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January 5, 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: UM 1807 – Application for Authorization to Defer Certain Expenses or Revenues

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith an Application to defer expenses for 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 contact me if you have any questions or require any further information.

Sincerely,

/s/ Zachary D. Kravitz

Zachary D. Kravitz
Associate Counsel

Enclosures

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UM 1807**

4 In the Matter of
5 NORTHWEST NATURAL GAS COMPANY, APPLICATION
6 dba NW Natural,
7 For Authorization to Defer Certain Expenses
8 or Revenues Pursuant to ORS 757.259.

9
10 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the
11 “Company”) hereby files with the Public Utility Commission of Oregon (the
12 “Commission”) this application (“Application”) seeking authorization to use deferred
13 accounting pursuant to ORS 757.259, and OAR 860-27-300, for the 12-month period
14 beginning January 5, 2017 through January 4, 2018 for costs associated with hiring a
15 neutral third party to conduct an evaluation and cost allocation study (“Study”) of NW
16 Natural’s revenue sharing mechanisms associated with its interstate storage and
17 optimization activities.

18 In support of this Application, NW Natural states:

19 **A. NW Natural.**

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

22 **B. Statutory Authority.**

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

26 **C. Communications.**

1 Communications regarding this Application should be addressed to:

2
3 NW Natural
4 e-Filing for Regulatory Affairs
5 220 NW Second Avenue
6 Portland, Oregon 97209-3991
7 Telephone: (503) 226-4211, ext. 3589
8 Facsimile: (503) 721-2516
9 Email: eFiling@nwnatural.com

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

17
18 Zachary D. Kravitz
19 Associate Counsel
20 220 NW Second Avenue
21 Portland, Oregon 97209-3991
22 Phone: (503) 220-2379
23 Email: zdk@nwnatural.com

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

28 In Docket No. UM 1654, *In the Matter of NW Natural, Investigation of Interstate*
29 *Storage and Optimization Sharing*, the Commission reviewed NW Natural's revenue
30 sharing arrangement relating to NW Natural's interstate storage and optimization
31 activities.¹ In that docket, the Commission issued Order No. 15-066 ("Order"), and
32 directed that a cost allocation study and evaluation ("Study") be performed by a neutral
33 third party.² In the Order, the Commission authorized NW Natural to receive cost

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

² *Id.* at 5-6.

1 recovery for the Study.³ This filing is made in order to provide for deferred accounting
2 treatment of the costs associated with the Study, to implement the Commission's order
3 so that NW Natural can recover these expenses in the future.

4 Following the issuance of the Order, NW Natural, the Staff of the Commission,
5 the Citizens' Utility Board of Oregon, and the Northwest Industrial Gas Users formed a
6 steering committee ("Steering Committee"), as directed by the Commission. The
7 Steering Committee convened several times for the purpose of hiring a third party
8 independent evaluator. On August 11, 2016, the Steering Committee issued an RFP to
9 an agreed upon list of potential independent evaluators. The Steering Committee
10 interviewed three responders to the RFP and agreed to hire one of the consultants to
11 perform the study. NW Natural, with guidance from the Steering Committee, is currently
12 negotiating a contract for the Study with that consultant. NW Natural anticipates the
13 consultant will begin performing the Study in January 2017, and therefore, seeks
14 deferred accounting treatment for the costs of these services.

15 **E. Reasons for Application for Deferred Accounting – OAR 860-027-0300(3)(b).**

16 ORS 757.259 is a "statutorily authorized exception to the general prohibition
17 against retroactive ratemaking" that allows a "means to address utility expenses or
18 revenues outside of the utility's general rate case proceeding."⁴ Under ORS
19 757.259(2)(e), the Commission has discretion to authorize a deferral of "[i]dentifiable
20 utility expenses or revenues, the recovery or refund of which the commission finds
21 should be deferred in order to . . . match appropriately the costs borne by and benefits
22 received by rate payers." To determine whether an expense or revenue should be
23 deferred, the Commission "utilizes a flexible, fact-specific approach that acknowledges

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).

1 the wide range of reasons why deferred accounting might be beneficial to
2 customers.”⁵

3 As described above, the Commission ordered the Study to “more robustly
4 examine the risks, costs, and benefits of NW Natural’s optimization activities, the
5 assets being utilized for those activities, the allocation between regulated and
6 unregulated services, and the various components of NW Natural’s system that drive
7 the costs and revenues associated with interstate storage services.”⁶ In the Order,
8 the Commission authorized NW Natural to recover the costs of the Study.⁷ NW
9 Natural files this deferral application to ensure that it has taken the steps necessary to
10 allow the Commission’s authorized rate recovery to be implemented.

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

12 Beginning on January 5, 2017, and ending 12 months from this date, NW
13 Natural proposes to account for the costs associated with the consultant by recording
14 the deferral in Account 186420. In the absence of approval of deferred accounting,
15 NW Natural would record the amounts in an operations and maintenance account
16 affecting the Company’s income statement.

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

18 NW Natural estimates that approximately \$239,200 will be recorded in the
19 deferred account for the 12-month period subsequent to this Application. This amount
20 is based on a preliminary estimate provided by the consultant and may change during
21 the deferral period.

22 **H. Requirements per Commission Order No. 09-263.**

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.

⁷ *Id.*

1 Pursuant to Commission Order No. 09-263, issued in Docket UM-1286, NW
2 Natural is required to provide a completed Summary Sheet, the location in the PGA
3 filing of the backup workpapers, and an account map that highlights the transfer of
4 dollars from one account to another. The Summary Sheet will be included in the 2017
5 PGA filing work papers and in the electronic file entitled "Proposed Temps Oregon
6 2016-17 PGA filing.xls."

7
8 **I. Notice – OAR 800-027-0300(3)(e).**

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

12 NW Natural respectfully requests that the Commission issue an order authorizing
13 the Company to defer the costs described in this Application.

14 Dated this 5th day of January 2017.

15 Respectfully Submitted,

16 NW NATURAL

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18 Associate Counsel
19 220 NW Second Avenue
20 Portland, Oregon 97209-3991
21 Phone: (503) 220-2379
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23



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

January 5, 2017

To All Parties Who Participated in UG 221:

Please be advised that on January 5, 2017 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), applied for authorization 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 a Deferral 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 5, 2017. The granting of this 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 5, 2017, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION 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.

UG 221

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DATED January 5, 2017, Portland Oregon.

/s/ Anne-Marie Puustinen
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