

May 10, 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: Application for Authorization to Defer Certain Costs Associated with NW Natural's Energy Efficiency Program for Transportation Customers**

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), files herewith an application for authorization to defer certain costs associated with the Company's energy efficiency program for transportation customers pursuant to ORS 757.259.

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 \_\_\_\_\_**

In the Matter of

**NORTHWEST NATURAL GAS  
COMPANY, dba, NW NATURAL**

For Authorization to Defer Certain  
Costs Associated with NW Natural’s  
Energy Efficiency Program for  
Transportation 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”), hereby requests authorization to defer for later ratemaking  
3 treatment costs associated with its new energy efficiency program for  
4 transportation customers. This application for deferred accounting treatment  
5 (“Application”) is made pursuant to ORS 757.259(2)(e) and OAR 860-027-0300,  
6 for the 12-month period beginning June 12, 2024 through June 11, 2025.

7 NW Natural is a public utility providing retail natural gas service in the  
8 State of Oregon, and is subject to the jurisdiction of the Commission regarding  
9 rates, service, and accounting practices. NW Natural also provides retail natural  
10 gas service in the State of Washington.

11 Communications regarding this Application should be addressed to:

12 NW Natural  
13 e-Filing for Rates & Regulatory Affairs  
14 250 SW Taylor Street  
15 Portland, Oregon 97204-3038  
16 Phone: (503) 610-7330  
17 Fax: (503) 220-2579

1 Email: eFiling@nwnatural.com;  
2  
3 Ryan Sigurdson  
4 Regulatory Attorney (OSB #201722)  
5 250 SW Taylor Street  
6 Portland, Oregon 97204-3038  
7 Phone: (503) 610-7570  
8 Email: ryan.sigurdson@nwnatural.com;

9  
10 and

11  
12 Kyle Walker, CPA  
13 Senior Manager, Rates & Regulatory Affairs  
14 250 SW Taylor Street  
15 Portland, Oregon 97204-3038  
16 Phone: (503) 610-7051  
17 Email: kyle.walker@nwnatural.com  
18

## 19 I. BACKGROUND

20 In NW Natural's 2022 IRP, docketed as LC 79, the Commission approved  
21 Staff's Recommendation 23: "NW Natural should convene a stakeholder group  
22 immediately following the conclusion of the IRP to establish a transport customer  
23 efficiency program in time to be able to report on its status in the 2024 IRP  
24 update."<sup>1</sup> NW Natural convened such a stakeholder group and also provided an  
25 update to the Commissioners on October 31, 2023. Based on these discussions,  
26 NW Natural proposed an energy efficiency program for transportation customers  
27 on December 18, 2023.<sup>2</sup> To recover the costs associated with this new program,  
28 the Company originally proposed using a sub-account of the existing deferral for

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<sup>1</sup> *In the Matter of Northwest Natural Gas Co., dba NW Natural, 2022 Integrated Resource Plan*, Docket No. LC 79, Order No. 23-281 (Aug. 2, 2023).

<sup>2</sup> *NW Natural's Advice No. 23-29, New Schedules 169 and 361, Energy Efficiency Program for Transportation Customers*, Docket No. ADV 1582, (Dec. 18, 2023 (available at: <https://edocs.puc.state.or.us/efddocs/UAA/uaa325641023.pdf>)).

1 costs associated with compliance with the Climate Protection Program (“CPP”).<sup>3</sup>  
2 At that time, NW Natural believed that relying on this deferral was appropriate  
3 because the program would “provide an economical and effective means of  
4 conserving natural gas through energy efficiency” and, therefore, would help the  
5 Company comply with the CPP.<sup>4</sup>

