

October 21, 2011

SENT VIA E-MAIL & ABC LMI

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: Replacement Filing, Annual Purchased Gas Cost Adjustment; Deferred Gas Cost Amortization Adjustments; and other Non-Gas Cost Amortization Adjustments
Docket No. UG-111587**

Dear Mr. Danner:

Public Counsel submits this letter in response to Northwest Natural Gas Company's ("NW Natural") annual purchased gas cost adjustment (PGA) filing made on September 1, 2011. The Company's PGA filing, in addition to gas cost updates, incorporates certain temporary rate adjustments. One such rate adjustment is to amortize the deferred costs of the Company's energy efficiency programs (Schedule G).¹ Our comments are limited to a discussion of the deferral and recovery of energy efficiency program costs within the PGA filing, and our interest in establishing a new process for conservation cost recovery outside of the PGA. We are taking this opportunity to provide an update on discussions between the Company, Public Counsel and Staff on this topic, and would welcome any input from the Commission.

A. Background

NW Natural currently defers energy efficiency program costs and recovers these on an annual basis in conjunction with its PGA filing in the fall. This cost recovery process began in conjunction with the Company's filed tariffs implementing a new energy efficiency program and revised low income energy efficiency program in Docket UE-091044.² The terms of these tariffs include the funding for Schedule G, Residential and Commercial Energy Efficiency Services and Programs. These terms state that costs incurred for the delivery of services and programs offered under this Schedule will be deferred, and each year the Company will seek recovery of ongoing program costs from

¹ The adjustment to rates for Schedule G Energy Efficiency Programs occurs within Schedule 215, Adjustment to Rates Energy Efficiency Services and Programs which rolls up into Schedule 201 Temporary (Technical) Adjustment to Rates.

² These programs were developed in consultation with the Energy Efficiency Advisory Group (EEAG) that formed in compliance to Order 04 in Docket UE-080546.

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Residential and Commercial customers through Schedule 215, coincident with the Company's Annual Purchased Gas Adjustment.³

NW Natural's Energy Efficiency Advisory Group (EEAG) has played an active role in helping the Company develop its energy efficiency programs and overseeing the initial pilot phase of program delivery under the Energy Trust of Oregon (ETO). In May, 2011, the Company filed a recommendation, in conjunction with the EEAG that the ETO should continue to deliver conservation programs for NW Natural's Washington customers. Public Counsel joined this recommendation and provided our support in a letter filed in Docket UE-080546.⁴ At that time, Public Counsel also stated our interest in discussing changes to the process by which NW Natural recovers energy efficiency program costs.

B. Appropriate Vehicle for Cost Recovery of Energy Efficiency Program Costs

Public Counsel believes that the recovery of energy efficiency program costs within the PGA filing does not encourage the most transparent review of annual program costs and results. In an era where a great deal of attention is being afforded to energy efficiency programs, we believe a separate and individual filing for energy efficiency program cost recovery, outside of the PGA filing, is appropriate. This separate filing should also include important details regarding program costs, anticipated savings, cost-effectiveness, and customer rate impact. We believe a separate filing for energy efficiency cost recovery would enable stakeholders to more fully review program costs, and also conforms to the manner in which the majority of Washington's electric and natural gas utilities recover energy efficiency program costs.⁵

C. Next Steps

Public Counsel has been in discussions with the Company and Staff during the past few months regarding possible changes to NW Natural's cost recovery process for energy efficiency program costs. The details of such a proposal have not yet been determined, but we are pleased that the

³ Docket UE-091044, Initial Filing, Re: Schedules G, H, and I, Energy Efficiency Programs, Attached Tariff Pages, Schedule G.

⁴ Public Counsel Letter, Re: Compliance Filing on Behalf of Northwest Natural Gas Recommending Ongoing Energy Trust Administration, Docket UG-080546, June 8, 2011.

⁵ Puget Sound Energy, PacifiCorp and Avista account for conservation program costs either through energy efficiency tariff riders, trackers or similar type mechanisms and recover costs through tariff revisions which are filed outside of a PGA filing. Puget Sound Energy's gas tracker was approved in Docket UE-950288 and its electric rider was approved in Docket UE-970686. PacifiCorp's System Benefit Charge was approved in Docket UE-001457. Avista's electric rider was approved in Dockets UE-941375 and UE-941377 and its gas rider was approved in Dockets UG-941376 and UG-941378. Cascade Natural Gas currently defers conservation costs and recovers these through its annual PGA filing. Public Counsel is interested in having discussions with Cascade regarding a cost recovery process for conservation costs outside of the PGA filing as well.

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Company has indicated a willingness to consider new approaches for cost recovery of energy efficiency program costs, outside of the PGA. Public Counsel would like to continue to such discussions with Staff and the Company. We hope that the Parties are able to reach consensus on a new approach for energy efficiency program cost recovery that can be presented to the Commission in conjunction with the Company's revised energy efficiency plan, anticipated to be filed on or about November 30, 2011.

Public Counsel appreciates the opportunity to provide comments in this docket and will be in attendance at the Open Meeting on October 27th, 2011, and available to answer any questions at that time.

Sincerely,

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