

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKET UG-080519
TRANSPORTATION)	
COMMISSION,	)	ORDER 01
)	
Complainant,)	
	)	COMPLAINT AND ORDER
v.	)	SUSPENDING TARIFF
	)	REVISIONS; CONSOLIDATING
NORTHWEST NATURAL GAS	)	DOCKETS
COMPANY,)	
)	
Respondent.)	
.....)	
)	
In the Matter of the Petition of)	
	)	DOCKET UG-080530
NORTHWEST NATURAL GAS)	
COMPANY	)	ORDER 01
)	
For an Accounting Order	)	ORDER SETTING ACCOUNTING
Authorizing Deferred Accounting	)	PETITION FOR HEARING;
Treatment of Certain Costs	)	CONSOLIDATING DOCKETS
Associated with the Smart Energy)	
Program.)	
.....)	

BACKGROUND

- 1 On March 21, 2008, Northwest Natural Gas Company, (Northwest or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-6 in Docket UG-080519 to establish a Smart Energy program, designated as Sixth Revision of Sheet ix, Original Sheet U.1 and Original Sheet U.2. The stated effective date is May 1, 2008.

- 2 On March 24, 2008, Northwest filed with the Commission in Docket UG-080530 a petition seeking an Accounting Order authorizing the deferred treatment of certain costs associated with the Company’s Smart Energy Program.

- 3 Under the proposed tariff, residential and commercial customers may enroll in the Smart Energy Program under Schedule U of NWN's tariff WN U-6. Residential customers may elect either a fixed rate of \$6.00 per bill, or a volumetric rate of \$0.10486 per therm. Commercial customers may elect a fixed rate of their choice (not less than \$10 per month). These rates are designed to fund the cost of carbon offsets and the ongoing administrative costs associated with the program. The price of carbon offsets is based on the cost as of June 29, 2007.
- 4 Northwest is partnering with The Climate Trust to offer this program. The Climate Trust is a nonprofit organization that purchases high-quality, project-based emission reductions. The Climate Trust will develop greenhouse gas offset projects on behalf of Smart Energy participants with the first priority for these projects being to help bring biogas to the region as a new energy resource. The Company plans to conduct a detailed review of the Smart Energy pilot program in both Oregon and Washington in the fall of 2010.
- 5 In its accounting petition, Northwest requests deferral of startup costs of \$79,000 for 2008 and 2009, combined. The costs consist mostly of educational materials describing the program to all customers as well as the benefits of the program. The Company proposes to collect the deferred amount from all customer classes whether they participate in the Smart Energy Program or not. The Company claims that all customers benefit from improved air quality and lower emissions that result from projects developed by The Climate Trust, and that all customers benefit from the ongoing outreach and customer education programs. Further, the Company gains knowledge and experience in reducing greenhouse gas emissions, and that knowledge will help to establish strategies and policies to improve the environment in the future.
- 6 Staff raised two concerns with the Company's proposal. First, Staff is concerned with the policy implication of applying costs associated with a voluntary public benefit program to all customers. This item is very much like the electric Green Tag programs in which customers voluntarily purchase Renewable Energy Credits to offset the carbon produced by power production. In the Green Tag programs, state law requires that all costs of the program be recovered from the revenues received from the program. *See* RCW 19.29A.090. Staff asserts the Company has two options

regarding collecting the costs from program participants. (1) Increase the monthly fee, or (2) include the startup costs as part of the Company's administrative costs which are removed from the fees collected prior to passing the revenues to the Climate Trust. The Company has indicated that a \$7.50 per month fee would be necessary. Raising the fee is problematic in that Oregon has a \$6.00 per month fee and education materials are designed for the contiguous service area. Staff prefers the second option.

7 Second, the \$79,000 maximum deferral has negligible effects on the Company's results of operation. In prior decisions concerning accounting petitions, the Commission has determined that deferred amounts must be of a magnitude such that recording the costs under the Federal Energy Regulatory Commission's uniform system of accounts has a material impact on company earnings. The \$79,000 (an accumulation of two years of costs) would change the Company's Washington rate of return by less than 0.05 percent.

8 At the Commission's April 30, 2008, open meeting, the Company requested the Commission suspend the tariff filing if it sets the accounting petition for hearing, and that the two matters should be consolidated for hearing.

9 Because the Smart Energy program may include elements that might injuriously affect the rights and interests of the public, Northwest has not demonstrated that the Smart Energy service offering would result in rates that are fair, just, reasonable and sufficient, and granting the accounting petition may not be in the public interest, the Commission suspends the tariff filing, sets the accounting petition for hearing, and consolidates the two proceedings for hearing. The Commission will hold public hearings, if necessary, to determine whether the proposed rates are fair, just, reasonable and sufficient and the accounting petition is in the public interest.

FINDINGS AND CONCLUSIONS

- 10 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including gas companies.
RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.
- 11 (2) Northwest is a gas company and a public service company subject to Commission jurisdiction.
- 12 (3) This matter came before the Commission at its regularly scheduled meeting on April 30, 2008.
- 13 (4) The tariff revisions Northwest filed on March 21, 2008, may not recover all administrative costs associated with the proposed Smart Energy program. The Company seeks to defer some of these administrative costs for possible future recovery in a manner which may injuriously affect the rights and interest of the public.
- 14 (5) Northwest has not yet demonstrated that the tariff revisions would result in rates that are fair, just, reasonable and sufficient and in the public interest.
- 15 (6) Northwest has not yet demonstrated that granting the accounting petition would be reasonable or in the public interest.
- 16 (7) In order to carry out the duties imposed upon the Commission by law, and as authorized in RCW 80.04.130, the Commission believes it is necessary to investigate Northwest's books, accounts, practices and activities;; and to investigate and appraise various phases of Northwest's operations.
- 17 (8) As required by RCW 80.04.130 (4), Northwest bears the burden of proof to show that the proposed Smart Energy tariff is fair, just, reasonable and sufficient and in the public interest.

- 18 (9) Northwest may be required to pay the expenses reasonably attributable and allocable to such an investigation, consistent with RCW 80.20.
- 19 (10) The matters in the two dockets appear to involve related facts and principles of law. It is appropriate that they be consolidated for hearing and determination pursuant to WAC 480-07-320.
- 20 (11) After reviewing tariff revisions Northwest filed in Docket UG-080519 on March 21, 2008, and the accounting petition the Company filed in Docket UG-080530 on March 24, 2008, and giving due consideration to all relevant matters, the Commission finds that the tariff revision should be suspended, the petition should be set for hearing, and the two matters consolidated under WAC 480-07-320.

ORDER

THE COMMISSION ORDERS:

- 21 (1) The tariff revisions Northwest Natural Gas Company filed on March 21, 2008, are suspended.
- 22 (2) Northwest Natural Gas Company's petition for an accounting order filed on March 24, 2008, should be set for hearing.
- 23 (3) Dockets UG-080519 and UG-080530 are consolidated for hearing and determination. The Commission reserves the right to hold such separate hearings and to enter separate orders in the individual dockets as it may deem appropriate.
- 24 (4) The Commission will hold hearings at such times and places as may be required.

- 25 (5) Northwest Natural Gas Company must not change or alter the tariffs filed in this docket during the suspension period, unless authorized by the Commission.
- 26 (6) The Commission will institute an investigation of Northwest Natural Gas Company's books, accounts, practices, activities, property and operations as described above.
- 27 (7) Northwest Natural Gas Company shall pay the expenses reasonably attributable and allocable to the Commission's investigation, consistent with RCW 80.20.

DATED at Olympia, Washington, and effective May 2, 2008.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner