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January 3, 2018

**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: UM 1807 – Application for Reauthorization to Defer Certain Expenses or Revenues**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith an application for reauthorization to defer expenses or costs associated with NW Natural’s independent third party’s interstate storage cost allocation study.

A notice concerning this application has been sent to all parties who participated in the Company’s last general rate case, UG 221. A copy of the Notice and the Certificate of Service are attached to the Application.

Please address correspondence on this matter to me with copies to the following:

eFiling  
Rates & Regulatory Affairs  
NW Natural  
220 NW Second Avenue  
Portland, Oregon 97209  
Telecopier: (503) 721-2516  
Telephone: (503) 226-4211, ext. 3589  
eFiling@nwnatural.com

Please contact me if you have any questions or require any further information.

Sincerely,

*/s/ Zachary D. Kravitz*

Zachary D. Kravitz  
Associate Counsel

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1807**

In the Matter of

NORTHWEST NATURAL GAS COMPANY,  
dba NW Natural,

For Reauthorization to Defer Certain Expenses  
or Revenues Pursuant to ORS 757.259.

APPLICATION

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the  
2 “Company”) hereby files with the Public Utility Commission of Oregon (the  
3 “Commission”) this application (“Application”) seeking reauthorization to use deferred  
4 accounting pursuant to ORS 757.259, and OAR 860-27-300, for the 12-month period  
5 beginning January 5, 2018 through January 4, 2019 for costs associated with hiring a  
6 neutral third party to conduct an evaluation and cost allocation study (“Study”) of NW  
7 Natural’s revenue sharing mechanisms associated with its interstate storage and  
8 optimization activities.

9 In support of this Application, NW Natural states:

10 **A. NW Natural.**

11 NW Natural is a public utility in the State of Oregon and is subject to the  
12 jurisdiction of the Commission regarding rates, service, and accounting practices.

13 **B. Statutory Authority.**

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

1 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1 **C. Communications.**

2 Communications regarding this Application should be addressed to:

3  
4 NW Natural  
5 e-Filing for Regulatory Affairs  
6 220 NW Second Avenue  
7 Portland, Oregon 97209-3991  
8 Telephone: (503) 226-4211, ext. 3589  
9 Facsimile: (503) 721-2516  
10 Email: [eFiling@nwnatural.com](mailto:eFiling@nwnatural.com)

11  
12 Mark R. Thompson  
13 Rates & Regulatory Affairs  
14 220 NW Second Avenue  
15 Portland, Oregon 97209-3991  
16 Phone: (503) 721-2476  
17 Email: [mark.thompson@nwnatural.com](mailto:mark.thompson@nwnatural.com)

18  
19 Zachary D. Kravitz  
20 Associate Counsel  
21 220 NW Second Avenue  
22 Portland, Oregon 97209-3991  
23 Phone: (503) 220-2379  
24 Email: [zdk@nwnatural.com](mailto:zdk@nwnatural.com)

25  
26 **D. Description of the Expenses or Revenues for which Deferred Accounting is**  
27 **Requested – OAR 860-027-0300(3)(a).**

28  
29 In Docket No. UM 1654, *In the Matter of NW Natural, Investigation of Interstate*

30 *Storage and Optimization Sharing*, the Commission reviewed NW Natural's revenue  
31 sharing arrangement relating to NW Natural's interstate storage and optimization  
32 activities.<sup>1</sup> In that docket, the Commission issued Order No. 15-066 ("Order"), and  
33 directed that a cost allocation study and evaluation ("Study") be performed by a neutral

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<sup>1</sup> *In the Matter of NW Natural, Investigation of Interstate Storage and Optimization Sharing*, Docket UM 1654, Order No. 15-066 (Mar. 5, 2016).

1 third party.<sup>2</sup> In the Order, the Commission authorized NW Natural to receive cost  
2 recovery for the Study.<sup>3</sup> This filing is made in order to provide for continued deferred  
3 accounting treatment of the costs associated with the Study.

4 **E. Reasons for Application for Reauthorization of Deferred Accounting – OAR**  
5 **860-027-0300(3)(b).**

6  
7 ORS 757.259 is a “statutorily authorized exception to the general prohibition  
8 against retroactive ratemaking” that allows a “means to address utility expenses or  
9 revenues outside of the utility’s general rate case proceeding.<sup>4</sup> Under ORS  
10 757.259(2)(e), the Commission has discretion to authorize a deferral of “[i]dentifiable  
11 utility expenses or revenues, the recovery or refund of which the commission finds  
12 should be deferred in order to . . . match appropriately the costs borne by and benefits  
13 received by rate payers.” To determine whether an expense or revenue should be  
14 deferred, the Commission “utilizes a flexible, fact-specific approach that acknowledges  
15 the wide range of reasons why deferred accounting might be beneficial to customers.”<sup>5</sup>

16 As described above, the Commission ordered the Study to “more robustly  
17 examine the risks, costs, and benefits of NW Natural’s optimization activities, the assets  
18 being utilized for those activities, the allocation between regulated and unregulated  
19 services, and the various components of NW Natural’s system that drive the costs and  
20 revenues associated with interstate storage services.”<sup>6</sup> In the Order, the Commission

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<sup>2</sup> *Id.* at 5-6.

<sup>3</sup> *Id.* at 6.

<sup>4</sup> *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 2 (October 5, 2005).

<sup>5</sup> *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 5 (October 5, 2005).

<sup>6</sup> Order at 5.

1 authorized NW Natural to recover the costs of the Study.<sup>7</sup> NW Natural files this deferral  
2 application to ensure that it has taken the steps necessary to allow the Commission's  
3 authorized rate recovery to be implemented.

