

ORDER NO. 24-382

ENTERED Oct 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UG 506

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY dba NW NATURAL,

Advice No. 24-07A, Updates to  
Schedule 188, Industrial Demand Side  
Management (DSM) Program.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its Special Public Meeting on October 29, 2024, 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:



**Alison Lackey**  
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. CA17

**PUBLIC UTILITY COMMISSION OF  
OREGON STAFF REPORT  
SPECIAL PUBLIC MEETING DATE: October 29, 2024**

**REGULAR**             **CONSENT**        X   **EFFECTIVE DATE**      November 1, 2024

**DATE:**            October 7, 2024

**TO:**              Public Utility Commission

**FROM:**          Rose Pileggi

**THROUGH:** Caroline Moore, Scott Gibbens, Anna Kim, and Ted Drennan **SIGNED**

**SUBJECT:**    NORTHWEST NATURAL:  
                  (Docket No. UG 506/Advice No. 24-07A)  
                  Updates to Schedule 188, Industrial Demand Side Management  
                  Program.

**STAFF RECOMMENDATION:**

The Oregon Public Utility Commission (Commission) should approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) proposed Schedule 188 tariff revisions, as described in Docket No. UG 506, effective for service rendered on and after November 1, 2024.

**DISCUSSION:**

Issue

Whether the Commission should approve NW Natural's request to revise Schedule 188, Industrial Demand-Side Management (Industrial DSM) program.

Applicable Rule or Law

ORS 757.205(1) states that a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. The Commission reviews tariffs filed under ORS 757.205 and ORS 757.210 to determine whether they are fair, just, and reasonable.

Docket No. UG 506  
October 7, 2024  
Page 2

ORS 757.220 requires that filings that make any change in rates, tolls, charges, rules, or regulations be filed with the Commission at least 30 days before the effective date of the change.

ORS 757.259(5) states that unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall be allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The Commission may require that amortization of deferred amounts be subject to refund.

The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

ORS 757.259(6) states that the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

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.

Commission Order No. 08-263, modified by Order No. 10-279, sets out the interest rate to use for deferral accounts and the interest rate to use when such amounts are amortized.

### Analysis

#### *Background*

NW Natural filed its Advice No. 24-07A replacement filing to request amortization of amounts deferred under Docket No. UM 1420, related to its Industrial DSM programs

Docket No. UG 506  
October 7, 2024  
Page 3

for inclusion in rates effective November 1, 2024.<sup>1</sup> The program year runs from March through February of each year. All newly deferred amounts for the March 2023 through February 2024 program year occurred during the 2023 calendar year. The Company updates this schedule annually with its Purchased Gas Adjustment (PGA) filing. NW Natural's Schedule 188 recovers the costs of its Industrial DSM programs and applies them to Industrial Sales Service Customers taking service under Rate Schedules 3, 31, or 32, and Commercial Sales Service Customers taking service under Rate Schedule 32.<sup>2</sup> In this Advice Filing, the Company is seeking to recover \$8,174,944, which will result in an increase in revenues of \$1,553,735 when netted against the removal of the current temporary rate adjustment of (\$6,621,209) or approximately 0.16 percent of NWN's 2023 annual revenues.<sup>3</sup> The proposed amortization rate is \$0.05973 per therm. The amount to be amortized reflects the balance as of June 30, 2024, as well as estimates through October 31, 2024.<sup>4</sup>

#### *Staff Analysis*

Given that these costs have arisen out of DSM programs, Staff does not recommend an earnings test be applied. Nevertheless, the Company provides earnings for the 2023 calendar year and notes that earnings are below the authorized level<sup>5</sup> and Staff concurs. An earnings review for the amounts accrued during 2024 would need to be based on calendar 2024 earnings, which are not yet available. As an earnings test is not recommended, concerns regarding the Company's 2024 or 2023 earnings are not relevant.

