

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** November 1, 2023

DATE: October 10, 2023

TO: Public Utility Commission

FROM: Bret Stevens

THROUGH: Bryan Conway, Marc Hellman, Anna Kim, and Rawleigh White **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 481/Advice No. 23-14)
Revises Schedule 166, Residential Rate Mitigation.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-14, revising Schedule 166 rates, reflecting amortization of the Residential Rate Mitigation for inclusion in rates for service rendered on and after November 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 23-14, updating Schedule 166 to amortize the residual deferred amounts related to the Residential Rate Mitigation.

Applicable Law

ORS 757.205 requires public utilities file to all rates, rules, and charges with the Commission. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement

plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

ORS 757.259(5) states that unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall be allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The Commission may require that amortization of deferred amounts be subject to refund. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

With certain exceptions, ORS 757.259(6) states that 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.

Analysis

Background

NW Natural implemented the temporary bill credit program for residential customers served under Schedule 2 for the period November 1, 2022, through March 14, 2023, to mitigate the combined bill impact from the rate changes associated with the purchased gas adjustment (PGA) and base rate increases from UG 435.¹ NW Natural deferred a portion of the November 1st rate increase during the winter heating season through these credits. The deferred bill credit monies amortized (at issue in this filing) from March 15, 2023 through October 31, 2023.²

Cost Recovery and Proposed Changes

In this filing, NWN is requesting to amortize the residual amount left in Residential Rate Mitigation, which is the balancing account. The residual balance stems from a few factors. First, NWN under-forecasted residential usage in February and March of 2023. This excess consumption meant that the bill credit applied to more therms than expected, driving up the balance of the deferral by roughly \$4 million beyond what was expected when rates were calculated. The amortization rate was calculated based on forecasts of February and March consumption. As such the amortization rate was set too low.

¹ The Company's temporary winter bill credit was docketed as UG 459 and approved in Commission Order No. 22-425.

² The rate change was approved in docket number ADV 1488.

The second factor that created this residual balance is that NWN slightly over-forecasted consumption in the March 2023-October 2023 period. When the amortization rate was calculated, NWN was expecting roughly 147 million therms to be consumed in this period. More recent forecasts show that the consumption over this period will be roughly 10 percent lower than the 147 million therms projected when the amortization rate was set. This over-forecast led to an under-recovery of roughly \$1.3 million.

Lastly, when the amortization rate was calculated in ADV 1488, no interest rate was assumed during the amortization period. This oversight led to an under-recovery of roughly \$350,000.

Together, these factors have led to a shortfall in cost recovery of about \$5.7 million. NWN is requesting to set a rate that would amortize this residual by October 31, 2023. NWN would make a filing during the next PGA proceeding to set the rate to zero or amortize a different amount if an extreme deviation from their load forecast occurs.

Rate Impact

The effect of the removal of the current Schedule 166 rate and the application of the new rate is a net decrease to the Company's annual revenues by \$8,427,139, or roughly one percent. This filing would remove the current Schedule 166 rate of 10.137 cents per therm rate and implement the new rate of 1.427 cents per therm. This new rate is intended to recover \$6,069,525. This amount accounts for \$162,834 in additional interest charges and a revenue sensitive gross-up of 2.819 percent. The impact on the average residential bill can be seen in Table 1.

Table 1. Rate Mitigation Amortization Impact

Average Monthly Bill at Current Rates	Average Monthly Bill at Proposed Rates	Difference (\$)	Difference (%)
\$88.46	\$83.59	(\$4.87)	(5.5%)

Staff has reviewed the supporting materials provided by NW Natural and finds them to be in compliance with statutory requirements.

Staff does not find it necessary to conduct an earnings review prior to amortization given the nature of the Residential Rate Mitigation deferral. The proposed amortization will not exceed three percent of the company's gross revenues from the preceding year.

Conclusion

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After reviewing NW Natural's filing, Staff recommends approval for amortization of the residual balance of the Residential Rate Mitigation balancing account.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 23-14, requesting amortization of the residual balance of the Residential Rate Mitigation balancing account for inclusion in rates for service rendered on and after November 1, 2023.

NWN UG 481/Advice No. 23-14 Residential Rate Mitigation Amortization