

**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 Order Approving Deferral of Costs  
Associated with TSA Security Directive 2  
Compliance

DOCKET UG-210900  
  
ORDER 01  
  
GRANTING ACCOUNTING  
PETITION

**BACKGROUND**

- 1 On July 19, 2021, the Department of Homeland Security’s Transportation Security Administration (TSA) issued Security Directive 2, requiring designated pipeline owners and operators to (1) implement specific mitigation measures to reduce the risks of cyberattacks, (2) develop a cybersecurity contingency response plan to reduce the risk of operational disruption from a cybersecurity incident, and (3) conduct an annual cybersecurity architecture design review.
- 2 On November 17, 2021, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed a petition (Petition) for an accounting order approving the deferral of costs associated with TSA Security Directive 2 compliance.
- 3 Commission staff (Staff) has reviewed the Petition and recommends that the Commission grant it because complying with Security Directive 2 is mandated by a federal agency, imperative to ensuring pipeline security, and will cause NW Natural to incur significant costs that are not currently accounted for in the Company’s rates.

**DISCUSSION**

- 4 We grant the Company’s Petition. NW Natural has begun working towards Security Directive 2 compliance. Due to the comprehensive aims and reach of Security Directive 2, the Company expects to incur significant expenses to meet the new requirements. Some of the anticipated costs are associated with capital investments, incremental operations, and maintenance expenses, as well as the purchase of hardware and software, the provision of third-party managed services, and the design and implementation of mitigation measures, among other mandated actions. However, the Company does not yet know the extent of these costs.

5 We recognize the importance of these new rules given the increase in cybersecurity  
incidents targeting the energy industry and the Company's role as an owner and operator  
of critical pipeline infrastructure.

6 NW Natural should document all costs known to be incurred for compliance with  
Security Directive 2 and may seek later ratemaking treatment for such costs.

7 In light of the mandate issued by TSA, NW Natural's request for deferral of costs  
associated with compliance with Security Directive 2 is warranted. Accordingly, we grant  
the Company's Petition.

### **FINDINGS AND CONCLUSIONS**

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

9 (2) NW Natural is a public service company regulated by the Commission, providing  
service as a natural gas company.

10 (3) The Commission has jurisdiction over the subject matter of this proceeding and  
over NW Natural.

11 (4) WAC 480-07-370(3) allows regulated companies to file petitions, including the  
Petition NW Natural filed in this Docket.

12 (5) Staff has reviewed the Petition in Docket UG-210900.

13 (6) Staff recommends the Commission grant the Petition.

14 (7) This matter came before the Commission at its regularly scheduled meeting on  
February 9, 2023.

15 (8) After reviewing NW Natural's Petition filed in Docket UG-210900 and giving  
due consideration to all relevant matters and for good cause shown, the  
Commission concludes that the Petition should be granted.

**ORDER**

**THE COMMISSION ORDERS:**

- 16 (1) Northwest Natural Gas Company d/b/a NW Natural's Petition is granted.
- 17 (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, determination of costs, valuation of property claimed or asserted or to the possible recovery of, or return on, the amounts deferred to the regulatory asset.
- 18 (3) The Commission retains jurisdiction to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Executive Director and Secretary to enter this Order.

DATED at Lacey, Washington, and effective February 9, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL  
Executive Director and Secretary