

Agenda Date: October 10, 2001  
Item Number: 2A and 2B

**Docket:** UG-011230 & UG-011231  
**Company:** Northwest Natural Gas Company

**Staff:** Mike Parvinen, Regulatory Consultant  
Yohannes Mariam, Rate Research Specialist  
Joelle Steward, Policy Research Specialist

**Recommendation:**

Allow the filings in Dockets UG-011230 and UG-011231 to become effective October 15, 2001, as filed and issue an order allowing deferred accounting treatment.

**Discussion:**

On September 7, 2001, Northwest Natural Gas Company (Northwest or Company) filed tariffs to expand its Oregon conservation or Demand Side Management (DSM) programs to Washington customers effective October 15, 2001. The filings also included a request for specific accounting treatment regarding the incremental costs associated with the programs.

**Docket UG-011230 - Residential High-Efficiency Furnace Program.**

This proposed program is designed to encourage energy efficiency in residential space heating by offering residential customers a \$200 cash payment incentive to install high-efficiency space heating equipment that carries an Annual Fuel Utilization Efficiency (AFUE) rating of .90 or better. The Company will target the gas replacement, conversion, and new home construction markets to promote this program. The average annual energy savings per installation of high-efficiency equipment is estimated at 91.5 therms, which amounts to savings of approximately \$69.48 per year, or 11%. The annual expected cost of this program is estimated at \$56,000.

**Docket UG-011231 - Weatherization Services Programs for Residential and Commercial Customers.**

This proposed program will provide free energy audits to residential customers with natural gas space heat and a cash payment equal to 25% (up to \$350) of the cost-effective portion of energy-efficient measures installed as a result of the audit. For commercial customers, the program will contribute up to \$300 towards the cost of an on-site energy audit. The annual expected cost of this program is estimated at \$300,600.

The \$356,600 of annual expected cost associated with the above programs is less than 1% of the Company's annual Washington revenue.

### **Accounting Treatment**

The Company has requested an order allowing the Company to defer all incremental administrative and direct costs associated with the approved DSM programs to a 186 sub-account. The deferred costs will accumulate interest, compounded monthly, equal to the FERC interest rate as calculated in WAC 480-90-233(4).

The Company will make a separate filing each year to establish a rate to recover the amortization of the previous years' accumulated costs deferred in the 186 sub-account. This filing will be filed to coincide with the proposed effective dates of the Company's annual Purchased Gas Adjustment filings, but must be made annually at the same time each year.

### **Conclusion:**

Staff has reviewed the proposed DSM filings and associated accounting treatment and finds them appropriate based on the criteria and assumptions used to support the proposals. Therefore, Staff recommends that the filings in Dockets UG-011230 and UG-011231 be allowed to become effective October 15, 2001, as filed and issue an order approving the above described accounting treatment.