

ORDER NO. 26-229

ENTERED Jul 07 2026

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 903

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

2026 Spring Earnings Review.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 7, 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. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 7, 2026**

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

DATE: June 4, 2026

TO: Public Utility Commission

FROM: Luz Mondragon

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 903)
2026 Spring Earnings Review (2025 Results of Operations).

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Staff's finding that Northwest Natural Gas Company's (NW Natural or Company) earnings for the 12 months ending December 31, 2025, are below the earnings threshold established in Docket No. UM 903, and that no Earnings Sharing applies to the 2025 Fiscal Year.

DISCUSSION:

Issue

Whether the Commission should approve Staff's finding that NW Natural's earnings for the 12 months ended December 31, 2025, are below the earnings threshold established in Docket No. UM 903, and that no Earnings Sharing applies to the 2025 Fiscal Year.

Applicable Rule or Law

NW Natural made its filing in accordance with OAR 860-022-0070. Each Oregon regulated natural gas distribution company recovers gas costs under an automatic adjustment clause known as the Purchased Gas Adjustment (PGA). The Commission

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adopted the PGA in 1998 and the implementing rules in 1999.¹ The Commission has modified the PGAs and rules through the years.² The purpose of the PGA is to permit each natural gas utility to adjust revenues annually to reflect actual increases or decreases in gas costs.

To ensure that earnings of a natural gas utility are not excessive prior to passing through prudently incurred base gas costs, the Commission, by rule (OAR 860-022-0070), requires that an earnings review be conducted on an annual basis.³

Components of the Spring Earnings Review are as follows.

Annual Election

Not later than September 15 of each year, each Local Distribution Company (LDC) must make an annual sharing election for the applicable gas year, which begins November 1.⁴ The LDC must choose either 90/10 Weighted Average Cost of Gas (WACOG) sharing or 80/20 WACOG sharing with a corresponding earnings review threshold.⁵ NW Natural elected a 90/10 WACOG sharing for the 2025 Fiscal Year in Docket No. UM 1286.

Spring Earnings Review

An earnings review shall be performed each spring (pursuant to OAR 860-022-0070) based on the most recent fiscal year's results of operations. The earnings review will apply to the WACOG sharing election previously made by the Company (e.g., the 2024 election will apply to the 2024 Fiscal Year results of operations that are the subject of the 2025 Spring Earnings Review). If earnings are found to be above a specified return on equity (ROE) level (Earnings Threshold),⁶ a portion of those revenues will be booked to a deferred account.

¹ Order Nos. 98-503 and 99-272 (Docket Nos. UM 903 and AR 357).

² See e.g., Order Nos. 07-019 and 08-504 (Docket Nos. AR 512 and UM 1286).

³ *Id.*

⁴ Order No. 08-504 at 17; Order No. 11-196, Appendix at 4; Order No. 14-238, Appendix A at 8.

⁵ 90/10 or 80/20 WACOG Sharing means that 90 or 80 percent of the variance will be deferred for subsequent charge or credit to customers, and 10 or 20 percent will be absorbed or retained by the LDC.

⁶ UM 1286 and UM 903 Gas Earnings Threshold memo defines these levels.

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The Earnings Threshold

An LDC that elects 90/10 WACOG sharing will be subject to an Earnings Threshold of 100 basis points above its ROE, adjusted to reflect changes in conditions in capital markets.⁷ An LDC that elects 80/20 WACOG sharing is subject to an Earnings Threshold of 150 basis points above its ROE, adjusted in the same manner.⁸

Structure of Earnings Reviews

By May 1 of each year, the LDC will file results of operations for the 12 months ended the prior December 31. Staff will complete its review and distribute summary conclusions by June 10 to all parties. At the first regular public meeting in July, Staff will present the results of the earnings review. If there are unresolved issues, a settlement conference will be held. If there are still outstanding issues, parties will file position statements by August 1 and the Commission would issue its decision on unresolved issues by August 15. These rate changes will include amortization of credit amounts in the deferred account, if any, resulting from the spring earnings review.⁹

Earnings Adjustments

Recorded results of operations will include retained WACOG variance earnings and will be adjusted for Type 1 adjustments as set forth in Order No. 99-272, Appendix B. NW Natural made a one-time election to include a weather normalization adjustment in its spring 1999 earnings review filing and each subsequent filing.

Earnings Performance

If adjusted earnings (including any retained WACOG variance) are below the Earnings Threshold, there will be no rate adjustment.¹⁰ If adjusted earnings are above the Earnings Threshold, the amount of revenue in the test year representing 33 percent of the earnings (including WACOG earnings) exceeding the threshold will be shared with customers (Earnings Sharing).¹¹

Effective Date of Rate Adjustment and Applicable Interest

Upon completion of the earnings review, any amount of earnings over the sharing deadband determined to be returned to customers will be booked to a deferred account.

