

Agenda Date: October 27, 2016
Item Numbers: A8 and A9

Dockets: **Dockets UG-161063 and UG-161064**
Company: Northwest Natural Gas Company

Staff: Kristen Russell, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff sheets filed by Northwest Natural Gas Company on September 12, 2016, in Dockets UG-161059, UG-161061, UG-161063 and UG-161064 to become effective November 1, 2016, by operation of law.

Background

On September 12, 2016, Northwest Natural Gas Company (NW Natural or company) filed four related tariff revisions: the purchased gas adjustment (PGA) and amortization mechanisms for deferred costs of gas in Docket UG-161063; the temporary rate adjustment related to its energy efficiency service and programs in Docket UG-161059; the temporary rate adjustment related to its low-income program costs in Docket UG-161061; and the combined effects of the above three filings in Docket UG-161064.

NW Natural serves 71,592 residential customers and 6,499 commercial and industrial customers in Vancouver and surrounding areas of southwest Washington.

The company implements the combined effects of these four dockets, which updates the billing rates on Schedules 1 through 43 and the all deferral adjustments on Schedules 201 through 230. The impact of these filing revisions is an annual revenue decrease of \$1,396,349 or 1.88 percent.

Docket	Description	Incremental revenue change	Percent of total revenue
UG-161063	PGA/Deferral	\$ (1,758,207)	(2.36) percent
UG-161061	Low Income	\$ 10,837	0.01 percent
UG-161059	<u>Energy Efficiency</u>	<u>\$ 351,021</u>	<u>0.47 percent</u>
UG-161064	Combined Impact	<u>\$ (1,396,349)</u>	<u>(1.88) percent</u>

Discussion

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'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 2016-2017 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 a decrease of approximately \$2 million (-2.63 percent) in annual revenue for this portion of the filing. This decrease is due to lower gas costs and storage capacity costs for the whole system. Currently, NW Natural's embedded WACOG is \$0.42336 per therm (\$0.30754 commodity and \$0.11582 firm demand). The proposed WACOG is \$0.39934 per therm (\$0.28095 commodity and \$0.11839 firm demand).

The following chart shows the residential customer commodity and demand charges for the gas LDC's regulated by this commission.¹

WACOG	Avista	Puget Sound Energy	NW Natural	Cascade Natural Gas
Commodity	0.23860	\$0.26528	\$0.28095	\$0.32009
Demand (firm)	0.12678	\$0.12505	\$0.11839	\$0.17560
Total	0.36538	\$0.39033	\$0.39934	\$0.49569

Deferred Gas Cost Amortization

The gas cost deferral 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 amortized over the upcoming year. The deferral balances cover the period from November 2015 through October 2016.

The impact of the PGA and Deferral amortizations on a residential customer with average consumption of 53 therms will be a net decrease of \$1.17 per month from \$51.91 to \$50.74.² The combined effects of the PGA and Deferral amortizations on the company's rates (\$/therm) and annual Washington revenues are as follows:

¹ Commodity and demand charges for all LDC's are *before* revenue sensitive items for comparison purposes.

² The combined effects of the four filings on a residential customer with the average consumption of 53 therms will be a net decrease of \$0.79 per month from \$51.91 to \$51.12.

	<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	(0.02513)	0.00034	(\$1,210,044)	(1.50%)
Commercial	(0.02513)	(0.00401)	353,685	(1.80%)
Industrial	(0.02513)	(0.03264)	(293,740)	(5.30%)
<u>Interruptible</u>	<u>(0.02687)</u>	<u>(0.02225)</u>	<u>(246,250)</u>	<u>(2.70%)</u>
Total			<u>(\$1,396,349)</u>	

Conclusion

Staff reviewed the company's prospective gas cost and deferral amortizations filings and recommends the commission take no action, thereby allowing the tariff sheets filed in Dockets UG-161059, UG-161061, UG-161063 and UG-161064 to become effective November 1, 2016, by operation of law.