

ENTERED: OCT 11 2016

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UCB 67

REVTEK LLC,

Complainant,

v.

NORTHWEST NATURAL GAS
COMPANY,

Defendant.

ORDER

DISPOSITION: REQUEST FOR RECONSIDERATION DENIED;
COMPLAINT DISMISSED; DOCKET CLOSED

In this reopened proceeding, RevTek LLC's challenges fees charged by Northwest Natural Gas Company, dba NW Natural under its Weather Adjusted Rate Mechanism (WARM) program,¹ RevTek argues that, since no natural gas was consumed by RevTek during the time period in question, its utility bills should have shown a zero balance. For the reasons stated below, we deny the complaint with prejudice.

I. FACTS

The parties stipulated to the following facts:

1. RevTek is a commercial customer receiving natural gas service under two accounts and that they were set up under the company's WARM program which is used to smooth out customer charges for fixed and volumetric costs during the winter periods of typically high gas usage.
2. RevTek did not opt-out of WARM prior to the 2014-2015 WARM season.
3. RevTek did not use any therms for either account during the WARM season.

¹ RevTek filed its original complaint on July 28, 2015. After the Commission opened up a general investigation into NW Natural's WARM program, the RevTek complaint proceedings were suspended pending the outcome of the investigation. Upon conclusion of the investigation, RevTek was notified by the Commission on June 29, 2016, that it had found NW Natural to be in compliance with its tariff and that the complaint would therefore be dismissed. On July 19, 2016, after the Commission issued Order No. 16-272 dismissing the complaint, RevTek notified the Commission that it intended to pursue its complaint and on July 20, 2016, the Commission issued an order allowing RevTek to do so. (Order No. 16-274).

4. The company applied WARM adjustments to both accounts and billed RevTek \$135.55 for each account.

II. DISCUSSION

A. The Warm Program

Prior to the implementation of the WARM program, NW Natural's recovery of its fixed costs was largely dependent on the volume of gas sold. While fixed costs remain fairly constant, the revenue to cover them varied widely from year to year depending upon the weather.

The WARM program, which we adopted as part of NW Natural's 2002 general rate case,² modified the rate structure for residential and commercial customers to remove this weather-related variability from fixed-cost recovery. During the WARM heating season from December 1 to May 15, the customer's monthly per-therm rate is adjusted to account for winter weather, yielding real-time adjustments that enable proper fixed-cost recovery. In warmer weather, these adjustments increase a customer's bill and colder weather causes a decrease.

Customers are automatically enrolled in the WARM mechanism; however, customer participation is not mandatory. New customers may opt-out of the program within 30 days of receiving NW Natural's Welcome Packet, which explains the WARM program and recommends that customers not participate if they are not using gas for heat. Existing customers may not opt out of the program during the October 1 to May 15 heating season, but may do so for the upcoming heating season.

Under the WARM program, NW Natural calculates the size of the adjustment by using four data points of general applicability and one customer-specific data point. The global data points are:

1. Normal heating degree days (HDD) by weather zone;
2. Actual HDDs by weather zone;
3. Separate statistical coefficients for each customer class; and
4. Separate margin rates for each customer class.

The customer-specific data point is the customer's monthly usage.

Normal HDDs are based on weather data estimates used in NW Natural's last general rate case. Actual HDDs are obtained from third-party reporting agents. The statistical coefficients, which represent the effect that each degree day has on customer use in therms, are also based on rate case data. Thus, normal HDDs and their statistical coefficients do not change between rate cases. The margin rate for each customer class is also established in the company's most recent general rate case, but is updated annually

² *In the Matter of Northwest Natural Gas Company Application for a General Rate Revision*, Docket No. UG 152, Order 03-507 at 7 (Aug 27, 2003).

coincident with the purchased gas adjustment filings for any potential base rate adjustments that may occur at that time.

NW Natural uses these data points to determine whether a WARM adjustment is required for that billing cycle. The WARM adjustment is subject to caps and floors when applied to the monthly bill. For commercial customers, such as RevTek, the maximum increase or credit is \$35.00 or twenty-five percent of usage charges, whichever is less. Rates cannot be lower than the weighted average cost of gas. Any amounts outside of the adjustment bands are subsequently applied to the customer's June bill (the True-Up), when usage rates are generally lower.

B. The 2014-2015 WARM Season

The 2014-2015 WARM season was significantly warmer than usual, resulting in generally lower gas usage by residential and commercial customers who use natural gas for space heating. As a consequence, the June True-Up led to significantly large charges. Numerous consumer complaints were filed with the Commission, giving rise to an investigation of the WARM program's application during that period.

In Order No. 16-223, docket UM 1750, we found that the company had properly applied the WARM tariff in billing its customers for the 2014-2015 season, including the true-up adjustment.³ For customers who do not have winter gas usage, there is no volumetric rate available to be included in the WARM adjustment and therefore, when properly applying the tariff, the entire adjustment was collected or credited in the true-up bill.

C. The WARM Program as applied to RevTek

RevTek has two accounts with NW Natural and did not opt out of the WARM program. RevTek did not incur any gas usage in either account during the WARM season. On its June bill, the WARM true up was applied and RevTek was billed \$135.55 on each account.

The undisputed facts on the record show that the amounts billed to RevTek were the result of a proper application of the WARM tariff in place at the time the charges were incurred.

³ *In the Matter of Investigation Into Northwest Natural's WARM Program*, Docket No. UM 1750 (Jun 20, 2016). In the order, we adopted a stipulation of the parties and approved a change to the WARM adjustment calculation on a going forward basis that also provided customers such as RevTek with better notice of the appropriateness and availability of opt-out provisions.

III. ORDER

The request for reconsideration of Order No. 16-272 is denied. The complaint of RevTek LLC against Northwest Natural Gas Company, dba NW Natural is dismissed, with prejudice. This docket is closed.

Made, entered, and effective OCT 11 2016.



Lisa D. Hardie
Chair



John Savage
Commissioner



Stephen M. Bloom
Commissioner

A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.