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nwnatural.com

VIA ELECTRONIC FILING

January 11, 2022

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street 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 last completed general rate case, UG 388. 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, Oregon 97204
Phone: (503) 610-7330
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

Enclosures

**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
4 deferred accounting pursuant to ORS 757.259 and OAR 860-027-0300 for all
5 expenses associated with NW Natural’s development of projects under Senate Bill
6 844¹ for the 12-month period beginning January 20, 2022 through January 19, 2023.
7 Senate Bill 844 established a voluntary emission reduction program (“Emission
8 Reduction Program”) for natural gas utilities to invest in projects that reduce
9 greenhouse gas emissions that the utilities would not undertake in the normal course
10 of business. NW Natural has been and continues to be in the process of developing
11 projects under this law, and originally filed this deferral to ensure that it assigns each
12 project the appropriate expenses that it may incur in developing them, and to
13 recover those costs as determined appropriate by the Commission. NW Natural

¹ Senate Bill 844 is codified as ORS 757.539. Rules implementing ORS 757.539 are set forth at OAR 860-085-0500 through 860-085-0750.

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

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

14 In support of this Application, NW Natural states:

15 **A. NW Natural.**

16 NW Natural is a public utility in the State of Oregon and is subject to the
17 jurisdiction of the Commission regarding rates, service, and accounting practices.
18 NW Natural provides retail natural gas service in the States of Oregon and
19 Washington.

20 **B. Statutory Authority.**

21 This application is filed pursuant to ORS 757.259, which empowers the

² ORS 757.539(2).

1 Commission to authorize the deferral of expenses or revenues of a public utility for
2 later inclusion in rates.

3 **C. Communications.**

4 Communications regarding this Application should be addressed to:

5 NW Natural
6 e-Filing for Regulatory Affairs
7 250 SW Taylor Street
8 Portland, Oregon 97204
9 Phone: (503) 610-7330
10 Fax: (503) 220-2579
11 Email: eFiling@nwnatural.com;

12
13 Eric W. Nelsen (OSB# 192566)
14 Senior Regulatory Attorney
15 250 SW Taylor Street
16 Portland, Oregon 97204
17 Phone: (503) 610-7618
18 Email: eric.nelsen@nwnatural.com;

19
20 and

21
22 Kyle Walker, CPA
23 Rates & Regulatory Affairs
24 250 SW Taylor Street
25 Portland, Oregon 97204
26 Phone: (503) 610-7051
27 Email: kyle.walker@nwnatural.com

28

29 **D. Description of the Expenses or Revenues for which Deferred**

30 **Accounting is Requested – OAR 860-027-0300(3)(a).**

31 The Emission Reduction Program, provided in ORS 757.539 and OAR 860-
32 085-0500 through 860-085-0750, has enabled NW Natural to pursue greenhouse
33 gas reduction projects that were historically uneconomical by allowing it an
34 opportunity for cost recovery and financial incentives to undertake such projects. In
35 recognition of the expenses in furtherance of the Emission Reduction Program, the

1 Company seeks to defer its ongoing costs so that those amounts can be recovered
2 in rates in the event the Commission should conclude that such recovery is
3 appropriate in future proceedings. NW Natural does not seek to defer the costs of
4 any amounts that have already been included in rates, and seeks to only defer costs
5 that it will incur in furtherance of the Emission Reduction Program. NW Natural
6 anticipates that it will need to make a demonstration of the incremental nature of
7 these costs at the time it seeks any cost recovery.

8 **E. Reasons Reauthorization of Deferred Accounting is Being Requested –**
9 **OAR 860-027-0300(3)(b).**

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

³ *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).

⁴ *Id.* at 5.

1 reasons, the Commission has found that “encourag[ing] utility or customer behavior
2 consistent with regulatory policy” is appropriate for deferred accounting.⁵

3 This Application is made pursuant to ORS 757.259(2)(e) in order “to minimize
4 the frequency of rate changes” and to match “the costs borne by and benefits
5 received by ratepayers,” associated with the expenses the Company incurs
6 developing and implementing greenhouse gas reduction projects for the State’s
7 Emission Reduction Program. NW Natural seeks the reauthorization of this deferral
8 to further the important regulatory policies established in Senate Bill 844, which was
9 designed to incentivize gas utilities to invest in projects that reduce carbon
10 emissions and benefit customers.⁶ In conjunction with the statutory incentive and
11 regulatory policies established in Senate Bill 844, the Commission should grant this
12 Application to encourage the investment in projects that are otherwise uneconomical
13 to pursue.

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

15 Beginning on January 20, 2022, and ending 12 months from that date, NW
16 Natural proposes to account for the costs associated with the Emission Reduction
17 Program 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.

⁵ *Id.* at 2.

⁶ ORS. 757.539(2).

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

2 NW Natural’s Emission Reduction Program projects will incur additional
3 expenses as new projects are created and developed. As such, NW Natural does
4 not have sufficient information at this time to accurately estimate the amount subject
5 to deferral.

6 **H. Entries into Deferred Account during past 12 months – OAR 860-027-
7 0300(4)(a).**

8 Pursuant to OAR 860-027-300(4)(a), NW Natural has an accumulated
9 deferred balance of \$0 since it began deferring expenses for Senate Bill 844
10 programs. In past years, the Company has deferred costs associated with projects
11 that were intended to be filed under the Senate Bill 844 program. However, as the
12 Company developed the programs, it was determined that the costs would not be
13 recoverable through rates and the amounts deferred were reversed. No expenses
14 were deferred in the previous 12 months.

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

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

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

19 Below is the information required per Commission Order Nos. 09-263 and 09-
20 248, issued in Docket UM-1286, the Commission’s Investigation into Purchase Gas
21 Adjustment Mechanisms:

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

4 The Summary Sheet will be included in the 2022 PGA filing work papers
5 and in the electronic file entitled "Proposed Temps Oregon 2022-23 PGA
6 filing...xlsx."

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

8 This application is for the 12-month period beginning January 20, 2022
9 and ending January 19, 2023.

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

11 Approval to defer expenses associated with NW Natural's activities related
12 to the development of projects submitted under Senate Bill 844 was last
13 granted on April 7, 2021, under Commission Order No. 21-105.

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

15 No costs were deferred last year.

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

17 No costs were amortized last year.

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

19 The interest rate for deferral accounts is 6.965%, which is the Company's
20 most recent cost of capital settlement in a general rate case.



UM 1714

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

January 11, 2022

To All Parties Who Participated in UG 388

Please be advised that on January 11, 2022, 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 last completed general rate case, UG 388, that a Reauthorization of Deferral Application ("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 Commission 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 this filing. 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
UM 1714**

I hereby certify that on January 11, 2022, I have 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 of record for the Company's last completed general rate case, UG 388.

UG 388

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DATED January 11, 2022, Troutdale, OR.

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