



250 SW Taylor Street  
Portland, OR 97204

503-226-4211  
nwnatural.com

February 27, 2023

**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: UM 1420 – NW Natural’s Application for Reauthorization to Defer Costs Associated with Industrial Demand Side Management 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 (“Application”) to record and defer with interest all costs associated with studying, planning, administering, and delivering Demand Side Management 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 general rate case, UG 435. 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, OR 97204  
Phone: (503) 610-7330  
Fax: (503) 220-2579  
eFiling@nwnatural.com

If you have any questions, please contact me at (503) 610-7051.

Sincerely,

*/s/ Kyle Walker, CPA*

Kyle Walker, CPA  
Rates/Regulatory Manager

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1420**

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY dba NW NATURAL

For Reauthorization to Defer Costs  
Associated with Industrial Demand Side  
Management Programs Pursuant to  
ORS 757.259

**Application**

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the  
2 “Company”), hereby files with the Public Utility Commission of Oregon (the  
3 “Commission”) this application (“Application”) seeking reauthorization to record and  
4 defer with interest all costs associated with studying, planning, administering, and  
5 delivering Demand Side Management (“DSM”) programs to Industrial Firm Sales  
6 Customers,<sup>1</sup> Industrial Interruptible Sales Customers,<sup>2</sup> and Schedule 32 Commercial  
7 Sales Customers<sup>3</sup> (referred to hereafter collectively as “Industrial Customers”)  
8 pursuant to ORS 757.262 and 757.259, and OAR 860-027-0300, for the 12-month  
9 period beginning March 1, 2023 through February 29, 2024.

---

<sup>1</sup> Industrial firm sales customers served on the Company’s Rate Schedules 3, 31, and 32.

<sup>2</sup> Industrial interruptible sales customers served on the Company’s Rate Schedules 31 and 32.

<sup>3</sup> Commercial sales customers served on Rate Schedule 32 (firm and interruptible).

1 The Company has offered DSM programs to its Residential and Commercial  
2 Customers since 2002.<sup>4</sup> In 2009, the Company began offering its Industrial  
3 Customers a program (“Industrial DSM Program”), established in response to NW  
4 Natural’s 2008 Integrated Resource Plan (“IRP”) wherein the Company identified  
5 cost-effective DSM for its Industrial Firm Sales Customers.

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

---

<sup>4</sup> 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 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 Sales 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.*

<sup>5</sup> NWIGU now is known as Alliance of Western Energy Consumers.

1 continues to be applicable to all Industrial Customers except those receiving service  
2 under a transportation rate.

3 In support of this Application, NW Natural states:

4 **A. NW Natural.**

5 NW Natural is a public utility in the State of Oregon and is subject to the  
6 jurisdiction of the Commission regarding rates, service, and accounting practices.

7 NW Natural provides retail natural gas service in the States of Oregon and  
8 Washington.

9 **B. Statutory Authority.**

10 This application is filed pursuant to ORS 757.259, which empowers the  
11 Commission to authorize the deferral of expenses or revenues of a public utility for  
12 later inclusion in rates.

13 **C. Communications.**

14 Communications regarding this Application should be addressed to:

15 NW Natural  
16 eFiling for Rates & Regulatory Affairs  
17 250 SW Taylor Street  
18 Portland, Oregon 97204  
19 Phone: (503) 610-7330  
20 Fax: (503) 220-2579  
21 Email: eFiling@nwnatural.com;

22  
23 Eric W. Nelsen (OSB# 192566)  
24 Senior Regulatory Attorney  
25 250 SW Taylor Street  
26 Portland, OR 97204  
27 Phone: (503) 610-7618  
28 Email: eric.nelsen@nwnatural.com;

29  
30 and

1 Kyle Walker, CPA  
2 Rates/Regulatory Manager  
3 250 SW Taylor Street  
4 Portland, Oregon 97204  
5 Phone: (503) 610-7051  
6 Email: kyle.walker@nwnatural.com

7 **D. Description of the Expenses or Revenues for which Deferred**

8 **Accounting is Requested – OAR 860-027-0300(3)(a).**

9 In this Application, the Company is requesting to defer the costs associated  
10 with studying, planning, administering, and delivering its Industrial DSM Program.  
11 This program seeks to acquire DSM for Industrial Customers to the extent it is cost-  
12 effective.

