NW Natural®

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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 an Accounting Order Regarding Geographically Targeted Demand Response and Geographically Targeted Energy Efficiency Program Costs**

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files herewith an application for an accounting order regarding geographically targeted demand response program and geographically targeted energy efficiency program costs.

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 ____**

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|---|---|
| In the Matter of<br><br>NORTHWEST NATURAL GAS COMPANY, dba, NW NATURAL<br><br>Application For Accounting Order Regarding Geographically Targeted Demand Response and Geographically Targeted Energy Efficiency Program Costs | **APPLICATION FOR ACCOUNTING ORDER** |

Northwest Natural Gas Company, d/b/a NW Natural ("NW Natural" or the "Company"), respectfully requests that the Public Utility Commission of Oregon ("Commission") issue an accounting order authorizing the Company to classify and record as capital the costs of: 1) its geographically targeted demand response ("GeoDR") programs for residential, commercial, and industrial customers, and 2) its geographically targeted energy efficiency ("GeoTEE") program for residential, commercial, and industrial customers. NW Natural intends to recover the asset over a twenty-five year period, which reflects the fact that these expenditures avoid or defer more costly distribution system investments, thereby producing benefits that extend well beyond the single year that GeoDR and GeoTEE costs are incurred, as further explained in Section II.B below.

NW Natural filed tariff revisions on September 25, 2026 to implement its GeoDR programs in dockets ADV 1904 and ADV 1905. NW Natural has also made a separate tariff filing to implement its GeoTEE program concurrently with this filing.

This application ("Application") is made pursuant to ORS 757.120 and ORS 757.125.

The relief requested is narrow. NW Natural does not seek a prudence determination, a revenue requirement, or recovery of any amount in customer rates in this docket. The Company seeks only a determination of the account in which these costs are properly recorded, so that it may implement its GeoDR and GeoTEE programs for the upcoming winter heating season on a known accounting basis. While the Commission considers this Application, NW Natural intends to defer these costs as O&M as an interim measure.[1]

Notice of this Application has been served on all parties who participated in the Company's last completed general rate case, Docket No. UG 520. A copy of that notice is attached to this Application. 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

[1] NW Natural already has a deferral in place for its residential and small Commercial GeoDR program in docket UM 2324. NW Natural has filed for a deferral for its large commercial and industrial GeoDR program in docket UM 2470, and it has also filed a deferral for its GeoTEE program concurrent with this Application as an interim measure while the Commission considers this Application.

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

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 with respect to rates, service, and accounting practices. The Commission has directed NW Natural to pursue alternatives to distribution system capital investment where it reasonably can. In acknowledging the Company's 2022 Integrated Resource Plan ("IRP"), the Commission stated that it "expect[s] companies to take very seriously our expectation that they mitigate growth where they reasonably can avoid distribution system capital investments."[2] Responding to that direction, the Company analyzed GeoDR and GeoTEE programs as non-pipeline alternatives ("NPAs") capable of deferring or avoiding pipeline projects in locations where distribution capacity is projected to be constrained. That analysis produced Action Items A-1 and A-2 of the Company's 2025 IRP, Docket No. LC 86, which committed the Company to continue cost-effective energy efficiency and demand response programs and to explore the cost-effectiveness of energy efficiency and demand response offerings to meet peak demand requirements. Consistent with Staff's recommendations, the Commission acknowledged Action Items A-1 and A-2 in Order No. 26-150.[3]

[2] *In the Matter of NW Natural Gas Company, dba NW Natural, 2022 Integrated Resource Plan*, Docket No. LC 79, Order No. 23-281 at 14 (Aug. 2, 2023)
[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).

NW Natural also has experience evaluating GeoTEE as an NPA dating back to its 2016 IRP where it partnered with the Energy Trust of Oregon ("ETO") in developing a pilot project. The pilot was successfully completed and a detailed peak hour load impact analysis report was provided in the Company's 2022 IRP Update filed on August 2, 2024. In its 2025 IRP, NW Natural further analyzed GeoTEE as an NPA, which produced Action Items B-22 and B-27. In Action Item B-22, NW Natural will partner with ETO to plan and develop a 3-year GeoTEE program in the Dallas area where the Company's system is constrained. Action Item B-27 also involves NW Natural partnering with ETO on a 3-year GeoTEE program in the McMinnville area where the system is similarly constrained. The Commission acknowledged both of these Action Items in Order No. 26-150.[4]

In accordance with the acknowledgement of its GeoDR and GeoTEE programs, NW Natural is launching these programs for the upcoming winter heating season. NW Natural currently estimates to spend approximately $4.4 million on these programs over the next 3 years.

