

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of:	DOCKET UG-240012
 NORTHWEST NATURAL GAS COMPANY d/b/a NW NATURAL	 ORDER 01
 For an Accounting Order Approving Deferral of Costs Associated with the Meter Modernization Program	 APPROVING DEFERRAL OF COSTS ASSOCIATED WITH THE METER MODERNIZATION PROGRAM

BACKGROUND

- 1 On January 4, 2024, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed with the Washington State Utilities and Transportation Commission (Commission) a Petition, which was assigned to Docket UG-240012, seeking an accounting Order under WAC 480-07-370(3)(b) authorizing the Company to utilize deferred accounting treatment for the Company’s increased costs associated with new elevated operations and maintenance expenses related to their new service territory-wide Meter Modernization Program.
- 2 The Company’s Meter Modernization Program is a four-year program from 2023-2027 that has been designed to maximize cost-efficiency and mitigate long procurement delays in the replacement of approximately 600,000 metering devices and associated equipment and software as well as the strategic implementation of modern metering technologies in selected areas expected to benefit most from the new technologies.
- 3 The Company expects to incur significant one-time operations and maintenance costs associated with the Meter Modernization Program approximated at \$14.2M over the four-year period of which \$2M will occur in Washington State service territories. These estimates would raise average annual operations and maintenance costs approximately 15 percent above current ratemaking levels significantly affecting authorized rate of return.
- 4 In the Petition, the Company requests to track the costs of the Meter Modernization Program in Federal Energy Regulatory Commission (FERC) Uniform System of Accounts 186 and to defer the associated operations and maintenance costs for prudence

evaluation and cost recovery at the Company's next General Rate Case proceeding.

5 Past policy guidance for granting deferred accounting petitions is a demonstration of circumstances that are extraordinary or material and unusual. The Company contends that these one-time Meter Modernization Program costs meet this threshold given the substantial impact of the significantly elevated expenses on authorized rate of return.

6 Commission Staff (Staff) recommends that the Commission grant the request for the deferred accounting treatment of the elevated operations and maintenance expenses related to the material and unusual Meter Modernization Program pending prudence evaluation and possible cost recovery at the Company's next General Rate Case proceeding.

DISCUSSION

7 We agree that the material, unusually elevated costs associated with the Meter Modernization Program establish circumstances that substantially impact the Company's ability to actually earn its previously authorized rate of return.

8 We believe and agree that tracking these material, unusually elevated costs in a FERC USoA 186.X sub-account is appropriate and fair to allow the Company the opportunity to actually earn the rate of return previously authorized by the Commission.

9 We also agree that the accumulated deferred costs of the Company's four-year Meter Modernization Program will be evaluated for prudence and possible cost recovery during the pendency of the Company's next General Rate Case proceeding.

FINDINGS AND CONCLUSIONS

10 (1) The Commission is an independent 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 natural gas companies.

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

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

- 13 (4) WAC 480-07-370(3) allows companies to file petitions including that for which
NW Natural seeks approval.
- 14 (5) Staff has reviewed the Petition in Docket UG-240012 and conducted cost and
accounting analysis to establish material impacts on authorized rate of return.
- 15 (6) Staff recommends the Commission grant the Petition and approve an Order.
- 16 (7) This matter came before the Commission at its regularly scheduled open meeting
on February 22, 2024.
- 17 (8) After reviewing the Petition of NW Natural filed on January 4, 2024, in Docket
UG-240012 and giving due consideration to all relevant matters and for good
cause shown, the Commission finds that the Petition is consistent with the public
interest and an Accounting Order Approving Deferral of Costs Associated with
the Meter Modernization Program should be granted.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Northwest Natural Gas Company d/b/a NW Natural's Petition for an Accounting
Order Approving Deferral of Costs Associated with the Meter Modernization
Program is granted.
- 19 (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 the deferred accounting petition be
construed as an agreement to any estimate or determination of costs, or any
valuation of property claimed or asserted.
- 20 (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.

21 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 February 22, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Jeff Killip
Executive Director and Secretary