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February 28, 2022

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 participating in the Company’s current 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

Attachments

**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,¹ Industrial Interruptible Sales Customers,² and Schedule 32 Commercial
7 Sales Customers³ (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, 2022 through February 28, 2023.

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

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

³ 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 2002.⁴ 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”)⁵ 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

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 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.*

⁵ 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 e-Filing
16 NW Natural Rates & Regulatory Affairs
17 250 SW Taylor Street
18 Portland, Oregon 97204
19 Phone: (503) 610-7330
20 Email: eFiling@nwnatural.com;

21
22 Eric Nelsen (OSB# 192566)
23 Senior Regulatory Attorney
24 250 SW Taylor Street
25 Portland, OR 97204
26 Phone: (503) 610-7618
27 Email: eric.nelsen@nwnatural.com;

28
29 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.⁶ The Energy Trust currently administers NW
17 Natural's Residential and Commercial DSM programs,⁷ 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
23 customers from being eligible for Energy Trust DSM Programs funded by the Public

⁶ ORS 757.612(3)(c).

⁷ 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 Purpose Charge.⁸ The Industrial DSM Program discussed in this Application will not
2 be charged under Schedule 301. Instead, the Company will defer all costs
3 associated with the studying, planning, administration, and delivery of the Industrial
4 DSM Program for future amortization among Industrial Customers in the Company's
5 next annual Purchased Gas Adjustment Mechanism.

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

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

⁸ *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).

⁹ *Re 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).

¹⁰ *Id.* at 5.

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

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, 2022, 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, 2022 through February 28, 2023 to be
16 approximately \$6,031,586.

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.

¹¹ *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
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 2022 PGA filing work papers
13 and in the electronic file entitled "Proposed Temps Oregon 2022-23 PGA
14 filing.xlsx."

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

16 This application is for the 12-month period beginning March 1, 2022 and
17 ending February 28, 2023.

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. 21-116 on April 22, 2021.

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

2 The amount deferred during the last deferral year of March 1, 2021
3 through February 28, 2022, was \$5,382,595 plus interest on the deferral of
4 \$219,902.

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

6 \$521,793 was amortized in rates November 1, 2021 through December
7 31, 2021.

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

9 The interest rate for deferral accounts is 6.965%.

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

12 In the 2022 PGA filing, the Company estimates that it will seek to amortize
13 \$5,602,497.

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

15 A notice of this Application will be served to all parties participating in the
16 Company's current 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.

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Dated on this 28th day of February 2022.

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

Exhibit A

Company: Northwest Natural Gas Company
 State: Oregon
 Description: Deferral of Industrial DSM Costs
 Account Number: 186232
 Docket UM 1420
 Last deferral reauthorization received in Order 21-116

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

1	Debit (Credit)												
2													
3													
4	Month/Year	Note	Deferral	Transfers	TOTAL Interest	Interest Rate	Mar 20- Feb 21 Interest	Mar 21- Feb 22 Interest	Activity	TOTAL Balance	Mar 19- Feb 20 Balance	Mar 20- Feb 21 Balance	Mar 21- Feb 22 Balance
5	(a)	(b)	(c)	(d)	(e)	(e1)	(e13)	(e14)	(f)	(g)	(g11)	(g12)	(g13)
6													
7	Beginning Balance												
136	Mar-20		-		-	7.317%	-		-	3,745,283	3,745,283	-	
137	Apr-20		-		-	7.317%	-		-	3,745,283	3,745,283	-	
138	May-20		-		-	7.317%	-		-	3,745,283	3,745,283	-	
139	Jun-20		-		-	7.317%	-		-	3,745,283	3,745,283	-	
140	Jul-20		1,393,862		4,250	7.317%	4,250		1,398,112	5,143,394	3,745,283	1,398,112	
141	Aug-20		-		8,525	7.317%	8,525		8,525	5,151,919	3,745,283	1,406,637	
142	Sep-20		-		8,577	7.317%	8,577		8,577	5,160,496	3,745,283	1,415,214	
143	Oct-20		1,393,862		12,879	7.317%	12,879		1,406,741	6,567,237	3,745,283	2,821,954	
144	Nov-20	1	-	(3,745,283)	16,379	6.965%	16,379		(3,728,904)	2,838,333	-	2,838,333	
145	Dec-20		-		16,474	6.965%	16,474		16,474	2,854,808	-	2,854,808	
146	Jan-21		-		16,570	6.965%	16,570		16,570	2,871,377	-	2,871,377	
147	Feb-21		-		16,666	6.965%	16,666		16,666	2,888,043	-	2,888,043	
148	Mar-21		-		-	6.965%	-		-	2,888,043	-	2,888,043	-
149	Apr-21		1,076,519		3,124	6.965%		3,124	1,079,643	3,967,686	-	2,888,043	1,079,643
150	May-21		-		6,266	6.965%		6,266	6,266	3,973,953	-	2,888,043	1,085,910
151	Jun-21		1,614,778		10,989	6.965%		10,989	1,625,767	5,599,720	-	2,888,043	2,711,677
152	Jul-21		-		15,739	6.965%		15,739	15,739	5,615,459	-	2,888,043	2,727,416
153	Aug-21		-		15,830	6.965%		15,830	15,830	5,631,289	-	2,888,043	2,743,246
154	Sep-21		-		15,922	6.965%		15,922	15,922	5,647,212	-	2,888,043	2,759,168
155	Oct-21		2,691,298		23,825	6.965%		23,825	2,715,123	8,362,335	-	2,888,043	5,474,291
156	Nov-21	1	-	(2,888,043)	31,774	6.965%		31,774	(2,856,270)	5,506,065	-	-	5,506,065
157	Dec-21		-		31,958	6.965%		31,958	31,958	5,538,023	-	-	5,538,023
158	Jan-22		-		32,144	6.965%		32,144	32,144	5,570,167	-	-	5,570,167
159	Feb-22		-		32,330	6.965%		32,330	32,330	5,602,497	-	-	5,602,497

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, 2021 - February 28, 2022 Deferral Year:	
Deferrals	5,382,595
Interest	219,902
Total Deferral Balance at 2/28/2022	5,602,497



UM 1420

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

February 28, 2022

To All Parties Participating in UG 435

Please be advised that on February 28, 2022, 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 participating in the Company's current 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 28, 2022, 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 current general rate case, UG 435.

UG 435

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DATED February 28, 2022, Portland, OR.

/s/ Erica Lee-Pella
Erica Lee-Pella
Rates & Regulatory Affairs, NW Natural