

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

NORTHWEST NATURAL GAS
COMPANY DBA NW NATURAL

For an Accounting Order Authorizing
Deferred Accounting Treatment of Demand
Response Program

DOCKET NO. UG-_____

PETITION

1 Pursuant to WAC 480-07-370(3)(b), Northwest Natural Gas Company dba NW Natural (“NW Natural” or the “Company”) petitions the Washington Utilities and Transportation Commission (the “Commission”) for an order authorizing the deferred accounting treatment for costs associated with developing, implementing, and evaluating a demand response program for its residential and small commercial customers that are not currently in rates. NW Natural seeks to defer these costs from the date of this petition forward, to track and preserve them for separate ratemaking treatment in a future general rate case where the prudence of these costs will be reviewed.

2 In support of this Petition, NW Natural states as follows:

I. NAME OF PETITIONER

3 NW Natural is in the business of furnishing natural gas service within the State of Washington as a public service company and is subject to the regulatory authority of the Commission as to its rates, service, facilities, and practices. Its full name and mailing address for the purposes of this proceeding are:

Northwest Natural Gas Company
c/o Kyle Walker, CPA
Rates/Regulatory Senior Manager
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4 The name and address of the Company's attorney for purposes of this proceeding are:

Ryan Sigurdson
Regulatory Attorney (WSBA #39733)
250 SW Taylor Street
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Phone: (503) 610-7570
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II. SUPPORT FOR PETITION

A. Legal Authority

5 The Commission is vested by statute with the authority to regulate, among other things, the rates and accounts of public service companies, including gas companies.¹ WAC 480-07-370(1)(b) allows public service companies to file petitions, including petitions for deferred accounting.² The Commission grants petitions for deferred accounting where “good cause” is shown.³

B. Factual Background

6 In NW Natural’s 2022 IRP, docketed as UG-210094, the Company included an action item focused on a potential new “non-pipeline solution” system capacity and distribution system

¹ RCW 80.01.040, RCW 80.04.160, RCW 80.28.020; *see also In the Matter of the Petition of Nw. Nat. Gas Co. for an Accounting Order Authorizing Deferred Accounting Treatment of Certain Costs Associated with Environmental Remediation*, Docket UG-110199, Order 01 (June 30, 2011).

² *See* UG-110199, Order 01 ¶ 6.

³ UG-110199, Order 01 ¶ 10; *see also In the Matter of the Petition of Avista Corp. d/b/a Avista Utils. for an Accounting Order Authorizing Deferred Accounting Treatment for Residential and Farm Energy Exchange Benefit Amounts*, Docket UE-071091, Order 01 ¶ 11 (Aug. 29, 2007).

planning tool, aimed at reducing load during high demand periods through a demand response program for residential and small commercial customers. Specifically, the Action Plan included the following:

“Scope a residential and small commercial demand response program to supplement our large commercial and industrial programs and file by 2024.”

- 7 On August 22, 2023, the Commission acknowledged that NW Natural’s IRP meets the requirements of WAC 480-90-238. The Commission’s acknowledgement letter attached Staff’s comments regarding the IRP.
- 8 NW Natural is first pursuing a systemwide residential and small commercial demand response program and intends to file a status update with the IRP update to be filed with the Public Utility Commission of Oregon later this year and will share the update with the Commission. NW Natural then intends to pursue development of locational demand response programs. The systemwide program would be available to all residential and small commercial customers and is intended to reduce demand at the system level to mitigate or avoid service disruptions when extreme weather events occur or when gas prices in the market are extremely high. The locational demand response program will focus on eligible customers in specific areas, where NW Natural’s distribution capacity is projected to be constrained in the near future. This geographically targeted program would seek to test demand response as a non-pipeline alternative to lower peak demand in order to avoid or defer the need for distribution system expansion in a localized area. This Petition seeks to defer the costs of both programs.

C. Reasons for Deferral

- 9 The Company is planning to defer costs associated with developing, implementing, and evaluating a demand response program for its residential and small commercial customers.

Specifically, NW Natural plans to hire two different vendors. The first vendor will design and implement the demand response program, which the Company currently envisions as initially including a “Bring-Your-Own-Thermostat (BYOT)” offering where residential and small commercial customers may voluntarily choose to enroll in the program. Participating customers will agree to allow NW Natural to lower their existing smart thermostat setpoints by several degrees in exchange for an incentive. The second vendor will provide independent evaluation, measurement and verification of load and energy savings from this systemwide program. The Company is also seeking to defer administrative, customer communication and marketing engagement, and IT&S costs associated with developing the program.

10 In addition, NW Natural seeks to defer the costs associated with locational demand response programs. These costs will include higher incentive payments to customers in targeted areas to boost program enrollment and mitigate attrition of participants in the program.

11 NW Natural is not seeking a prudence determination of these costs in this Application nor is it requesting cost recovery. Rather, if deferred accounting is approved, NW Natural will seek a prudence determination of these costs at the time the Company requests amortization and inclusion in customer rates.

12 Absent a regulatory deferral, NW Natural would be required to internalize the entirety of these significant costs. Such an outcome would unjustly penalize NW Natural for pursuing a novel demand-side management program. Developing a demand response program benefits customers from a system perspective because it reduces the amount of natural gas NW Natural must acquire during high demand periods, reduces the capacity resource requirements needed to serve its design system peak, and helps mitigate or avoid service disruptions when extreme weather events or supply disruptions occur. In incorporating locational demand response into

its program, customers additionally benefit from the avoidance and/or reduction in scope of distribution system projects.

D. Estimated Amounts Subject to Deferral

13 NW Natural estimates that that it will incur approximately \$5.4 million to develop and run a 3-year systemwide (both Washington and Oregon) residential and small commercial demand response program. The Company will allocate system costs to Washington customers via the firm sales volumes allocation factor from our most recent results of operations report. The Company's estimate reflects its best understanding of the anticipated costs to date. The figure will be refined further once NW Natural hires the vendors and further develops the program.

E. Proposed Accounting

14 Beginning on the date of this filing, NW Natural proposes to account for the expenses incurred as a result of a systemwide demand response program for residential and small commercial customers the Company's balance sheet, to later be included in customer rates. In the absence of approval of deferred accounting, NW Natural would record these costs in FERC 909 expense accounts.

III. RELIEF REQUESTED

15 NW Natural requests authorization to defer the costs and revenues associated with the Demand Response program as described above, plus interest at the Company's actual cost of debt, updated semi-annually.

16 WHEREFORE, the Company respectfully requests that the Commission enter an order approving deferred accounting treatment for the Demand Response program, as described in this Petition.

Dated this 10th day of June 2024.

Respectfully Submitted,

/s/ Kyle Walker

NORTHWEST NATURAL GAS COMPANY

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