

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 17, 2023**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE** \_\_\_\_\_ **N/A**

**DATE:** September 21, 2023

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

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

**SUBJECT:** NORTHWEST NATURAL:  
(Docket No. UM 1101(20))  
Approving reauthorization to defer accounting of Intervenor Funding.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission 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, 2023.

**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, 2023.

Applicable Law

ORS 757.259(3)<sup>1</sup> and OAR 860-027-0300<sup>2</sup> allow the deferral of expenses provided as financial assistance under an agreement entered into under ORS 757.072<sup>3</sup> for later incorporation in rates. 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.<sup>4</sup>

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<sup>1</sup> ORS 757.259(3).

<sup>2</sup> OAR 8600270300.

<sup>3</sup> ORS 757 072.

<sup>4</sup> ORS 757.259(4).

ORS 757.072 is the statute that authorizes a utility to enter funding agreements with organizations that represent broad customer interests in Commission proceedings.<sup>5</sup>

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.<sup>6</sup> When a public utility provides financial assistance under a funding agreement, ORS 757.072(4) states that the Commission shall allow a public utility to defer inclusion of the funding provided in rates as provided in ORS 757.259.<sup>7</sup>

OAR 860-027-0300<sup>8</sup> specifies the required contents of an application for deferred accounting. This includes: 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.<sup>9</sup>

## Analysis

### *Background*

On July 2, 2003, pursuant to Section 2 of the Intervenor Funding Act, the Commission issued Order No. 03-388,<sup>10</sup> which, among other things, approved the Intervenor Funding Agreement among NW Natural, Portland General Electric, PacifiCorp, Cascade Natural Gas Corporation, Avista Corporation, Industrial Customers of Northwest Utilities (“ICNU”), Citizens’ Utility Board (“CUB”), and Northwest Industrial Gas Users (“NWIGU”) (collectively referred to hereafter as “Joint Parties”), dated February 5, 2003.

The Intervenor Funding Agreement set forth the amount of funding to be contributed by each utility and the procedures for budget submittals by intervenors, Commission approval of budgets, and the payment of grants by utilities. It also established the three funds from which “Intervenor Funding Grants” can be made: CUB Fund, Preauthorized Matching Fund (hereinafter also referred to as the “NWIGU Fund,” because it was for the exclusive use of NWIGU when applicable to NW Natural) and Issue Fund.

The Commission approved the Fourth Amended and Restated Intervenor Funding Agreement, effective January 1, 2018, through December 31, 2022, in Order

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<sup>5</sup> ORS 757.072.

<sup>6</sup> OAR 860-001-0120(2).

<sup>7</sup> ORS 757.072(4).

<sup>8</sup> OAR 860-027-0300.

<sup>9</sup> OAR 860-027-0300(3).

<sup>10</sup> Commission Order No. 03-399, Docket No. AR 642, *TEMP RULES OAR 860-017-0050 & 0100 - INTERVENOR FUNDING*, July 2, 2003, accessed at <https://apps.puc.state.or.us/orders/2003ords/03-388.pdf>.

No.18-017.<sup>11</sup> The amended Intervenor Funding Agreement increased the total funds available annually in the CUB Fund by approximately 45 percent and increased the total funds available annually in the Preauthorized Matching Funds (NWIGU Fund) by approximately 10 percent.<sup>12</sup> In addition, for each Preauthorized Matching Fund (NWIGU Fund), the annual amount for each calendar year after 2018 and during the term of the agreement increases by three percent annually. The agreement allowed the Alliance of Western Energy Consumers (“AWEC”) to request payment of Preauthorized Matching Fund Grants semi-annually and lowers the matching amount of internal resources or outside funding from 50 percent to 35 percent.<sup>13</sup> The Fourth Amended and Restated Intervenor Funding Agreement expired on December 31, 2022.<sup>14</sup>

