

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

NORTHWEST NATURAL GAS
COMPANY d/b/a NW NATURAL,

Petitioner,

For an Accounting Order Authorizing
Deferral of Industrial Energy Efficiency
Program Costs not otherwise Tracked in
Existing Deferral Mechanisms

DOCKET UG-260049

ORDER 01

GRANTING ACCOUNTING
ORDER TO DEFER COSTS
ASSOCIATED WITH
INDUSTRIAL ENERGY
EFFICIENCY PROGRAM;
SUBJECT TO CONDITION

BACKGROUND

- 1 On January 23, 2026, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition (Petition) seeking an Accounting Order under WAC 480-07-370(3)(b) for authorization to use deferred accounting treatment for costs incurred in connection with its Industrial Energy Efficiency Program (Program).
- 2 The Program is designed to provide financial technical support and financial incentives for large commercial and industrial customers to implement cost-effective energy efficiency upgrades. Program budget for the next two years is anticipated to be approximately \$1.3 million. The Company proposes to accrue interest at its actual cost of long-term debt updated semi-annually.
- 3 The Company maintains that the Program, as described in proposed Tariff WN U-6, Schedule 235, is required to continue pursuing cost effective energy efficiency projects within industrial and large industrial facilities. NW Natural's Energy Efficiency Advisory Group was engaged in program design and budget development. While this deferral does not in any way suggest prudence or guarantee recovery, Commission staff (Staff) observes that absent this deferral, the Company will have no opportunity to seek recovery of these costs.

4 Staff recommend granting the Petition subject to the condition that the Company be allowed to accrue interest at its actual after-tax cost of debt updated on a semi-annual basis. Staff's discussion with the Company indicates no objection to that condition.

DISCUSSION

5 The Commission requires that companies requesting to defer costs through accounting petitions demonstrate that such treatment is necessary due to extraordinary circumstances that have a material impact. Staff observed that due to the lack of any existing mechanism to recover Program costs from the industrial customer class. In addition, given the exploratory nature of this offering, it is appropriate to use deferred accounting treatment until the costs can be evaluated for prudence and possible recovery in rates at a later date.

6 Staff also notes that per U-250264, Policy Statement Addressing Carrying Cost Associated with Accounting Deferrals, the actual after-tax cost of debt updated on a semi-annual basis is a more appropriate carrying charge to apply. We agree, consistent with our Policy Statement, a more appropriate carrying cost is the actual after-tax cost of debt updated semi-annually.

7 We further find that this order is not intended to make or suggest any determination of prudence or recovery of these deferred costs.

FINDINGS AND CONCLUSIONS

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

9 (2) NW Natural is a gas company and a public service company subject to Commission jurisdiction.

10 (3) WAC 480-07-370(3)(b) allows companies to file petitions including that for which NW Natural seeks approval.

11 (4) Staff has reviewed the Petition in Docket UG-260049.

- 12 (5) Staff believes the proposed accounting order NW Natural requests is reasonable and should be granted because it will allow NW Natural to track costs related to the Company's industrial energy efficiency audit offering that it would not otherwise be able to seek recovery.
- 13 (6) This matter came before the Commission at its regularly scheduled meeting March 12, 2026.

ORDER

THE COMMISSION ORDERS:

- 14 (1) Northwest Natural Gas Company d/b/a NW Natural's request to use deferred accounting is granted subject to: a carrying charge of its actual after-tax cost of debt updated on a semi-annual basis
- 15 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 16 (3) 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.
- 17 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 March 12, 2026.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFF KILLIP
Executive Director and Secretary