

ENTERED May 28 2025

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 2311(1)

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL,

Application for Reauthorization to Defer  
Certain Costs Associated with the Meter  
Modernization Program.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on May 27, 2025, 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.



**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

May 15, 2025

[PUC.FilingCenter@puc.oregon.gov](mailto:PUC.FilingCenter@puc.oregon.gov)

ATTN: Filing Center  
Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, OR 97301-1166

**Re: Notice of Staff's Filing of Motion to Modify Order No. 25-119  
Docket No. UM 2311 - NW Natural Deferral of Meter Modernization Program  
Costs**

Dear Filing Center:

On May 16, 2025, Staff of the Oregon Public Utility Commission (Staff) filed a Motion to Modify Commission Order No. 25-119.

Consistent with ORS 756.568, Staff moves the Commission to modify Order No. 25-119.<sup>1</sup> Order 25-119 adopts Staff's recommendation to approve Northwest Natural Gas Company's (NW Natural or the Company) application for reauthorization to defer certain costs associated with the Company's Meter Modernization Program. Staff's recommendation has not changed, however, there are some changes to the language in Staff's memo that it proposed should be adopted by the Commission. Such language have been approved of by both Staff and the Company and are reflected in Staff's Motion.

Persons who wish to obtain a copy of Staff's Motion to Modify Commission Order No. 25-119 will be able to access it on the Commission's website.

Sincerely,

*/s/ Marli Klass*

Marli Klass  
Assistant Attorney General  
Business Activities Section

MK6/kd5: 990719690

<sup>1</sup> *In the Matter of Northwest Natural Gas Company, Application for Reauthorization to Defer Certain Costs Associated With the Meter Modernization Program*, Docket No. UM 2311, Order No. 25-119 (Mar. 27, 2025).

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 2311

In the Matter of

## NORTHWEST NATURAL,

# NW NATURAL DEFERRAL OF METER MODERNIZATION PROGRAM COSTS

## STAFF'S MOTION TO MODIFY COMMISSION ORDER NO. 25-119

## INTRODUCTION

10 The Public Utility Commission of Oregon's Staff (Staff), consistent with ORS 756.568,  
11 respectfully requests that the Public Utility Commission of Oregon (Commission) amend Order  
12 No. 25-119 to reflect the changes to Staff's memo as shown in Attachment A. Order No.  
13 25-119<sup>2</sup> adopts Staff's recommendation to approve Northwest Natural Gas Company's (NW  
14 Natural or the Company) application for reauthorization to defer certain costs associated with  
15 the Company's Meter Modernization Program.

## BACKGROUND

17 On January 28, 2025, the Company filed its application for reauthorization to defer costs  
18 associated with its Meter Modernization Program (MMP). Staff then prepared its memo with a  
19 recommendation that the Commission approve the Company's application. In doing so, Staff  
20 sent a copy of the memo to the Company for review. The Company then sent the memo back to  
21 Staff with suggested changes. Staff conveyed that it agreed with the changes that the Company  
22 proposed, however, inadvertently submitted an outdated copy of the memo that did not reflect  
23 the Company's proposed changes for approval by the Commission. The older version of Staff's

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<sup>25</sup> *In the Matter of Northwest Natural Gas Company, Application for Reauthorization to Defer Certain Costs*  
<sup>26</sup> *Associated With the Meter Modernization Program, Docket No. UM 2311, Order No. 25-119 (Mar. 27, 2025).*

1 memo was then approved via Order No. 25-119 during the March 27, 2025, public meeting.  
2 Staff is now rectifying this by submitting this Motion to modify Order No. 25-119 to approve  
3 the version of Staff's memo that includes all the language changes agreed upon by Staff and the  
4 Company. These changes include:

5 1. Changing "rate base" in the background section of the memo to "rate base" for accuracy.  
6 2. Changing language in the background section of the memo to reflect that the deferral  
7 will likely remain in place until the completion of the program, as opposed to new rates  
8 that will result from a general rate case. According to the Company, this is because the  
9 MMP will last about four years. The Company further states that incremental O&M  
10 costs (included in the Company's application at issue) is not included in its Oregon rate  
11 case.

