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September 26, 2025

NWN OPUC Advice No. 25-23

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street SE, Suite 100
Salem, Oregon 97301-3398

Re: Schedule 160 – Cancellation of Charges for Coos County Customers and Proposal for Coos County Pipeline

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), files herewith the following revision to its Tariff P.U.C. Or. 25, stated to become effective December 31, 2025.

First Revision of Sheet 160-1	Schedule 160	Revision of Charges for Coos County Customers
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NW Natural proposes to cancel Schedule 160 as part of its plan to terminate its existing Transportation Services Agreement (TSA) with Coos County, as described in detail below. Under the TSA, NW Natural purchases transportation service on the county-owned Coos County Pipeline (Pipeline) in order to serve the Company's customers in Coos County. NW Natural also currently operates and maintains the Pipeline for Coos County under the terms of the TSA. Cancelling Schedule 160 and terminating the TSA will facilitate NW Natural's purchase of the Pipeline. By purchasing the Pipeline, NW Natural will be able to make investments in much-needed landslide prevention work that will ensure safe and reliable gas service for NW Natural's customers that depend on the Pipeline.

Purpose

The purpose of this filing is to cancel Schedule 160 as part of NW Natural's overall plan to continue to provide safe and reliable gas service to Coos County. Importantly, Coos County meets the definition of an environmental justice community per ORS 756.010(5). ORS 756.010(5) defines environmental justice communities, in part, as "coastal communities," "rural communities," "communities with limited infrastructure," and "communities experiencing lower incomes." Therefore, Coos County, located in a rural area along the Oregon Coast with limited energy infrastructure that is dependent on the county-owned Pipeline and whose household median income is less than the state and national median,¹ is an environmental justice community.

¹ As discussed below, the median household income for a Coos County household is \$60,313, whereas the Oregon median household income is \$80,426 and the national median income is \$78,538.

To ensure safe and reliable gas service to this environmental justice community, approximately \$10 million of landslide prevention work (prior to applying construction overhead) must be completed on the county-owned Pipeline prior to the 2026-2027 winter heating season. Unfortunately, Coos County is not in a financial position to complete this work itself. In addition, the residents and businesses of Coos County that are ultimately served by the Pipeline would struggle to solely bear the cost of this landslide prevention work and continue to shoulder the costs of the natural gas distribution system in Coos County—a portion of which were directly assigned to these communities through Schedule 160.

NW Natural has coordinated closely with Coos County to find a solution that is in the best interests of the County, its residents and businesses, and the Company's customers. Therefore, NW Natural requests the Public Utility Commission of Oregon's (Commission) approval to cancel Schedule 160 by December 31, 2025, with the understanding that NW Natural will seek to recover Pipeline-related costs in a future cost recovery proceeding. To facilitate the recovery of these Pipeline-related costs, NW Natural will acquire the Pipeline from Coos County for \$1.00 (one dollar) upon Commission approval of this filing and use deferred accounting to track the operations and maintenance (O&M) costs related to remediation and maintenance work, as explained below. The Company's proposed cancellation of Schedule 160 is attached.

Background

In 1999, the Oregon Legislative Assembly provided \$24 million in state funding (\$20 million in lottery funds and \$4 million in economic development funds) for Coos County to construct a 60-mile Pipeline that would route natural gas from the Williams pipeline near Roseburg to the south coast to increase economic development in the area. Coos County voters authorized general obligation funds of \$27 million to cover the balance of the construction costs. The Pipeline entered service in January 2005.

On July 30, 2001, NW Natural and Coos County entered into the TSA under which NW Natural agreed to construct distribution facilities that would connect customers to natural gas when the Pipeline was completed. NW Natural provides gas service to its Coos County customers by transporting gas through the Williams pipeline, purchasing gas transportation services from Coos County on the Pipeline through the TSA, and then delivering gas on NW Natural's distribution system to customers. The Company currently collects \$0.01271 per therm of monthly nominations from Coos County transportation customers, of which there are three as of August 2025, for these transportation services per the TSA.²

² Per the TSA, the "the initial Transportation Rate shall be 10 cents per MMBtu" and "at the end of the tenth year of the initial term ... the 10-cent fee will be adjusted in proportion to changes in CPI." Therefore, the Company charged \$0.01000 per therm for transportation service for the initial term (equal to 10 cents per MMBtu), and for the second ten-year term adjusted this amount to \$0.01271 per the Consumer Price Index for All Urban Consumers (seasonally adjusted) as specified in the TSA.

