NW Natural®

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September 25, 2026

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: NW Natural's Application for Authorization to Defer Costs - Large Commercial and Industrial Demand Response Program

In accordance with ORS 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 associated with a Large Commercial and Industrial Demand Response Program.

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) 610-7051.

Sincerely,

/s/ Kyle Walker

Kyle Walker, CPA
Senior Manager of Rates/Regulatory Affairs

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 Associated with a Large Commercial and Industrial Demand Response Program Pursuant to ORS 757.259	**APPLICATION FOR DEFERRED ACCOUNTING**

Northwest Natural Gas Company, d/b/a NW Natural ("NW Natural" or the "Company"), hereby requests authorization to defer for later ratemaking treatment costs associated with developing, implementing, evaluating, and operating a behavioral demand response program, branded as NW Natural Peak Flex Partners, for its large commercial and industrial firm sales customers. This application for deferred accounting treatment ("Application") is made pursuant to ORS 757.259(2)(e) and OAR 860-027-0300, for the 12-month period beginning the date of this filing.

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

Communications regarding this Application should be addressed to:

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I. BACKGROUND

In NW Natural's 2025 Integrated Resource Plan (IRP), docketed as LC 86, the Company included action item A-2 that focused on continuing existing cost-effective demand response programs and exploring the cost effectiveness of demand response offerings to meet peak demand requirements. Staff recommended acknowledgement of this action item, which the Commission did in Order No. 26-150.[1] Per that order, NW Natural is pursuing a behavioral demand response program for its large commercial and industrial customers. This geographically targeted program would seek to test demand response as a non-pipeline alternative to lower peak demand in order to avoid or defer the need for

[1] *In the Matter of NW Natural Gas Company, dba NW Natural, 2025 Integrated Resource Plan*, Docket No. LC 86, Order No. 26-150 at 1 (Apr. 30, 2026).

distribution system expansion in a localized area. Geographically targeted demand response can be specifically designed to achieve incremental peak hour savings from distinctive demand response offerings to customers in a targeted area where the distribution system is expected to be constrained in the near future.

This new demand response program will complement the Company's demand response offerings to residential and small commercial customers.[2] NW Natural already has a deferral in place for its demand response offerings to residential and small commercial customers, including geographically targeted incentives.[3] In the future, the Company plans to file an accounting petition seeking to classify and record as capital its geographically targeted demand response and geographically targeted energy efficiency programs for all customer classes. This treatment is appropriate because these programs are specifically designed to avoid or defer system expansions that are classified as capital. Providing the same accounting treatment for non-pipeline alternatives would remove a structural preference in favor of system expansion.

II. APPLICATION

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

[2] *See In the Matter of Northwest Natural Gas Company, dba NW Natural, Application for Reauthorization to Defer Costs Associated with a Residential and Small Commercial Demand Response Program*, Docket No. UM 2324, Order No. 25-449 (Nov. 14, 2025).
[3] *Id.*

A. Description of the Expenses to be Deferred – OAR 860-027-0300(3)(a).

The Company is seeking to defer costs associated with developing, implementing, evaluating, and operating the NW Natural Peak Flex Partners demand response program for its large commercial and industrial firm sales customers. NW Natural estimates that up to $598,000 will be deferred over the initial three years of the program (2026-2028). This figure is an estimate and reflects NW Natural's best understanding of the anticipated costs to date.

The program will offer performance-based incentives to lower natural gas usage during demand response events that may occur from November 1 to March 31 of each year. This period is where demand for natural gas is typically at its highest. NW Natural will notify participating customers of a demand response event via email at least 24 hours in advance and again fifteen minutes before a demand response event begins.

During a demand response event, participating customers can temporarily lower space heating setpoints, shift or pause non-critical gas-fired processes, and/or switch eligible equipment from natural gas to another alternative. After the winter heating season, a contracted third-party vendor will conduct an independent measurement and verification ("M&V") analysis to determine the event hour therm savings for each participant using an appropriate baseline approach selected by the M&V vendor. The Company will calculate the incentives based on the savings verified by the M&V vendor for each program participant. Participating customers will receive a bill credit, calculated per event, of $20 per average verified therm per hour reduced based on actual curtailment during the demand response events.

NW Natural is not seeking a prudency determination of these costs in this Application nor is it requesting cost recovery. Rather, if deferred accounting is approved, NW Natural will seek a prudency determination of these costs at the time the Company requests amortization and inclusion in customer rates.

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

ORS 757.259 is a "statutorily authorized exception to the general prohibition against retroactive ratemaking" that allows a "means to address utility expenses or revenues outside of the utility's general rate case proceeding."[4] As specifically relevant to this Application, ORS 757.259(2)(e) grants the Commission discretion to authorize a deferral of "[i]dentifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes . . . or to match appropriately the costs borne by and benefits received by ratepayers." The Commission applies "a flexible, fact-specific approach" to determining whether deferred accounting meets either prong of this two-part test.[5]

Here, deferred accounting treatment is appropriate because it will both minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by ratepayers. Without deferred accounting treatment, NW Natural would face the possibility of incurring a prudent and necessary Oregon-allocated expenses with no possibility of cost recovery. Moreover, deferring the costs of the demand response program for recovery will align the project's costs and

[4] *In re Pub. Util. Comm'n of Or. Staff Request to Open Investigation Related to Deferred Accounting*, Docket No. UM 1147, Order No. 05-1070 at 2 (Oct. 5, 2005).
[5] Order No. 05-1070 at 5.

benefits, consistent with the ORS 757.259(2)(e) matching principle. Thus, this Application meets the necessary statutory criteria for deferral at the Commission's discretion.

