



250 SW Taylor Street  
Portland, OR 97204

503-226-4211  
nwnatural.com

November 24, 2021

***VIA ELECTRONIC FILING***

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

**Re: UM 2132 – NW Natural’s Application for Reauthorization to Defer Costs  
Associated with Horizon 1 Project**

In accordance with ORS 757.259 and OAR 860-027-0300, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith an Application for Reauthorization (“Application”) to use deferred accounting for costs associated with its Horizon 1 Project.

A notice concerning this Application will be sent to all parties who participated in the Company’s last general rate case, UG 388. A copy of the notice and the certificate of service are attached.

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  
Fax: (503) 220-2579  
Phone: (503) 610-7330  
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

*/s/ Kyle Walker, CPA*

Kyle Walker, CPA  
Rates/Regulatory Manager

Attachments

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 2132**

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba, NW NATURAL

For Reauthorization to Defer Certain  
Start-Up Costs Associated with  
Horizon 1 Pursuant to ORS 757.259

APPLICATION

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the  
2 “Company”), hereby requests reauthorization to defer for later ratemaking treatment  
3 operations and maintenance (“O&M”) start-up costs associated with developing and  
4 implementing the first phase of a major information technology and services (“IT&S”)   
5 project, known as Horizon. This application for reauthorization of deferred  
6 accounting (“Application”) is made pursuant to ORS 757.259(2)(e) and OAR 860-  
7 027-0300, for the 12-month period beginning November 30, 2021 through November  
8 29, 2022.

9 In Order No. 21-246, issued August 2, 2021 in this docket, the Commission  
10 approved a comprehensive all-party settlement agreement resolving the issues  
11 raised in the Company’s initial deferral filing for start-up costs associated with the  
12 Horizon project, thereby authoring the deferral of the Oregon-allocated Horizon start-  
13 up costs subject to a sharing mechanism. NW Natural expects that the Horizon  
14 project will be completed and placed in service in 2022 and seeks reauthorization of  
15 deferred accounting for the start-up costs related to Horizon 1 accordingly.

1 In support of this Application, NW Natural states:

2 **A. NW Natural.**

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

7 **B. Statutory Authority.**

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

11 **C. Communications.**

12 Communications regarding this Application should be addressed to:

13 NW Natural  
14 eFiling for Rates & Regulatory Affairs  
15 250 SW Taylor Street  
16 Portland, Oregon 97204  
17 Phone: (503) 610-7330  
18 Fax: (503) 220-2579  
19 Email: eFiling@nwnatural.com;

20  
21 Eric W. Nelsen (OSB# 192566)  
22 Senior Regulatory Attorney  
23 250 SW Taylor Street  
24 Portland, Oregon 97204  
25 Phone: (503) 610-7618  
26 Email: eric.nelsen@nwnatural.com;

27  
28 and

29  
30 ///  
31 ///  
32 ///  
33 ///

1 Kyle Walker, CPA  
2 Rates/Regulatory Manager  
3 250 SW Taylor Street  
4 Portland, Oregon 97204  
5 Phone: (503) 610-7051  
6 Email: kyle.walker@nwnatural.com

7 **D. Description of the Expenses or Revenues for which Deferred**

8 **Accounting is Requested – OAR 860-027-0300(3)(a).**

9 NW Natural requests reauthorization to defer the incremental start-up O&M  
10 expenses associated with the Horizon 1 project. The costs include those that the  
11 Company expects to incur related to (a) pre-requisite projects to ensure that NW  
12 Natural has the necessary technical processes and policies in place to support the  
13 new enterprise resource planning (“ERP”) upgrade; (b) data conversion work to  
14 transition to the new ERP platform; (c) backfilling employees, and (d) the  
15 development and implementation of a robust change management process.

16 **E. Reasons Reauthorization of Deferred Accounting is Being Requested –**

17 **OAR 860-027-0300(3)(b).**

18 ORS 757.259 is a “statutorily authorized exception to the general prohibition  
19 against retroactive ratemaking” that allows a “means to address utility expenses or  
20 revenues outside of the utility’s general rate case proceeding.”<sup>1</sup> As specifically  
21 relevant to this Application, ORS 757.259(2)(e) grants the Commission discretion to  
22 authorize a deferral of “[i]dentifiable utility expenses or revenues, the recovery or  
23 refund of which the commission finds should be deferred in order to minimize the  
24 frequency of rate changes . . . or to match appropriately the costs borne by and

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<sup>1</sup> *In re Pub. Util. Comm’n of Or. Staff Request to Open Investigation Related to Deferred Accounting*,  
Docket UM 1147, Order No. 05-1070 at 2 (Oct. 5, 2005).