6 Several days after making this filing, the Oregon Court of Appeals  
7 invalidated the CPP.<sup>5</sup> In response, the Company filed to delay the effective date  
8 of its transportation customer energy efficiency program on January 16, 2024  
9 and again on February 9, 2024 so that discussions with Commission Staff, the  
10 Energy Trust of Oregon (“ETO”), and the Alliance of Western Energy Consumers  
11 could take place to adjust the cost recovery proposal for the program.<sup>6</sup>  
12 Concurrent with this Application, NW Natural has filed its revised program, with  
13 an effective date of June 12, 2024. Under the revised program, all transportation  
14 customers will have the option to participate in ETO’s Strategic Energy  
15 Management (“SEM”) program and leverage standard track incentive offerings.  
16 To recover the costs of the program, NW Natural proposes to track the costs  
17 associated with this program in a deferred account for inclusion in rates at the

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<sup>3</sup> *Id.* The invalidated CPP required NW Natural to reduce the greenhouse gas emissions that resulted from its sales customers’ and transport customers’ use of natural gas. See OAR Ch. 340, Div. 271.

<sup>4</sup> *NW Natural’s Advice No. 23-29, New Schedules 169 and 361, Energy Efficiency Program for Transportation Customers*, ADV 1582, (Dec. 18, 2023 (available at: <https://edocs.puc.state.or.us/efdocs/UAA/uaa325641023.pdf>).

<sup>5</sup> *NW Natural Gas Co. v. Environ. Quality Comm.*, 329 Or App 648 (2023).

<sup>6</sup> *NW Natural’s Advice No. 23-29A, New Schedules 169 and 361, Energy Efficiency Program for Transportation Customers*, ADV 1582, (Jan. 16, 2024) (available at: <https://edocs.puc.state.or.us/efdocs/UAB/adv1582uab326263023.pdf>); *NW Natural’s Advice No. 23-29B, New Schedules 169 and 361, Energy Efficiency Program for Transportation Customers*, ADV 1582 (Feb. 9, 2024) (available at: <https://edocs.puc.state.or.us/efdocs/UAB/adv1582uab326688023.pdf>).

1 same time as the Company’s annual Purchased Gas Adjustment (“PGA”).  
2 However, since the CPP is invalidated, NW Natural cannot rely on the associated  
3 CPP deferral to track these costs. Instead, the Company seeks to track these  
4 costs through deferred accounting authorized under this Application.

## 5 **II. APPLICATION**

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

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

13 The Company is planning to defer costs associated with its new energy  
14 efficiency program for transportation customers. As stated above, NW Natural  
15 will incur these costs so that all transportation customers will have the option to  
16 participate in ETO’s SEM program and leverage standard track incentive  
17 offerings. NW Natural estimates the costs of the program to be \$700,000 in the  
18 first year. This estimate reflects NW Natural’s best understanding of the  
19 anticipated costs. However, the program is new, and it is not clear how many  
20 transportation will seek to utilize it.

21 NW Natural is not seeking a prudence determination of these costs in this  
22 Application. Rather, if deferred accounting is approved, NW Natural will seek a

1 prudency determination after these costs have been incurred for inclusion in  
2 rates at the same time as the Company's annual PGA.

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 allows a “means to address utility  
7 expenses or revenues outside of the utility’s general rate case proceeding.”<sup>7</sup> As  
8 specifically relevant to this Application, ORS 757.259(2)(e) grants the  
9 Commission discretion to authorize a deferral of “[i]dentifiable utility expenses or  
10 revenues, the recovery or refund of which the commission finds should be  
11 deferred in order to minimize the frequency of rate changes . . . or to match  
12 appropriately the costs borne by and benefits received by ratepayers.” The  
13 Commission applies “a flexible, fact-specific approach” to determining whether  
14 deferred accounting meets either prong of this two-part test.<sup>8</sup>

15 Deferred accounting treatment is appropriate in this instance because it  
16 will both minimize the frequency of rate changes and match appropriately the  
17 costs and benefits received by customers. Without deferred accounting  
18 treatment, NW Natural would face the possibility of incurring these prudent and  
19 necessary Oregon-allocated expenses with no opportunity for cost recovery.  
20 Moreover, deferring the program’s costs for later recovery will align the project’s  
21 costs and benefits, consistent with ORS 757.259(2)(e)’s matching principle.

