

August 1, 2024

NWN OPUC Advice No. 24-18

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Re: REQUEST FOR UPDATED AMORTIZATION RATES OF CERTAIN NON-GAS COST DEFERRED ACCOUNTS RELATING TO: Mist Recall

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), files herewith the following revisions to its Tariff P.U.C. Or. 25, stated to become effective on November 1, 2024.

Third Revision of Sheet 187-1	Schedule 187	Special Rate Adjustment for Mist Capacity Recall
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Purpose

The purpose of this filing is to include the cost to recall 20,000 dekatherms per day (Dth/day) of the Company's Mist storage capacity that was recalled away from interstate/intrastate storage customers to core utility customers. The Company revises rates for this purpose periodically; the last adjustments under Schedule 187 went into effect November 1, 2015, which were later reflected in base rates with the conclusion of the UG 344 rate case proceeding at which time the Schedule 187 rates were set to zero.

Background

This Mist capacity recall is based on core customer supply needs as identified in the 2022 Integrated Resource Plan (IRP), in conjunction with our current gas supply portfolio. The Mist storage requirement for the 2024-25 heating season is 325,000 Dth/day. This is an incremental core customer need of 20,000 Dth/day. The portions of assets being recalled include reservoir capacity, compression, Miller Station, and other assets as described in Exhibit B.

Proposed Changes

The effect of adding the permanent adjustment to rates effective November 1, 2024, is an increase to the Company's annual revenues by \$432,487, or 0.04%.

The monthly bill of the average residential customer served under Rate Schedule 2 using 55 therms per month will increase by \$0.04, or 0.1%. The monthly increase for the average Rate Schedule 3 commercial customer using 251 therms is \$0.14, or 0.00%, the monthly increase for the average Rate Schedule 27 customer using 37 therms is \$0.03, or 0.1% and the monthly increase for the average commercial Rate Schedule 31 firm sales customer using 2,827 therms is about \$1.02, or 0.0%. The average industrial Rate Schedule 32 firm sales customer using 20,942 therms will see a monthly increase of about \$2.92, or 0.0%. Work papers supporting the rate and bill impact calculations will be separately submitted in electronic format.

The number of customers affected by the proposed change is 640,507 residential customers, and 62,770 commercial and industrial customers.

Conclusion

NW Natural respectfully request the Commission approve this tariff change to become effective November 1, 2024.

In accordance with ORS 757.205, copies of this letter and the filing made herewith 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 to Lora Bourdo at lora.bourdo@nwnatural.com with copies to the following:

eFiling
NW Natural Rates & Regulatory Affairs
250 SW Taylor Street
Portland, OR 97204
Phone: (503) 610-7330
eFiling@nwnatural.com

Respectfully submitted,

/s/ Kyle Walker, CPA

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

Attachment: Exhibit A – Supporting Materials

EXHIBIT A

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

NW NATURAL SUPPORTING MATERIALS

Non-Gas Cost Deferral Amortizations Relating to:

Mist Recall

NWN OPUC Advice No. 24-18

August 1, 2024

NW NATURAL

EXHIBIT A

Supporting Materials

Non-Gas Cost Deferral Amortizations Relating to:

Mist Recall

NWN OPUC ADVICE NO. 24-18

Description	Page
Calculation of Increments Allocated on the Equal Percentage of Margin Basis	1
Effects on Average Bill by Rate Schedule	2
Basis for Revenue Related Costs	3
PGA Effects on Revenue	4
Mist Recall Cost of Service	5

NW Natural
Rates and Regulatory Affairs
2024-2025 PGA Filing - OREGON
Basis for Revenue Related Costs

	Twelve Months <u>Ended 06/30/24</u>	
1		
2		
3	\$ 920,096,835	
4	\$ 925,565,009	
5		
6	n/a	0.450% Statutory rate
7	\$ 21,672,271	2.342% Line 7 ÷ Line 4
8	<u>\$ 845,048</u>	<u>0.091% Line 8 ÷ Line 4</u>
9		
10		<u>2.883%</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 0.450%, 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
2024-2025 PGA Filing - Oregon: August Filing
PGA Effects on Revenue
Schedule 187: Mist Recall

	Including Revenue Sensitive Amount
1	
2 <u>Temporary Increments</u>	
3	
4 <u>Removal of Current Temporary Increments</u>	
5 Amortization of Mist Recall	0
6	0
7 <u>Addition of Proposed Temporary Increments</u>	
8 Amortization of of Mist Recall	432,487
9	<u>432,487</u>
10	
11 TOTAL OF ALL COMPONENTS OF RATE CHANGES	<u><u>\$432,487</u></u>
12	
13	
14	
15 2023 Oregon Earnings Test Normalized Total Revenues	\$975,829,919
16	
17 Effect of this filing, as a percentage change (line 11 ÷ line 15)	0.04%

