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Portland, OR 97204

503-226-4211
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September 15, 2022

NWN OPUC Advice No. 22-17

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street SE, Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

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 revisions and additions to its Tariff, P.U.C. Or. 25,¹ stated to become effective with service on and after November 1, 2022, as follows:

Original Sheet 166-1	Schedule 166	Residential Rate Mitigation
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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 potential base rate increase in NW Natural’s pending rate case (UG 435), which will be effective on November 1, 2022. Concurrently with this filing, NW Natural will also be filing an Application 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 upcoming PGA. The approximate bill impact of the higher commodity cost during this period is a 15 percent increase to bills for the upcoming winter heating season. NW Natural’s base rates will also likely be increasing, pending a final order in the Company’s rate case. The combined impact of these two rate changes could potentially result in an approximate 25 percent increase to 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 worked closely with the Oregon Citizen’s Utility Board (“CUB”). Together, NW Natural and CUB have developed a proposal that seeks to establish a temporary bill credit representing approximately 10 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

¹ Tariff P.U.C. Or. 25 originated November 1, 2012 with docket UG 221; Order No. 12-408 as supplemented by Order No. 12-437, and was filed in accordance with ORS 767.205 and OAR 860-022-0005.

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. Additionally, to help minimize the deferral balance, NW Natural will apply the Schedule 185/186 February bill credits as an offset to the deferral, as described more fully below.

In developing this proposal, NW Natural and CUB 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, while NW Natural will be implementing its Residential Bill Discount Program (Schedule 330) as early as October 1, 2022 (but no later than November 1, 2022) with an estimated 14,100 customers auto-enrolled into the program, it may take several months for additional program participation to develop, which will occur during the winter heating season. If income-qualified residential customers not previously auto-enrolled do not immediately sign up for the program, this mitigation plan will provide relief during the winter months.

Fourth, 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 modified blended treasury (MBT) rate because the Company's short-term borrowing rates having been rising and the market has been more volatile in 2022 and this 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. Given the novel nature of this proposal, NW Natural and CUB are supportive, but it is not intended to be a precedent setting action.

Finally, NW Natural plans to apply the residential allocation of the Schedule 185/186 February credits as an offset against the deferral prior to amortization on April 1, 2023. As such, residential customers would not receive a Schedule 185/186 lump-sum February credit on their bills but will experience the benefit of the credit as a reduction to the deferral that will be amortized from April through October 2023. NW Natural views this as a reasonable approach because the mitigation plan will already be providing relief during February, when the Schedule 185/186 credit would otherwise be applied to customers' bills. Additionally, this would not be the first time that the Company has worked with stakeholders to apply the Schedule 185/186 February credit in an

alternative manner. In 2022, the Company spread an unusually large credit over three winter months rather than one month to provide sustained relief through the winter. Importantly, the Company's Schedules 185 and 186 will not need to be modified because each schedule includes Special Condition 2, which allows the Company to deviate from the one-time February credit "for reasons and on terms as the Commission may approve."

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 \$47,684,768, or about 6.74%.

The monthly bill of the average residential customers served under Rate Schedule 2 using 54 therms will see a decrease of \$6.31.

In compliance with OAR 860-022-0025 the Company states that the number of customers affected by the proposed change in this filing is 631,884 residential customers.

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.

In accordance with ORS 757.205, copies of this letter and the filing made herewith are available in the Company's main office in Oregon and on its website at www.nwnatural.com.

Please address correspondence on this matter to 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
Fax: (503) 220-2579
Telephone: (503) 610-7330
eFiling@nwnatural.com

Sincerely,

NW NATURAL

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Manager

Attachment: Exhibit A – Supporting Materials

**SCHEDULE 166
RESIDENTIAL RATE MITIGATION**

(N)

PURPOSE:

To temporarily mitigate residential customer rates due to high natural gas prices and the Company's pending general rate case, UG 435.

