

ORDER NO. 12 048

ENTERED FEB 14 2012

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1027(9)

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL,

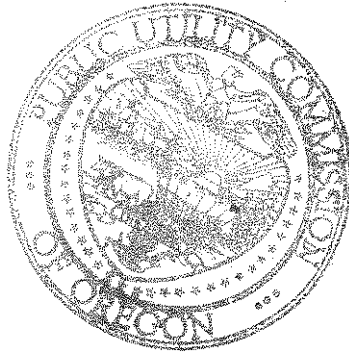
Application for Reauthorization of Deferred  
Accounting of Refunds or Collections of  
Distribution Margin.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on February 14, 2012, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

BY THE COMMISSION:



*Becky L. Beier*

Becky L. Beier  
Commission Secretary

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA 3

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 14, 2012

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE October 1, 2011

DATE: January 9, 2012

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: *MEG-BC* Bryan Conway and *MG* Maury Galbraith

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(9)) Reauthorizes deferred accounting of Refunds or Collections of Distribution Margin.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Northwest Natural's request for reauthorization to defer refunds or collections of distribution margin for the twelve-month period beginning October 1, 2011 through September 30, 2012.

**DISCUSSION:**

On August 30, 2010, Northwest Natural (NW Natural or the Company) requested reauthorization for deferral of refunds or collections of distribution margin. The Commission originally authorized the deferrals related to this program beginning October 1, 2002, pursuant to ORS 757.259 in Order No. 02-800 (Docket UM 1027).

In its original request in Docket UG 143, NW Natural indicated that the purpose of the deferral is two-fold:

- (1) To make the Company indifferent to the consumption patterns and energy efficiency activities of its residential and commercial customers through a decoupling mechanism; and
- (2) To provide funding for public purposes to be administered by the Energy Trust of Oregon.

NWN – UM 1027(9)-Defer Decoupling  
January 9, 2012  
Page 2

On September 12, 2002, the Commission issued Order No. 02-634, adopting a Stipulation introduced by NW Natural, Staff, and the Community Action Directors of Oregon which allowed the Company to defer margins and recover 90 percent of the differentials between the weather-normalized usage and the baseline usage.

On August 25, 2005, the Commission issued Order No. 05-394, which modified the Company's decoupling mechanism by allowing 100 percent recovery of the differentials through September 30, 2009. On September 26, 2007, the Commission adopted a Stipulation signed by the Parties to UG 152 and UG 163, wherein the decoupling mechanism was extended from September 30, 2009 to October 31, 2012.

NWN's current deferral was granted on November 3, 2010 in Commission Order No. 10-429.

**Description of Request:**

For the period beginning October 1, 2011, NW Natural proposes to record and defer, with interest, the amount by which actual distribution margin per residential and commercial customer is different from the margin to be collected from residential and commercial customers, based on "normal" consumption, as assumed in the Company's most recent general rate case filing in Docket UG 152, and further adjusted for price elasticity effects in its annual PGA filings.

On May 22, 2008, the Commission issued Order No. 08-263 requiring utility companies to apply a rate of interest to deferral accounts at their Authorized Rate of Return and a rate of interest commensurate with the Treasury Rate to accounts being amortized. For NW Natural, the Company proposes to apply 8.61 percent to the deferral account and the updated blended treasury rate to its amortization account associated with the distribution margin differentials.

**Reason for Deferral:**

Adoption of this deferred account is authorized by ORS 757.259(2)(d) and (e), as well as ORS 757.262. The Commission, in Order No. 92-1673 and by statute ORS 757.262, supports recovery of a utility's revenues that are affected by the conservation activity of customers. NW Natural has also met the requirements of Oregon Administrative Rule (OAR) 860-027-0300 in its filing.

**Proposed Accounting:**

The proposed continued deferrals would be recorded in a sub account of FERC account 186 (Miscellaneous Deferred Debits). In the absence of deferral approval, the Company

NWN – UM 1027(9)-Defer Decoupling  
January 9, 2012  
Page 3

would record the amounts in the subaccounts of FERC account 400 (Utility Operating Revenue).

**Estimated Amounts:**

For the 2009-2010 PGA period, NW Natural booked approximately \$12.8 million in margin shortfall for both residential and commercial customers that was amortized into rates beginning November 1, 2010.<sup>1</sup> In its 2010-2011 PGA filing, NW Natural deferred \$17.5 million in margin shortfall for both residential and commercial customers that was amortized into rates beginning November 1, 2011.<sup>2</sup> A discussion of the dramatic increases to NW Natural's decoupling deferral was included in the 2010 PGA Staff Report in Docket No. UG 198/Advice 10-14. In Docket UG 209/Advice 11-12, Staff recommended that NW Natural's decoupling mechanism be thoroughly evaluated in the context of a general rate proceeding. On December 30, 2011, NW Natural filed a general rate request which was docketed as UG 221.

In its application, NW Natural states that it cannot estimate what amounts it will record related to the distribution margin for the upcoming 12-month period because the amounts are dependent on volume variance resulting from the actual price elasticity and conservation responses.

**Staff Analysis:**

Staff has reviewed NW Natural's estimated balances in the balancing account attributable to both residential and commercial differentials associated with the differences between weather-normalized usage and the baseline usage as well as the appropriate interest calculations related to the deferral and the amortization balances. Staff supports NW Natural's request to continue to defer these variances.

**PROPOSED COMMISSION MOTION:**

Northwest Natural's request for reauthorization to defer refunds or collections of distribution margin for the twelve-month period beginning October 1, 2011, be approved.

NWN-UM 1027(9) Defer Distribution Margins

<sup>1</sup> Approximately \$11.8 million for residential customers and \$0.5 million for commercial customers.

<sup>2</sup> Approximately \$14.8 million for residential customers and \$2.7 million for commercial customers