



Oregon

Tina Kotek, Governor

Public Utility Commission

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October 26, 2023



BY EMAIL

Northwest Natural Gas Company

efiling@nwnatural.com

RE: Advice No. 23-17B

At the public meeting on October 26, 2023, the Commission adopted Staff's recommendation in this matter docketed as UG 484. The Staff Report, LSN, and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** November 1, 2023

DATE: October 12, 2023

TO: Public Utility Commission

FROM: Luz Mondragon

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 484/Advice No. 23-17B)
Requests Amortization of TSA Directive 2 Costs, Revises Schedule 180
and Schedule 189.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-17B, revising the Company's Schedule 180 and 189 amortizing deferred costs related to Transportation Security Administration's (TSA) Security Directive 2 start-up and cost of service costs for service rendered on and after November 1, 2023,¹ with less than statutory notice.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 23-17B, revising Schedules 180 and 189 rates with a temporary adjustment to amortize compliance costs and capital COS costs incurred to comply with the TSA Security Directive 2 to:

1. Implement specific mitigation measures to protect against ransomware attacks and other related threats;

¹ Please note that Schedule 180 was formerly used to address: "Rate Adjustment for True-Up of Excess Deferred Income Taxes Related to the 2017 Federal Tax Cuts and Jobs Act." NWN repurposes this Schedule in Advice Filing 22-16 to address compliance costs associated with TSA Security Directive 2 for service rendered on and after November 1, 2022.

2. Develop and implement a cybersecurity contingency and response plan; and
3. Conduct a cybersecurity architecture design review.

As an owner and operator of critical pipeline infrastructure, NW Natural is subject to TSA Security Directive 2.

Applicable Rule or Law

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

ORS 757.259 authorizes deferred utility expenses or revenues to be allowed (amortized) in rates to the extent authorized by the Public Utility Commission of Oregon (Commission) in a proceeding to change rates.

Analysis

Background

NW Natural has filed a deferral application each year since September 2021. These filings have been docketed as UM 2192. In the Company's general rate case filing, Docket No. UG 435, NW Natural requested amortization of a portion of this deferral associated with the cost of service of the capital expenditures associated with TSA Security Directive 2. The request in this filing seeks to amortize start-up costs related to the operations and maintenance (O&M) not known when NW Natural filed UG 435 but are known now.

NWN initially filed the Advice filing on July 31, 2023, requesting to recover \$2.4 million through Schedules 180 and 189, a decrease of \$463,301 from current rates. The Company updated the filing on two occasions. First, on September 14, 2023, and again on October 11, 2023. The resulting revenue requirement, from the updates, is an overall decrease of \$223,997 to \$2.6 million from the current tariff for Schedules 180 and 189.

Filing Date	Recovery Amount	Change from previous filing	Change from current rates	Description
July 31, 2023	\$2,354,220	(\$463,301)	(\$463,301)	Original filing with preliminary amounts
September 14, 2023	\$2,622,316	\$268,096	(\$195,205)	To update the temporary TSA Cost of Service deferral amount.
October 11, 2023	\$2,593,524	(\$28,792)	(\$223,997)	To update for labor charge discrepancy

The recovery request relates to the operations and maintenance expense of the start-up costs (Schedule 180) and the second-year amortization of the TSA cost of service related to capital expenditures.² (Schedule 189). An additional filing is expected next PGA year.

Analysis

Staff reviewed the Advice filing and finds it complies with the Order. In its review, Staff conducted the following:

- Confirm the revenue target is correctly calculated in the Company's revenue requirement work papers based on the Commission directed amounts found within the Order.
- Confirm from the rate spread and design spreadsheet and NW Natural work papers that the proposed tariff prices are calculated to produce revenues in accordance with the Commission's Order in this case.
- Confirm the calculation of rate spread for base schedules as found in Appendices of the Order, is properly reflected in the Company's rate spread and design work paper and resulting Tariff sheets.
- Confirm that NW Natural's inputs and deferred transactions for pricing are consistent, reasonable, and accurate.
- Verify accurate implementation of all changes, including tariff language changes, authorized by the Commission, inclusive of verification of each of Commission determinations.
- Confirm that the tariff sheets are properly updated with the rates present in the rate Spread and design worksheet, advice number, revision number, date, and any other appropriate language changes.

Staff utilized the provided work papers, issued and reviewed Standard Information Request, and met with the Company on August 22, 2023, to discuss the filing.

² Ordered to be amortized over a four-year period starting November 1, 2022. Commission Order No. 22-388.

