



250 SW Taylor Street
Portland, OR 97204

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nwnatural.com

September 15, 2022

VIA ELECTRONIC FILING

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

Re: NW Natural's Application for Deferred Accounting Related to Residential Rate Mitigation

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby files an application for deferred accounting related to mitigating the effect of rate increases on residential customers ("Application").

A notice concerning this Application will be sent to all parties participating in the Company's current general rate case, UG 435. Copies 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
Telephone: (503) 610-7330
eFiling@nwnatural.com

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Manager

Attachments

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba, NW NATURAL

For Authorization to Defer Costs
Related to Mitigating the Effect of
Rate Increases on Residential
Customers Pursuant to ORS 757.259

**APPLICATION FOR
DEFERRED ACCOUNTING**

1 Northwest Natural Gas Company, d/b/a NW Natural (“NW Natural” or the
2 “Company”), requests authorization to defer revenues related to its proposed
3 Advice No. 22-17, which seeks to include temporary bill credits for residential
4 customers from November 1, 2022 through October 31, 2023 to mitigate bill
5 impacts during the 2022/2023 winter heating season. This application for
6 deferred accounting treatment (“Application”) is made pursuant to ORS
7 757.259(2)(e) and OAR 860-027-0300, for the 12-month period beginning
8 November 1, 2022 through October 31, 2023. As indicated in Advice No. 22-17,
9 the Oregon Citizens’ Utility Board (“CUB”) is supportive of the Company’s
10 proposal to defer these revenues.

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

14 Communications regarding this Application should be addressed to:

1 NW Natural
2 e-Filing for Rates & Regulatory Affairs
3 250 SW Taylor Street
4 Portland, Oregon 97204-3038
5 Phone: (503) 610-7330
6 Facsimile: (503) 220-2579
7 Email: eFiling@nwnatural.com;

8
9 Ryan Sigurdson
10 Regulatory Attorney (OSB #201722)
11 250 SW Taylor Street
12 Portland, Oregon 97204-3038
13 Phone: (503) 610-7570
14 Email: ryan.sigurdson@nwnatural.com;

15
16 and

17
18 Kyle Walker, CPA
19 Manager, Rates & Regulatory Affairs
20 250 SW Taylor Street
21 Portland, Oregon 97204-3038
22 Phone: (503) 610-7051
23 Email: kyle.walker@nwnatural.com
24

25 **I. BACKGROUND**

26 Throughout 2022, the global natural gas commodity market has
27 experienced significant volatility, which has resulted in higher natural gas costs in
28 NW Natural's upcoming PGA. The approximate bill impact of the higher
29 commodity cost during this period is a 15 percent increase to bills for the
30 upcoming winter heating season. NW Natural's base rates will also likely be
31 increasing, pending a final order in the Company's rate case. The combined
32 impact of these two rate changes could potentially result in an approximate 25
33 percent increase to customers' bills. In an effort to find innovative solutions to
34 mitigate the upcoming rate changes for residential customers during the heating
35 season, NW Natural has worked closely with CUB. Together, NW Natural and

1 CUB have developed a proposal that seeks to establish a temporary residential
2 volumetric bill credit representing approximately 10 percent of the expected bills
3 from November 1, 2022 through March 31, 2023. During this period, NW Natural
4 will defer the uncollected revenues caused by the temporary bill credits. The
5 deferred revenues will then be collected (amortized) from residential customers
6 from April 1, 2023 through October 31, 2023, which are typically lower
7 consumption months for these customers. Both the deferral and the amortization
8 accounts will accrue interest at NW Natural’s actual short-term borrowing rate in
9 each month. Additionally, to help minimize the deferral balance, NW Natural will
10 apply the Schedule 185/186 February bill credits as an offset to the deferral. To
11 implement this bill credit, the Company must defer the amount that it would
12 otherwise collect in residential rates during this time, so that it can subsequently
13 recover these amounts in the spring and summer months when residential
14 customers’ bills are lower.

15 The Company respectfully requests that the Commission rule on this
16 deferral Application prior to November 1, 2022.

17 **II. APPLICATION**

18 ORS 757.259 empowers the Commission to authorize the deferral of costs
19 or revenues of a public utility for later inclusion in rates. The Commission has
20 established rules implementing this statute in OAR 860-027-0300, including
21 specific requirements for deferred accounting applications—each of which is
22 addressed in turn, below.

1 **A. Description of the Expenses to be Deferred – OAR 860-027-**
2 **0300(3)(a).**

3 The deferral amount represents the temporary bill credit that will reduce
4 the residential bill impact from a forecasted increase of approximately 25 percent
5 to 15 percent. Interest will accrue in the deferral at the Company’s actual cost of
6 short-term debt.

7 **B. Reasons Deferred Accounting is Requested – OAR 860-027-**
8 **0300(3)(b).**

9 ORS 757.259 is a “statutorily authorized exception to the general
10 prohibition against retroactive ratemaking” that the Commission has used “for a
11 variety of reasons, including to: address costs that are hard to forecast or arise
12 from extraordinary and unanticipated events; implement legislative mandates or
13 unique ratemaking mechanisms; and encourage utility or customer behavior
14 consistent with regulatory policy.”¹ The Commission applies “a flexible, fact-
15 specific review approach that acknowledges the wide range of reasons why
16 deferred accounting might be beneficial to customers and utilities.”²

17 Deferring revenue will benefit the Company’s residential customers
18 because it will reduce these customers’ bills during the winter heating season,
19 when residential natural gas bills are typically at their highest. This mitigation is
20 designed to provide meaningful relief to customers in these high usage months
21 and to protect customers from extreme cold weather events that are most likely

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

² *Id.* at 1.

1 to occur from November through March. These events lead to higher natural gas
2 consumption, which ultimately cause higher bills.

3 By amortizing the deferral over the April through October period, NW
4 Natural will collect the deferred revenues during periods of typically lower usage
5 for residential customers. Importantly, by including the months of April and
6 October in the amortization period, a significant portion of the deferral will be
7 recovered in these “shoulder” months when space-heating is being used, but not
8 at the same level of usage as winter months. This approach attempts to
9 minimize any potential intra-class subsidy that could occur if high-consuming
10 space-heating residential customers did not also have water-heating or other gas
11 appliances that are typically used in non-heating months. Additionally, this
12 approach allows the Company to recover these costs from residential customers
13 in the same PGA year (November 1 through October 31) as they are incurred,
14 which adheres to cost-causation principles and avoids amortizing the deferral
15 balance in future years with uncertain natural gas prices.

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

18 Beginning on November 1, 2022, and ending March 31, 2023, NW Natural
19 proposes to account for the revenues associated with the residential rate
20 mitigation by recording the deferral in a FERC 186 account. NW Natural has
21 requested a 12-month period for the deferral so that any residual balances in the
22 deferral account could be later amortized (credit or surcharge) to customers in a
23 future PGA year. In the absence of approval of deferred accounting, NW Natural

1 would recover the full PGA and pending rate case amount in revenue starting
2 November 1, 2022.

3 **D. Estimation of the Amounts Subject to Deferral – OAR 860-027-**
4 **0300(3)(d).**

5 NW Natural cannot estimate the expected deferral at this time due to
6 residential customer usage significantly varies with weather during the winter
7 months.

8 **E. Notice of the Application for Deferred Accounting – OAR 860-027-**
9 **0300(3)(e).**

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

14 A notice of this Application has been served to all parties who are
15 participating in the Company's current general rate case, docket UG 435. A copy
16 of this notice is attached to this Application.

17 **III. CONCLUSION**

18 NW Natural respectfully requests that the Commission issue an order
19 authorizing the Company to defer the amounts described in this Application,
20 beginning on November 1, 2022.

21 ///

22 ///

³ OAR 860-027-0300(6).

1 Dated this 15th day of September 2022.

2 Respectfully Submitted,

3 NW NATURAL

4 /s/ Kyle Walker, CPA

5 Kyle Walker, CPA

6 Rates/Regulatory Manager

7 250 SW Taylor Street

8 Portland, Oregon 97204-3038

9 Phone: (503) 610-7051

10 Email: kyle.walker@nwnatural.com

11 /s/ Ryan Sigurdson

12 Ryan Sigurdson

13 Regulatory Attorney (OSB #201722)

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NOTICE OF APPLICATION FOR DEFERRED ACCOUNTING

September 15, 2022

To All Parties Participating in UG 435:

Please be advised that on September 15, 2022, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), applied for authorization for deferred accounting related to mitigating the effect of rate increases on residential customers, 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 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 Public Utility Commission of Oregon as follows:

**NW Natural
Attn: Kyle Walker, CPA
250 SW Taylor Street
Portland, Oregon 97204
Telephone: (503) 610-7051**

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

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

I hereby certify that on September 15, 2022, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION FOR DEFERRED ACCOUNTING RELATED TO MITIGATING THE EFFECT OF RATE INCREASES ON RESIDENTIAL CUSTOMERS upon all parties of record for NW Natural's current general rate case, UG 435.

UG 435

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DATED September 15, 2022, Troutdale, OR.

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