ORDER NO. 26-277

ENTERED Aug 04 2026

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1714(11)

In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Application for Reauthorization to Defer Certain Expenses or Revenues Related to Projects Submitted Under Senate Bill 844.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on August 4, 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. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 4, 2026

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

DATE: July 8, 2026

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1714(11))
Request reauthorization of certain deferred expenses and revenues associated with the Emission Reduction Program under Senate Bill 844.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural Gas Company's (NW Natural) application for reauthorization to defer costs associated with the development of projects under Senate Bill (SB) 844 for the 12-month period beginning January 20, 2026.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for reauthorization to defer costs associated with the development of projects to be submitted under SB 844.

Applicable Law

NW Natural submitted its deferral application in accordance with ORS 757.259(2)(e) and OAR 860-027-0300, seeking authority to defer costs related to the development of voluntary Emission Reduction Programs under SB 844 (codified at ORS 757.539).

ORS 757.259(2)(e) provides the Commission with authority to authorize the deferral of utility revenues and expenses, for later inclusion in rates, if the Commission finds that the deferral would minimize the frequency of rate changes or the fluctuation of rates.

levels or to match appropriately the costs borne by and benefits received by ratepayers. ORS 860-027-300 sets for several requirements for deferral applications. Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates only if authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral.

ORS 757.539(8) authorizes the Commission to allow the utility to recover incremental costs of Emissions Reduction Programs from ratepayers that may receive a benefit from the emissions reduction. Codified in ORS 757.539, Senate Bill 844, aims to incentivize "public utilities that furnish natural gas to invest in projects that reduce emissions and to provide benefits to customers of public utilities that furnish natural gas."

ORS 757.539(4) states that the utility must file an application with and receive approval from the Commission for any project proposed under this legislation.

Analysis

Background
Senate Bill 844 established a voluntary emission reduction program "Emission Reduction Program" for natural gas utilities to invest in projects that reduce greenhouse gas emissions that the utilities would not undertake in the normal course of business. The Company has been and continues to be in the process of developing projects under this law and originally filed this deferral to ensure that it assigns each project the appropriate expenses that it may incur in developing them, and to recover those costs as determined appropriate by the Commission.

The Company filed this Application to continue to have the ability to defer costs, as appropriate, and to allocate program costs in a way that fulfills the purposes of Senate Bill 844. NW Natural anticipates that any cost recovery of deferred expenses would be ruled on as part of the Commission's review and approval of individual projects under Senate Bill 844.

NOTE: In Staff’s report on 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 believe 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.

Also, 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 the Expenses
The description is associated with the expenses the Company incurs developing and implementing greenhouse gas reduction projects for the State's Emission Reduction Program.

Proposed Accounting
The Company will record the amounts in an account for the costs associated with the Emission Reduction Program by recording the deferral in Account 186.

Reasons for Deferral
According to the Company this application pursuant to ORS 757.259(2)(e) in order "to minimize the frequency of rate changes" and to match "the costs borne by and benefits received by ratepayers."

Estimate of Amounts
The Company did not defer any costs. Thus, no costs were amortized last year.

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

An estimate of the upcoming PGA-period deferral and/or amortization have not been developed sufficiently to forecast potential costs for the upcoming PGA filing.[1]

Information Related to Future Amortization

- Earnings Review - Pursuant to ORS 757.259(5), an earnings review is required prior to amortization.

- Sharing - Under ORS 757.539(8)(b), the Commission determines the method a utility should use to recover costs of programs approved under the statute at the time it approves the program.

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[1] The 2026 PGA filing work papers if there are costs to report. If so, the Summary Sheet will be provided in the electronic file entitled "Proposed Temps Oregon 2026-27 PGA filing.xlsx."

- Rate Spread/Design - Under ORS 757.539(8)(b), the Commission determines which ratepayers should be charged for a program approved under that statute at the time it approves the program.

- Three Percent Test (ORS 757.259(6)) - This deferral is subject to the three percent test, which measures the annual overall average effect on customer rates resulting from deferral amortizations

Conclusion

Staff recommends the Commission approve NW Natural's application because it meets the requirements of ORS 757.259. The Company should be allowed to defer project costs associated with SB 844, subject to any projects being reviewed and approved by the Commission.

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

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's request to reauthorize the deferral of costs associated with the development of projects to be submitted under SB 844 (ORS 757.539) for the 12-month period beginning of January 20, 2026.