

December 20, 2022

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

11 Communications regarding this Application should be addressed to:

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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 Rates/Regulatory Manager
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 On July 15, 2019, Senate Bill 98 (ORS 757.390-398) was enacted to
27 facilitate the acquisition of RNG by allowing natural gas utilities to fully recover
28 their prudently incurred costs associated with such acquisitions.¹ For a “large
29 natural gas utility,” such as NW Natural, ORS 757.396 also includes certain RNG
30 targets. These targets are phased in over time, starting at 5% of Oregon sales in
31 2020 and gradually increasing to 30% by 2045.² Per ORS 757.396(2)(a), NW
32 Natural sought to recover its qualified investments in RNG, as well as the
33 operating costs of such investments, through an automatic adjustment clause

¹ ORS 757.394; ORS 757.396(2).

² ORS 757.396(1).

1 (“AAC”). On October 24, 2022, the Commission approved the AAC in Order No.
2 22-388 with several modifications.³ The Commission subsequently accepted NW
3 Natural’s compliance filing, which included the AAC—Schedule 198—with the
4 modifications required in Order No. 22-388.⁴

5 Per Order No. 22-388, Schedule 198 “allow[s] for the deferral of costs
6 between forecast RNG costs and actual RNG costs, but subject[s] that deferral to
7 an earnings test that includes deadbands at 50 basis points below and above
8 authorized ROE [return on equity] . . .”⁵ The purpose of this Application is to
9 establish such a deferral for all RNG qualified investments beginning on
10 December 30, 2022. The difference in costs incurred prior to that time are
11 included in the Company’s Lexington RNG project deferral,⁶ which is currently
12 the Company’s only RNG qualified investment in rates.

13 II. APPLICATION

14 ORS 757.259 empowers the Commission to authorize the deferral of
15 expenses or revenues of a public utility for later inclusion in rates.⁷ The

³ 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).

⁴ 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/efdocs/UBH/ug435ubh163830.pdf>. (Oct. 31, 2022).

⁵ 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).

⁶ See In the Matter of NW Natural, Application to Defer Cost of Service Associated with the Tyson RNG Project, Docket UM 2145. NW Natural notes that the difference between forecasted and actual Lexington costs are also subject to the deadband referenced above.

⁷ 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.”).

1 Commission has established rules implementing this statute in OAR 860-027-
2 0300, including specific requirements for deferred accounting applications—each
3 of which is addressed in turn, below.

4 **A. Description of the Expenses to be Deferred – OAR 860-027-
5 0300(3)(a).**

6 Consistent with Order No. 22-388, NW Natural requests that the
7 Commission approve the deferral of the difference between the forecasted cost
8 of its RNG qualified investments and the actual costs of those investments,
9 subject to the deadbands cited above.

10 **B. Reasons Deferred Accounting is Requested – OAR 860-027-
11 0300(3)(b)**

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

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

15 Beginning on December 30, 2022, and ending on December 29, 2023,
16 NW Natural proposes to account for the costs associated with the Lexington
17 Project by recording the deferral in Account 186. In the absence of approval of
18 deferred accounting, NW Natural would record the amounts in several accounts
19 affecting the Company's income statement and balance sheet.

20 **D. Estimation of the Amounts Subject to Deferral – OAR 860-027-
21 0300(3)(d).**

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

1 **E. Notice of the Application for Deferred Accounting – OAR 860-027-**
2 **0300(3)(e).**

3 OAR 860-027-0300(3)(e) requires NW Natural to provide a copy of the
4 notice of application for deferred accounting and list those persons served with
5 the notice. Notice must be served on all persons who were parties in the
6 Company’s last general rate case.⁸

7 A notice of this Application has been served to all parties who participated
8 in the Company’s last general rate case, docket UG 435. A copy of this notice is
9 attached to this Application.

10 **III. CONCLUSION**

11 NW Natural respectfully requests that the Commission issue an order
12 authorizing the Company to defer the amounts described in this Application
13 associated with the Lexington Project, as described in this Application.

14 Dated this 20th day of December 2022.

15 Respectfully Submitted,

16 NW NATURAL

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

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⁸ OAR 860-027-0300(6).

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/s/ Ryan Sigurdson
Ryan Sigurdson
Regulatory Attorney (OSB #201722)
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UM__

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

December 20, 2022

To All Parties Who Participated in UG 435:

Please be advised that on December 20, 2022, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), applied for AUTHORIZATION 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 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.

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CERTIFICATE OF SERVICE

I hereby certify that on December 20, 2022, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION 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 general rate case, UG 435.

UG 435

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DATED December 20, 2022, Troutdale, OR.

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