

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 16, 2024

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: April 3, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: NORTHWEST NATURAL:  
(Docket Nos. UM 2155(2) and UM 2155(3))  
Requests for reauthorization to defer costs associated with its  
Geographically Targeted Energy Efficiency pilot program.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural or Company) application to defer costs associated with the third phase of its Geographically Targeted Energy Efficiency (GeoTEE) pilot program for the 12-month period beginning February 28, 2023, ending February 27, 2024 (UM 2155(2)), and the 12-month period beginning February 28, 2024, ending February 27, 2025 (UM 2155(3)), respectively.

**DISCUSSION:**

Issue

Whether the Commission should approve NW Natural's request for authorization to defer costs associated with Phase 3 of its GeoTEE pilot program.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation in rates for a specific set of circumstances. In particular, ORS 757.259(2)(e) provides that the Commission can authorize the deferral of "identifiable utility expenses or revenues" which would "minimize the frequency of rates

changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.”

The Commission set forth the deferred accounting application requirements in OAR 860-027-0300(3). Applications for reauthorization must include:

- a) A description of the utility expense or revenue for which deferred accounting is requested;
- b) The reason(s) deferred accounting is being requested and a reference to the section(s) of ORS 757.259 or 759.200 under which deferral may be authorized;
- c) The account proposed for recording of the amounts to be deferred and the account which would be used for recording the amounts in the absence of approval of deferred accounting;
- d) An estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application; and
- e) A copy of the notice of application for deferred accounting and list of persons served with the notice.

When a utility applies for a reauthorization for deferred accounting, OAR 860-027-0300(4) requires the utility to provide a “description and explanation of the entries in the deferred account to the date of the application for reauthorization” and the “reason(s) for continuation of deferred accounting.” Notice of the application must be provided to all parties of the utility’s last rate case pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding held pursuant to ORS 757.210. When subject to an automatic adjustment clause under ORS 757.210(1), the Commission may require an earnings review. With some exceptions, a company’s amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company’s gross revenues from the preceding year. ORS 757.259(6)

## Analysis

### *Background*

NW Natural submitted an application seeking reauthorization to defer for later ratemaking treatment costs or revenues associated with Phase 3 of NW Natural's GeoTEE pilot program pursuant to ORS 757.259 and OAR 860-027-0300.

In this Application, the Company requests that the Commission reauthorize the deferral of costs or revenues associated with Phase 3 of the GeoTEE pilot program.

The deferred costs are for increased energy efficiency incentives for customers in the Creswell/Cottage Grove area, and any deferred revenues would represent unspent funds returned to the Company.

NW Natural has continued to work with the Energy Trust of Oregon (ETO) in the intervening years to develop a program from this Action Item. The pilot program, rebranded as GeoTEE, was included as part of NW Natural's 2018 IRP Update filed with the Commission on April 17, 2019.

### *Estimated 2023 Costs.*

The Company estimates the amount to be recorded in the deferred account for the cost of the bill discounts associated with the bill discount program for the 12-month period beginning February 28, 2023, through February 27, 2024, to be approximately \$644,196,<sup>1</sup> and February 28, 2024, through February 27, 2025, to be approximately \$644,197,<sup>2</sup> respectively.

### *Reason for Deferral*

ORS 757.259(2)(e) allows the deferral of identifiable utility expenses to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and benefits received by customers.

### *Proposed Accounting*

NW Natural proposes to account for the expenses incurred, if any, as a result of Phase 3 costs on the Company's balance sheet, to later be included in customer rates.

The company would record costs or revenues associated with the Phase 3 GeoTEE pilot in FERC 923 expense accounts.

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<sup>1</sup> Northwest Natural UM 2233(2) application, page 4.

<sup>2</sup> Northwest Natural UM 2233(3) application, page 3.

Also, if unspent funds are returned by the Energy Trust of Oregon, the Company would book a credit to Account 186, offsetting any recorded deferral costs.

*Information Related to Future Amortization*

- Earnings Review – Cost recovery associated with this deferral will not be subject to an earnings review because it applies to increased energy efficiency incentives that are not yet spent.
- Prudence Review – Commission Staff should perform a prudence review as part of their review of this deferral’s annual reauthorization filing.
- Rate Spread/Rate Design – Revenues may be allocated to each cost-of-service schedule with the basis to be determined prior to amortization.
- Sharing – This deferral is not subject to a sharing mechanism.
- Three Percent Test per ORS 757.259(6) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (with exceptions) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year

**Note:** The interest rate for deferral accounts is 6.836 percent. An estimate of the upcoming PGA-period deferral and/or amortization. NW Natural is unable to estimate the amount to be deferred during the next PGA cycle. The Company’s intent is to amortize for collection all that is deferred.

Conclusion

Staff concludes that NW Natural’s application meets the requirements of ORS 757.259. The Company should be allowed to defer pilot costs developed in conjunction with Commission regulatory policy goals of encouraging and increasing cost-effective energy efficiency.

NW Natural has reviewed this memo and agrees with its content.

**PROPOSED COMMISSION MOTION:**

Approve NW Natural’s application to defer costs associated with the third phase of its GeoTEE pilot program in both applications UM 2155(2), 12-month period beginning

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February 28, 2023, ending February 27, 2024, and UM 2155(3), 12-month period  
beginning February 28, 2024, ending February 27, 2025.

NWN UM 2155(2) and UM 2155(3) GeoTEE Deferrals