***A. Residential and Small Commercial GeoDR Program***

For the upcoming winter heating season, NW Natural will launch a geographically targeted demand response program for residential and small commercial customers located in the capacity-constrained areas identified in the 2025 IRP. The Company will leverage the delivery infrastructure of its existing system-wide Thermostat Rewards program, which materially reduces the incremental cost of the targeted offering. As mentioned above, NW Natural has

[4] *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).

proposed tariff revisions to Schedule 351, Thermostat Rewards Program, to provide supplemental incentives to participants in geographically targeted ZIP codes in docket ADV 1905.

NW Natural currently defers the costs of the system-wide Thermostat Rewards program as O&M expense pursuant to Order No. 25-449 in Docket No. UM 2324.[4] If this Application is approved, the Company would record the expense of the geographically targeted program as capital.[5]

### *B. Large Commercial and Industrial GeoDR Program*

Like the residential and small commercial program, the large commercial and industrial GeoDR program, known as Peak-Flex Partners, is an NPA designed to reduce localized peak demand in order to avoid or defer distribution system expansion in a specific, identified area. Geographically targeted demand response can be designed to achieve incremental peak-hour savings from customers in an area where the distribution system is expected to become constrained, and the large commercial and industrial segment is well suited to this application: a comparatively small number of customers control a comparatively large share of peak-hour load, which allows the Company to secure meaningful, verifiable peak reductions through a limited number of agreements.

The large commercial and industrial program will operate on a voluntary and behavioral basis, with performance measured against a customer-specific baseline and incentives paid only for verified peak-hour reductions in the targeted area. As mentioned above, NW Natural has filed a new tariff schedule (Schedule 352, NW Natural Peak Flex Partners) in docket ADV 1904 to provide supplemental incentives

to large commercial and industrial customers. This program will complement the residential and small commercial GeoDR program described above by addressing the portion of localized peak demand that residential measures alone cannot reach.

### *C. Residential, Commercial, and Industrial GeoTEE Program*

Unlike the GeoDR programs, which involve customers responding to NW Natural's direction to reduce energy use during specified peak hours, GeoTEE is designed to achieve incremental peak hour savings from specialized energy efficiency offerings to customers in targeted zip codes where the distribution system is constrained or is expected to be constrained in the near future (i.e., Dallas and McMinnville areas). ETO will manage the GeoTEE program in collaboration with NW Natural. According to the GeoTEE plan proposal developed by ETO, these GeoTEE measures may include the following:

*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

These additional energy efficiency savings and investments are designed to be incremental to baseline energy efficiency savings that the Company is already pursuing. As mentioned above, NW Natural has made separate tariff filing to implement its GeoTEE program that it has filed concurrently with this Application.

## II. APPLICATION

ORS 757.125 authorizes the Commission to "prescribe the accounts and records required to be kept, and every public utility is required to keep and render its accounts . . ." ORS 757.120 provides complementary authority with respect to the Commission's oversight of utility accounting practices. The relief requested falls squarely within the Commission's ordinary accounting authority.

In this Application, NW Natural requests an accounting order authorizing the Company to record the following categories of GeoDR and GeoTEE costs as capital:

(a) incentive payments made to participating customers;

(b) costs of designing, developing, and implementing the targeted programs, including: i) program administration, such as contracting, monitoring, and annual reporting, ii) enabling technology, iii) marketing, outreach, and engagement, iv) targeting analytics, and v) customer acquisition in the targeted areas; and

(c) costs of measuring, verifying, and evaluating peak-hour load reductions achieved in the targeted areas.

The Company will maintain records sufficient to demonstrate, for each targeted area, the costs incurred, the peak-hour load reduction achieved, and the status of the reinforcement project being deferred.

