

MARK R. THOMPSON
Manager, Rates and Regulatory Affairs
Tel: 503.721-2476
Fax: 503.721.2516
email: mrt@nwnatural.com



January 20, 2015

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
3930 SE Fairview Industrial Drive SE
Post Office Box 1088
Salem, Oregon 97308-1088

Attn: Filing Center

RE: **UM ___ - Application for Authorization to Defer Certain Expenses or Revenues**

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), hereby electronically files the above Authorization to Defer Certain Expenses or Revenues associated with development of projects to be submitted under Senate Bill 844.

A notice concerning this application will be sent to all parties who participated in the Company's most recently completed general rate case, UG 221. A copy of the notice is part of the enclosed application.

If you have any questions, please contact me.

Sincerely,

/s/ Mark R. Thompson

Mark R. Thompson
Manager, Regulatory Affairs

attachments

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UM _____**

4 In the Matter of
5 NORTHWEST NATURAL GAS COMPANY,
6 dba NW Natural,
7 For Authorization to Defer Certain Expenses
8 or Revenues Pursuant to ORS 757.259
9

10 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”)
11 hereby files with the Public Utility Commission of Oregon (the “Commission”) this application
12 (“Application”) seeking authorization to use deferred accounting pursuant to ORS 757.210 and
13 757.259, and OAR 860-27-300, for the 12-month period beginning January 20, 2015 through
14 January 19, 2016 for all expenses associated with NW Natural’s activities related to
15 development of projects to be submitted under Senate Bill 844, codified as ORS 757.539, and
16 OAR 860-085-0500 through 860-085-0750, implementing that law. Senate Bill 844 established
17 a voluntary emission reduction program (“Emission Reduction Program”) for natural gas utilities
18 to invest in projects that reduce greenhouse gas emissions that the utilities would not undertake
19 in the normal course of business. NW Natural is in the process of developing projects to be
20 implemented pursuant to that law, and files this deferral to ensure that it preserves the ability to
21 assign to each project the appropriate expenses that it may incur in developing them, and to
22 recover those costs as determined appropriate by the Commission. NW Natural anticipates that
23 any cost recovery of deferred expenses would be ruled on as part of the Commission’s review
24 and approval of individual projects under Senate Bill 844, and the associated cost recovery.

25 NW Natural’s deferral approach is consistent with the purposes of Senate Bill 844, which
26 is to “incentiviz[e] public utilities that furnish natural gas to invest in projects that reduce

1 - APPLICATION FOR AUTHORIZATION TO DEFER CERTAIN EXPENSES

1 emissions and [to] provid[e] benefits to customers of public utilities that furnish natural gas.”¹
2 Without a deferral in place, NW Natural could easily be put in a position where it is unable to
3 recover the costs of projects, and where any incentive or cost recovery authorized by the
4 Commission would not be sufficient to offset the unrecovered expenses, thus undermining the
5 incentive for NW Natural to pursue such projects.

6 In support of this Application, NW Natural states:

7 **A. NW Natural.**

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

11 **B. Statutory Authority.**

12 This application is filed pursuant to ORS 757.259, which empowers the Commission to
13 authorize the deferral of expenses or revenues of a public utility for later inclusion in rates.

14 **C. Communications.**

15 Communications regarding this Application should be addressed to:

16
17 NW Natural
18 e-Filing for Regulatory Affairs
19 220 NW Second Avenue
20 Portland, Oregon 97209-3991
21 Telephone: (503) 226-4211, ext. 3589
22 Facsimile: (503) 721-2516
23 Email: eFiling@nwnatural.com
24

25 and

26
27 Mark R. Thompson
28 Rates & Regulatory Affairs
29 220 NW Second Avenue
30 Portland, Oregon 97209-3991
31 Phone: (503) 721-2476
32 Email: mark.thompson@nwnatural.com

¹ ORS 757.539(2).