The Commission adopted the Second Stipulation Relating to the Coos County Distribution System (Stipulation) in docket UG 152 (Order No. 03-236) (Order) in April 2003 that addressed how NW Natural's distribution system investments would be recovered from customers, including a two-cent per therm surcharge on Coos County sales customer bills (referred to as the "Coos County Charge" and collected under the Company's tariff Schedule 160).³ In January 2005 the distribution system, which NW Natural invested over \$11.5 million to construct in Coos Bay, entered service coincident with the Pipeline. There were several terms included in the Stipulation and Order, and those of which that are relevant to this proposal are summarized below:

- (1) For ratemaking purposes, NW Natural's investment in the Coos County gas distribution system was capped at \$12 million.
- (2) The \$12 million investment was included in the Oregon rate base. However, the Stipulation provided that Coos County sales customers will repay \$1.6 million of the initial gas distribution system investment through the two-cent per therm Coos County Charge. Collection of the Coos County Charge is applied first to pay the O&M expenses for transportation services on the Pipeline as determined by the TSA, and then to repay the \$1.6 million Coos County customer share of the initial investment in the gas distribution system.
- (3) The rate charged to industrial transportation customers per the TSA will also be applied to pay the O&M expenses for transportation services on the Pipeline. This is meant to increase the amount of the two-cent Coos County Charge available to reduce the \$1.6 million Coos County customer share.
- (4) After collection of the Coos County Charge, any balance for O&M expenses for transportation services on the Pipeline will be recoverable, statewide, from Oregon sales service customers as part of the Company's annual purchased gas adjustment (PGA).
- (5) If the \$1.6 million Coos County customer share has not been paid down by the end of the Initial Term ending December 31, 2025, a new schedule to amortize the balance, approved by the Commission, will be established.⁴

Lastly, in January 2005, NW Natural exercised its option under the TSA to assume responsibility for operating and maintaining the transmission pipeline as Coos County's contractor under a separate service agreement. Under the agreement, NW Natural's obligations include supervisory, administrative, technical, and other services as may be required to be performed relative to operating and maintaining the Pipeline. All costs

³ *In the Matter of Northwest Natural Gas Company, dba NW Natural, Application for a General Rate Revision*, Docket No. UG 152, Second Stipulation Relating to the Coos County Distribution System (April 9, 2003).

⁴ Note that Schedule 160 currently reflects an incorrect TSA ending date of December 31, 2024. The TSA provides that the initial term of the TSA will end on December 31 of the twentieth year after the year in which the Pipeline becomes operational. The Pipeline construction was completed and gas flowing on NW Natural's distribution system on January 19, 2005. As a result, the initial term expires December 31, 2025.

incurred by NW Natural associated with these services are subject to reimbursement from the County. Extraordinary and emergency services work, as defined in the service agreement, require the Company to notify the County of a workplan and budget and is subject to the County's approval of such work.

Current Status of the Coos County Pipeline

As of August 2025, the Company has 2,307 Coos County customers served by the pipeline, of which 1,793 are residential customers, 502 are commercial customers, and nine are industrial sales service customers. Additionally, as stated above, there are three transportation customers. Coos County relies on the Pipeline as the single source of natural gas delivery to the area. The forest products industry is the largest consumer of natural gas in the region, accounting for about 80.5% of industrial throughput and about 39.5% of all Coos County pipeline throughput for the twelve months ending March 2025.

The Coos County Pipeline has significant safety issues due to landslide risks. In 2021, NW Natural commissioned a study to identify landslide areas near the Pipeline. In that study, nine landslide areas were identified as moderate/low risk where federal code required monitoring practices to sufficiently address the safety risk.⁵ Three areas were identified as having a higher risk of a major landslide. The Company is currently monitoring each of these identified landslide risk areas, with more frequent monitoring of the higher risk areas. It is important to note that one of the higher risk areas was identified initially as moderate/low risk - so even with a highly reputable point-in-time study, it is hard to accurately predict landslide safety risks. Severe storms, for instance, can heighten the risk at certain areas or expose new areas to landslide risk.

