the Company is subject to an annual earnings review and the Commission regulatory fee is not subject to sharing.

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Conclusion

Staff concludes that the proposed rates are correctly calculated and applied to amortize deferred costs associated with the Commission Regulatory fee. For these reasons, Staff recommends the Commission approve this filing.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 21-04, requesting amortization of the Commission Regulatory Fee for inclusion in rates for service rendered on and after November 1, 2021.

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