APPLICABLE:

To the following Rate Schedules of this Tariff:

Residential:
Rate Schedule 2

ADJUSTMENT TO RATE SCHEDULES:

Effective: November 1, 2022

The Temporary Adjustments for Residential Customers taking service on the above-listed Rate Schedules includes the following adjustment:

(\$0.11688)

GENERAL TERMS:

Service under this Rate Schedule is governed by the terms of this Rate Schedule, the General Rules and Regulations contained in this Tariff, any other schedules that by their terms or by the terms of the Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

(N)

Issued September 15, 2022
NWN OPUC Advice No. 22-17

Effective with service on
and after November 1, 2022

EXHIBIT A

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

NW NATURAL SUPPORTING MATERIALS

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

NWN OPUC Advice No. 22-17

September 15, 2022

NW NATURAL

EXHIBIT A

Supporting Materials

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

NWN OPUC ADVICE NO. 22-17

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Effects on Average Bill by Rate Schedule	2
Basis for Revenue Related Costs	3
PGA Effects on Revenue	4

NW Natural
 Rates & Regulatory Affairs
 2022-23 PGA - Oregon: September Filing
 Effects on Average Bill by Rate Schedule [1]
 ALL VOLUMES IN THERMS

Advice 22-17
 See note [15]

1	Oregon PGA		Normal	Minimum	11/1/2021	11/1/2021	Proposed	Proposed	Proposed		
2	Normalized		Therms				11/1/2022	11/1/2022	11/1/2022		
3	Volumes page,		Therms in	Monthly	Monthly	Billing	Current	Rate Mitigation	Rate Mitigation	Rate Mitigation	
4	Column D		Block	Average use	Charge	Rates	Average Bill	Rates	Average Bill	% Bill Change	
5	Schedule	Block	A	B	C	D	E	F=D*(C*E)	AH	AI = D*(C*AH)	AJ = (AI-F)/F
7	2R		407,980,561	N/A	54	\$8.00	\$1,04637	\$64.50	\$0.92949	\$58.19	-9.8%
8	3C Firm Sales		170,909,185	N/A	242	\$15.00	\$0.95180	\$245.34	\$0.95180	\$245.34	0.0%
9	3I Firm Sales		6,284,310	N/A	1,540	\$15.00	\$0.88434	\$1,376.88	\$0.88434	\$1,376.88	0.0%
10	27 Dry Out		810,211	N/A	43	\$8.00	\$0.87077	\$45.44	\$0.87077	\$45.44	0.0%
11	31C Firm Sales	Block 1	11,585,381	2,000	2,898	\$325.00	\$0.62830	\$2,125.37	\$0.62830	\$2,125.37	0.0%
12		Block 2	10,565,491	all additional			\$0.60555		\$0.60555		
13	31C Firm Trans	Block 1	1,215,943	2,000	3,901	\$575.00	\$0.23009	\$1,435.08	\$0.23009	\$1,435.08	0.0%
14		Block 2	1,545,847	all additional			\$0.21037		\$0.21037		
15	31I Firm Sales	Block 1	4,654,548	2,000	6,689	\$325.00	\$0.58665	\$4,156.55	\$0.58665	\$4,156.55	0.0%
16		Block 2	10,516,948	all additional			\$0.56691		\$0.56691		
17	31I Firm Trans	Block 1	158,179	2,000	6,683	\$575.00	\$0.20208	\$1,834.75	\$0.20208	\$1,834.75	0.0%
18		Block 2	403,212	all additional			\$0.18270		\$0.18270		
19	32C Firm Sales	Block 1	33,034,672	10,000	6,888	\$675.00	\$0.51525	\$4,224.02	\$0.51525	\$4,224.02	0.0%
20		Block 2	9,314,339	20,000			\$0.49513		\$0.49513		
21		Block 3	1,669,024	20,000			\$0.46168		\$0.46168		
