

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 9, 2012

REGULAR  CONSENT  EFFECTIVE DATE March 1, 2012

DATE: September 26, 2012

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: Jason Eisdorfer and Maury Galbraith *ME*

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1420(3)) Reauthorizes deferral of Industrial DSM Program Costs.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Northwest Natural's (the Company or NW Natural) request for reauthorization to defer costs related to Industrial Demand Side Management (DSM) Program Costs effective March 1, 2012 through February 28, 2013.

**DISCUSSION:**

On February 10, 2012, NW Natural filed an application for reauthorization of deferred accounting of Industrial DSM Program Costs. At the time of this filing, NW Natural had already filed a general rate case before the Commission. In Commission Staff's Opening Testimony, Witness Moshrek Sobhy testified that staff wanted a different recovery methodology for Industrial DSM Costs. Mr. Sobhy testified that: "I also recommend that the Company recovers the expenses of the Industrial Demand Side Management (Industrial DSM) program through a permanent tariff rate subject to annual true-up instead of the current deferral mechanism." (Staff/1100, Sobhy/4). See also Staff/1100, Sobhy/22.

Staff has delayed drafting this memorandum in case the issue could be settled in one of the scheduled Settlement Meetings in NW Natural's general rate case (UG 221). The issue of the recovery of Industrial DSM costs was not settled in connection with the rate case, so this memorandum is being prepared to address NW Natural's request to defer Industrial DSM program costs the Company has incurred since March 1, 2012.

Deferral would allow the Company to appropriately match the costs of the Industrial DSM Program with its benefits. (ORS 757.259(2)(e)).

### Background

In Order 09-092, the Commission authorized the Company's request 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 (Schedules 3, 31, and 32), Industrial Interruptible Sales Customers (Schedules 31 and 32), and Commercial Sales Customers (Schedule 32).<sup>1</sup> The Company's Industrial DSM program was established by the Memorandum of Understanding (MOU) between the Company, Citizens' Utility Board (CUB), Northwest Industrial Gas Users (NWIGU), and Commission Staff (collectively the "Parties"). The MOU provided that the Energy Trust of Oregon (ETO) will develop, administer, and deliver NW Natural's Industrial DSM Program. Pursuant to the MOU, the ETO provides a cost-effective DSM program to eligible firm sales customers. However, the MOU conditioned that the program be offered to eligible interruptible sales for a pilot period of 2 years, at an annual cost not to exceed \$500,000.<sup>2</sup> Upon expiration of the initial period, the Parties agreed to review the success of the program, the inclusion of interruptible sales customers, and future program budgets.

In 2011, Parties signed a new MOU agreeing that the pilot Industrial DSM program should become a permanent offering and that it should continue to be offered to all industrial customers except those receiving service under a transportation rate.

### Description of Expense

In this Application, the Company is asking to defer the costs associated with studying, planning, administering, and delivering its Industrial DSM Program. The Energy Trust currently administers NW Natural's Residential, Commercial, and Industrial DSM programs.

### Reason for Deferral

This request is made in accordance with ORS 757.259(2)(e) which allows the deferral of utility expenses where necessary to match appropriately the costs borne by and benefits received by ratepayers.

### Proposed Accounting

NW Natural proposes to account for the deferred expenses related to the Industrial DSM Program by recording the deferral in a sub-account of Account 186 (Miscellaneous

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<sup>1</sup> Customers classified as Industrial customers are not served under the residential and small commercial DSM program approved by the Commission in Order No. 02-634.

<sup>2</sup> The Pilot Program expired on February 28, 2011.

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Deferred Debits). In the absence of deferred accounting, the Company would record Industrial DSM Program expenses in the appropriate sub-account of FERC Account 909.

Estimate of Amounts

For the 12-month period covered by this Application, NW Natural anticipates that the amount subject to this deferral will be approximately \$1,614,516.

**PROPOSED COMMISSION MOTION:**

NW Natural's request for reauthorization to defer costs related to the Industrial Demand Side Management Program effective March 1, 2012 through February 28, 2013 be approved.

NWN UM 1402(3) Industrial DSM Deferral