

January 16, 2024

**VIA ELECTRONIC FILING**

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

**Re: UM 2266 - Application for Reauthorization to Defer the Difference Between Forecast Cost of Service and Actual Cost of Service of Renewable Natural Gas Qualified Investments Under Schedule 198**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), files herewith an application for reauthorization to defer for later ratemaking treatment the difference between the forecast cost of service and the actual cost of service of its renewable natural gas qualified investments under Schedule 198, Renewable Natural Gas Adjustment Mechanism.

A notice concerning this application will be sent to all parties who participated in the Company’s last completed 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, OR 97204  
Phone: (503) 610-7330  
Fax: (503) 220-2579  
eFiling@nwnatural.com

Sincerely,

*/s/ Kyle Walker, CPA*

Kyle Walker, CPA  
Rates/Regulatory Senior Manager

Attachments

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 2266**

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba, NW NATURAL

For Reauthorization to Defer the  
Difference Between Forecast Cost of  
Service and Actual Cost of Service of  
RNG Qualified Investments Under  
Schedule 198 Pursuant to ORS  
757.259

**APPLICATION FOR  
DEFERRED ACCOUNTING**

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the  
2 “Company”), requests reauthorization to defer for later ratemaking treatment the  
3 difference between the forecast cost of service and the actual cost of service of  
4 its renewable natural gas (“RNG”) qualified investments under Schedule 198,  
5 Renewable Natural Gas Adjustment Mechanism. This application for deferred  
6 accounting treatment (“Application”) is made pursuant to ORS 757.259(2)(e) and  
7 OAR 860-027-0300.

8 On July 15, 2019, Senate Bill 98 (ORS 757.390-398) was enacted to  
9 facilitate the acquisition of RNG by allowing natural gas utilities to fully recover  
10 their prudently incurred costs associated with such acquisitions.<sup>1</sup> For a “large  
11 natural gas utility,” such as NW Natural, ORS 757.396 also includes certain RNG  
12 targets. These targets are phased in over time, starting at 5% of Oregon sales in

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<sup>1</sup> ORS 757.394; ORS 757.396(2).

1 2020 and gradually increasing to 30% by 2045.<sup>2</sup> Per ORS 757.396(2)(a), NW  
2 Natural sought to recover its qualified investments in RNG, as well as the  
3 operating costs of such investments, through an automatic adjustment clause  
4 (“AAC”). On October 24, 2022, the Commission approved the AAC in Order No.  
5 22-388 with several modifications.<sup>3</sup> The Commission subsequently accepted NW  
6 Natural’s compliance filing, which included the AAC—Schedule 198—with the  
7 modifications required in Order No. 22-388.<sup>4</sup>

8 Per Order No. 22-388, Schedule 198 “allow[s] for the deferral of costs  
9 between forecast RNG costs and actual RNG costs, but subject[s] that deferral to  
10 an earnings test that includes deadbands at 50 basis points below and above  
11 authorized ROE [return on equity] . . .”<sup>5</sup> The purpose of this Application is to  
12 reauthorize such a deferral.

13 In support of this Application, NW Natural states:

14 **A. NW Natural.**

15 NW Natural is a public utility in the State of Oregon and is subject to the  
16 jurisdiction of the Commission regarding rates, service, and accounting practices.

17 NW Natural provides retail natural gas service in the States of Oregon and

18 Washington.

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<sup>2</sup> ORS 757.396(1).

<sup>3</sup> *In the Matter of NW Natural, Request for a General Rate Revision*, Docket UG 435, Advice 20-19, Schedule 198 Renewable Natural Gas Recovery Mechanism, Dockets ADV 1215 and UG 411, Order No. 22-388 at 81-82 (Oct. 24, 2022).

<sup>4</sup> *In the Matter of NW Natural, Request for a General Rate Revision*, Docket UG 435, Advice 20-19, Schedule 198 Renewable Natural Gas Recovery Mechanism, Dockets ADV 1215 and UG 411, Acknowledged Utility Filing, available at: <https://edocs.puc.state.or.us/efdocus/UBH/ug435ubh163830.pdf>. (Oct. 31, 2022).

