

KYLE WALKER, CPA
Rates/Regulatory Manager
Tel: 503.226.4211 Ext. 5858
Fax: 503.721.2516
Email: Kyle.Walker@nwnatural.com



February 27, 2019

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High St 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 344. 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) 721-2516
Telephone: (503) 226-4211, ext. 3589
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”) pursuant
8 to ORS 757.262 and 757.259, and OAR 860-27-300, for the 12-month period beginning
9 March 1, 2019 through February 29, 2020.

10 ///

11 ///

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

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

³ Commercial customers served on Rate Schedule 32.

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 Customers
3 a program (“Industrial DSM Program”), established in response to NW Natural’s 2008
4 Integrated Resource Plan (“IRP”) wherein the Company identified cost-effective DSM
5 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 extended to
8 this customer class in accordance with the program parameters established in a
9 Memorandum of Understanding (“MOU”) signed by NW Natural, Citizens’ Utility Board
10 of Oregon (“CUB”), Northwest Industrial Gas Users (“NWIGU”) and Commission Staff
11 (collectively referred to hereafter as “Parties”). The MOU stated the Company would
12 provide an energy-efficiency program to Industrial Customers for two years, after which
13 time Parties would consider whether the program should continue being offered to
14 Interruptible Sales Customers. In 2011, Parties signed a new MOU agreeing that the
15 pilot Industrial DSM Program should become a permanent offering. The program that is

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 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 offered today continues to be applicable to all Industrial Customers except those
2 receiving service 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. NW
7 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:

15 NW Natural
16 e-Filing for Regulatory Affairs
17 220 NW Second Avenue
18 Portland, Oregon 97209-3991
19 Telephone: (503) 226-4211, ext. 3589
20 Facsimile: (503) 721-2516
21 Email: eFiling@nwnatural.com;

22
23 Zachary D. Kravitz (OSB# 152870)
24 Director, Rates & Regulatory Affairs
25 220 NW Second Avenue
26 Portland, Oregon 97209-3991
27 Phone: (503) 220-2379
28 Email: zdk@nwnatural.com;

29
30 And
31

1 Kyle Walker, CPA
2 Rates/ Regulatory Manager
3 220 NW Second Avenue
4 Portland, Oregon 97209-3991
5 Phone: (503) 226-4211 Ext. 5858
6 Email: Kyle.Walker@nwnatural.com
7

8 **D. Description of the Expenses or Revenues for which Deferred Accounting is**
9 **Requested – OAR 860-027-0300(3)(a).**
10

11 In this Application, the Company is requesting to defer the costs associated with
12 studying, planning, administering, and delivering its Industrial DSM Program. This
13 program seeks to acquire DSM for Industrial Sales Customers, and Schedule 32
14 Commercial Sales Customers to the extent it is cost-effective.

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

21 The Company's Industrial DSM Program complies with the stipulation adopted in
22 Commission Order No. 05-934. That stipulation prevents the Company from charging
23 the Schedule 301, Public Purpose Charge to Industrial Customers served on Schedules
24 3, 31, 32, and special contracts as well as prevents those customers from being eligible

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).

1 for Energy Trust DSM Programs funded by the Public Purpose Charge.⁷ The Industrial
2 DSM Program discussed in this Application will not be charged under Schedule 301.
3 Instead, the Company will defer all costs associated with the administration and delivery
4 of the Industrial DSM Program for future amortization among Industrial Firm Sales
5 Customers, Industrial Interruptible Sales Customers, and Schedule 32 Commercial
6 Sales Customers in the Company’s next annual Purchased Gas Adjustment
7 Mechanism.

8 **E. Reasons for Application for Reauthorization of Deferred Accounting – OAR**
9 **860-027-0300(3)(b).**

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

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).

⁸ *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 (October 5, 2005).

1 range of reasons why deferred accounting might be beneficial to customers.”⁹ Of those
2 reasons, the Commission has found that “encourag[ing] utility or customer behavior
3 consistent with regulatory policy” is appropriate for deferred accounting.¹⁰

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

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

8 Beginning on March 1, 2019 and ending twelve months from this date, NW
9 Natural proposes to account for the deferred expenses related to the Industrial DSM
10 Program by recording the deferral in a sub-account of Account 186 (Miscellaneous
11 Deferred Debits). In the absence of deferred accounting, the Company would
12 record Industrial DSM Program expenses in the appropriate sub-account of FERC
13 Account 909.

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

15 The Company estimates the amount to be recorded in the deferred account for
16 the 12-month period beginning March 1, 2019 through February 29, 2020 to be
17 approximately \$3,769,658.

18 **H. Entries into deferred account during past 12 months – OAR 860-027-**
19 **300(4)(a)**

⁹ *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 5 (October 5, 2005).

¹⁰ *Id.* at 2.

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

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

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

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

8 Below is the information required per Commission Order No. 09-263, issued in
9 Docket UM-1286, Staff’s Investigation into Purchase Gas Adjustment Mechanisms:

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

13 The Summary Sheet will be included in the 2019 PGA filing work papers and
14 in the electronic file entitled "Proposed Temps Oregon 2019-20 PGA
15 filing.xlsx."

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

17 This application is for the 12-month period beginning March 1, 2019, and
18 ending February 29, 2020.

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

20 Approval to defer costs associated with the Industrial DSM Program was last
21 granted under Commission Order No. 18-378.

