

ORDER NO. 24-391

ENTERED Oct 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 515

In the Matter of

NORTHWEST NATURAL GAS
COMPANY dba NW NATURAL,

Advice No. 24-16C, Transportation
Security Administration Security Directive
2 Start-up Operation and Maintenance
Costs, Schedule 180 and Schedule 189.

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. CA26

**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: Luz Mondragon

THROUGH: Caroline Moore and Scott Gibbens **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 515/Advice No. 24-16C)
Requests Amortization of TSA Directive 2 Costs, Revises Schedule 180
and Schedule 189.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 24-16C, revising the Company's Schedule 180 and 189 amortizing deferred costs related to Transportation Security Administration's (TSA) Security Directive 2 start-up and cost of service costs for service rendered on and after November 1, 2024.¹

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 24-16C, zeroing out Schedule 180 as the deferral is no longer needed and revising Schedules 189 with a temporary adjustment to amortize compliance costs and capital COS costs incurred to comply with the TSA Security Directive 2 to:

1. Implement specific mitigation measures to protect against ransomware attacks and other related threats;

¹ Please note that Schedule 180 was formerly used to address: "Rate Adjustment for True-Up of Excess Deferred Income Taxes Related to the 2017 Federal Tax Cuts and Jobs Act." NWN repurposes this Schedule in Advice Filing 22-16 to address compliance costs associated with TSA Security Directive 2 for service rendered on and after November 1, 2022.

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2. Develop and implement a cybersecurity contingency and response plan; and
3. Conduct a cybersecurity architecture design review.

As an owner and operator of critical pipeline infrastructure, NW Natural is subject to TSA Security Directive 2.

Applicable Rule or Law

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

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.

ORS 757.259 authorizes deferred utility expenses or revenues to be allowed (amortized) in rates to the extent authorized by the Public Utility Commission of Oregon (Commission) in a proceeding to change rates.

Analysis

Background

NW Natural has filed a deferral application each year since September 2021. These filings have been docketed as UM 2192. In the Company's general rate case filing, Docket No. UG 435, NW Natural requested amortization of a portion of this deferral associated with the cost of service of the capital expenditures associated with TSA Security Directive 2. The request in this filing seeks to zero out the amortization of start-up costs and updates the amortization related to revenue requirement and ongoing operations and maintenance (O&M) not known when NW Natural filed UG 435 but are known now.

NWN initially filed the Advice filing on August 1, 2024, then updated thrice, on September 12, 2024, September 23, 2024, and finally on September 27, 2024, requesting a revenue requirement of \$1.63 million, a decrease of \$966,157 from the current tariff for Schedules 180 and 189.

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The recovery request zeros out the costs related to the operations and maintenance expense of the start-up (Schedule 180) and the third-year amortization of the TSA cost of service related to capital expenditures.² (Schedule 189). An additional filing is expected next PGA year in order to fully amortize costs related to Order 22-388. NW Natural expects to continue applying to defer and amortize TSA directive costs as TSA continues to issue security directives.

Analysis

Staff reviewed the Advice filing and finds it complies with the Order. In its review, Staff conducted the following:

- Confirmed the revenue target is correctly calculated in the Company's revenue requirement work papers based on the Commission directed amounts found within the Order.
- Confirmed from the rate spread and design spreadsheet and NW Natural work papers that the proposed tariff prices are calculated to produce revenues in accordance with the Commission's Order in this case.
- Confirmed the calculation of rate spread for base schedules as found in Appendices of the Order, is properly reflected in the Company's rate spread and design work paper and resulting Tariff sheets.
- Confirmed that NW Natural's inputs and deferred transactions for pricing are consistent, reasonable, and accurate.
- Verified accurate implementation of all changes, including tariff language changes, authorized by the Commission, inclusive of verification of each of Commission determinations.
- Confirmed that the tariff sheets are properly updated with the rates present in the rate spread and design worksheet, advice number, revision number, date, and any other appropriate language changes.

Staff utilized the provided work papers, issued and reviewed Standard Information Request, and met with the Company on September 20, 2024, to discuss the filing.

² Ordered to be amortized over a four-year period starting November 1, 2022. Commission Order No. 22-388.

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PGA Effects on Revenue

2024-2025 PGA Filing - Oregon: September Filing

PGA Effects on Revenue

UG 515: TSA Security Directive 2

Advice No. 24-16B update 9/23/24

		Including Revenue Sensitive Amount
1		
2	<u>Temporary Increments</u>	
3		
4	<u>Removal of Current Temporary Increments</u>	
5	Sch 180-TSA Security Directive 2 Start Up and O&M costs	(1,680,746)
6	Sch 189-TSA Capital and Cost of Service recovery	(912,778)
7		<u>(2,593,524)</u>
8	<u>Addition of Proposed Temporary Increments</u>	
9	Sch 180-TSA Security Directive 2 Start Up and O&M costs	0
10	Sch 189-TSA Capital and Cost of Service recovery	1,627,367
11		<u>1,627,367</u>
12	TOTAL OF ALL COMPONENTS OF RATE CHANGES	<u>(\$966,157)</u>

Impacts on Customer Rates:

- Decrease the Company's annual revenues by \$966,157, or 0.10 percent from the current tariffs;
- The monthly bill of the average residential customer served under Rate Schedule 2 using 55 therms will decrease by \$0.09;
- The monthly decrease for the average industrial Rate Schedule 3 customer using about 1,255 therms is \$1.16;
- The average industrial Rate Schedule 31 firm sales customer using 5,430 therms will see a monthly decrease of about \$2.66; and
- The average industrial Rate Schedule 32 firm sales customer using about 20,942 therms will see a monthly decrease of about \$10.01.

The Company's earnings are below the amount authorized over the relevant period and so the costs are recoverable.

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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, 62,203 commercial customers, and 836 industrial customers.

Conclusion

Staff concludes the proposed tariff adjustment is fair, just, and reasonable. Further pertinent costs deferred and proposed to be amortized herein were not avoidable and spending was not able to be delayed due to the characteristics of TSA Security Directive 2.³

Staff recommends the Commission approve this amortization. The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 24-16A, zeroing out Schedule 180 and revising 189 rates in compliance with TSA Security Directive 2 for service rendered on and after November 1, 2024.

NWN UG 515 Advice No.24-16C TSA Security Directive 2

³ Please note that general rate case Docket No. UG 435 has more detailed explanations of TSA Security Directive 2 requirements. NW Natural's filings in that docket were subject to both Protective Order No. 21-461 and TSA Modified Protective Order No. 21-465. Docket No. UG 458 has no protective order and NW Natural and Staff avoid discussion of highly confidential materials.