

ORDER NO. 24-101

ENTERED Apr 19 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1420(14)(15)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for Reauthorization to Defer
Industrial (DSM) Program Costs.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on April 16, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Nolan Moser
Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 16, 2024**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: March 18, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1420(14) and (15))
Request for Re-authorization to Defer Industrial DSM Program Costs.

STAFF RECOMMENDATION:

Staff recommends that Northwest Natural's (NW Natural, NWN, or Company) application for reauthorization to defer, with interest, the incremental costs associated with the Industrial Demand Side Management (DSM) program be approved for the 12-month period beginning March 1, 2023, through February 28, 2024, UM 1420(14), and for the 12-month period beginning February 29, 2024, through February 28, 2025, UM 1420(15).

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's requests for reauthorization to defer the incremental costs associated with the Company's Industrial DSM program for later recovery in rates.

Applicable Rule or Law

NW Natural submitted its deferral application on February 28, 2022, in accordance with ORS 757.259(2)(e), ORS 757.262, and OAR 860-027-0300. ORS 757.259(2)(e) provides the Commission with authority to authorize the deferral of utility revenues and expenses, for later inclusion in rates, upon finding that the deferral would minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. OAR 860-027-0300 is the

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Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Previous approval of this deferral was most recently granted by Order No. 21-116. ORS 757.262 addresses the Commission's authority regarding utility acquisition of cost-effective conservation resources and small-scale, renewable-fuel electric generating resources.

Analysis

Background

This application is for accounting purposes only. As in the past, NW Natural will seek amortization of the current balance in the Company's next annual Purchased Gas Adjustment Mechanism in October 2024.

The company has offered Demand Side Management (DSM) programs to its residential and commercial customers since 2002.¹

The NWN industrial DSM Program was established in 2009 in response to its 2008 Integrated Resource Plan (IRP) wherein NW Natural 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 NW Natural, 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.

NW Natural'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

¹ UM 1420 NW Natural's Application for Reauthorization to Defer Costs Associated with Industrial DSM Programs (February 21, 2024).

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associated with the studying, planning, administering, and delivering of its Industrial DSM Program.

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

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 appropriately match the costs borne by and benefits received by ratepayers.

The Company also requests deferral of the costs associated with the studying, planning, administration, and delivery of the Industrial DSM Program. ORS 757.259 is a "statutorily authorized exception to the general prohibition against retroactive ratemaking" that allows a "means to address utility expenses or revenues outside of the utility's general rate case proceeding."²

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.

² *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).

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Current Estimate of Amounts

The Company estimates the amount to be recorded in the deferred account for the 12-month period beginning March 1, 2023, through February 29, 2024, Docket No. UM 1420(14), to be approximately \$7,231,588 million.

And The Company estimates the amount to be recorded in the deferred account for the 12-month period beginning March 1, 2024, through February 28, 2025, Docket No. UM 1420(15), to be approximately \$9,311,588.

The amount deferred during the last deferral year of March 1, 2023, through February 29, 2024, was \$7,231,588 plus interest on the deferral of \$262,866.

Also, \$1,019,576 was amortized in rates November 1, 2023, through December 31, 2023.

The interest rate for deferral accounts is 6.836%, and an estimate of the upcoming PGA-period deferral and/or amortization would be approx. \$7,494,454.

Information Related to Future Amortization

- Earnings Review – Pursuant to Commission Order No. 18-017, Appendix A at paragraph 7.9:

If a Participating Public Utility seeks rate recovery through a deferred account, the account and amortization of the account shall be exempt from the amortization caps and earnings test set forth in subsections 5,6,7,8 and 10 of ORS 757.259, as such subsections may be amended from time to time and shall not be included in any calculation of the amortization cap for other deferred accounts.

- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Account balances are to be spread to the appropriate customer classes per Order No. 18-017, Appendix A at paragraph 7.7(b).
- Three Percent Test (ORS 757.259(6)) – The three percent test does not apply to amortization of this deferral. See “Earnings Review” above.

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Conclusion

As Schedule 360, Industrial Demand Side Management 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.

The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve NW Natural's request for reauthorization to defer Industrial DSM program costs for the 12-month period beginning March 1, 2023, through February 28, 2024. Also, for the 12-month period beginning February 29, 2024, through February 28, 2025.

NWN UM 1420(14)(15)