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

5 Beginning on January 5, 2018, and ending 12 months from this date, NW Natural  
6 proposes to account for the costs associated with the consultant by recording the  
7 deferral in Account 186420. In the absence of approval of deferred accounting, NW  
8 Natural would record the amounts in an operations and maintenance account affecting  
9 the Company's income statement.

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

11 NW Natural does not anticipate significant further costs associated with the  
12 Study, but there may be continued engagement with the consultant that could require  
13 deferred accounting for the 12-month period subsequent to this Application.

14 **H. Entries into deferred account during past 12 months – OAR 860-027-  
15 0300(4)(a)**

16 Exhibit A, which is attached, displays the account which deferred \$290,830.92 in  
17 the past 12 months<sup>8</sup>.

19 **I. Reason for Continuation of Deferral Account – OAR 860-027-0300(4)(b)**

20 NW Natural seeks continuation of this deferral account in accordance with Order  
21 No. 15-066 to continue to allow the Company to recover the costs associated with the  
22 Study.

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<sup>7</sup> *Id.*

<sup>8</sup> The amount deferred includes accrual amounts through November 2017.

1 **J. Requirements per Commission Order No. 09-263.**

2 Pursuant to Commission Order No. 09-263, issued in Docket UM-1286:

3 **1. A completed Summary Sheet, the location in the PGA filing and an**  
4 **account map that highlights the transfer of dollars from one account**  
5 **to another.**

6 Workpapers, an account map that highlights the transfer of dollars from  
7 one account to another, and the Summary Sheet will be included in the  
8 2018 PGA filing work papers and in the electronic file entitled "Proposed  
9 Temps Oregon 2018-19 PGA filing.xls."

10 **2. The effective date of the deferral**

11 This application is for the 12-month period beginning January 5, 2018 and  
12 ending January 4, 2019.

13 **3. Prior year Order Number approving the deferral**

14 Approval to defer 100% of the interstate storage cost allocation study was  
15 last granted on January 24, 2017 in Order No. 17-024.

16 **4. The amount deferred last year.**

17 See Exhibit A.

18 **5. The amount amortized last year.**

19 No amortization occurred last year.

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

21 The interest rate for deferral accounts is 7.778%. Monies that have been  
22 transferred for amortization accrue interest at the rate of 2.38%,



Company: Northwest Natural Gas Company  
 State: Oregon  
 Description: Deferral of ISS Study Costs  
 Account Number: **186420**  
 Docket UM 1807  
 Last deferral re-authorization was approved in Order No. 17-024

| Debit (Credit)<br>Month/Year | Note<br>(b)       | Deferral<br>(c) | Transfers<br>(d) | Interest Rate<br>(e) | Interest<br>(f) | Activity<br>(g) | Balance<br>(h) | Notes |
|------------------------------|-------------------|-----------------|------------------|----------------------|-----------------|-----------------|----------------|-------|
| 1                            | Beginning Balance |                 |                  |                      |                 |                 | 0.00           |       |
| 2                            | Apr-17            | 12,135.00       |                  | 7.778%               | 39.33           | 12,174.33       | 12,174.33      |       |
| 3                            | May-17            | 28,085.00       |                  | 7.778%               | 169.93          | 28,254.93       | 40,429.26      |       |
| 4                            | Jun-17            | 74,523.81       |                  | 7.778%               | 503.57          | 75,027.38       | 115,456.64     |       |
| 5                            | Jul-17            | 63,152.82       |                  | 7.778%               | 953.02          | 64,105.84       | 179,562.48     |       |
| 6                            | Aug-17            | 27,450.00       |                  | 7.778%               | 1,252.83        | 28,702.83       | 208,265.31     |       |
| 7                            | Sep-17            | 47,984.19       |                  | 7.778%               | 1,505.42        | 49,489.61       | 257,754.92     |       |
| 8                            | Oct-17            | 37,500.00       |                  | 7.778%               | 1,792.21        | 39,292.21       | 297,047.13     |       |
| 9                            | Nov-17 <b>(1)</b> | -               |                  | 7.778%               | 1,925.36        | 1,925.36        | 298,972.49     |       |

**(1)** - No activity for November 2017.



**UM 1807  
NOTICE OF APPLICATION FOR REAUTHORIZATION TO  
DEFER CERTAIN EXPENSES OR REVENUES**

January 3, 2018

**To All Parties Who Participated in UG 221:**

Please be advised that on January 3, 2018 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), applied for reauthorization to defer amounts related to costs associated with NW Natural's independent third party's interstate storage cost allocation study, pursuant to the provisions of ORS 757.259(2)(e). A copy of the Company's Deferral Application is available for inspection at its main office or at the Public Utility of Oregon's ("Commission") eDocket website.

**This is not a rate case.**

The purpose of this Notice is to inform parties that participated in the Company's most recent general rate case, UG 221, that an Application was filed.

Parties who desire more information or who wish to obtain a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the Company or the Commission as follows:

**NW Natural  
Attn: Kyle Walker  
220 NW Second Ave  
Portland, Oregon 97209-3991  
Telephone: (503) 226-4211 Ext 5858**

**Public Utility Commission of Oregon  
Attn: Filing Center  
201 High Street SE, Suite 100  
PO Box 1088  
Salem, Oregon 97301-1088  
Telephone: (503) 373-0886**

Any person may submit to the Commission written comments on this Deferral Application by February 3, 2018. The granting of this Reauthorization of Deferral Application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

\* \* \* \* \*



**CERTIFICATE OF SERVICE  
UM 1807**

I hereby certify that on January 3, 2018 I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES AND REVENUES related to costs associated with NW Natural's independent third party's interstate storage cost allocation study upon all parties of record in docket UG 221, which is the Company's most recent general rate case.

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DATED January 3, 2018 Portland, OR.

/s/ Erica Lee  
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