

ORDER NO. 24-390

ENTERED Oct 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 514

In the Matter of

NORTHWEST NATURAL GAS
COMPANY dba NW NATURAL,

Advice No. 24-15A, Updates to
Schedule 173, Amortization for Costs
Associated with COVID-19 Pandemic.

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. CA25

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

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

DATE: September 30, 2024

TO: Public Utility Commission

FROM: Bret Farrell

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 514 / Advice No. 24-15A)
Amortization of Costs Associated with the COVID-19 Pandemic.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 24-15A, revising its Schedule 173 rates to reflect amortization of the amount deferred under Docket No. UM 2068 relating to the COVID-19 pandemic, effective with service rendered on and after November 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 24-15A, revising its Schedule 173 rates to reflect amortization of amount deferred under Docket No. UM 2068 relating to the COVID-19 pandemic.

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 ORS 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

On March 24, 2020, NW Natural filed a petition in Docket No. UM 2068, requesting the Commission authorize the Company to defer for later ratemaking treatment costs from the COVID-19 public health emergency.

These costs originally arose from the unprecedented nature of the COVID-19

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emergency, during which customer late fees, reconnection related costs, direct COVID expense, and certain offsetting expenses were not being recovered/charged in rates. Due to the resumption of fees and charges that occurred October 1, 2022, consistent with the UM 2114 stipulation, the remaining expected costs to be deferred are related to AMP time payment arrangement matching grants and any related adjustments. The amortization period for 2020-2021 is two years that started on November 1, 2022 per Order No. 22-388. The amortization period for 2022-2023 started on November 1, 2023 per Order No. 23-406. The remaining proposed amortization amounts are related to residual amounts from prior amortizations.

In Order No. 20-380, the Commission adopted Staff's recommendation to approve NW Natural's application for deferred accounting of COVID-19 related costs for the 12-month period beginning March 24, 2020. In subsequent orders, the Commission approved reauthorizations of the deferrals through March 24, 2023.

In Docket No. UG 435, Order No. 22-388, the Commission adopted a comprehensive stipulation in which parties agreed that NW Natural would amortize the 2020 and 2021 balances of the Company's COVID-19 deferral, including interest accrued on those balances, subject to an adjustment of \$163,000 over the course of two years.

In Docket No. UG 483, Order No. 23-406, the Commission adopted Staff's recommendation to approve amortization of amounts deferred under Docket. No 2068 relating to the COVID-19 pandemic which included the second half of 2020 and 2021 deferral balances, plus the remaining deferred amount incurred in 2022 and 2023.

In this filing, the Company has included the residual amounts from the second half of the 2020 and 2021 deferral balances plus the remaining deferred amount incurred in 2022 and 2023.

Analysis

The effect of the Company proposal results in a decrease to the Company's annual revenues by \$13,187,024, or about 1.35 percent. In accordance with the Commission's order adopting the Parties' stipulation in Docket No. UG 435, the amounts recovered are calculated based on equal percent of margin by Rate Schedule and Customer class.

Staff has reviewed the Company's work papers and confirmed that interest charges are accruing at the appropriate approved interest rates, which for COVID deferrals is the blended treasury rate published by the Commission in January each year plus 100 basis points.

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The number of customers affected by the proposed change is 640,507 residential customers, 62,203 commercial customers, and 836 industrial customers.

NW Natural COVID Deferral Impact

Customer Type	Count
Residential	640,507
Commercial	62,203
Industrial	836
Total	703,546

The monthly bill of the average residential customer served under Rate Schedule 2 using 55 therms per month will decrease by \$1.19, or 1.5 percent. The monthly decrease for the average commercial Rate Schedule 3 customer using 251 therms is about \$4.41, and the monthly decrease for the average firm sales commercial Rate Schedule 31 customer using 2,827 therms is about \$25.68. The average Rate Schedule 32 firm sales industrial customer using 20,942 therms will see a monthly decrease of about \$18.15.

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NW Natural COVID Deferral Impact

Customer Type	Avg. Monthly Bill (Current Rates)	Avg. Monthly Bill (Proposed Rates)	Difference (\$)	Difference (%)
Residential Customer – Schedule 2 (avg. 55 therm/month)	\$79.24	\$78.05	(\$1.19)	-1.5%
Commercial Customer – Schedule 3 (avg. 251 therm/month)	\$287.97	\$283.56	(\$4.41)	-1.5%
Commercial Customer – Schedule 31 (avg. 2,827 therm/month)	\$2,447.92	\$2,422.24	(\$25.68)	-1.0%
Industrial Customer – Schedule 32 (avg. 20,942 therm/month)	\$13,593.87	\$13,575.72	\$18.15	-0.1%

Staff has reviewed the supporting materials provided by NW Natural for prudence and found the costs proposed by NW Natural to be included for amortization to be prudent. In accordance with Commission Order No. 22-388, Staff performed a 2023 earnings test, excluding costs related to arrearage payments and revenue losses from COVID-related circumstances, which were exempt from an earnings test. In 2023, NW Natural earned below their authorized Return on Equity (ROE) and are therefore eligible to recover the costs associated with the COVID-19 deferral.

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

Conclusion

After reviewing NW Natural's filing, Staff recommends approval for amortization of amount deferred under Docket No. UM 2068 relating to the COVID-19 pandemic.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 24-15A, revising its Schedule 173 rates to reflect

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amortization of the amount deferred under Docket No. UM 2068 relating to the COVID-19 pandemic, for service rendered on and after November 1, 2024.