NW Natural®

250 SW Taylor Street
Portland, OR 97204

503-226-4211
nwnatural.com

October 16, 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 Associated with Geographically Targeted Energy Efficiency 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 defer for later ratemaking treatment costs associated with developing, implementing, marketing, evaluating, and operating a geographically targeted energy efficiency 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 NW Natural's Geographically Targeted Energy Efficiency 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 (including incentive payments), marketing, evaluating, and operating a geographically targeted energy efficiency program ("GeoTEE") for all customers in targeted zip codes where the distribution system is constrained or is expected to be constrained in the near future.[1] 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 on 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 Public Utility Commission of Oregon

[1] NW Natural notes that it previously deferred a previous GeoTEE pilot in the Creswell/Cottage Grove area in docket UM 2155. After NW Natural did not file to reauthorize the deferral, it expired on February 27, 2025. This Application is to defer costs associated with its proposed Schedule 353, Geographically Targeted Energy Efficiency, which NW Natural has concurrently filed.

("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:

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

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

and

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

I. BACKGROUND

In NW Natural's 2025 Integrated Resource Plan ("IRP"), docketed as LC 86, the Company evaluated several demand-side management opportunities as potential Non-Pipeline Alternatives (NPAs) for addressing localized distribution system constraints in geographically targeted areas.[2] GeoTEE is specifically designed to achieve incremental peak hour savings from specialized energy efficiency offerings to customers in targeted zip codes where the distribution system

[2] Section 12.6.2.4 Geographically Targeted Demand-Side Management Programs, of the Company's 2025 IRP.

is constrained or is expected to be constrained in the near future. As a result of its 2025 IRP, the Company decided to pursue Action Items B-22 (Dallas) and B-27 (McMinnville), which called for NW Natural to work with the Energy Trust of Oregon ("ETO") to develop a 3-year GeoTEE program to reduce peak-hour demand in the identified zip codes in the Dallas and McMinnville areas. The Commission acknowledged these Action Items in Order No. 26-150.[3]

Since the Commission's acknowledgement, the ETO has designed a program to reduce winter peak hour therm demand through accelerated adoption of cost-effective energy efficiency measures. This effort will accelerate the acquisition of energy efficiency in the identified geographic areas through targeted marketing, increased delivery efforts, and heightened incentives. The ETO will administer this program in collaboration with NW Natural.

Concurrently with this Application, NW Natural is also filing 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. This deferral Application is designed to preserve the Company's opportunity for cost recovery of its GeoTEE program costs while the Commission considers NW Natural's separate accounting

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

petition. Upon Commission approval of the accounting petition, NW Natural would classify and record these costs as capital.

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.

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 (including incentive payments), marketing, evaluating, and operating the GeoTEE program that will be administered by ETO in collaboration with NW Natural. NW Natural estimates that the incremental cost of the program over the initial three years of the program (2027-2029) will be approximately $1.775 million in the McMinnville area and $1.9 million in the Dallas area.

The program will offer increased incentives for selected energy efficiency measures. These measures include:

Residential

- Gas furnace, thermostat, insulation, windows, tankless water heaters

Commercial

- Insulation, boilers, steam traps, and refrigeration case doors
- Operations and Maintenance measures through increased Strategic Energy Management enrollment

Industrial and Agriculture

- Steam traps, pipe insulation, and greenhouse measures

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 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 GeoTEE program for recovery will align the project's costs and benefits, consistent

[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.

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 GeoTEE 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 GeoTEE 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 addition, customers benefit from the avoidance or delay 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 previous GeoTEE program in the Creswell/Cottage Grove area,[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] These demand response programs have similar goals to GeoTEE. Both are designed to reduce peak usage to the benefit of customers.

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 the GeoTEE program described above on 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 (including incentive payments), marketing, evaluating, and operating its GeoTEE program described above.

[12] Pursuant to Commission Order No. 08-263, NW Natural will apply an interest rate based on 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 on this 16th day of October 2026.

Respectfully Submitted,

NW NATURAL

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

/s/ Ryan Sigurdson
Ryan Sigurdson
Regulatory Attorney (OSB #201722)
250 SW Taylor Street
Portland, Oregon 97204-3038
Phone: (503) 610-7570
Email: ryan.sigurdson@nwnatural.com

NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER COSTS ASSOCIATED WITH NW NATURAL'S GEOGRAPHICALLY TARGETED ENERGY EFFICIENCY PROGRAM

October 16, 2026

To All Parties Who Participated in UG 520
Please be advised that on October 16, 2026, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for authorization to defer costs associated with NW Natural's geographically targeted energy efficiency 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
UM___

I hereby certify that on October 16, 2026, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER COSTS ASSOCIATED WITH NW NATURAL'S GEOGRAPHICALLY TARGETED ENERGY EFFICIENCY PROGRAM upon all parties of record for NW Natural's last general rate case, UG 520.

UG 520

CHAD M. STOKES
CABLE HUSTON LLP
cstokes@cablehuston.com

BRADLEY MULLINS
MW ANALYTICS, ENERGY & UTILITIES
brmullins@nwanalytics.com

MATTHEW MULDOON
PUBLIC UTILITY COMMISSION
matt.muldoon@puc.oregon.gov

STEPHANIE ANDRUS
PUBLIC UTILITY COMMISSION
stephanie.andrus@doj.state.or.us

CLAIRE VALENTINE-FOSSUM
OREGON CITIZENS' UTILITY BOARD23
claire@oregoncub.org

ROBERT JENKS
OREGON CITIZENS' UTILITY BOARD
bob@oregoncub.org

OREGON CITIZENS' UTILITY BOARD
dockets@oregoncub.org

CARRA SAHLER
LEWIS & CLARK LAW SCHOOL
sahler@lclark.edu

COLE SOUDER
GREEN ENERGY INSTITUTE
csouder@lclark.edu

ERIC NELSEN
NW NATURAL
eric.nelsen@nwnatural.com

JOCELYN PEASE
MCDOWELL RACKNER & GIBSON PC
jocelyn@mrg-law.com

NW NATURAL
efiling@nwnatural.com

DATED October 16, 2026, in Troutdale, Oregon.

/s/ Erica Lee-Pella
Erica Lee-Pella
Rates & Regulatory Affairs, NW Natural
250 SW Taylor Street
Portland, Oregon 97204
(503) 610-7330
erica.lee-pella@nwnatural.com