

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 11, 2020**

REGULAR CONSENT EFFECTIVE DATE July 1, 2020

DATE: July 29, 2020

TO: Public Utility Commission

FROM: Michelle Scala

THROUGH: Bryan Conway, John Crider and Matt Muldoon **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1101(17))
Requests Reauthorization for Deferred Accounting of Intervenor Funding Grants.

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, 2020.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for reauthorization to defer costs related to Intervenor Funding Grants for the 12-month period beginning July 1, 2020.

Applicable Law

Pursuant to ORS 757.259 and OAR 860-027-0300, NW Natural requests reauthorization to record and defer for a 12-month period beginning July 1, 2020, the cost of intervenor funding grants as allowed under ORS 757.259(3).

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.

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.

Approval of the Intervenor Funding Agreement was originally granted by the Commission in Order No. 03-388. NW Natural filed its initial deferral application on August 11, 2003, which the Commission approved in Order No. 03-559. The deferral has been annually reauthorized since that time, most recently in Order No. 19-250.

Analysis

Background

In Order No. 18-017, the Commission approved the Fourth Amended and Restated Intervenor Funding Agreement (IFA), which extends intervenor funding through December 2022. This IFA also provides authority for intervenors to request an increase in annual funding.

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

In accordance with OAR 860-027-0300(3)(b), the Company requests continuation of deferred accounting to recover amounts subject to the IFA, as approved pursuant to Order No. 18-017.

Proposed Accounting

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying intervenor. The proposed deferrals will be recorded in separate subaccounts

of FERC Account 186. The Company would not normally incur the cost of intervenor funding grants without deferral approval. However, if such costs were incurred they would be recorded in FERC Account 401.

Estimated Deferrals in Authorization Period

At the time of its application, NW Natural estimated that the maximum deferred amounts during the 12-month period, beginning July 1, 2020, will be as shown in the table below.

Fund	Amount
CUB Fund	\$ 101,125
Matching fund	\$ 77,168
Issue Fund	\$ 143,750
Total	\$ 322,043

Information Related to Future Amortization

- Earnings Review – Pursuant to Commission Order 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.

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, 2020.