In March 2025, heavy rains in Southwest Oregon caused widespread damage due to flooding, landslides, mudslides, sinkholes, and rockfalls resulting in a Level 3 regional emergency response activation from the Oregon Department of Emergency Management.⁶ In Coos County, heavier than normal rainfall caused the Coos and Coquille River watersheds to flood, resulted in damage at approximately 90 sites on county roads, and required the Coos County Sheriff's Office to deploy search and rescue operations to protect life and safety. Due to the severity of the damages from the storm, the Federal Emergency Management Agency (FEMA) declared a presidential disaster on July 22, 2025, which made available federal disaster assistance.⁷ Landslides related to this storm, as discussed in greater detail below, have resulted in higher risk of failure at multiples points along the Pipeline and therefore have made the Company's request in this filing more urgent.

Coos County does not have the ability to back a bond measure to mitigate the landslide risk for the Pipeline. Coos County has been working to find grants and other types of programs to help offset these expenses, including the FEMA Building Resilient Infrastructure in

⁵ 49 C.F.R. 192.

⁶ See: <https://www.opb.org/article/2025/03/18/oregon-department-emergency-management-flooding-southwest-oregon-weather-rain/>.

⁷ Oregon Department of Emergency Management 2025 March Flooding Spotlight. See: <https://storymaps.arcgis.com/stories/5b3ecd47075844fe8a1d95f28a8e643b>.

Communities (BRIC) grant request, and has secured \$1.45 million in American Rescue Plan Act funds to offset the cost of this work. In expressing their support for the Coos County application for a FEMA BRIC grant to fund hazard mitigation work on the pipeline, Oregon Senators Jeff Merkley and Ron Wyden noted that “the existing pipeline is currently the only source of natural gas in the county” and “If this pipeline were to fail, as is expected in its current state, it could have an enormous impact on the local economy with businesses and hundreds of households reliant on gas from the pipeline.”⁸

Necessary Landslide Risk Prevention Work

There are three major landslide areas along the Pipeline that need to be addressed prior to the 2026-2027 winter heating season. The total cost of the work needed is expected to be approximately \$10 million (prior to applying construction overhead costs). The three most critical locations are:

- **Coquille River**
 - Pipe relocation is necessary; a temporary above ground bypass has been installed due to the risk of a riverbank washout.
 - As stated above, Coos County will contribute \$1.45 million in American Rescue Plan Act funds for this work.
- **Mile 98**
 - This is an active landslide area with temporary remediation steps in place.
 - The Mile 98 slide area has been identified as the highest risk location on the Pipeline.
 - The Company has requested and has been given approval from Coos County to hire a surveying firm to assess this slide area and present a long-term remediation design solution to the County.
 - There are currently no plans to relocate the Pipeline from this area.
- **Lookingglass**
 - This area became a high risk for landslides in March 2025. It was previously identified as a low-risk area. The March 2025 storm, described in greater detail above, caused a large landslide in this area of the Pipeline. Company crews examined the site and determined that although the landslide decreased the amount of soil cover over the Pipeline, the soil at the site is currently stable. The lack of soil cover and the presence of exposed soil, however, caused the Company to elevate its designation of this area from low risk to high risk.
 - Since the Pipeline is currently situated at and below the landslide area, restoration work is necessary.

⁸ Letter in support of Coos County application for FEMA Building Resilient Infrastructure in Communities (BRIC) grant, from Oregon United States Senators Jeffrey A. Merkley and Ron Wyden to FEMA Administrator Deanne Criswell, dated January 21, 2025.

There are six additional landslide areas in the moderate/low risk categories that are also being monitored and their risk for landslides may change over time.

Proposed Ratemaking and Pipeline Purchase

In this filing, NW Natural is seeking to cancel Schedule 160 and terminate the TSA as part of its plan to maintain safe and reliable service to its Coos County customers and in response to the current condition of the Pipeline as discussed below. This plan also includes NW Natural acquiring the Pipeline from Coos County for \$1.00 (one dollar). NW Natural already has an agreement in principle with Coos County to acquire the Pipeline. The proposed purchase of the Pipeline and related ratemaking treatment will allow NW Natural to begin work on the three critical landslide risk areas identified above and efficiently plan for future work.

NW Natural plans to separately file a deferral application that will allow it to track the operations and maintenance (O&M) costs related to remediation and maintenance work on the Pipeline. NW Natural would seek to recover these costs in a future ratemaking proceeding. At the time of the next general rate case, the ongoing O&M costs of the Pipeline would be placed in base rates.

