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December 29, 2025

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

Re: UM____ - NW Natural's Application for Authorization to Defer Costs and Revenues - Lexington RNG Project

In accordance with OAR 757.259 and OAR 860-027-0300, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files herewith an application for authorization to use deferred accounting for costs and revenues associated with the Lexington Renewable Natural Gas ("RNG") Project.

A notice concerning this application will be sent to all parties who participated in the Company's last general rate case, UG 520. A copy of the notice and the certificate of service are attached to the application.

Please address correspondence on this matter to me with copies to the following:

eFiling
Rates & Regulatory Affairs
NW Natural
250 SW Taylor Street
Portland, Oregon 97204
Telecopier: (503) 220-2579
Phone: (503) 610-7330
eFiling@nwnatural.com

If you have any questions, please contact me at (503) 610-7570.

Sincerely,

/s/ Ryan Sigurdson

Ryan Sigurdson
Regulatory Attorney (OSB# 201722)

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM _____

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba, NW NATURAL

For Authorization to Defer Costs and
Revenues Associated with Lexington
Renewable Natural Gas Project
Pursuant to ORS 757.259

APPLICATION

1 Northwest Natural Gas Company, d/b/a NW Natural (“NW Natural” or the
2 “Company”), requests authorization to defer for later ratemaking treatment the costs
3 and revenues associated with the probable retirement of its renewable natural gas
4 (“RNG”) project in Lexington, Nebraska (“Lexington RNG Project”). This application
5 for deferred accounting treatment (“Application”) is made pursuant to ORS
6 757.259(2)(e) and OAR 860-027-0300, for the 12-month period beginning December
7 29, 2025 through December 28, 2026.

8 NW Natural is a public utility providing retail natural gas service in the State of
9 Oregon, and is subject to the jurisdiction of the Commission regarding rates, service,
10 and accounting practices.

11 Communications regarding this Application should be addressed to:

12 NW Natural
13 e-Filing for Rates & Regulatory Affairs
14 250 SW Taylor Street
15 Portland, Oregon 97204-3038
16 Phone: (503) 610-7330
17 Fax: (503) 220-2579
18 Email: eFiling@nwnatural.com;

1 – NW NATURAL’S APPLICATION FOR AUTHORIZATION TO DEFER COSTS AND REVENUES
ASSOCIATED WITH LEXINGTON RNG PROJECT

1 Ryan Sigurdson
2 Regulatory Attorney (OSB #201722)
3 250 SW Taylor Street
4 Portland, Oregon 97204-3038
5 Phone: (503) 610-7570
6 Email: ryan.sigurdson@nwnatural.com;

7 and

8 Kyle Walker, CPA
9 Senior Manager, Rates & Regulatory Affairs
10 250 SW Taylor Street
11 Portland, Oregon 97204-3038
12 Phone: (503) 610-7051
13 Email: kyle.walker@nwnatural.com

14 I. BACKGROUND

15 NW Natural began developing the Lexington RNG Project in 2020 and the
16 project began producing RNG in early 2022. The Company originally developed the
17 project in accordance with Senate Bill 98 (“SB 98”).¹ SB 98 was enacted in 2019 to
18 facilitate the acquisition of renewable natural gas (“RNG”) by allowing natural gas
19 utilities to fully recover their prudently incurred costs associated with such
20 acquisitions.² After the Climate Protection Program (“CPP”) became effective on
21 January 1, 2025, NW Natural uses the Lexington RNG Project to help comply with
22 those regulations in addition to SB 98. The CPP are regulations established by the
23 Oregon Department of Environmental Quality that set a declining cap, or limit, on
24 greenhouse gas emissions from certain sources. NW Natural recovers the costs of
25 the Lexington RNG Project in rates through Schedule 198, “Renewable Natural Gas

¹ ORS 757.390-398

² ORS 757.394; ORS 757.396(2)

1 Adjustment Mechanism,” which is an automatic adjustment clause that was
2 established in the Company’s 2022 general rate case (UG 435).³

3 On November 21, 2025, Tyson Foods, Inc. announced its intent to end
4 operations at its Lexington beef facility in January 2026. Since the Lexington RNG
5 Project produces RNG derived from the anaerobic digestion of food processing-
6 based wastewater and other byproducts at the Lexington beef facility, production of
7 RNG will also cease unless the plant is re-opened by Tyson or a different operator.