<sup>5</sup> *In the Matter of NW Natural, Request for a General Rate Revision*, Docket UG 435, Advice 20-19, Schedule 198 Renewable Natural Gas Recovery Mechanism, Dockets ADV 1215 and UG 411, Order No. 22-388 at 81-82 (Oct. 24, 2022).

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  
4 for later inclusion in rates.

5 **C. Communications.**

6 Communications regarding this Application should be addressed to:

7 NW Natural  
8 e-Filing for Rates & Regulatory Affairs  
9 250 SW Taylor Street  
10 Portland, Oregon 97204-3038  
11 Phone: (503) 610-7330  
12 Facsimile: (503) 220-2579  
13 Email: [eFiling@nwnatural.com](mailto:eFiling@nwnatural.com);

14  
15 Ryan Sigurdson  
16 Regulatory Attorney (OSB #201722)  
17 250 SW Taylor Street  
18 Portland, Oregon 97204-3038  
19 Phone: (503) 610-7570  
20 Email: [ryan.sigurdson@nwnatural.com](mailto:ryan.sigurdson@nwnatural.com);

21  
22 and

23  
24 Kyle Walker, CPA  
25 Rates/Regulatory Senior Manager  
26 250 SW Taylor Street  
27 Portland, Oregon 97204-3038  
28 Phone: (503) 610-7051  
29 Email: [kyle.walker@nwnatural.com](mailto:kyle.walker@nwnatural.com)

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

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

34 Consistent with Order No. 22-388, NW Natural requests that the  
35 Commission approve the deferral of the difference between the forecasted cost

1 of its RNG qualified investments and the actual costs of those investments,  
2 subject to the deadbands cited above.

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

5 NW Natural is seeking this deferral as directed in Order No. 22-388.

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

7 Beginning on January 16, 2024, and ending on January 15, 2025, NW  
8 Natural proposes to account for the costs associated with the Lexington Project  
9 by recording the deferral in Account 186. In the absence of approval of deferred  
10 accounting, NW Natural would record the amounts in several accounts affecting  
11 the Company's income statement and balance sheet.

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

13 NW Natural currently does not have an estimate of the difference between  
14 forecasted and actual costs of its RNG qualified investments.

15 **H. Entries into Deferred Account during past 12 months – OAR 860-027-**  
16 **0300(4)(a).**

17 \$1,072,610 was deferred, including interest, during the period of  
18 January 1, 2023 through December 31, 2023. Attached as Exhibit A to  
19 this application are work papers detailing the amounts deferred to date  
20 under UM 2266.

21 **I. Reason for Continuation of Deferral Account – OAR 860-027-**  
22 **0300(4)(b)**

1 NW Natural is seeking to continue this deferral as directed in Order No.  
2 22-388.

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

4 Below is the information required per Commission Order Nos. 09-263 and  
5 09-248, issued in Docket UM-1286, the Commission's Investigation into  
6 Purchase Gas Adjustment Mechanisms:

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

10 The Summary Sheet will be included in the 2024 PGA filing work  
11 papers if there are costs to report. If so, the Summary Sheet will be  
12 provided in the electronic file entitled "Proposed Temps Oregon 2024-  
13 25 PGA filing.xlsx."

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

15 This application is for the 12-month period beginning January 16, 2024  
16 and ending January 15, 2025.

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

18 Approval to defer for later ratemaking treatment the difference between  
19 the forecast cost of service and the actual cost of service of its RNG  
20 qualified investments under Schedule 198, Renewable Natural Gas  
21 Adjustment Mechanism, was last granted on September 11, 2023, under  
22 Commission Order No. 23-328.

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

1 \$1,072,610 was deferred during the period of January 1, 2023 through  
2 December 31, 2023. This amount includes \$40,940 of interest.

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

4 \$83,610 was amortized from January 1, 2023 through December 31,  
5 2023. This amount includes \$4,188 of interest.

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

7 The interest rate for deferral accounts is 6.836%, which is the  
8 Company's most recent cost of capital settlement in a general rate  
9 case.

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

12 NW Natural is unable to provide an estimate of the upcoming deferral  
13 or amortization.

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

15 A notice of this Application has been served to all parties who participated  
16 in the Company's last completed general rate case, docket UG 435. A copy of  
17 this notice is attached to this Application.

