

Agenda Date: January 17, 2024
Item Number: D7

Docket: UG-230944

Company: Northwest Natural Gas Company d/b/a NW Natural

Staff: Joshua Dennis, Regulatory Analyst

Recommendation

Issue an order in docket UG-230944 accepting NW Natural's:

- (1) Biennial Acquisition Target of 720,000 therms,
- (2) subject to the conditions in Attachment A.

Background

On November 15, 2023, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company), filed its 2024-2025 Biennial Energy Efficiency Plan (BEEP or Plan) with the Washington Utilities and Transportation Commission (Commission) under Docket UG-230944. RCW 80.28.380 requires gas companies to establish a conservation acquisition target, to be approved by the Commission, every two years. NW Natural serves approximately 89,000 gas customers in its Washington service territory, with the majority located in Clark, Klickitat, and Skamania counties.

Commission staff (Staff) submitted responsive comments on the Plan in this docket on December 22, 2023. The comments outline NW Natural's anticipated gas savings in the 2024-2025 biennium, along with some of the programs the Company will implement to achieve those savings and Staff's analysis of the Plan.

Discussion

In the pursuit of enhancing energy savings, NW Natural will allocate \$9,318,547 million for the 2024-2025 biennium, surpassing the proposed Biennial Acquisition Target (target) of 720,000 therms by aiming to achieve a biennial savings goal of 763,922 therms, inclusive of NEEA forecasted savings. This represents a substantial 46 percent increase in the company's conservation budget compared to the previous biennial period.

NW Natural's Conservation Potential Assessment was used to set the target of 720,000 therms, signifying a significant stride toward increased energy efficiency. This augmented budget is primarily driven by a commitment to offer increased incentives for both residential and commercial programs. The expansion includes projects in Highly Impacted Communities (HICs), aligning with the company's dedication to broadening its impact.

Furthermore, the budget increase is a strategic response to inflation and labor challenges, reflecting NW Natural's adaptability to evolving economic conditions. Notably, the lingering effects of the COVID-19 pandemic continue to shape program participation.

Table 1 provides an overview, illustrating NW Natural's conservation targets and goals for 2024-2025 while drawing comparisons to the gas savings and budgets from the preceding 2022-2023 biennium.

Table 1. NW Natural Gas Conservation Targets and Goals 2024-2025¹

Program		2022-2023 Projected Savings (therms)	2022-2023 Budget	2024-2025 Projected Savings (therms)	2024-2025 Budget
Residential		255,905	\$3,484,429	232,468	\$4,425,790
Low-income		13,563	\$302,163	8,680	\$283,885
Commercial		351,447	\$2,709,748	257,066	\$3,039,663
NEEA		32,175	\$197,696	60,000	\$329,353
Pilots/Trials	Behavioral	N/A	N/A	205,708	\$753,756
	Industrial	N/A	N/A	TBD	\$150,000
Evaluation		N/A	\$0	N/A	\$310,000
Total		620,915	\$6,391,873	763,922	\$9,318,547

The Company expects its incentive program to achieve a TRC ratio of 1.13 and a UTC ratio of 1.59, indicating that the portfolio remains cost-effective.

Staff highlights NW Natural's Residential Behavioral Energy Efficiency (BEE) program. In Q4 of 2023, the Company introduced a new program, modeled after the Home Energy Report. This program aims to provide customers with information about their energy usage and educate them on energy efficiency. Participants will receive a digital report showcasing their natural gas consumption from the previous month. The report will also include a weather-normalized comparison of historical usage and a comparison with similar homes.

The savings from this program will be determined by comparing a treatment group, which receives home energy reports, to a control group that does not. The pilot was launch in late 2023 and will run for three years. NW Natural expects to save 205,708 therms during the 2024-2025 biennium. Close monitoring will take place during the initial two years of the pilot to assess whether the program should be made a permanent offering.

¹ *In re Northwest Natural Gas' 2024-2025 Biennial Energy Efficiency Plan*, UG-230944, Northwest Natural Biennial Energy Efficiency Plan, at 5 (Nov. 15, 2023).

List of Conditions

As with previous biennia, Staff, and the state's five electric and gas utilities, negotiated a set of conditions that NW Natural agrees to adhere to throughout the biennium. These are included as Attachment A to this memo.

Stakeholder Comments

On December 28, 2023, Staff reached out to The Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) and the NW Energy Coalition (NWEC), The Energy Project (TEP) were contacted for comments on the Plan. There are no comments identified as of this filing.

Conclusion

Staff recommends the Commission issue the order accepting NW Natural's Biennial Acquisition Target subject to the negotiated conditions.