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

1
2
3
4
5
6
7
8
9

/s/ Zachary D. Kravitz
Zachary D. Kravitz (OSB# 152870)
Director, Rates & Regulatory Affairs
220 NW Second Avenue
Portland, Oregon 97209-3991
Phone: (503) 220-2379
Email: zdk@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 18-378

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	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135
Debit	(Credit)	Month/Year	Note	Deferral	Transfers	TOTAL Interest	Interest Rate	Mar 17-Feb 18 Interest	Mar 18- Feb 19 Interest	Activity	TOTAL Balance	Mar 17 - Feb 18 Balance	Mar 18- Feb 19 Balance																												
(a)	(b)	(c)	(d)	(e)	(d)	(e)	(e1)	(e7)	(e8)	(f)	(g)	(g9)	(g10)																												
		1,720,596		5,576		5,576	7.778%	5,576		1,726,172	5,412,097	1,726,172.16																													
	Mar-17			11,188		11,188	7.778%	11,188		11,188	5,423,286	1,737,360.63																													
	Apr-17			11,261		11,261	7.778%	11,261		11,261	5,434,547	1,748,621.62																													
	May-17			11,334		11,334	7.778%	11,334		11,334	5,445,881	1,759,955.60																													
	Jun-17			17,889		17,889	7.778%	17,889		2,017,889	7,463,770	3,777,844.71																													
	Jul-17	2,000,000		24,487		24,487	7.778%	24,487		24,487	7,488,256	3,802,331.44																													
	Aug-17			24,645		24,645	7.778%	24,645		24,645	7,512,902	3,826,976.88																													
	Sep-17			31,935		31,935	7.778%	31,935		2,231,935	9,744,837	6,058,911.90																													
	Oct-17	2,200,000		39,272	(3,685,925)	39,272	7.778%	39,272		(3,646,653)	6,098,184	6,098,183.75																													
	Nov-17			39,526		39,526	7.778%	39,526		39,526	6,137,710	6,137,710.14																													
	Dec-17			39,783		39,783	7.778%	39,783		39,783	6,177,493	6,177,492.73																													
	Jan-18			40,040		40,040	7.778%	40,040		40,040	6,217,533	6,217,533.18																													
	Feb-18																																								
	Mar-18						7.778%			0	6,217,533	6,217,533.18																													
	Apr-18						7.778%			0	6,217,533	6,217,533.18																													
	May-18						7.778%			0	6,217,533	6,217,533.18																													
	Jun-18						7.778%			0	6,217,533	6,217,533.18																													
	Jul-18						7.778%			0	6,217,533	6,217,533.18																													
	Aug-18						7.778%			0	6,217,533	6,217,533.18																													
	Sep-18						7.778%			0	6,217,533	6,217,533.18																													
	Oct-18	520,024		1,685		1,685	7.778%		1,685	521,709	6,739,242	6,217,533.18																													
	Nov-18		(6,217,533)	3,181		3,181	7.317%		3,181	(6,214,352)	524,890																														
	Dec-18			4,149		4,149	7.317%		4,149	315,179	840,069																														
	Jan-19			5,122		5,122	7.317%		5,122	5,122	845,192																														
	Feb-19	1,500,000		9,727		9,727	7.317%		9,727	1,509,727	2,354,918																														

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, 2018 - February 28, 2019 Deferral Year:

Deferrals	2,331,054
Interest	23,864
Total Deferral Balance at 2/28/19	2,354,918



UM 1420

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

February 27, 2019

To All Parties Participating in UG 344:

Please be advised that on February 27, 2019 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 344, 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) 226-4211 Ext. 5858

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street, SE, Suite 100
PO Box 1088
Salem, Oregon 97301-1088
Telephone: (503) 373-0886

Any person may submit to the Commission written comments on this matter by March 27, 2019. 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, 2019 I served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER COSTS ASSOCIATED WITH STUDYING, PLANNING, ADMINISTERING, AND DELIVERING ITS INDUSTRIAL DSM PROGRAM upon all parties of record for the Company's most recent general rate case, UG 344.

UG 344

OREGON CITIZENS UTILITY BOARD
dockets@oregoncub.org

ROBERT JENKS
OREGON CITIZENS UTILITY BOARD
bob@oregoncub.org

MICHAEL GOETZ
OREGON CITIZENS UTILITY BOARD
mike@oregoncub.org

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

MARIANNE GARDNER
PUBLIC UTILITIES COMMISSION
Marianne.gardner@state.or.us

STEPHANIE ANDRUS
PUBLIC UTILITY COMMISSION
Stephanie.andrus@state.or.us

Brad Mullins
Mountain West Analytics
brmullins@mwanalytics.com

CHAD M. STOKES
CABLE HUSTON BENEDICT
HAAGENSEN & LLOYD
cstokes@cablehuston.com

EDWARD FINKLEA
ALLIANCE OF WESTERN ENERGY
CONSUMERS
efinklea@awec.solutions

BRYAN CONWAY
PUBLIC UTILITY COMMISSION
bryan.conway@state.or.us

DATED February 27, 2019 Portland, OR.

/s/ Erica Lee-Pella
Erica Lee-Pella
Rates & Regulatory Affairs
NW NATURAL
220 NW Second Avenue
Portland, Oregon 97209-3991
503.226.4211, extension 3589
erica.lee-pella@nwnatural.com