

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1027(20)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

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

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 27, 2022, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.



BY THE COMMISSION:

A handwritten signature in blue ink, appearing to read "Nolan Moser".

Nolan Moser
Chief Administrative Law Judge

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 Circuit Court for Marion County in compliance with ORS 183.484.

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ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Analysis

Background

On October 3, 2022, NW Natural submitted a request for reauthorization to record and defer with interest, on an ongoing basis, the amount by which actual distribution margin per residential, small (rate Schedule 3) and mid-sized (rate Schedule 31 sales) commercial customers are different from the margin to be collected from residential, small and mid-sized commercial customers based on "normal" consumption, as assumed in the Company's last general rate case, UG 435, upon Commission approval.

Description of Expense or Revenue

The expense proposed for deferral is the difference between the actual distribution margin per residential and commercial customer based on "normal" consumption, and what is actually collected from those customers. "Normal" consumption was established in the Company's last general rate case, Docket No. UG 435

Reason for Deferral

In accordance with the statutory authority provided by ORS 757.259 and ORS 757.262, NW Natural proposes to record and defer, with interest, the amount by which actual distribution margin per residential, small and mid-sized commercial customers are different from the margin to be collected from residential, small, and mid-sized commercial customers based on "normal" consumption.

Proposed Accounting

NW Natural proposes to continue recording deferred distribution margin differences in a subaccount of FERC Account 186 for subsequent refund to, or collection from, customers. In the absence of an authorization by the Commission to use deferred accounting treatment, the Distribution Margin differences would be recorded as utility operating revenue in FERC Account 400.

Estimated Deferrals in Authorization Period

NW Natural cannot estimate what amounts will be recorded in the distribution margin normalization in that moment for the upcoming 12-month period because the amount is dependent on customer usage.

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Information Related to Future Amortization

- Earnings Review – ORS 757 .259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e). Because the requested deferral is a component of an automatic adjustment clause, there is no earnings test required. However, in the future, the Commission could exercise its discretion and require an earnings review. Staff does not propose any application of an earnings test due to this being a decoupling mechanism.
- Prudence Review – A prudence review will be conducted prior to amortization. The review should include verification of the accounting methodology used to determine the final amortization balance.
- Sharing – No sharing will be required as this mechanism allows deferral of refunds or collections at 100 percent.
- Rate Spread/Design – The correctly accounted for distribution margin differences are to be allocated between residential and commercial customers based on the guidelines established by the mechanism.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the overall average impact on customer rates resulting from deferral amortizations under ORS 757 .259. The three percent test limits the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding calendar year.

Conclusion

Based on review of NW Natural's application, Staff concludes that the request represents an appropriate use of deferred accounting under ORS 757.259. Further, the Company's application meets the requirements related to the establishment of the decoupling mechanism, as well as the requirements of ORS 757.259 and OAR 860-027-0300.

The Company has reviewed this memo and agrees with Staff's recommendation.

PROPOSED COMMISSION MOTION:

Approve NW Natural's application for reauthorization to defer refunds or collections of Distribution Margin for the 12-month period beginning November 1, 2022.