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January 19, 2016

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, 2016 through
14 January 19, 2017 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 and
27

¹ ORS 757.539(2).

1 Kyle Walker
2 Rates & Regulatory Affairs
3 220 NW Second Avenue
4 Portland, Oregon 97209-3991
5 Phone: (503) 226-4211 Ext. 5858
6 Email: Kyle.Walker@nwnatural.com
7

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

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

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

25 **E. Reasons for Application for Reauthorization of Deferred Accounting – OAR 860-**
26 **027-0300(3)(b).**

27 ORS 757.259 is a “statutorily authorized exception to the general prohibition against
28 retroactive ratemaking” that allows a “means to address utility expenses or revenues outside of

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

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

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

20 Beginning on January 20, 2016, and ending twelve months from this date, NW Natural
21 proposes to account for the costs associated with the Carbon Solutions Program by recording

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 the deferral in Account 186. In the absence of approval of deferred accounting, NW Natural
2 would record the amounts in several accounts affecting the Company's income statement and
3 balance sheet.

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

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

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

9 Pursuant to OAR 860-027-300(4)(b), NW Natural describes that it has deferred
10 \$107,707.25 dollars under the deferral for which it currently seeks reauthorization.

11 **H. Requirement per Commission Order No. 09-263**

12 Pursuant to Commission Order No. 09-263, issued in Docket UM-1286, NW Natural is
13 required to provide a completed Summary Sheet, the location in the PGA filing of the backup
14 workpapers, and an account map that highlights the transfer of dollars from one account to
15 another. The Summary Sheet will be included in the 2016 PGA filing work papers and in the
16 electronic file entitled "Proposed Temps Oregon 2015-16 PGA filing.xls."

17
18 **I. Notice – OAR 800-027-0300(6).**

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

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

1 Date this 19th day of January 2016.

2 Respectfully Submitted,

3 NW NATURAL

4 /s/ Kyle Walker, CPA

5 Kyle Walker, CPA

6 Rates/Regulatory Analyst



January 19, 2016

**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
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 matter no sooner than 25 days from the date of this Application. 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 19th day of January 2016.

/s/ Shannon L. Seagondollar
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