ORDER NO. 26-360

ENTERED Sep 30 2026

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2192(5)

In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Application for Reauthorization to Defer Accounting for TSA Security Directive 2 Compliance Expenses.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 29, 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 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: September 29, 2026

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

DATE: August 26, 2026

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 2192(5))[1]
Application for reauthorization to defer accounting for TSA Security Directive 2 Compliance Expenses.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) application for reauthorization to defer TSA Security Directive 2 Compliance Expenses for the 12-month period beginning September 1, 2026.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for reauthorization to defer costs associated with Accounting for TSA Security Directive 2 Compliance Expenses for later inclusion in rates.[2]

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1 This application is listed as UM 2192(4) in eDockets. However, it is actually UM 2192(5).

2 See, *In re Pub. Util. Comm'n of Or. Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, Docket No. UM 1909, Order No. 20-147 at 3, 11 (April 30, 2020) (ORS 757.259 "empowers the Commission to authorize the deferral of capital project costs, including depreciation expense and financing costs.").

Applicable Law

ORS 757.259 empowers the Commission to authorize the deferral of expenses or revenues of a public utility for later inclusion in rates. The Commission has established rules implementing this statute in OAR 860-027-0300, including specific requirements for deferred accounting applications.

Analysis

Background
The TSA has two security directives pertaining to cybersecurity concerns for critical pipeline owners and operators: Security Directive Pipeline-2021-01, Security Directive 1 and Security Directive 2. As a critical pipeline owner and operator, NW Natural is required to comply with these directives. In this application, NW Natural requests a deferral of costs associated with the implementation of Security Directive 2.

The Transportation Security Administration (TSA) issued Security Directive 2 on July 20, 2021, which has undergone several amendments, with the most recent occurring on May 1, 2026. Security Directive 2 mandates that designated owners and operators:

- Implement specific mitigation measures to safeguard against ransomware attacks and related threats,
- Develop and execute a cybersecurity contingency and response plan, and
- Conduct a cybersecurity architecture design review.

NW Natural is actively implementing Security Directive 2 and anticipates ongoing expenses associated with meeting these requirements.

The Company acknowledges the significance of TSA security directives, particularly in light of the increasing number of cybersecurity incidents targeting the energy sector and its own role as an owner and operator of critical pipeline infrastructure. NW Natural expects to sustain substantial compliance costs due to the comprehensive nature and scope of Security Directive 2.

Description of the Expenses
The TSA issued the security directives to protect critical pipeline systems and Security Directive 2 does so by requiring owners and operators to implement specific mitigation measures, to implement cybersecurity contingency and recovery plans, and to conduct cyber security architecture design reviews. NW Natural requests that the Commission authorize the deferral of the TSA Security Directive 2 expenses through

September 1, 2027. NW Natural's current estimate of Security Directive 2 expenses from September 1, 2026 to September 1, 2027, is unknown due to many factors surrounding the TSA Directive.

Proposed Accounting
The Company proposes continuing to record the expenses incurred because of TSA Security Directive 2 compliance on the company's balances sheet, to later be included in customer rates.

Reasons for Deferral
According to the Company:

> Deferred accounting is appropriate because complying with Security Directive 2 is mandated by a federal agency, imperative to ensuring pipeline security, and will continue to cause NW Natural to incur significant costs that are not currently accounted for in the Company's rates. This includes capital investments and incremental operations and maintenance ("O&M") expense, both ongoing and start up. Importantly, these critical and prudent costs may not otherwise be recoverable absent authorization of deferred accounting. Finally, the use of deferred accounting will allow for matching of the costs borne by and benefits received by ratepayers.[3]

Estimate of Amounts
NW Natural does not have estimates for this deferral for the September 1, 2026 to September 1, 2027, time period due to TSA's amendments to the directive; the most recent of which was issued on May 1, 2026.

Information Related to Future Amortization

- Earnings Review - Staff recommends an earnings test be applied to these costs.
- Prudence Review - A prudence review should be performed at the time of deferral amortization.
- Sharing - No sharing is recommended by Staff as these are costs to comply with federal security directives.
- Rate Spread/Design - Staff recommends the deferred amounts spread based on an equal percentage of margin basis.

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[3] UM 2192 NW Natural's Application for Reauthorization of Deferred Accounting.

- Three Percent Test (ORS 757.259(6)) - The amortization is applicable to the three percent test.

Conclusion

As the Company's application meets the requirements of ORS 757.259 and ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates, and the reasons for the deferral are valid, Staff recommends the Commission approve NW Natural's applications.

Staff also reviewed the Company's Information Request and Staff supports these applications.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's Application to defer Accounting for TSA Security Directive 2 Compliance Expenses, UM 2192(5) for the 12-month period beginning September 1, 2026.

Northwest Natural UM 2192(5)