1 **D. Description of the Expenses or Revenues for which Deferred Accounting is**
2 **Requested – OAR 860-027-0300(3)(a).**

3 In response to the passage of Senate Bill 844, NW Natural is currently developing
4 several carbon emission reduction projects. The Emission Reduction Program, provided in
5 ORS 757.539 and OAR 860-085-0500 through 860-085-0750, has enabled NW Natural to
6 pursue greenhouse gas reduction projects that were historically uneconomical by allowing the
7 utility an opportunity for cost recovery and financial incentives to undertake such projects. NW
8 Natural will soon seek Commission approval for these types of projects, although a specific
9 timetable for filing the applications has not been set. At this time, NW Natural is working on
10 Emission Reduction Program projects that include a natural gas heat program for homeowners
11 who currently heat their homes with more carbon intensive fuels; a methane capture and
12 abatement strategy, which will limit the emission of methane into the atmosphere during pipeline
13 repairs/maintenance; a combined heat and power project solicitation for industrial consumers;
14 and other projects that are in development stages. In recognition of the expenses in furtherance
15 of the Emission Reduction Program, the Company seeks to defer its ongoing costs so that those
16 amounts can be recovered in rates in the event the Commission should conclude that such
17 recovery is appropriate in future proceedings. NW Natural does not seek to defer the costs of
18 any amounts that have already been included in rates, and seeks to only defer costs that it will
19 incur in furtherance of the Emission Reduction Program. NW Natural anticipates that it will need
20 to make a demonstration of the incremental nature of these costs at the time it seeks any cost
21 recovery.

22 **E. Reasons for Application for Deferred Accounting – OAR 860-027-0300(3)(b).**

23 ORS 757.259 is a “statutorily authorized exception to the general prohibition against
24 retroactive ratemaking” that allows a “means to address utility expenses or revenues outside of

1 the utility's general rate case proceeding.² Under ORS 757.259(2)(e), the Commission has
2 discretion to authorize a deferral of "[i]dentifiable utility expenses or revenues, the recovery or
3 refund of which the commission finds should be deferred in order to minimize the frequency of
4 rate changes . . . or to match appropriately the costs borne by and benefits received by rate
5 payers." To determine whether an expense or revenue should be deferred, the Commission
6 "utilizes a flexible, fact-specific approach that acknowledges the wide range of reasons why
7 deferred accounting might be beneficial to customers."³ Of those reasons, the Commission has
8 found that "encourag[ing] utility or customer behavior consistent with regulatory policy" is
9 appropriate for deferred accounting.⁴

10 This Application is made pursuant to ORS 757.259(2)(e) in order "to minimize the
11 frequency of rate changes" and to match "the costs borne by and benefits received by rate
12 payers," associated with the expenses the Company will incur developing and implementing
13 greenhouse gas reduction projects for the State's Emission Reduction Program. NW Natural
14 seeks the authorization for this deferral to further the important regulatory policies established in
15 Senate Bill 844, which law was designed to incentivize gas utilities to invest in projects that
16 reduce carbon emissions and benefit customers.⁵ In conjunction with the statutory incentive
17 and regulatory policies established in Senate Bill 844, the Commission should grant this
18 Application to encourage the investment in projects that are otherwise uneconomical to pursue.

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

20 Beginning on January 20, 2015, and ending twelve months from this date, NW Natural
21 proposes to account for the costs associated with the Carbon Solutions Program by recording

² *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 2 (October 5, 2005).

³ *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 5 (October 5, 2005).

⁴ *Id.* at 2.

⁵ ORS. 757.539(2).

1 the deferral in Account 186. In the absence of approval of deferred accounting, NW Natural
2 would record the amounts in several accounts affecting the Company's income statement and
3 balance sheet.

4 **G. Estimated Accounts Subject to Deferral – OAR 860-027-0300(2)(d).**

5 NW Natural's Emission Reduction Program projects will incur additional expenses as
6 new projects continue to be created and developed. As such, NW Natural does not have
7 sufficient information at this time to accurately estimate the amount subject to deferral.

8 **H. Requirement per Commission Order No. 09-263**

9 Pursuant to Commission Order No. 09-263, issued in Docket UM-1286, NW Natural is
10 required to provide a completed Summary Sheet, the location in the PGA filing of the backup
11 workpapers, and an account map that highlights the transfer of dollars from one account to
12 another. The Summary Sheet will be included in the 2015 PGA filing work papers and in the
13 electronic file entitled "Proposed Temps Oregon 2014-15 PGA filing.xls."