22		Block 4	449,802	100,000			\$0.42812		\$0.42812		
23		Block 5	0	600,000			\$0.40359		\$0.40359		
24		Block 6	0	all additional			\$0.39217		\$0.39217		
25	32I Firm Sales	Block 1	7,525,179	10,000	20,842	\$675.00	\$0.50505	\$11,000.65	\$0.50505	\$11,000.65	0.0%
26		Block 2	7,019,347	20,000			\$0.48654		\$0.48654		
27		Block 3	2,009,960	20,000			\$0.45562		\$0.45562		
28		Block 4	452,461	100,000			\$0.42480		\$0.42480		
29		Block 5	0	600,000			\$0.40295		\$0.40295		
30		Block 6	0	all additional			\$0.39213		\$0.39213		
31	32C Firm Trans	Block 1	2,620,992	10,000	19,592	\$925.00	\$0.12085	\$3,118.76	\$0.12085	\$3,118.76	0.0%
32		Block 2	2,162,687	20,000			\$0.10271		\$0.10271		
33		Block 3	750,954	20,000			\$0.07256		\$0.07256		
34		Block 4	1,043,887	100,000			\$0.04238		\$0.04238		
35		Block 5	4,474	600,000			\$0.02424		\$0.02424		
36		Block 6	0	all additional			\$0.01211		\$0.01211		
37	32I Firm Trans	Block 1	11,249,133	10,000	71,288	\$925.00	\$0.11947	\$6,482.07	\$0.11947	\$6,482.07	0.0%
38		Block 2	16,747,498	20,000			\$0.10158		\$0.10158		
39		Block 3	10,738,714	20,000			\$0.07180		\$0.07180		
40		Block 4	21,608,366	100,000			\$0.04203		\$0.04203		
41		Block 5	21,402,253	600,000			\$0.02413		\$0.02413		
42		Block 6	6,366,501	all additional			\$0.01227		\$0.01227		
43	32C Interr Sales	Block 1	5,250,637	10,000	46,322	\$675.00	\$0.49959	\$22,652.82	\$0.49959	\$22,652.82	0.0%
44		Block 2	7,774,070	20,000			\$0.48127		\$0.48127		
45		Block 3	4,548,015	20,000			\$0.45072		\$0.45072		
46		Block 4	6,629,796	100,000			\$0.42017		\$0.42017		
47		Block 5	3,590,613	600,000			\$0.40182		\$0.40182		
48		Block 6	0	all additional			\$0.38818		\$0.38818		
49	32I Interr Sales	Block 1	6,405,854	10,000	51,935	\$675.00	\$0.49934	\$25,117.21	\$0.49934	\$25,117.21	0.0%
50		Block 2	8,286,879	20,000			\$0.48110		\$0.48110		
51		Block 3	4,925,421	20,000			\$0.45068		\$0.45068		
52		Block 4	12,504,521	100,000			\$0.42027		\$0.42027		
53		Block 5	5,270,851	600,000			\$0.40201		\$0.40201		
54		Block 6	0	all additional			\$0.38839		\$0.38839		
55	32C Interr Trans	Block 1	829,989	10,000	53,220	\$925.00	\$0.11540	\$5,556.74	\$0.11540	\$5,556.74	0.0%
56		Block 2	1,633,924	20,000			\$0.09810		\$0.09810		
57		Block 3	962,812	20,000			\$0.06928		\$0.06928		
58		Block 4	3,077,817	100,000			\$0.04044		\$0.04044		
59		Block 5	520,526	600,000			\$0.02315		\$0.02315		
60		Block 6	0	all additional			\$0.01157		\$0.01157		
61	32I Interr Trans	Block 1	6,950,973	10,000	226,204	\$925.00	\$0.11561	\$11,281.52	\$0.11561	\$11,281.52	0.0%
62		Block 2	12,319,513	20,000			\$0.09831		\$0.09831		
63		Block 3	8,609,147	20,000			\$0.06948		\$0.06948		
64		Block 4	19,262,609	100,000			\$0.04065		\$0.04065		
65		Block 5	37,658,652	600,000			\$0.02335		\$0.02335		
66		Block 6	97,066,948	all additional			\$0.01184		\$0.01184		
67	33		0	N/A	0	\$38,000	\$0.00585	\$38,000.00	\$0.00585	\$38,000.00	0.0%
68											
69	Totals		1,036,879,625								

