

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2123(5)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for Reauthorization to Defer
Net Curtailment and Entitlement Revenues.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 20, 2026, 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. CA11

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 20, 2026**

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

DATE: December 10, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 2123(5))
Reauthorization to Defer Net Curtailment and Entitlement Revenues.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) application to defer amounts associated with net curtailment and entitlement revenues for the 12-month period beginning November 1, 2025.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for reauthorization to defer amounts associated with net curtailment and entitlement revenues.

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." ORS 757.259(2)(e).

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In OAR 860-027-0300(3), the Commission set the requirements for deferred accounting applications. Applications for reauthorization must include a description and explanation of the entries in the deferred account, up to the date of the application for reauthorization, as well as the reason for continuation of deferred accounting. OAR 860- 027-0300(4). Notice of the application must be provided pursuant to OAR 860-027- 0300(6).

Amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and typically, review of the utility's earnings. With some exceptions, a company's amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

Analysis

Background

In this application, the Company submitted a request for reauthorization to defer amounts associated with net curtailment and entitlement revenues. Curtailment revenue is received when an interruptible customer does not follow the Company's order to curtail service.

In general rate case UG 388, the Commission issued Order No. 20-364 approving a Stipulation by which the parties agreed that NW Natural, beginning in 2021, will credit net curtailment and entitlement revenues to firm sales customers through the Purchased Gas Adjustment (PGA) on an equal percent of margin basis.¹

To effectuate this agreement, NW Natural filed a new tariff schedule, Schedule 168 Temporary Rate Adjustment – Net Curtailment and Entitlement, in compliance with Order mentioned above.²

Description of the Revenues

The Company will credit net curtailment and entitlement revenues to firm sales customers through the PGA on an equal percentage of margin basis; however, the amount of revenues to be credited to firm sales customers will be offset by identifiable incremental costs that arise from customer curtailment and entitlement orders.

¹ 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 terms.

² See, Order No. 20-364.

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Proposed Accounting

Beginning on November 1, 2025, and ending 12 months from this date, the Company proposes continuing to account for the amounts associated with curtailment and entitlement revenues by recording the deferral in Account 186.

Reasons for Deferral

Since the Commission has found that “encourag[ing] utility or customer behavior consistent with regulatory policy” is appropriate for deferred accounting.^{3,4}

The Company seeks continuation of this deferral to credit firm sales customers for the Oregon share of curtailment and entitlement revenues received by the Company net of incremental costs related to curtailment and entitlement orders.⁵

Estimate of Amounts

Curtailment and entitlement revenues are infrequent and therefore the Company cannot estimate the amount to be recorded in the deferred account.

However, the amount deferred last year was (\$74,489) this amount includes \$4,373 of interest estimated through September 30, 2025.

Also, the interest rate that will apply to the deferral accounts is 7.056 percent.

In addition, since the Company is unable to estimate the amount to be deferred during the next PGA cycle, the Company’s intent is to amortize for collection all that is deferred.

Information Related to Future Amortization

- Earnings Review – Prior to amortization, an annual spring earnings review will be conducted pursuant to OAR 860-022-0070.
- Prudence Review – Prior to amortization, a prudence review will be conducted. The review should include verification of the accounting methodology used to determine the final amortization balance.

³ *Id.* at 2.

⁴ Under ORS 757.259(2)(e), the Commission has discretion to authorize a deferral of “[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 to match appropriately the costs borne by and benefits received by rate payers.”

⁵ See, Commission Order No. 20-364 in Docket UG 388 entered on October 16, 2020.

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- 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. This deferral is subject to the exception at ORS 757.259(7) that allows the Commission to consider an overall average rate impact greater than that specified in subsection (6) for natural gas commodity and pipeline transportation costs incurred by a natural gas utility, if the Commission finds that allowing a higher amortization rate is reasonable under the circumstances.

Conclusion

Staff have reviewed the Company's application and conclude 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 amounts associated with net curtailment and entitlement revenues for the 12-month period beginning November 1, 2025 through October 31, 2026.