

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 480

In the Matter of

NORTHWEST NATURAL GAS
COMPANY dba NW NATURAL,

Updates Schedule 178, Regulatory Rate
Adjustment.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Special Public Meeting on October 26, 2023, 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:

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.

ITEM NO. CA20

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** November 1, 2023

DATE: October 2, 2023

TO: Public Utility Commission

FROM: Julie Jent

THROUGH: Bryan Conway, Marc Hellman, and Anna Kim **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 480/Advice No. 23-13)
Requests Amortization on Residual Account Balances, Geographically Targeted Energy Efficiency, and Gain on Sale of Property, Schedule 178.

STAFF RECOMMENDATION:

Staff recommends approval of Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-13, revising its Schedule 178, requesting amortization of residual amounts from previous amortizations, removing increments related to a property sale gain located in Astoria and from amortizations of the geographically targeted energy efficiency (GeoTEE) pilot program, for service rendered on and after November 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 23-13, revising its Schedule 178 rates to request residual amounts from previous amortizations and remove increments related to a property sale gain located in Astoria, Oregon in Docket No. UP 410, and from amortizations of NW Natural's Geographically Targeted Energy Efficiency (GeoTEE) pilot in Docket No. UM 2155 for inclusion in rates effective November 1, 2023. The amortization period is 12 months starting November 1, 2023, and ending October 31, 2024.¹

¹ Response to DR 8 (pdf).

Applicable Law

ORS 757.259 authorizes the Commission to amortize deferred utility expenses or revenues into rates to the extent authorized by the Commission in a proceeding to change rates and after a review for prudence.

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. When subject to an automatic adjustment clause under ORS 757.210(1), the Commission may require an earnings review. With some exceptions, a company's amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

ORS 757.480(1) requires public utilities doing business in Oregon to seek Commission approval prior to the sale, lease, assignment, or disposal of certain property, depending on its value, that is necessary or useful in the performance of its duties to the public. Prior to January 1, 2020, transactions involving property valued in excess of \$100,000 triggered this requirement; ORS 757.480(1) was updated in the 2019 legislative session to increase that threshold to transactions involving property valued in excess of \$1 million.

OAR 860-027-0025 sets forth the information required to support a request for the approval of sale, lease, assignment, or disposal of utility property.

OAR 860-027-0025(1)(I) requires that the applicant show that the proposed transaction is consistent with the public interest. The Commission has interpreted the phrase "consistent with the public interest" as used in this rule to require a showing of "no harm to the public."

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

Analysis

The Company proposes amortization of residual amounts that were not fully amortized in rates from time to time. Authorization of residual accounts by utilities was granted in Commission Order No. 10-279 in UM 1147. All of the deferrals included in this filing occurred with appropriate Commission authorization, as rate orders or under approved tariffs.²

Residual Balances

In Order No. 18-400, the Commission approved NW Natural's Advice No. 18-05, related to residual account balances, for service rendered on and after November 1, 2018. At that time, Schedule 178 rates were set to zero.

Background on Property Sale (UP 410)

NW Natural originally filed for approval of the sale of real property in Astoria, Oregon on February 18, 2020. NW Natural does not have a property sales balancing account. As a result of discussions, the Company temporarily recorded the Oregon-allocated gain on sale in a regulatory liability account (Account 254) to accrue interest at the Company's authorized rate of return. The Company proposed to return 100 percent of the Oregon-allocated portion to customers. The sale did not close until December 2021. Afterward, it began to be credited to all customers on an equal-percent-of-margin basis in the Company's Purchased Gas Adjustment mechanism on November 1, 2022.

Background on GeoTEE Pilot Program (UM 2155)

The main purpose of the pilot project was to learn whether geographically targeted enhanced energy efficiency incentives could become a cost-effective capacity resource. This pilot program was included as part of NW Natural's 2018 IRP Update filed with the Commission on April 17, 2019. In Order No. 21-121, Docket No. UM 2155, the Commission approved NW Natural's Request for authorization to defer costs associated with its GeoTEE Pilot Program.

Discussion of Proposed Changes

Removal of Current Temporary Increments: The amortization of these three balances was last authorized in Order No. 22-401 in UG 455 and was over-amortized.³ In other words, the balances from Property Sale Gain (\$855,515) and GeoTee \$723,905, from last year's PGA, are netted with last year's Residual balance \$58,442—this results in the \$73,168 credit that is being removed.

² NW Natural's Response to Staff DR 5.

³ Too much was given back to customers.

Addition of Proposed Temporary Increments: Activity transferred into deferred account 151888 was associated with a balance of \$22,088 on June 30, which was \$26,555 after interest—and was \$27,325 after adding in the revenue sensitive factor.⁴

The net effect of the removal of current temporary adjustments applied to rates effective November 1, 2022, and the application of the new temporary adjustments increase the Company's annual revenues by \$100,493 in totality, or 0.01 percent.⁵ In compliance with OAR 860-022-0025, the proposed rate adjustment will affect 699,614 total customers, detailed in the table below.

Customer Type	Count
Residential	636,785
Commercial	61,984
Industrial	845

Rate Spread/Design

The proposed adjustment for the residual amortization is spread to all customers on an equal cent per therm basis.⁶ The total estimated amount to be charged to customers is \$27,325.⁷ To amortize this balance, NW Natural requests a temporary rate adjustment of \$0.01 per therm for Residential Rate Schedule 2 customers, \$0.03 per therm for Commercial Rate Schedule 3 customers, and \$0.29 for Industrial Rate Schedule 32 customers.⁸ The following table illustrates the average monthly bill impact.

Customer Type	Avg. therms/month	Current Avg. Monthly Bill	Proposed Avg. Monthly Bill	Difference \$	Difference %
Residential (2)	56	\$88.46	\$88.47	0.01	0.0
Commercial (3)	255	\$317.60	\$317.63	0.03	0.0
Industrial (32)	18,823	\$14,247.56	\$14,247.85	0.29	0.0

⁴ See Proposed Temps workpaper, tab PGA, excel row 66.

⁵ See Exhibit A – Supporting Materials Page 4 of 6.

⁶ Response to DR 11 (pdf).

⁷ This represents the charge to customers after being grossed up for revenue sensitive items. See the rate development file; allocation equal cent per therm tab, column AP.

⁸ See Rate Development Workpaper, tab Average Bill by RS.

Earnings Review

Pursuant to ORS 757.259(4), an earning review is not required. Staff did not find an earning review necessary, but notes that the Company is subject to an annual earning review. In accordance with the Commission's orders in Docket Nos. UP 410 and UM 2155, there is no earnings test associated with this docket.⁹

Prudence Review

The costs within this account were deemed prudent and approved for amortization in Docket No. UG 455, Order No. 22-401. This docket is requesting to amortize the residual amounts left over from the prior year. Therefore, these costs have already been deemed prudent with full cost recovery.¹⁰

Three Percent Test

Staff confirmed that, pursuant to ORS 757.259(6), this filing does not impose a rate increase greater than three percent of gross revenues.

Conclusion

Staff concludes that the revisions filed by NW Natural are appropriate. Staff reviewed the proposed schedule changes to ensure that they were consistent with the rates approved by the Commission. Staff identified no issues or errors with the filing and recommends the Commission approve the tariff changes as filed, allowing the revisions to Schedule 178 to go into effect for service rendered on and after November 1, 2023.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 23-13, as filed, for service effective on and after November 1, 2023.

NWN UG 480 Advice No. 23-13 Sch. 178

⁹ NW Natural Response to Staff DR 13.

¹⁰ NW Natural Response to Staff DR 15.