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February 24, 2016

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: **OPUC Docket UM 1420 - Application for Reauthorization to Defer Accounting of NW Natural's Industrial DSM Program Costs**

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files the above-referenced Application for Reauthorization to Defer Accounting for NW Natural's Industrial DSM Program Costs.

A notice concerning this application will be sent to all parties who participated in the Company's last general rate case, UG 221. A certificate of service and a copy of the notice are attached as Exhibit B.

Please call Kyle Walker at 503.226.4211 extension 5858 if you have any questions.

Sincerely,

/s/ Mark R. Thompson

Mark R. Thompson
Manager, Rates and Regulatory Affairs

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

3
4 **UM 1420**

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8 In the Matter of NW Natural Gas Company's)
9 Application for Authorization) APPLICATION FOR
10 For Deferred Accounting of Expenses) REAUTHORIZATION FOR
11 For Industrial Demand Side Management) DEFERRED ACCOUNTING
12 Programs)
13
14
15

16 In accordance with ORS 757.259, ORS 757.262, and OAR 860-027-0300, NW
17 Natural Gas Company ("NW Natural" or the "Company") files this application
18 ("Application") with the Public Utility Commission of Oregon ("Commission") for an order
19 reauthorizing the Company to record and defer with interest all costs associated with
20 studying, planning, administering, and delivering Demand Side Management ("DSM")
21 programs to Industrial Firm Sales Customers,¹ Industrial Interruptible Sales Customers,²
22 and Schedule 32 Commercial Sales Customers³ (referred to hereafter collectively as
23 "Industrial Customers")
24

24 **I. INTRODUCTION**

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

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 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 made sense 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*,

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

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

16 **II. NOTICE**

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

20	Rates and Regulatory Affairs	Kyle Walker, CPA
21	NW Natural	Rates/Regulatory Analyst
22	220 NW Second Avenue	NW Natural
23	Portland, Oregon 97209	220 NW Second Avenue
24	Telephone: (503) 226-4211 x3589	Portland, Oregon 97209
25	Facsimile: (503) 721-2516	Telephone: (503) 226-4211 x5858
26	E-mail: eFiling@nwnatural.com	Facsimile: (503) 721-2516
27		E-mail: kyle.walker@nwnatural.com
28		

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 **III. DEFERRED ACCOUNTING RULE REQUIREMENTS**

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

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

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

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

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

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

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

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

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

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

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

18 The Company estimates the amount to be recorded in the deferred account for
19 the 12-month period beginning March 1, 2016, through February 28, 2017, to be
20 approximately \$3,027,053.

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

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

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

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

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

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

8 **1. A completed Summary Sheet, the location in the PGA filing, and an**
9 **account map that highlights the transfer of dollars from one account to**
10 **another**

11 Exhibit A includes the Summary Sheets which show the amounts
12 deferred and amortized in 2015-2016. Exhibit A will be included in the 2016 PGA
13 filing work papers and in the electronic file entitled "Proposed Temps Oregon
14 2016-17 PGA filing.xlsx. "

15 **2. The effective date of the deferral**

16 This application is for the 12-month period beginning March 1, 2016, and
17 ending February 28, 2017.

18 **3. Prior year Order Number approving the deferral**

19 Approval to defer costs associated with the Industrial DSM Program was
20 last granted under Commission Order No. 15-118.

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

22 \$3,224,384 was deferred during the last deferral year of March 1, 2015,
23 through February 28, 2016. This amount includes \$153,000 of interest.

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

25 \$532,119 was amortized in rates November 1, 2015 through December
26 31, 2015.