13 The Energy Trust administers the Company's Industrial DSM Program. The  
14 Energy Trust is a non-profit organization established in response to Oregon's electric  
15 deregulation legislation, which requires third-party administration of independently  
16 owned electric utilities' DSM Programs.<sup>6</sup> The Energy Trust currently administers NW  
17 Natural's Residential and Commercial DSM programs,<sup>7</sup> as well as the Company's  
18 Industrial DSM Program for which this Application seeks approval to defer costs.

19 The Company's Industrial DSM Program complies with the stipulation  
20 adopted in Commission Order No. 05-934. That stipulation prevents the Company  
21 from charging the Schedule 301, Public Purpose Charge to Industrial Customers  
22 served on Schedules 3, 31, 32, and special contracts as well as prevents those

---

<sup>6</sup> ORS 757.612(3)(c).

<sup>7</sup> 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).

1 customers from being eligible for Energy Trust DSM Programs funded by the Public  
2 Purpose Charge.<sup>8</sup> The Industrial DSM Program discussed in this Application will not  
3 be charged under Schedule 301. Instead, the Company will defer all costs  
4 associated with the studying, planning, administration, and delivery of the Industrial  
5 DSM Program for future amortization among Industrial Customers in the Company's  
6 next annual Purchased Gas Adjustment Mechanism.

7 **E. Reasons Reauthorization of Deferred Accounting is Being Requested –**  
8 **OAR 860-027-0300(3)(b).**

9 The Company requests deferral of the costs associated with the studying,  
10 planning, administration, and delivery of the Industrial DSM Program. ORS 757.259  
11 is a “statutorily authorized exception to the general prohibition against retroactive  
12 ratemaking” that allows a “means to address utility expenses or revenues outside of  
13 the utility’s general rate case proceeding.”<sup>9</sup> Under ORS 757.259(2)(e), the  
14 Commission has discretion to authorize a deferral of “[i]dentifiable utility expenses or  
15 revenues, the recovery or refund of which the commission finds should be deferred  
16 in order to minimize the frequency of rate changes . . . or to match appropriately the  
17 costs borne by and benefits received by rate payers.” To determine whether an  
18 expense or revenue should be deferred, the Commission “utilizes a flexible, fact-  
19 specific approach that acknowledges the wide range of reasons why deferred  
20 accounting might be beneficial to customers.”<sup>10</sup> Of those reasons, the Commission

---

<sup>8</sup> *In re Matter 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).

<sup>9</sup> *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 2 (Oct. 5, 2005).

<sup>10</sup> *Id.* at 5.

1 has found that “encourag[ing] utility or customer behavior consistent with regulatory  
2 policy” is appropriate for deferred accounting.<sup>11</sup>

3 This request seeks to align the benefits customers receive from the  
4 Company’s Industrial DSM Program with the costs of the program by allowing the  
5 Company to defer the program costs for later inclusion in rates.

6 **F. Accounting – OAR 860-027-0300(3)(c).**

7 Beginning on March 1, 2023, and ending 12 months from this date, NW  
8 Natural proposes to account for the deferred expenses related to the Industrial DSM  
9 Program by recording the deferral in a sub-account of Account 186 (Miscellaneous  
10 Deferred Debits). In the absence of deferred accounting, the Company would  
11 record Industrial DSM Program expenses in the appropriate sub-account of FERC  
12 Account 909.

13 **G. Estimated Amounts Subject to Deferral – OAR 860-027-0300(3)(d).**

14 The Company estimates the amount to be recorded in the deferred account  
15 for the 12-month period beginning March 1, 2023 through February 29, 2024 to be  
16 approximately \$7,231,588.

17 **H. Description of Entries in Deferred Account Under UM 1420 – OAR 860-  
18 027-0300(4)(a).**

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

---

<sup>11</sup> *Id.* at 2.

1 **I. Reason for Continuation of Deferral Account – OAR 860-027-0300(4)(b).**

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

5 **J. Requirement per Commission Order No. 09-263.**

6 Below is the information required per Commission Order No. 09-263, issued  
7 in docket UM-1286, Staff's Investigation into Purchase Gas Adjustment ("PGA")  
8 Mechanisms:

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

12 The Summary Sheet will be included in the 2023 PGA filing work papers  
13 and in the electronic file entitled "Proposed Temps Oregon 2023-24 PGA  
14 filing.xlsx."

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

16 This application is for the 12-month period beginning March 1, 2023 and  
17 ending February 29, 2024.

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. 22-395 on October 27, 2022.



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

2           The amount deferred during the last deferral year of March 1, 2022  
3           through February 28, 2023, was \$6,031,586 plus interest on the deferral of  
4           \$253,254.

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

6           \$950,569 was amortized in rates November 1, 2022 through December  
7           31, 2022.

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

9           The interest rate for deferral accounts is 6.836%.

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

12          In the 2023 PGA filing, the Company estimates that it will seek to amortize  
13          \$6,284,940.

14   **K. Notice – OAR 860-027-0300(3)(e)(6).**

15          A notice of this Application will be served to all parties who participated in the  
16   Company's last general rate case, UG 435, and is attached to this Application.

17          NW Natural respectfully requests that the Commission issue an order  
18   reauthorizing the Company to defer the expenses described in the Application to  
19   ensure that the Company will be authorized to seek to recover costs associated with  
20   the studying, planning, administering, and delivering its Industrial DSM Program.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13

Dated on this 27<sup>th</sup> day of February 2023.

Respectfully Submitted,

NW NATURAL

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

/s/ Eric Nelsen  
Senior Regulatory Attorney (OSB# 192566)  
250 SW Taylor Street  
Portland, OR 97204  
Phone: (503) 610-7618  
Email: eric.nelsen@nwnatural.com

Company: Northwest Natural Gas Company  
 State: Oregon  
 Description: Deferral of Industrial DSM Costs  
 Account Number: 151818  
 Docket UM 1420  
 21-22 Deferral approved in Order 21-116

Debit (Credit)

Month/Year	Note	Deferral	Transfers	TOTAL Interest	Interest Rate	Mar 21- Feb 22 Interest	Mar 22- Feb 23 Interest	Activity	TOTAL Balance	Mar 20- Feb 21 Balance	Mar 21- Feb 22 Balance	Mar 22- Feb 23 Balance
(a)	(b)	(c)	(d)	(e)	(e1)	(e14)	(e15)	(f)	(g)	(g12)	(g13)	(g14)
Beginning Balance												
Mar-21		0		0	6.965%	0		0	2,888,043	2,888,043	-	
Apr-21		1,076,519		3,124	6.965%	3,124		1,079,643	3,967,686	2,888,043	1,079,643	
May-21		0		6,266	6.965%	6,266		6,266	3,973,953	2,888,043	1,085,910	
Jun-21		1,614,778		10,989	6.965%	10,989		1,625,767	5,599,720	2,888,043	2,711,677	
Jul-21		0		15,739	6.965%	15,739		15,739	5,615,459	2,888,043	2,727,416	
Aug-21		0		15,830	6.965%	15,830		15,830	5,631,289	2,888,043	2,743,246	
Sep-21		0		15,922	6.965%	15,922		15,922	5,647,212	2,888,043	2,759,168	
Oct-21		2,691,298		23,825	6.965%	23,825		2,715,123	8,362,335	2,888,043	5,474,291	
Nov-21 <b>1</b>		0	(2,888,043)	31,774	6.965%	31,774		(2,856,270)	5,506,065	-	5,506,065	
Dec-21		0		31,958	6.965%	31,958		31,958	5,538,023	-	5,538,023	
Jan-22		0		32,144	6.965%	32,144		32,144	5,570,167	-	5,570,167	
Feb-22		0		32,330	6.965%	32,330		32,330	5,602,497	-	5,602,497	
Mar-22		1,500,000		4,353	6.965%		4,353	1,504,353	7,106,850	-	5,602,497	1,504,353
Apr-22		0		8,732	6.965%		8,732	8,732	7,115,582	-	5,602,497	1,513,085
May-22		0		8,782	6.965%		8,782	8,782	7,124,364	-	5,602,497	1,521,867
Jun-22		2,000,000		14,637	6.965%		14,637	2,014,637	9,139,001	-	5,602,497	3,536,504
Jul-22		0		20,526	6.965%		20,526	20,526	9,159,528	-	5,602,497	3,557,031
Aug-22		0		20,646	6.965%		20,646	20,646	9,180,173	-	5,602,497	3,577,676
Sep-22		0		20,765	6.965%		20,765	20,765	9,200,939	-	5,602,497	3,598,442
Oct-22		0		20,886	6.965%		20,886	20,886	9,221,825	-	5,602,497	3,619,328
Nov-22 <b>1</b>		2,531,586	(5,602,497)	27,829	6.836%	27,829		(3,043,082)	6,178,743	-	-	6,178,743
Dec-22		0		35,198	6.836%		35,198	35,198	6,213,941	-	-	6,213,941
Jan-23		0		35,399	6.836%		35,399	35,399	6,249,340	-	-	6,249,340
Feb-23		0		35,600	6.836%		35,600	35,600	6,284,940	-	-	6,284,940