NW Natural
Mist Recall to Core from Interstate - June 2024
Determination of Cost of Service (\$000)

1	Input Capital Costs and Rates		
2			
3	Cost of Capital		Weighted
4		% of Capital	Cost
5			Cost
6	Debt	50.00%	4.271%
7	Preferred Equity	0.00%	0.000%
8	Common Equity	50.00%	9.400%
9		<u>100.00%</u>	<u>4.700%</u>
10			<u>6.836%</u>
11	State Tax Rate		7.60%
12	Federal Tax Rate		21.00%
13	Revenue Sensitive Rate		2.88%
14	Depreciation Rate		1.50%
15	Property Tax Rate		1.38%
16			
17	Investment		\$3,691,590
18			
19			<u>OR share</u>
20	1 Depreciation		55,384
21	2 Property Taxes		50,832
22			
23	Taxes on Equity Return		
24	3 State		17,929
25	4 Federal		45,776
26	5 Total Taxes		<u>63,705</u>
27			
28	Return on Rate Base		
29	6 Debt		78,243
30	7 Preferred Equity		0
31	8 Common Equity		172,203
32	9 Total Return		<u>250,446</u>
33			
34	10 Subtotal Cost of Service		420,366
35	11 Revenue Sensitive Items		<u>12,120</u>
36			
37	12 Total Cost of Service		<u>\$432,487</u>
38			
39			
40	Rate Base - (Plant less Depreciation & Deferred Taxes)		\$3,663,898
41			
42	Income Taxes		
43	Gross up of Equity Return		235,908
44	Less: State tax		<u>17,929</u>
45	Federal Taxable Income		217,979
46	Less: Federal Tax		<u>45,776</u>
47	Return		172,203

EXHIBIT B

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

NW NATURAL SUPPORTING MATERIAL

Non-Gas Cost Deferral Amortizations Relating to:

Mist Recall

NWN OPUC Advice No. 24-18

August 11, 2024

NW NATURAL

EXHIBIT B

Supporting Material

Non-Gas Cost Deferral Amortizations Relating to:

Mist Recall

NWN OPUC ADVICE NO. 24-18

	Description	Page
	Mist Recall Memorandum	1



250 SW Taylor Street
Portland, OR 97204

503-226-4211
nwnatural.com

Date: May 1, 2024
To: File; Distribution list
From: Dave Weber and Brody Wilson
Subject: Recall and Transfer of Storage Assets from Interstate to Core Service

Summary

The purpose of this memo is to document the recall of Mist storage assets from Interstate Storage to Core customers and the associated transfer of \$4,522,147 in net utility plant from Interstate Storage to Core customers.

This recall is based on core customer supply needs as identified in the 2022 Integrated Resource Plan (IRP), in conjunction with our current gas supply portfolio. The Mist storage requirement for the 2024-25 heating season is 325,000 Dth/day as shown in Attachment A. This is an incremental Core customer need of 20,000 Dth/day. The assets being recalled include reservoir capacity, of which 15,000 Dth/day is the remaining Reichhold reservoir capacity available to be recalled by Core and 5,000 Dth/day of Sapphire project reservoir capacity (~7% of this project) which includes the Busch, Schlicker and Als reservoirs. Miller Station and other assets are also being transferred as discussed below.

The transfer of Mist deliverability and capacity from Interstate Storage to Core customers is effective as of May 1, 2024. Customer impacts of this recall will begin on November 1, 2024, when the next PGA is implemented.

Reservoirs

Mist reservoirs are to be recalled starting with the oldest, most depreciated projects and then moving to the next oldest through time. The Reichhold reservoir is the oldest reservoir project that was constructed by Interstate Storage. Reichhold's total capacity is 110,000 Dth/day and 95,000 Dth/day has already been recalled to Core customers. This recall includes the remaining 15,000/110,000 of Reichhold's outstanding investment, and after recall Reichhold is entirely a Core customer asset. The 2024 recall of Reichhold deliverability includes \$4,165,941 in net utility plant with \$278,300 of associated deferred taxes for a net rate base impact of \$3,887,641 as shown in Attachment B.

The next oldest reservoir project on the Interstate Storage books is the Sapphire project which includes the Busch, Schlicker and Als reservoirs. This project includes total reservoir deliverability of 70,000 Dth/day of which 5,000 Dth/day is being recalled in this 2024 recall. This recall of Sapphire project deliverability equals \$352,304 in net utility plant with \$93,268 of associated deferred taxes for a net rate base impact of \$259,036 as shown in Attachment B.



250 SW Taylor Street
 Portland, OR 97204

503-226-4211
 nwnatural.com

The combined total transfer of recalled Mist assets related to reservoirs is \$4,518,245 in net utility plant with \$371,568 of associated deferred taxes for a net rate base impact of \$4,146,677 as shown in Attachment B.

