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February 24, 2017

VIA ELECTRONIC FILING

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

Re: **UM 1420** - Application for Reauthorization to Defer Certain Expenses for Industrial Demand Side Management Accounting Programs

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 Reauthorization to record and defer with interest all costs associated with studying, planning, administering, and delivering Demand Side Management ("DSM") programs to Industrial Firm Sales Customers, Industrial Interruptible Sales Customers, and Schedule 32 Commercial Sales Customers.

A Notice concerning this Application will be sent to all parties who participated in the Company's most recent general rate case, UG 221. A copy of the Notice is part of the enclosed Application.

Please call Kyle Walker at (503) 226-4211, extension 5858, if you have any questions or require any further information.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Affairs Analyst

Enclosures

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3
4 **UM 1420**

5
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7 In the Matter of

8 NORTHWEST NATURAL GAS COMPANY,
9 dba NW Natural,

APPLICATION

10 For Reauthorization to Defer Certain Expenses
11 For Industrial Demand Side Management
12 Accounting Programs.
13
14

15 In accordance with ORS 757.259, ORS 757.262, and OAR 860-027-0300,
16 NW Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”)
17 files this application (“Application”) with the Public Utility Commission of Oregon
18 (“Commission”) for an order reauthorizing the Company to record and defer with
19 interest all costs associated with studying, planning, administering, and delivering
20 Demand Side Management (“DSM”) programs to Industrial Firm Sales
21 Customers,¹ Industrial Interruptible Sales Customers,² and Schedule 32
22 Commercial Sales Customers³ (referred to hereafter collectively as “Industrial
23 Customers”)

24 **I. INTRODUCTION**

25 The Company has offered DSM programs to its Residential and
26 Commercial Customers since 2002.⁴ In 2009, the Company began offering its

¹ Industrial firm customers served on the Company’s Rate Schedules 3, 31, and 32.

² Industrial interruptible customers served on the Company’s Rate Schedules 31 and 32.

³ Commercial customers served on Rate Schedule 32.

⁴ The Company established Residential and Commercial DSM programs in accordance with Commission Order No. 02-634, which approved the Company’s Residential and Commercial decoupling mechanism. *Re NW Natural Gas Co.’s Application for Public Purposes Funding*

1 Industrial Customers a program (“Industrial DSM Program”), established in
2 response to NW Natural’s 2008 Integrated Resource Plan (“IRP”) wherein the
3 Company identified cost-effective DSM for its Industrial Firm Sales Customers.

4 Although the Company’s 2008 IRP did not include a DSM technical
5 potential study for Industrial Interruptible Sales Customers, the program offering
6 was extended to this customer class in accordance with the program parameters
7 established in a Memorandum of Understanding (“MOU”) signed by NW Natural,
8 Citizens’ Utility Board of Oregon (“CUB”), Northwest Industrial Gas Users
9 (“NWIGU”) and Commission Staff (collectively referred to hereafter as “Parties”).
10 The MOU stated the Company would provide an energy-efficiency program to
11 Industrial Customers for two years, after which time Parties would consider
12 whether the program should continue being offered to Interruptible Sales
13 Customers. In 2011, Parties signed a new MOU agreeing that the pilot Industrial
14 DSM Program should become a permanent offering. The program that is offered
15 today continues to be applicable to all Industrial Customers except those
16 receiving service under a transportation rate.

17 **II. DEFERRED ACCOUNTING RULE REQUIREMENTS**

18
19 The following information is provided pursuant to the requirements set
20 forth in OAR 860-027-0300(3) and (4), and Commission Order No. 09-263.

and Distribution Margin Normalization, Docket UG 143, Order No. 02-634 at 4–5 (Sept. 12, 2002). Because decoupling removes the risk of experiencing a lost margin when customers adopt efficiency measures, it was appropriate to simultaneously introduce DSM programs. Order No. 02-634 also established the Company’s public purpose charge which, in part, funds the Company’s Residential and Commercial DSM programs. As agreed to by parties of both decoupling dockets (UG 143 and UG 163), Industrial Customers were exempt from the decoupling mechanism and the public purpose charge. *Id.*; *Re NW Natural Gas Co. Investigation Regarding Possible Continuation of Distribution Margin Normalization Tariff*, Docket UG 163, Order No. 05-934 (Aug. 25, 2005). Commercial Customers served on Rate Schedule 32 were considered Industrial Customers at the time Commission Order No. 02-634 was issued and were, therefore, excluded from the DSM programs considered therein, as described below. *See id.*

1 **A. Description of Utility Expense – OAR 860-27-0300(3)(a).**

2 In this Application, the Company is requesting to defer the costs
3 associated with studying, planning, administering, and delivering its Industrial
4 DSM Program. This program seeks to acquire DSM for Industrial Firm Sales
5 Customers, Industrial Firm Sales Customers and Schedule 32 Commercial
6 Customers to the extent it is cost-effective.