⁷ The Earnings Threshold is adjusted each year by 20 percent of any change in the risk-free rate for the 12-month calendar year preceding the annual earnings review (See Order No. 04-203 at 3-4 and OAR 860-022-0070(5)(c)).

⁸ *Id.*

⁹ OAR 860-022-0070(6).

¹⁰ OAR 860-022-0070(5)(c).

¹¹ Order No. 98-543.

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Interest shall apply beginning the previous January 1. The rate adjustment and amortization will be effective with the date of subsequent base gas cost changes.¹²

Analysis

NW Natural's Earnings

The Gas Earnings Threshold (GET) for NW Natural for this 2025 Spring Earnings review is 10.40 percent. NW Natural elected a 90/10 WACOG sharing for the 2025 fiscal year in Docket No. UM 1286.¹³ Accordingly, the calculation of NW Natural's Earnings Threshold began with the Company's authorized ROE for 2025.¹⁴ Then, 100 basis points (based on a 90/10 WACOG Sharing Election) were added to NW Natural's ROE. Finally, an adjustment of 20 percent of the change in the United States Treasury Risk Free Rate for the 12-month period preceding the annual earnings review and the Company's most recent general rate case order was applied. For the 2025 Fiscal Year, NW Natural's adjusted risk-free rate decreased by .18 percent.¹⁵

Pursuant to OAR 860-022-0070, NW Natural submitted its 2025 Results of Operations (ROO) report for the 12 months ended December 31, 2025.¹⁶ NW Natural calculates its ROE as 9.42 percent after the application of its Type 1 adjustments, including weather normalization and Asset Management Agreement Optimization (AMA) revenues.¹⁷

Staff reviewed NW Natural's ROO report, including supporting workpapers, and had a meeting with NW Natural staff regarding the ROO Report on June 1, 2026. After review, Staff did not identify any items of concern in NW Natural's reported ROE calculation. Because NW Natural's adjusted ROE is below the GET of 10.40 percent, no Earnings Sharing is required.

¹² OAR 860-022-0070(5)(e).

¹³ Company's Annual PGA Sharing Election (2025-2026), Docket No. UM 1286 filed September 8, 2025.

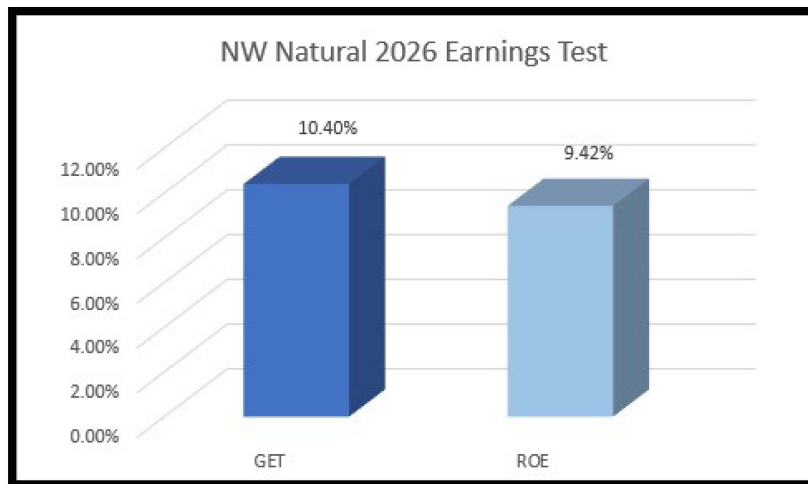
¹⁴ NW Natural's 2025 ROE of 9.40% uses a combination of the two general rate cases that were effective during calendar year 2025, Docket No. UG 490 approved in 2024 and was effective for 10 months in 2025 and Docket No. UG 520 approved in 2025 was effective for 2 months.

¹⁵ 2026 Gas Earning Thresholds and supporting calculations are posted on the Commission's website here: <https://www.oregon.gov/puc/forms/Forms%20and%20Reports/Gas-Earnings-Threshold-GET.pdf>.

¹⁶ In the Matter of Northwest Natural Gas Company dba NW Natural, Annual Earnings Review Report - Results of Operations, Docket No. RG 40, submitted April 30, 2026.

¹⁷ Order 15-049_UM 1635. Filed 2/20/2015.

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Conclusion

Staff reports above its calculations of (1) the Company's adjusted return on equity ("Earnings Threshold"), and (2) adjusted revenues for the 2025 Fiscal Year, both of which are used to determine whether NW Natural must share a portion of its 2025 Fiscal Year earnings with customers under NW Natural's PGA mechanism. Based on these calculations, Staff concludes that NW Natural should not be required to share its 2025 earnings with customers in connection with its PGA.

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

PROPOSED COMMISSION MOTION:

Approve Staff's finding that NW Natural's 2025 earnings are below the Earnings Threshold designated in Docket No. UM 903 and that no Earnings Sharing applies to the 2025 Fiscal Year.

CA3 - NWN UM 903, 2025 ROO Spring Earnings Review