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December 15, 2017

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: NW Natural's Application for an Accounting Order – North Mist

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), hereby files an application for an accounting order associated with NW Natural's Schedule 90 approved by the Public Utility Commission of Oregon on October 14, 2014.

The Company respectfully requests that the application for an accounting order filed herein be approved by the Commission, and if deemed necessary by the Commission that a hearing be scheduled, in accordance with ORS 757.210.

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 <u>www.nwnatural.com</u>.

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

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

Respectfully submitted,

/s/ Zachary D. Kravitz

Zachary D. Kravitz Associate Counsel

Attachment UM-___- NW Natural's Application for an Accounting Order – North Mist

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM _____

In the Matter of

NORTHWEST NATURAL GAS COMPANY, dba, NW NATURAL

Application for Accounting Order Regarding North Mist APPLICATION

Pursuant to Sections 757.120 and 757.125 the Oregon Revised Statutes, Northwest Natural Gas Company ("NW Natural" or "Company") hereby submits this Application with the Public Utility Commission of Oregon ("Commission") for an Order authorizing the Company to record as Capital Expenditures for the North Mist Service for Portland General Electric Company ("PGE") an amount allocated as overhead costs, and to record an equal and offsetting amount to a deferred liability account, which will be used to generate a credit amount to all Oregon customers.

8

INTRODUCTION

9 On October 14, 2014, the Commission approved Rate Schedule 90, through which NW 10 Natural is authorized to provide a no-notice gas storage service to customers that are able to 11 connect their facilities with a "Non-Core" Mist storage facility (*i.e.* a storage facility that is 12 developed for the purposes of providing Schedule 90 service, and not one that is for providing 13 service to NW Natural's general, or "core" customers). Because at the time of the 14 Commission's approval, PGE and NW Natural had begun working toward PGE becoming NW

Page 1 - NORTHWEST NATURAL'S APPLICATION FOR AN ACCOUNTING ORDER

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1 Natural's first Rate Schedule 90 customer (through the development of the North Mist project). 2 the arrangement between NW Natural and PGE was also reviewed by Staff as part of its 3 investigation into Rate Schedule 90, and by the other parties involved in the proceeding. 4 As part of its North Mist storage project being built to serve PGE, it was recognized that 5 there may be indirect costs, or construction overheads, that are incurred by NW Natural that benefit the project. Consistent with other construction projects that are pursued by the 6 7 Company, overheads are applied that represent an allocation of indirect costs related to 8 construction activities.

9 NW Natural and PGE agreed that one percent of all direct project costs would represent an appropriate allocation of construction overheads. Absent special treatment, the effect of the 10 allocation would be to lower the amount of overheads applied to other utility projects during the 11 12 same construction timeframe, and the lower cost of related assets would benefit ratepayers over 13 the course of the assets' useful lives through lower depreciation and financing costs. As an alternative, instead of the longer-term benefit of decreased asset costs, current ratepayers could 14 recognize the entire benefit immediately if a credit to them was made, representing the return to 15 16 them of utility overhead that was allocated to the North Mist project. Through discussions with 17 parties to the Commission's review of Rate Schedule 90, NW Natural agreed to take this latter approach of providing a credit. This accounting order is related to that credit, and was 18 19 anticipated at the time of the agreement.

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II. BACKGROUND

In the Staff Report recommending the approval of the Company's Advice No. 14-7 (Schedules 90 and 91), it is recognized that overhead costs assigned to the project would produce a benefit to other ratepayers, as described on page 6 of the report:

Page 2 - NORTHWEST NATURAL'S APPLICATION FOR AN ACCOUNTING ORDER

"Certain of NWN's overhead costs of constructing capital projects will be
recoverable from Schedule 90 customers, through an allocation of construction
overhead costs to the capital investments made to provide the service. This
relieves other ratepayers from bearing costs that otherwise would be allocated to
other utility projects, but are now in part allocated to the capital costs paid
specifically by the Schedule 90 customer."

Because the credit does not relate to any single rate schedule or class, the Company
intends to apply the refund to bills on an equal percent of margin basis.

9

III. ACCOUNTING ORDER REQUEST

As an offset to the charge to the North Mist project, the Company seeks to create an equal and offsetting credit to be provided to Oregon ratepayers. Because the transaction does not follow traditional accounting methodology, the Company believes that an order from the Commission authorizing the transaction will support both the rate base calculation needed for cost of service ratemaking as well as the determination of the deferred liability account needed to generate the intended credit to ratepayers.

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IV. CONCLUSION

For reasons set forth above, NW Natural respectfully requests that the Commission issue an order granting its request to include a charge to the North Mist project representing construction overhead, and to create an equal and offsetting credit to be refunded to Oregon ratepayers, taking the form of a deferred regulatory liability until amortized to all Oregon

21 ratepayers.

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Page 3 - NORTHWEST NATURAL'S APPLICATION FOR AN ACCOUNTING ORDER

1	V. COMMUNICATIONS
2	Communications regarding this Application should be addressed to:
3 4 5 6 7 8 9 10	NW Natural e-Filing for Regulatory Affairs 220 NW Second Avenue Portland, Oregon 97209-3991 Telephone: (503) 226-4211, ext. 3589 Facsimile: (503) 721-2516 Email: eFiling@nwnatural.com
11	And
12 13 14 15 16 17	Zachary D. Kravitz Associate Counsel 220 NW Second Avenue Portland, Oregon 97209-3991 Phone: (503) 220-2379 Email: zdk@nwnatural.com

18 Dated this 15th day of December 2017.

Respectfully submitted,

/s/ Zachary D. Kravitz

Zachary D. Kravitz Associate Counsel NW Natural 220 NW Second Avenue Portland, Oregon 97209-3991 Phone: (503) 220-2379 Email: zdk@nwnatural.com

Page 4 - NORTHWEST NATURAL'S APPLICATION FOR AN ACCOUNTING ORDER