In determining whether to exercise its discretion and approve a deferred accounting application, this Commission considers (1) whether the expense was foreseeable and therefore could have been modeled in rates; and (2) whether the expense is "significan[t]."[6] This demand response program was foreseen—and, indeed, described and acknowledged —in NW Natural's 2025 IRP, but was appropriately *not* included in base rates due to its ongoing development and one-time start-up costs, as well as the inherent uncertainty in forecasting incentive payments under the program.

Moreover, absent a regulatory deferral, NW Natural would be required to internalize the entirety of these significant costs. Such an outcome would unjustly penalize NW Natural for pursuing a novel demand-side management program. Developing a demand response program benefits customers from a system perspective because it reduces the amount of natural gas NW Natural must acquire during high demand periods, reduces the capacity resource requirements needed to serve its design system peak, and helps mitigate or avoid service disruptions when extreme weather events or supply disruptions occur. In incorporating geographically targeted demand response into its program, customers additionally benefit from the avoidance and/or reduction in scope of distribution system projects.

[6] Order No. 05-1070 at 7 (stating that the utility seeking deferred accounting treatment "bears the burden of identifying the event [triggering the application] and showing its significance").

NW Natural's proposed deferred accounting treatment is consistent with Commission precedent for recovery of the significant costs associated with the development of NW Natural's geographically targeted demand response pilot,[7] as well as its demand response program for residential and small commercial customers.[8] In addition, the Commission has also approved deferred accounting treatment associated with the incremental costs for Portland General Electric Company's ("PGE") Automated Demand Response Pilot ("ADR Pilot")[9], two other Residential Demand Response Pilots,[10] and a Demand Response Testbed Pilot.[11]

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

Beginning on the date of this filing, and ending 12 months from this date, NW Natural proposes to account for the expenses incurred as a result of a behavioral demand response program for large commercial and industrial firm sales customers the Company's balance sheet, to later be included in customer rates.

[7] *In the Matter of Northwest Natural Gas Company, dba NW Natural, Application for Reauthorization to Defer Costs or Revenues Associated with Phase 3 GeoTEE Pilot Program*, Docket No. UM 2155, Order No. 22-330 (Sept. 8, 2022).
[8] *In the Matter of Northwest Natural Gas Company, dba NW Natural, Application for Reauthorization to Defer Costs Associated with a Residential and Small Commercial Demand Response Program*, Docket No. UM 2324, Order No. 25-449 (Nov. 14, 2025).
[9] *In the Matter Portland General Electric Company, Application for Reauthorization of Deferral of Incremental Costs Associated with Automated Demand Response*, Docket No. UM 1514, Order No. 20-479 (2020).
[10] See OPUC Docket UM 1708.
[11] See OPUC Docket UM 1976

In the absence of approval of deferred accounting, NW Natural would record these costs in FERC 909 expense accounts. NW Natural proposes to track and defer these costs for later inclusion in rates.[12]

D. Estimation of the Amounts Subject to Deferral – OAR 860-027-0300(3)(d).

See Section II.A above.

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

OAR 800-027-0300(3)(e) requires NW Natural to provide a copy of the notice of application for deferred accounting and list those persons served with the notice. Notice must be served on all persons who were parties in the Company's last general rate case.[13]

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

III. CONCLUSION

NW Natural respectfully requests that the Commission issue an order authorizing the Company to defer the costs described in this Application associated with developing, implementing, evaluating, and operating a demand response program for its large commercial and industrial firm sales customers.

[12] Pursuant to Commission Order No. 08-263, NW Natural will apply an interest rate based in the most recently authorized ROR to this account. *See* Docket UM 1147, Order No. 08-263 at 1 (noting that, "[h]istorically, a utility's deferred accounts have earned interest based on that utility's authorized rate of return (AROR)," before establishing a modified interest rate for deferred accounts during the amortization period).

[13] OAR 860-027-0030(6).

Dated this 25th day of September 2026.

Respectfully Submitted,

NW NATURAL

/s/ Kyle Walker, CPA
Kyle Walker, CPA
Rates/Regulatory Senior Manager

/s/ Ryan Sigurdson
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NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER COSTS ASSOCIATED WITH A LARGE COMMERCIAL AND INDUSTRIAL DEMAND RESPONSE PROGRAM

September 25, 2026

To All Parties Who Participated in UG 520

Please be advised that on September 25, 2026, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for authorization to use deferred accounting for costs associated with a Large Commercial and Industrial Demand Response Program.

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.

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CERTIFICATE OF SERVICE
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I hereby certify that on September 25, 2026, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER COSTS ASSOCIATED WITH A LARGE COMMERCIAL AND INDUSTRIAL DEMAND RESPONSE PROGRAM upon all parties of record for NW Natural's last general rate case, UG 520.

UG 520

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DATED September 25, 2026, in Troutdale, Oregon.

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