

September 1, 2022

***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 2192 – NW Natural’s Application to Defer Accounting for TSA Security Directive 2 Compliance Expenses**

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 (“Application”) to defer accounting for Transportation Security Administration (“TSA”) Security Directive 2 compliance expenses. The Company previously filed a deferral application in this docket on September 2, 2021, for the period ending September 1, 2022. The Commission has yet to rule on that application. In this Application, NW Natural seeks to extend the deferral period through September 1, 2023.

This Application contains proprietary business and financial information considered confidential under General Protective Order No. 21-431.

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 2192**

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba, NW NATURAL

For Authorization to Defer Accounting  
for TSA Security Directive 2  
Compliance Expenses.

**SECOND APPLICATION FOR  
DEFERRED ACCOUNTING**

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the  
2 “Company”), requests authorization to defer for later ratemaking treatment the  
3 amounts spent by NW Natural to comply with Department of Homeland  
4 Security’s Transportation Security Administration (“TSA”) Security Directive  
5 Pipeline-2021-2 (“Security Directive 2”). This application for deferred accounting  
6 treatment (“Application”) is made pursuant to ORS 757.259(2)(e) and OAR 860-  
7 027-0300. The Company previously filed a deferral application in this docket on  
8 September 2, 2021, for the period ending September 1, 2022. The Commission  
9 has yet to rule on that application. In this Application, NW Natural seeks to  
10 extend the deferral period for the TSA Security Directive 2 expenses through  
11 September 1, 2023.

12 NW Natural is a public utility providing retail natural gas service in the  
13 State of Oregon and is subject to the jurisdiction of the Commission regarding  
14 rates, service, and accounting practices.

1 Communications regarding this Application should be addressed to:

NW Natural  
e-Filing for Rates & Regulatory  
Affairs  
250 SW Taylor Street  
Portland, Oregon 97204-3038  
Phone: (503) 610-7330  
Facsimile: (503) 220-2579  
Email: eFiling@nwnatural.com

Ryan Sigurdson  
Regulatory Attorney (OSB #201722)  
250 SW Taylor Street  
Portland, Oregon 97204-3038  
Phone: (503) 610-7570  
Email: ryan.sigurdson@nwnatural.com

Kyle Walker, CPA  
Manager, Rates/Regulatory  
250 SW Taylor Street  
Portland, Oregon 97204-3038  
Phone: (503) 610-7051  
Email:  
kyle.walker@nwnatural.com

2 **I. BACKGROUND**

3 The TSA issued two security directives addressing cybersecurity issues  
4 for critical pipeline owners and operators: Security Directive Pipeline-2021-01  
5 (“Security Directive 1”) and Security Directive 2. As an owner and operator of  
6 critical pipelines, NW Natural must comply with these directives, and in this  
7 Application, NW Natural seeks to defer costs associated with implementation of  
8 Security Directive 2.

9 The TSA issued Security Directive 2 on July 20, 2021, requiring  
10 designated owners and operators to (1) implement specific mitigation measures  
11 to protect against ransomware attacks and other related threats, (2) develop and  
12 implement a cybersecurity contingency and response plan, and (3) conduct a  
13 cybersecurity architecture design review. NW Natural is implementing Security  
14 Directive 2 and expects to continue incurring expenses to comply with these  
15 requirements.

1 The Company recognizes the importance of TSA security directives given  
2 the increase in cybersecurity incidents targeting the energy industry and the role  
3 the Company plays as an owner and operator of critical pipeline infrastructure.  
4 NW Natural expects to continue to incur significant compliance costs due to the  
5 comprehensive aims and reach of Security Directive 2.

## 6 II. APPLICATION

7 ORS 757.259 empowers the Commission to authorize the deferral of  
8 expenses or revenues of a public utility for later inclusion in rates.<sup>1</sup> The  
9 Commission has established rules implementing this statute in OAR 860-027-  
10 0300, including specific requirements for deferred accounting applications—each  
11 of which is addressed in turn, below.