1 benefits received by ratepayers.” The Commission applies “a flexible, fact-specific  
2 approach” to determining whether deferred accounting meets either prong of this  
3 two-part test.<sup>2</sup>

4 Here, reauthorization of deferred accounting treatment is appropriate because  
5 it will both minimize the frequency of rate changes and match appropriately the costs  
6 borne by, and benefits received by ratepayers.

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

8 Beginning on November 30, 2021, and ending 12 months from this date, NW  
9 Natural proposes to account for the expenses incurred as a result of Horizon 1’s  
10 O&M implementation costs on the Company’s balance sheet, to later be included in  
11 customer rates. In the absence of approval of deferred accounting, NW Natural  
12 would record costs associated with the implementation of Horizon 1 in FERC 921  
13 expense accounts. NW Natural proposes to track and defer these costs for review  
14 in a subsequent rate case.<sup>3</sup> These amounts would not, under FERC accounting  
15 standards update (ASU) 2018-15 and FERC order,<sup>4</sup> be subject to capitalization.

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

17 NW Natural anticipates incurring approximately \$9.675 million in Horizon 1  
18 implementation costs by the end of 2022 on a system-wide basis, or approximately  
19 \$8.55 million on an Oregon-allocated basis. Per the comprehensive stipulation

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<sup>2</sup> Order No. 05-1070 at 5.

<sup>3</sup> Pursuant to Commission Order No. 08-263, NW Natural will apply an interest rate based in the most recently authorized ROR to this account. See Docket UM 1147, Order No. 08-263 at 1 (noting that, “[h]istorically, a utility’s deferred accounts have earned interest based on that utility’s authorized rate of return (AROR),” before establishing a modified interest rate for deferred accounts during the amortization period).

<sup>4</sup> FERC order in docket No. AI20-1-000, dated December 20, 2019.

1 approved in Order No. 21-246, up to \$8.55 million of Oregon-allocated costs are  
2 eligible for full deferral, and costs incurred in excess of \$8.55 million are eligible for  
3 deferral subject to a sharing mechanism. Under the first sharing band, NW Natural  
4 may defer for later amortization 80 percent of costs between \$8.55 million and \$12  
5 million. Under the second sharing band, NW Natural may defer for later amortization  
6 50 percent of costs that exceed \$12 million.

7 **H. Description of Entries in Deferred Account Under UM 2132 - OAR 860-**  
8 **027-0300(4)(a)**

9 Deferred costs incurred through the most recently completed month of  
10 October 2021 are \$5.25 million on an Oregon allocated basis.

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

12 NW Natural will continue to incur incremental start-up O&M costs related to its  
13 Horizon 1 project until the project is completed and placed in service, which is  
14 currently expected to be in 2022.

15 **J. Requirement per Commission Order No. 09-263**

16 Below is the information required per Commission Order No. 09-263, issued  
17 in Docket UM-1286, Staff's Investigation into Purchase Gas Adjustment ("PGA")  
18 Mechanisms:

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

22 Exhibit A includes the Summary Sheet which shows the amounts deferred  
23 and demonstrates the transfer of dollars from one account to another.

1 This deferral was not included for amortization in the 2021-22 PGA filing. If  
2 the Company proposes amortization in the upcoming PGA filing, Exhibit A  
3 would be attached to our electronic 2022-23 PGA filing as a file entitled,  
4 "Proposed Temps Oregon 2022-2023 PGA....xlsx."

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

6 This application is for the 12-month period beginning November 30, 2021  
7 and ending November 29, 2022.

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

9 Approval to use deferred accounting for O&M start-up costs associated  
10 with Horizon 1 was last granted on August 2, 2021, in Commission Order  
11 No. 21-246.

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

13 \$5,254,758 was deferred for Oregon during the last deferral year of  
14 November 30, 2020 through the most recent month, October 31, 2021.

