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February 18, 2014

**VIA ELECTRONIC FILING**

Public Utility Commission of Oregon  
3930 Fairview Industrial Drive SE  
Post Office Box 1088  
Salem, Oregon 97308-1088

ATTN: Filing Center

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 Jennifer Gross at (503) 226-4211 extension 3590 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,<sup>1</sup> Industrial Interruptible Sales Customers,<sup>2</sup>  
22 and Schedule 32 Commercial Sales Customers<sup>3</sup> (referred to hereafter collectively as  
23 "Industrial Customers")

24 **I. INTRODUCTION**

25 The Company has offered DSM programs to its Residential and Commercial  
26 customers since 2002.<sup>4</sup> In 2009, the Company began offering its Industrial Customers a

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

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

<sup>3</sup> Commercial customers served on Rate Schedule 32.

<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 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 In UG-221, the Company’s 2012 rate case, Staff asked Parties to consider  
17 discontinuing its practice of deferring Industrial DSM program costs for later recovery in  
18 Schedule 188 and instead implement a forward-looking charge. This issue was  
19 removed from the rate case for later consideration. Parties met via teleconference on  
20 January 16, 2014, to resolve this issue. After discussing the matter, Parties  
21 unanimously agreed that the Company would continue deferring Industrial DSM program  
22 costs annually for later recovery through the Schedule 188 charge applicable to  
23 Industrial Customers.

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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 **II. NOTICE**

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

5	Rates and Regulatory Affairs	Jennifer Gross
6	NW Natural	Tariff & Regulatory Compliance Consultant
7	220 NW Second Avenue	NW Natural
8	Portland, Oregon 97209	220 NW Second Avenue
9	Telephone: (503) 226-4211 x3589	Portland, Oregon 97209
10	Facsimile: (503) 721-2516	Telephone: (503) 226-4211 x3590
11	E-mail: eFiling@nwnatural.com	Facsimile: (503) 721-2516
12		E-mail: jennifer.gross@nwnatural.com

13 **III. DEFERRED ACCOUNTING RULE REQUIREMENTS**

14  
15 The following information is provided pursuant to the requirements set forth in  
16 OAR 860-027-0300(3) and (4), and Commission Order No. 09-263.

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

18 In this Application, the Company is requesting to defer the costs associated with  
19 studying, planning, administering, and delivering its Industrial DSM Program. This  
20 program seeks to acquire DSM for Industrial Firm Sales Customers, Industrial Firm  
21 Sales Customers and Schedule 32 Commercial Customers to the extent it is cost-  
22 effective.

23 The Energy Trust administers the Company’s Industrial DSM Program. The  
24 Energy Trust is a non-profit organization established in response to Oregon’s electric  
25 deregulation legislation, which requires third-party administration of independently  
26 owned electric utilities’ DSM programs.<sup>5</sup> The Energy Trust currently administers NW

<sup>5</sup> ORS 757.612(3)(c).

1 Natural's Residential and Commercial DSM programs,<sup>6</sup> as well as the Company's  
2 Industrial DSM program for which this Application seeks approval to defer costs.

3 The Company's Industrial DSM Program complies with the stipulation adopted in  
4 Commission Order No. 05-934. That stipulation prevents the Company from charging  
5 the Schedule 301, Public Purpose Charge to industrial customers served on Schedules  
6 3, 31, 32, and special contracts, and prevents those customers from being eligible for  
7 Energy Trust DSM programs funded by the Public Purpose Charge.<sup>7</sup> The Industrial  
8 DSM Program discussed in this Application will not be charged under Schedule 301.  
9 Instead, the Company will defer all costs associated with the administration and delivery  
10 of the Industrial DSM Program for future amortization among Industrial Firm Sales  
11 Customers, Industrial Interruptible Sales Customers, and Schedule 32 Commercial  
12 Sales Customers in the Company's next annual Purchased Gas Adjustment Mechanism.

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

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

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<sup>6</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).

<sup>7</sup> *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 **C. Proposed Accounting – OAR 860-027-0300(3)(c)**

2 NW Natural proposed to account for the deferred expenses related to the  
3 Industrial DSM Program by recording the deferral in a sub-account of Account 186  
4 (Miscellaneous Deferred Debits). In the absence of deferred accounting, the Company  
5 would record Industrial DSM Program expenses in the appropriate sub-account of FERC  
6 Account 909.

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

8 The Company estimates the amount to be recorded in the deferred account for  
9 the 12-month period beginning March 1, 2014, through February 28, 2015, to be  
10 approximately \$3,073,052

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

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

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

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

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

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

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

24 Exhibit A includes the Summary Sheets which show the amounts  
25 deferred and amortized in 2013-2014. Exhibit A will be included in the 2014 PGA

1 filing work papers and in the electronic file entitled "Proposed Temps Oregon  
2 2014-15 PGA filing.xlsx. "

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

4 This application is for the 12-month period beginning March 1, 2014, and  
5 ending February 28, 2015.

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

7 Approval to defer costs associated with the Industrial DSM Program was  
8 last granted under Commission Order No. 13-169.

