

Agenda Date: December 17, 2019  
Item Number: D7

**Docket:** UG-190987  
Company: Northwest Natural Gas Company

Staff: Jim Woodward, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the proposed tariff revision to go into effect by operation of law on January 1, 2020, and acknowledging receipt of Northwest Natural Gas Company's 2020 Energy Efficiency Plan in Docket UG-190987.

### **Background**

Northwest Natural Gas Company (NW Natural or company) operates its energy efficiency programs under a settlement stipulation approved by the Washington Utilities and Transportation Commission (commission) in Order 06 of Docket UG-181053. The majority of NW Natural's energy efficiency (EE) programs in Washington State are administered by the Energy Trust of Oregon (ETO), with some augmentation by the company. The program portfolio is managed by NW Natural, with advice and review provided by the company's Energy Efficiency Advisory Group (EEAG).

On November 27, 2019, the company timely submitted its annual EE Plan to the commission. The EE Plan and associated tariff revision provides 2020 calendar year savings goals, budget figures, and program details.

NW Natural serves 78,579 residential customers and 7,337 commercial and industrial customers in Vancouver and surrounding areas of southwest Washington.<sup>1</sup>

### **Discussion**

NW Natural proposes a 5 percent decrease in its annual conservation budget, decreasing from \$3.2 million to \$3.0 million. The table below summarizes the 2019 and 2020 budgets by program.

The two major drivers are a 9 percent decrease in year-over-year commercial program spending and more than a 50 percent decrease in pilot and trial program funding. Additionally, NW Natural has zeroed out its evaluation line item for 2020 while engaging in greater regional collaboration through the Northwest Power and Conservation Council's Regional Technical Forum (RTF).

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<sup>1</sup> Per NW Natural's 2019 purchased gas cost adjustments (PGA) to rates.

<b>Program Budgets</b>	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>2020 Change</b>
<i>Residential</i>	\$1,442,877	\$1,675,333	16%
<i>Low Income</i>	\$149,328	\$156,624	5%
<i>Commercial</i>	\$988,187	\$899,420	-9%
<i>Pilots</i>	\$315,000	\$155,652	-51%
<i>NEEA</i>	\$184,101	\$117,648	-36%
<i>Regional Collaboration</i>	--	\$10,100	--
<i>Evaluation</i>	\$90,000	--	--
<b>Total</b>	<b>\$3,169,493</b>	<b>\$3,014,777</b>	<b>-5%</b>

NW Natural projects an 8 percent decrease in its projected year-over-year savings acquisition. The table below summarizes projected 2019 and 2020 natural gas savings by program. Reduced commercial therm savings, which are discussed further below, are driving the decreased savings forecast for 2020.

<b>Program Savings (therms)</b>	<b>2019 Goal</b>	<b>2020 Goal</b>	<b>2020 Change</b>
<i>Residential</i>	221,714	227,918	3%
<i>Low Income</i>	6,318	6,480	3%
<i>Commercial</i>	147,481	111,413	-25%
<i>NEEA</i>	-	-	--
<b>Total</b>	<b>375,513</b>	<b>345,811</b>	<b>-8%</b>

The benefit-to-cost ratio for NW Natural's 2020 portfolio is projected to be 1.0 using the Total Resource Cost test and 1.7 using the Utility Cost test.

#### ***Commercial Savings Realization Adjustment Factors***

Reduced budget and forecasted therm savings for NW Natural's commercial program in 2020 constitute an important factor why overall program metrics have slightly decreased since the 2019 plan year. Beginning in 2019, the ETO refined NW Natural's commercial savings estimates by applying savings realization adjustment factors (SRAFs) to adjust the deemed, gross savings to reflect the findings of recent program impact evaluations. The application of SRAFs helps to ensure savings are reported in alignment with what utilities should expect in terms of load reduction. In addition, more conservative EE savings estimates hedge against overinflating integrated resource plan (IRP) conservation goals.

The impact of SRAFs and other measure engineering updates are noteworthy. In 2019, engineering assumptions on 19 commercial measure approval documents (MADs) were updated for 2020 delivery. Among these was a roughly 65 percent reduction in deemed savings for commercial boilers, which has been a prominent measure for the Washington portfolio. Applying both these MAD and SRAF correction factors have adjusted last year's commercial goal of 147,481 therms to a more realistic 111,413 therms forecast in 2020.

Commission staff (staff) appreciates both NW Natural's and ETO's forthrightness about how SRAF and MAD application will likely impact commercial, and thus overall, program metrics in 2020. Increased analytical rigor designed to better true-up savings forecasts with actual in-field verifications increase the accuracy of the 2020 EE Plan.

#### ***Pilot and Evaluation Funding Downshift***

NW Natural's 2019 EE Plan featured a 350 percent increase in pilot program funding compared to the prior 2018 plan year (i.e., \$315,000 versus \$70,000).<sup>2</sup> The 2019 pilot efforts featured four distinct initiatives targeting low-income and new school construction niche markets. NW Natural is budgeting just over \$155,000 in 2020 to continue the progress realized in the three existing low-income pilots. Staff supports the company taking a more measured approach before allocating equal or greater resources to these uncertain programs with higher associated risk levels.

The \$90,000 NW Natural included in its 2019 EE Plan for a program evaluation study to analyze its Washington conservation program represented a one-off endeavor. The company had only conducted a similar study once before in 2010. Staff appreciates NW Natural's viewpoint that results of these comprehensive studies should be thoroughly distilled. An evaluation line item similar in magnitude to the 2019 expenditure should not be anticipated on an annual basis.

#### ***Regional Technical Forum***

New in 2020 is NW Natural's support of the Regional Technical Forum's (RTF) 2020-2024 Business Plan, which now features an expanded gas conservation focus. While an order of magnitude smaller than other line items, RTF support will enable the company to leverage increased regional collaboration to research and evaluate gas and dual gas-and-electric conservation investments.

#### **Conclusion**

Staff recommends the commission take no action, thereby allowing the proposed tariff revision to go into effect by operation of law on January 1, 2020, and acknowledging receipt of Northwest Natural Gas Company's 2020 Energy Efficiency Plan in Docket UG-190987.

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<sup>2</sup> See Docket UG-171163, NW Natural 2018 EE Plan, p. 3 (Dec. 1, 2017).