15 This amount includes \$101,789 of interest through October 31, 2021.

16 **5. The interest rate that will apply to the accounts.**

17 The interest rate for deferral accounts is 6.965%.

18 **6. An estimate of the upcoming PGA-period deferral and/or**  
19 **amortization.**

20 NW Natural is unable to estimate the amount to be deferred during the  
21 next PGA cycle. The Company's intent is to amortize for collection all that  
22 is deferred.

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

2 A notice of this Application has been served to all parties who participated in  
3 the Company's last general rate case, UG 388, and is attached to this Application.

4 NW Natural respectfully requests that the Commission issue an order  
5 reauthorizing the Company to use deferred accounting for O&M start-up costs  
6 associated with Horizon 1, beginning on November 30, 2021.

7 Dated this 24<sup>th</sup> day of November 2021.

8 Respectfully Submitted,

9 NW NATURAL

10 /s/ Kyle Walker, CPA  
11 Kyle Walker, CPA  
12 Rates/Regulatory Manager

13  
14 /s/ Eric W. Nelsen  
15 Eric W. Nelsen (OSB# 192566)  
16 Senior Regulatory Attorney  
17 250 SW Taylor Street  
18 Portland, Oregon 97204  
19 Phone: (503) 610-7618  
20 Email: eric.nelsen@nwnatural.com  
21



Company: Northwest Natural Gas Company  
 State: Oregon  
 Description: Oregon Horizon 1 Deferral  
 Account Number: 186294  
 Other Info: UM 2132

Debit (Credit)							
Month/Year	Deferral	Transfers	TOTAL Interest	Interest Rate	TOTAL Activity	TOTAL Balance	
1	Beginning Balance						-
2	Dec-20	0.00	0.00	6.965%	0.00	0.00	0.00
3	Jan-21	77,057.37	223.63	6.965%	77,281.00	77,281.00	77,281.00
4	Feb-21	25,025.95	521.18	6.965%	25,547.13	102,828.13	102,828.13
5	Mar-21	170,160.10	1,090.65	6.965%	171,250.75	274,078.88	274,078.88
6	Apr-21	433,067.78	2,847.60	6.965%	435,915.38	709,994.26	709,994.26
7	May-21	492,925.13	5,551.43	6.965%	498,476.56	1,208,470.82	1,208,470.82
8	Jun-21	853,240.25	9,490.34	6.965%	862,730.59	2,071,201.42	2,071,201.42
9	Jul-21	588,790.52	13,730.32	6.965%	602,520.83	2,673,722.25	2,673,722.25
10	Aug-21	714,885.50	17,593.39	6.965%	732,478.89	3,406,201.14	3,406,201.14
11	Sep-21	1,008,107.17	22,695.77	6.965%	1,030,802.94	4,437,004.07	4,437,004.07
12	Oct-21	789,708.79	28,044.91	6.965%	817,753.70	5,254,757.77	5,254,757.77
13							
14		5,152,968.56	101,789.22				
15	<b>Notes:</b>						
16							
17							



UM 2132

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER  
COSTS ASSOCIATED WITH NW NATURAL'S HORIZON 1 PROJECT**

November 24, 2021

**To All Parties Who Participated in UG 388**

Please be advised that on November 24, 2021 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for REAUTHORIZATION TO DEFER COSTS ASSOCIATED WITH HORIZON 1 PROJECT.

**This is not a rate case.** The purpose of this Notice is to inform parties who participated in the Company's last general rate case, UG 388, that a Reauthorization of Deferral Application ("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  
Phone: (503) 610-7051**

**Public Utility Commission of Oregon  
Attn: Filing Center  
201 High Street SE, Suite 100  
PO Box 1088  
Salem, Oregon 97308-1088  
Phone: (503) 378-6678**

Any person may submit to the Commission written comments on this matter within 25 days of the service of this notice. 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

UM 2132

I hereby certify that on November 24, 2021 I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS ASSOCIATED WITH NW NATURAL'S HORIZON 1 PROJECT upon all parties of record for the Company's last general rate case, UG 388.

### UG 388

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DATED November 24, 2021, Troutdale, OR.

/s/ Erica Lee-Pella

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250 SW Taylor Street  
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