

**MARK R. THOMPSON**  
Manager, Rates and Regulatory Affairs  
Tel: 503.721-2476  
Fax: 503.721.2516  
email: mrt@nwnatural.com



February 9, 2012

**VIA ELECTRONIC FILING**

Public Utility Commission of Oregon  
550 Capitol Street, NE, Suite 215  
Post Office Box 2148  
Salem, Oregon 97308-2148

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 152. 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**

5  
6  
7 In the Matter of NW Natural Gas Company's )  
8 Application for Authorization ) APPLICATION FOR  
9 For Deferred Accounting of Expenses ) REAUTHORIZATION TO  
10 For Industrial Demand Side Management ) DEFERRED ACCOUNTING  
11 Programs )  
12  
13

14 In accordance with ORS 757.259, ORS 757.262, and OAR 860-027-0300, NW  
15 Natural Gas Company ("NW Natural" or the "Company") files this application  
16 ("Application") with the Public Utility Commission of Oregon ("Commission") for an order  
17 reauthorizing the Company to record and defer with interest all costs associated with  
18 studying, planning, administering, and delivering Demand Side Management ("DSM")  
19 programs to Industrial Firm Sales Customers,<sup>1</sup> Industrial Interruptible Sales Customers,<sup>2</sup>  
20 and Schedule 32 Commercial Sales Customers<sup>3</sup> (referred to hereafter collectively as  
21 "Industrial Customers")

22 **I. INTRODUCTION**

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

---

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.

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 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*, 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

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  
8 (“CUB”), Northwest Industrial Gas Users (“NWIGU”) and Commission Staff (collectively  
9 referred to hereafter as “Parties”). The MOU stated the Company would provide an  
10 energy efficiency program to Industrial Customers for two years, after which time Parties  
11 would consider whether the program should continue being offered to Interruptible Sales  
12 Customers. In 2011, Parties signed a new MOU agreeing that the pilot Industrial DSM  
13 program should become a permanent offering and that it should continue to be offered to  
14 all industrial customers except those receiving service under a transportation rate.

15 The Company’s Industrial DSM Program acquires a least cost resource in  
16 accordance with OAR 860-027-0310 and ORS 757.262, which allows the Commission to  
17 adopt policies designed to encourage the acquisition of cost-effective conservation  
18 resources. As such, NW Natural asks the Commission to grant the Company’s request  
19 for deferral of expenses associated with delivering the Industrial DSM Program and use  
20 the authority granted it in ORS 757.262 to acknowledge that the amortization of  
21 Industrial DSM Program costs for collection is not subject to the requirements of ORS  
22 757.259, or any other earnings test.

---

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: <a href="mailto:efiling@nwnatural.com">efiling@nwnatural.com</a>	Facsimile: (503) 721-2516
12		E-mail: <a href="mailto:jennifer.gross@nwnatural.com">jennifer.gross@nwnatural.com</a>
13		

14 **III. DEFERRED ACCOUNTING RULE REQUIREMENTS**

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.

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.

20 **C. Proposed Accounting – OAR 860-027-0300(3)(c)**

21 NW Natural proposed to account for the deferred expenses related to the  
22 Industrial DSM Program by recording the deferral in a sub-account of Account 186  
23 (Miscellaneous Deferred Debits). In the absence of deferred accounting, the Company

---

<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 would record Industrial DSM Program expenses in the appropriate sub-account of FERC  
2 Account 909.

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

4 The Company estimates the amount to be recorded in the deferred account for  
5 the 12-month period beginning March 1, 2012, through February 28, 2013, to be  
6 approximately \$1,614,516.

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

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

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

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

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

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

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

20 Exhibit A includes the Summary Sheets which show the amounts  
21 deferred and amortized in 2011-2012. Exhibit A will be included in the 2012 PGA  
22 filing work papers and in the electronic file entitled "Proposed Temps Oregon  
23 2012-13 PGA filing.xls. "

- 24 **2. The effective date of the deferral**

25 This application is for the 12-month period beginning March 1, 2012, and  
26 ending February 28, 2013.

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

2                     Approval to defer costs associated with the Industrial DSM Program was  
3                     last granted under Commission Order No. 11-109.

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

5                     \$2,005,079 was deferred during the last deferral year of March 1, 2011,  
6                     through February 28, 2012. This amount includes \$105,080 of interest.

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

8                     \$1,798,220 was placed in rates for collection beginning November 1,  
9                     2011. \$311,547 was amortized from November 1, 2010, through December 31,  
10                    2011.

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

12                    The interest rate for the deferral account is 8.618%. The interest rate for  
13                    the amortization account is the 2010 Modified Blended Treasury Rate of 2.01%.

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

15                    In the 2012 PGA filing, the Company estimates that it will seek to  
16                    amortize \$1.6 million for Industrial DSM-related costs.

