

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 16, 2024**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: April 8, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: NORTHWEST NATURAL:
Docket Nos. UM 2123(3)
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, 2023, through October 31, 2024.

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, "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 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 set the requirements for 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). 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 typically, 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 by which the parties agreed that NW Natural, beginning in 2021, 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 168 Temporary Rate Adjustment – Net Curtailment and Entitlement, in compliance with Order No. 20-364

On October 27, 2023, NW Natural submitted this application seeking reauthorization to defer amounts, net of incremental costs, to the extent they are collected.

Description of Expenses

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.

Estimated 2022-2023 Costs.

NW Natural deferred during the last November 1, 2022, through June 30, 2023, \$785,259. This amount includes \$40,269 of interest estimated through October 31, 2023. The interest rate for deferrals accounts is 6.836 Percent.

Estimated 2023-2024 Costs.

NW Natural is unable to estimate the amount to be deferred during the next PGA cycle. The Company's intent is to amortize for collection all that is deferred.

Reason for Deferral

NW Natural seeks continuation of this deferral to credit firm sales customers for the Oregon share of curtailment and entitlement revenues received by NW Natural net of incremental costs related to curtailment and entitlement orders as adopted by Commission Order No. 20-364 in Docket UG 388 entered on October 16, 2020.

Proposed Accounting

Beginning on November 1, 2023, 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.

Requirement per Commission Order No. 09-263.

- The amount deferred last year - \$785,259 was deferred during the last deferral year of November 1, 2022, through June 30, 2023. This amount includes \$40,269 of interest estimated through October 31, 2023.
- The interest rate that will apply to the accounts - The interest rate for deferral accounts is 6.836%.
- An estimate of the upcoming PGA-period deferral and/or amortization - NW Natural is unable to estimate the amount to be deferred during the next PGA cycle. The Company's intent is to amortize for collection all that is deferred.

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.

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, 2023, ending October 31, 2024.