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January 17, 2017

VIA ELECTRONIC FILING

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

RE: UM 1714 - Application for Reauthorization to Defer Certain Expenses or Revenues

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), hereby electronically files the above Application for Reauthorization to Defer Certain Expenses or Revenues associated with development of projects to be submitted under Senate Bill 844.

A notice concerning this application will be sent to all parties who participated in the Company’s most recently completed general rate case, UG 221. A copy of the notice is part of the enclosed application.

If you have any questions, please contact me.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Analyst

Attachments

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

3 **UM 1714**

4 In the Matter of
5 NORTHWEST NATURAL GAS COMPANY,
6 dba NW Natural,
7 For Reauthorization 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 “Company”)
11 hereby files with the Public Utility Commission of Oregon (the “Commission”) this application
12 (“Application”) seeking reauthorization to use deferred accounting pursuant to ORS 757.210 and
13 757.259, and OAR 860-27-300, for the 12-month period beginning January 20, 2017 through
14 January 19, 2018 for all expenses associated with NW Natural’s activities related to
15 development of projects to be submitted under Senate Bill 844, codified as ORS 757.539, and
16 OAR 860-085-0500 through 860-085-0750, implementing that law. Senate Bill 844 established
17 a voluntary emission reduction program (“Emission Reduction Program”) for natural gas utilities
18 to invest in projects that reduce greenhouse gas emissions that the utilities would not undertake
19 in the normal course of business. NW Natural has been and continues to be in the process of
20 developing projects to be implemented pursuant to that law, and originally filed this deferral to
21 ensure that it preserves the ability to assign to each project the appropriate expenses that it may
22 incur in developing them, and to recover those costs as determined appropriate by the
23 Commission. NW Natural now files this application to continue to have this ability to defer costs,
24 as appropriate, so that it can allocate program costs in a way that fulfills the purposes of SB
25 844. NW Natural anticipates that any cost recovery of deferred expenses would be ruled on as
26 part of the Commission’s review and approval of individual projects under Senate Bill 844, and
27 the associated cost recovery.

1 NW Natural's deferral approach is consistent with the purpose of Senate Bill 844, which
2 is to "incentiviz[e] public utilities that furnish natural gas to invest in projects that reduce
3 emissions and [to] provid[e] benefits to customers of public utilities that furnish natural gas."¹
4 Without a deferral in place, NW Natural could easily be put in a position where it is unable to
5 recover the costs of projects, and where any incentive or cost recovery authorized by the
6 Commission would not be sufficient to offset the unrecovered expenses, thus undermining the
7 incentive for NW Natural to pursue such projects.

8 In support of this Application, NW Natural states:

9 **A. NW Natural.**

10 NW Natural is a public utility in the State of Oregon and is subject to the jurisdiction of
11 the Commission regarding rates, service, and accounting practices. NW Natural also provides
12 retail natural gas service in the States of Oregon and Washington.

13 **B. Statutory Authority.**

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

16 **C. Communications.**

17 Communications regarding this Application should be addressed to:

18
19 NW Natural
20 e-Filing for Regulatory Affairs
21 220 NW Second Avenue
22 Portland, Oregon 97209-3991
23 Telephone: (503) 226-4211, ext. 3589
24 Facsimile: (503) 721-2516
25 Email: eFiling@nwnatural.com;

26
27 and
28
29
30

¹ ORS 757.539(2).

1 Zachary D. Kravitz (OSB# 152870)
2 Associate Counsel
3 220 NW Second Avenue
4 Portland, Oregon 97209-3991
5 Phone: (503) 220-2379
6 Email: Zachary.Kravitz@nwnatural.com;

7
8 and

9
10 Kyle Walker, CPA
11 Rates & Regulatory Affairs
12 220 NW Second Avenue
13 Portland, Oregon 97209-3991
14 Phone: (503) 226-4211 Ext. 5858
15 Email: Kyle.Walker@nwnatural.com

16
17 **D. Description of the Expenses or Revenues for which Deferred Accounting is**
18 **Requested – OAR 860-027-0300(3)(a).**

19 In response to the passage of Senate Bill 844, NW Natural has developed carbon
20 emission reduction projects, and continues to work on these and other projects. The Emission
21 Reduction Program, provided in ORS 757.539 and OAR 860-085-0500 through 860-085-0750,
22 has enabled NW Natural to pursue greenhouse gas reduction projects that were historically
23 uneconomical by allowing the utility an opportunity for cost recovery and financial incentives to
24 undertake such projects. NW Natural has filed for one such project (being reviewed in Docket
25 No. 1744), and could seek Commission approval for additional projects, although a specific
26 timetable for filing the applications has not been set.

27 In recognition of the expenses in furtherance of the Emission Reduction Program, the
28 Company seeks to defer its ongoing costs so that those amounts can be recovered in rates in
29 the event the Commission should conclude that such recovery is appropriate in future
30 proceedings. NW Natural does not seek to defer the costs of any amounts that have already
31 been included in rates, and seeks to only defer costs that it will incur in furtherance of the
32 Emission Reduction Program. NW Natural anticipates that it will need to make a demonstration
33 of the incremental nature of these costs at the time it seeks any cost recovery.