### 12 A. Description of the Expenses to be Deferred – OAR 860-027- 13 0300(3)(a).

14 The TSA issued the security directives to protect critical pipeline systems  
15 and Security Directive 2 does so by requiring owners and operators to implement  
16 specific mitigation measures, to implement cybersecurity contingency and  
17 recovery plans, and to conduct cyber security architecture design reviews. NW  
18 Natural requests that the Commission authorize the deferral of the TSA Security  
19 Directive 2 expenses through September 1, 2023.<sup>2</sup> NW Natural’s current  
20 estimate of Security Directive 2 expenses from September 1, 2022 to September

---

<sup>1</sup> See also *In re Pub. Util. Comm’n of Or. Investigation of the Scope of the Commission’s Authority to Defer Capital Costs*, Docket UM 1909, Order No. 20-147 at 3, 11 (Apr. 30, 2020) (ORS 757.259 “empowers the Commission to authorize the deferral of capital project costs, including depreciation expense and financing costs.”).

<sup>2</sup> This deferral also includes expenses that NW Natural incurs to comply with any TSA revisions to Security Directive 2.

1 1, 2023 is approximately [REDACTED]. This estimate is based on many unknown  
2 factors surrounding the TSA and therefore is a rough estimate.

3 **B. Reasons Deferred Accounting is Requested – OAR 860-027-**  
4 **0300(3)(b)**

5 ORS 757.259 is a “statutorily authorized exception to the general  
6 prohibition against retroactive ratemaking” that provides a “means to address  
7 utility expenses or revenues outside of the utility’s general rate case  
8 proceeding.”<sup>3</sup> The Commission has discretion under ORS 757.259(2)(e) to  
9 authorize deferral of “[i]dentifiable utility expenses or revenues, the recovery or  
10 refund of which the commission finds should be deferred in order to minimize the  
11 frequency of rate changes or the fluctuation of rate levels or to match  
12 appropriately the costs borne by and benefits received by ratepayers.” Here,  
13 deferred accounting is appropriate because complying with Security Directive 2 is  
14 mandated by a federal agency, imperative to ensuring pipeline security, and will  
15 continue to cause NW Natural to incur significant costs that are not currently  
16 accounted for in the Company’s rates. This includes capital investments and  
17 incremental operations and maintenance (“O&M”) expense, both ongoing and  
18 start up. Importantly, these critical and prudent costs may not otherwise be  
19 recoverable absent authorization of deferred accounting. Finally, the use of  
20 deferred accounting will allow for matching of the costs borne by and benefits  
21 received by ratepayers.

---

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

1 **C. Accounting Treatment of Expenses With and Without Deferred**  
2 **Accounting – OAR 860-027-0300(3)(c).**

3 Beginning on the date of its original deferral application (September 1,  
4 2021), NW Natural proposes to account for the expenses incurred because of  
5 TSA Security Directive 2 compliance on the company's balances sheet, to later  
6 be included in customer rates.

7 **D. Estimation of the Amounts Subject to Deferral – OAR 860-027-**  
8 **0300(3)(d).**

9 As described above, NW Natural anticipates incurring approximately  
10 [REDACTED] in expenses from September 1, 2022 to September 1, 2023.

11 **E. Notice of the Application for Deferred Accounting – OAR 860-027-**  
12 **0300(3)(e).**

13 OAR 860-027-0300(3)(e) requires NW Natural to provide a copy of the  
14 notice of application for deferred accounting and list those persons served with  
15 the notice. Notice must be served on all persons who were parties in the  
16 Company's last general rate case.<sup>4</sup>

17 A notice of this Application has been served to all parties participating in  
18 the Company's current rate case, docket UG 435. A copy of this notice is  
19 attached to this Application.

---

<sup>4</sup> OAR 860-027-0300(6).

1 **F. Entries in the deferred account to the date of the application for**  
2 **reauthorization – OAR 860-027-0300(4)(a)**

3 As of July 30, 2022, NW Natural has sought to defer approximately [REDACTED]  
4 [REDACTED]. These are expenses related to complying with Security Directive 2. As  
5 stated above, the Commission has not yet ruled on NW Natural's initial  
6 application to defer this amount.

7 **G. Reasons Deferred Accounting Should be Continued -- OAR 860-027-**  
8 **0300(4)(b)**

9 In its initial application in this docket, NW Natural sought deferred  
10 accounting of the costs described in section F above. In this Application, NW  
11 Natural seeks to continue to defer those costs through September 2, 2023. As  
12 explained in section B above, deferred accounting is appropriate because  
13 complying with Security Directive 2 is mandated by a federal agency, imperative  
14 to ensuring pipeline security, and will continue to cause NW Natural to incur  
15 significant costs that are not currently accounted for in the Company's rates.