By cancelling Schedule 160, terminating the TSA, and assuming ownership of the Pipeline, NW Natural anticipates that it will no longer assess Coos County customers an additional charge for gas service based on their geographic location (i.e., the Coos County Charge). This type of rate treatment will put NW Natural's Coos County customers in the same position as all of the Company's other Oregon customers whose rates are not set based on location. It is also important to note that through base rates, NW Natural's Coos County customers have been paying for projects outside of Coos County for the last twenty years. Moreover, the Pipeline will remain an important component of Oregon's energy infrastructure for the foreseeable future, supporting local industry and heating residents' homes.

NW Natural's proposed rate treatment is also equitable. As stated above, Coos County meets the definition of an environmental justice community, which includes coastal communities, rural communities, communities with limited infrastructure, and communities experiencing lower incomes. The median income for a Coos County household—\$60,313—is considerably below both the Oregon and United States median of \$80,426 and \$78,538 respectively. The percentage of Coos County residents living in poverty also exceeds both the state and national averages.⁹

Given these circumstances, it is equitable to charge Coos County customers the same amount as any other NW Natural customer in Oregon. NW Natural understands that ORS 757.230(1) permits the Commission to consider "environmental justice factors that affect affordability," which presumably includes considering affordability for environmental justice communities. While NW Natural is not seeking special rate consideration for Coos County

⁹ US Census Bureau, QuickFacts. See: <https://www.census.gov/quickfacts/fact/table/OR,cooscountyoregon,coosbaycityoregon/PST045223>.

customers due to such factors, it does believe that it is inequitable to continue to charge these customers more for natural gas service compared to every other community in its Oregon service territory. Instead, NW Natural is seeking to ensure the same rate treatment for Coos County customers as for any other Oregon customer.

As part of its proposal to terminate the TSA and purchase the Pipeline, the Company plans to work with existing Coos County transportation customers to cancel capacity releases they currently need to move their gas supplies across the Pipeline to the Company's distribution system. Avista Corporation (Avista), separately, has a TSA with Coos County for a small amount of deliverability on the Pipeline. The Company plans to work with Avista on arrangements necessary for its service on the Pipeline.

Customer Impacts of NW Natural's Proposal

Without the equal and equitable rate treatment proposed in this filing, Coos County customers will experience large rate increases. Although NW Natural is not requesting cost recovery of the Pipeline landslide prevention work in this filing, the Company believes it is nonetheless important to show the impact of allocating these costs to only Coos County customers. Table 1 below illustrates this expected rate impact, with Scenario 1 showing the impact of allocating the cost of the necessary \$10 million for landslide risk prevention work described above to only Coos County customers. Scenario 2 shows the impact assuming the costs were allocated to all of NW Natural's Oregon customers (NW Natural's proposal).

Table 1
Estimated Rate Impacts at Existing Rates Associated with
Necessary Landslide Risk Prevention Work:
Spread Based on
Scenario 1 - Coos County Customers Only,
Compared to
Scenario 2 - All Oregon Customers (NW Natural's Proposal)

Estimated Impacts	Scenario 1 Impacts: Coos County Customers	Scenario 2 Impacts: All Oregon Customers
Pipeline ownership	NW Natural	NW Natural
Pipeline landslide risk prevention work ¹	\$10 Million	\$10 Million
On-going O&M (Annual)	\$400k	\$400k
Rate spread methodology	Equal percent of margin	Equal percent of margin
Recovery of initial distribution investment	No	No
Estimated Residential Bill Impacts ²		
Average Residential bill increase (%)	37.2%	0.2%
Average Residential bill increase (\$)	\$25.27	\$0.14
Estimated Bill Commercial and Industrial Bill Impacts, Selected Schedules ²		
General Commercial (C03)	34.5% (\$106.54)	0.2% (\$0.54)
Large Commercial Sales Firm (32CSF)	22.0% (\$962.58)	0.1% (\$6.16)
Industrial Transportation Firm (32ITF)	55.6% (\$4,495.17)	0.3% (\$21.49)
Industrial Transportation Interruptible (32ITI)	55.9% (\$1,619.29)	0.3% (\$31.21)

1: Pipeline landslide risk prevention cost estimate is prior to applying construction overhead costs.

2: Bill impacts based on average usage by customers in each group (Coos County, or all of Oregon).

