

Agenda Date: December 18, 2013  
Item Number: D10

**Docket:** UG-132147  
Company: Northwest Natural Gas Company

Staff: Brad Cebulko, Regulatory Analyst  
Chris McGuire, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the proposed tariff revision to go into effect by operation of law on January 1, 2014, and acknowledging receipt of Northwest Natural Gas Company's 2014 Energy Efficiency Plan in Docket UG-132147.

### **Background**

Northwest Natural Gas Company (NW Natural or company) is currently operating its energy efficiency programs under a 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 (ETO) 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 22, 2013, NW Natural filed revisions to its tariff Schedule G in Docket UG-132147. 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 2014 calendar year program goals and budget and to reflect revisions to three of its existing incentive offerings. The proposed tariff revision is stated to become effective on January 1, 2014.

NW Natural serves approximately 70,000 gas customers in Clark, Skamania, and Klickitat counties.

### **Discussion**

#### ***Plan Changes for 2014***

The tables below compare conservation program budgets and savings estimates for 2013 and 2014. In 2014, the company expects to acquire at least 225,088 therms for no more than \$1.6

million, a 4 percent decrease in spending relative to 2013.<sup>1</sup> The decrease in spending is due to a forecasted decrease of internal costs at ETO. The residential and commercial savings will be delivered by the ETO. The low-income savings will be delivered by Clark County Community Action Agency through the Washington Low Income Energy Efficiency program (WALIEE).

**Table 1. Comparison of Budgets from 2013 and 2014.**

<b>Program Budgets</b>	<b>2013 Budget<sup>2</sup></b>	<b>2014 Budget</b>	<b>2013-2014 Change</b>
Residential Retrofit	\$ 525,300	\$ 452,300	-16%
Residential New Homes	\$ 371,100	\$ 388,400	5%
Commercial	\$ 717,100	\$ 687,100	-4%
WALIEE	\$89,300	\$111,600	20%
<b>Total</b>	<b>\$ 1,702,800</b>	<b>\$ 1,639,400</b>	<b>-4%</b>

The company is proposing a negligible increase in its 2014 therm savings goal relative to 2013. In 2014, the company expects to acquire at least 220,868 therms from its residential and commercial programs administered by ETO, a 0.2 percent increase over its 2013 savings goal of 220,421 therms. The expected 2014 Utility Cost test and Total Resource Cost test ratios are above 1.0.

**Table 2. Comparison of Savings from 2013 and 2014.**

<b>Program</b>	<b>2013 Savings (therms)</b>	<b>2014 Savings (therms)</b>	<b>2013-2014 Change</b>
Residential Retrofit	56,400	48,607	<b>-14%</b>
Residential New Homes	36,500	44,761	<b>23%</b>
Commercial Retrofit	127,500	127,500	<b>0%</b>
WALIEE	3,165	4,220	<b>33%</b>
<b>Total</b>	<b>223,565</b>	<b>225,088</b>	<b>0.7%</b>

As shown in the tables above, the company is increasing its savings and budget estimates for the WALIEE program. The company is planning to serve at least 20 homes, a 25 percent increase from 16 homes served in 2013. In an effort to boost participation in the program, this past year the company began marketing WALIEE to its Washington State customers through an article in the company's newsletter that is contained in its monthly bill. The company has yet to experience any impact from the effort and is developing a new strategy for 2014. The company is committed to pursuing successful ways to increase the program with its partner.

<sup>1</sup> NW Natural uses a range of savings targets and budgets. For ease of analysis, staff uses the minimum savings and the maximum spending.

<sup>2</sup> Docket UG-121886, "2013 Energy Efficiency Plan," November 29, 2012.

NW Natural is also revising three of its existing commercial incentive offerings. The company is proposing to cancel one incentive, roof-top unit (RTU) tune-ups, and modify the incentive for two others, EnergySTAR-gas-certified fryers and custom projects.

The company is discontinuing the existing commercial incentive for RTU tune-ups because it is not cost effective. A billing analysis performed by ETO of installed projects in 2010-2011 indicated that multiple units had negative savings and, on aggregate, the company reported negative savings in 2011. The Total Resource Costs (TRC) test ratio and Utility Cost Test (UCT) ratio is 0.0. ETO and the company are looking into developing a more effective technical and programmatic approach to implement in the future.

The company is increasing its commercial custom project incentive from \$1.00 per therm saved to \$1.50. The company believes that a higher incentive is necessary to move the market in light of lower avoided costs for natural gas efficiency projects. On average the incentive for custom projects covers only 11 percent of project costs, and there is room to improve the customer's return on investment. The company will maintain an incentive cap not to exceed 50 percent of the installation costs.

The company is revising its incentive for EnergySTAR-gas-certified fryers from \$1000 per fryer to \$800 per vat. In recent years, more multi-vat fryers have come onto the market and the company can capture the true savings by using a per vat incentive. The company will also have greater precision to meet customer needs, providing smaller incentives on less expensive fryers and larger incentives for expensive multi-vat fryers.

The slight increase in estimated savings coupled with a decrease in expected expenditures improves the cost-effectiveness of the company's portfolio. Low gas prices have continued to hamper the conservation programs of natural gas utilities, however, the company and ETO have successfully kept the portfolio cost-effective by adaptively managing its program. Staff believes that savings and expenditure estimates are fairly presented in NW Natural's 2014 Energy Efficiency Plan, and that the programmatic revisions have been designed appropriately and are accurately captured in this plan. Therefore, staff recommends accepting this Energy Efficiency Plan.

### ***Progress in 2013***

On Nov. 27, 2013, NW Natural filed its 2013 third quarterly report on its energy efficiency program in Docket UG-132191. Through September, the company saved 89,661 therms at a cost of \$722,780. The company has achieved roughly 40 percent of its 220,421 therm savings goal for 2013, and has spent around 45 percent of its budget of \$1.6 million. NW Natural has historically achieved a large proportion of its program goals in the fourth quarter and expects to do so again this year. Although the company is behind the therm savings goal through the third quarter relative to 2012, this is due to a poor-performing first quarter when new trade allies were starting. The second and third quarters of 2013 outperformed the respective quarters from 2012,

by 13 percent and 43 percent. Commission staff believes that the company is on track to meet its 2013 goals.

### *Natural Gas Policy Statement*

The 2014 EE plan does not include the recommendations made by the commission's Natural Gas Policy Statement (Policy Statement) issued on Oct. 9, 2013.<sup>3</sup> The company did not have sufficient time to discuss the policy statement with the EEAG and revise its goals by the December 1 filing deadline. Staff expects the company will convene its EEAG during the first quarter of 2014 to begin implementation discussions. Staff also expects that the company will address the Policy Statement recommendations in the 2015 EE Plan.

### **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 2014 Energy Efficiency Plan in Docket UE-132147.

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<sup>3</sup> Docket UG-121207, "Policy Statement on the Evaluation of the Cost-Effectiveness of Natural Gas Conservation Programs," October 9, 2013.