

ENTERED JAN 18 2018

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1720

In the Matter of

NW NATURAL GAS COMPANY,  
dba NW NATURAL,Investigation into Long-Term Hedging  
Policy.

ORDER

DISPOSITION: DOCKET CLOSED

We close this docket and will address the parties' proposed process to address the use of long-term hedges by local distribution companies (LDCs) at a future public meeting.

**I. BACKGROUND**

We initiated this investigation during our review of Northwest Natural Gas Company, dba NW Natural's 2014 Integrated Resource Plan (IRP), which included a proposal that NW Natural increase its long-term hedging from 10 percent to up to 25 percent. During that review, we expressed an interest in examining the use of hedges on a generic basis, and opened this docket to provide the forum for investigating long-term hedging policies specific to LDCs.<sup>1</sup>

On November 16, 2017, all active parties to this docket—NW Natural, Avista Corporation, Cascade Natural Gas Corporation, the Oregon Citizens' Utility Board, the Northwest Industrial Gas Users, and Commission Staff—filed a joint motion recommending that we close this docket. The parties explain that this recommendation is made based in their agreement on a process to review any long-term hedge that the LDC proposes to enter.

The parties explain that they engaged in several workshops to address a variety of issues related to the LDCs' use of long-term hedges, but that efforts to draft uniform guidelines proved unsuccessful due to the diversity in available hedging instruments and the optionality of the duration and timing of hedges. For that reason, the parties agreed to terminate efforts to develop

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<sup>1</sup> *In the Matter of Northwest Natural Gas Company, 2014 Integrated Resource Plan*, Docket No. LC 60, Order No. 15-064 (Mar 5, 2015).

hedging guidelines, and instead committed to developing a process for the LDCs to engage with stakeholders to receive feedback about specific potential long-term hedging opportunities.

The parties state that they reached agreement on the following process to address any proposed long-term hedge:

1. If an LDC identifies a long-term hedge instrument that it considers in the interests of customers, and that it intends to enter into (subject to appropriate regulatory review processes), the LDC may request a meeting with stakeholders, including Commission Staff, CUB, and NWIGU.
2. The parties agree to hold the meeting within 30 days of the LDC's request.
3. At the meeting, the LDC will present the proposal and any supporting analyses and documentation.
4. Within 30 days of the meeting, each party will provide a written response to the LDC's proposal indicating whether the party (a) believes that the LDC should proceed to enter into the transaction or continue making progress towards executing the transaction, or (b) has reservations or concerns about the proposal, and a description of those reservations or concerns.
5. In the event that one or more parties believe that the proposal needs further review by the Commission, the parties agree to use the above-described process to establish an appropriate forum for review of any proposals for long term hedges.

The parties propose that this docket be closed, and the agreement on process be incorporated into the Natural Gas Portfolio Development Guidelines, established in docket UM 1286, through our normal public meeting process.

## II. RESOLUTION

We appreciate the parties' efforts to examine issues related to LDCs' use of long-term hedges. As reported in the four status updates filed in this docket, the parties conducted a total of three workshops to address hedging policy and analysis and made efforts to develop a straw proposal for long-term hedging guidelines. We accept the parties' unanimous conclusion that the diversity and optionality of hedging instruments preclude the ability to develop a uniform set of principles, and look forward to addressing the above-described agreement on process at an upcoming public meeting.

III. ORDER

IT IS ORDERED that docket UM 1720 is closed.

Made, entered, and effective JAN 18 2018.

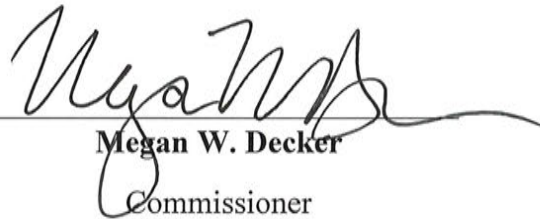


**Lisa D. Hardie**  
Chair





**Stephen M. Bloom**  
Commissioner



**Megan W. Decker**  
Commissioner