12 3. Including language in the "Information Related to Future Amortization" section that  
13 states that the Company will seek prudence determination of the costs at issue in its  
14 application in future PGA filings or a rate case. The Company states that this is because  
15 the costs being deferred in its application at issue are only associated with incremental  
16 O&M costs, not ongoing capital-related costs. Therefore, the PGA process could be  
17 appropriate to amortize said costs.

18 These changes are also reflected in redline in Attachment A. Staff would also like to  
19 make clear that these changes do not alter Staff's recommendation that the Commission approve  
20 the Company's application.

21 **PROPOSED MODIFICATION**

22 Staff respectfully request that the Commission approve this Motion to Modify Order No.  
23 25-119 to reflect the changes as outlined above and in Attachment A.

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**ITEM NO. CA11**

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 27, 2025**

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

**DATE:** March 5, 2025

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Scott Gibbens and Michelle Scala **SIGNED**

**SUBJECT:** NORTHWEST NATURAL

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(Docket No. UM 2311(1))

Defer for later ratemaking treatment operations and maintenance (“O&M”) costs associated with the Company’s Meter Modernization Program (“MMP”)

## STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (the Commission) approve Northwest Natural Gas Company's (NW Natural or the Company) application to defer costs associated with the Company's Meter Modernization Program ("MMP"), for the twelve-month period beginning January 28, 2025.

## DISCUSSION:

## Issue

Whether the Commission should approve the Company's request for authorization to defer costs associated with Company's Meter Modernization Program ("MMP")

## 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

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*

This filing, submitted on January 28, 2025, is the first reauthorization request. The initial application, submitted on January 2, 2024, was approved by the Commission in Order No. 25-063, issued on February 19, 2025.

The MMP is a four-year project from **2023 to 2027** that focuses on replacing NW Natural’s metering assets, including the communication devices inside meters - called encoder receiver transmitters (ERTs) - and meters that drift above or below the actual usage - called Periodic Cause of Change (PCC) meters.

The approximate population of eligible ERTs for replacement is 490,000. In reviewing this selection of ERT replacements, the Company determined that approximately 90,000 units will need a full meter replacement as well.

The Company operates a metering system containing a mix of residential, commercial, and industrial meters. The meters are located on the premises of the customer, and The Company has traditionally had a system-wide mix of diaphragm, rotary, and turbine meters, which are all mechanical meters. Since the implementation of the MMP however, NW Natural has begun installing ultrasonic meters, which do not rely on any moving parts like mechanical meters and use ultrasonic waves to measure gas flow with less frequent maintenance.

In its current rate case, Docket No. UG 520, The Company has proposed to recover capital expenditures in the MMP and to begin separately amortizing the O&M expenses that are considered for deferral in this Staff report.

#### *Description of Utility Expense*

The expense preliminary estimate for Oregon -allocated costs including in this deferral are.

- “Meter and ERT replacement: \$5.0 million. Southern Cross’ installation labor costs for approximately 30 field-techs and supporting positions working across NW Natural’s service territory to replace PCC meters and end-of-life ERTs.
- ERT and PCC Hardware Recycling: \$2.6 million: Shipping and recycling approximately 400,000 lithium-ion batteries in ERTs and shipping, testing, and recycling of approximately 90,000 PCC meters and ERTs. Due to the materials in meters and ERTs, we cannot “dispose” of these items without environmental impact and must do so in accordance with applicable regulations.
- Incremental Non-field Labor: \$4.1 million: Includes incremental resource costs (non-field) to support the MMP. These positions will provide support in customer call support with increased customer touch points, scheduling support, billing support, internal change communication, external communications, quality assurance inspection of installations, meter shop support, and support in deploying field techs for change outs. Each of these roles carries an incremental burden for the project due to the elevated number of ERT and meter change outs required during the coming four-year period. The resources identified will be backfilled during the duration of the project to allow for continued operations of business-as-usual work with additional contractor support from Ernst and Young.
- Other external expenses: \$0.54 million. Includes bill inserts and door hangers related to the socialization of MMP to our customer base. Due to the increased presence of field workers during the four-year deployment, we will need to inform customers of the reasoning for trucks and field technicians being in their neighborhoods.”<sup>3</sup>

*Reason for Deferral*

This deferral would minimize the frequency of rate changes by appropriately matching the costs borne by, and benefits received by its ratepayers.