17          **H.     Notice**

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

20                    //

21                    //

22                    //

23                    //

24                    //

1 **IV. CONCLUSION**

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

4 DATED: February 9, 2012

5 Sincerely,

6 */s/ Mark R. Thompson*

7 Mark R. Thompson

8 NW Natural

9 Manager, Rates and Regulatory Affairs

10 220 NW Second Ave

11 Portland, Oregon 97209

12



Company: Northwest Natural Gas Company  
 State: Oregon  
 Description: Deferral of Industrial DSM Costs  
 Account Number: 186232  
 Docket UM 1420  
 09-10 Deferral approved in Order 09-092  
 10-11 Deferral approved in Order 10-131  
 11-12 Deferral approved in Order 11-109

1 Debit (Credit)

Month/Year	Note	Deferral	Transfers	TOTAL Interest	Interest Rate	Mar 09 - Feb 10 Interest	Mar 10 - Feb 11 Interest	Mar 11 - Feb 12 Interest	Activity	TOTAL Balance	Mar 09 - Feb 10 Balance T1	Mar 10 - Feb 11 Balance	Mar 11 - Feb 12 Balance
(a)	(b)	(c)	(d)	(e)	(e1)	(e2)	(e3)	(e4)	(f)	(g)	(g1)	(g2)	(g3)
Beginning Balance													
Apr-09										0.00			
May-09		225,000		808	8.618%	808	0	0	225,808	225,808	225,808		
Jun-09		75,000		1,891	8.618%	1,891	0	0	76,891	302,699	302,699		
Jul-09		75,000		2,443	8.618%	2,443	0	0	77,443	380,142	380,142		
Aug-09		75,000		2,999	8.618%	2,999	0	0	77,999	458,142	458,142		
Sep-09		75,000		3,560	8.618%	3,560	0	0	78,560	536,701	536,701		
Oct-09		75,000		4,124	8.618%	4,124	0	0	79,124	615,825	615,825		
Nov-09		75,000		4,692	8.618%	4,692	0	0	79,692	695,517	695,517		
Dec-09		75,000		5,264	8.618%	5,264	0	0	80,264	775,781	775,781		
Jan-10		75,000		5,841	8.618%	5,841	0	0	80,841	856,622	856,622		
Feb-10		75,000		6,421	8.618%	6,421	0	0	81,421	938,043	938,043		
Mar-10		145,833		524	8.618%	0	524	0	146,357	1,084,400	938,043	146,357	
Apr-10		145,833	(26,919)	1,381	8.618%	0	1,381	0	120,295	1,204,695	938,043	266,652	
May-10		145,833		2,439	8.618%	0	2,439	0	148,272	1,352,967	938,043	414,924	
Jun-10		145,833		3,504	8.618%	0	3,504	0	149,337	1,502,303	938,043	564,260	
Jul-10		145,833		4,576	8.618%	0	4,576	0	150,409	1,652,712	938,043	714,669	
Aug-10		145,833		5,656	8.618%	0	5,656	0	151,489	1,804,201	938,043	866,158	
Sep-10		145,833		6,744	8.618%	0	6,744	0	152,577	1,956,779	938,043	1,018,736	
Oct-10		145,833		7,840	8.618%	0	7,840	0	153,673	2,110,451	938,043	1,172,408	
Nov-10	1	145,833	(938,043)	8,944	8.618%	0	8,944	0	(783,266)	1,327,185	0	1,327,185	
Dec-10		145,833		10,055	8.618%	0	10,055	0	155,888	1,483,073	0	1,483,073	
Jan-11		145,833		11,175	8.618%	0	11,175	0	157,008	1,640,081	0	1,640,081	
Feb-11		145,837		12,302	8.618%	0	12,302	0	158,139	1,798,220	0	1,798,220	
Mar-11		0		0	8.618%	0	0	0	0	1,798,220	0	1,798,220	0
Apr-11		633,333		2,274	8.618%	0	0	2,274	635,607	2,433,827	0	1,798,220	635,607
May-11		0		4,565	8.618%	0	0	4,565	4,565	2,438,392	0	1,798,220	640,172
Jun-11		0		4,598	8.618%	0	0	4,598	4,598	2,442,989	0	1,798,220	644,769
Jul-11		633,333		6,905	8.618%	0	0	6,905	640,238	3,083,227	0	1,798,220	1,285,007
Aug-11		0		9,228	8.618%	0	0	9,228	9,228	3,092,455	0	1,798,220	1,294,236
Sep-11		0		9,295	8.618%	0	0	9,295	9,295	3,101,750	0	1,798,220	1,303,530
Oct-11		633,333	26	11,636	8.618%	0	0	11,636	644,995	3,746,745	0	1,798,246	1,948,499
Nov-11	1	0	(1,798,220)	13,993	8.618%	0	0	13,993	(1,784,226)	1,962,519	0	26	1,962,493
Dec-11		0		14,094	0	0	0	14,094	14,094	1,976,613	0	26	1,976,587
Jan-12		0		14,195	8.618%	0	0	14,195	14,195	1,990,808	0	26	1,990,782
Feb-12 forecast		0		14,297	0	0	0	14,297	14,297	2,005,105	0	26	2,005,079

