

ORDER NO. 25-523

ENTERED Dec 24 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1496(15)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for Reauthorization to Defer
Certain Purchase Gas Adjustment
Revenues and Expenses.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 23, 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. CA8

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 23, 2025**

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

DATE: December 2, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
Docket No. UM 1496(15)
Reauthorization to defer costs associated with accounting treatment of gas costs.

STAFF RECOMMENDATION:

Staff recommends that the Oregon Public Utility Commission (the Commission) approve Northwest Natural Company's (NWN or the Company) application for reauthorization for deferred accounting treatment of gas costs, for the 12-month period beginning November 1, 2025.

DISCUSSION:

Issue

Whether the Commission should approve NWN's request for reauthorization to record and defer costs related to accounting treatment of gas costs for the 12-month period beginning November 1, 2025.

Applicable Law

Due to the fluctuation of the wholesale price of natural gas, the Purchase Gas Cost Adjustment (PGA) mechanism was established by Commission Order No. 89-1046 to enable utilities to pass on to customers actual gas costs while minimizing the frequency of rate changes and the fluctuation of rate levels in accordance with ORS 757.259(2)(e).

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Under the PGA mechanism and pursuant to ORS 757.259(4), the Commission may authorize utilities to defer actual purchased gas costs for a 12-month period.

The difference between the actual gas costs and the cost charged to ratepayers is amortized and passed through into rates if the utility's earnings are not excessive as defined by OAR 860-022-0070.

OAR 860-027-0300 specifies the required contents of an application for deferred accounting. This includes: a description of the expense or revenue for which deferral is requested, the basis for the request, the accounts proposed for recording the amounts to be deferred, an estimate of the amounts to be recorded in the deferred account, and a copy of the notice of the application for deferred accounting.

ORS 757.259 contains two sets of requirements for the Commission to approve an application for deferral. First, ORS 757.259(2) contains procedural requirements whereby there must be an application, public notice, opportunity for comment, and a hearing if any party requests a hearing.

Second, ORS 757.259(e) contains the substantive requirement that the application for deferral be for "[i]dentifiable 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 fluctuation of rate levels." With these two requirements met, the Commission may authorize deferral for later incorporation into rates. Pursuant to ORS 757.259(4) the deferral may "begin no earlier than the date of application, together with interest established by the Commission." A deferral may be authorized for a period not to exceed 12 months.

Analysis

Background

On October 21, 2025, the Company filed an application with the Commission seeking reauthorization to use deferred accounting pursuant to ORS 757.259 and OAR 860-027-0300. As such, the Company seeks to defer expenses associated with gas commodity costs and demand costs for later recovery, in accordance with the parameters established in the Company's Schedule P, Purchased Gas Adjustment Provision, for the twelve-month period beginning November 1, 2025.

The PGA mechanism allows utilities to regularly adjust the price of gas charged to ratepayers to reflect a portion of the costs incurred by the utility to purchase and transport the gas. The monthly differences arise because the rates associated with gas costs are calculated using forecasted gas prices and therms.

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Description of the Expenses

The Company's expenses refer to gas costs differences as set forth currently in PGA as:

1. Demand and other fixed gas costs to be recovered or refunded at one hundred percent (100%) of the difference between the actual cost experienced and the amount collected from rates pursuant to Tariff P.U.C. Or. 25 Schedule P, or its successor, and as previously authorized in Commission Order Nos. 89-1046, 99-272, and 99-697.
2. Commodity gas cost variations to be recovered or refunded as described in NW Natural's Tariff P.U.C. Or. 25 Schedule P, or its successor.
3. All previously authorized account balances related to PGA commodity and capacity cost deferrals not presently authorized for amortization or being proposed for amortization, all as described in NW Natural OPUC Advice No. 24-19A (UG 518).

Proposed Accounting

The Company mentions that beginning on November 1, 2025, and ending 12 months from this date, NW Natural proposes to account for charges incurred for gas costs pursuant to the PGA activity and other incurred gas costs in Account 191.

Reasons for Deferral

According to the Company, the PGA mechanism established in Order No. 25-105 allows for minimizing the frequency of rate changes and the fluctuation of rate levels consistent with the authority granted the Commission in ORS 757.259(2)(e).

Due to the volatility of the price of gas purchased for customer use, the associated costs are difficult to establish with any degree of certainty. This volatility makes the use of deferral accounting necessary.

PGA mechanism enables to defer but later included in rates and the gas costs actually incurred, as set forth in Schedule P - Purchased Gas Cost Adjustments.

Estimate of Amounts

The Company is unable to estimate the amount to be deferred as market fluctuations and cyclical collection differences make it impossible to accurately estimate capacity and commodity deferral amounts.

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However, the Company has deferred (\$9,298,843) for the months November 2024 through June 2025.¹

Information Related to Future Amortization

- Earnings Review - An earnings review applies to this category of costs.
- Prudence Review - For amortization, a prudence review will be conducted relating to the purchase price and timing of natural gas purchases.
- Sharing - The Company makes a sharing election for each PGA year. Based on the election, a percentage of the difference between actual commodity costs and the commodity costs collected from customers will be deferred. The Company will absorb the remaining percentage. The commodity portion of purchased gas costs differences include purchasing natural gas, the variable cost of transporting the gas from the supply basin to the city gate, the benefits received from storage optimization, off-system sales, and other miscellaneous costs or benefits. One hundred percent of the demand portion of purchased gas cost differences will be deferred. The demand portion includes fixed pipeline costs, capacity releases, and miscellaneous pipeline related refunds or surcharges.
- Rate Spread/Design - Prudently incurred gas costs differences that have been correctly accounted for should be developed into a rate per therm based on estimated usage for the upcoming PGA year.
- Three Percent Test (ORS 757.259(6)) - The three percent test applies for amounts subject to amortization.

Conclusion

Staff recommends the Commission authorize NW Natural's application for Reauthorization for Deferred Accounting Treatment of Gas Costs for the 12-month period beginning November 1, 2025.

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

¹ See, the amount deferred includes both the commodity (WACOG) and demand deferrals.

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PROPOSED COMMISSION MOTION:

Approve Northwest Natural Company's application for reauthorization for deferred accounting treatment of gas costs for the 12-month period beginning November 1, 2025 through October 31, 2026.