

VIA ELECTRONIC FILING

February 25, 2022

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

Re: UM 2155 – NW Natural’s Application for Reauthorization to Defer Costs or Revenues Associated with Phase 3 GeoTEE Pilot Program

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 defer certain costs or revenues associated with Phase 3 of NW Natural’s Geographically Targeted Energy Efficiency (“GeoTEE”) pilot program.

A notice concerning this Application will be sent to all parties participating in the Company’s current general rate case, UG 435. 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
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 2155

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba, NW NATURAL

APPLICATION

For Reauthorization to Defer Costs or
Revenues Associated with NW
Natural's Geographically Targeted
Energy Efficiency Pilot Program
Pursuant to ORS 757.259

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 defer for
4 later ratemaking treatment costs or revenues associated with Phase 3 of NW
5 Natural's Geographically Targeted Energy Efficiency ("GeoTEE") pilot program
6 pursuant to ORS 757.259 and OAR 860-027-0300, for the 12-month period
7 beginning February 28, 2022, through February 27, 2023.

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
11 jurisdiction of the Commission regarding rates, service, and accounting practices.
12 NW Natural provides retail natural gas service in the States of Oregon and
13 Washington.

1 **B. Statutory Authority.**

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

5 **C. Communications.**

6 Communications regarding this Application should be addressed to:

7 e-Filing
8 NW Natural Rates & Regulatory Affairs
9 250 SW Taylor Street
10 Portland, Oregon 97204
11 Phone: (503) 610-7330
12 Email: eFiling@nwnatural.com;

13
14 Ryan Sigurdson (OSB #201722)
15 Regulatory Attorney
16 250 SW Taylor Street
17 Portland, Oregon 97204
18 Phone: (503) 610-7570
19 Email: ryan.sigurdson@nwnatural.com;

20
21 and

22
23 Kyle Walker, CPA
24 Rates/Regulatory Manager
25 250 SW Taylor Street
26 Portland, Oregon 97204
27 Phone: (503) 610-7051
28 Email: kyle.walker@nwnatural.com

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

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

31 In this Application, the Company is requesting that the Commission
32 reauthorize the deferral of costs or revenues associated with Phase 3 of the
33 GeoTEE pilot program. The deferred costs are for increased energy efficiency
34 incentives for customers in the Creswell/Cottage Grove area, and any deferred

1 revenues would represent unspent funds returned to the Company. An earlier 2018
2 IRP Update, filed April 17, 2019, included an Energy Trust of Oregon (“ETO”)-
3 prepared estimated budget for the Pilot at approximately \$1.5 million. This was for
4 the entirety of the project, originally planned in the Silverton area. The costs for the
5 Phase 3 activities, now in the Creswell/Cottage Grove area, are currently estimated
6 to be \$644,196, as shown in an exhibit to the agreement between ETO and NW
7 Natural, and included here as Exhibit A.

8 This figure is a ‘top-down’ estimate from ETO and reflects NW Natural’s best
9 understanding of the anticipated costs. The figure will be refined further once ETO
10 completes a ‘bottom-up’ estimate of spending required. To be clear, NW Natural is
11 not seeking a prudence determination of these costs and revenues in this application
12 nor is it requesting a decision on the appropriate recovery mechanism for this
13 project. Rather, if deferred accounting is approved, NW Natural will seek a prudence
14 determination of these costs and revenues, and the appropriate recovery
15 mechanism, at the time the Company requests amortization and inclusion in
16 customer rates.

17 **E. Reasons Reauthorization of Deferred Accounting is Being Requested –**
18 **OAR 860-027-0300(3)(b).**

19 ORS 757.259 is a “statutorily authorized exception to the general prohibition
20 against retroactive ratemaking” that allows a “means to address utility expenses or
21 revenues outside of the utility’s general rate case proceeding.”¹ As specifically

¹ *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 relevant to this Application, ORS 757.259(2)(e) grants the Commission discretion to
2 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
4 frequency of rate changes . . . or to match appropriately the costs borne by and
5 benefits received by ratepayers.” The Commission applies “a flexible, fact-specific
6 approach” to determining whether deferred accounting meets either prong of this
7 two-part test.²

8 Here deferred accounting treatment is appropriate because it will both
9 minimize the frequency of rate changes and match appropriately the costs borne by
10 and benefits received by ratepayers. Without deferred accounting treatment,
11 NW Natural would face the possibility of incurring approximately \$645,000 in prudent
12 and necessary Oregon-allocated expenses with no possibility of cost recovery.
13 Moreover, deferring Phase 3 GeoTEE costs for potential future recovery will align
14 the project’s costs and benefits, consistent with ORS 757.259(2)(e)’s matching
15 principle. Thus, NW Natural’s application for deferred accounting meets the
16 necessary statutory criteria for deferral at the Commission’s discretion.

17 In determining whether to exercise its discretion and approve a deferred
18 accounting application, this Commission considers (1) whether the expense was
19 foreseeable and therefore could have been modeled in rates; and (2) whether the
20 expense is “significan[t].”³ Here, GeoTEE was foreseen—and, indeed, extensively

² Order No. 05-1070 at 5.

³ Order No. 05-1070 at 7 (stating that the utility seeking deferred accounting treatment “bears the burden of identifying the event [triggering the application] and showing its significance”).

1 described—in NW Natural’s 2018 IRP Update, but was appropriately *not* included in
2 base rates due to the short-term nature of the pilot.

