

ORDER NO. 25-447

ENTERED Nov 14 2025

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 2192(3)

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL,

Application for Reauthorization to Defer  
Accounting for TSA Security Directive 2  
Compliance Expenses.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on November 13, 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.

ITEM NO. CA6

**PUBLIC UTILITY COMMISSION OF OREGON  
REDACTED STAFF REPORT  
PUBLIC MEETING DATE: November 13, 2025**

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

**DATE:** October 23, 2025

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

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

**SUBJECT:** NOTHWEST NATURAL:  
(Docket No. UM 2192(3))  
Request Reauthorization of Deferred Accounting of TSA Security Directive  
2 Compliance Expenses.

**STAFF RECOMMENDATIONS:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NWN or Company) Application to defer TSA Security Directive 2 Compliance Expenses.

Staff recommends approval of the request in UM 2192(4),<sup>1</sup> for the 12-month period beginning September 2, 2025.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's request for reauthorization to defer costs associated with Accounting for TSA Security Directive 2 Compliance Expenses for later inclusion in rates.<sup>2</sup>

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<sup>1</sup> This application is listed as UM 2192(3) in eDockets. However, it is actually UM 2192(4).

<sup>2</sup> See, In re Pub. Util. Comm'n of Or. Investigation of the Scope of the Commission's Authority to Defer Capital Costs, Docket No. UM 1909, Order No. 20-147 at 3, 11 (April 30, 2020) (ORS 757.259 "empowers the Commission to authorize the deferral of capital project costs, including depreciation expense and financing costs.").

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### Applicable Law

ORS 757.259 empowers the Commission to authorize the deferral of expenses or revenues of a public utility for later inclusion in rates. The Commission has established rules implementing this statute in OAR 860-027- 0300, including specific requirements for deferred accounting applications.

### Analysis

#### *Background*

The Company filed this request on August 29, 2025. The Commission's most recent action was approving the Company's first, second, and third authorization requests in Order No. 24-334 on October 1, 2024.

The Company seeks to defer costs associated with implementation of Security Directive 2. The TSA issued Security Directive 2 on July 20, 2021, and it has been amended several times, most recently on May 1, 2025.<sup>3</sup>

The TSA issued security directives to protect critical pipeline systems; and, Security Directive 2 accomplishes this by requiring owners and operators to implement specific mitigation measures, to implement cybersecurity contingency and recovery plans, and to conduct cyber security architecture design reviews.

The Company expects to continue to incur significant compliance costs due to the comprehensive aims and reach of Security Directive 2.

#### *Description of the Expenses*

Directive 2 requires designated owners and operators to:

- implement specific mitigation measures to protect against ransomware attacks and other related threats,
- develop and implement a cybersecurity contingency and response plan, and
- conduct a cybersecurity architecture design review.

#### *Proposed Accounting*

Beginning on September 2, 2025, and ending 12 months from this date, the Company proposes to account for the expenses incurred because of TSA Security Directive 2 compliance on the company's balances sheet, to later be included in customer rates.

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<sup>3</sup> See, <https://www.tsa.gov/sites/default/files/tsa-security-directive-pipeline-2021-02f-and-memo-508c.pdf>.

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*Reasons for Deferral*

ORS 757.259 is a "statutorily authorized exception to the general prohibition against retroactive ratemaking" that provides a "means to address utility expenses or revenues outside of the utility's general rate case proceeding." Also, the Company states this deferral matches the costs borne and benefits received by customers.

*Estimate of Amounts*

The Company does not have estimates for this deferral for the September 1, 2025, to September 1, 2026, time period due to TSA's amendments to the directive, the most recent of which was issued on May 1, 2025.

*The amount deferred last year.*

[BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] was deferred during the 12 months ending July 31, 2025. This amount included [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] of interest.<sup>4</sup>

In addition, the amount of indirect loads included in the deferrals for 2024 is [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. Nevertheless, the amount of direct loadings included in the deferrals for 2024 is [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].<sup>5</sup>

*The interest rate*

The interest rate for deferral accounts is 7.056 percent

*Information Related to Future Amortization*

- Earnings Review - Staff recommends an earnings test be applied to these costs.
- Prudence Review - A prudence review should be performed at the time of deferral amortization.
- Sharing - No sharing is recommended by Staff as these are costs to comply with federal security directives.
- Rate Spread/Design - Staff recommends the deferred amounts spread based on an equal percentage of margin basis.
- Three Percent Test (ORS 757.259(6)) - The amortization is applicable to the three percent test.

Conclusion

As the Company's application meets the requirements of ORS 757.259 and

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<sup>4</sup> See, data Request OPUC DR 17A.

<sup>5</sup> See, Data Request OPUC DR 17E and F.

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OAR 860-027-0300, and the reason for the deferrals are valid, Staff recommends the Commission approve NW Natural's applications.

Staff also reviewed confidential and highly confidentially Information request and Staff supports these applications.

The Company has reviewed a draft of this memo and voiced no concerns.

**PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's (NWN or Company) Application to defer Accounting for TSA Security Directive 2 Compliance Expenses, UM 2192(4).