

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1420(1)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL

Application for Reauthorization to Defer
Accounting of Industrial Demand Side
Management Program Costs.

ORDER

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 (DSM) Program costs beginning March 1, 2009, for a 12-month period. Order No. 09-932 approved this request.

On February 3, 2010, NW Natural filed an application requesting reauthorization to continue to defer the DSM Program costs. The details of the filing and Staff's recommendation are described in Staff's Report, attached as Appendix A, and incorporated by reference.

At its Public Meeting on March 30, 2010, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that:

1. NW Natural's Application requesting the reauthorization for deferred accounting of Industrial Demand Side Management Program costs beginning March 1, 2010, for a 12-month period, is approved.
2. Ratemaking treatment shall be reserved for a ratemaking proceeding.

Made, entered, and effective APR 05 2010.

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. CA7


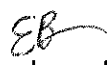

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 30, 2010**

REGULAR _____ CONSENT X EFFECTIVE DATE March 1, 2010

DATE: March 4, 2010

TO: Public Utility Commission

FROM: Carla Owings 

THROUGH:  Lee Sparling,  Ed Busch and  Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1420(1)) Requests reauthorization to defer costs associated with the Industrial Demand Side Management Program.

STAFF RECOMMENDATION:

Staff recommends that Northwest Natural's request to defer costs associated with the Industrial Demand Side Management Program effective March 1, 2010, for a 12-month period, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

Background

On February 13, 2009, Northwest Natural (NWN or the Company) filed an application for authorization 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 (Schedules 3, 31, and 32), Industrial Interruptible Sales Customers (Schedules 31 and 32), and Commercial Sales Customers (Schedule 32). Commission Order 09-932 approved this request.

On February 3, 2010, NWN requested reauthorization to continue to defer these costs.

NWN currently offers DSM programs to its residential and most of its commercial sales customers excluding commercial customers¹ served under Schedule 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.

NWN – UM 1420 DSM Deferral
March 4, 2010
Page 2

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 2008 Integrated Resource Plan (IRP) that it could potentially save 22,000 therms of energy per year from Industrial Firm Sales Customers, which included industrial firm customers served under Schedules 3, 31, and 32. The Company stated 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. This reauthorization would begin the second year of the deferral.

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.

NWN – UM 1420 DSM Deferral
March 4, 2010
Page 3

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 estimated the amount to be recorded in the deferred account for the 12-month period beginning March 1, 2009, through February 28, 2010, would be approximately \$900,000. Staff has reviewed this amount and agrees that the Company has deferred \$900,000. Interest of \$38,000 has been added to the deferred balance. NWN states that it will seek amortization of this deferral in its 2010 PGA filing.

For the period beginning March 1, 2010 through February 28, 2011, NWN estimates a deferral of approximately \$1.75 million.

PROPOSED COMMISSION MOTION:

NWN's request to reauthorize the deferral of costs associated with the Industrial DSM Program be approved, effective March 1, 2010, for a 12-month period, for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

UM 1420