---

<sup>1</sup> Docket No. UG 506, NW Natural Advice No. 24-07A Industrial Demand Side Management, Updates to Schedule 188, Industrial Demand Side Management (DSM) Program, September 6, 2024, accessed at <https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=24219>.

<sup>2</sup> *Id.* at 3.

<sup>3</sup> *Id.* at Exhibit A-Supporting Materials.

<sup>4</sup> *Id.*

<sup>5</sup> Order No. 24-220.

Docket No. UG 506  
 October 7, 2024  
 Page 4

	<b>Including Revenue Sensitive Amount</b>
<b><u>Temporary Increments</u></b>	
<u>Removal of Current Temporary Increments</u>	
Amortization of Industrial DSM	(6,621,209)
<u>Addition of Proposed Temporary Increments</u>	
Amortization of Industrial DSM	8,174,944
<b>TOTAL OF ALL COMPONENTS OF RATE CHANGES</b>	<b><u>\$1,553,735</u></b>
2023 Oregon Earnings Test Normalized Total Revenues	\$975,829,919
Effect of this filing, as a percentage change (line 11 ÷ line 15)	0.16%

The following table shows the rate schedules and the number of customers taking service under each schedule that will be impacted by this rate change.

**NW Natural**

Rate Schedule	Number of Customers
Schedule 3	339
Schedule 31	174
Schedule 32	702
Total	1,215

The following table illustrates the average monthly bill impact to NW Natural Industrial Firm Sales customers under Rate Schedule 3, Rate Schedule 31, and Rate Schedule 32:

Docket No. UG 506  
 October 7, 2024  
 Page 5

**NW Natural 2024 – Industrial DSM Impact**

<b>Industrial Customer Type</b>	<b>Avg. monthly bill (current rates)</b>	<b>Avg. monthly bills (proposed rates)</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Schedule 3 Firm Sales @ avg. 1,255 therms/mo.	\$1,343.17	\$1,359.71	\$16.54	1.2%
Schedule 31 Firm Sales @ avg. 5,430 therms/mo.	\$4,283.47	\$4,355.03	\$71.56	1.7%
Schedule 32C Firm Sales @ avg. 7,386 therms/mo.	\$5,633.30	\$5,730.64	\$97.34	1.7%
Schedule 32I Firm Sales @ avg. 20,942 therms/mo.	\$13,593.87	\$13,869.89	\$276.02	2.0%
Schedule 32C Interr Sales @ avg. 51,487 therms/mo.	\$32,098.38	\$32,776.98	\$678.60	2.1%
Schedule 32I Interr Sales @ avg. 42,594 therms/mo.	\$26,377.14	\$26,938.53	\$561.39	2.1%

NW Natural has been recording the authorized deferral amounts in FERC Account 186.<sup>6</sup> The Company is also applying the appropriate rate of return on the deferrals and the applicable blended treasury rate on the amortization balance to calculate the interest amounts.

This amortization is included in the calculation of the three percent test pursuant to ORS 757.259(6). The total proposed amortization subject to the three percent test will be the net of credits and surcharges. NW Natural reports, and Staff has confirmed, that the total amortizations for which NW Natural requests amortization effective November 1, 2024, does not exceed the three percent threshold.

**Conclusion**

Staff finds that the revisions proposed in this filing meet the requirements of applicable law and previous Commission Orders. Based on its review of this filing and the associated work papers, Staff recommends approval of NW Natural's proposed rates.

<sup>6</sup> FERC Account 186 - Miscellaneous deferred debits. Account definition provided via FERC's Universal System of Accounts (USOA) accessed here: <https://www.ecfr.gov/current/title-18/part-201>.

Docket No. UG 506  
October 7, 2024  
Page 6

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

**PROPOSED COMMISSION MOTION:**

Approve NW Natural's proposed revisions to Schedule 188, amortizing Demand Side Management costs, as filed in Docket No. UG 506, effective for service rendered on and after November 1, 2024.