

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 23, 2002**

REGULAR _____ CONSENT X EFFECTIVE DATE May 1, 2002

DATE: April 11, 2002

TO: John Savage through Lee Sparling and Bonnie Tatom

FROM: Reed Harris

SUBJECT: NORTHWEST NATURAL: (Advice No. 02-4) Revises Rate Schedules 1, 2, 3, and 4 to reflect a one-time bill credit for customers' share of revenues received by NW Natural for interstate storage and related transportation services.

STAFF RECOMMENDATION:

I recommend the Commission approve NW Natural's application to Waive Statutory Notice and allow Substitute First Revision of Sheet 185-1 and Second Revision of Sheet 1D-1 to become effective with service on and after May 1, 2002.

DISCUSSION:

On March 29, 2002, NW Natural filed Advice No. OPUC 02-4. Subsequently, on April 10, 2002, NW Natural filed Advice No. OPUC 02-4A, together with an application to Waive Statutory Notice, to correct a typographical error in the original filing.

The purpose of this filing is to credit customers of Northwest Natural Gas Company (NW Natural or company) for the Oregon share of revenues received by NW Natural for interstate storage and related transportation service provided under a Limited-Jurisdiction Blanket Certificate from the Federal Energy Regulatory Commission (FERC). The FERC certificate was granted under FERC Regulations 18 C.F.R. § 284.224. For purposes of this memo the storage and transportation service will collectively be referred to as "§284.224 service."

Schedule 185 provides that the company will share the net margin received from § 284.224 service with customers on an 80/20 basis, with 80 percent retained by the company and 20 percent shared with customers as outlined in Schedule 185. For purposes of determining this credit, the net margin is defined as the revenues from the interstate storage and transportation services activities, less incremental operating and

maintenance expense, less incremental capital related costs, on a before income tax basis.

I have reviewed the company's confidential work papers and find that the identified balance for refund to Oregon customers of \$1,246,067 is accurate. When adjusted to compensate for revenue sensitive charges the amount to be credited to customers becomes \$1,284,989.

The \$1,284,989 customer credit amount is then apportioned across schedules 1, 2, 3 and 4, consistent with the cost allocations for Mist III expenses approved by the Commission on November 30, 1999 in NW Natural's Advice No. OPUC 99-10A. This allocation of expenses was continued on November 21, 2000 with NW Natural's Advice No. OPUC 00-18 for Mist IIIb, and on November 20, 2001 in NW Natural's Advice No. 01-24. Because the increased gas delivery capacity provided by the Mist III expansion project was determined to improve the service quality to the company's firm service low load factor customers only, the rate increases to cover the cost of service for Mist III applied only to Schedules 1, 2, 3, 4 and 54.

By allocating this credit back to these same rate schedules that were charged in the original cost allocations, the customer classes that benefit from the storage facility improvements, (and also funded those improvements), will be receiving the benefits of the storage and transportation service activities made possible by the improvements.

The actual credit amount per therm for each rate schedule is the result of dividing that respective rate schedule's portion of the total credit (as determined by the Mist III allocations) by the actual billed consumption within each rate schedule during the March 1, 2001 to February 28, 2002 period. That amount per therm will then be applied to each respective customer's actual billed use during the March 1, 2001 to February 28, 2002 period. (There were no sales or consumption under Schedule 54, Emergency Sales Service during the March 1, 2001 to February 28, 2002 time frame, so there are no sales volumes on which to base a credit. Therefore there is no credit to Schedule 54 in this filing.)

The company's new CIS system allows each individual customer's actual billed consumption during the subject period to be identified. That customer's specific billed consumption is then used to calculate a customer-specific credit based on that respective customer's actual gas usage during the period.

For example, the residential service (Schedule 2) portion of the \$1,284,989 refund amount, based upon 317,438,872 therm sales, is \$0.00248/therm. If an individual

customer was billed for 600 therms during the March 1, 2001 to February 28, 2002 period, that customer's refund would be \$1.49. (600 X \$0.00248 = \$1.488).

This is a one-time adjustment to the May, 2002 utility bills of NWN Schedules 1, 2, 3 and 4, for natural gas service as follows:

- General Sales Service (Schedule 1) customers will see a reduction of \$0.00183/therm (or approximately \$0.52 for average use) retroactively applied to their March 1, 2001 to February 28, 2002 consumption applied to the May bill.
- Residential Sales Service customers (Schedule 2) will have \$0.00248/therm from their March 1, 2001 to February 28, 2002 consumption deducted from the May bill for an average drop of \$1.78.
- Commercial, Institutional & Industrial Service (Schedule 3) will realize a reduction of \$0.00266/therm retroactively applied to their March 1, 2001 to February 28, 2002 consumption and deducted from the May bill for an average savings of \$7.56.
- Large Firm Service (Schedule 4) will receive a \$0.00109/therm credit from their March 1, 2001 to February 28, 2002 consumption to be deducted from the May bill for an average savings of \$82.60.

The one-time May adjustment to the company's schedule 1, P.U.C. OR 23, for propane service in Coos Bay/North Bend will also be for \$0.00248/therm concurrent with the natural gas Schedule 2 credit.

PROPOSED COMMISSION MOTION:

NW Natural's application to Waive Statutory Notice be approved, and Substitute First Revision of Northwest Natural Gas Company's Sheet 185-1 and Second Revision of Sheet 1D-1 be allowed into effect with service on and after May 1, 2002.