PGA Effects on Revenue³

NW Natural Rates & Regulatory Affairs 2023-2024 PGA Filing - Oregon: September Filing PGA Effects on Revenue UG 484: TSA Security Directive 2			Including Revenue Sensitive Amount
1			
2	Temporary Increments		
3			
4	<u>Removal of Current Temporary Increments</u>		
5	Sch 180-TSA Security Directive 2 Compliance Costs	(2,144,047)	
6	Sch 189-Adjustment for TSA Capital and Cost of Service Recovery	(673,474)	\$ (2,817,521)
7			
8	<u>Addition of Proposed Temporary Increments</u>		
9	Sch 180-TSA Security Directive 2 Compliance Costs	1,680,746	
10	Sch 189-Adjustment for TSA Capital and Cost of Service Recovery	912,778	\$ 2,593,524
11			
12	TOTAL OF ALL COMPONENTS OF RATE CHANGES		(\$223,997)

Impacts on Customer Rates:

- a. Decrease the Company's annual revenues by \$223,997, or 0.03 percent from the current tariffs;
- b. The monthly bill of the average residential customer served under Rate Schedule 2 using 56 therms will decrease by \$0.02;
- c. The monthly decrease for the average industrial Rate Schedule 3 customer using about 1,304 therms is \$0.44;
- d. The average industrial Rate Schedule 31 firm sales customer using 5,776 therms will see a monthly decrease of about \$0.93; and
- e. The average industrial Rate Schedule 32 firm sales customer using about 18,823 therms will see a monthly decrease of about \$3.87.

The Company's earnings are below authorized over the relevant period and so the costs are recoverable.

³ Based on Updated Filing UG 23-17A Exhibit A, Supporting Materials, page 4 of 11.

In compliance with OAR 860-022-0025, the Company states that the number of customers affected by the proposed change in this filing is 636,785 residential customers, 61,984 commercial customers, and 845 industrial customers.

Conclusion

Staff concludes the proposed tariff adjustment is fair, just, and reasonable. Further pertinent costs deferred and proposed to be amortized herein were not avoidable and spending was not able to be delayed due to the characteristics of TSA Security Directive 2.⁴

Staff recommends the Commission approve this amortization. The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 23-17B, revising Schedule 180 and 189 rates in compliance with TSA Security Directive 2 for service rendered on and after November 1, 2023, with less than statutory notice.

NWN UG 484 Advice No. 23-17B TSA Security Directive 2

⁴ Please note that general rate case Docket No. UG 435 has more detailed explanations of TSA Security Directive 2 requirements. NW Natural's filings in that docket were subject to both Protective Order No. 21-461 and TSA Modified Protective Order No. 21-465. Docket No. UG 458 has no protective order and NW Natural and Staff avoid discussion of highly confidential materials.

LESS THAN STATUTORY NOTICE APPLICATION

This document may be electronically filed by sending it as an attachment to an electronic mail message addressed to the Commission's Filing Center at puc.filingcenter@puc.oregon.gov.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

IN THE MATTER OF THE APPLICATION OF <u>Northwest Natural Gas Company dba NW Natural</u> (UTILITY COMPANY) TO WAIVE STATUTORY NOTICE.)))))	UTILITY L.S.N. APPLICATION NO. <u>2306</u> (LEAVE BLANK)
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NOTE: ATTACH EXHIBIT IF SPACE IS INSUFFICIENT.

1. GENERAL DESCRIPTION OF THE PROPOSED SCHEDULE(S) ADDITION, DELETION, OR CHANGE. (SCHEDULE INCLUDES ALL RATES, TOLLS AND CHARGES FOR SERVICE AND ALL RULES AND REGULATIONS AFFECTING THE SAME)

Schedule 180 TSA Security Directive 2 Compliance Costs
 Schedule 189 Adjustment for TSA Capital and Cost of Service Recovery

2. APPLICANT DESIRES TO CHANGE THE SCHEDULE(S) NOW ON FILE KNOWN AND DESIGNATED AS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)

Sixth Revision of Sheet 180-1 TSA Security Directive 2 Compliance Costs
 Original Sheet 189-1 Adjustment for TSA Capital and Cost of Service Recovery

3. THE PROPOSED SCHEDULE(S) SHALL BE AS FOLLOWS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE AND ITEM)

Seventh Revision of Sheet 180-1 TSA Security Directive 2 Compliance Costs
 First Revision of Sheet 189-1 Adjustment for TSA Capital and Cost of Service Recovery

4. REASONS FOR REQUESTING A WAIVER OF STATUTORY NOTICE:

On September 14, 2023, the Company provided a replacement filing in NWN OPUC Advice No.23-17A, docketed as UG 484 to amortize deferred costs related to the Transportation Security Administration's ("TSA") security directive 2 start-up costs and interim cost of service through Schedule 180 – TSA Security Directive 2 Compliance Costs and Schedule 189 – Adjustment for TSA Capital and Cost of Service Recovery. NW Natural has since found an error in the cost report used to calculate the tariff rates. After discussion with Commission Staff about this error, the Company is filing Advice 23-17B in this docket to provide the corrected tariff sheets and related workpapers and support.