71 [1] For convenience of presentation, demand charges for Rate Schedules 31 and 32 have been removed.
 72 [2] Tariff Advice Notice 22-04A: Non-Gas Cost Deferral Amortizations - Intervenor Funding
 73 [3] Tariff Advice Notice 22-05A: Non-Gas Cost Deferral Amortizations - Oregon PUC Fee
 74 [4] Tariff Advice Notice 22-06A: Non-Gas Cost Deferral Amortizations - SRM
 75 [5] Tariff Advice Notice 22-07A: Non-Gas Cost Deferral Amortizations - Industrial DSM
 76 [6] Tariff Advice Notice 22-08A: Non-Gas Cost Deferral Amortizations - Decoupling
 77 [7] Tariff Advice Notice 22-09A: Non-Gas Cost Deferral Amortizations - WARM
 78 [8] Tariff Advice Notice 22-10A: Non-Gas Cost Deferral Amortization - Corporate Activity Tax (CAT) Amortization
 79 [9] Tariff Advice Notice 22-11A: Non-Gas Cost Amortization - Net Curtailment and Entitlement Revenues
 80 [10] Tariff Advice Notice 22-12A: Non-Gas Cost Amortization - Gas Reserves EDIT Amortization Credit
 81 [11] Tariff Advice Notice 22-13A: Non-Gas Cost Amortization - Residual Balance, GeoTEE, and Astoria Sale
 82 [12] Tariff Advice Notice 22-14A: Non-Gas Cost Amortization - Climate Protection Program (CPP)
 83 [13] Tariff Advice Notice 21-15A: PGA
 84 [14] Tariff Advice Notice 22-16A: Non-Gas Cost Amortization - TSA
 85 [15] Tariff Advice Notice 22-17: Residential Rate Mitigation

NW Natural
Rates and Regulatory Affairs
2022-2023 PGA Filing - OREGON
Basis for Revenue Related Costs

	Twelve Months <u>Ended 06/30/22</u>		
1			
2			
3	Total Billed Gas Sales Revenues	\$ 760,119,061	
4	Total Oregon Revenues	\$ 767,240,632	
5			
6	Regulatory Commission Fees [1]	n/a	0.430% Statutory rate
7	City License and Franchise Fees	\$ 17,575,166	2.291% Line 7 ÷ Line 4
8	Net Uncollectible Expense [2]	<u>\$ 744,324</u>	<u>0.097%</u> Line 8 ÷ Line 4
9			
10	Total		<u><u>2.818%</u></u> Sum lines 8-9
11			
12			

13 **Note:**

- 14 [1] Dollar figure is set at statutory level of 0.275% times Total Oregon Revenues (line 4).
 15 Because the fee changed since our last general rate case, the difference between the previous fee of 0.375%
 16 and the new fee of 0.430%, as it affects our base rates, is being captured as a temporary deferral.
 17 [2] Represents the normalized net write-offs based on a three-year average.

NW Natural
Rates & Regulatory Affairs
2022-2023 PGA Filing - Oregon: September Filing
PGA Effects on Revenue
Advice 22-17: Residential Rate Mitigation

	Including Revenue Sensitive Amount
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Temporary Increments

Removal of Current Temporary Increments
 Amortization of Residential Rate Mitigation

0

Addition of Proposed Temporary Increments
 Amortization of Residential Rate Mitigation

(47,684,768)

TOTAL OF ALL COMPONENTS OF RATE CHANGES

(\$47,684,768)

2021 Oregon Earnings Test Normalized Total Revenues

\$707,222,790

Effect of this filing, as a percentage change (line 12 ÷ line 16)

-6.74%