

MARK R. THOMPSON
Manager, Rates & Regulatory Affairs
Tel: 503.721-2476
Fax: 503.721.2516
Email: mark.thompson@nwnatural.com



August 25, 2015

VIA ELECTRONIC FILING

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

Re: UM 1703: Request for Reauthorization to Defer Certain Expenses or Revenues

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), files herewith the above-referenced Application for Reauthorization to Defer Certain Expenses or Revenues.

Sincerely,

/s/ Mark R. Thompson

Mark R. Thompson
Manager, Rates & Regulatory Affairs

attachments

1 BEFORE THE PUBLIC UTILITY COMMISSION

2 OF

3 OREGON

4 UM 1703

5 In the Matter of the Application)
6 by NORTHWEST NATURAL GAS COMPANY,)
7 dba NW NATURAL, for Authorization)
8 to Defer Certain Expenses or Revenues)
9 Pursuant to ORS 757.259)

10 APPLICATION FOR REAUTHORIZATION
11 TO DEFER CERTAIN EXPENSES OR REVENUES

12 Northwest Natural Gas Company, dba NW Natural (NW Natural or Company),
13 hereby files with the Public Utility Commission of Oregon (Commission) this application
14 seeking reauthorization to use deferred accounting pursuant to ORS 757.210 and
15 757.259, and OAR 860-27-300, for the 12-month period beginning August 25, 2015
16 through August 24, 2016 for all net revenues and/or net costs that will be associated
17 with the Company’s activities related to the drilling of certain wells (“Post-Carry wells”) in
18 the Jonah Field, pursuant to the amended agreements that govern NW Natural’s joint
19 venture in gas reserves in the field.

20 NW Natural previously filed its initial application seeking authority to defer these
21 expenses in this docket. In Order No. 15-124, the Commission issued an order granting
22 that application. NW Natural now seeks to reauthorize the deferral of these expenses
23 through this application.

1 As stated in its initial application, NW Natural believes that the Company's annual
2 deferral for gas commodity costs, filed as part of its annual PGA, is sufficient to
3 authorize the Company to defer these revenues or expenses. (See, e.g. NW Natural's
4 reauthorization application approved by the Commission for the current gas year in
5 Order No. 14-365, authorizing the deferral of commodity gas cost variations to be
6 recovered or refunded in accordance with Schedule P or its successor).¹ However, NW
7 Natural filed its initial application for deferral, and now files this application for
8 reauthorization, because the Commission has not finally established the method
9 through which the costs of the Post-Carry wells will be recovered.

10 NW Natural filed an application seeking cost recovery through rates for the Post-
11 Carry wells in Docket No. UM 1717. Although that docket is currently open, NW Natural
12 notes that the parties have been working toward documenting a stipulation, which NW
13 Natural anticipates will be submitted to the Commission in the next few days. Upon
14 approval of that stipulation, the recovery of an appropriate amount related to Post-Carry
15 wells through the PGA would be established, and NW Natural believes that this
16 application would be found unnecessary. Accordingly, NW Natural does not oppose
17 holding this application in abeyance until the Commission has reviewed and ruled on
18 the parties' stipulation in UM 1717.

19 In support of this Application, NW Natural states:

20 **///**

¹ Schedule P provides for the inclusion of "Gas Reserves" in purchased gas costs, to the extent that those costs result from agreements authorized by the Commission.

1 **A. NW Natural**

2 NW Natural is a public utility in the state of Oregon and is subject to the
3 jurisdiction of the Commission regarding rates, service and accounting practices. NW
4 Natural also provides retail natural gas service in the states of Oregon and Washington.

5 **B. Statutory Authority**

6 This application is filed pursuant to ORS 757.259, which empowers the
7 Commission to authorize the deferral of expenses or revenues of a public utility for later
8 inclusion in rates.

9 **C. Communications**

10 Communications regarding this Application should be addressed to:

11 NW Natural
12 e-filing for Regulatory Affairs
13 220 NW Second Avenue
14 Portland, Oregon 97209-3991
15 Telephone: (503) 226-4211, ext. 3589
16 Facsimile: (503) 721-2516
17 E-mail: eFiling@nwnatural.com

18 and

19
20
21 Mark Thompson
22 Manager, Rates and Regulatory Affairs
23 NW Natural
24 220 NW Second Avenue
25 Portland, Oregon 97209-3991
26 Telephone: (503) 721-2476
27 E-mail: mark.thompson@nwnatural.com

1 **D. Description of Expenses or Revenues for which Deferred Accounting is**
2 **Requested - OAR 860-027-300(3)(a)**

