Agenda Date: October 30, 2014

Item Number: A04

**Docket: UG-143333**

Company: Northwest Natural Gas Company

Staff: Brad Cebulko, Regulatory Analyst

**Recommendation:**

Staff recommends that the commission take no action, thereby allowing the proposed tariff to go into effect by operation of law.

**Background:**

On September 15, Northwest Natural Gas Company (NW Natural or company) filed with the Washington Utilities and Transportation Commission (commission) revisions to Schedule 215, Sheet 215.1, Adjustment to Rates for Energy Efficiency Service and Programs in Docket UG-143333. The proposed tariff sheet has an effective date of November 1, 2014.

**Discussion:**

In this filing, NW Natural is revising rates for the recovery of 2013 energy efficiency program costs under Schedule 215 – Energy Efficiency Services and Programs. The proposed adjustments seek to recover $1,388,006 composed of the following:

                                                                               Amount

Deferred 2013 balance (including accumulated interest) $ 1,348,262

NW Natural 2013 Administration                                      $   11,695

Removal of 2012 Balance $ (55,186)

Estimated Interest during Amortization $ 23,083

Revenue Sensitive Factor (4.372 percent) $ 60,708

Total to be Amortized                                      $ 1,388,006

Staff recommends removal of $556 from recovery of a Suplemental Executive Retirement Plan (SERP) for an executive at the Energy Trust of Oregon. The Commission has not previously allowed utilities to recover SERP costs from ratepayers, most recently in Puget Sound Energy’s General Rate Case in consolidated dockets UE-090704 and UG-090705. ETO discontinued its SERP policy in 2014, and this issue is not expected to come before the commission in future preceedings. Removal of the $556 would not affect the rates proposed by the company. Public Counsel also opposes recovery of this amount.

The average monthly bill would see a decrease of 0.1 percent for residential customers and commercial customers. The average residential customer using 57 therms would see a bill decrease of $0.08 per month, and the average commercial customer using 252 therms would see a bill decrease of $0.25 per month. The overall proposed decrease in annual revenue is approximately $29,087, or negative 0.04 percent of normalized total revenues.

The Schedule 215 rate adjustment is filed coincident with the company’s annual PGA filing (UG-143337).

***Review of variance***

In this filing, the company reports the 2013 energy efficiency program costs to be $1,170,602. This amount is less than the lower end of the projected range for 2012 program costs of $1,430,092, presented in the company’s 2013 Energy Efficiency Business Plan.[[1]](#footnote-1) In 2013, the company achieved 221,172 therms of savings, exceeding its goal of 220,421 therms with a benefit to cost ratio of 1.16 under the TRC test and 1.24 under the UCT.[[2]](#footnote-2)

2013 marked the second year of semi-annual payments to the company’s energy efficiency program administrator, the Energy Trust of Oregon. The company’s program was initially offered on a one-year pilot basis through the ETO and 2011 marked the first full program year following the pilot period. As expected, Schedule 215 rate changes have been minimal as the program has matured and the payment cycle to ETO has stabilized.

***Audit of Selected Expenditures***

On October 10, 2014, staff performed an on-site review and audit of NW Natural’s energy efficiency program expenditures. The audit consisted of a review of NW Natural’s administrative responsibilities and expenditures, a review of ETO’s data tracking systems and expenditure allocation methodologies, and verification of selected overhead and rebate incentive expenditures. Staff visited and met with employees from both NW Natural and ETO.

During its review, staff uncovered no significant issues. ETO provided staff with all requested invoices and associated documentation, and satisfactorily demonstrated that its data tracking system and internal controls and authorization processes were effective. All program expenditures reviewed were judged to be appropriate by staff.

Consistent with the recommendation made in last year’s filing, NW Natual has agreed to work with staff and stakeholders to develop its own semi-annual review of ETO expenditures. Staff would like the company to convene the Energy Efficiency Advisory Group by the end of the year to discuss the matter.

Overall, staff believes that the 2013 program costs are accurately presented in this filing, and that the proposed new rates, effective November 1, 2014, are adequate to recover 2013 program costs and are fairly distributed across customer classes. Therefore, staff recommends that the commission take no action, thereby allowing the proposed tariff rates to go into effect.

**Conclusion:**

Staff recommends that the commission take no action, thereby allowing the proposed tariff to go into effect by operation of law.

1. Northwest Natural Gas Company, 2013 Energy Efficiency Plan, Docket UG-121886. [↑](#footnote-ref-1)
2. Northwest Natural Gas Company, 2013 Annual Report, Docket UG-132147, Page 4 (April 15, 2014). [↑](#footnote-ref-2)