

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

REGULAR CONSENT EFFECTIVE DATE November 1, 2023

DATE: October 16, 2023

TO: Public Utility Commission

FROM: Bret Farrell

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 483 / Advice No. 23-16A)
Amortization of Costs Associated with the COVID-19 Pandemic.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-16A, revising its Schedule 173 rates to reflect amortization of amount deferred under Docket No. UM 2068 relating to the COVID-19 pandemic.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 23-16A, revising its Schedule 173 rates to reflect amortization of amount deferred under Docket No. UM 2068 relating to the COVID-19 pandemic.

Applicable Law

ORS 757.205(1) states that a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. The Commission reviews tariffs filed under ORS 757.205 and 757.210 to determine whether they are fair, just, and reasonable.

ORS 757.220 requires that filings that make any change in rates, tolls, charges, rules, or regulations be filed with the Commission at least 30 days before the effective date of the 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.

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.

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.

Commission Order No. 08-263, modified by Order No. 10-279, sets out the interest rate to use for deferral accounts and the interest rate to use when such amounts are amortized.

Analysis

Background

On March 24, 2020, NW Natural filed a petition in Docket No. UM 2068, requesting the Commission authorize the Company to defer for later ratemaking treatment costs from the COVID-19 public health emergency.

In Order No. 20-380, the Commission adopted Staff's recommendation to approve NW Natural's application for deferred accounting of COVID-19 related costs for the 12-month period beginning March 24, 2020. In subsequent orders, the Commission approved reauthorizations of the deferrals through March 24, 2023.

In Docket No. UG 435, Order No. 22-388, the Commission adopted a comprehensive stipulation in which parties agreed that NW Natural would amortize the 2020 and 2021 balances of the Company's COVID-19 deferral, including interest accrued on those balances, subject to an adjustment of \$163 thousand over the course of two years.

The Company's current filing includes the second half of the 2020 and 2021 deferral balances plus the remaining deferred amount incurred in 2022 and thus far in 2023. Amortization of this deferral will eliminate the COVID-19 deferral balance in total.

Analysis

The Company's filing requests amortization of deferred amount totaling \$14,094,860 over a 12-month period beginning November 1, 2023. The effect of this new tariff adjustment schedule is to increase the Company's annual revenues by \$8,803,571, or about 1.04 percent. In accordance with the Commission's order adopting the Parties' stipulation in Docket No. UG 435, the amounts recovered are calculated based on equal percent of margin by Rate Schedule and Customer class.

Staff has reviewed the Company's work papers and confirmed that interest charges are accruing at the appropriate approved interest rates, which for COVID deferrals is the blended treasury rate published by the Commission in January each year plus 100 basis points. The proposed tariff rate is designed to recover the amounts stated above.

The number of customers affected by the proposed change is 636,785 residential customers, 61,984 commercial customers, and 845 industrial customers.

NW Natural COVID Deferral Impact

Customer Type	Count
Residential	636,785
Commercial	61,984
Industrial	845
Total	699,614

The monthly bill of the average residential customer served under Rate Schedule 2 using 56 therms per month will increase by \$0.79, or 0.9 percent. The monthly increase for the average commercial Rate Schedule 3 customer using 255 therms is about \$2.87, and the monthly increase for the average firm sales commercial Rate Schedule 31 customer using 2,816 therms is about \$16.89. The average Rate Schedule 32 firm sales industrial customer using 18,823 therms will see a monthly increase of about \$8.98. The table on the following page illustrates the average monthly bill impact to NW Natural Residential, Commercial, and Industrial customers:

NW Natural COVID Deferral Impact

Customer Type	Avg. Monthly Bill (Current Rates)	Avg. Monthly Bill (Proposed Rates)	Difference (\$)	Difference (%)
Residential Customer – Schedule 2 (avg. 56 therm/month)	\$88.46	\$89.25	\$0.79	0.9%
Commercial Customer – Schedule 3 (avg. 255 therm/month)	\$317.60	\$320.47	\$2.87	0.9%
Commercial Customer – Schedule 31 (avg. 2,816 therm/month)	\$2,700.12	\$2,717.01	\$16.89	0.6%
Industrial Customer – Schedule 32 (avg. 18,823 therm/month)	\$14,247.56	\$14,256.54	\$8.98	0.1%

Staff has reviewed the supporting materials provided by NW Natural for prudence and found the costs proposed by NW Natural to be included for amortization to be prudent. In accordance with Commission Order No. 22-388, Staff performed a 2022 earnings test, excluding costs related to arrearage payments and revenue losses from COVID-related circumstances, which were exempt from an earnings test. In 2022, NW Natural earned below their authorized ROE of 9.4 percent and are therefore eligible to recover the costs associated with the COVID-19 deferral.

Conclusion

After reviewing NW Natural’s filing, Staff recommends approval for amortization of amount deferred under Docket No. UM 2068 relating to the COVID-19 pandemic.

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PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 23-16A, revising its Schedule 173 rates to reflect amortization of the amount deferred under Docket No. UM 2068 relating to the COVID-19 pandemic, for service rendered on and after November 1, 2023.