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<sup>7</sup> *In re Pub. Util. Comm’n of Or. Staff Request to Open Investigation Related to Deferred Accounting*, Docket No. UM 1147, Order No. 05-1070 at 2 (Oct. 5, 2005).

<sup>8</sup> Order No. 05-1070 at 5.

1 Thus, NW Natural's Application for deferred accounting meets the necessary  
2 statutory criteria for deferral at the Commission's discretion.

3 In determining whether to exercise its discretion and approve a deferred  
4 accounting application, this Commission considers (1) whether the expense was  
5 foreseeable and therefore could have been modeled in rates; and (2) whether the  
6 expense is "significant[t]." <sup>9</sup> Here, assuming the program is approved, the costs  
7 are foreseen and described in Schedules 361 and 169 of the Company's tariff.  
8 However, absent a deferral, NW Natural would be required to internalize the  
9 entirety of these significant costs. Such an outcome would unjustly penalize  
10 NW Natural for providing its transportation customers an economical and  
11 effective means of conserving natural gas through energy efficiency.

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

14 Beginning on April 3, 2024, and ending 12 months from this date, NW  
15 Natural proposes to account for the expenses incurred as a result of its new  
16 transportation customer energy efficiency program on the Company's balance  
17 sheet, to later be included in customer rates. In the absence of approval of  
18 deferred accounting, NW Natural would record these costs in FERC 909 expense  
19 accounts. NW Natural proposes to track and defer these costs for later inclusion  
20 in rates.<sup>10</sup>

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<sup>9</sup> 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").

<sup>10</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).

1 **D. Estimation of the Amounts Subject to Deferral – OAR 860-027-**  
2 **0300(3)(d).**

3 As described above, NW Natural anticipates incurring approximately  
4 \$700,000 in costs related to the new transportation customer energy efficiency  
5 program by June 12, 2024.

6 **E. Notice of the Application for Deferred Accounting – OAR 860-027-**  
7 **0300(3)(e).**

8 OAR 800-027-0300(3)(e) requires NW Natural to provide a copy of the  
9 notice of application for deferred accounting and list those persons served with  
10 the notice. Notice must be served on all persons who were parties in the  
11 Company's last general rate case.<sup>11</sup>

12 Here, a notice of this Application has been served to all parties who  
13 participated in the Company's last completed general rate case, docket UG 435.  
14 A copy of this notice is attached to this Application.

15 **III. CONCLUSION**

16 NW Natural respectfully requests that the Commission issue an order  
17 authorizing the Company to defer the amounts described in this Application,  
18 beginning on June 12, 2024.

19 Dated this 10<sup>th</sup> day of May, 2024.

20 Respectfully Submitted,

21 NW NATURAL

22 /s/ Kyle Walker, CPA  
23 Kyle Walker, CPA  
24 Rates/Regulatory Senior Manager

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<sup>11</sup> OAR 860-027-0030(6).



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/s/ Ryan Sigurdson  
Ryan Sigurdson  
Regulatory Attorney (OSB #201722)  
250 SW Taylor Street  
Portland, Oregon 97204-3038  
Phone: (503) 610-7570  
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**NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER CERTAIN COSTS  
ASSOCIATED WITH NW NATURAL'S ENERGY EFFICIENCY PROGRAM FOR  
TRANSPORTATION CUSTOMERS**

May 10, 2024

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

Please be advised that on May 10, 2024, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for AUTHORIZATION TO DEFER CERTAIN COSTS ASSOCIATED WITH NW NATURAL'S ENERGY EFFICIENCY PROGRAM FOR TRANSPORTATION CUSTOMERS

**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 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  
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 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\_\_**

I hereby certify that on May 10, 2024, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER CERTAIN COSTS ASSOCIATED WITH NW NATURAL'S EE PROGRAM FOR TRANSPORTATION CUSTOMERS, upon all parties of record for NW Natural's last completed general rate case, UG 435.

**UG 435**

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DATED May 10, 2024, Portland, OR.

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