

Agenda Date: October 30, 2013
Item Number: F5

Docket: UG-131646
Company: Northwest Natural Gas Company

Staff: Chris McGuire, Regulatory Analyst
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Recommendation:

Take no action, thereby allowing the proposed tariff revision to go into effect by operation of law.

Background:

On August 30, 2013, Northwest Natural Gas Company dba Northwest Natural (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-131646. On October 15, 2013, NW Natural filed replacement pages, reflecting updates to account balances. The proposed tariff sheet has an effective date of November 1, 2013.

Discussion:

In this filing, NW Natural is revising rates for the recovery of 2012 energy efficiency program costs under Schedule 215 – Energy Efficiency Services and Programs. The proposed adjustments seek to recover \$1,417,093, composed of the following:

	<u>Amount</u>
Deferred 2012 balance (including accumulated interest)	\$ 1,319,584
NW Natural 2012 Administration	\$ 12,466
Removal of 2011 Balance	\$ (469)
Estimated Interest during Amortization	\$ 23,556
<u>Revenue Sensitive Factor (4.372%)</u>	<u>\$ 61,955</u>
Total to be Amortized	\$ 1,417,093

The average monthly bill would increase by 1.0 percent for residential customers and 0.9 percent for commercial customers. The average residential customer using 56 therms would see a bill increase of \$0.58 per month, and the average commercial customer using 255 therms would see a bill increase of \$2.32 per month. The overall proposed increase in annual revenue is approximately \$679,700, or 0.9 percent of normalized total revenues.

The Schedule 215 rate adjustment is filed coincident with the company's annual PGA filing. As individual residential, commercial and industrial rate schedules incorporate the rate impacts of the PGA filing (UG-131962) as well as the energy efficiency program rates listed in Schedule 215, the combined rate impact to each rate schedule is reported under a third docket, Docket UG-131627.

Review of variance

In this filing, the company reports the 2012 energy efficiency program costs to be \$1,417,093. This amount is less than the lower end of the projected range for 2012 program costs of \$1,431,461 presented in the company's 2012 Energy Efficiency Business Plan.¹ In 2012, the company achieved 213,486 therms of savings, exceeding its goal of 212,550 therms with a benefit to cost ratio of 1.25 under the TRC test and 1.07 under the UCT.²

The proposed increase in rates is due primarily to 2012 being the first year of semi-annual payments to the company's energy efficiency program administrator, the Energy Trust of Oregon (ETO). 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. 2012 marked the beginning of a stable and ongoing semi-annual payment cycle to ETO. Due to this stabilized payment cycle, staff fully expects ongoing energy efficiency expenditures to be stable and future changes to Schedule 215 rates to be minimal.

Audit of Selected Expenditures

On October 11, 2013, 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 the offices and met with employees from both NW Natural and ETO.

During its review, staff uncovered no serious infirmities. 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.

As one area of improvement for NW Natural, staff feels it would be appropriate for NW Natural to implement an internal review of ETO's Washington expenditures billed to NW Natural. Although staff did not uncover any issues during its own review of ETO's line-item expenditures, we believe it is reasonable for NW Natural to have an internal review process that ensures ratepayer money is being efficiently spent. As ETO bills NW Natural semi-annually for administration of its energy efficiency programs, staff feels it is reasonable for NW Natural to implement a semi-annual review of ETO expenditures as they are billed to NW Natural.

Overall, staff believes that the 2012 program costs are accurately presented in this filing, and that the proposed new rates, effective November 1, 2013, are adequate to recover 2012 program costs

¹ Northwest Natural Gas Company, 2012 Energy Efficiency Plan, Docket UG-112068, Page 7 (December 1, 2011).

² Northwest Natural Gas Company, 2012 Annual Report, Docket UG-130621, Page 4 (April 25, 2013).

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.

Customer Comments:

In September, Northwest Natural mailed a bill insert notifying its customers of the proposed rate increase. The company also issued a news release to advise media and customers in its service territory of the specifics of the filing. The commission received no customer comments on this filing.

Conclusion:

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