**NOTES**

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

2 - Transfer represents a balance true-up adjustment

Deferrals are authorized on a program year (Mar - Feb). The total balance is broken down into the 2 separate deferral years for convenience of review



February 9, 2012

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

**To All Parties Who Participated in UG 152:**

Please be advised that today Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), applied for a deferred accounting order regarding Industrial Demand Side Management Program expenses. Copies of the Company's Application are available for inspection at its main office.

The purpose of this Notice is to inform parties and other interested persons that participated in the Company's most recent general rate case that the Application was filed. **This is not a rate case.**

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: Vikie Malkasian**  
**550 Capitol St., NE, Ste. 215**  
**PO Box 2148**  
**Salem, Oregon 97308-2148**  
**Telephone: (503) 378-6366**

Any person may submit written comments on this application to the Commission within 25 days of 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 on the 9th day of February 2012, I served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER EXPENSES RELATED TO THE INDUSTRIAL DEMAND SIDE MANAGEMENT (DSM) PROGRAM upon all parties of record in the UG 152 proceeding, which is the Company's most recent general rate case, by U.S. mail, postage prepaid, or where paper service is waived, by electronic mail.

**UG 152**

STEVEN LOUNSBURY  
COOS COUNTY OFFICE OF LEGAL  
COUNSEL  
250 N BAXTER  
COQUILLE OR 97423

JIM ABRAHAMSON  
CASCADE NATURAL GAS CORP  
8113 W GRANDRIDGE BLVD  
KENNEWICK, WA 99336

KATHERINE A MCDOWELL  
MCDOWELL RACKNER &  
GIBSON PC  
419 SW 11TH AVE STE 400  
PORTLAND OR 97205

GORDON FEIGNER **W**  
CITIZENS' UTILITY BOARD OF OREGON  
gordon@oregoncub.org

ROBERT JENKS **W**  
CITIZENS' UTILITY BOARD OF OREGON  
bob@oregoncub.org

G. CATRIONA MCCrackEN **W**  
CITIZENS' UTILITY BOARD OF  
OREGON  
catriona@oregoncub.org

KEVIN ELLIOTT PARKS **W**  
CITIZENS' UTILITY BOARD OF OREGON  
kevin@oregoncub.org

RAYMOND MYERS **W**  
CITIZENS' UTILITY BOARD OF OREGON  
ray@oregoncub.org

DANIEL W MEEK  
ATTORNEY AT LAW  
10949 SW FOURTH AVE  
PORTLAND OR 97219

JOHN A CAMERON  
DAVIS WRIGHT TREMAINE LLP  
1300 SW FIFTH AVE STE 2300  
PORTLAND OR 97201

PAULA E PYRON  
NORTHWEST INDUSTRIAL GAS USERS  
4113 WOLF BERRY CT  
LAKE OSWEGO OR 97035-1827

PATRICK G HAGER  
PORTLAND GENERAL ELECTRIC  
121 SW SALMON ST 1WTC0702  
PORTLAND OR 97204

STEVEN WEISS  
NORTHWEST ENERGY COALITION  
4422 OREGON TRAIL CT NE  
SALEM OR 97305

MICHAEL T WEIRICH  
DEPARTMENT OF JUSTICE  
REGULATED UTILITY & BUS SECTION  
1162 COURT ST NE  
SALEM OR 97301-4096

JUDY JOHNSON  
PUBLIC UTILITY COMMISSION  
PO BOX 2148  
SALEM OR 97308-2148

TED LEHMANN  
DIREXX ENERGY  
2737 SE 78TH AVE STE 101  
MERCER ISLAND WA 98040

JAY T WALDRON  
SCHWABE WILLIAMSON & WYATT  
1211 SW FIFTH AVE STE 1600-1900  
PORTLAND OR 97204-3795

GORDON J SMITH  
JOHN & HENGERER  
1730 RHODE ISLAND AVE NW  
STE 600  
WASHINGTON DC 20036-3116

DONALD W SCHOENBECK  
REGULATORY & COGENERATION  
SERVICES INC  
900 WASHINGTON ST STE 780  
VANCOUVER WA 98660-3455

DATED at Portland, Oregon, this 9th day of February 2012

/s/ Kelley C. Miller  
Kelley C. Miller  
Rates & Regulatory Affairs  
NW NATURAL  
220 NW Second Avenue  
Portland, Oregon 97209-3991  
1.503.226.4211, extension 3589  
kelley.miller@nwnatural.com