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Exhibit A
Company: Northwest Natural Gas Company
State: Oregon
Description: Deferral of Industrial DSM Costs
Account Number: 186232
Docket UM 1420
2015-16 Deferral approval is TBD

Deferrals are authorized on a program year (Mar - Feb). The total balance is broken down into separate deferral years for convenience of review

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Debit	(Credit)	Month/Year	Note	Deferral	Transfers	TOTAL Interest	Interest Rate	Mar 14 - Feb 15 Interest	Mar15-Feb16 Interest	Activity	TOTAL Balance	Mar 14 - Feb 15 Balance	Mar15-Feb16 Balance						
		(a)	(b)	(c)	(d)	(e)	(e1)	(e3)	(e4)	(f)	(g)	(g6)	(g7)						
Beginning Balance						0				0	1,813,882		0						
Mar-14				0		0	7.78%	0		0	1,813,882		0						
Apr-14				1,024,352		3,321	7.78%	3,321		1,027,673	2,841,555	1,027,673	1,027,673						
May-14				0		6,663	7.78%	6,663		6,663	2,848,218	1,034,335	1,034,335						
Jun-14				0		6,706	7.78%	6,706		6,706	2,854,924	1,041,041	1,041,041						
Jul-14				1,024,350		10,070	7.78%	10,070		1,034,420	3,889,344	2,075,461	2,075,461						
Aug-14				0		13,456	7.78%	13,456		13,456	3,902,800	2,088,917	2,088,917						
Sep-14				0		13,543	7.78%	13,543		13,543	3,916,343	2,102,460	2,102,460						
Oct-14				1,024,350		16,952	7.78%	16,952		1,041,302	4,957,644	3,143,762	3,143,762						
Nov-14			1	0	(1,813,882)	20,382	7.78%	20,382		(1,793,500)	3,164,144	3,164,144	3,164,144						
Dec-14				0		20,514	7.78%	20,514		20,514	3,184,658	3,184,658	3,184,658						
Jan-15				0		20,647	7.78%	20,647		20,647	3,205,305	3,205,305	3,205,305						
Feb-15				0		20,781	7.78%	20,781		20,781	3,226,086	3,226,086	3,226,086						
Mar-15				0		0	7.78%	0		0	3,226,086	3,226,086	3,226,086						
Apr-15				1,026,144		3,326	7.78%	0	3,326	1,029,470	4,255,557	3,226,086	1,029,470						
May-15				0		6,674	7.78%	0	6,674	6,674	4,262,231	3,226,086	1,036,145						
Jun-15				0		6,718	7.78%	0	6,718	6,718	4,268,949	3,226,086	1,042,862						
Jul-15				1,026,144		10,088	7.78%	0	10,088	1,036,232	5,305,181	3,226,086	2,079,094						
Aug-15				(7,048)		13,457	7.78%	0	13,457	6,409	5,311,589	3,226,086	2,085,503						
Sep-15				0		13,521	7.78%	0	13,521	13,521	5,325,110	3,226,086	2,099,024						
Oct-15				1,026,144		16,935	7.78%	0	16,935	1,043,079	6,368,189	3,226,086	3,142,103						
Nov-15			1	0	(3,226,086)	20,371	7.78%	0	20,371	(3,205,715)	3,162,474	3,162,474	3,162,474						
Dec-15				0		20,503	7.78%	0	20,503	20,503	3,182,978	3,182,978	3,182,978						
Jan-16				0		20,636	7.78%	0	20,636	20,636	3,203,614	3,203,614	3,203,614						
Feb-16				0		20,770	7.78%	0	20,770	20,770	3,224,384	3,224,384	3,224,384						

History truncated for ease of viewing

NOTES

1 - Transfer February balance of prior program year to 186233 Amort Industrial DSM for amortization

Summary:

March 1, 2015 - February 28, 2016 Deferral Year:

Deferrals	3,071,384
Interest	153,000
Total Deferral Balance at 2/28/16	3,224,384



February 24, 2016

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER ACCOUNTING OF INDUSTRIAL DSM PROGRAM COSTS
UM1420**

To All Parties Who Participated in UG 221:

Please be advised that today Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), applied for reauthorization to defer Industrial DSM Program Costs. Copies of the Company's application are available for inspection at its main office.

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 the 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 Public Utility Commission of Oregon 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: Judy Johnson
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 no sooner than 25 days from the date of this Application. The granting of this 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**

I hereby certify that I have this day served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER INDUSTRIAL DSM COSTS (UM 1420) 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 at Portland, Oregon, this 24th day of February 2016.

/s/ Shannon L. Seagondollar
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