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VIA ELECTRONIC FILING

January 19, 2021

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street 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 files an application for reauthorization to defer certain expenses or revenues associated with the Emission Reduction Program under Senate Bill 844.

A notice concerning this application will be sent to all parties who participated in the Company's most recent general rate case, UG 388. 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
250 SW Taylor Street
Portland, Oregon 97204
Phone: (503) 610-7330
Fax: (503) 220-2579
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Manager

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1714

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 860-027-0300 for all expenses
5 associated with NW Natural’s development of projects under Senate Bill 844¹ for the 12-
6 month period beginning January 20, 2021 through January 19, 2022. Senate Bill 844
7 established a voluntary emission reduction program (“Emission Reduction Program”) for
8 natural gas utilities to invest in projects that reduce greenhouse gas emissions that the
9 utilities would not undertake in the normal course of business. NW Natural has been
10 and continues to be in the process of developing projects under this law, and originally
11 filed this deferral to ensure that it assigns each project the appropriate expenses that it
12 may incur in developing them, and to recover those costs as determined appropriate by
13 the Commission. NW Natural now files this Application to continue to have the ability to

¹ Senate Bill 844 is codified as ORS 757.539. Rules implementing ORS 757.539 are at OAR 860-085-0500 through 860-085-0750.

1 defer costs, as appropriate, and to allocate program costs in a way that fulfills the
2 purposes of Senate Bill 844. NW Natural anticipates that any cost recovery of deferred
3 expenses would be ruled on as part of the Commission’s review and approval of
4 individual projects under Senate Bill 844.

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

13 In support of this Application, NW Natural states:

14 **A. NW Natural.**

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

18 **B. Statutory Authority.**

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

² ORS 757.539(2).

1 **C. Communications.**

2 Communications regarding this Application should be addressed to:

3 NW Natural
4 e-Filing for Regulatory Affairs
5 250 SW Taylor Street
6 Portland, Oregon 97204
7 Phone: (503) 610-7330
8 Fax: (503) 220-2579
9 Email: eFiling@nwnatural.com;

10
11 Eric W. Nelsen (OSB# 192566)
12 Senior Regulatory Attorney
13 250 SW Taylor Street
14 Portland, Oregon 97204
15 Phone: (503) 610-7618
16 Email: eric.nelsen@nwnatural.com;

17
18 and

19
20 Kyle Walker, CPA
21 Rates & Regulatory Affairs
22 250 SW Taylor Street
23 Portland, Oregon 97204
24 Phone: (503) 610-7051
25 Email: kyle.walker@nwnatural.com
26

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

29 The Emission Reduction Program, provided in ORS 757.539 and OAR 860-085-
30 0500 through 860-085-0750, has enabled NW Natural to pursue greenhouse gas
31 reduction projects that were historically uneconomical by allowing it an opportunity for
32 cost recovery and financial incentives to undertake such projects. In recognition of the
33 expenses in furtherance of the Emission Reduction Program, the Company seeks to
34 defer its ongoing costs so that those amounts can be recovered in rates in the event the
35 Commission should conclude that such recovery is appropriate in future proceedings.

1 NW Natural does not seek to defer the costs of any amounts that have already been
2 included in rates, and seeks to only defer costs that it will incur in furtherance of the
3 Emission Reduction Program. NW Natural anticipates that it will need to make a
4 demonstration of the incremental nature of these costs at the time it seeks any cost
5 recovery.

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

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

20 This Application is made pursuant to ORS 757.259(2)(e) in order “to minimize the
21 frequency of rate changes” and to match “the costs borne by and benefits received by

³ *In re Matter of Public Utility Commission of Oregon Staff Request to Open an Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 2 (October 5, 2005).

⁴ *Id.* at 5.

⁵ *Id.* at 2.

1 ratepayers,” associated with the expenses the Company incurs developing and
2 implementing greenhouse gas reduction projects for the State’s Emission Reduction
3 Program. NW Natural seeks the authorization for this deferral to further the important
4 regulatory policies established in Senate Bill 844, which was designed to incentivize gas
5 utilities to invest in projects that reduce carbon emissions and benefit customers.⁶ In
6 conjunction with the statutory incentive and regulatory policies established in Senate Bill
7 844, the Commission should grant this Application to encourage the investment in
8 projects that are otherwise uneconomical to pursue.

