

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 21, 2016**

REGULAR  CONSENT  EFFECTIVE DATE March 23, 2016

DATE: April 6, 2016

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH:  Jason Eisdorfer and  Marc Hellman

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1766) Requests Authorization of Deferred Accounting Related to a Change in Annual Regulatory Fees.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Northwest Natural's (NW Natural or Company) request to defer costs associated with the incremental increase in the annual regulatory fee due to the Commission-ordered increase from 0.25 percent to 0.275 percent for the twelve-month period from March 23, 2016, to March 22, 2017.

**ISSUE:**

Whether the Commission should grant a deferral authorization for the incremental increase in the annual regulatory fee.

**APPLICABLE LAWS:**

NW Natural makes this filing in accordance with ORS 757.210, ORS 757.259, and OAR 860-027-0300.

**DISCUSSION AND ANALYSIS:**

OAR 860-021-0034 requires natural gas utilities to pay regulatory fees to the Commission each year by April 1. The fee payable by the natural gas utility is an annual fee rate multiplied by the utility's gross operating revenues derived within Oregon for the previous calendar year. The annual fee rate is set by Commission order entered on or after March 1 of each year.

Senate Bill (SB) 329, enacted in 2015, allows the Commission to set the annual fee to a percentage not to exceed 0.3 percent of utilities' gross operating revenue. The Commission implemented SB 329 through a rulemaking proceeding docketed as AR 591. In that proceeding, PacifiCorp requested that the Commission authorize the use of deferred accounting for the difference between the utility's annual fee at the new rate and the annual fee at the previous rate of .25 percent. The Commission declined to address the implementation of the fee change in the context of AR 591, but stated that PacifiCorp could request its proposed rate treatment in another proceeding.

On February 23, 2016, the Commission issued Order No. 16-067, setting the annual fee rate at 0.275 percent of the gross operating revenues for electric, natural gas, water, and wastewater utilities. This is an increase from the prior annual fee rate of 0.25 percent. Commission Staff has also been notified that the Commission intends to move the rate to 0.3 percent in 2017.

On March 23, 2016, NW Natural filed its application for authorization for deferred accounting of increase in NW Natural's Annual OPUC fee.

Description:

The Company's calculation for the amount to defer is the incremental difference between the Company's annual fee using the new rate of 0.275 percent and the annual fee at the previous rate of 0.25 percent.

Proposed Accounting:

NW Natural will record deferred costs related to the increase in Account 186236.

Estimated Deferrals in Authorization Period:

The Company is requesting to defer approximately \$163,000 in 2016 associated with the regulatory fee rate for 2015.

Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e).
- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – For the reasons discussed more fully below, Staff recommends that there be no sharing between NW Natural and its customers for this deferral.

- Rate Spread/Design – Account balances will be spread to the appropriate customer classes.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Staff Analysis and Recommendation:

During the rulemaking proceeding, through Docket AR 591, to update relevant rules to reflect the change to the maximum fee permitted in SB 329, the Company requested that the Commission provide an opportunity for it to file for deferred accounting for the increase in fees.

Staff concludes that the Company's application to authorize deferral of the incremental increase in the annual regulatory fee is consistent with ORS 757.259. Staff also supports the Company's decision to amortize the deferred amounts through the PGA process by including the amount as an offset to a credit that may otherwise exist in a different deferred account that would be amortized at that time, or as a slight addition to another deferred account that would result in a surcharge.

While an earnings review is required prior to amortization of this deferral pursuant to ORS 757.259(5), the Commission is not required to perform an earnings test that could result in sharing of deferred costs between the Company and its customers. Staff recommends that deferred amounts not be subject to an earnings test for two reasons. First, the PUC fee is collected from customers and directly passed-through to the Commission. Second, the proposal to not subject the deferred amounts to sharing is generally consistent with the treatment allowed by the Commission in Order No. 10-083, wherein the Commission lowered the annual PUC rate and ordered electric and natural gas utilities to defer the difference between the previous rate and the revised rates. In Docket UM 1488, the utilities put forth proposals for amortization of deferred PUC fee credits to customers, which were not subject to sharing from the results of an earnings review.<sup>1</sup>

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<sup>1</sup> See *In re Amortization Proposals Related to PUC Fee Deferral Ordered in UM 1012*, OPUC Docket No. UM 1488, Order Nos. 10-443 (NW Natural), 10-437 (Cascade), 10-436 (Avista), 10-373 (Idaho Power), 10-372 (PGE), and 10-307 (PacifiCorp) (2010).

**PROPOSED COMMISSION MOTION:**

Approve NW Natural's request to defer costs associated with the incremental increase in the annual regulatory fee due to the Commission-ordered increase from 0.25 percent to 0.275 percent for the twelve-month period from March 23, 2016, to March 22, 2017.

NWN UM 1766 OPUC Fee Increase