

ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 17, 2014

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE March 1, 2014

DATE: March 11, 2014

TO: Public Utility Commission

FROM: Deborah Garcia *D* *MA* *HH*

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

SUBJECT: NORTHWEST NATURAL: (Docket No. 1420(5)) Requests reauthorization to defer Industrial DSM Program Costs.

**STAFF RECOMMENDATION:**

I recommend that Northwest Natural's filing be approved.

**DISCUSSION:**

Northwest Natural (NWN or Company) makes this filing pursuant to ORS 757.259, ORS 757.262, and OAR 860-027-0300, to request reauthorization to defer Industrial DSM Program Costs for the 12-months beginning March 1, 2014.

This deferral was originally approved by Order 09-092, and has been annually reauthorized, most recently by Order No. 13-169.

This application is for accounting purposes only. As in the past, NWN will seek amortization of the current balance in another proceeding, concurrent with its upcoming purchased gas cost adjustment.

Background

NWN's Industrial Demand Side Management (DSM) Program was established in 2009 in response to its 2008 Integrated Resource Plan (IRP) wherein NWN identified cost-effective DSM for Industrial Firm Sales Customers. Although the 2008 IRP did not include a technical study to assess the potential of cost-effective DSM for Industrial Interruptible Sales Customers, the program offering was also extended to this customer class pursuant to a Memorandum of Understanding (MOU) signed by NWN,

Commission Staff, Northwest Industrial Gas Users, and the Citizens' Utility Board of Oregon (collectively, Parties).

The MOU established a two-year pilot program for Industrial DSM and required an assessment at the end of the period to determine whether the program should be made permanent. In 2011, Parties signed a new MOU that converted the pilot Industrial DSM program to a permanent offering, available to all industrial customers except those receiving service under a transportation rate.

NWN's Schedule 360 Industrial Demand Side Management (DSM) Programs outlines the terms of this offering and the deferred amounts are collected from the appropriate customer classes through Schedule 188, subject to Commission approval.

#### Description of Expense

In this Application, the Company is asking to defer the costs, plus interest, that are associated with the studying, planning, administering, and delivering of its Industrial DSM Program. The Energy Trust currently administers NWN's Industrial DSM programs.

#### Reason for Deferral

This request is made in accordance with ORS 757.259(2)(e) which allows the deferral of utility expenses where necessary to match appropriately the costs borne by and benefits received by ratepayers.

#### Proposed Accounting

The Company proposes to account for the deferred expenses related to the Industrial DSM Program by recording the deferral in a sub-account of Account 186 (Miscellaneous Deferred Debits). In the absence of deferred accounting, the Company would record Industrial DSM Program expenses in the appropriate sub-account of FERC Account 909.

#### Last Year's Activity

NWN deferred \$1,813,822 (includes \$86,044 interest) during the last deferral period of March 1, 2013, through February 28, 2014. Beginning November 1, 2013, \$318,385 was put into rates.

#### Current Estimate of Amounts

For the 12-month period covered by this application, NWN is not able to estimate the amount to be deferred with any degree of certainty. NWN estimates that the amount to be amortized beginning November 1, 2014 will be approximately \$3,073,000.

Reason for Continued Deferral

NWN continues to offer its Industrial DSM Program. The acquisition of cost-effective DSM is in compliance with OAR 860-027-0310 which encourages utilities to provide the least cost resources as identified in its most recent integrated resource plan.

Information Related to Future Amortization

- Earnings review – An earnings review must be conducted for these costs.
- Prudence Review – A prudence review is a requirement of the earnings review and should include the verification of the accounting methodology used to determine the final amortization balance. The prudence review will be held when NWN files for amortization.
- Sharing – One hundred percent (100%) of the deferred costs are subject to utility recovery, pending a prudence review.
- Rate Spread/Design – The costs are allocated among Industrial Firm Sales Customers, Industrial Interruptible Sales Customers, and Schedule 32 Commercial Sales Customers on an equal cents per therm.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Staff Analysis

As Schedule 360, Industrial Demand Side Management (DSM) Programs, is still in effect, and this application meets the statutory requirements of ORS 757.259, and OAR 860-027-0300, I recommend Commission approval.

**PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's filing for the 12-months beginning March 1, 2014, for accounting purposes only.