

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

NORTHWEST NATURAL GAS
COMPANY d/b/a NW NATURAL

For an Accounting Order Authorizing
deferred accounting treatment of expenses
related to the Company's Demand
Response Programs

DOCKET UG-240441

ORDER 01

ACCEPTING ACCOUNTING
PETITION

BACKGROUND

- 1 On June 10, 2024, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition in Docket UG-240441 seeking an order pursuant to WAC 480-07-370, requesting deferred accounting treatment for costs and revenues associated with two of the Company's demand response programs, plus interest at the Company's actual cost of debt, to be updated semi-annually. The Company is not seeking a prudence determination of these costs nor is it requesting cost recovery.
- 2 The Company says these costs would be incurred to comply with Commission Staff's (Staff) statement in the approval letter for its 2022 Integrated Resource Action Plan (IRP) on p. 7: "In the next IRP, Staff recommends that NW Natural further analyze the risks imposed on rate payers in these scenarios, ratepayer responses to these risks, and the corollary risk of over investment and stranded assets."
- 3 First, the Company will undertake a system-wide program available to all residential and small commercial customers to mitigate service disruptions during extreme weather events or periods when gas prices are extremely high. The costs consist of the costs of hiring two project vendors, as well as administrative, customer communication, marketing engagement, and Information Technology and Services costs. The Washington portion of the program is estimated to cost \$540 thousand (\$540,000) to \$735 thousand (\$735,000) over three years.
- 4 Second, the Company intends to institute a locational demand response program in areas where its capacity is projected to be constrained in the near future.

5 Finally, the Company argues that absent a regulatory deferral, it would be required to
internalize the entirety of these significant costs amounting to an unjust penalty for
pursuing a novel demand-side management program.

6 Staff met with the Company to clarify about the projects on August 21, 2024.

DISCUSSION

7 While the Commission has recently approved several deferrals by electric utilities for
costs related to demand response¹ as allowed in RCW 80.28.410 2(b), the Commission
has never considered such a petition for a stand-alone gas utility. The Commission's
long-time standard is that deferred accounting is an exceptional regulatory treatment,
typically reserved for costs (or revenues) meeting the following conditions: (1)
extraordinary circumstances beyond the Company's control; and (2) generating costs
with material impact on the Company's financial results.²

8 Staff notes that the expected return for these programs depends crucially on customer
enrollment and cooperation. Therefore, Staff believes Company will face financial risk
from costs beyond its control if it pursues the demand response projects as approved in
the IRP. In addition, Company stated that the demand response programs are projected to
cause up to 12 to 18 basis (negative) point difference in return on equity.³

9 The Commission agrees with Staff that the Company's petition, as filed on June 10,
2024, meets both conditions for an accounting deferral.

FINDINGS AND CONCLUSIONS

10 (1) The Commission is an agency of the State of Washington vested by statute with
the authority to regulate the rates, regulations, practices, accounts, and affiliated
interests of public service companies, including natural gas companies.

¹ UE 220338. Order 1, UE-220848 Order 1, UE-240393 Order 1.

² Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co., Dockets UE-050684 and UE-050412, Order 04, 123, ¶370.

³ Email from Kyle Walker, Rates and Regulatory Manager, Northwest Natural Gas Company, August 24, 2024

- 11 (2) NW Natural is engaged in the business of providing gas services within the state of Washington and is a public service company subject to Commission jurisdiction.
- 12 (3) This matter came before the Commission at its regularly scheduled meeting on September 12, 2024.
- 13 (4) After review of the petition filed in Docket UG-240441 on June 10, 2024, and giving due consideration, the Commission finds that the petition should be granted.

ORDER

THE COMMISSION ORDERS:

- 14 (1) The petition for a deferred accounting order filed by Northwest Natural Gas Company d/b/a NW Natural on June 10, 2024, is granted. Deferral amounts shall be recorded in FERC Account 186.
- 15 (2) The Commission retains jurisdiction over the subject matter and Northwest Natural Gas Company d/b/a NW Natural to effectuate the provisions of this Order.
- 16 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective September 12, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Jeff Killip
Executive Director and Secretary