16 **III. CONCLUSION**

17 NW Natural respectfully requests that the Commission issue an order  
18 authorizing the Company to defer the amounts described in this Application  
19 associated with Security Directive 2.

20 ///

21 ///

22 ///

23 ///



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18

Dated this 1<sup>st</sup> day of September 2022.

Respectfully Submitted,

NW NATURAL

/s/ Kyle Walker, CPA  
Kyle Walker, CPA  
Rates/Regulatory Manager  
250 SW Taylor Street  
Portland, Oregon 97204-3038  
Phone: (503) 610-7051  
Email: kyle.walker@nwnatural.com

/s/ Ryan Sigurdson  
Ryan Sigurdson  
Regulatory Attorney (OSB #201722)  
250 SW Taylor Street  
Portland, Oregon 97204-3038  
Phone: (503) 610-7570  
Email: ryan.sigurdson@nwnatural.com



UM 2192

**NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER ACCOUNTING FOR  
TSA SECURITY DIRECTIVE 2 COMPLIANCE EXPENSES**

September 1, 2022

**To All Parties Participating in UG 435**

Please be advised that on September 1, 2022, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for AUTHORIZATION TO DEFER ACCOUNTING FOR TSA SECURITY DIRECTIVE 2 COMPLIANCE EXPENSES.

**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 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 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 2192**

I hereby certify that on September 1, 2022, I have served by electronic mail the NOTICE OF APPLICATION TO DEFER ACCOUNTING FOR TSA SECURITY DIRECTIVE 2 COMPLIANCE EXPENSES upon all parties of record for NW Natural's current general rate case, UG 435. The unredacted, confidential portions of the application have also been served electronically to parties who have signed the General Protective Order No. 21-431 in docket UM 2192.

**UG 435**

OREGON CITIZENS' UTILITY  
BOARD  
dockets@oregoncub.org

WILLIAM GEHRKE  
OREGON CITIZENS' UTILITY  
BOARD  
will@oregoncub.org

MICHAEL GOETZ  
OREGON CITIZENS' UTILITY  
BOARD  
mike@oregoncub.org

EDWARD FINKLEA  
ALLIANCE OF WESTERN  
ENERGY CONSUMERS  
efinklea@awec.solutions

CHAD M. STOKES  
CABLE HUSTON LLP  
cstokes@cablehuston.com

TOMMY A. BROOKS  
CABLE HUSTON LLP  
tbrooks@cablehuston.com

STEPHANIE ANDRUS  
PUBLIC UTILITY COMMISSION  
stephanie.andrus@doj.state.or.us

MATTHEW MULDOON  
PUBLIC UTILITY COMMISSION  
matt.muldoon@puc.oregon.gov

JAMES BIRKELUND  
SMALL BUSINESS UTILITY  
ADVOCATES  
james@utilityadvocates.org

DIANE HENKELS  
SMALL BUSINESS UTILITY  
ADVOCATES  
diane@utilityadvocates.org

DANNY KERMODE  
SMALL BUSINESS UTILITY  
ADVOCATES  
5553dkcpa@gmx.us

CARRA SAHLER  
LEWIS & CLARK LAW  
SCHOOL  
sahler@lclark.edu

JAIMINI PAREKH  
EARTHJUSTICE  
jparekh@earthjustice.org

KRISTEN BOYLES  
EARTHJUSTICE  
kboyles@earthjustice.org

ADAM HINZ  
EARTHJUSTICE  
ahinz@earthjustice.org

JOCELYN PEASE (C)  
MCDOWELL RACKNER &  
GIBSON PC  
jocelyn@mrg-law.com

MCDOWELL RACKNER &  
GIBSON PC  
dockets@mrg-law.com

ERIC NELSEN (C)  
NW NATURAL  
eric.nelsen@nwnatural.com

NW NATURAL  
efiling@nwnatural.com

DATED September 1, 2022, Troutdale, OR.

/s/ Erica Lee-Pella  
Erica Lee-Pella  
Rates & Regulatory Affairs, NW Natural  
250 SW Taylor Street  
Portland, Oregon 97204  
(503) 610-7330  
erica.lee-pella@nwnatural.com