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February 27, 2020

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—Application for Reauthorization to Defer Certain Expenses or Revenues for Industrial Demand Side Management Accounting 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 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, 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 388. 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
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 220.2579
Telephone: (503) 610.7330
eFiling@nwnatural.com

If you have any questions, please contact me.

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 Certain
Expenses or Revenues 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 860-27-300, for the 12-month
9 period beginning March 1, 2020 through February 28, 2021.

10 ///

11 ///

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 (“NWIGU”)
11 and Commission Staff (collectively referred to hereafter as “Parties”). The MOU
12 stated the Company would provide an energy-efficiency program to Industrial
13 Customers for two years, after which time the Parties would consider whether the
14 program should continue being offered to Interruptible Sales Customers. In 2011,
15 the Parties signed a new MOU agreeing that the pilot Industrial DSM Program
16 should become a permanent offering. The program that is offered today continues

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.*

1 to be applicable to all Industrial Customers except those receiving service under a
2 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 also 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:

NW Natural
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220 NW Second Ave.
Portland, Oregon 97209-3991
Telephone: (503) 610-7330
Facsimile: (503) 220-2579
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15

1 **D. Description of the Expenses or Revenues for which Deferred**
2 **Accounting is Requested – OAR 860-027-0300(3)(a).**
3

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

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

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

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 future amortization among Industrial Customers in the Company's next annual
2 Purchased Gas Adjustment Mechanism.

3 **E. Reasons for Application for Reauthorization of Deferred Accounting –**
4 **OAR 860-027-0300(3)(b).**

5
6 The Company requests deferral of the costs associated with the
7 administration and delivery of the Industrial DSM Program. ORS 757.259 is a
8 “statutorily authorized exception to the general prohibition against retroactive
9 ratemaking” that allows a “means to address utility expenses or revenues outside of
10 the utility’s general rate case proceeding.⁸ Under ORS 757.259(2)(e), the
11 Commission has discretion to authorize a deferral of “[i]dentifiable utility expenses or
12 revenues, the recovery or refund of which the commission finds should be deferred
13 in order to minimize the frequency of rate changes . . . or to match appropriately the
14 costs borne by and benefits received by rate payers.” To determine whether an
15 expense or revenue should be deferred, the Commission “utilizes a flexible, fact-
16 specific approach that acknowledges the wide range of reasons why deferred
17 accounting might be beneficial to customers.”⁹ Of those reasons, the Commission
18 has found that “encourag[ing] utility or customer behavior consistent with regulatory
19 policy” is appropriate for deferred accounting.¹⁰

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

⁸ *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).

⁹ *Id.* at 5.

¹⁰ *Id.* at 2.

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

2 Beginning on March 1, 2020 and ending twelve months from this date, NW
3 Natural proposes to account for the deferred expenses related to the Industrial DSM
4 Program by recording the deferral in a sub-account of Account 186 (Miscellaneous
5 Deferred Debits). In the absence of deferred accounting, the Company would
6 record Industrial DSM Program expenses in the appropriate sub-account of FERC
7 Account 909.

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

9 The Company estimates the amount to be recorded in the deferred account
10 for the 12-month period beginning March 1, 2020 through February 28, 2021 to be
11 approximately \$4,181,586.

12 **H. Entries into deferred account during past 12 months – OAR 860-027-**
13 **300(4)(a)**

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

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

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

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

21 Below is the information required per Commission Order No. 09-263, issued
22 in docket UM-1286, Staff's Investigation into Purchase Gas Adjustment
23 Mechanisms:

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

4 The Summary Sheet will be included in the 2020 PGA filing work papers
5 and in the electronic file entitled "Proposed Temps Oregon 2020-21 PGA
6 filing.xlsx."

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

8 This application is for the 12-month period beginning March 1, 2020, and
9 ending February 28, 2021.

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

11 Approval to defer costs associated with the Industrial DSM Program was
12 last granted under Commission Order No. 19-119.

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

14 The amount deferred during the last deferral year of March 1, 2019,
15 through February 29, 2020 was \$3,666,520 plus interest on the deferral of
16 \$81,772.

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

18 \$469,869 was amortized in rates November 1, 2019 through December
19 31, 2019.

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

21 The interest rate for deferral accounts is 7.317%.

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

1 In the 2020 PGA filing, the Company estimates that it will seek to amortize
2 \$3,748,292.

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

4 A notice of this Application has been served on the all parties who are
5 participating in the Company’s most recent general rate case, UG 388, and is
6 attached to this Application.