### *A. Capitalization aligns the Company's incentives with Commission policy.*

NW Natural is seeking to respond to Commission direction to avoid or defer expanding or reinforcing its existing system where it reasonably can while still

maintaining safe and reliable service to its customers. However, under current accounting treatment, expanding and reinforcing the system is treated as capital whereas NPAs are expensed. This treatment creates an asymmetry where there is a structural disincentive to pursuing NPAs. By approving the Company's request for an accounting order, the Commission would be removing this asymmetry, thereby aligning NW Natural's incentives with Commission direction to aggressively pursue NPAs. Without such an accounting order, the Commission would be directing NW Natural to pursue NPAs while simultaneously incentivizing the Company to do the opposite.

The GeoDR and GeoTEE programs exist for one purpose: to avoid or defer the Dallas Feeder Uprate and the McMinnville Feeder Pipeline Reinforcement. Both projects are unambiguously capital, and both would be recorded in distribution plant, included in rate base, and recovered over their depreciable lives. The GeoDR and GeoTEE programs are not a demand side management initiative that happens to have an incidental capital benefit; they are specifically designed and targeted at the same constraints, in the same geographic areas, to serve the same reliability needs.

Treating distribution reinforcement projects as capital while requiring NPAs to be expensed creates a structural preference for traditional infrastructure investments. Absent comparable accounting treatment, the Company faces stronger financial incentives to expand and reinforce the system than to pursue NPAs. In issuing an accounting order, the Commission would be removing the

structural preference for traditional infrastructure investments in the Dallas and McMinnville areas.

### *B. GeoDR and GeoTEE expenditures create a durable benefit that satisfies the matching principle.*

GeoDR and GeoTEE expenditures produce benefits that extend well beyond the period in which the costs are incurred. The purpose of these programs is not simply to reduce load during a single peak event, but to secure a sustained peak demand reduction capability that preserve capacity on constrained portions of the distribution system in lieu of identified expansion or reinforcement projects. Through customer enrollment, enabling technology, and ongoing participation, the programs create an enduring system benefit that can avoid or postpone the expansion or reinforcement of the natural gas system while maintaining safe and reliable service.

Expensing these costs would concentrate them in a single period, even though the resulting capacity value and avoided infrastructure expenditures accrue over many years. By contrast, capitalization aligns recovery with the period over which customers receive the benefit. It also places NPAs on the same footing as traditional expansion and reinforcement projects with their associated costs being capitalized and recovered over time. By granting the Company's request for an accounting order, the Commission would remove a structural preference for infrastructure expansion and reinforcement instead of targeted non-pipe alternatives.

### *C. Capitalization produces a lower and more equitable rate impact.*

Capitalization also matters to the scalability of the programs. Because expensed costs must be recovered in the year incurred, an expense-based program

faces a practical customer impact: the incentive that can be offered in any single year is limited by the single-year rate impact it creates. Capitalizing the incentives, on the other hand, will allow NW Natural to offer GeoDR and GeoTEE incentives to targeted customers in order to alleviate a system constraint without creating a large single-year rate impact. Instead, spreading recovery over twenty-five years will permit the Company to offer an incentive commensurate with the value of the deferred/avoided investment while holding the annual rate impact to all customers below what an expensed program would produce.

Finally, capitalization is the more equitable outcome across customer generations. An avoided or deferred reinforcement project benefits customers for years after the project is avoided or deferred. Recovering the full cost of that avoided or deferred project in a single year would require today's customers to fund a benefit that tomorrow's customers will receive.

## III. CONCLUSION

NW Natural respectfully requests that the Commission issue an accounting order that classifies all costs associated with the GeoDR and GeoTEE programs for residential, commercial, and industrial customers as capital expenditures.

Dated this 16th day of October 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 AN ACCOUNTING ORDER REGARDING GEOGRAPHICALLY TARGETED DEMAND RESPONSE AND GEOGRAPHICALLY TARGETED ENERGY EFFICIENCY PROGRAM COSTS**

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 an accounting order regarding geographically targeted demand response and geographically targeted energy efficiency program costs.

**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 an accounting order 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.

* * * * *

NW Natural

**CERTIFICATE OF SERVICE**
**UM___**

I hereby certify that on October 16, 2026, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AN ACCOUNTING ORDER REGARDING GEOGRAPHICALLY TARGETED DEMAND RESPONSE AND GEOGRAPHICALLY TARGETED ENERGY EFFICIENCY PROGRAM COSTS upon all parties of record for NW Natural's last general rate case, UG 520.

**UG 520**

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DATED October 16, 2026, in Troutdale, Oregon.

*/s/ Erica Lee-Pella*
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