

**KYLE WALKER, CPA**  
Rates/Regulatory Manager  
Tel: 503.226.4211 ext. 5858  
Fax: 503.220.2579  
Email: Kyle.Walker@nwnatural.com



**VIA ELECTRONIC FILING**

January 16, 2020

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

**RE: UM 1714 - Application for Reauthorization to Defer Certain Expenses or Revenues**

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), hereby files an application for reauthorization to defer certain expenses or revenues associated with the Emission Reduction Program 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 344. 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  
220 NW Second Avenue  
Portland, Oregon 97209  
Telephone: (503) 226-4211, ext. 3589  
Fax: (503) 220-2579  
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

*/s/ Kyle Walker, CPA*

Kyle Walker, CPA  
Rates/Regulatory Manager

Attachments

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1714**

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba, NW NATURAL

For Reauthorization to Defer Certain  
Expenses or Revenues Pursuant to  
ORS 757.259

**Application**

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the  
2 “Company”) hereby files with the Public Utility Commission of Oregon (the  
3 “Commission”) this application (“Application”) seeking reauthorization to use deferred  
4 accounting pursuant to ORS 757.259 and OAR 860-027-0300 for all expenses  
5 associated with NW Natural’s development of projects under Senate Bill 844<sup>1</sup> for the 12-  
6 month period beginning January 20, 2020 through January 19, 2021. Senate Bill 844  
7 established a voluntary emission reduction program (“Emission Reduction Program”) for  
8 natural gas utilities to invest in projects that reduce greenhouse gas emissions that the  
9 utilities would not undertake in the normal course of business. NW Natural has been  
10 and continues to be in the process of developing projects under this law, and originally  
11 filed this deferral to ensure that it assigns each project the appropriate expenses that it  
12 may incur in developing them, and to recover those costs as determined appropriate by  
13 the Commission. NW Natural now files this Application to continue to have the ability to

---

<sup>1</sup> Senate Bill 844 is codified as ORS 757.539. Rules implementing ORS 757.539 are at OAR 860-085-0500 through 860-085-0750.

1 defer costs, as appropriate, and to allocate program costs in a way that fulfills the  
2 purposes of Senate Bill 844. NW Natural anticipates that any cost recovery of deferred  
3 expenses would be ruled on as part of the Commission’s review and approval of  
4 individual projects under Senate Bill 844.

5 NW Natural’s deferral approach is consistent with the purpose of Senate Bill 844,  
6 which is to “incentiviz[e] public utilities that furnish natural gas to invest in projects that  
7 reduce emissions and [to] provid[e] benefits to customers of public utilities that furnish  
8 natural gas.”<sup>2</sup> Without a deferral in place, NW Natural could easily be put in a position  
9 where it is unable to recover the costs of projects, and where any incentive or cost  
10 recovery authorized by the Commission would not be sufficient to offset the  
11 unrecovered expenses, thus undermining the incentive for NW Natural to pursue such  
12 projects.

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

18 **B. Statutory Authority.**

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

---

<sup>2</sup> ORS 757.539(2).

1 **C. Communications.**

2 Communications regarding this Application should be addressed to:

3 NW Natural  
4 e-Filing for Regulatory Affairs  
5 220 NW Second Avenue  
6 Portland, Oregon 97209-3991  
7 Phone: (503) 226-4211, ext. 3589  
8 Fax: (503) 220-2579  
9 Email: eFiling@nwnatural.com;

10  
11 Eric W. Nelsen (OSB# 192566)  
12 Senior Regulatory Attorney  
13 220 NW 2<sup>nd</sup> Avenue  
14 Portland, Oregon 97209-3991  
15 Phone: (503)721-2476  
16 Email: eric.nelsen@nwnatural.com;

17  
18 and

19  
20 Kyle Walker, CPA  
21 Rates/Regulatory Manager  
22 220 NW Second Avenue  
23 Portland, Oregon 97209-3991  
24 Phone: (503) 226-4211 Ext. 5858  
25 Email: kyle.walker@nwnatural.com  
26

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

29 The Emission Reduction Program, provided in ORS 757.539 and OAR 860-085-  
30 0500 through 860-085-0750, has enabled NW Natural to pursue greenhouse gas  
31 reduction projects that were historically uneconomical by allowing it an opportunity for  
32 cost recovery and financial incentives to undertake such projects. In recognition of the  
33 expenses in furtherance of the Emission Reduction Program, the Company seeks to  
34 defer its ongoing costs so that those amounts can be recovered in rates in the event the  
35 Commission should conclude that such recovery is appropriate in future proceedings.

1 NW Natural does not seek to defer the costs of any amounts that have already been  
2 included in rates, and seeks to only defer costs that it will incur in furtherance of the  
3 Emission Reduction Program. NW Natural anticipates that it will need to make a  
4 demonstration of the incremental nature of these costs at the time it seeks any cost  
5 recovery.

6 **E. Reasons for Application for Reauthorization of Deferred Accounting – OAR**  
7 **860-027-0300(3)(b).**

8 ORS 757.259 is a “statutorily authorized exception to the general prohibition  
9 against retroactive ratemaking” that allows a “means to address utility expenses or  
10 revenues outside of the utility’s general rate case proceeding.”<sup>3</sup> Under ORS  
11 757.259(2)(e), the Commission has discretion to authorize a deferral of “[i]dentifiable  
12 utility expenses or revenues, the recovery or refund of which the commission finds  
13 should be deferred in order to minimize the frequency of rate changes . . . or to match  
14 appropriately the costs borne by and benefits received by ratepayers.” To determine  
15 whether an expense or revenue should be deferred, the Commission “utilizes a flexible,  
16 fact-specific approach that acknowledges the wide range of reasons why deferred  
17 accounting might be beneficial to customers.”<sup>4</sup> Of those reasons, the Commission has  
18 found that “encourag[ing] utility or customer behavior consistent with regulatory policy”  
19 is appropriate for deferred accounting.<sup>5</sup>

20 This Application is made pursuant to ORS 757.259(2)(e) in order “to minimize the  
21 frequency of rate changes” and to match “the costs borne by and benefits received by

---

<sup>3</sup> *In re Matter of Public Utility Commission of Oregon Staff Request to Open an Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 2 (October 5, 2005).

<sup>4</sup> *Id.* at 5.

<sup>5</sup> *Id.* at 2.

1 ratepayers,” associated with the expenses the Company incurs developing and  
2 implementing greenhouse gas reduction projects for the State’s Emission Reduction  
3 Program. NW Natural seeks the authorization for this deferral to further the important  
4 regulatory policies established in Senate Bill 844, which was designed to incentivize gas  
5 utilities to invest in projects that reduce carbon emissions and benefit customers.<sup>6</sup> In  
6 conjunction with the statutory incentive and regulatory policies established in Senate Bill  
7 844, the Commission should grant this Application to encourage the investment in  
8 projects that are otherwise uneconomical to pursue.

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

10 Beginning on January 20, 2020, and ending twelve months from this date, NW  
11 Natural proposes to account for the costs associated with the Emission Reduction  
12 Program by recording the deferral in Account 186. In the absence of approval of  
13 deferred accounting, NW Natural would record the amounts in several accounts  
14 affecting the Company’s income statement and balance sheet.

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

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

20 ///

21 ///

22 ///

---

<sup>6</sup> ORS. 757.539(2).

1 **H. Entries into Deferred Account during past 12 months – OAR 860-027-**  
2 **0300(4)(a).**

3 Pursuant to OAR 860-027-300(4)(a), NW Natural has deferred \$79,194.75 since  
4 it began deferring expenses for Senate Bill 844 programs. No expenses were deferred  
5 in the previous 12 months.

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

7 NW Natural seeks continuation of this deferral as new projects are currently  
8 being developed which may be filed with the Commission in the coming year.

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

10 Below is the information required per Commission Order Nos. 09-263 and 09-  
11 248, issued in Docket UM-1286, the Commission’s Investigation into Purchase Gas  
12 Adjustment Mechanisms:

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

16 The Summary Sheet will be included in the 2020 PGA filing work papers and  
17 in the electronic file entitled "Proposed Temps Oregon 2020-21 PGA  
18 filing.xlsx."

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

20 This application is for the 12-month period beginning January 20, 2020 and  
21 ending January 19, 2021.

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

23 Approval to defer expenses associated with NW Natural’s activities related to

1 development of projects to be submitted under Senate Bill 844 was last  
2 granted on February 28, 2019 under Commission Order No. 19-065.

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

4 No costs were deferred last year.

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

6 No costs were amortized last year.

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

8 The interest rate for deferral accounts is 7.317%.

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

10 The Company is unable to estimate the deferral and/or amortization balance  
11 as projects have not been developed sufficiently to forecast potential costs for  
12 the upcoming PGA filing.

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

14 A notice of this Application has been served to all parties who participated in the  
15 Company's most recently completed general rate case, UG 344, and is attached to this  
16 Application.

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

21 ///

22 ///

23 ///



1 Dated this 16<sup>th</sup> day of January, 2020.

2 Respectfully Submitted,

3 NW NATURAL

4 /s/ Kyle Walker, CPA  
5 Kyle Walker, CPA  
6 Rates/Regulatory Manager

7  
8 /s/ Eric W. Nelsen  
9 Eric W. Nelsen (OSB# 192566)  
10 Senior Regulatory Attorney  
11



UM 1714

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO  
DEFER CERTAIN EXPENSES OR REVENUES**

January 16, 2020

**To all Parties who participated in UG 344:**

Please be advised that on January 16, 2020 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to defer expenses associated with the Emission Reduction Program under Senate Bill 844, pursuant to the provisions of ORS 757.259 and OAR 860-027-0300.

**This is not a rate case.** The purpose of this notice is to inform parties who participated in the Company's general rate case, UG 344, that a Reauthorization of 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**  
**220 NW Second Avenue**  
**Portland, Oregon 97209-3991**  
**Telephone: (503) 226-4211 Ext. 5858**

**Public Utility Commission of Oregon**  
**Attn: Filing Center**  
**PO Box 1088**  
**Salem, Oregon 97308-1088**  
**Telephone: (503) 378-6636**

Any person may submit to the Commission written comments on this Reauthorization Deferral Application by February 15, 2020. The granting of this Reauthorization Deferral Application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

\*\*\*\*\*



**CERTIFICATE OF SERVICE  
UM 1714**

I hereby certify that on January 16, 2020 I served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES OR REVENUES associated with the Emission Reduction Program under Senate Bill 844 (UM 1714), upon all parties who participated in the Company's general rate case, UG 344.

**UG 344**

Oregon Citizens Utility Board  
dockets@oregoncub.org

Robert Jenks  
Oregon Citizens' Utility Board  
bob@oregoncub.org

Michael Goetz  
Oregon Citizens' Utility Board  
mike@oregoncub.org

Lisa Rackner  
Mcdowell Rackner & Gibson Pc  
dockets@mrg-law.com

Marianne Gardner  
Public Utility Commission of Oregon  
Marianne.gardner@state.or.us

Stephanie Andrus  
Department of Justice - Business  
Activities  
stephanie.andrus@state.or.us

Bryan Conway  
Public Utility Commission of Oregon  
bryan.conway@state.or.us

Chad M. Stokes  
Cable Huston LLP  
cstokes@cablehuston.com

Edward Finklea  
Alliance of Western Energy  
Consumers  
efinklea@awec.solutions

Bradley Mullins  
Mountain West Analytics  
brmullins@mwanalytics.com

DATED at Portland, Oregon, this 16<sup>th</sup> day of January 2020.

/s/ Erica Lee-Pella  
Erica Lee-Pella  
Rates & Regulatory Affairs  
NW NATURAL