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

11 Dated on this 27th day of February, 2020.

12 Respectfully Submitted,

13 NW NATURAL

14 /s/ Kyle Walker, CPA
15 Kyle Walker, CPA
16 Rates/Regulatory Manager

17 /s/ Eric Nelsen
18 Senior Regulatory Attorney
19 220 NW Second Ave.
20 Portland, Oregon 97209-3991
21 Phone: (503) 721-2476
22 Email: Eric.Nelsen@nwnatural.com
23

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 19-119

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 18- Feb 19 Interest	Mar 19- Feb 20 Interest	Activity	TOTAL Balance	Mar 18- Feb 19 Balance	Mar 19- Feb 20 Balance						
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(e1)	(e8)	(e9)	(f)	(g)	(g10)	(g11)						
		Mar-18		0		0	7.778%	0	0	0	6,217,533	-	-						
		Apr-18		0		0	7.778%	0	0	0	6,217,533	-	-						
		May-18		0		0	7.778%	0	0	0	6,217,533	-	-						
		Jun-18		0		0	7.778%	0	0	0	6,217,533	-	-						
		Jul-18		0		0	7.778%	0	0	0	6,217,533	-	-						
		Aug-18		0		0	7.778%	0	0	0	6,217,533	-	-						
		Sep-18		0		0	7.778%	0	0	0	6,217,533	-	-						
		Oct-18		520,024		1,685	7.778%	1,685	0	521,709	6,739,242	521,709.31	-						
		Nov-18	1	0	(6,217,533)	3,181	7.317%	3,181	0	(6,214,352)	524,890	524,890.43	-						
		Dec-18		311,030	-	4,149	7.317%	4,149	0	315,179	840,069	840,069.20	-						
		Jan-19		0		5,122	7.317%	5,122	0	5,122	845,192	845,191.52	-						
		Feb-19		1,500,000		9,727	7.317%	9,727	0	1,509,727	2,354,918	2,354,918.20	-						
		Mar-19		0.00		0	7.317%	0	0	0	2,354,918	2,354,918.20	-						
		Apr-19		0.00		0	7.317%	0	0	0	2,354,918	2,354,918.20	-						
		May-19		0.00		0	7.317%	0	0	0	2,354,918	2,354,918.20	-						
		Jun-19		0.00		0	7.317%	0	0	0	2,354,918	2,354,918.20	-						
		Jul-19		769,658.00		2,346	7.317%	2,346	2,346	772,004	3,126,923	2,354,918.20	772,004.49						
		Aug-19		0.00		4,707	7.317%	4,707	4,707	4,707	3,131,630	2,354,918.20	776,711.79						
		Sep-19		0.00		4,736	7.317%	4,736	4,736	4,736	3,136,366	2,354,918.20	781,447.79						
		Oct-19		1,500,000.00		9,338	7.317%	9,338	9,338	1,509,338	4,645,704	2,354,918.20	2,290,785.79						
		Nov-19	1	0.00	(2,354,918)	13,968	7.317%	13,968	13,968	(2,340,950)	2,304,754	(0.00)	2,304,753.86						
		Dec-19		0.00		14,053	7.317%	14,053	14,053	14,053	2,318,807	(0.00)	2,318,807.10						
		Jan-20		0.00		14,139	7.317%	14,139	14,139	14,139	2,332,946	(0.00)	2,332,946.03						
		Feb-20		1,396,862.00		18,484	7.317%	18,484	18,484	1,415,346	3,748,292	(0.00)	3,748,291.85						

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, 2019 - February 28, 2020 Deferral Year:

Deferrals	3,666,520
Interest	81,772
Total Deferral Balance at 2/29/20	3,748,292



UM 1420

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER CERTAIN EXPENSES OR REVENUES**

February 27, 2020

To All Parties Participating in UG 388:

Please be advised that on February 27, 2020, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to defer costs associated with studying, planning, administering, and delivering its Industrial DSM program.

This is not a rate case. The purpose of this Notice is to inform parties participating in the Company's most recent general rate case, UG 388, that a Reauthorization of Deferral 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 Public Utility Commission of Oregon as follows:

**NW Natural
Attn: Kyle Walker, CPA
220 NW Second Ave
Portland, Oregon 97209-3991
Telephone: (503) 610-7051**

**Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, Oregon 97308-1088
Telephone: (503) 373-0886**

Any person may submit to the Commission written comments on this matter by March 23, 2020. The granting of this Reauthorization of Deferral 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
Docket UM 1420

I hereby certify that on February 27, 2020, I served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS ASSOCIATED WITH ITS INDUSTRIAL DSM PROGRAM upon all parties of record for the Company's most recent general rate case, UG 388.

UG 388

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DATED February 27, 2020, Portland, OR.

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