

September 29, 2022

NWN WUTC Advice No. 22-08

VIA ELECTRONIC FILING

Amanda Maxwell, Executive Director & Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Request for Inclusion of Temporary Bill Credits Associated with Residential Rate Mitigation for the 2022/2023 Winter Heating Season

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), files herewith the following revisions to its Tariff WN U-6, stated to become effective with service on and after November 1, 2022.

Original Sheet 212.1	Schedule 212	Adjustment to Rates – Residential Rate Mitigation
----------------------	--------------	---

Purpose

The purpose of this filing is to embed a temporary bill credit in residential customer rates from November 1, 2022 through March 31, 2023 to mitigate the combined bill impact from the upcoming rate changes associated with the purchased gas adjustment (PGA) and NW Natural's implementation of its base rate increase in the second year of its two-year rate plan (UG-200994), which will be effective on November 1, 2022. Concurrently with this filing, NW Natural will also be filing a Petition for Deferred Accounting to defer the uncollected revenues that would otherwise be collected during this period but for the temporary bill credits.

Background

Throughout 2022, the global natural gas commodity market has experienced significant volatility, which has resulted in higher natural gas costs in NW Natural's 2022-23 PGA. The approximate bill impact of the higher commodity cost during this period is a 17.3 percent increase to bills for the upcoming winter heating season. NW Natural's base rates will also be increasing, due to the implementation of its two-year rate plan. The combined impact of these two rate changes could potentially result in an approximate 20.3 percent increase to residential customers' bills.

In an effort to find innovative solutions to mitigate the upcoming rate changes for residential customers during the heating season, NW Natural has developed a proposal that seeks to establish a temporary bill credit representing approximately 5.3 percent of the expected bills from November 1, 2022 through March 31, 2023. During this period, NW Natural will defer the uncollected revenues caused by the temporary bill credits. The deferred revenues will then be collected (amortized) from customers from April 1, 2023 through October 31, 2023, which are typically lower consumption months for residential customers. Both the deferral and the amortization accounts will accrue interest at NW Natural's actual short-term borrowing rate in each month.

State Of WASH.
UTIL. AND TRANSP.
COMMISSION

09/29/22 16:14

Received
Records Management

In developing this proposal, NW Natural considered several factors to best ensure that this proposal would result in fair and reasonable rates for customers. First, the mitigation over the winter months is designed to provide meaningful relief to customers in months when residential usage is highest and to protect customers from extreme cold weather events that are most likely to occur from November through March. These events lead to higher natural gas consumption, which ultimately cause higher bills.

Second, by amortizing the deferral over the April through October period, NW Natural will collect the deferred revenues during periods of typically lower usage for residential customers. Importantly, by including the months of April and October in the amortization period, a significant portion of the deferral will be recovered in these “shoulder” months when space-heating is being used, but not at the same level of usage as winter months. This approach attempts to minimize any potential intra-class subsidy that could occur if high-consuming space-heating residential customers did not also have water heating or other gas appliances that are typically used in non-heating months. Additionally, this approach allows the Company to recover these costs from customers in the same PGA year (November 1 through October 31) as they are incurred, which adheres to cost-causation principles and avoids amortizing the deferral balance in future years with uncertain natural gas prices.

Third, NW Natural is accruing interest at its actual short-term borrowing rate during the deferral and amortization periods to reflect the short-term nature of the mitigation plan and because the amounts deferred on November 1, 2022, will have already been through a prudence review. The Company is not proposing to accrue interest at the monthly FERC rate because the Company’s short-term borrowing rates having been rising and the market has been more volatile in 2022 – a trend could continue into 2023. By using the Company’s actual short-term borrowing rate each month, the Company will only recover its actual financing costs during this period, which produces a fair result for the Company and its customers. NW Natural supports this approach given the novel nature of the rate mitigation proposal, but it is not intended to be a precedent setting action.

NW Natural provided a presentation of the proposed rate mitigation plan to the Company’s Gas Residential Assistance Tariff (GREAT) Advisory Group on September 27, 2022. The GREAT Advisory Group includes representatives from Commission Staff, Public Counsel, The Energy Project, Washington Department of Commerce, and the community action agencies administering NW Natural’s low-income programs. GREAT Advisory Group members were generally supportive of the rate mitigation, subject to review of this filing.

Cost Recovery

The Company proposes to generate a regulatory asset with the corresponding credit included in rates effective November 1, 2022 through March 31, 2023. The Company plans to file an advice filing for amortization of this deferral effective April 1, 2023 through October 31, 2023. As a result, the Company will help reduce winter bills for residential customers, spreading the recovery for this savings over the Spring, Summer and Fall months. Interest will accrue in the deferral and amortization accounts at the Company’s actual cost of short-term debt.

Proposed Changes

The effect of this new tariff adjustment schedule is to decrease the Company’s annual revenues by \$3,789,178, or about 4.55 percent.

The monthly bill of the average residential customers served under Rate Schedule 2 using 57 therms will see a decrease of \$3.64.

As noted above, NW Natural plans to amortize the deferral created by this decrease from April 1, 2023 through October 31, 2023. All else being equal, the decrease in this filing and the amortization in 2023 would result in a net zero change in overall revenues and average monthly bills, but for the interest component discussed above.

Conclusion

In support of this filing, the Company includes supporting materials as part of this filing and will separately submit work papers in electronic format, all of which are incorporated herein by reference.

This rate change affects all of NW Natural's Washington residential rate schedule 2 sales customers. NW Natural currently serves approximately 86,555 Schedule 2 residential customers in the Company's Washington service territory.

As required by WAC 480-80-103(4)(a), I certify that I have authority to issue tariff revisions on behalf of NW Natural.

Copies of this letter and the attached filing are available in the Company's main office in Portland, Oregon, and on its website at www.nwnatural.com.

Please address correspondence on this matter Lora Bourdo at lora.bourdo@nwnatural.com with copies to the following:

eFiling
Rates & Regulatory Affairs
NW Natural
250 SW Taylor Street
Portland, Oregon 97204
Telephone: (503) 610-7330
Fax: (503) 220-2579
eFiling@nwnatural.com

Sincerely,

NW NATURAL
/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Manager
NW Natural
250 SW Taylor Street
Portland, Oregon 97204
Telephone: (503) 610-7051
kyle.walker@nwnatural.com

Attachments:

NEW-NWN-WUTC-Advice-22-08-Rate-Mitigation-Trf-Sheet-212-1-09-29-2022
NEW-NWN-WUTC-Advice-22-08-Rate-Mitigation-Exh-A-09-29-2022
NEW-NWN-WUTC-Advice-22-08-Rate-Mitigation-Exh-A-xlsx-09-29-2022