BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of NORTHWEST NATURAL GAS COMPANY DBA NW NATURAL For an Accounting Order Authorizing Deferred Accounting Treatment Related to the Climate Commitment Act.	DOCKET NO. UG-220926 AMENDMENT TO PETITION OF NW NATURAL

1 Pursuant to WAC 480-07-370(3)(b), Northwest Natural Gas Company ("NW Natural" or "the Company") petitions the Washington Utilities and Transportation Commission (the "Commission") for an order authorizing deferred accounting treatment for: 1) the costs of compliance with the Climate Commitment Act ("CCA"), and 2) the revenues received from the consignment of emissions allowances.[1]

2 In support of this Petition, NW Natural states as follows:

I. NAME OF PETITIONER

3 NW Natural is in the business of furnishing natural gas service within the State of Washington as a public service company and is subject to the regulatory authority of the Commission as to its rates, service, facilities, and practices. Its full name and mailing address for the purposes of this proceeding are:

> Northwest Natural Gas Company
> c/o Kyle Walker
> Manager, Rates and Regulatory Affairs
> 250 SW Taylor Street
> Portland, OR 97204-3038

[1] As explained below, the CCA requires NW Natural to cosign emissions allowances to auctions conducted by the Washington State Department of Ecology and use those revenues to benefit customers.

4 The name and address of the Company's attorney for purposes of this proceeding are:

Ryan Sigurdson
Regulatory Attorney (WSBA #39733)
250 SW Taylor Street
Portland, OR 97204-3038

II. SUPPORT FOR PETITION

A. Legal Authority

5 The Commission is vested by statute with the authority to regulate, among other things, the rates and accounts of public service companies, including gas companies.[2] WAC 480-07-370(1)(b) allows public service companies to file petitions, including petitions for deferred accounting.[3] The Commission grants petitions for deferred accounting where "good cause" is shown.[4]

B. Factual Background

6 The CCA, passed by the Washington State Legislature in 2021, directs the Washington Department of Ecology ("Ecology") to develop and implement rules for a cap-and-invest program designed to meet emissions reduction targets and reduce emissions by 95% of 1990 levels by 2050. On September 29, 2022, Ecology issued its final rules to implement the CCA, with the program set to begin January 1, 2023.

7 As a natural gas utility, NW Natural must comply with the CCA. Under the CCA, natural gas utilities must meet declining targets for greenhouse gas emissions ("GHG") as compared

[2] RCW 80.01.040, RCW 80.04.160, RCW 80.28.020; *see also In the Matter of the Petition of Nw. Nat. Gas Co. for an Accounting Order Authorizing Deferred Accounting Treatment of Certain Costs Associated with Environmental Remediation*, Docket UG-110199, Order 01 (June 30, 2011).
[3] *See* UG-110199, Order 01 ¶ 6.
[4] UG-110199, Order 01 ¶ 10; *see also In the Matter of the Petition of Avista Corp. d/b/a Avista Utils. for an Accounting Order Authorizing Deferred Accounting Treatment for Residential and Farm Energy Exchange Benefit Amounts*, Docket UE-071091, Order 01 ¶ 11 (Aug. 29, 2007).

to a baseline, which is the average emissions from 2015-2019.[5] Beginning in 2023, natural gas utilities will receive no-cost allowances to cover 93% of their GHG baseline, declining 7% per year through 2030.[6] From 2031-2042 no-cost allowances decrease by 1.8% per year[7] and from 2043-2049 no-cost allowances decrease by 2.6% per year.[8] In 2050, natural gas utilities will not receive any no-cost allowances.

8 Of the no-cost allowances received in 2023, 65% must be consigned to auction, increasing by 5% per year until 100% of no-cost allowances are consigned to auction in 2030.[9] No-cost allowances consigned to auction will result in revenues back to the utility, which must be used for the benefit of customers as determined by the Commission, including at minimum, eliminating any additional cost burden to low-income customers due to the implementation of the CCA.[10] Revenues from allowances must be returned by providing nonvolumetric credits on ratepayer utility bills, prioritizing low-income customers, or used to minimize cost impacts on low-income, residential, and small business customers through actions that include, but are not limited to, weatherization, decarbonization, conservation and efficiency services, and bill assistance.[11] Customer benefits provided from allowances consigned to auction by natural gas utilities must be in addition to existing requirements in statute, rule, or other legal requirements.[12]

C. Reasons for Deferral

9 NW Natural anticipates incurring substantial costs to meet its obligations under the CCA. These costs include: 1) administrative costs to ensure that the Company will efficiently and effectively comply with CCA requirements, 2) purchasing emissions allowances at auctions

[5] WAC 173-446-240(1)(a).
[6] WAC 173-446-240(2)(a).
[7] WAC 173-446-240(2)(b).
[8] WAC 173-446-240(2)(c).
[9] WAC 173-446-300(2)(b)(ii).
[10] WAC 173-446-300(2)(b)(iii).
[11] WAC 173-446-300(2)(b)(iii)(A).
[12] WAC 173-446-300(2)(b)(iii)(B).

held by Ecology, 3) enhanced energy efficiency programs and measures, and 4) the acquisition of renewable natural gas. Regarding administrative costs, NW Natural must develop the expertise to effectively participate in Ecology's emissions allowances' auctions; the first of which will be held in early to mid-2023. NW Natural has not participated in similar auctions before, and it must ensure that its participation leads to cost-effective compliance with the CCA. In addition, NW Natural will incur incremental administrative accounting, billing, and regulatory costs to implement the CCA. These costs include developing and implementing a mechanism to ensure that revenues received from the consignment of emissions allowances benefit customers, as well as determining how the Company will comply with CCA requirements, which may include a combination of purchasing emissions allowances, enhanced energy efficiency, and acquiring renewable natural gas. NW Natural also seeks to defer the costs associated with those CCA compliance measures, as well as other CCA compliance measures that the Company may undertake.

10 Regarding revenues, natural gas utilities will receive 35% of their vintage year 2023 no-cost allowances on July 1, 2023, and the remainder of their no-cost allowances for 2023 by September 1, 2023. As a result of consigning a portion of these allowances, NW Natural anticipates receiving revenues later in 2023. As described above, these revenues must be used for the benefit of customers.

11 Because the timing and amounts of costs and revenues are unknown, NW Natural believes it is most appropriate to defer these costs and revenues for future ratemaking treatment. The Company looks forward to future discussions with the Commission on the treatment of costs and revenues attributed to the CCA.

D. Estimate of Amounts

12 NW Natural cannot estimate the expected amount deferral at this time because the CCA is a new program that will come into effect on January 1, 2023.

E. Proposed Accounting

13 The Company proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Regulatory Assets) and will record a carrying charge at its actual cost of total debt during deferral and amortization. The Company's actual cost of total debt will be updated semi-annually.[13]

III. RELIEF REQUESTED

14 The Company respectfully requests that the Commission enter an order approving deferred accounting treatment as described in this Petition.

Dated this 13th day of February 2023.

Respectfully Submitted,

NORTHWEST NATURAL GAS COMPANY

<u>/s/ Kyle Walker</u>
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[13] The Company is filing this amended petition after discussions with Staff regarding the carrying charge to use for this deferral. The Company's amendment should not necessarily be construed as agreement to use the total cost of debt updated semi-annually in future deferral petitions in lieu of the FERC rate.