ORDER NO. 26-262

ENTERED Jul 21 2026

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2266(3)

In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Request for Reauthorization to Defer the Difference Between Forecast Cost of Service and Actual Cost of Service of RNG Qualified Investments Under Schedule 198.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 21, 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. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 21, 2026

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** __________N/A__________

DATE: June 11, 2026

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 2266(3))
Reauthorization to Defer the Difference Between Forecast Cost of Service and Actual Cost of Service of Renewable Natural Gas Qualified Investments Under Schedule 198.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural or Company) request for reauthorization to defer the difference between forecast cost of service and actual cost of service of renewable natural gas (RNG) qualified investments under Schedule 198 for the 12-month period beginning January 16, 2026.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for reauthorization to defer the difference between forecast cost of service and actual cost of service of RNG qualified investments under Schedule 198.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates in order to minimize the frequency of rate changes or to appropriately match customer benefits and costs. OAR 860-027-0300(4) requires a utility seeking reauthorization of a deferral to file the application within 60 days of expiration of the deferral and provide the following:

(a) A description of the utility expense or revenue for which deferred accounting is requested;
(b) The reason(s) deferred accounting is being requested and a reference to the section(s) of ORS 757.259 or 759.200 under which deferral may be authorized;
(c) The account proposed for recording of the amounts to be deferred and the account which would be used for recording the amounts in the absence of approval of deferred accounting;
(d) An estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application; and
(e) A copy of the notice of application for deferred accounting and list of persons served with the notice.

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.

ORS 757.394 requires the Commission to adopt rules that establish a renewable natural gas program. The rules governing the Commission's renewable natural gas program are found at OAR 860-150-0005 to 860-150-0600.

ORS 757.369 allows large natural gas utilities to participate the Commission's renewable natural gas program and establishes phased-in "portfolio targets for the percentage of gas purchased by the large natural gas utility for distribution to retail natural gas customers in Oregon," beginning with five percent in calendar years 2020 to 2024 and ending with 30 percent in calendar years 2045 to 2050.

<u>Analysis</u>

Background

In Northwest Natural's 2022 general rate case, UG 435, the Commission addressed the Company's request to establish an automatic adjustment clause (AAC) for RNG costs and whether to allow the Company to defer the RNG costs between forecast and actual RNG costs. The Commission allowed "for the deferral of costs between forecast RNG costs and actual RNG costs, but subject that deferral to an earnings test that includes deadbands at 50 basis points below and above authorized ROE [return on equity]."[1]

[1] *In the Matter of Northwest Natural Company, dba NW Natural, Request for a General Rate Revision*, Docket No. UG 435, Order No. 22-388 at 82 (October 24, 2022).

The Company filed its first application for authorization to defer for later ratemaking treatment the difference between the forecast cost of service and the actual cost of service of its RNG qualified investments under Schedule 198, Renewable Natural Gas Adjustment Mechanism (PGA) on December 20, 2022. The Commission granted the application in Order No. 23-328 and subsequent applications for reauthorization in Orders Nos. 24-335 and 25-350.

As noted in Staff's report in AR 677 on May 19, 2026, and supported by the Commission's Phase 1 comments in AR 676 at the July 7, 2026 public meeting, Staff will look for opportunities to streamline or consolidate existing adjustment schedules into base rates when feasible. These steps would reduce year-to-year filings, improve transparency, and support the multi-year rate plan (MRP) goal of incorporating a broader set of costs within the multi-year framework. Staff believes that approval of this deferral is reasonable until such a time that the Commission determines to consolidate the costs at issue into base rates in a general or multi-year rate proceeding. Staff encourages the Company and stakeholders to continue to evaluate the reasonableness of moving this and other deferrals into base rates in preparation for the move to multi-year ratemaking.

Description of Expenses
The Company requests to recover its qualified investments in RNG and the operating costs of such investments.

Proposed Accounting
The Company proposes to account for the costs associated with its RNG qualified investments by recording the deferral in Account 186.

Estimate of Amounts
The Company is unable to provide an estimate of the upcoming deferral or amortization. However, the amount deferred last year was ($717,728) deferred during the period of January 1, 2025 through December 31, 2025. This amount includes ($2,093) of interest.

The amount amortized last year
($1,198,616) was amortized from January 1, 2025 through December 31, 2026. This amount includes $53,643 of interest.

The interest rate that will apply to the accounts
The interest rate for deferral accounts is 7.120 percent, which is the Company's most recent cost of capital approved in a general rate case.

Information Related to Future Amortization

- Earnings Review – An earnings test with a deadband set at 50 basis points below and 50 basis points above authorized ROE will be applied consistent with Commission Order No. 22-388 authorizing the applicable RNG AAC.

- Prudence Review – Prudence review should be performed at the time of deferral amortization. The review should also include verification of the accounting methodology used to determine the final amortization balance.

- Sharing – Sharing will be governed by Order No. 22-388 authorizing the applicable RNG AAC and any other applicable orders.

- 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. The three percent test will not apply due to the AAC.

<u>Conclusion</u>

Staff recommends the Commission approve NW Natural's request for reauthorization to defer the Difference Between Forecast Cost of Service and Actual Cost of Service of Renewable Natural Gas Qualified Investments Under Schedule 198.

The Company has reviewed this memo and has stated no objection.

PROPOSED COMMISSION MOTION:

Approve NW Natural's application request for authorization to defer costs associated with Difference Between Forecast Cost of Service and Actual Cost of Service of Renewable Natural Gas Qualified Investments Under Schedule 198 for the 12-month period beginning January 16, 2026.