Subsequent reservoir projects on the Interstate books include Pearl 1 (Als and Bruer Reservoirs) with 50,000 Dth/day of reservoir deliverability and Pearl 2 (Flora and Meyer Reservoirs) with 70,000 Dth/day of reservoir deliverability.

Compression

We note that as of this recall date, compression is sufficiently allocated to Core customers as follows: The GC300, GC400 and GC500 compressors were original to the Miller Station facility prior to any Interstate expansion. The GC600 was added later and is subject to recall. The GC600 has a maximum compressed flow rate of 255 MMscfd which is to be recalled consistent with Core and Interstate needs through to the end of the Mist Recall process.

There have been several modeling improvements to our Mist Storage deliverability modeling since the last recall took place in 2015. First, the heat content of the gas stored at Mist has increased and stabilized between 1060 btu/cf and 1065 btu/cf, which increases the total energy deliverability and storage capacity at Mist. Second, an analysis of peak day Mist deliverability has revealed that while we expect to withdrawal the 515 MMscfd maximum facility deliverability for several hours on a peak day, this would not be sustained for the full 24-hour period. This modeling indicates that we should expect 480 MMscfd over the full 24-hour period. As such, we are reallocating the Mist compression assets over this updated denominator, which at a 1062.5 btu/cf heat content (mid-point of recently observed range) would be 510,000 Dth/day of deliverability. The following table allocates the existing compression to this 510,000 Dth/day of deliverability and we note that 28% of the GC600 would be allocated to Core after this recall and the current accounting records will approximate this allocation.

	MMSCFD	Allocation	Dth @ 1062.5	Core	ISS
GC300	55	51	54,466	54,466	-
GC400	55	51	54,466	54,466	-
GC500	150	140	148,544	148,544	-
GC600	255	238	252,524	65,524	185,000
Total	515	480	510,000	325,000	185,000

Miller Station and other assets

A portion of Miller Station and other asset costs currently in Interstate Storage should be allocated to Core and are included in the amounts being recalled. These assets will serve utility customers and are being allocated using the remaining deliverability to be recalled. The current recall includes 20,000/205,000 of these assets, leaving 185,000 Dth for future recall. The total 2024 recall of Miller Station and other assets equals \$3,902 in net utility plant with \$860 of associated deferred taxes for a net rate base impact of \$3,042, as shown in Attachment C.



250 SW Taylor Street
Portland, OR 97204

503-226-4211
nwnatural.com

Dehydration

There are two dehydration units at Mist. The large dehydration unit, which was in-service prior to the startup of Interstate Storage, has a capacity of 350 MMscfd. The small dehydration unit, which was constructed to allow for Interstate Storage service, has a capacity of 165 MMscfd. Accordingly, this recall does not impact the small dehydration unit's allocation to Interstate Storage. This unit will be subject to recall in the future.

System Compression

There are two system compressor sites in addition to the compression at Miller Station. These compressor sites, Molalla and Deer Island, were constructed for Interstate Storage and enable the full deliverability of Mist Storage by moving Mist supplies onto NW Pipeline for re-delivery to other citygates. Molalla compression is rated at 80 MMscfd and Deer Island is rated at 50 MMscfd. This cumulative 130 MMscfd of system compression is still used to meet Interstate customer deliverability requirements and no recall of these assets is required at this time.

Storage Capacity

Associated with the increased 325,000 Dth/day of Core customer deliverability is 12.799 Bcf of storage capacity which includes the remaining 15,000/110,000 for Reichhold reservoir and 5,000/70,000 for the Sapphire project including the Busch, Schlicker and Als reservoirs. This recall increases Core storage capacity by a total of 1.149 Bcf. The allocation of working gas between Core and Interstate is shown in Attachment D.

A handwritten signature in blue ink, appearing to read 'Dave Weber'.

Dave Weber, Vice President Gas Supply & Utility Support Services

A handwritten signature in blue ink, appearing to read 'Brody Wilson'.

Brody Wilson, Interim CFO, VP, Treasurer & Chief Accounting Officer

Attachments:

Attachment A: Key Resource Decisions – Mist Recall

Attachment B: Reichhold and Sapphire Rate Base Recall Calculations

Attachment C: Miller Station and Other Assets Rate Base Recall Calculation

Attachment D: Mist Storage Working Gas Volume

Attachment A: Key Resource Decisions – Mist Recall

NW Natural
 Peak Day Resource Summary

Resource Type	Max. Daily Rate (Dth/day)
Net Deliverability over Upstream Pipeline Capacity	343,237
Off-System Storage (Jackson Prairie only)	46,030
On-System Storage - Mist	305,000
On-System Storage - Portland LNG	78,000
On-System Storage - Newport LNG	132,840
Recallable Capacity and Supply Agreements	31,000
Citygate Deliveries	-
On-System Supplies	1,200
Segmented Capacity (not primary firm)	60,700
Total Peak Day Resources	998,007