**NOTES**  
**1** - Transfer February balance of prior year to 186233 Amort Industrial DSM for amortization (see note below)  
 Deferrals are authorized on a program year (Mar - Feb). The total balance is broken down into separate deferral years for convenience of review

Summary:	
March 1, 2022 - February 28, 2023 Deferral Year:	
Deferrals	6,031,586
Interest	253,354
Total Deferral Balance at 2/28/2023	6,284,940



UM 1420

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER  
COSTS ASSOCIATED WITH INDUSTRIAL DSM PROGRAMS**

February 27, 2023

**To All Parties Who Participated in UG 435**

Please be advised that on February 27, 2023, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for REAUTHORIZATION TO DEFER COSTS ASSOCIATED WITH ITS INDUSTRIAL DSM PROGRAMS.

**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 435, that a deferral reauthorization 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  
Phone: (503) 610-7051**

**Public Utility Commission of Oregon  
Attn: Filing Center  
201 High Street SE, Suite 100  
PO Box 1088  
Salem, Oregon 97308-1088  
Phone: (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 reauthorization 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 27, 2023, I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS ASSOCIATED WITH NW NATURAL'S INDUSTRIAL DSM PROGRAMS upon all parties of record for the Company's last general rate case, UG 435.

### UG 435

OREGON CITIZENS' UTILITY  
BOARD  
dockets@oregoncub.org

MICHAEL GOETZ  
OREGON CITIZENS' UTILITY  
BOARD  
mike@oregoncub.org

TOMMY A. BROOKS  
CABLE HUSTON LLP  
tbrooks@cablehuston.com

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

JAMES BIRKELUND  
SMALL BUSINESS UTILITY  
ADVOCATES  
james@utilityadvocates.org

JAIMINI PAREKH  
EARTHJUSTICE  
jparekh@earthjustice.org

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

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

WILLIAM GEHRKE  
OREGON CITIZENS' UTILITY  
BOARD  
will@oregoncub.org

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

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

DIANE HENKELS  
SMALL BUSINESS UTILITY  
ADVOCATES  
diane@utilityadvocates.org

DANNY KERMODE  
SMALL BUSINESS UTILITY  
ADVOCATES  
5553dkcpa@gmx.us

KRISTEN BOYLES  
EARTHJUSTICE  
kboyles@earthjustice.org

ADAM HINZ  
EARTHJUSTICE  
ahinz@earthjustice.org

MCDOWELL RACKNER &  
GIBSON PC  
dockets@mrg-law.com

ERIC NELSEN  
NW NATURAL  
eric.nelsen@nwnatural.com

NW NATURAL  
efiling@nwnatural.com

DATED February 27, 2023, Portland, OR

/s/ Radiah Gaines  
Radiah Gaines  
Staff Assistant, Rates & Regulatory Affairs