3 Moreover, absent a regulatory deferral, NW Natural would be required to
4 internalize the entirety of these significant costs. Such an outcome would unjustly
5 penalize NW Natural for pursuing a pilot program to analyze the potential of using
6 GeoTEE in place of infrastructure upgrades. The use of GeoTEE could prove to be
7 more cost effective for customers than infrastructure upgrades necessary to provide
8 safe and reliable customer service.

9 NW Natural’s proposed deferred accounting treatment in this case is
10 consistent with Commission precedent for recovery of the significant costs
11 associated with implementing pilot projects. For instance, the Commission recently
12 approved deferred accounting treatment associated with the incremental costs for
13 Portland General Electric Company’s (“PGE”) Automated Demand Response Pilot
14 (ADR Pilot)⁴. Other PGE pilots with deferrals include a Photovoltaic Volumetric
15 Incentive Rate Pilot, two Residential Demand Response Pilots⁵, and a Demand
16 Response Testbed Pilot⁶.

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

18 Beginning on February 28, 2022, and ending 12 months from this date, NW
19 Natural proposes to account for the expenses incurred, if any, as a result of Phase 3
20 costs on the Company’s balance sheet, to later be included in customer rates. The

⁴ In the Matter Portland General Electric Company, Application for Reauthorization of Deferral of Incremental Costs Associated with Automated Demand Response, UM 1514, Order No. 20-479 (2020).

⁵ See OPUC Docket UM 1708.

⁶ See OPUC Docket UM 1976.

1 Company is not requesting additional expenses for the GeoTEE Pilot Project at this
2 time. In the absence of approval of deferred accounting, NW Natural would record
3 costs or revenues associated with the Phase 3 GeoTEE pilot in FERC 923 expense
4 accounts. NW Natural proposes to track and defer these costs or revenues for later
5 inclusion in rates.⁷

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

7 The GeoTEE Pilot Project is ongoing. The prior estimated amount of
8 \$644,196 has not changed. Any unspent funds returned by ETO will be credited to
9 Account 186 offsetting any recorded deferral costs.

10 **H. Description of Entries in Deferred Account Under UM 2155 - OAR 860-**
11 **027-0300(4)(a)**

12 If unspent funds are returned by the Energy Trust of Oregon, the Company
13 would book a credit to Account 186 offsetting any recorded deferral costs. If further
14 expenses are needed, the Company would first come to the Commission with a
15 request for funds beyond the initial estimate of \$644,196.

16 **I. Reason for Continuation of Deferral Account – OAR 860-027-**
17 **0300(4)(b)**

18 The continuation of deferred accounting for the matters addressed above is
19 justified because they are continuing in nature.

⁷ 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).

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

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

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

8 Exhibit B includes a Summary Sheet that shows the amounts deferred
9 including interests. If the Company proposes amortization in the
10 upcoming PGA filing, Exhibit B would be attached to our electronic 2022-
11 23 PGA filing as a file entitled, "Proposed Temps Oregon 2022-2023
12 PGA....xlsx."

- 13 **2. The effective date of the deferral**

14 This application is for the 12-month period beginning February 28, 2022
15 and ending February 27, 2023.

- 16 **3. Prior year Order Number approving the deferral**

17 Approval to use deferred accounting for costs associated with the
18 GeoTEE pilot program was last granted on April 22, 2021, in Commission
19 Order No. 21-121.

- 20 **4. The amount deferred last year.**

21 The Company's original estimate of expenses of \$644,196 is still a current
22 estimate. The GeoTEE Pilot is ongoing; further expenses and revenues
23 are possible. Phase 3 of the pilot will continue through August 2022.

EXHIBIT A
FUNDING SCHEDULE

In compliance with Section 4, NW Natural will pay GeoTEE Phase 3 Funds to Energy Trust for incremental incentives and pilot deliver services in accordance with the following schedule:

Installments:

July 1, 2021	\$ 214,732.00
October 1, 2021	\$ 214,732.00
January 1, 2022	\$ 214,732.00

In the event the 1st of the month should fall on a weekend, or a United States of American Federal holiday, then the required funding shall be transferred on the last business day before the weekend or holiday.

The above stated funding for \$644,196.00 in GeoTEE Phase 3 Funds to be distributed to Energy Trust in 2021 and 2022 is for acquisition of to be determined peak therm savings. The above funding schedule is based on the following budget:

2021 Funding Requirement **\$644,196.00**

	Total costs	Delivery Costs	Incentive costs
Phase 3 Incremental to statewide offers			
Commercial	\$106,405	\$39,654	\$66,751
Residential	\$537,792	\$233,851	\$303,940
Total	\$644,196	\$273,505	\$370,691



UM 2155

NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS OR REVENUES ASSOCIATED WITH PHASE 3 GEOTEE PILOT PROGRAM

February 25, 2022

To All Parties Participating in UG 435

Please be advised that on February 25, 2022, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for REAUTHORIZATION TO DEFER COSTS OR REVENUES ASSOCIATED WITH PHASE 3 GEOTEE PILOT PROGRAM.

This is not a rate case. The purpose of this Notice is to inform parties participating in the Company's current general rate case, UG 435, 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
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 deferral reauthorization 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 2155

I hereby certify that on February 25, 2022, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS OR REVENUES ASSOCIATED WITH NW NATURAL'S PHASE 3 GEOTEE PILOT PROGRAM upon all parties of record for the Company's current general rate case, UG 435.

UG 435

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DATED February 25, 2022, Troutdale, OR.

/s/ Erica Lee-Pella
Erica Lee-Pella
Rates & Regulatory Affairs, NW Natural