

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1798(8)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Request for Reauthorization to Defer
Certain Expenses or Revenues Associated
with the Weather Adjusted Rate
Mechanism (WARM).

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on March 27, 2025, 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. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 27, 2025**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: March 18, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1798(8))
Reauthorization to Defer Certain Expenses relative to Schedule 195.

STAFF RECOMMENDATION:

Approve Northwest Natural's (NWN or Company) reauthorization request to defer costs associated with schedule 195 Weather Adjusted Rate Mechanism (WARM), for the 12 months beginning November 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's requests for reauthorization to defer costs associated with schedule 195 Weather Adjusted Rate Mechanism.

Applicable Law

In accordance with ORS 757.259(2), utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as the reason for the deferral and the estimated amount of the deferral.

ORS 757.259(2)(e) specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to

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minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) may be subject to an earnings review of the utility's earnings. 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).

OAR 860-027-0300(a), "Amortization" means the inclusion in rates of an amount which has been deferred under ORS 757.259 (Amounts includable in rate schedule) or ORS 759.200 (Inclusion of amortizations in rates) and which is designed to eliminate, over time, the balance in an authorized deferred account. Amortization does not include the normal positive and negative fluctuations in a balancing account.

OAR 860-027-0300(b) "Deferred Accounting" means recording the following in a balance sheet account, with Commission authorization for later reflection in rate.

In Order No. 16-223, the Commission approved a stipulation setting requirements for operation of NWN's WARM program, including deferred accounting.

Analysis

Background

The Company is seeking this reauthorization based on ORS 757.259 and OAR 860-027-0300, and pursuant to Commission Order No. 16-223. The last reauthorization was approved by the Commission in Order No. 24-103, on April 19, 2024.

The Company made changes to the WARM program consistent with Order No. 16-223, that impacted residential and commercial customer bills as follows:

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- Residential Bills. The maximum WARM adjustment surcharge that will be applied to a monthly bill during the WARM Period will be twelve dollars (\$12.00), or twenty-five percent (25%) of the usage portion of that bill.
- Commercial Bills. The maximum WARM adjustment surcharge that will be applied to a monthly bill during the WARM Period will be thirty-five dollars (\$35.00), or twenty-five percent (25%) of the usage portion of that bill, whichever is less. The maximum WARM adjustment credit applied to a monthly bill during the WARM Period will be thirty-five dollars (\$35.00), or twenty-five percent (25%) of the usage portion of that bill.

In addition, any amounts not applied to a customer's bill during the WARM Period due to the cap and floor described above will be deferred in a residential or commercial deferral account and then amortized on an equal cent per therm basis through the annual Purchased Gas Adjustment (PGA).

Description of the Expenses

The Company will defer any amounts not applied to customer bills during the WARM Period (December 1 through May 15) due to the monthly cap and floor in accordance with Order No. 16-223. The deferred amounts may result in a charge or credit to customers depending on the variability in the weather during the WARM Period.

Reason for Deferral

ORS 757.259(2)(e) allows the deferral of utility expenses or revenues where necessary to match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

The Company proposes to account for the WARM deferral amounts by recording the deferral in FERC Account 186 in two separate accounts (residential and commercial).

Estimate of Amounts

The Company cannot estimate the amounts for the moment since the amount is dependent on the effect that weather may have on customer use.

Nevertheless, during the past 12 months, the amount deferred with interest from From November 1, 2023, through June 30, 2024, is (\$1,496,679.94) and (\$1,415,371.27), respectively.¹ The activity in these accounts is outside the adjustment caps set in Order No. 16-223.

¹ See, Exhibit A of Application.

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The Amount Amortized Last Year

The amount of amortization including interest from November 1, 2023, through June 30, 2024, was \$1,002,953.28 and \$1,092,700.36 for residential and commercial accounts, respectively.

Information Related to Future Amortization

- Earnings Review - ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e). Because this deferral is an automatic adjustment clause, there is no earnings test required.
- Earing Test - The deferred amounts will not be subjected to an earnings test due to the WARM mechanism design, purpose, and historical treatment.
- Prudence Review - Prior to amortization, a prudence review will be conducted. The review should include verification of the accounting methodology used to determine the final amortization balance.
- Sharing - Staff believes the Commission did not authorize, and Staff does not recommend, sharing between NW Natural and its customers for this deferral.
- Rate Spread/Design - The Order established that any amounts not applied to a customer's bill during the WARM Period due to the cap and floor described above will be deferred in a residential or commercial deferral account and then amortized on an equal cent per therm basis through the annual Purchased Gas Adjustment process to rate schedules 2 and 3 customers, respectively, over the 12 month period November 1 through October 31 of each year.
- Three Percent Test (ORS 757.259(6)) - The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year, subject to exceptions at ORS 757.259(7), (8), and (10). This deferral falls under the exception in ORS 757.259(7).

Conclusion

Staff concludes that the proposed reauthorization represents an appropriate use of deferred costs associated with schedule 195 Weather Adjusted Rate Mechanism and should be approved.

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Additionally, NW Natural's application for reauthorization of deferred accounting meets the requirements related to the establishment of the PGA mechanism as well as the requirements of ORS 757.259 and OAR 860-027-0300.

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

PROPOSED COMMISSION MOTION:

Approve NW Natural's application and re-authorization to defer costs associated with schedule 195 Weather Adjusted Rate Mechanism, for the 12-month period beginning November 1, 2024.