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January 18, 2019

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 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 participating in the Company’s most recent general rate case, UG 344. 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
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3589
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Analyst

Attachments

**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 757.210 and 757.259, and OAR 860-27-300, for the 12-
5 month period beginning January 20, 2019 through January 19, 2020 for all expenses
6 associated with NW Natural’s activities related to development of projects to be
7 submitted under Senate Bill 844, codified as ORS 757.539, and OAR 860-085-0500
8 through 860-085-0750, implementing that law. Senate Bill 844 established a voluntary
9 emission reduction program (“Emission Reduction Program”) for natural gas utilities to
10 invest in projects that reduce greenhouse gas emissions that the utilities would not
11 undertake in the normal course of business. NW Natural has been and continues to be
12 in the process of developing projects to be implemented pursuant to that law, and
13 originally filed this deferral to ensure that it preserves the ability to assign to each
14 project the appropriate expenses that it may incur in developing them, and to recover

1 those costs as determined appropriate by the Commission. NW Natural now files this
2 application to continue to have this ability to defer costs, as appropriate, so that it can
3 allocate program costs in a way that fulfills the purposes of SB 844. NW Natural
4 anticipates that any cost recovery of deferred expenses would be ruled on as part of the
5 Commission’s review and approval of individual projects under Senate Bill 844, and the
6 associated cost recovery.

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

15 In support of this Application, NW Natural states:

16 **A. NW Natural.**

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

20 **B. Statutory Authority.**

21 This application is filed pursuant to ORS 757.259, which empowers the

¹ ORS 757.539(2).

1 Commission to authorize the deferral of expenses or revenues of a public utility for later
2 inclusion in rates.

3 **C. Communications.**

4 Communications regarding this Application should be addressed to:

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

12
13 Zachary D. Kravitz (OSB# 152870)
14 Director, Rates & Regulatory Affairs
15 220 NW Second Avenue
16 Portland, Oregon 97209-3991
17 Phone: (503) 220-2379
18 Email: zdk@nwnatural.com;

19
20 and

21
22 Kyle Walker, CPA
23 Rates & Regulatory Affairs
24 220 NW Second Avenue
25 Portland, Oregon 97209-3991
26 Phone: (503) 226-4211 Ext. 5858
27 Email: kyle.walker@nwnatural.com

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

31
32 The Emission Reduction Program, provided in ORS 757.539 and OAR 860-085-
33 0500 through 860-085-0750, has enabled NW Natural to pursue greenhouse gas
34 reduction projects that were historically uneconomical by allowing the utility an
35 opportunity for cost recovery and financial incentives to undertake such projects. In
36 recognition of the expenses in furtherance of the Emission Reduction Program, the

1 Company seeks to defer its ongoing costs so that those amounts can be recovered in
2 rates in the event the Commission should conclude that such recovery is appropriate in
3 future proceedings. NW Natural does not seek to defer the costs of any amounts that
4 have already been included in rates, and seeks to only defer costs that it will incur in
5 furtherance of the Emission Reduction Program. NW Natural anticipates that it will
6 need to make a demonstration of the incremental nature of these costs at the time it
7 seeks any cost recovery.

8 **E. Reasons for Application for Reauthorization of Deferred Accounting – OAR**
9 **860-027-0300(3)(b).**

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

² *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).

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 5 (October 5, 2005).

1 found that “encourag[ing] utility or customer behavior consistent with regulatory policy”
2 is appropriate for deferred accounting.⁴

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

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

14 Beginning on January 20, 2019, and ending twelve months from this date, NW
15 Natural proposes to account for the costs associated with the Emission Reduction
16 Program by recording the deferral in Account 186. In the absence of approval of
17 deferred accounting, NW Natural would record the amounts in several accounts
18 affecting the Company’s income statement and balance sheet.

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

⁴ *Id.* at 2.

⁵ ORS. 757.539(2).

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

5 **H. Entries into Deferred Account during past 12 months – OAR 860-027-**
6 **0300(4)(a).**
7

8 Pursuant to OAR 860-027-300(4)(a), NW Natural has deferred \$79,194.75 since
9 it began deferring expenses for SB 844 programs. No expenses were deferred in the
10 previous 12 months.

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

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

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

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

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

21 The Summary Sheet will be included in the 2019 PGA filing work papers and
22 in the electronic file entitled "Proposed Temps Oregon 2019-20 PGA
23 filing.xlsx."

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

2 This application is for the 12-month period beginning January 20, 2019 and
3 ending January 19, 2020.

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

5 Approval to defer expenses associated with NW Natural's activities related to
6 development of projects to be submitted under Senate Bill 844 was last
7 granted on March 13, 2018 under Commission Order No. 18-086.

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

9 No costs were deferred last year.

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

11 No costs were amortized last year.

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

13 The interest rate for deferral accounts is 7.317%.

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

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

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

19 A notice of this Application has been served to all parties that participating in the
20 Company's most recent general rate case, UG 344, and is attached to this Application.

21 NW Natural respectfully requests that the Commission issue an order
22 reauthorizing the Company to defer the expenses described in the Application to ensure

1 that the Company will be authorized to seek to recover costs associated with its
2 Emission Reduction Program beginning on the date of this Application.

3 Dated this 18th day of January 2019.

4 Respectfully Submitted,

5 NW NATURAL

6 /s/ Kyle Walker, CPA

7 Kyle Walker, CPA

8 Rates/Regulatory Analyst

9

10 /s/ Zachary D. Kravitz

11 Zachary D. Kravitz (OSB# 152870)

12 Director, Rates & Regulatory Affairs

13 220 NW Second Avenue

14 Portland, Oregon 97209-3991

15 Phone: (503) 220-2379

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17



UM 1714
**NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER CERTAIN EXPENSES OR REVENUES**

January 18, 2019

To All Parties Participating in UG 344:

Please be advised that on January 18, 2019 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(2)(e).

This is not a rate case. The purpose of this Notice is to inform parties that are participating in the Company's most recent general rate case, UG 344, that a Reauthorization of Deferral 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 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: Filing Center
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 18, 2019. The granting of this Reauthorization 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 1714**

I hereby certify that on January 18, 2019 I served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES ASSOCIATED WITH THE EMISSION REDUCTION PROGRAM UNDER SENATE BILL 844 (UM 1714), upon all parties of record in UG 344, which is the Company's most recent general rate case.

UG 344

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DATED at Portland, Oregon, this 18th day of January 2019.

/s/ Erica Lee-Pella
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