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December 24, 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 344. 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/ Kyle T. Walker, CPA

Kyle T. Walker, CPA
Rates\Regulatory Analyst

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, 2019 through January 4, 2020 for costs and accrued interest
6 associated with hiring a neutral third party to conduct an evaluation and cost allocation
7 study (“Study”) of NW Natural’s revenue sharing mechanisms associated with its
8 interstate storage and 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

11
12 Kyle T. Walker, CPA
13 Rates & Regulatory Affairs
14 220 NW Second Avenue
15 Portland, Oregon 97209-3991
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17 Email: kyle.walker@nwnatural.com

18
19 Zachary D. Kravitz
20 Rates & Regulatory Affairs
21 220 NW Second Avenue
22 Portland, Oregon 97209-3991
23 Phone: (503) 220-2379
24 Email: 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.¹ 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

¹ *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.² In the Order, the Commission authorized NW Natural to receive cost
2 recovery for the Study.³ 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.⁴ 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.”⁵

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.”⁶ In the Order, the Commission

² *Id.* at 5-6.

³ *Id.* at 6.

⁴ *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).

⁵ *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).

⁶ Order at 5.

1 authorized NW Natural to recover the costs of the Study.⁷ 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, 2019, 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 There will be no additional expenses associated with the Study in upcoming
12 deferral period. We expect to amortize the balance of the deferral account with our next
13 PGA.

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 -\$34,040.88 in
17 the past 12 months⁸.

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.

⁷ *Id.*

⁸ The amount deferred includes accrual amounts through November 2018. The negative \$34,040.88 was associated with an erroneous entry which was adjusted in December 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 2019 PGA filing work papers and in the electronic file entitled "Proposed
9 Temps Oregon 2019-20 PGA filing.xls."

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

11 This application is for the 12-month period beginning January 5, 2019 and
12 ending January 4, 2020.

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 May 8, 2018 in Order No. 18-156.

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 7.317%. Monies that have been
22 transferred for amortization accrue interest at the rate of 2.92%,

1 **7. An estimate of the upcoming PGA-period deferral and/or**
2 **amortization.**

3 NW Natural does not anticipate further costs to be subject to deferred
4 accounting in the upcoming PGA-period, only accrued interest off past
5 deferral amounts.

6 **I. Notice – OAR 800-027-0300(3)(e)(6).**

7 A notice of this Application has been served on the all parties who participated in
8 the Company's most recent general rate case, UG 344, and is attached to this
9 Application as Exhibit B.

10 NW Natural respectfully requests that the Commission issue an order
11 reauthorizing the Company to defer the costs described in this Application.

12 Dated this 24th day of December 2018.

13 Respectfully Submitted,

14 NW NATURAL

15 /s/ Zachary D. Kravitz
16 Zachary D. Kravitz
17 Director, Rates & Regulatory Affairs
18 220 NW Second Avenue
19 Portland, Oregon 97209-3991
20 Phone: (503) 220-2379
21 Email: zdk@nwnatural.com

22
23 /s/ Kyle Walker, CPA
24 Kyle Walker, CPA
25 Rates/Regulatory Analyst
26 220 NW Second Avenue
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28 Phone: (503) 226-4211 Ext. 5858
29 Email: kyle.walker@nwnatural.com

Company: Northwest Natural Gas Company
 State: Oregon
 Description: Deferral of ISS Study
 Account Number: **186420**
 Docket UM 1807
 Last deferral re-authorization was approved in Order No. 18-156

Debit (Credit)	Month/Year	Note	Deferral	Transfers	Interest Rate	Interest	Activity	Balance	Notes
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)		
	1	Beginning Balance							
	15	Apr-18	-		7.778%	1,762.88	1,762.88	273,742.83	0.00
	16	May-18	-		7.778%	1,774.31	1,774.31	275,517.14	
	17	Jun-18	-		7.778%	1,785.81	1,785.81	277,302.95	
	18	Jul-18	-		7.778%	1,797.39	1,797.39	279,100.34	
	19	Aug-18	-		7.778%	1,809.04	1,809.04	280,909.38	
	20	Sep-18	-		7.778%	1,820.76	1,820.76	282,730.14	
	21	Oct-18	-		7.778%	1,832.56	1,832.56	284,562.70	
	22	Nov-18 OLD			7.778%	0.00	0.00	284,562.70	
	23	Nov-18 NEW			7.317%	1,735.12	1,735.12	286,297.82	

** The ISS Study has been completed and will no longer accrue additional charges. Interest will continue to accrue. This deferral will be included within the 2019-20 PGA.

KSB1
 Cost center 53010, Cost element 505100
 Add Aux. Acct assignment, Per and Purchase order text



UM 1807

**NOTICE OF APPLICATION FOR REAUTHORIZATION FOR
DEFER CERTAIN EXPENSES OR REVENUES**

December 24, 2018

To All Parties Who Participated in UG 344:

Please be advised that on December 24, 2018 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "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)

This is not a rate case. The purpose of this Notice is to inform parties who participated in the Company's most recent general rate case, UG 344, that a Reauthorization of Deferral Application has been 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 Public Utility Commission of Oregon as follows:

NW Natural
Attn: Kyle Walker, CPA
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 matter by January 23, 2019. The granting of this Reauthorization of Deferral Application will not authorize a change in rates, but will permit the Company to defer amounts in rates to a subsequent proceeding.



**CERTIFICATE OF SERVICE
Docket UM 1807**

I hereby certify that on December 24, 2018 I 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 to all parties of record for the Company's most recent general rate case, UG 344.

UG 344

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DATED December 24, 2018 Portland, OR.

/s/ Erica Lee-Pella
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