In addition, the Fifth Amended and Restated Intervenor Funding Agreement was approved by the Commission in Order No. 22-506 at its public meeting on December 27, 2022.<sup>15</sup> This agreement extends intervenor funding to December 31, 2027.<sup>16</sup> It increased the total funds available annually in the CUB Fund by 15 percent, the total funds in the Preauthorized Matching Funds by 12 percent, and the Issue Fund amount by 15 percent.<sup>17</sup> Additionally, the agreement establishes a separate Case-Certified Account under the Issue Fund.<sup>18</sup> This fund is available to organizations, other than CUB and AWEC, which meet the criteria set in Article 5.3 of the agreement.<sup>19</sup> After 2023, the annual amount for the CUB Fund and Issue Fund General Account will increase by three percent each year.<sup>20</sup>

#### *Reason for Deferral*

This filing was submitted on June 29, 2023, and NWN’s request is made in accordance with ORS 757.259(3) that allows for the deferral of Intervenor funds, and Commission Order No. 22-506 in Docket UM 2264, which directs the Company to pay to intervenors the amounts made available as defined and provided for in the Agreement.

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<sup>11</sup> Commission Order No. 18-017, Docket No. UM 1929, *In the Matter of Public Utility Commission, of Oregon, Approval of the Fourth Amended and Restated Intervenor Funding Agreement*, Jan 17, 2018, accessed at <https://apps.puc.state.or.us/orders/2018ords/18-017.pdf>.

<sup>12</sup> *Id.* Appendix A at 2.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 9.

<sup>15</sup> Commission Order No. 22-506, Docket No. UM 2264, *In the Matter of Public Utility Commission of Oregon, Approval of the Fifth Amended and Restated Intervenor Funding Agreement*, Dec 29, 2022, accessed at <https://apps.puc.state.or.us/orders/2022ords/22-506.pdf>.

<sup>16</sup> *Id.* Appendix A at 1.

<sup>17</sup> *Id.* at 2.

<sup>18</sup> *Id.* at 9-10.

<sup>19</sup> *Id.* at 16.

<sup>20</sup> *Supra* note 17.

*Description of Expense*

The estimated amounts for 2023 are displayed in the table below. The estimated amounts of the CUB Fund and Issue Fund – General Account will increase by three percent each year starting in 2024:

<u>Fund</u>	
CUB Fund	\$ 116,294
Preauthorized Matching Fund (AWEC Fund)	\$ 81,868
Issue Fund- General Account	<u>\$ 165,313</u>
Issue Fund- Case Certified Account	<u>\$ 10,000</u>
Total	<u>\$ 373,475</u>

*Current Deferral Activity*

In accordance with OAR 860-027-0300(4)(a), the Company provided the following information regarding the deferral activity from July 1, 2022, through May 31, 2023, to the date of this application. The Company will seek recovery of these deferred amounts concurrent with its upcoming purchased gas cost adjustment filing.

	Issue Fund	CUB Fund	AWEC Fund
	Acct 151878	Acct 151866	Acct 151870
Deferred amounts July 1, 2022 through May 31, 2023	\$278,810	\$116,294	\$47,172

*Estimate of Upcoming PGA-period Deferral and/or Amortization*

The Company estimates that it will not seek to defer more than \$373,475. The Company will seek to amortize the total deferral balance.

*Amount Amortized Last Year*

The table below displays the amounts amortized for the November 1, 2022, through May 31, 2023, time period.

	CUB Fund	AWEC Fund
	Acct 151880	Acct 151882
Amortized amounts November 1, 2022 through May 31, 2023 with interest	\$93,813	\$37,173

*Proposed Accounting*

The Company proposes to record payment of Intervenor Funding Grants in a sub-account of Account 186.

*Information Related to Future Amortization*

- Earnings Review – Pursuant to Commission Order No. 22-506, Appendix A, page 29, 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

The Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300 for deferred accounting, and the reason for the deferral costs related to intervenor funding grants is still valid. Therefore, Staff recommends the Commission approve NW Natural's application for reauthorization to record and defer costs associated with Intervenor Funding Grants.

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

**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, 2023, through June 30, 2024.