

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET UG-121434
TRANSPORTATION COMMISSION,)	
)	ORDER 01
Complainant,)	
)	
v.)	
)	COMPLAINT AND ORDER
NORTHWEST NATURAL GAS)	SUSPENDING TARIFF REVISIONS;
COMPANY,)	ALLOWING RATES ON A
)	TEMPORARY BASIS, SUBJECT TO
Respondent.)	REVISION
.....)	

BACKGROUND

1 On August 31, 2012, Northwest Natural Gas Company (Northwest Natural or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-6, designated as follows:

Summary of Monthly Sales Service Billing Rates 2012	Canceling	Summary of Monthly Sales Service Billing Rates 2011
Summary of Monthly Transportation Service Billing Rates 2012	Canceling	Summary of Monthly Transportation Service Billing Rates 2011
Twenty-First Revision of Sheet 101.1	Canceling	Twentieth Revision of Sheet 101.1
Twenty-First Revision of Sheet 101.2	Canceling	Twentieth Revision Sheet 101.2
Ninth Revision of Sheet 103.3	Canceling	Eighth Revision of Sheet 103.3
Twenty-First Revision of Sheet 127.1	Canceling	Twentieth Revision of Sheet 127.1
Seventh Revision of Sheet 141.9	Canceling	Sixth Revision of Sheet 141.9
Second Revision of Sheet 141.10	Canceling	First Revision of Sheet 141.10
Eighth Revision of Sheet 142.10	Canceling	Seventh Revision of Sheet 142.10
Third Revision of Sheet 142.10.1	Canceling	Second Revision of Sheet 142.10.1
Seventh Revision of Sheet 142.11	Canceling	Sixth Revision of Sheet 142.11
Seventh Revision of Sheet 143.6	Canceling	Sixth Revision of Sheet 143.6
Eighteenth Revision of Sheet 201.1	Canceling	Seventeenth Revision of Sheet 201.1
Ninth Revision of Sheet 201.2	Canceling	Eighth Revision of Sheet 201.2

Twentieth Revision of Sheet 203.1	Canceling	Nineteenth Revision of Sheet 203.1
Seventh Revision of Sheet 220.1	Canceling	Sixth Revision of Sheet 220.1
First Revision of Sheet 220.2	Canceling	Original Sheet 220.2
Fourth Revision of Sheet 230.1	Canceling	Third Revision of Sheet 230.1
Second Revision of Sheet 230.2	Canceling	First Revision of Sheet 230.2

- 2 The Company subsequently revised its tariff on October 15, 2012. The stated effective date is November 1, 2012. This matter came before the Commission at its October 25, 2012, Open Meeting.
- 3 In this filing, Northwest Natural would decrease rates for the Company's Purchased Gas Adjustment (PGA) and Deferred Gas Cost Amortization mechanisms, reducing annual revenue by approximately \$6.4 million or 8.37 percent. Northwest Natural serves over 70,741 natural gas customers in three counties in Washington: Clark, Skamania, and Klickitat.
- 4 The PGA reflects the projected costs of purchased gas for the coming year, November 2012 through October 2013. The Company proposes an estimated residential weighted average cost of gas (WACOG) of \$0.60396 (\$0.47373 commodity and \$0.13023 demand) resulting in an estimated overall annual decrease in sales revenues of approximately \$7.6 million. The proposed decrease is in large part the result of decreasing wholesale natural gas prices.
- 5 The cost of gas passed on to ratepayers includes the actual spot/index market prices, financial hedging costs, and the cost of transporting the gas from the point of purchase to the point of distribution. According to Commission Staff (Staff), the last few years have seen a sharp decline in natural gas prices, but a slower decline in the cost of gas passed on to ratepayers. Staff suggests the possibility that locking in prices of future gas supplies through financial hedging has led to commodity costs for ratepayers being higher than what those costs would have been absent financial hedging or at least a decrease in the volumes hedged. Staff has not predetermined the prudence of this practice for any of the natural gas utilities the Commission regulates, and Staff notes that financial hedging in the face of rising natural gas prices could benefit ratepayers.

6 Staff has concerns regarding the variety of procurement and hedging strategies and the differences in PGA reporting by natural gas companies the Commission regulates. Staff requests more time to investigate Northwest Natural's books, accounts, practices and activities and recommends that the Commission suspend the tariff filing so that the Commission can examine hedging practices in general and determine if the rates resulting from this tariff filing are fair, just, reasonable, and sufficient. Northwest Natural proposes a decrease in rates, therefore, Staff recommends that the rates become effective on November 1, 2012, on a temporary basis, subject to revision.

DISCUSSION

7 The Commission agrees that an investigation is warranted into the hedging and procurement practices of Northwest Natural and the other natural gas companies the Commission regulates. As Staff suggests, such practices may benefit the companies' customers under appropriate circumstances, but the Commission should investigate whether the hedging and procurement in which the companies currently engage results in rates that are fair, just, reasonable, and sufficient.

FINDINGS AND CONCLUSIONS

- 8 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including gas companies. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.
- 9 (2) Northwest Natural Gas Company is a natural gas company and a public service company subject to Commission jurisdiction.
- 10 (3) This matter came before the Commission at its regularly scheduled meeting on October 25, 2012.
- 11 (4) The tariff revisions Northwest Natural filed on September 27, 2012, and October 15, 2012, would decrease charges and rates for service provided by Northwest Natural, such decreases pending Commission Staff review are in the public interest.

- 12 (5) Although Northwest Natural has not yet demonstrated that the tariff revision would ultimately result in rates that are fair, just, reasonable, and sufficient, the Commission finds it reasonable to allow the rates to become effective, on a temporary basis, subject to revision.
- 13 (6) As authorized in RCW 80.04.130 and RCW 80.04.220, an investigation into this tariff filing is warranted, including an examination of Northwest Natural's books, accounts, practices and activities.
- 14 (7) Under RCW 80.04.130(4), Northwest Natural would bear the burden of proof to show that the proposed decreases are fair, just, reasonable, and sufficient in the event this matter were set for hearing. Nothing in this Order is intended to limit the issues as to the fairness, justness, reasonableness and sufficiency of the proposed decreases.

ORDER

THE COMMISSION ORDERS:

- 15 (1) The tariff revisions Northwest Natural Gas Company filed on September 27, 2012, and October 15, 2012, are suspended.
- 16 (2) The proposed tariff revisions Northwest Natural Gas Company filed on September 27, 2012, and October 15, 2012, shall become effective on November 1, 2012, on a temporary basis, subject to revision.
- 17 (3) The Commission will hold hearings and conduct workshops at such times and places as may be required.
- 18 (4) Northwest Natural Gas Company must not change or alter the tariffs filed in this docket during the suspension period, unless authorized by the Commission.
- 19 (5) The Commission will institute an investigation of Northwest Natural Gas Company's books, accounts, practices, activities, and operations as described in this Order.

- 20 (6) Commission Staff will report to the Commission on the status of Staff's investigation no later than March 1, 2013, and that report shall include recommendations on the disposition of this tariff filing by Northwest Natural Gas Company or the need for further process to make the appropriate determination.

DATED at Olympia, Washington, and effective October 31, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner