

February 27, 2024

VIA ELECTRONIC FILING

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

Re: UM 2155 – NW Natural’s Application for Reauthorization to Defer Costs or Revenues Associated with Phase 3 GeoTEE Pilot Program

In accordance with ORS 757.259 and OAR 860-027-0300, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith an Application for Reauthorization (“Application”) to defer certain costs or revenues associated with Phase 3 of NW Natural’s Geographically Targeted Energy Efficiency (“GeoTEE”) pilot program.

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, Oregon 97204
Fax: (503) 220-2579
Phone: (503) 610-7330
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Senior Manager

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2155

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba, NW NATURAL

APPLICATION

For Reauthorization to Defer Costs or
Revenues Associated with NW
Natural's Geographically Targeted
Energy Efficiency Pilot Program
Pursuant to ORS 757.259

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 defer for
4 later ratemaking treatment costs or revenues associated with Phase 3 of NW
5 Natural's Geographically Targeted Energy Efficiency ("GeoTEE") pilot program
6 pursuant to ORS 757.259 and OAR 860-027-0300, for the 12-month period
7 beginning February 28, 2024 through February 27, 2025.

8 In support of this Application, NW Natural states:

9 **A. NW Natural.**

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

1 **B. Statutory Authority.**

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

5 **C. Communications.**

6 Communications regarding this Application should be addressed to:

7 e-Filing
8 NW Natural Rates & Regulatory Affairs
9 250 SW Taylor Street
10 Portland, Oregon 97204
11 Phone: (503) 610-7330
12 Email: eFiling@nwnatural.com;

13
14 Ryan Sigurdson (OSB #201722)
15 Regulatory Attorney
16 250 SW Taylor Street
17 Portland, Oregon 97204
18 Phone: (503) 610-7570
19 Email: ryan.sigurdson@nwnatural.com;

20
21 and

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

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

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

31 In this Application, the Company is requesting that the Commission
32 reauthorize the deferral of costs or revenues associated with Phase 3 of the
33 GeoTEE pilot program. The deferred costs are for increased energy efficiency
34 incentives for customers in the Creswell/Cottage Grove area, and any deferred

1 revenues would represent unspent funds returned to the Company. An earlier 2018
2 IRP Update, filed April 17, 2019, included an Energy Trust of Oregon (“ETO”)-
3 prepared estimated budget for the Pilot at approximately \$1.5 million. This was for
4 the entirety of the project, originally planned in the Silverton area. The costs for the
5 Phase 3 activities, now in the Creswell/Cottage Grove area, were estimated to be
6 \$644,196. However, some of the funds provided to ETO have not been used and
7 are currently expected to be returned to the Company for later inclusion in customer
8 rates.

9 To be clear, NW Natural is not seeking a prudence determination of these
10 costs and revenues in this application nor is it requesting a decision on the
11 appropriate recovery mechanism for this project. Rather, if deferred accounting is
12 approved, NW Natural will seek a prudence determination of these costs and
13 revenues, and the appropriate recovery mechanism, at the time the Company
14 requests amortization and inclusion in customer rates.

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

17 ORS 757.259 is a “statutorily authorized exception to the general prohibition
18 against retroactive ratemaking” that allows a “means to address utility expenses or
19 revenues outside of the utility’s general rate case proceeding.”¹ As specifically
20 relevant to this Application, ORS 757.259(2)(e) grants the Commission discretion to
21 authorize a deferral of “[i]dentifiable utility expenses or revenues, the recovery or

¹ *In re Pub. Util. Comm’n of Or. Staff Request to Open Investigation Related to Deferred Accounting*,
Docket UM 1147, Order No. 05-1070 at 2 (Oct. 5, 2005).

1 refund of which the commission finds should be deferred in order to minimize the
2 frequency of rate changes . . . or to match appropriately the costs borne by and
3 benefits received by ratepayers.” The Commission applies “a flexible, fact-specific
4 approach” to determining whether deferred accounting meets either prong of this
5 two-part test.²

6 Here deferred accounting treatment is appropriate because it will both
7 minimize the frequency of rate changes and match appropriately the costs and
8 benefits to ratepayers. Without deferred accounting treatment, NW Natural would
9 face the possibility of incurring prudent and necessary Oregon-allocated expenses
10 with no possibility of cost recovery and/or refunds from the ETO would not be
11 deferred for later pass back to customers. Moreover, deferring Phase 3 GeoTEE
12 costs for potential future recovery will align the project’s costs and benefits,
13 consistent with ORS 757.259(2)(e)’s matching principle. Thus, NW Natural’s
14 application for deferred accounting meets the necessary statutory criteria for deferral
15 at the Commission’s discretion.

16 In determining whether to exercise its discretion and approve a deferred
17 accounting application, this Commission considers (1) whether the expense was
18 foreseeable and therefore could have been modeled in rates; and (2) whether the
19 expense is “significant[t].”³ Here, GeoTEE was foreseen—and, indeed, extensively
20 described—in NW Natural’s 2018 IRP Update, but was appropriately *not* included in

² Order No. 05-1070 at 5.

³ 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”).

1 base rates due to the short-term nature of the pilot. The Company also anticipates a
2 refund from the ETO in 2024 for the benefit of customers.

