

October 19, 2012

**SENT VIA E-MAIL**

David Danner  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Pk. Dr. S.W.  
PO Box 47250  
Olympia, WA 98504-7250

**Re: Schedule G Energy Efficiency Services and Programs;  
Program Cost Recovery—Schedule 215, Docket No. UG-121433**

Dear Mr. Danner:

Public Counsel submits this letter in response to NW Natural Gas Company's (NW Natural's) 2011 energy efficiency program cost recovery filing submitted on August 31, 2012.<sup>1</sup> These comments address Public Counsel's review of the proposed rate adjustment as well as the Company's energy efficiency program results for 2011.

**Public Counsel Recommendation**

Public Counsel recommends that the proposed tariffs be allowed to go into effect. Public Counsel also recommends minor improvements for future conservation cost recovery filings. Specifically, the cover letter included with the Company's conservation cost recovery filing should include the total dollar amount the Company seeks to recover, as well as the impact of the rate change on the average residential and commercial customer bills. We understand that the Company agrees to make these changes beginning in its 2013 conservation cost recovery filing.

**A. Background and Discussion on NW Natural's New Stand-Alone Conservation Cost Recovery Filing and Recommendations for Future Filings.**

Historically, Northwest Natural has deferred energy efficiency program costs and recovered these on an annual basis in conjunction with its PGA filing in the fall. This cost recovery process did not include a separate filing for energy efficiency program cost recovery, nor did it separately break out the rate impact of conservation program costs. That process, therefore, did not allow for a transparent review of conservation program costs and achievement. We were pleased, therefore, that in 2011 the Company agreed to adopt a separate, individual filing for energy efficiency program cost recovery. This current filing fulfills that agreement, and provides the proposed rates specifically associated with annual conservation program on a stand-alone basis, as well as the additional following components:

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<sup>1</sup> The Company made a replacement filing on October 15, 2012. Public Counsel's comments reflect the new information provided in the replacement filing. Docket No. UG-121433 Replacement Filing, Schedule G Energy Efficiency Service and Programs; Program Cost Recovery—Schedule 15, October 15, 2012.

- Information about actual program expenditures compared to budget for the program year as well as background on the Company's energy efficiency programs and cost recovery process.
- The annual conservation report for the prior year which includes cost-effectiveness results, total program savings, evaluation results and achievement of program metrics.
- The average monthly bill impact of the proposed rate for customers and workpapers demonstrating the analysis behind the collection rate.<sup>2</sup>

The proposed adjustments to rates for the energy efficiency program still occur within Schedule 215 and take effect with the Company's PGA filing. However, NW Natural's filing in this docket marks the first separate and individual filing for energy efficiency program cost recovery. Public Counsel is largely pleased with the Company's new conservation cost recovery filing process, which has significantly enhanced our ability to examine the rate increase associated with the Company's conservation programs.<sup>3</sup> Our recommendations are limited to some minor improvements to the Company's future conservation cost recovery filings, which the Company have agreed to. Specifically, we recommend that, in future filings, the Company provide in the cover letter the total dollar amount it seeks for program cost recovery, as well as its impact on average residential and commercial customer's bills. We believe these are useful and essential pieces of information that should be presented directly in the cover letter associated with the filing.

#### **B. Review of NW Natural's Proposed Energy Efficiency Cost Recovery.**

NW Natural's filing seeks to recover \$606,553 in costs associated with its energy efficiency program for 2011. This amount reflects the current balance in the deferral account with the addition of interest and NW Natural administrative costs.<sup>4</sup> This represents an annual increase to residential and commercial customer bills of approximately 0.3%. Under the proposed increase, the average residential customer using 55 therms per month will pay an additional \$0.20 per month for a total bill of \$63.18 and the average commercial customer using about 233 therms will pay an additional \$0.77 per month for a total bill of \$253.39. In total, the average residential customer will pay \$0.68 per month for the energy efficiency program and the average commercial customer will pay \$2.55 per month for the program.

#### **C. Review of NW Natural's 2011 Conservation Achievement and Expenditures.**

NW Natural acquired 204,372 therms in 2011, which exceeded its annual forecast of 159,251 therms by 28%. Approximately 59% of the savings were acquired through the commercial

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<sup>2</sup> Docket No. UG-112068, Re: Schedule G, "Energy Efficiency Services and Programs—Residential and Commercial," December 1, 2011.

<sup>3</sup> Beginning in January of 2013, the Company will also begin including a message on all customers' bills stating how much of their current monthly bill represents costs collected to pay for the residential and commercial energy efficiency program.

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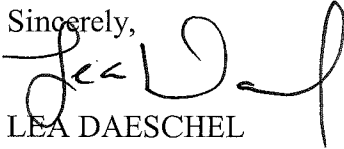
program and 40% through the residential program. In addition, NW Natural reports an overall TRC for its gas portfolio of 1.7. NW Natural's ability to achieve savings in excess of its target as well as its ability to maintain a cost-effective portfolio in this period of very low natural gas prices and avoided costs is a significant achievement and Public Counsel commends the Company for its accomplishment.

In addition to reporting on expenditures and savings achieved in 2011, NW Natural's annual conservation report also describes the Company's achievement on additional performance metrics for the program year which include levelized cost per measure and cost spent per therm. The Company achieved each of the metrics established for 2011.

During program year 2011, NW Natural budgeted \$1,243,637 for its energy efficiency programs.<sup>5</sup> Total expenditures for the program year were \$1,069,376, with \$493,154 for the commercial program, \$708,356 for the residential program and \$42,127 for administration. The Company indicated that actual expenditures were lower than budgeted due to the reduced incentives associated with the Existing Buildings and Existing Homes programs. We note that that the 2011 energy efficiency program expenditures do not directly match the costs the Company is seeking recovery of in this filing. This is due to a timing difference associated with when the payments to the Energy Trust of Oregon, NW Natural's third-party program administrator, are distributed and when program costs are recorded in the deferral account.

I will attend the Commission's October 25th, 2012, Open Meeting to address any questions regarding these comments.

Sincerely,



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cc: Chris McGuire (E-mail)  
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<sup>5</sup> 2011 Annual Report on Conservation, p.7.