

ORDER NO. 24-399

ENTERED Oct 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1714(9)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for Reauthorization to Defer
Certain Expenses or Revenues Related to
Projects Submitted Under Senate Bill 844.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on October 29, 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.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 29, 2024**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: October 7, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: NORTHWEST NATURAL:
Docket No. UM 1714(9)
Request Reauthorization of Deferred Certain Expenses and Revenues
associated with the Emission Reduction Program under Senate Bill 844

STAFF RECOMMENDATION:

Staff recommends that Northwest Natural Gas Company’s (NW Natural, NWN, or Company) application for reauthorization to defer costs associated with the development of projects under Senate Bill (SB) 844 for the 12-month period beginning January 20, 2024.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural’s request for reauthorization to defer costs associated with the development of projects to be submitted under SB 844.

Applicable Law

NW Natural submitted its deferral application in accordance with ORS 757.259(2)(e) and OAR 860-027-0300 seeking authority to defer costs related to the development of voluntary Emission Reduction Programs under SB 844 (codified at ORS 757.539).

ORS 757.259(2)(e) provides the Commission with authority to authorize the deferral of utility revenues and expenses, for later inclusion in rates, if the Commission upon finds

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that the deferral would minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

ORS 860-027-300 sets for several requirements for deferral applications. Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates only if 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.

ORS 757.539(8) authorizes the Commission to allow the utility to recover incremental costs of Emissions Reduction Programs from ratepayers that may receive a benefit from the emissions reduction. Codified in ORS 757.539, Senate Bill 844, aims to incentivize "public utilities that furnish natural gas to invest in projects that reduce emissions and to provide benefits to customers of public utilities that furnish natural gas."

ORS 757.539(4) states that the utility must file an application with, and receive approval from the Commission for any project proposed under this legislation.

Analysis

Background

In this ninth reauthorization filing, dated January 18, 2024, the Company seeks approval to defer costs incurred related to Senate Bill 844.¹ This legislation established a voluntary emission-reduction program for natural gas utilities to invest in projects that reduce greenhouse gas emissions that the utilities would not otherwise undertake in the normal course of business.

The Company has been, and continues to be, in the process of developing projects under this law, and originally filed this deferral on January 20, 2015, to ensure that it assigns each project the appropriate expenses that it may incur in developing them, and to recover those costs as determined appropriate by the Commission.

The Company anticipates that any cost recovery of deferred expenses would be considered, by the Commission, as part of the Commission's review of individual projects under Senate Bill 844.

Reason for Deferral

The Company seeks continuation of this deferral as new projects are currently being developed that may be filed with the Commission in the coming year.

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.

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Proposed Accounting

The Company proposes to account for the costs associated with the Emission Reduction Program by recording the deferral-related expenses in Account 186.

Description of Expense

Costs that those amounts can be recovered in rates only if the Commission concludes that such recovery is appropriate in future proceedings. NW Natural Seeks to only defer costs that it will incur in furtherance of the Emission Reduction Program.

Estimate of Amounts

The Company does not have sufficient information at this time to accurately estimate the amount subject to deferral.

The Amount Deferred Last Year

The Company has deferred costs in earlier years of the program associated with "SB 844" projects that were intended to be filed under the Senate Bill 844 program. However, as the Company developed the programs, the Company determined that the costs would not be recoverable through rates and the amounts deferred were later reversed. No expenses were deferred in the previous 12 months

The Amount Amortized Last Year

The Company is unable to estimate the deferral and/or amortization balance as projects have not been developed sufficiently to forecast potential costs for the upcoming PGA filing.

The Interest Rates

The interest rate for deferral accounts is 6.836 percent, which is the Company's most recent cost of capital settlement in a general rate case.

Information Related to Future Amortization

- Earnings Review – Pursuant to ORS 757.259(5) an earnings review is required prior to amortization.
- Sharing – Under ORS 757.539(8)(b), the Commission determines the method a utility should use to recover costs of programs approved under the statute at the time it approves the program.
- Rate Spread/Design – Under ORS 757.539(8)(b), the Commission determines which ratepayers should be charged for a program approved under that statute at the time it approves the program.

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- Three Percent Test (ORS 757.259(6)) – This deferral is subject to the three percent test, which measures the annual overall average effect on customer rates resulting from deferral amortizations

Conclusion

Staff recommend the Commission approve NW Natural's application, since it meets the requirements of ORS 757.259. The Company should be allowed to defer project costs associated with SB 844, subject to any projects being reviewed and approved by the Commission.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's request to reauthorize the deferral of costs associated with the development of projects to be submitted under SB 844 (ORS 757.539) for the 12-month period beginning of January 20, 2024.

UM 1714(9) SB 844 Cost Deferral