8 NW Natural could not have reasonably foreseen Tyson ending operations at
9 its Lexington beef facility when it developed the Lexington RNG Project. The
10 Lexington beef facility is one of Tyson’s largest plants, responsible for approximately
11 5 percent of total beef processing in the entire country.⁴ Tyson also invested about
12 \$47 million in upgrades to the plant in 2016. Recent conditions for beef processing,
13 however, are very difficult with U.S. pastures having the lowest number of cattle
14 since the 1950s due to a combination of factors, including drought, pandemic, and
15 rising costs, reducing the need for beef processing facilities.⁵ Consumer demand for
16 beef, however, is steady, pushing the livestock prices that Tyson must pay to an all-
17 time high.⁶ At the same time, tariffs on food imports, such as a 40 percent tariff on
18 Brazilian food products, a major source of beef, have been implemented and then

³ *In the Matter of Northwest Natural Gas Co., dba NW Natural, Request for a General Rate Revision*, Docket No. UG 435, Order No. 22-388 at 79 (Oct. 24, 2022).

⁴ “Tyson Foods to close major US beef plant as cattle supplies dwindle,” Reuters (Nov. 21, 2025), available at: <https://www.reuters.com/business/tyson-foods-close-us-beef-plant-cattle-supplies-dwindle-2025-11-21/>.

⁵ “Tyson Foods to close major US beef plant as cattle supplies dwindle,” Reuters (Nov. 21, 2025), available at: <https://www.reuters.com/business/tyson-foods-close-us-beef-plant-cattle-supplies-dwindle-2025-11-21/>; “Tyson to Close One of the Biggest Beef-Processing Plants in the U.S.,” Wall Street Journal (Nov. 21, 2025), available at: <https://www.wsj.com/business/tyson-to-close-one-of-the-biggest-beef-processing-plants-in-the-u-s-c7c2a13c>.

⁶ *Id.*

1 rescinded, creating uncertainty for U.S. ranchers to increase the size of their herds,
2 which takes at least two years to raise to maturity.⁷

3 Given these conditions that are outside of NW Natural's control, NW Natural
4 respectfully requests the Commission authorize the deferral of costs and revenues
5 associated with the retirement of the Lexington RNG Project to the extent that the
6 Lexington beef facility is not re-opened. These costs include the return of the
7 Company's undepreciated investment in the Lexington RNG Project and
8 decommissioning costs. These revenues include any salvage value received for the
9 Lexington RNG Project. Importantly, NW Natural is not seeking cost recovery in this
10 application, nor is it seeking the opportunity to recover a "return on" the Lexington
11 RNG Project after that plant is no longer in service. Rather, if deferred accounting is
12 approved, NW Natural will seek appropriate rate treatment in a subsequent
13 proceeding.

14 Although NW Natural is extremely disappointed in the recent developments
15 regarding the Lexington RNG Project, it notes that the Company is still on track to
16 acquire RNG equaling approximately 4 percent of its Oregon sales load consistent
17 with its projections in the Company's last Purchased Gas Adjustment ("PGA").
18 Since the development of the Lexington RNG Project and a subsequent RNG project
19 in Dakota City, Nebraska, the Company has shifted towards focusing its RNG
20 procurement through offtake agreements with third parties, as opposed to investing
21 directly in RNG projects. This shift mitigates the risk of similar plant closures
22 affecting the rest of NW Natural's RNG portfolio.

⁷ *Id.*

II. APPLICATION

2 ORS 757.259 empowers the Commission to authorize the deferral of
3 expenses or revenues of a public utility for later inclusion in rates.⁸ The Commission
4 has established rules implementing this statute in OAR 860-027-0300, including
5 specific requirements for deferred accounting applications—each of which is
6 addressed in turn, below.

A. Description of the Expenses or Revenues for which Deferred

Accounting is Requested – OAR 860-027-0300(3)(a).

9 The Company is seeking to defer the costs and revenues associated with
10 decommissioning the Lexington RNG Project, as explained above, during the 12-
11 month deferral period (December 29, 2025 to December 28, 2026). As stated
12 above, these costs include the return of the Company's undepreciated investment in
13 the Lexington RNG Project, and decommissioning costs. Revenues include any
14 salvage value received for the Lexington RNG Project.

B. Reasons Deferred Accounting is Requested – OAR 860-027-0300(3)(b).

16 ORS 757.259 is a “statutorily authorized exception to the general prohibition
17 against retroactive ratemaking” that “empowers the Commission to authorize the
18 deferral of capital project costs, including depreciation expense and financing costs,”
19 as well as a utility’s other expenses and revenues.⁹

⁸ See also *In re Pub. Util. Comm'n of Or. Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, Docket No. UM 1909, Order No. 20-147 at 3, 11 (Apr. 30, 2020) (ORS 757.259 “empowers the Commission to authorize the deferral of capital project costs, including depreciation expense and financing costs.”).

⁹ *In re Pub. Util. Comm'n of Or. Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, Docket No. UM 1909, Order No. 20-147 at 3, 11 (Apr. 30, 2020).

