

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1420

In the Matter of)	
)	
NORTHWEST NATURAL GAS COMPANY,)	ORDER
dba NW NATURAL)	
)	
Application for Authorization of Deferred)	
Accounting of Industrial Demand Side)	
Management Program Costs)	

DISPOSITION: APPLICATION APPROVED

On February 13, 2009, Northwest Natural Gas Company, dba NW Natural (NW Natural), filed a request with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.259, for deferred accounting of NW Natural's Industrial Demand Side Management Program costs beginning March 1, 2009, for a 12-month period. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

At its Public Meeting on March 10, 2009, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that:

1. NW Natural's Application for deferred accounting of Industrial Demand Side Management Program costs beginning March 1, 2009, for a 12-month period, is approved.

2. Ratemaking treatment shall be reserved for a ratemaking proceeding.

Made, entered, and effective MAR 16 2009.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA3




PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 10, 2009

REGULAR _____ CONSENT X EFFECTIVE DATE March 1, 2009

DATE: February 19, 2009

TO: Public Utility Commission

FROM:  Lisa Gorsuch

THROUGH:  Lee Sparling,  Ed Busch, and  Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1420) Requests deferred accounting of the Industrial Demand Side Management Program costs.

STAFF RECOMMENDATION:

Staff recommends that Northwest Natural's (NWN or Company) request for deferred accounting of Industrial Demand Side Management Program (Industrial DSM Program) costs beginning March 1, 2009, for a 12-month period, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

Background

NWN currently offers DSM programs to its residential and most of its commercial sales customers excluding commercial customers¹ served under Schedule 32. The Company established residential and commercial sales DSM programs in accordance with the Stipulation adopted by the Commission in Order No. 02-634. The public purpose charge that funds the Company's residential and commercial sales DSM programs, as well as low income weatherization programs, were also established under the same Stipulation. Industrial customers were exempt from the decoupling mechanism and the public purpose charge in both Dockets UG 143 and UG 163.

NWN identified in its most recent Integrated Resource Plan (IRP) that it could potentially save 22,000 therms of energy per year from Industrial Firm Sales Customers, which includes industrial firm customers served under Schedules 3, 31, and 32. The Company

¹ Customers classified as Industrial customers when Order No. 02-634 was issued, so they are not served under the DSM programs or charged the public purpose charge required therein.

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states the collective viable savings for industrial firm sales energy efficiency programs in Oregon could reduce consumption by as much as 540,000 therms by 2022 and approximately 570,000 therms by 2028.

NWN, Staff, the Citizens' Utility Board (CUB), and the Northwest Industrial Users (NWIUGU) (collectively, the Parties) entered into a Memorandum of Understanding (MOU) to resolve issues relating to Industrial DSM and funding for the program.

It was established in the MOU that the Energy Trust would provide cost effective DSM as identified in NWN's 2008 IRP to Industrial Firm Sales Customers and future analysis of DSM potential. It was also noted that the Energy Trust would study the availability of DSM for Industrial Interruptible Sales Customers and Schedule 32 Commercial Sales Customers. According to the MOU, the Energy Trust would offer DSM to Industrial Firm Sales Customers and Schedule 32 Commercial Firm Sales Customers to the extent it would be cost-effective; the Energy Trust would also provide cost-effective DSM to Industrial Interruptible Customers for a pilot period of 2 years, at an annual cost not to exceed \$500,000.

Parties agreed, as part of the MOU, that NWN would request authorization to defer costs of the Industrial DSM Program each year for two years, after which time the Parties would review the success of the plan. The Parties also agreed they would specifically review the inclusion of Industrial Interruptible Sales Customers and future program budgets.

On February 13, 2009, NWN filed an application for authorization to record and defer with interest all costs associated with studying, planning, administering, and delivering DSM programs to Industrial Firm Sales Customers (Schedules 3, 31, and 32), Industrial Interruptible Sales Customers (Schedules 31 and 32), and Commercial Sales Customers (Schedule 32). The deferred costs would be amortized for recovery across these customer classes.

Reason for Deferral

NWN seeks approval of this deferral pursuant to ORS 757.259(2)(e). This deferral would minimize the frequency of rate changes and match appropriately the costs borne and benefits received by ratepayers.

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Proposed Accounting

NWN 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 accordance with ORS 757.259(4) and Order No. 05-1070, NWN proposes to accrue interest on the unamortized balance at the rate equal to its weighted average cost of capital most recently approved by the Commission. Ratemaking treatment of the deferred amounts would be addressed in a future rate proceeding.

Estimate of Amount

NWN estimates the amount to be recorded in the deferred account for the 12-month period beginning March 1, 2009, through February 28, 2010, to be approximately \$900,000.

PROPOSED COMMISSION MOTION:

NWN's request for deferred accounting of Industrial DSM Program costs beginning March 1, 2009, for a 12-month period, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

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