

Agenda Date: December 21, 2012  
Item Number: D3

**Docket:** UG-121886  
Company: Northwest Natural Gas Company

Staff: Chris McGuire, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the proposed tariff revision to go into effect by operation of law, and acknowledging receipt of Northwest Natural Gas Company's 2013 Energy Efficiency Plan on November 29, 2012, in Docket UG-121886.

### **Background**

Northwest Natural Gas Company (NW Natural or company) is currently operating its energy efficiency programs under settlement stipulation approved by the Washington Utilities and Transportation Commission (commission) in Order 04 of Docket UG-080546. The programs are administered by the Energy Trust of Oregon and reviewed and monitored by the company's Energy Efficiency Advisory Group (EEAG) in compliance with the stipulated agreement. Each year, NW Natural revises its Energy Efficiency (EE) Plan to reflect program modifications, a revised budget and performance metrics for the upcoming calendar year. The company submits its revised EE Plan to the commission when it makes its annual advice filing, submitted no later than December 1.

On November 29, 2012, NW Natural filed revisions to its tariff Schedule G in Docket UG-121886. The purpose of the filing is to revise the company's EE Plan, which is incorporated by reference on Sheet G.1 of the company's tariff. The plan is revised to include the 2013 calendar year program goals and budget and to reflect revisions to four of its existing incentive offerings. The proposed tariff revision is stated to become effective on January 1, 2013.

In 2013, the company expects to acquire between 220,421 and 259,319 therm savings in the residential and commercial sectors at a cost of between \$1,430,092 and \$1,613,437.

### **Discussion**

#### *Progress in 2012*

The company filed its 2012 Third Quarterly (Q3) Report on NW Natural's Energy Efficiency Program on November 15, 2012, in Docket UG-121810. Through September, NW Natural saved 103,344 therms saved at a cost of \$690,430. Through nine months, the company has achieved roughly 50 percent of its savings goal for 2012 of 212,550 – 250,000, and has spent roughly 50

percent of its budget range for 2012 of \$1,431,460 to \$1,614,980. NW Natural has historically achieved a large proportion of its program goals in Q4, so commission staff believes that the company is on track to meet its 2012 goals.

*Plan Changes for 2013*

NW Natural is proposing a negligible change to its 2013 energy efficiency program budget relative to 2012. The company's 2013 budget range of \$1,430,092 to \$1,613,437 is virtually identical to its 2012 range of \$1,431,460 to \$1,614,980.

<b>Program Budgets</b>	<b>2012 Budget<sup>1</sup></b>	<b>2013 Budget</b>	<b>2012-2013 Change</b>
Residential Retrofit	\$ 531,798	\$ 465,617	- 12%
Residential New Homes	\$ 302,834	\$ 328,907	9%
Commercial Retrofit	\$ 596,829	\$ 635,568	6%
<b>Total</b>	<b>\$ 1,431,461</b>	<b>\$ 1,430,092</b>	<b>0%</b>

The company is proposing an increase in its 2013 therm savings goal relative to 2012. In 2013, the company expects to acquire between 220,421 and 259,319 therm savings, a 3.7 percent increase over its 2012 savings goal of 212,550 to 250,000 therms.

<b>Program Budgets</b>	<b>2012 Savings (therms)</b>	<b>2013 Savings (therms)</b>	<b>2012-2013 Change</b>
Residential Retrofit	63,373	56,400	- 11%
Residential New Homes	27,503	36,500	33%
Commercial Retrofit	121,678	127,500	5%
<b>Total</b>	<b>212,550</b>	<b>220,400</b>	<b>4%</b>

The company also reports lower savings and budget estimates for the Washington Low Income Energy Efficiency (WALIEE) program. The company expects between 3,165 and 4,220 therm savings at a cost of between \$66,975 and \$89,300. In 2012, the company had a savings goal of between 4,220 and 8,440 therms at a cost of between \$89,300 and \$178,600. The cause of the reduced savings and expenditures estimates for 2013 is a slower than expected uptake of the program. The company plans to increase marketing efforts in an effort to increase uptake and bring in more savings for the program.

NW Natural is also revising its EE Plan to make revisions to four of its existing incentive offerings. The company is proposing to cancel two incentives for existing homes, the incentive for tankless water heaters and the incentive for duct sealing and duct leakage tests, and

<sup>1</sup> Docket UG-120369, Northwest Natural Gas Company, "2012 Energy Efficiency Plan," Updated March 19, 2012.

modifying the incentive for two others, the air sealing incentive for existing homes and the commercial radiant heating incentive.

The company is discontinuing the existing-homes incentives for tankless water heaters and for duct sealing and duct leakage tests because they are no longer cost effective. The Total Resource Cost (TRC) test benefit-to-cost ratio is 0.25 for tankless water heaters and 0.39 for duct sealing and duct leakage tests. The tankless water heater measure continues to be cost-effective when installed in new homes (rather than retrofitting tankless water heaters in existing homes) so it will continue to be offered under the new homes program. The incentive also remains cost effective for certain commercial applications.

The company is modifying its air sealing incentive for existing homes due in part to rising costs for implementing the measure. The company is proposing to reduce the incentive from 50 percent of cost (up to \$275) to a flat \$150 per installation. The company expects it will need to stop offering the measure later in 2013 if the results of a pending impact analysis do not show greater energy savings.

The company is revising its commercial radiant heating incentive because it has acquired higher quality data on actual measure costs and as a result it was able to perform a better, modeling-based savings estimate. The model suggested that a two-tiered incentive be offered, distinguishing between modulating and non-modulating units. The company is proposing to offer a \$6.50 per kBtu/hour for non-modulating units and \$10.00 per kBtu/hour for modulating units. Previously the incentive was \$6.50 per kBtu for all units.

The overall increase in savings estimates coupled with no change in expected expenditures will likely lead to improved portfolio economics for NW Natural for 2013. Although low gas prices have put substantial strain on the conservation programs of natural gas utilities, NW Natural has been able to keep its portfolio cost-effective by adaptively managing its program offerings. Staff believes that savings and expenditure estimates are fairly presented in NW Natural's 2013 Energy Efficiency Plan, and that the programmatic revisions have been designed appropriately and are accurately captured in this plan. Therefore, staff recommends that the commission accept this Energy Efficiency Plan by allowing the proposed tariff revision to go into effect by operation of law.

## **Conclusion**

Take no action, thereby allowing the proposed tariff revision to go into effect by operation of law, and acknowledging receipt of Northwest Natural Gas Company's 2013 Energy Efficiency Plan on November 29, 2012, in Docket UE-121886.