14
15 **I. Notice – OAR 800-027-0300(6).**

16 A notice of this Application has been served on the all parties who participated in the
17 Company's most recent general rate case, UG 221, and is attached to this Application.

18 NW Natural respectfully requests that the Commission issue an order authorizing the
19 Company to defer the expenses described in the Application to ensure that the Company will be
20 authorized to seek to recover costs associated with its Carbon Solutions Program beginning on
21 the date of this Application.

22 Date this 20th day of January 2015.

23 Respectfully Submitted,

24 NW NATURAL

25 /s/ Mark R. Thompson
26 Mark R. Thompson
27 Manager, Rates & Regulatory Affairs

5 - APPLICATION FOR AUTHORIZATION TO DEFER CERTAIN EXPENSES



January 20, 2015

**NOTICE OF APPLICATION FOR AUTHORIZATION TO
DEFER CERTAIN EXPENSES OR REVENUES
ASSOCIATED WITH PROJECTS UNDER SENATE BILL 844**

To All Parties Who Participated in UG 221:

Please be advised that today Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for authorization to defer expenses associated with the development of projects to be submitted under Senate Bill 844, pursuant to the provisions of ORS 757.259(2)(e). Copies of the Company's application are available for inspection at its main office.

This is not a rate case. The purpose of this Notice is to inform parties that participated in the Company's most recent general rate case, UG 221, that the Application was 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: Kelley Miller
220 NW Second Avenue
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 ext 3589**

**Public Utility Commission of Oregon
Attn: Judy Johnson
3930 Fairview Industrial Drive SE
PO Box 1088
Salem, Oregon 97308-1088
Telephone: (503) 378-6636**

Any person may submit to the Commission written comments on this matter no sooner than 25 days from the date of this Application. The granting of this 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 I have this day served the foregoing NOTICE OF APPLICATION TO DEFER EXPENSES ASSOCIATED WITH DEVELOPMENT OF PROJECTS TO BE SUBMITTED UNDER SENATE BILL 844, upon all parties of record in the UG 221 proceeding, which is the Company's most recent general rate case, by electronic mail.

G. CATRIONA MCCRACKEN W
CITIZENS' UTILITY BOARD OF OREGON
catriona@oregoncub.org

ROBERT JENKS W
CITIZENS' UTILITY BOARD OF OREGON
bob@oregoncub.org

OPUC DOCKETS W
CITIZENS' UTILITY BOARD OF OREGON
dockets@oregoncub.org

CHAD M. STOKES W
CABLE HUSTON BENEDICT
HAAGENSEN & LLOYD LLP
cstokes@cablehuston.com

TOMMY BROOKS W
CABLE HUSTON BENEDICT
HAAGENSEN & LLOYD LLP
tbrooks@cablehuston.com

ED FINKLEA W
NORTHWEST INDUSTRIAL GAS USERS
efinklea@nwigu.org

JASON W. JONES W
PUC STAFF-DEPARTMENT OF
JUSTICE
jason.w.jones@state.or.us

KEITH KUENY W
COMMUNITY ACTION PARTNERSHIP
OF OREGON
keith@caporegon.org

WENDY GERLITZ W
NW ENERGY COALITION
wendy@nwenergy.org

JUDY JOHNSON W
PUBLIC UTILITY COMMISSION
judy.johnson@state.or.us

TERESA HAGINS W
NORTHWEST PIPELINE GP
teresa.l.hagins@williams.com

STEWART MERRICK W
NORTHWEST PIPELINE GP
stewart.merrick@williams.com

RANDY DAHLGREN W
PORTLAND GENERAL ELECTRIC
pge.opuc.filings@pgn.com

DOUGLAS C TINGEY W
PORTLAND GENERAL ELECTRIC
doug.tingey@pgn.com

LISA F RACKNER W
MCDOWELL RACKNER & GIBSON PC
dockets@mcd-law.com

DATED at Portland, Oregon, this 20th day of January 2015.

/s/ Kelley C. Miller
Kelley C. Miller
Rates & Regulatory Affairs
NW NATURAL
220 NW Second Avenue
Portland, Oregon 97209-3991
1.503.226.4211, extension 3589
kelley.miller@nwnatural.com