

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 27, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: December 16, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 2123 (2))
Requests for Reauthorization to Defer Net Curtailment and Entitlement Revenues.

STAFF RECOMMENDATION:

Approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) application to defer revenues associated with net curtailment and entitlement revenues for the 12-month period beginning November 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for reauthorization to defer revenues associated with net curtailment and entitlement.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, "[i]dentifiable 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 fluctuations of rate levels or to match appropriately the costs borne by and benefits received by ratepayers."
ORS 757.259(2)(e)

In OAR 860-027-0300(3), the Commission has set the requirements for the contents of deferred accounting applications. Applications for reauthorization must include a description and explanation of the entries in the deferred account, up to the date of the application for reauthorization, as well as 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).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and 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

In the Company's general rate case, UG 388, the Commission issued Order No. 20-364 approving a Stipulation in which the parties agreed that NW Natural will credit net curtailment and entitlement revenues to firm sales customers through the Purchased Gas Adjustment ("PGA") on an equal percent of margin basis.

To effectuate this agreement, NW Natural filed a new tariff schedule, Schedule Temporary Rate Adjustment – Net Curtailment and Entitlement, in compliance with Order No. 20-364.

Curtailment revenue is revenue that NW Natural receives when an interruptible customer does not follow the Company's order to curtail service. Entitlement revenue is revenue that NW Natural receives when a transportation service customer does not follow the Company's order to control gas usage to be within a specified threshold percentage as detailed in its Tariff.

Current Filing

NW Natural requests to defer amounts, net of incremental costs, to the extent they are collected.

In addition, ORS 757.259 is a "statutorily authorized exception to the general prohibition against retroactive ratemaking" that allows a "means to address utility expenses or revenues outside of the utility's general rate case proceeding."

Proposed Accounting

Beginning on November 1, 2022, and ending 12 months from this date, NW Natural proposes to account for the amounts associated with curtailment and entitlement revenues by recording the deferral in Account 186. NW Natural will credit net curtailment and entitlement revenues to firm sales customers through the PGA on an equal percent of margin basis; however, the amount of revenues to be credited to firm sales customers will be offset by identifiable incremental costs that arise from customer curtailment or entitlement orders. In the absence of approval of deferred accounting, NW Natural would record the amounts in several accounts affecting the Company's income statement and balance sheet.

Estimated Deferrals in Authorization Period

Curtailment and entitlement revenues are infrequent and therefore the Company cannot estimate the amount to be recorded in the deferred account

Conclusion

Staff has reviewed the Company's application and concludes that NW Natural's request meets the requirements of ORS 757.259 and OAR 860-027-0300, as well as the requirements contained in Commission Order No. 20-208.

On this basis, Staff supports the request and recommends it be approved.

The Company has reviewed this memo and agrees with Staff's recommendation.

PROPOSED COMMISSION MOTION:

Approve NW Natural's application to defer revenues associated with net curtailment and entitlement for the 12-month period beginning November 1, 2002, ending October 31, 2023.