

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UG 272

In the Matter of  
  
NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL,  
  
Updates to Schedule 177, System Integrity  
Program (SIP).

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at the special public meeting on October 28, 2014, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 29<sup>th</sup> day of Oct., 2014, at Salem, Oregon.

COMMISSIONER ACKERMAN WAS  
UNAVAILABLE FOR SIGNATURE

Susan K. Ackerman  
Chair



*John Savage*  
John Savage  
Commissioner

*Stephen M. Bloom*  
Stephen M. Bloom  
Commissioner

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.

ORDER NO. 14 378

ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 28, 2014

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE November 1, 2014

DATE: September 17, 2014

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: NORTHWEST NATURAL: (Docket No. UG 272/Advice No. 14-14)  
Updates Schedule 177, System Integrity Program (SIP).

**STAFF RECOMMENDATION:**

I recommend that the Commission approve Northwest Natural's (NW Natural or Company) filing to develop the base rate increments associated with the SIP and make the rates effective November 1, 2014.

**DISCUSSION:**

For purposes of this filing, the adjustments to base rates that relate to SIP include: Part A: Bare Steel; Part B: Transmission Integrity Management (TIMP); and Part C: Distribution Integrity Management (DIMP) pursuant to a stipulation adopted by the Commission in Docket No. UG 221. The Company last adjusted rates for this purpose effective November 1, 2013. The effect of this portion of the filing is to increase the Company's annual revenues by \$1,958,504.

The Company notes that pursuant to the stipulation in UG 221, the SIP sunsets in 2014, and this filing implements the last adjustment under the sun-setting program. The Company intends to seek an extension and modification of the SIP program that it hopes would be effective before the next PGA, which begins November 1, 2015.

The second purpose of this filing is to develop a one-year temporary adjustment to rates to true-up the effects of an overestimate of SIP costs that were placed into base rates effective with the Company's last PGA Year commencing November 1, 2013. For the 2013-2014 PGA Year, the Company discovered after the rates went into effect that the actual capitalized costs for August through October were \$3.8 million lower than the

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estimated amounts. The Company proposes to include the cost of service difference in the amount of \$575,841 and is requesting that the Commission approve this amount to be credited to customers with the 2014–2015 PGA Year.

The true-up of this deferred cost is made on the same basis as the initial SIP cost allocation. The net effect of the SIP and cost of service reserve amounts is an increase to the Company's annual revenues of \$1,382,663, or 0.21 percent. The number of customers affected by the proposed change is 563,128 residential customers, 59,508 commercial customers, and 825 industrial customers.

The monthly bill of the average residential customer served under Rate Schedule 2 using 53 therms per month will increase by 13 cents. The monthly increase for the average commercial Rate Schedule 3 customer using 233 therms is about 45 cents, and the monthly increase for the average commercial Rate Schedule 31 customer using 3,524 therms is about \$5.59. The average Rate Schedule 32 firm sales industrial customer using 19,284 therms will see a monthly increase of about \$8.22.

In Commission Order No. 09-067, the Commission granted NW Natural's request that the SIP program costs be recorded as capital expenditures. The Commission last authorized this program in Order No. 13-179 in Docket No. UM 1406. Staff understands that the annual revenue requirement of these capital costs are passed through the PGA.

#### Staff Analysis

After a review of this filing and workpapers, Staff believes that the proposed rates are correctly calculated and applied. The Company has reviewed this memo and has no issues.

#### **PROPOSED COMMISSION MOTION:**

The Commission approve Northwest Natural's filing to recover the revenue requirement related to the System Integrity Program and the associated tariff sheets be allowed to take effect on November 1, 2014.

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