The company further states that the recovery of its MMP costs after the project is complete will also align the project’s cost and benefits.

The Company further notes that this is a significant one-time O&M cost associated with implementing the MMP over a four-year project period. Staff agrees that the O&M costs are more appropriately handled in a deferral, rather than in ~~rate base~~ **base rates**, considering the brief operation of the MMP and the potential to over-estimate costs should the Company not come back for a rate case in the near future.

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<sup>3</sup> See, Initial application, Page No. 5, NW Natural’s application for deferred accounting, Description of the Expenses.

Moreover, deferring the O&M costs for the MMP for recovery after the project is complete will also align the project's costs and benefits, consistent with ORS 757.259(2)(e)'s matching principle.

*Proposed Accounting*

The Company would record O&M costs associated with the implementation of the MMP in the Federal Energy Regulatory Commission ("FERC") 878 expense account (Meter and House Regulator Expenses), FERC 382 expense account (Meter Installation), or FERC 384 expense account (House Regulator Installations).

*Estimate of Amounts*

NW Natural anticipates incurring approximately \$14.2 million in MMP O&M implementation expenses by December 2027. The \$14.2 million is the total cost estimate for the entire program over the four years and is referencing the System amount for the Meter Modernization Program; however, \$12.24 million is the Oregon-allocated portion of the Meter Modernization Program.

In NW Natural's recent general rate case filing, UG 520, Exhibit NW Natural/900, Karney/Pages1-7, the meter modernization project is discussed. Staff views the Company testimony as stating that the deferral ~~would be effective until the Commission orders new rates resulting from the Company's general rate case~~ ~~will remain until the program is complete~~. In that testimony, the Company projects that \$31.7 million of capital investment will be made prior to October 31, 2025, and an additional \$22.3 million in capital investment will occur during the UG 520 test year.

In its deferral filing the Company states that the deferral is only for O&M incremental costs. Given that construct, Staff views that only direct loadings could be recoverable, consistent with Commission treatment of recent deferral filings.

*The amount deferred last year*

The amount deferred last year, January 1, 2024, through December 31, 2024, was \$1,402,794 and interest on the deferral is \$40,091.<sup>4</sup>

In addition, the interest rate for deferral accounts is 7.056%, and the amortization for the upcoming PGA period estimate of \$2,605,524 as of June 30, 2025, will be amortized starting November 1, 2025.

*Information Related to Future Amortization*

- Earnings Review – Staff recommends an earnings test be applied to this deferral.

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<sup>4</sup> See, Exhibit A / Page 1 of 1

- Prudence Review – A prudence review should be performed at the time of deferral amortization. NW Natural will seek a prudence determination of these costs in a future **PGA filings or a** rate case that reviews the prudence of the entirety of the project.
- Sharing Percentages – All prudently incurred cost and benefits will be collected/refunded from/to customers with no sharing mechanism.
- Rate Spread/Rate Design – The deferred amounts will be spread on an equal percent of revenue applied on a cents per therm basis.
- 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 (exceptions at ORS 757.259(7) and (8)) 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.

#### Conclusion

Staff concludes that Northwest Natural's authorization request meets the requirements of ORS 757.259 and OAR 860-027-0300 and is consistent with the Company's initial application for deferral.

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

#### **PROPOSED COMMISSION MOTION:**

Approve Northwest Natural Gas Company's application to defer operations and maintenance costs associated with the Company's Meter Modernization Program, for the twelve-month period beginning January 28, 2025.

**UM 2311 – CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused the STAFF'S MOTION TO MODIFY COMMISSION ORDER NO 25-119 to be served by electronic mail to those parties whose e-mail addresses appear on the attached service list for OPUC Docket UM 2311.

DATED this 16<sup>th</sup> day of May, 2025.

Respectfully submitted,

DAN RAYFIELD  
Attorney General

*/s/ Marli Klass*

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Marli Klass, OSB No. 223244  
Assistant Attorney General  
Of Attorneys for Staff of the Public Utility  
Commission of Oregon

**SERVICE LIST**

**C=Confidential**

**HC=Highly Confidential**

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**NW NATURAL**

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