

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 25, 2022**

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

DATE: September 27, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1101(19))
Requests for Reauthorization for Deferred Accounting of Intervenor
Funding.

STAFF RECOMMENDATION:

Approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) request for reauthorization to defer costs related to Intervenor Funding Grants for the 12-month period beginning July 1, 2022.

DISCUSSION

Issue

Whether the Commission should approve Northwest Natural's request for reauthorization to record and defer costs related to intervenor funding grants for the 12-month period beginning July 1, 2022.

Applicable Law

ORS 757.259(3) and OAR 860-027-0300 allow the deferral of expenses provided as financial assistance under an agreement entered into under ORS 757.072 for later incorporation in rates.

ORS 757.072 is the statute that authorizes a utility to enter funding agreements with organizations that represent broad customer interests in Commission proceedings. Once a funding agreement is approved by the Commission, organizations eligible to receive grants under the funding agreement are identified pursuant to OAR 860-001-0120. When a public utility provides financial assistance under a funding agreement, ORS 757.072(4) states that the Commission must allow a public utility to defer inclusion of the funding provided in rates as provided in ORS 757.259.

A deferral may be authorized under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application.

OAR 860-027-0300 specifies the required contents of an application for deferred accounting, including a description of the expense or revenue for which deferral is requested, the basis for the request, the accounts proposed for recording the amounts to be deferred, an estimate of the amounts to be recorded in the deferred account, and a copy of the notice of the application for deferred accounting.

Analysis

Background

On June 28, 2022, Company submitted a supplemental application for reauthorization to defer costs associated with intervenor Funding Grants. This Application will be sent to all parties that are participating in the Company's current consolidated general rate case, UG 435/UG 411.

In Order No. 03-388, the Commission approved an Intervenor Funding Agreement (IFA) between various utilities, including Cascade and several intervenors, including the Citizens' Utility Board of Oregon (CUB), Northwest Industrial Gas Users (NWIGU),¹ and Industrial Customer of Northwest Utilities (ICNU).

In Order No. 07-221, the Commission approved as part of that stipulated agreement, Cascade agreed to join the Intervenor Funding program established by Order No. 03-388.

Most recently, by Order No. 18-017, the Commission approved an amended and restated IFA that extends intervenor funding through December 2022. This IFA also provides authority for intervenors to request an increase in annual funding.

¹ The Northwest Industrial Gas User (NWIGU) is now the Alliance of Western Energy Consumers (AWEC).

The IFA sets forth the funding amount to be contributed by each utility, the procedures for budget submittals by intervenors, Commission approval of budgets, and the payment of grants by utilities. It authorizes three funds with different qualification requirements for each. They are the CUB Fund, the Preauthorized Matching Fund, and the Issue Fund.

The IFA also requires the costs of each fund to be allocated to the appropriate customer class. The CUB fund is generated from residential customer rates, while industrial customer rates support the Preauthorized Matching Fund (Matching Fund). The Commission allocates amounts related to the Issue Fund to align the costs of advocacy with the intended beneficiaries of the advocacy.

Reason for Deferral

This request is made in accordance with ORS 757.259(3) that allows for the deferral of Intervenor funds, and Commission Order No. 18-017 in Docket No. UM 1929, which directs NW Natural to pay CUB the amounts made available for the CUB Fund Grants as defined and provided for in the Fourth Amended and Restated Intervenor Funding Agreement (\$101,125 for NW Natural).

Proposed Accounting

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying Intervenor. The proposed funding grant deferrals would be recorded in separate subaccounts of FERC Account 186. Absent the Commission's authorization of a deferred accounting, the Company would continue to record costs associated with the Intervenor funding expenses to FERC Account 401.

Current Deferral Activity

In accordance with OAR 860-027-0300(4)(a), the estimated amounts for 2022 are displayed in the table below. The estimated amounts of the Preauthorized Matching Fund (AWEC Fund) will increase by three percent in 2022:

<u>Fund</u>	
CUB Fund	\$ 101,125
Preauthorized Matching Fund (AWEC Fund)	\$ 81,868
Issue Fund	<u>\$ 143,750</u>
Total	<u>\$ 326,743</u>

Estimated Deferral in Authorization Period

At the time of its application, Northwest Natural estimated that the maximum deferred amounts during the 12-month period beginning July 1, 2022, through June 30, 2023, would be \$326,743.²

Information Related to Future Amortization

- Earnings Review – Pursuant to Commission Order No. 18-017, Appendix A, page 28, paragraph 7.9:
If a Participating Public Utility seeks rate recovery through a deferred account, the account and amortization of the account shall be exempt from the amortization caps and earnings test set forth in subsections 5,6,7,8 and 10 of ORS 757.259, as such subsections may be amended from time to time, and shall not be included in any calculation of the amortization cap for other deferred accounts.
- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Account balances are to be spread to the appropriate customer classes per Order No. 18-017, Appendix A, page 27, paragraph 7.7(b).
- Three Percent Test (ORS 757.259(6)) – The three percent test does not apply to amortization of this deferral. See “Earnings Review” above

Conclusion

As the Company’s application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is still valid, Staff recommends the Commission approve NW Natural’s application.

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

PROPOSED COMMISSION MOTION:

Approve NW Natural’s application to defer the costs associated with intervenor funding grants for the 12-month period beginning July 1, 2022.

² NWN Supplemental application N0 7, page 10.

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