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

10 \$1,813,822 was deferred during the last deferral year of March 1, 2013,  
11 through February 28, 2014. This amount includes \$86,044 of interest.

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

13 \$318,385 was placed in rates for collection beginning November 1, 2013.

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

15 The interest rate for deferral accounts is 7.78%.

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

18 In the 2014 PGA filing, the Company estimates that it will seek to  
19 amortize \$3,073,052 million for Industrial DSM-related costs.

20 **H. Notice**

21 A copy of the Notice of Application and a Certificate of Service are attached to  
22 this Application as Exhibit B.

23 **IV. CONCLUSION**

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

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DATED: February 18, 2014

Sincerely,

          /s/ Mark R. Thompson            
Mark R. Thompson  
Manager, Rates and Regulatory Affairs  
NW Natural Gas  
220 NW Second Avenue  
Portland, Oregon 97209



**Exhibit A**

Company: Northwest Natural Gas Company  
 State: Oregon  
 Description: Deferral of Industrial DSM Costs  
 Account Number: 186232  
 Docket UM 1420  
 13-14 Deferral approved in Order 13-169

*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					TOTAL	Interest	Mar 12 - Feb 13	Mar 13 - Feb 14		TOTAL	Mar 12 - Feb 13	Mar 13 - Feb 14	
4	Month/Year	Note	Deferral	Transfers	Interest	Rate	Interest	Interest	Activity	Balance	Balance	Balance	
5	(a)	(b)	(c)	(d)	(e)	(e1)	(e5)	(e6)	(f)	(g)	(g4)	(g5)	
6													
7	Beginning Balance												
43	Mar-12		0		0	8.618%	0		0	2,005,105		0	
44	Apr-12		0		0	8.618%	0		0	2,005,105		0	
45	May-12		0		0	8.618%	0		0	2,005,105		0	
46	Jun-12		0		0	8.618%	0		0	2,005,105		0	
47	Jul-12		538,172		1,932	8.618%	1,932		540,104	2,545,210		540,104	
48	Aug-12		0		3,879	8.618%	3,879		3,879	2,549,089		543,983	
49	Sep-12		0		3,907	8.618%	3,907		3,907	2,552,995		547,890	
50	Oct-12		538,172		5,867	8.618%	5,867		544,039	3,097,035		1,091,929	
51	Nov-12	1	0	(2,005,105)	7,079	7.78%	7,079		(1,998,026)	1,099,009		1,099,009	
52	Dec-12		538,172		8,870	7.78%	8,870		547,042	1,646,050		1,646,050	
53	Jan-13		0		10,672	7.78%	10,672		10,672	1,656,722		1,656,722	
54	Feb-13		0		10,741	7.78%	10,741		10,741	1,667,463		1,667,463	
55	Mar-13		0		0	7.78%	0	0	0	1,667,463		1,667,463	0
56	Apr-13		575,946		1,867	7.78%	0	1,867	577,813	2,245,276		1,667,463	577,813
57	May-13		0		3,746	7.78%	0	3,746	3,746	2,249,023		1,667,463	581,559
58	Jun-13		0		3,770	7.78%	0	3,770	3,770	2,252,793		1,667,463	585,330
59	Jul-13		575,946		5,662	7.78%	0	5,662	581,608	2,834,401		1,667,463	1,166,938
60	Aug-13		0		7,566	7.78%	0	7,566	7,566	2,841,967		1,667,463	1,174,503
61	Sep-13		0		7,615	7.78%	0	7,615	7,615	2,849,581		1,667,463	1,182,118
62	Oct-13		575,946		9,531	7.78%	0	9,531	585,477	3,435,058		1,667,463	1,767,595
63	Nov-13	1	0	(1,667,463)	11,460	7.78%	0	11,460	(1,656,004)	1,779,055		0	1,779,055
64	Dec-13		0		11,534	7.78%	0	11,534	11,534	1,790,589		0	1,790,589
65	Jan-14		0		11,609	7.78%	0	11,609	11,609	1,802,198		0	1,802,198
66	Feb-14		0		11,684	7.78%	0	11,684	11,684	1,813,882		0	1,813,882

History truncated for ease of viewing

**NOTES**

1 - Transfer February balance of prior year to 186233 Amort Industrial DSM for amortization (see note below)

<b>Summary:</b>	
<b>March 1, 2013 - February 28, 2014 Deferral Year:</b>	
Deferrals	1,727,838
Interest	86,044
<b>Total Deferral Balance at 2/28/14</b>	<b>1,813,882</b>



February 18, 2014

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

**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: Jennifer Gross**  
**220 NW Second Avenue**  
**Portland, Oregon 97209-3991**  
**Telephone: (503) 226-4211 ext 3590**

**Public Utility Commission of Oregon**  
**Attn: Judy Johnson**  
**3930 Fairview Industrial Drive SE**  
**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 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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DOUGLAS C TINGEY **W**  
PORTLAND GENERAL ELECTRIC  
doug.tingey@pgn.com

DATED at Portland, Oregon, this 18th day of February 2014.

*/s/ Kelley C. Miller*

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