

Agenda Date: May 28, 2009  
Item Number: A4

**Docket:** UG-090684  
**Company:** Northwest Natural Gas Company

**Staff:** Joanna Huang, Regulatory Analyst  
Mike Parvinen, Assistant Director, Energy

### **Recommendation**

Enter an order granting an exemption from notice requirements and allowing the proposed tariff revisions to become effective June 1, 2009, on less than statutory notice.

### **Background**

On May 5, 2009, Northwest Natural Gas Company (NW Natural or company) filed tariff revisions in Docket UG-090684. This filing establishes a new schedule (Schedule 203A) to apply a one-time credit to all sales customers and adjusts the definition of the purchase gas adjustment (PGA) and deferral amortization process. This credit is due to a recent decline in wholesale natural gas commodity costs.

The PGA and Deferral mechanisms are designed to pass through to customers the utility's actual cost of natural gas on an annual basis, traditionally . However, the company may file PGA or deferral filings as it deems appropriate. For example, all companies except NW Natural filed two PGA filings during the energy crisis in the 2000-2001 winter to recover increasing gas commodity cost. In comparison, all regulated natural gas companies have recently filed with the commission to reduce deferred balances. One other company considered a similar credit-type mechanism as proposed by NW Natural, but did not have the sophisticated billing software to properly apply the methodology. NW Natural's billing software is unique in that it follows the sale customer rather than the billing address, thus ensuring that the proposed one-time credit will be made to the customer who incurred the cost of the gas.

The PGA establishes for the upcoming year a projection of the utility's gas cost. The difference between the projected cost and the actual cost is deferred and ultimately amortized back to customers with interest, whether it is a refund for over-collection or a charge for under-collection.

NW Natural serves approximately 61,537 residential customers and 5,261 commercial and industrial customers in Vancouver and surrounding areas of southwest Washington.

### **Discussion**

#### **Deferred Gas Cost Amortization**

The Deferral mechanism typically amortizes balances in deferred gas cost accounts resulting

from the difference between actual gas costs incurred and gas costs embedded in tariff rates. The company proposed to refund only the deferred commodity gas costs portion in this filing. During the last several months the company has been experiencing lower actual gas costs than what is currently embedded in the rates due to a recent decline in wholesale natural gas commodity costs. The commodity portion of the deferred balance that covers the period from November 2008 to March 31, 2009, is over four million dollars. Because of the current recessed economic times, the company felt that a prompt refunding of the growing commodity deferred balance is critical to all sale customers. The company's proposed credit calculation is based on the actual sale customer's usage during November 2008 through March 31, 2009. The Schedule 203A credit will only apply to the June 2009 sale customer's bill. Schedule 203A will be automatically terminated following the end of the June 2009 billing cycle.

The average reduction to all sale customers by schedule is as follows:

	<u>Schedule</u>	<u>Average Credit</u>
Residential	2	\$ 45.99
Commercial	3	\$ 95.40
Industrial	42	\$6,235.75

RCW 80.28.060 and WAC 480-80-121 require thirty days' notice to the commission prior to the effective date of the tariff. The company requests the commission waive the statutory notice.

### **Conclusion**

Staff has reviewed the company's calculations for refunding the commodity portion of deferred balance and finds it reasonable. Staff believes NW Natural has demonstrated good cause for its request for Less than Statutory Notice and recommends the Commission enter an order granting an exemption of notice requirements allowing the proposed tariff revision in Docket UG-090684 to become effective June 1, 2009, on less than statutory notice.