

ORDER NO. 24-229

ENTERED Jul 10 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2323

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for Authorization to Defer
Certain Costs Associated with the Energy
Efficiency Program for Transportation
Customers.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 9, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Alison Lackey
Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 9, 2024**

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: June 11, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 2323)
Authorization to Defer Certain Costs Associated with NW Natural’s Energy Efficiency Program for Transportation Customers Pursuant to ORS 757.259.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (Commission) approve Northwest Natural Gas Company’s (NW Natural or Company) application to defer revenues for Costs Associated with NW Natural’s Energy Efficiency Program for Transportation Customers Pursuant to ORS 757.259 for the 12 -month period beginning May 10, 2024.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural’s request for authorization to defer Costs Associated with NW Natural’s Energy Efficiency Program for Transportation Customers Pursuant to ORS 757.259.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, “identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in

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order to minimize the frequency of rate changes or the fluctuations of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.” ORS757.259(2)(e).

OAR 860-027-0300 generally sets forth the Commission’s application requirements for deferrals and amortization of deferred amounts.

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility’s earnings at the time of application to amortize the deferral.

The Commission’s final determination on deferred amounts allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5).

Analysis

Background

In the Company’s 2022 IRP, docketed as LC 79, the Commission approved Staff’s Recommendation 23: “NW Natural should convene a stakeholder group immediately following the conclusion of the IRP to establish a transport customer efficiency program in time to be able to report on its status in the 2024 IRP update.”¹

The Company convened such a stakeholder group and provided an update to the Commission on October 31, 2023. Based on these discussions, NW Natural proposed an energy efficiency program for transportation customers on December 18, 2023.²

To recover the costs associated with this new program, the Company originally proposed using a sub-account of the existing deferral for costs associated with compliance with the Climate Protection Program (CPP). At that time, NW Natural believed that relying on this deferral was appropriate because the program would “provide an economical and effective means of conserving natural gas through energy efficiency” and, therefore, would help the Company comply with the CPP.

¹ *In re Northwest Natural Gas Company*, OPUC Docket No. LC 79, 2022 Integrated Resource Plan, Order No. 23-281, Aug. 2, 2023.

² NW Natural’s Advice No. 23-29, New Schedules 169 and 361, Energy Efficiency Program for Transportation Customers, Docket No. ADV 1582, (Dec. 18, 2023 (available at: <https://edocs.puc.state.or.us/efdocs/UAA/uaa325641023.pdf>).

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Several days after making this filing, the Oregon Court of Appeals invalidated the CPP. In response, the Company filed to delay the effective date of its transportation customer energy efficiency program on January 16, 2024, and again on February 9, 2024, so that discussions with Commission Staff, the Energy Trust of Oregon (ETO), and the Alliance of Western Energy Consumers could take place to adjust the cost recovery proposal for the program.

Concurrent with this Application, NW Natural has filed a revised transportation energy efficiency program, with an effective date of June 12, 2024. Under the revised program, all transportation customers will have the opportunity to participate in ETO's standard track incentive offerings. To recover the costs of the program, NW Natural proposes to track the costs associated with this program in a deferred account for inclusion in rates at the same time as the Company's annual Purchased Gas Adjustment (PGA).

Description of Expenses

The Company is planning to defer costs associated with its new energy efficiency program for transportation customers with expenses representing incentives paid through ETO's standard track incentives offerings.

Estimated Costs

The Company estimates the costs of the program to be \$700,000 in the first year.

This estimate reflects NW Natural's anticipated costs. However, the program is new, and it is not clear how many transportation customers will seek to utilize it.

Reason for Deferral

Deferred accounting treatment is appropriate in this instance because it will both minimize the frequency of rate changes and match appropriately the costs and benefits received by customers. Without deferred accounting treatment, the Company would face the possibility of incurring these prudent and necessary Oregon-allocated expenses with no opportunity for cost recovery.

Proposed Accounting

Beginning on May 10, 2024, and ending 12 months from this date, the company proposes to account for the expenses incurred as a result of its new transportation customer energy efficiency program on the Company's balance sheet, to later be included in customer rates. The costs are foreseen and described in Schedules 361 and 169 of the Company's tariff.

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Information Related to Future Amortization

- Earnings Review – Staff recommends an earnings review be applied for this program to reduce the cost burden to customers if earnings are sufficient to absorb the costs.
- Prudence Review – For amortization, a prudence review should be completed to verify prudence of the costs.
- Sharing – Staff does not recommend any sharing of the cost being considered for deferral.
- Rate Spread/Design – The incremental costs will be recovered from Schedule 31, 32, and 33 customers allocated based on equal percentage of margin approved in the Company's last general rate case.
- Three Percent Test (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 the aggregated deferral amortizations during a 12-month period.

Conclusion

Staff has reviewed the Company's application and concludes that NW Natural's request meets the requirements of ORS 757.259 and OAR 860-027-0300. On this basis, Staff supports the request and recommends it be approved.

The Company has reviewed this memo and agrees with Staff's recommendation.

PROPOSED COMMISSION MOTION:

Approve NW Natural's application to Defer Certain Costs Associated with NW Natural's Energy Efficiency Program for Transportation Customers.

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