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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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In the Matter of)	
)	
NORTHWEST NATURAL GAS)	ORDER
COMPANY)	
)	
Application For a General Rate Revision)	
Advice No. 02-19.)	

DISPOSITION: ORDER AMENDED; STIPULATION APPROVED

In its Order No. 03-507, entered August 22, 2003 (Order), the Commission adopted the Stipulation (Stipulation 1) entered into by Northwest Natural Gas Company (NWN or Company), the Commission staff (Staff), the Citizens' Utility Board (CUB), the Northwest Industrial Gas Users (NWIGU) and the Northwest Energy Coalition (NVEC) relative to the Company's Weather-Adjusted Rate Mechanism (WARM).¹

On July 12, 2004, the Company submitted a Petition to Amend Order No. 03-507 (Petition). In its Petition, NWN requested that the Commission amend the Order to adopt a Second Stipulation Regarding the Weather-Adjusted Rate Mechanism (WARM) (Stipulation 2). Stipulation 2, appended to this Order as Appendix A, was signed by all of the parties to Stipulation 1, with the exception of NWIGU.²

Background. Stipulation 1, dated August 5, 2003, accepted the Company's original WARM proposal but added provisions that allowed customers to opt-out of the program, specified certain reporting requirement details and confirmed the five-year term for the mechanism. As noted above, the Commission approved Stipulation 1. On October 28, 2003, the Company filed an application to amend the WARM tariffs to improve the mechanism and minimize the potential impact of the

¹ "We believe that the Company's WARM plan, with the agreed-upon conditions contained in the WARM Stipulation, reduces the weather-related financial risks for customers and Company alike. We therefore approve the WARM Stipulation as being in the public interest." Order, p. 7.

² According to the Company, NWIGU's members are not affected by the program and, lacking an interest in the outcome, NWIGU withdrew from participation in the negotiations.

adjustment on customers.³ Commission Order No. 03-665, entered November 13, 2003, approved the amendment.

Prior to the conclusion of the first WARM Program Year (2003-2004), the Commission requested that Staff and the Company (a) analyze the impact that the warmer-than-normal weather had on customers' bills during the 2003-2004 heating season and (b) propose changes to the program that would control or cap the amount by which the WARM could increase customer bills in both absolute and percentage terms and that would minimize the effect of a customer's usage on the WARM adjustment for others.

The principal concern was the potential for large WARM-related bill adjustments. Large adjustments could occur because the WARM adjustment was aggregated across all customers in a billing cycle and distributed based on an individual's consumption. Consequently, customers with no gas use in an abnormally warm month did not need to pay for the WARM shortfall. Further, customers with a high level of "base use" (unaffected by temperature variations) paid more than customers with a low level of base use in warmer months.

To minimize the occurrence of large WARM adjustments, Stipulation 2 includes dollar and percentage caps on any monthly WARM adjustment. For residential customers, the maximum amount of a monthly WARM adjustment will be the lesser of \$12.00 or 25 percent of the usage portion of the bill. For commercial customers, the maximum amount of a monthly WARM adjustment will be the lesser of \$35.00 or 25 percent of the usage portion of the bill.

The other problems of cross-subsidization and cross-customer impacts are addressed in Stipulation 2 through a fundamental change in how each customer's adjustment is calculated. NW Natural will calculate a customer-specific WARM adjustment rather than having each customer responsible for the entire class charge based on the relative amount of gas the customer consumed.

To preclude the WARM adjustment causing the effective price to be less than the commodity cost of natural gas, Stipulation 2 includes a floor at that level.

Under Stipulation 2, any monies not collected or paid out due to the caps and floors will be accounted for on a customer-by customer basis and collected/refunded at the conclusion of the WARM period or in other circumstances such as terminating gas service. The monies will not earn interest.

³ In essence, the amendments redefined the heating season, defined the billing cycle ending date as the date of the meter read and removed demand charges from the margin.

Discussion. We believe that the Company’s WARM plan, with the agreed-upon conditions contained in WARM Stipulation 1 and WARM Stipulation 2, as set forth in Appendix A, is in the public interest. Stipulation 2, as submitted by NWN, CUB, NWECC and Staff, produces a just and reasonable result and should be adopted in its entirety.

ORDER

The Second Stipulation Regarding the Weather-Adjusted Rate Mechanism (WARM) executed by Northwest Natural Gas Company, the Citizens’ Utility Board, the Northwest Energy Coalition and the Commission Staff is hereby APPROVED, and the resolution of issues set forth therein are hereby ADOPTED.

Made, entered, and effective _____.

Lee Beyer
Chairman

Ray Baum
Commissioner

John Savage
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.