7 The Energy Trust administers the Company's Industrial DSM Program.
8 The Energy Trust is a non-profit organization established in response to
9 Oregon's electric deregulation legislation, which requires third-party
10 administration of independently owned electric utilities' DSM Programs.⁵ The
11 Energy Trust currently administers NW Natural's Residential and Commercial
12 DSM programs,⁶ as well as the Company's Industrial DSM Program for which
13 this Application seeks approval to defer costs.

14 The Company's Industrial DSM Program complies with the stipulation
15 adopted in Commission Order No. 05-934. That stipulation prevents the
16 Company from charging the Schedule 301, Public Purpose Charge to Industrial
17 Customers served on Schedules 3, 31, 32, and special contracts as well as
18 prevents those customers from being eligible for Energy Trust DSM Programs
19 funded by the Public Purpose Charge.⁷ The Industrial DSM Program discussed
20 in this Application will not be charged under Schedule 301. Instead, the
21 Company will defer all costs associated with the administration and delivery of

⁵ ORS 757.612(3)(c).

⁶ Order No. 02-634 requires third party administration of NW Natural's Residential and Commercial DSM Programs. *Re NW Natural Gas Co.'s Application for Public Purposes Funding and Distribution Margin Normalization*, Docket UG 143, Order No. 02-634 at 5 (Sept. 12, 2002).

⁷ *Re NW Natural Gas Co. Investigation Regarding Possible Continuation of Distribution Margin Normalization Tariff*, Docket UG 163, Order No. 05-934, Appendix A at 3 (Aug. 25, 2005).

1 the Industrial DSM Program for future amortization among Industrial Firm Sales
2 Customers, Industrial Interruptible Sales Customers, and Schedule 32
3 Commercial Sales Customers in the Company's next annual Purchased Gas
4 Adjustment Mechanism.

5 **B. Reasons for Deferral – OAR 860-027-0300(3)(b).**

6 The Company requests deferral of the costs associated with the
7 administration and delivery of the Industrial DSM Program. ORS 757.259(2)(e)
8 allows the deferral of utility expenses where necessary to match appropriately
9 the costs borne by and benefits received by ratepayers. This request seeks to
10 align the benefits customers receive from the Company's Industrial DSM
11 Program with the costs of the program by allowing the Company to defer the
12 program costs for later inclusion in rates.

13 **C. Proposed Accounting – OAR 860-027-0300(3)(c).**

14 NW Natural proposed to account for the deferred expenses related to the
15 Industrial DSM Program by recording the deferral in a sub-account of Account
16 186 (Miscellaneous Deferred Debits). In the absence of deferred accounting, the
17 Company would record Industrial DSM Program expenses in the appropriate
18 sub-account of FERC Account 909.

19 **D. Estimate of Amounts – OAR 860-027-0300(3)(d).**

20 The Company estimates the amount to be recorded in the deferred
21 account for the 12-month period beginning March 1, 2017, through February 28,
22 2018, to be approximately \$5,920,596.

1 **E. Descriptions of Entries Deferred under UM 1420 – OAR 860-027-**
2 **0300(4)(a).**

3 Exhibit A, which is attached, demonstrates all amounts deferred to date
4 under UM 1420.

5 **F. Reason for Continued Deferral – OAR 860-027-0300(4)(b).**

6 The Company continues to offer its Industrial DSM Program. The
7 acquisition of cost-effective DSM is in compliance with OAR 860-027-0310 which
8 encourages utilities to provide the least cost resources as identified in its most
9 recent IRP.

10 **G. Requirements per Commission Order No. 09-263.**

11 Below is the information required per Commission Order No. 09-263,
12 issued in Docket UM-1286, Staff's Investigation into Purchased Gas Adjustment
13 Mechanisms:

- 14 **1. A completed Summary Sheet, the location in the PGA filing,**
15 **and an account map that highlights the transfer of dollars from**
16 **one account to another.**

17 The document called "Exhibit B 2017 Funding Schedule" provides the
18 installments from March 1, 2017 through February 28, 2018 and is attached as
19 Exhibit A. The Summary Sheet will be included in the 2017 PGA filing work
20 papers and in the electronic file entitled "Proposed Temps Oregon 2017-18 PGA
21 filing.xlsx."

- 22 **2. The effective date of the deferral.**

23 This application is for the 12-month period beginning March 1, 2017, and
24 ending February 28, 2018.

- 25 **3. Prior year Order Number approving the deferral.**

1 Approval to defer costs associated with the Industrial DSM Program was
2 last granted under Commission Order No. 16-120.

3 **4. The amount deferred last year.**

4 \$3,527,052 was deferred during the last deferral year of March 1, 2016,
5 through February 28, 2017. This amount includes \$158,872 of interest.

6 **5. The amount amortized last year.**

7 \$566,757 was amortized in rates November 1, 2016 through December
8 31, 2016.

9 **6. The interest rate that will apply to the accounts.**

10 The interest rate for deferral accounts is 7.778%.

11 **7. An estimate of the upcoming PGA-period deferral and / or**
12 **amortization.**

13 In the 2017 PGA filing, the Company estimates that it will seek to amortize
14 \$3,527,052 million for Industrial DSM-related costs.

