ORDER NO. 26-140

ENTERED Apr 29 2026

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1420(17)

In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Application for Reauthorization to Defer Industrial (DSM) Program Costs.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on April 28, 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. CA9

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 28, 2026

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** _____**N/A**_____

DATE: April 20, 2026

TO: Public Utility Commission

FROM: Charles Lockwood

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1420(17))
Application for Reauthorization to Defer Industrial Demand Side Management Program Costs.

STAFF RECOMMENDATION:

Staff recommends that Northwest Natural's (NW Natural or Company) application for reauthorization to record and defer with interest all incremental costs associated with the Industrial Demand Side Management (DSM) program be approved for the 12-month period beginning March 1, 2026.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for reauthorization to defer the incremental costs associated with the Company's Industrial DSM program for later recovery in rates, beginning March 1, 2026.

Applicable Law

NW Natural submitted its deferral application on February 28, 2025, in accordance with ORS 757.259(2)(e), ORS 757.262, and OAR 860-027-0300. The statute ORS 757.259(2)(e) provides the Commission with authority to authorize the deferral of utility revenues and expenses, for later inclusion in rates, upon finding 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.

OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities. Previous approval of this deferral was most recently granted by Order No. 21-116.

ORS 757.262 addresses the Commission's authority regarding utility acquisition of cost-effective conservation resources and small-scale, renewable-fuel electric generating resources.

Analysis

Background
NW Natural seeks to defer all costs associated with studying, planning, administering, and delivering Demand Side Management (DSM) programs to Industrial Firm Sales Customers, Industrial Interruptible Sales Customers, and Schedule 32, Commercial Sales Customers (referred to hereafter collectively as "Industrial Customers").

Since 2002, NW Natural has offered DSM programs to its Residential and Commercial Customers. In 2009, the Company began offering its Industrial Customers a program, established in response to NW Natural's 2008 Integrated Resource Plan (IRP). In the IRP, the Company identified cost-effective DSM for its Industrial Firm Sales Customers.

Although the Company's 2008 IRP did not include a DSM technical potential study for Industrial Interruptible Sales Customers, the program offering was extended to these industrial customers in accordance with the program parameters established in a Memorandum of Understanding (MOU), signed by NW Natural, Citizens' Utility Board of Oregon, CUB, Northwest Industrial Gas Users, NWIGU, and Commission Staff.

The MOU stated the Company would provide an energy-efficiency program to Industrial Customers for two years, after which time the MOU signatories would consider whether the program should continue being offered to interruptible sales customers.

In 2011, the MOU signatories agreed that the pilot Industrial DSM Program should become a permanent offering. The program that is offered today continues to be applicable to all industrial customers except those receiving service under a transportation rate.

Description of Expenses
The Company is requesting to defer the costs associated with studying, planning, administering, and delivering its Industrial DSM Program. The Company's Industrial

DSM program is currently administered by the Energy Trust of Oregon, which additionally administers the Company's Residential and Commercial DMS programs.

In Order No. 05-935, the Commission adopted a stipulation between parties which prevents the Company from charging the Schedule 301, Public Purpose Charge to Industrial Customers served on Schedules 3, 31, 32, and special contracts as well as preventing those customers from being eligible for Energy Trust DSM Programs funded by the Public Purpose Charge. The Company states the Industrial DSM Program found in this application will not be charged under Schedule 301, and the Company will defer all costs for future amortization among Industrial Customers in the Company's next annual Purchased Gas Adjustment Mechanism.

Proposed Accounting
The Company proposes to account for the deferred expenses related to the Industrial DSM Program by recording the deferral in a sub-account of Account 186 (Miscellaneous Deferred Debits). If not permitted to utilize this deferred accounting, the Company would record Industrial DSM Program expenses in the appropriate sub-account of FERC Account 909.

Reasons for Deferral
The deferral mechanism is used consistently with the original MOU discussed above. This request seeks to align the benefits customers receive from the Company's Industrial DSM Program with the costs of the program by allowing the Company to defer the program costs for later inclusion in rates.

Estimate of Amounts
The Company estimates the amount to be recorded in the deferred account for the 12-month period beginning March 1, 2026 through February 28, 2027, to be approximately $14.3 million.

Information Related to Future Amortization

- Earnings Review – An earnings review must be conducted for amortization of these costs.

- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance. The prudence review will be held when NW Natural files for amortization.

- Sharing – Staff has not previously recommended sharing for this deferral.

- Rate Spread/Design – The costs are allocated among Industrial Firm Sales Customers, Industrial Interruptible Sales Customers, and Schedule 32 Commercial Sales Customers on an equal cents per therm basis.

Summary of Deferrals
NW Natural states $11,274,910 plus interest of $510,212 was deferred during the last deferral year of March 1, 2025 through February 28, 2026. Additionally, from November 1, 2024 through December 31, 2025, $1,496,928 was amortized in rates. Lastly, in the 2026 PGA filing, the Company estimates it will seek to amortize $11,758,122.

Conclusion

As Schedule 360, Industrial Demand Side Management Programs, is still in effect, and this application meets the statutory requirements of ORS 757.259 and OAR 860-027-0300, therefore Staff recommends Commission approval.

PROPOSED COMMISSION MOTION:

Approve NW Natural's request for reauthorization to defer Industrial DSM program costs for the twelve month period beginning March 1, 2026.

CA9 - NWN UM 1420(17)