

Agenda Date: October 30, 2013
Item Number: A6 and A7

Docket: UG-131627 and UG-131962
Company: Northwest Natural Gas Company

Staff: Joanna Huang, Regulatory Analyst
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Recommendation

Take no action, thereby allowing the revised tariff sheets filed by Northwest Natural Gas Company on August 30, 2013, and revised on October 15, 2013, in Dockets UG-131627 and UG-131962 to become effective November 1, 2013, by operation of law.

Background

On August 30, 2013, Northwest Natural Gas Company (NW Natural or company) filed its purchased gas adjustment (PGA) and amortization mechanisms for deferred costs for gas, low-income program costs, and property sales credits (Deferral) in Docket UG-131962, and conservation program costs in Docket UG-131646.¹ The company also submitted a combined effects filing in Docket UG-131627, which incorporates the effects of Dockets UG-131962 and UG-131646 into all of the customer rate schedules. On October 15, 2013, the company filed revised tariff sheets to replace the original filings in Dockets UG-131627 and UG-131962.

NW Natural serves 65,038 residential customers and 5,710 commercial and industrial customers in Vancouver and surrounding areas of southwest Washington.

Combined Effects – Docket UG-131627

The company implements the combined effects of Dockets UG-131962 and UG-131646 in Docket UG-131627, which updates the billing rates on Schedules 1 through 43 and the all deferral adjustments summary on Schedule 201. The impact of the PGA and various Deferral revisions is an annual revenue increase of \$839,892 or 1.2 percent.² The impact of the Conservation Program Adjustment in Docket UG-131646, by itself, is an annual revenue increase of \$679,702 or 0.9 percent.

¹ See separate staff memorandum in Docket UG-131646.

² This includes the forward and backward-looking gas cost changes from Schedule 203. The Deferral portion also includes the property sales credit in Schedule 210 and the costs of the low-income bill assistance and energy efficiency programs in Schedule 230.

| Docket | Description | Incremental revenue change | Percent of total revenue |
|-----------|-------------------|----------------------------|--------------------------|
| UG-131962 | PGA | \$1,171,819 | 1.6 percent |
| UG-131962 | Various Deferrals | \$ (331,927) | (0.5) percent |
| UG-131646 | Conservation | <u>\$ 679,702</u> | <u>0.9 percent</u> |
| UG-131627 | Combined impact | <u>\$1,519,594</u> | <u>2.1 percent</u> |

The combined impact of this 2.1 percent increase in annual revenue on an average residential customer will be an increase of \$0.91 in the monthly bill.³

Discussion – Docket UG-131962

The PGA and Deferral mechanisms are designed to pass through to customers the utility's actual cost of natural gas on an annual basis. The PGA establishes a projection of the utility's gas cost for the upcoming year. The difference between the projected cost and the actual cost is then deferred in Account 191420 and Account 191430. Each year the balances of these accounts are amortized back to customers with interest, whether it is a refund for over-collection or a charge for under-collection.

The company originally requested a \$1.4 million (1.9 percent) increase in annual revenues. On October 15, 2013, the company filed replacement pages to update its natural gas prices and actual deferral balances as of September 30, 2013. The company's Washington weighted average cost of gas (WACOG) excludes NW Natural's joint venture with Encana Oil and Gas Inc. as ordered in Docket UG-111233.

Purchased Gas Adjustment

The PGA reflects a projection of gas cost for the coming 2013-2014 year. This portion of the filing consists of two parts: the cost of gas purchased (Commodity) by the company from its gas suppliers, and the cost of pipeline and storage capacity (Demand) under contracts. The company is proposing an increase of approximately \$1.2 million (1.6 percent) in annual revenue for this portion of the revised filing. This increase is due to slightly higher gas commodity and pipeline and storage capacity costs for the whole system. Currently, NW Natural's embedded WACOG is \$ 0.50394 per therm (\$0.36969 commodity and \$0.13425 firm demand). The proposed WACOG is \$ 0.51354 per therm (\$0.37961 commodity and \$0.13393 firm demand).

Deferred Gas Cost Amortization

The deferred gas cost accounts accumulate the differences between actual gas costs incurred and the gas costs projected in the prior year and embedded in tariff rates. These balances are

³ This increase includes \$0.58 from Docket UG-131646 and \$0.33 from Docket UG-131962.

amortized over the upcoming year. The deferral balances cover the period from November 2012 to October 2013. The amortization of the deferral portion of this filing results in a decrease of \$331,927 in annual revenue, or 0.5 percent.

The impact of the PGA and Deferral amortization on an average residential customer with consumption of 56 therms will be a net increase of \$0.33 per month from \$59.09 to \$59.42. The effects of the PGA and Deferral amortization on the company's rates (\$/therm) and annual Washington revenues are as follows:

| | <u>PGA</u> <u>Change</u> | <u>Deferral</u> <u>Change</u> | <u>Revenue</u> <u>Impact</u> | <u>Percent</u> <u>Change</u> |
|---------------|-----------------------------|----------------------------------|---------------------------------|---------------------------------|
| Residential | 0.01004 | -0.00422 | \$ 375,517 | 0.6% |
| Commercial | 0.01004 | -0.00355 | 259,601 | 0.7% |
| Industrial | 0.01004 | -0.00025 | 107,392 | 1.8% |
| Interruptible | 0.01027 | 0.00299 | <u>97,382</u> | 2.6% |
| Total | | | <u>\$ 839,892</u> | |

Customer Comments

Northwest Natural notified its customers of the proposed rate increase by bill insert with the September billing. The commission received no customer comments on this filing.

Conclusion

Staff has reviewed the company's prospective gas cost and deferral amortization filing and recommends the commission take no action, thereby allowing the revised filings in Dockets UG-131627 and UG-131962 to become effective November 1, 2013, by operation of law.