5. REQUESTED EFFECTIVE DATE OF THE NEW SCHEDULE(S) OR CHANGE(S): **November 1, 2023**

AUTHORIZED SIGNATURE 	TITLE Senior Manager, Regulatory Affairs	DATE October 11, 2023
PUC USE ONLY		
<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DENIED	EFFECTIVE DATE OF APPROVED SCHEDULE(S) OR CHANGE November 1, 2023	
AUTHORIZED SIGNATURE 	DATE October 26, 2023	

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Seventh Revision of Sheet 180-1
 Cancels Sixth Revision of Sheet 180-1

SCHEDULE 180 TSA Security Directive 2 Compliance Costs

PURPOSE:

To recover costs associated with NW Natural's compliance with the TSA Security Directive 2. These costs were directed to help NW Natural mitigate cyber security threats due to the Company owning and operating critical pipeline infrastructure.

APPLICABLE:

To all Sales and Transportation Service Customers on the Rate Schedules of this Tariff listed below:

Rate Schedule 2	Rate Schedule 27	Rate Schedule 32
Rate Schedule 3	Rate Schedule 31	Rate Schedule 33

GENERAL:

This Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff, any other schedules that by their terms or by the terms of this Schedule apply to service under this Schedule and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

APPLICATION TO RATE SCHEDULES:

Effective: November 1, 2023

(C)

The Total Adjustment amount shown below is included in the Temporary Adjustments reflected in the listed Rate Schedules. NO ADDITIONAL ADJUSTMENT TO RATES IS REQUIRED.

Schedule	Block	Rate Adjustment	Schedule	Block	Rate Adjustment
2		\$0.00271	32 CSI	Block 1	\$0.00051
3 CSF		\$0.00201		Block 2	\$0.00043
3 ISF		\$0.00148		Block 3	\$0.00030
27		\$0.00222		Block 4	\$0.00017
31 CSF	Block 1	\$0.00139		Block 5	\$0.00009
	Block 2	\$0.00127		Block 6	\$0.00003
31 CTF	Block 1	\$0.00140	32 ISI	Block 1	\$0.00050
	Block 2	\$0.00128		Block 2	\$0.00042
31 ISF	Block 1	\$0.00096		Block 3	\$0.00030
	Block 2	\$0.00087		Block 4	\$0.00017
31 ITF	Block 1	\$0.00110		Block 5	\$0.00009
	Block 2	\$0.00099		Block 6	\$0.00003
32 CSF	Block 1	\$0.00087	32 CTI	Block 1	\$0.00042
	Block 2	\$0.00074		Block 2	\$0.00035
	Block 3	\$0.00052		Block 3	\$0.00025
	Block 4	\$0.00029		Block 4	\$0.00015
	Block 5	\$0.00013		Block 5	\$0.00009
	Block 6	\$0.00005		Block 6	\$0.00004
32 ISF	Block 1	\$0.00056	32 ITI	Block 1	\$0.00045
	Block 2	\$0.00047		Block 2	\$0.00038
	Block 3	\$0.00033		Block 3	\$0.00027
	Block 4	\$0.00019		Block 4	\$0.00016
	Block 5	\$0.00009		Block 5	\$0.00009
	Block 6	\$0.00004		Block 6	\$0.00005
32 CTF	Block 1	\$0.00061	33 (all)		\$0.00000
	Block 2	\$0.00052			
	Block 3	\$0.00037			
	Block 4	\$0.00022			
	Block 5	\$0.00012			
	Block 6	\$0.00006			
32 ITF	Block 1	\$0.00049			
	Block 2	\$0.00042			
	Block 3	\$0.00030			
	Block 4	\$0.00017			
	Block 5	\$0.00010			
	Block 6	\$0.00005			

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Issued October 11, 2023
 NWN OPUC Advice No. 23-17B

Effective with service on
 and after November 1, 2023