	(Dth/day)
2024-2025 Design Day Forecast	1,018,533

	(Dth/day)
Incremental Resource Need for 2024-2025 Winter	20,526
Mist Recall Rounded to the Nearest 5,000	20,000
Total Mist Deliverability Requirement for the Core Utility	325,000

ATTACHMENT B
2024 Interstate Storage Recall of Reichhold and Sapphire Projects Into Core
 Effective May 1, 2024

	Total Assets Reichhold	Recall of Reichhold Assets Into Core	Total Assets Sapphire	Recall of Sapphire Assets Into Core	Total Recall of Reichhold & Sapphire Assets Into Core
Gross Plant:					
Offsite/Gathering/Meters/Regs	\$ 2,264,160	\$ 814,119	\$ 618,831	\$ 53,163	\$ 867,282
Cushion Gas	\$ 704,273	\$ 96,037	\$ -	\$ -	\$ 96,037
Reservoir	\$ 6,019,613	\$ 1,098,984	\$ -	\$ -	\$ 1,098,984
Wells	\$ 2,749,070	\$ 2,749,070	\$ 4,907,432	\$ 341,453	\$ 3,090,523
Lines	\$ 53,802	\$ 53,802	\$ 1,457,528	\$ 102,275	\$ 156,078
Total Gross Plant	\$ 11,790,917	\$ 4,812,012	\$ 6,983,792	\$ 496,892	\$ 5,308,904

Accumulated Depreciation:

Offsite/Gathering/Meters/Regs	\$ (177,149)	\$ (6,802)	\$ (183,951)	\$ -	\$ (183,951)
Cushion Gas	\$ -	\$ -	\$ -	\$ -	\$ -
Reservoir	\$ (389,985)	\$ -	\$ (389,985)	\$ -	\$ (389,985)
Wells	\$ (77,685)	\$ (92,920)	\$ (170,605)	\$ (92,920)	\$ (170,605)
Lines	\$ (1,253)	\$ (44,866)	\$ (46,119)	\$ (44,866)	\$ (46,119)
Total Accumulated Depreciation	\$ (646,072)	\$ (144,588)	\$ (790,660)	\$ (144,588)	\$ (790,660)

Net Plant

	\$ 4,165,941	\$ 352,304	\$ 4,518,245
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Deferred Tax Liabilities:

Offsite/Gathering/Meters/Regs	\$ (50,730)	\$ (12,273)	\$ (63,003)
Cushion Gas	\$ -	\$ -	\$ -
Reservoir	\$ (187,699)	\$ -	\$ (187,699)
Wells	\$ (33,669)	\$ (65,796)	\$ (99,465)
Lines	\$ (6,202)	\$ (15,199)	\$ (21,401)
Total Deferred Tax Liabilities	\$ (278,300)	\$ (93,268)	\$ (371,568)

Rate Base

	\$ 3,887,641	\$ 259,036	\$ 4,146,677
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ATTACHMENT C
2024 Interstate Storage Recall of Other Assets Into Core
Effective May 1, 2024

	Total Assets Other	Recall of Other Assets Into Core
Gross Plant:		
Other (See Note 1 below)	\$ 71,665	\$ 7,000
Other Additions	\$ -	\$ -
Total Gross Plant	\$ 71,665	\$ 7,000
Accumulated Depreciation:		
Other (See Note 1 below)		\$ (3,098)
Total Accumulated Depreciation		\$ (3,098)
Net Plant		\$ 3,902
Deferred Tax Liability:		
Other (See Note 1 below)		\$ (860)
Total Deferred Tax Liability		\$ (860)
Rate Base		\$ 3,042

Note 1: This represents the cost of miscellaneous other assets that are recorded to non-utility, but do not fall into a specific project or reservoir location.

ATTACHMENT D
Mist Storage Working Gas Volume
Effective May 1, 2024

Pool	Total Physical Capacity					2024 Allocation	
	Original Pressure (Bcf)	5% Delta Pressure (Bcf)	10% Delta Pressure (Bcf)	Increased utilization (Bcf)	Total (Bcf)	Core	Interstate
Als	1.925	0.200	0.290	0.435	2.850	2.272	0.578
Bruer	3.450	0.275	0.350	0.272	4.347	3.680	0.667
Busch	-	-	0.310	0.057	0.367	-	0.367
Flora	3.070	0.255	0.250	0.356	3.931	3.376	0.555
Meyer	1.500	-	-	0.036	1.536	-	1.536
Reichhold	2.425	0.250	0.310	0.325	3.310	3.310	-
Schlicker	0.600	-	0.475	0.049	1.124	0.161	0.963
Total Bcf	12.970	0.980	1.985	1.530	17.465	12.799	4.666