15 **H. Notice.**

16 A Notice of this Application has been served on all the parties who
17 participated in the Company's most recent general rate case, UG 221 and is
18 attached to this Application.

19 **I. Communications.**

20 NW Natural hereby waives service by means other than service by
21 electronic mail. Consistent with that waiver, communications regarding this
22 Application should be addressed to all of the following:

23 Zachary D. Kravitz (OSB# 152870)
24 Associate Counsel
25 220 NW Second Avenue
26 Portland, Oregon 97209-3991
27 Phone: (503) 220-2379
28 Email: Zachary.Kravitz@nwnatural.com;

1

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and

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III. CONCLUSION

NW Natural respectfully requests that, in accordance with ORS 757.259, the Commission reauthorize the Company to defer the expenses described in this Application.

DATED: February 24, 2017

Respectfully Submitted,

/s/ Kyle Walker, CPA
Kyle Walker, CPA
Rates/Regulatory Analyst

/s/ Zachary D. Kravitz
Zachary D. Kravitz (OSB# 152870)
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NW Natural Gas
220 NW Second Avenue
Portland, Oregon 97209
Phone: (503) 220-2379
Zachary.Kravitz@nwnatural.com

**EXHIBIT B
2017 FUNDING SCHEDULE**

In compliance with Section 5 of the 2013 Industrial DSM Funds and Information Transfer Agreement of which this Exhibit is a part and updates, for 2017 NW Natural will pay Industrial Funds to Energy Trust for Services in accordance with the following schedule:

Installments:

December 28, 2016	\$ 500,000
February 28, 2017	\$ 1,720,596
July 28, 2017	\$ 2,000,000
October 28, 2017	\$ 2,200,000

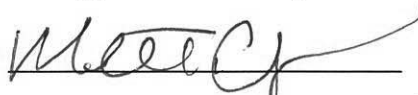
In the event the 28th of the month should fall on a weekend, or a United States of American Federal holiday, then the required funding shall be transferred on the last business day before the weekend or holiday.

The above stated funding for \$6,420,596 in Industrial Funds to be distributed to Energy Trust in 2016 and 2017 is for acquisition of approximately 1,964,268 therm savings. The 2017 funding schedule is based on the following budget:

Funding necessary for 1,964,268 therm savings	\$6,227,325
Contingency Reserve	\$200,000
<u>Less 2016 carryover</u>	<u>\$6729</u>

2017 Funding Requirement **\$6,420,596**

Energy Trust of Oregon

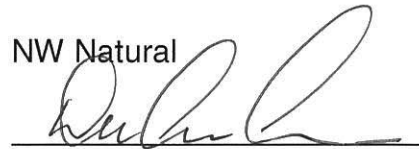


MICHAEL CORSE

EXECUTIVE DIRECTOR

Date 12/17/16

NW Natural



DAVID ANDERSON

Date 12/17/16

UM 1420-NWN's 2017 Application to Defer Industrial DSM Costs
 December XX, 2016

2017 Industrial DSM Budget

Funding necessary for 1,964,268 therm savings	\$6,227,325
Contingency Reserve	\$200,000
<u>Less 2016 carryover</u>	<u>\$6729</u>

2017 Funding Requirement **\$6,420,596**

Installments:

December 28, 2016	\$ 500,000
February 28, 2017	\$ 1,720,596
July 28, 2017	\$ 2,000,000
October 28, 2017	\$ 2,200,000

Historic Program Results		
	Forecasted Savings	Actual Savings
2016	1,844,324	TBD
2015	1,283,820	2,378,538
2014	1,207,434	1,291,168
2013	902,362	1,035,241
2012	864,174	863,771
2011	841,061	927,687

*preliminary savings estimate for 2016 official results available April 2017

**2011-2014 savings "Trued-up" post evaluation



UM 1420

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER ACCOUNTING OF INDUSTRIAL DSM PROGRAM COSTS**

February 24, 2017

To All Parties Who Participated in UG 221:

Please be advised that on February 24, 2017 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to defer certain expenses for Industrial Demand Side Management Accounting Programs. A copy of the Company's application is available for inspection at its main office or at the Public Utility of Oregon's ("Commission") eDocket website.

This is not a rate case. The purpose of this Notice is to inform parties that participated in the Company's most recent general rate case, UG 221, that a Reauthorization of Deferral Application was 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, CPA
220 NW Second Avenue
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 ext 5858

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, Oregon 97308-1088
Telephone: (503) 378-6636

Any person may submit to the Commission written comments on this matter by March 24, 2017. The granting of this Reauthorization of 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 1420**

I hereby certify that on February 24, 2017, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES FOR INDUSTRIAL DEMAND SIDE MANAGEMENT ACCOUNTING PROGRAMS upon all parties of record in docket UG 221, which is the Company's most recent general rate case.

UG 221

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DATED February 24, 2017, Portland, OR.

/s/ Erica Lee
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