

**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 of
Conservation Potential Assessment Costs

DOCKET NO. UG-_____

PETITION

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 the deferred accounting treatment of conservation potential assessment costs. NW Natural seeks to defer these costs from the date of this petition forward, to track and preserve them for separate ratemaking treatment. The Company will file a proposal to amortize the deferred costs where the prudence of these costs will be reviewed.

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 Zachary Kravitz
Director of Rates and Regulatory Affairs
250 SW Taylor Street
Portland, OR 97204-3038

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.¹ WAC 480-07-370(1)(b) allows public service companies to file petitions, including petitions for deferred accounting.² The Commission grants petitions for deferred accounting where “good cause” is shown.³

B. Factual Background

6 In 2019, Washington State legislature approved and adopted HB 1257 in an effort to reduce greenhouse gas emissions. One component of this legislation requires gas companies to “identify and acquire all conservation measures that are available and cost effective”⁴. This necessitates each utility conducting a conservation potential assessment (“CPA”) through an independent third party to establish conservation targets starting in 2022.

¹ 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).

² *See* UG-110199, Order 01 ¶ 6.

³ 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).

⁴ HB 1257, Section 11. (May 7, 2019)

7 NW Natural issued a request for proposals (“RFP”) for CPA services in December of 2020 and reviewed the CPA proposals in January 2021. Respondents indicated the CPA will evaluate potential conservation across all NW Natural customers in Washington. HB 1257 has no listed customer class exclusions and, therefore, the findings of the CPA will inform the Company’s energy efficiency program activities and proposed cost recovery of those activities.

C. Reasons for Deferral

8 Deferred accounting treatment is appropriate because it will allow NW Natural to recover the costs via the customers who will benefit from the energy efficiency program that may be redesigned after the CPA. Recovery of the cost through the current Washington energy efficiency program would only impact commercial and residential customers. Since the assessment will look at a larger subset of Washington customers, NW Natural considers it appropriate to allocate costs across all Washington customers that will benefit from the CPA and any redesign of the Company’s energy efficiency program(s). Furthermore, NW Natural should be allowed to defer costs of recent legislative mandates. In this case, hiring an independent third party to conduct a CPA is a change in practice for NW Natural and the costs of the CPA were unknown prior to January 2021.

D. Estimate of Amounts

9 NW Natural has accepted Applied Energy Group’s assessment proposal for an estimated total cost of \$148,000.

E. Proposed Accounting

10 NW Natural proposes to account for the cost of the CPA on the Company’s balance sheet, plus interest at the published FERC rate, for later inclusion in customer rates. In the absence

of approval of deferred accounting, NW Natural would record costs associated with the CPA in FERC 921 expense accounts. NW Natural proposes to track and defer these costs for review as part of the purchase gas adjustment and associated advice filings or a subsequent ratemaking proceeding.

III. RELIEF REQUESTED

- 11 NW Natural requests authorization to defer the conservation potential assessment, as described above, plus interest at the published FERC rate.
- 12 WHEREFORE, the Company respectfully requests that the Commission enter an order approving deferred accounting treatment for the conservation potential assessment, as described in this Petition.

Dated this 8th day of February, 2021.

Respectfully Submitted,

/s/ Kyle Walker

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