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

3 ORS 757.259 is a “statutorily authorized exception to the general prohibition against
4 retroactive ratemaking” that allows a “means to address utility expenses or revenues outside of
5 the utility’s general rate case proceeding.² Under ORS 757.259(2)(e), the Commission has
6 discretion to authorize a deferral of “[i]dentifiable utility expenses or revenues, the recovery or
7 refund of which the commission finds should be deferred in order to minimize the frequency of
8 rate changes . . . or to match appropriately the costs borne by and benefits received by rate
9 payers.” To determine whether an expense or revenue should be deferred, the Commission
10 “utilizes a flexible, fact-specific approach that acknowledges the wide range of reasons why
11 deferred accounting might be beneficial to customers.”³ Of those reasons, the Commission has
12 found that “encourag[ing] utility or customer behavior consistent with regulatory policy” is
13 appropriate for deferred accounting.⁴

14 This Application is made pursuant to ORS 757.259(2)(e) in order “to minimize the
15 frequency of rate changes” and to match “the costs borne by and benefits received by rate
16 payers,” associated with the expenses the Company will incur developing and implementing
17 greenhouse gas reduction projects for the State’s Emission Reduction Program. NW Natural
18 seeks the authorization for this deferral to further the important regulatory policies established in
19 Senate Bill 844, which law was designed to incentivize gas utilities to invest in projects that
20 reduce carbon emissions and benefit customers.⁵ In conjunction with the statutory incentive
21 and regulatory policies established in Senate Bill 844, the Commission should grant this

² *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).

³ *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).

⁴ *Id.* at 2.

⁵ ORS. 757.539(2).

1 Application to encourage the investment in projects that are otherwise uneconomical to pursue.

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

3 Beginning on January 20, 2017, and ending twelve months from this date, NW Natural
4 proposes to account for the costs associated with the Carbon Solutions Program by recording
5 the deferral in Account 186. In the absence of approval of deferred accounting, NW Natural
6 would record the amounts in several accounts affecting the Company's income statement and
7 balance sheet.

8 **G. Estimated Accounts Subject to Deferral – OAR 860-027-0300(2)(d).**

9 NW Natural's Emission Reduction Program projects will incur additional expenses as
10 new projects continue to be created and developed. As such, NW Natural does not have
11 sufficient information at this time to accurately estimate the amount subject to deferral.

12 **H. Entries into deferred account during past 12 months**

13 Pursuant to OAR 860-027-300(4)(b), NW Natural has deferred \$107,707.25 since it
14 began deferring expenses for SB 844 programs. However, no expenses were deferred in the
15 previous 12 months.

16 **I. Requirement per Commission Order No. 09-263**

17 Pursuant to Commission Order No. 09-263, issued in Docket UM-1286, NW Natural is
18 required to provide a completed Summary Sheet, the location in the PGA filing of the backup
19 workpapers, and an account map that highlights the transfer of dollars from one account to
20 another. The Summary Sheet will be included in the 2017 PGA filing work papers and in the
21 electronic file entitled "Proposed Temps Oregon 2017-2018 PGA filing.xls.

22 **J. Notice – OAR 800-027-0300(6).**

23 A notice of this Application has been served on the all parties who participated in the
24 Company's most recent general rate case, UG 221, and is attached to this Application.
25

1 NW Natural respectfully requests that the Commission issue an order authorizing the
2 Company to defer the expenses described in the Application to ensure that the Company will be
3 authorized to seek to recover costs associated with its Carbon Solutions Program beginning on
4 the date of this Application.

5

6 Date this 17th day of January 2017.

7

Respectfully Submitted,

8

NW NATURAL

9

/s/ Kyle Walker, CPA

10

Kyle Walker, CPA

11

Rates/Regulatory Analyst

12

13

/s/ Zachary D. Kravitz

14

Zachary D. Kravitz (OSB# 152870)

15

Associate Counsel

16

220 NW Second Avenue

17

Portland, Oregon 97209-3991

18

Phone: (503) 220-2379

19

Email: Zachary.Kravitz@nwnatural.com

20

21



January 17, 2017

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER CERTAIN EXPENSES OR REVENUES
ASSOCIATED WITH PROJECTS UNDER SENATE BILL 844
UM 1714**

To All Parties Who Participated in UG 221:

Please be advised that today Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), applied for reauthorization to defer expenses associated with the development of projects to be submitted under Senate Bill 844, pursuant to the provisions of ORS 757.259(2)(e). Copies of the Company's application are available for inspection at its main office.

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 the 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 Public Utility Commission of Oregon as follows:

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

Public Utility Commission of Oregon
Attn: Judy Johnson
201 High St SE, Suite 100
PO Box 1088
Salem, Oregon 97308-1088
Telephone: (503) 378-6636

Any person may submit to the Commission written comments on this Reauthorization Deferral Application by February 17, 2017. The granting of this 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

I hereby certify that I have this day served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES ASSOCIATED WITH DEVELOPMENT OF PROJECTS TO BE SUBMITTED UNDER SENATE BILL 844 (UM 1714), upon all parties of record in the UG 221 proceeding, which is the Company's most recent general rate case, by electronic mail.

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DATED at Portland, Oregon, this 17th day of January 2017.

/s/ Erica Lee

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