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

10 Beginning on January 20, 2021, and ending 12 months from this date, NW
11 Natural proposes to account for the costs associated with the Emission Reduction
12 Program by recording the deferral in Account 186. In the absence of approval of
13 deferred accounting, NW Natural would record the amounts in several accounts
14 affecting the Company’s income statement and balance sheet.

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

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

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21 ///

22 ///

⁶ ORS. 757.539(2).

1 **H. Entries into Deferred Account during past 12 months – OAR 860-027-**
2 **0300(4)(a).**

3 Pursuant to OAR 860-027-300(4)(a), NW Natural has an accumulated deferred
4 balance of \$0 since it began deferring expenses for Senate Bill 844 programs. In past
5 years, the Company has deferred costs associated with projects that were intended to
6 be filed under the Senate Bill 844 program. However, as the Company developed the
7 programs, it was determined that the costs would not be recoverable through rates and
8 the amounts deferred were reversed. No expenses were deferred in the previous 12
9 months.

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

11 NW Natural seeks continuation of this deferral as new projects are currently
12 being developed which may be filed with the Commission in the coming year.

13 **J. Requirement per Commission Order Nos. 09-263 and 09-248.**

14 Below is the information required per Commission Order Nos. 09-263 and 09-
15 248, issued in Docket UM-1286, the Commission's Investigation into Purchase Gas
16 Adjustment Mechanisms:

- 17 1. **A completed Summary Sheet, the location in the PGA filing, and an**
18 **account map that highlights the transfer of dollars from one account to**
19 **another.**

20 The Summary Sheet will be included in the 2021 PGA filing work papers and
21 in the electronic file entitled "Proposed Temps Oregon 2021-22 PGA
22 filing.xlsx."

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

2 This application is for the 12-month period beginning January 20, 2021 and
3 ending January 19, 2022.

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

5 At the time of this filing, the application filed in this docket on January 16,
6 2020 remains pending. The Company is working with Staff to get both last
7 year's application and this year's application on the agenda for the
8 Commission at an upcoming public meeting.

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

10 No costs were deferred last year.

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

12 No costs were amortized last year.

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

14 The interest rate for deferral accounts is 6.965%.

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

16 The Company is unable to estimate the deferral and/or amortization balance
17 as projects have not been developed sufficiently to forecast potential costs for
18 the upcoming PGA filing.

19 **K. Notice – OAR 800-027-0300(3)(e) and (6).**

20 A notice of this Application has been served to all parties who participated in the
21 Company's most recently completed general rate case, UG 388, and is attached to this
22 Application.

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

5 Dated this 19th day of January, 2021.

6 Respectfully Submitted,

7 NW NATURAL

8 /s/ Kyle Walker, CPA

9 Kyle Walker, CPA
10 Rates/Regulatory Manager

11
12 /s/ Eric W. Nelsen

13 Eric W. Nelsen (OSB# 192566)
14 Senior Regulatory Attorney
15



UM 1714

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

January 19, 2021

To All Parties Who Participated in UG 388

Please be advised that on January 19, 2021 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to defer expenses associated with the Emission Reduction Program under Senate Bill 844, pursuant to the provisions of ORS 757.259 and OAR 860-027-0300.

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 388, that a Deferral Reauthorization 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 Commission as follows:

NW Natural
Attn: Kyle Walker
250 SW Taylor Street
Portland, Oregon 97204
Telephone: (503) 610-7051

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street 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 matter within 25 days of this filing. The granting of this 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
UM 1714**

I hereby certify that on January 19, 2021, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES OR REVENUES associated with the Emission Reduction Program under Senate Bill 844 (UM 1714), upon all parties of record for the Company's most recent general rate case, UG 388.

UG 388

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DATED January 19, 2021, Troutdale, OR.

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