3 Moreover, absent a regulatory deferral, NW Natural would be required to
4 internalize the entirety of these significant costs and/or retain refunds. Such an
5 outcome would either unjustly penalize NW Natural for pursuing a pilot program to
6 analyze the potential of using GeoTEE in place of infrastructure upgrades or
7 inappropriately allow the Company to retain refunds in excess of the pilot program's
8 costs. The use of GeoTEE could prove to be more cost effective for customers than
9 infrastructure upgrades necessary to provide safe and reliable customer service.

10 NW Natural's proposed deferred accounting treatment in this case is
11 consistent with Commission precedent for recovery of the significant costs
12 associated with implementing pilot projects. For instance, the Commission approved
13 deferred accounting treatment associated with the incremental costs for Portland
14 General Electric Company's ("PGE") Automated Demand Response Pilot (ADR
15 Pilot).⁴ Other PGE pilots with deferrals include a Photovoltaic Volumetric Incentive
16 Rate Pilot, two Residential Demand Response Pilots⁵, and a Demand Response
17 Testbed Pilot.⁶

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

19 Beginning on February 28, 2024, and ending 12 months from this date, NW
20 Natural proposes to account for the expenses incurred or revenues received, if any,

⁴ In the Matter Portland General Electric Company, Application for Reauthorization of Deferral of Incremental Costs Associated with Automated Demand Response, UM 1514, Order No. 20-479 (2020).

⁵ See OPUC Docket UM 1708.

⁶ See OPUC Docket UM 1976.

1 as a result of Phase 3 costs on the Company's balance sheet, to later be included in
2 customer rates. The Company is not requesting additional expenses for the
3 GeoTEE Pilot Project at this time. In the absence of approval of deferred
4 accounting, NW Natural would record costs or revenues associated with the Phase 3
5 GeoTEE pilot in FERC 923 expense accounts. NW Natural proposes to track and
6 defer these costs or revenues for later inclusion in rates.⁷

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

8 The GeoTEE Pilot Project is ongoing. The prior estimated amount of
9 \$644,196 may be overstated, causing unspent funds to be returned by ETO and be
10 credited to Account 186 creating a regulatory liability balance to be returned to
11 customers.

12 **H. Description of Entries in Deferred Account Under UM 2155 - OAR 860-**
13 **027-0300(4)(a).**

14 If unspent funds are returned by the Energy Trust of Oregon, the Company
15 would book a credit to Account 186 offsetting any recorded deferral costs as stated
16 above. If further expenses are needed, the Company would first come to the
17 Commission with a request for funds beyond the initial estimate of \$644,196.

⁷ 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 **I. Reason for Continuation of Deferral Account – OAR 860-027-**
2 **0300(4)(b).**

3 The continuation of deferred accounting for the matters addressed above is
4 justified because they are continuing in nature.

5 **J. Requirement per Commission Order No. 09-263.**

6 Below is the information required per Commission Order No. 09-263, issued
7 in Docket UM-1286, Staff's Investigation into Purchase Gas Adjustment ("PGA")
8 Mechanisms:

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

12 The Summary Sheet will be included in the 2024-25 PGA filing work
13 papers and in the electronic file entitled "Proposed Temps Oregon 2024-
14 25 PGA filing.xlsx." If the Company proposes amortization in the
15 upcoming PGA, Exhibit B will be included in the electronic file mentioned
16 above.

- 17 **2. The effective date of the deferral.**

18 This application is for the 12-month period beginning February 28, 2024
19 and ending February 27, 2025.

- 20 **3. Prior year Order approving the deferral.**

21 The Company filed a reauthorization deferral application on February 24,
22 2023, but the Commission has yet to rule on that filing at the time of this
23 application.

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

2 No costs were deferred last year, but the Company anticipated refunds
3 from the ETO. The Company continues to anticipate refunds to the
4 benefit of customers.

5 **5. The interest rate that will apply to the accounts.**

6 The interest rate for deferral accounts is 6.836%.

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

9 NW Natural is unable to estimate the amount to be deferred during the
10 next PGA cycle. The Company's intent is to amortize for collection all that
11 is deferred.

12 **K. Notice – OAR 800-027-0300(6).**

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

16 NW Natural respectfully requests that the Commission issue an order
17 reauthorizing the Company to use deferred accounting for costs or revenues
18 associated with the GeoTEE pilot program beginning on February 28, 2024.

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Dated this 27th day of February 2024.

Respectfully Submitted,

NW NATURAL

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Senior Rates/Regulatory Manager

/s/ Ryan Sigurdson

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UM 2155

NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS OR REVENUES ASSOCIATED WITH PHASE 3 GEOTEE PILOT PROGRAM

February 27, 2024

To All Parties Who Participated in UG 435

Please be advised that on February 27, 2024, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for REAUTHORIZATION TO DEFER COSTS OR REVENUES ASSOCIATED WITH PHASE 3 GEOTEE PILOT PROGRAM.

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 reauthorization 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 the service of this notice. The granting of this deferral reauthorization 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
UM 2155**

I hereby certify that on February 27, 2024, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS OR REVENUES ASSOCIATED WITH NW NATURAL'S PHASE 3 GEOTEE PILOT PROGRAM upon all parties of record for NW Natural's last completed general rate case, UG 435.

UG 435

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DATED February 27, 2024, Portland, Oregon.

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