3 NW Natural hereby requests the reauthorization to use deferred accounting for
4 all associated expenses and revenues related to gas reserves capital costs, including
5 the following:

- 6 a. Depletion, or the volumetric amortization of the gas reserves capital
7 costs
- 8 b. midstream, or gathering and processing expenses
- 9 c. severance and ad valorem taxes based on production
- 10 d. operating expenses referred to as lease operating expenses (LOE)
- 11 e. carrying costs on the capital investment

12 Please note that the items above are consistent with the elements included in the
13 calculation of the cost of gas related to NW Natural's joint venture with Encana Oil &
14 Gas (USA) Inc. ("Encana"), to develop gas reserves in the Jonah Field in Wyoming,
15 approved by the Commission in UM 1520.

16 The Company incurs these costs pursuant to its agreements with Jonah Energy,
17 and in relation to several Post-Carry wells in which NW Natural elected to participate in
18 2014. As noted above, NW Natural's actions in relation to the Post-Carry wells are
19 documented in the Company's application for a prudence review and cost recovery in
20 UM 1717.

21 **///**

1 **E. Reason for Application for Reauthorization of Deferred Accounting – OAR**
2 **860-027-0300(3)(b)**

3 The authorization for deferred accounting treatment as described above can be
4 authorized pursuant to ORS 757.259(2)(d) because the described balances are “utility
5 expenses or revenues, the recovery or refund of which the commission finds should be
6 deferred in order to minimize the frequency of rate changes ... or to match appropriately
7 the costs borne by and benefits received by ratepayers.” Additionally, NW Natural’s
8 Tariff P.U.C. Or. 25 Schedule P provides for the collection of gas commodity costs
9 through deferred accounting treatment and subsequent amortization through the
10 Company’s Purchased Gas Adjustment, which is implemented pursuant to ORS
11 757.210(1)(b).

12 **F. Accounting – OAR 860-027-0300(3)(c)**

13 As described in the initial application, the charges incurred for gas costs pursuant
14 to the PGA activity and other incurred gas costs, absent the requested account 191
15 deferral, would be recorded as increases/decreases in the appropriate 80X gas
16 expense subaccounts. The Company intends to include the activity for the Post-Carry
17 wells in the monthly deferred accounting calculations by replacing forecasted Rocky
18 spot purchases in the PGA with actual costs of the volumes produced by the Post-Carry
19 wells. The tracking of the investment and related expenses will be accomplished so that
20 the activity can be reported on and reviewed on a stand-alone basis, allowing for
21 complete transparency.

22 **G. Estimated Amounts Subject to Deferral – OAR 860-027-0300(3)(d)**

1 NW Natural estimates that it will defer a net credit of between \$0 million and \$2
2 million for the wells in the upcoming year. The estimates could change based on market
3 prices.

4 **H. A description and explanation of the entries in the deferred account to the**
5 **date of the application for reauthorization – OAR 860-027-0300(4)(a)**

6 The entries in the deferred account through July 2015 total approximately
7 \$136,000 plus interest to be recovered from customers, which reflect the difference
8 between the forecasted spot price of gas and the associated expenses and revenues
9 related to gas reserves capital costs, which are described above.

10 **I. The reasons for the continued deferred accounting – OAR 860-027-**
11 **0300(4)(b).**

12 NW Natural seeks continued deferred accounting for the expenses or revenues
13 associated with the Post-Carry Wells because the Company's application for a
14 prudence review and cost recovery in Docket 1717 is still pending at the Commission.
15 Upon Commission determination of the method through which the costs of the Post-
16 Carry wells will be recovered in the PGA, this application will likely be unnecessary.

17 **H. The effective date of the deferral**

18 This application is for the 12-month period beginning August 25, 2015 and
19 ending August 24, 2016.

20 **I. The interest rate that will apply to the accounts**

21 The interest rates used for deferral and amortization will be equivalent to the
22 rates used for commodity gas cost deferrals.

1 **J. Notification of Filing**

2 A notice of this Application has been served on all parties who participated in the
3 Company's most recent general rate case, UG 221, and is attached to this Application.

4 DATED this 25th day of August 2015.

5 Respectfully submitted,

6 NW NATURAL

7 */s/ Mark R. Thompson*

8
9
10 Mark R. Thompson
11 Rates & Regulatory Affairs
12 220 NW Second Avenue
13 Portland, Oregon 97209-3991
14 Phone: (503) 721-2476
Email: mark.thompson@nwnatural.com