18 NW Natural respectfully requests that the Commission issue an order  
19 reauthorizing the Company to defer the amounts described in this Application.

20 Dated this 16th day of January 2024.

21 Respectfully Submitted,

22 NW NATURAL

23 /s/ Kyle Walker, CPA

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15

/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



**Accounts**

**For the period of Jan. 1, 2023 - I**  
**Deferrals/Amort. Interest Accrued**

Deferrals:

151930 - RNG Investments Recovery Deferral	483,599.78	6,274.73
151931 - RNG Investment Deferral - Lexington Sharing	(333,021.35)	(10,618.39)
151928 - Lexington Initial Costs Deferral	881,091.08	45,284.60
Total	<u>1,031,669.51</u>	<u>40,940.93</u>

Amortizations:

151942 - RNG Investments Recovery Amortization	(63,514.02)	2,955.05
151944 - Lexington Initial Costs Amortization	(52,305.67)	2,445.85
151943 - RNG Investment Amortization - Lexington Sharing	28,020.88	(1,212.78)
Total	<u>(87,798.81)</u>	<u>4,188.12</u>

**Dec. 31, 2023**  
**Total**

489,874.51  
(343,639.74)  
926,375.68  

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1,072,610.45

(60,558.97)  
(49,859.82)  
26,808.10  

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(83,610.69)



Company: Northwest Natural Gas Company  
 State: Oregon  
 Description: Lexington RNG Project Surcharge  
 Account Number: 151928  
 Docket: UG 435, Order 22-388

Debit (Credit)

	Month/Year (a)	Note (b)	Deferral (c)	Transfers (d)	Interest Rate (e)	Interest (f)	Activity (g)	Balance (h)
1	Beginning Balance							0.00
2	Jan-23				6.130%	0.00	0.00	0.00
3	Feb-23		881,091		6.130%	2,250.45	883,341.54	883,341.54
4	Mar-23				6.130%	4,512.40	4,512.40	887,853.94
5	Apr-23				6.130%	4,535.45	4,535.45	892,389.40
6	May-23				6.130%	4,558.62	4,558.62	896,948.02
7	Jun-23				6.130%	4,581.91	4,581.91	901,529.93
8	Jul-23				6.130%	4,605.32	4,605.32	906,135.24
9	Aug-23				6.130%	4,628.84	4,628.84	910,764.08
10	Sep-23				6.130%	4,652.49	4,652.49	915,416.57
11	Oct-23				6.130%	4,676.25	4,676.25	920,092.82
12	Nov-23	<b>1</b>		(306,698)	6.130%	3,133.43	(303,564.18)	616,528.64
13	Dec-23				6.130%	3,149.43	3,149.43	619,678.08

2023 deferrals	881,091.08
2023 interest accrued	45,284.60
<b>Total 2023 amounts</b>	<b>926,375.68</b>

**Notes:**

**1** - Transferred authorized balance to account 151943 for amortization.













UM 2266

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER THE  
DIFFERENCE BETWEEN FORECAST COST OF SERVICE AND ACTUAL COST OF  
SERVICE OF RNG QUALIFIED INVESTMENTS UNDER SCHEDULE 198**

January 16, 2024

**To All Parties Who Participated in UG 435:**

Please be advised that on January 12, 2024, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for REAUTHORIZATION TO DEFER THE DIFFERENCE BETWEEN THE FORECAST COST OF SERVICE AND THE ACTUAL COST OF SERVICE OF ITS RENEWABLE NATURAL GAS QUALIFIED ("RNG") INVESTMENTS UNDER SCHEDULE 198.

**This is not a rate case.** The purpose of this Notice is to inform parties who participated in the Company's last completed general rate case, UG 435, that a deferral reauthorization 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  
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 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 2266

I hereby certify that on January 16, 2024, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER THE DIFFERENCE BETWEEN THE FORECAST COST OF SERVICE AND THE ACTUAL COST OF SERVICE OF ITS RENEWABLE NATURAL GAS QUALIFIED INVESTMENTS UNDER SCHEDULE 198, upon all parties of record for NW Natural's last completed general rate case, UG 435.

### UG 435

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DATED January 16, 2024, Portland, OR.

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