1 As specifically relevant to this Application, ORS 757.259(2)(e) grants the
2 Commission discretion to authorize a deferral for: “Identifiable utility expenses or
3 revenues, the recovery or refund of which the commission finds should be deferred
4 in order to minimize the frequency of rate changes or the fluctuation of rate levels...”
5 Deferring the costs and revenues of the Lexington RNG Project for subsequent
6 recovery will minimize the frequency of rate changes and the fluctuation of rate
7 levels. Specifically, it will allow the reduce the frequency of rate changes and the
8 fluctuation of rate levels by permitting the Company to seek cost recovery in a
9 subsequent proceeding, such as a PGA or a general rate case, where its rates
10 would already be changing, as opposed to a standalone tariff filing. Granting this
11 deferral will also give NW Natural the opportunity to later demonstrate that the costs
12 can be recovered in rates consistent with Oregon law, which “authorizes rates that
13 would reimburse the utility for its principal investment in retired capital assets,” but
14 does not authorize a return on that investment.¹⁰

15 **C. Accounting Treatment of Expenses and Revenues With and Without**
16 **Deferred Accounting – OAR 860-027-0300(3)(c).**

17 Beginning on December 23, 2025, and ending 12 months from this date, NW
18 Natural proposes to account for the costs and revenues associated with the
19 retirement of the Lexington RNG Project by recording the deferral in a FERC 186
20 deferral account. In the absence of approval of deferred accounting, NW Natural
21 would record the amounts in several accounts affecting the Company’s income
22 statement and balance sheet.

¹⁰ *Oregon Citizens’ Utility Board v. Pub. Util. Comm’n*, 154 Or App 702, 716 (1998).

1 D. Estimated Amounts Subject to Deferral – OAR 860-027-0300(3)(d).

2 NW Natural's projected December 31, 2025 net book value for the Lexington
3 RNG Project investment is approximately \$8.3 million. The Company is undergoing
4 an assessment of the future value of the assets. To the extent revenues are
5 collected from the sale of assets, those revenues will be recorded and the deferred
6 amounts will reflect the net book value of the assets less any recouped costs for the
7 assets.

8 E. **Notice of the Application for Deferred Accounting – OAR 860-027-**
9 **0300(3)(e).**

10 OAR 860-027-0300(3)(e) requires NW Natural to provide a copy of the notice
11 of application for deferred accounting and list those persons served with the notice.
12 Notice must be served on all persons who were parties in the Company's last
13 general rate case.¹¹

14 A notice of this Application has been served to all parties who participated in
15 the Company's last recent general rate case, docket UG 520. A copy of this notice
16 is attached to this Application.

III. CONCLUSION

18 NW Natural respectfully requests that the Commission issue an order
19 authorizing the Company to defer the amounts described in this Application
20 associated with the retirement of the Lexington RNG Project, beginning on
21 December 29, 2025.

¹¹ OAR 860-027-0300(6).

Dated this 29th day of December 2025.

Respectfully Submitted,

NW NATURAL

/s/ Kyle Walker, CPA

Kyle Walker, CPA
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/s/ Ryan Sigurdson

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**NOTICE OF APPLICATION FOR AUTHORIZATION TO USE DEFERRED
ACCOUNTING FOR COSTS AND REVENUES ASSOCIATED WITH THE
LEXINGTON RENEWABLE NATURAL GAS PROJECT**

December 29, 2025

To All Parties Who Participated in UG 520

Please be advised that on December 29, 2025, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for authorization to use deferred accounting for costs and revenues associated with the Lexington Renewable Natural Gas Project.

This is not a rate case. The purpose of this Notice is to inform parties who participated in the Company's last general rate case, UG 520, that a deferral application has been filed.

Parties who desire more information or who wish to obtain a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the Company or the Commission as follows:

NW Natural
Attn: Kyle Walker
250 SW Taylor Street
Portland, Oregon 97204
Telephone: (503) 610-7051

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, Oregon 97308-1088
Telephone: (503) 378-6678

Any person may submit to the Commission written comments on this matter within 25 days of the service of this notice. The granting of this deferral application will not authorize a change in rates but will permit the Company to defer amounts in rates to a subsequent proceeding.

* * * * *



**CERTIFICATE OF SERVICE
UM**

I hereby certify that on December 29, 2025, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER COSTS AND REVENUES ASSOCIATED WITH THE LEXINGTON RENEWABLE NATURAL GAS PROJECT upon all parties of record for NW Natural's last general rate case, UG 520.

UG 520

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DATED December 29, 2025, in Troutdale, Oregon.

/s/ Erica Lee-Pella

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