

ORDER NO. 24-387

ENTERED Oct 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 510

In the Matter of

NORTHWEST NATURAL GAS
COMPANY dba NW NATURAL,

Advice No. 24-11A, Amortization of Net
Curtailement and Entitlement Revenues,
Schedule 168.

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. CA21

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

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

DATE: September 19, 2024

TO: Public Utility Commission

FROM: Ted Drennan

THROUGH: Scott Gibbens, Anna Kim, and Curtis Dlouhy **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 510/Advice No. 24-11A)
Amortization of Net Curtailment and Entitlement Revenues,
Schedule 168.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 24-11A, revising its Schedule 168 rates to reflect amortization of deferred Net Curtailment and Entitlement Revenues, for service rendered on and after November 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 24-11A, revising its Schedule 168 rates to reflect amortization of amounts deferred under Docket No. UM 2123, Net Curtailment and Entitlement Revenues, pursuant to Commission Order Nos. 20-364 and 21-454.

Applicable 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 757.210 to determine whether they are fair, just, and reasonable.

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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

In Order No. 20-364, the Commission adopted a comprehensive stipulation among which the parties agreed that, beginning in 2021, NW Natural will credit net curtailment and entitlement revenues to firm sales customers, i.e., credited revenues offset by identifiable incremental costs, through the company's PGA on an equal percent of margin basis.¹

In Order No. 24-104, the Commission approved the Company's application to defer net curtailment and entitlement revenues for the 12-month period beginning November 1, 2023.²

The Company's replacement filing submitted September 6, 2024, requests amortization of

¹ See *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Request for a General Rate Revision*, Docket No. UG 388, Order No. 20-364, October 16, 2020, at 17-18.

² See *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Application to Defer Net Curtailment and Entitlement Revenues*, Docket No. UM 2123(3), Order No. 24-104, April 19, 2024.

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deferred amounts totaling (\$1,894,717) over a 12-month period beginning November 1, 2024. The deferrals were accumulated over the 12-month period ended June 30, 2024. The deferred amount includes accrued interest and a revenue sensitivity adjustment.

Staff has reviewed the Company's work papers and confirmed that interest charges are accruing at the appropriate approved rate of return (AROR) prior to amortization and the currently effective modified blended treasury rate (MBT) for the amortization year. The proposed tariff rate is designed to refund the amounts stated above.

The effect of applying this new temporary adjustment is to decrease the Company's annual revenues by \$1,041,651.

The monthly bill of the average residential customer served under Rate Schedule 2 using 55 therms will decrease \$0.10. The monthly decrease for the average industrial Rate Schedule 3 customer using about 1,255 therms is \$1.22. The average industrial Rate Schedule 31 firm sales customer using 5,430 therms will see a monthly decrease of about \$3.27, and the average industrial Rate Schedule 32 firm sales customer using about 20,942 therms will see a monthly decrease of about \$6.78.

In compliance with OAR 860-022-0025, the Company states that the number of customers affected by the proposed change in this filing is 640,507 residential customers, 62,075 commercial customers, and 601 industrial customers.

There is no earnings test associated with the amortization of curtailment and entitlement revenues, which is consistent with past practice.

Conclusion

Staff finds that the Company has accurately implemented the deferral and amortization mechanism for net curtailment and entitlement revenues. Staff recommends approval of NW Natural's Advice No. 24-11A, revising its Schedule 168 rates for service rendered on and after November 1, 2024.

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

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 24-11A, revising its Schedule 168 rates to reflect amortization of deferred Net Curtailment and Entitlement Revenues, for service rendered on and after November 1, 2024.