Table 1 shows that Coos County residential customers would face a 37.2% rate increase if the Pipeline landslide prevention costs were solely allocated to them, whereas Oregon residential customers would see their bills increase by only 0.2% if these costs were allocated to all customers. Given the importance of the Pipeline, how it supports local industry, and how it would further equity, NW Natural considers its proposal to allocate these costs on a statewide basis to be in the best interest of the entire state of Oregon.

Current Regulatory and Contractual Framework of the Coos County Pipeline

The alternative to the Pipeline purchase proposal described above is to follow the regulatory and contractual framework of the TSA. In that case, NW Natural would update the fee for pipeline transportation service, adjusted based on O&M costs, for the Second Term of the TSA expiring on December 31, 2045. Importantly, this updated fee which would apply to transportation customers, would not include landslide prevention work that is necessary for safe and reliable service. Instead, under this alternative, Coos County would retain ownership of the Pipeline and, as explained above, it cannot afford to perform this work on its own.

Secondly, the Company would revise the Schedule 160 Coos County Charge for sales customers, where it would collect the full unrecovered portion of the original \$1.6 million investment in Coos County's distribution system that was directly assigned to Coos County. Due to the current two-cent per therm Schedule 160 Coos County Charge first being applied towards transportation service under the TSA, and lower than forecasted customer growth, the unrecovered portion of the initial distribution system investment remains approximately \$1.6 million. To recover this amount, the Schedule 160 Coos County Charge for Coos County sales customers would have to increase from \$0.02 per therm to approximately \$0.10 per therm based on existing Coos County customer counts and load. This would result in an approximately 4.9% increase for the average Coos County residential customer, or \$3.67 per bill, which is *in addition* to the necessary landslide prevention work on the Pipeline as shown in Table 1 above.

NW Natural recognizes the order approving its initial investment in the Coos County distribution system (Order No. 03-236) assumes that the existing regulatory framework would be maintained after the initial term of the TSA expires on December 31, 2025, including Coos County's ownership of the Pipeline and NW Natural continuing to assess Coos County customers a Schedule 160 Coos County Charge, as described above. However, maintaining this status quo would not address the landslide risks the Pipeline faces today and it poses significant safety risks to the area surrounding the Pipeline. In addition, any failures on the Pipeline would impact the reliability of service to Coos County customers. Unplanned service interruptions would be costly for NW Natural's industrial and commercial customers and could also put residential customers at risk. Finally, the cost of landslide risk mitigation and remediation work would be borne solely by Coos County, an environmental justice community.

Before making this filing, NW Natural had conversations with all parties originally involved in the UG 152 Coos County distribution system docket (Commission Staff, Oregon Citizens' Utility Board, and the Alliance of Western Energy Consumers). No party objected to NW Natural making a different proposal than what was envisioned more than twenty years ago in Order No. 03-236, although all parties retain their right to continue to evaluate the Company's proposal.

Conclusion

As described above, cost recovery for the proposal described in this filing will be requested in a future ratemaking filing. Thus, there is no rate increase due to terminating the TSA and assuming ownership of the Pipeline. Rather, terminating the TSA will result in a rate reduction as the Company will no longer collect \$0.01271 per therm of monthly nominations for transportation services from Coos County transportation customers, of which there are three as of August 2025.

In compliance with OAR 860-022-0025, NW Natural states that the proposal to cancel Schedule 160 will also reduce the rates of Coos County sales service customers by the amount of the two-cent per therm Coos County Charge. The change impacts 2,304 Coos County sales service customers (of which 1,793 are residential customers, 502 are commercial customers, and nine are industrial customers) as of August 2025. Because Schedule 160 collections are first applied towards transportation service under the TSA, cancelling Schedule 160 has no impact on the Company's annual revenue.

NW Natural respectfully requests approval to cancel Schedule 160, terminate the TSA, and assume ownership of the Pipeline with the understanding that NW Natural will seek to recover Pipeline-related costs in its next general rate case.

In accordance with ORS 757.205, copies of this letter and the filing made herewith are available in the Company's main office in Portland, Oregon and on its website at www.nwnatural.com.

Please address questions and correspondence on this matter to me with a copy to the following:

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Sincerely,

/s/ Zachary Kravitz

Zachary Kravitz
Vice President, Regulatory Affairs and Resource Planning
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250 SW Taylor Street
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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

First Revision of Sheet 160-1
Cancels Original Sheet 160-1

SCHEDULE 160

--CANCELLED--

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Issued September 26, 2025
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Effective with service on
and after December 31, 2025