

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

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: October 13, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1798(6))
Requests for reauthorization to defer costs associated with reauthorization to defer revenues and expenses related to Schedule 195, Weather Adjusted Rate Mechanism.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) application for reauthorization of deferred accounting for revenues and expenses relative to Schedule 195, Weather Adjusted Rate Mechanism (WARM), for the 12-month period beginning November 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's application for reauthorization of deferred accounting revenues and expenses related to Schedule 195, WARM.

Applicable Law

In accordance with ORS 757.259(2), utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as the reason for the deferral, estimated amount of the deferral.

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

When subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) may be subject to an earnings review of the utility's earnings. With some exceptions, a company's amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

Analysis

Background

Northwest Natural seeks reauthorization to use deferred accounting pursuant to ORS 757.259 and OAR 860-027-0300, for the 12-month period beginning November 1, 2022, through October 31, 2023, for amounts associated with NW Natural's Schedule 195 Weather Adjusted Rate Mechanism ("WARM"), ("Schedule 195"). Pursuant to Commission Order No.16-223 issued in Docket No. UM 1750, the Company made changes to the WARM program that influenced residential and commercial customer bills as follows:

Residential Bills

The maximum WARM adjustment surcharge that will be applied to a monthly bill during the WARM Period will be \$12 dollars, or 25 percent of the usage portion of that bill, whichever is less. The maximum WARM adjustment credit applied to a monthly bill during the WARM Period will be \$12, or 25 percent of the usage portion of that bill, whichever is less.

Commercial Bills

The maximum WARM adjustment surcharge that will be applied to a monthly bill during the WARM Period will be \$35, or 25 percent of the usage portion of that bill, whichever is less. The maximum WARM adjustment credit applied to a monthly bill during the WARM Period will be \$35, or 25 percent of the usage portion of that bill, whichever is less.

In addition, the Order established that any amounts not applied to a customer's bill during the WARM period due to the cap and floor described above will be deferred in a residential or commercial deferral account and then amortized on an equal cent per therm basis through the annual Purchased Gas Adjustment ("PGA") process to rate Schedules 2 and 3 customers, respectively, over the 12-month-period from November 1 through October 31 of each year.

In accordance with the Order, the Company will accrue interest on the deferred amounts at the Modified Blended Treasury Rate, plus 100 basis points; the Company will accrue interest during the amortization period at the Modified Blended Treasury Rate. The Order also acknowledged that the deferred amounts would not be subjected to an earnings test.

Description of Expenses

NW Natural will defer any amounts not applied to customer bills during the WARM Period due to the monthly cap and floor in accordance with Order No. 16-223. The deferred amounts may result in a charge or credit to customers depending on the variability in the weather during the WARM period.

Proposed Accounting

NW Natural proposes to account for the WARM deferral amounts by recording the deferral in FERC Account 186 in two separate accounts (residential and commercial).

Estimated Deferrals in Authorization for the Next 12 months

NW Natural cannot estimate the amounts that will be recorded in the WARM deferral account for the upcoming 12-month period because the amount is dependent on the affect that weather may have on customer use.

However, NW Natural submitted Exhibit A, which points out the residential and commercial accounts, which deferred with interest from November 1, 2021, through June 30, 2022, as \$397,817 and \$447,742, respectively. The activity in these accounts represents the WARM adjustment outside the caps and floors and includes interest.

In additional, the amount amortized under Order No. 21-371 last year, including interest, from November 1, 2021, through June 30, 2022, was \$1,484,101 and \$1,066,966 for residential and commercial accounts, respectively.

Conclusion

Staff concludes that the Company's application for reauthorization of deferred accounting for revenues and expenses related to Schedule 195, Weather Adjusted Rate Mechanism, meets the requirements and should be approved.

The Company has reviewed this memo and agrees with its contents

PROPOSED COMMISSION MOTION:

Approve NW Natural's application for reauthorization of deferred accounting for revenues and expenses related to Schedule 195, Weather Adjusted Rate Mechanism, for the 12-month period beginning November 1, 2022.