

Agenda Date: October 25, 2012
Item Number: A1

Docket: UG-121433
Company: Northwest Natural Gas Company

Staff: Chris McGuire, Regulatory Analyst
Roger Kouchi, Regulatory Analyst

Recommendation

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

Background

On March 19, 2012, in Docket UG-120369, Northwest Natural Gas Company, dba NW Natural, (NW Natural or company) committed to separate out energy efficiency program cost recovery from the company's annual Purchased Gas Adjustment and present it in a stand-alone tariff filing to allow for a separately docketed public process. On August 31, 2012, NW Natural 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. On October 15, 2012, NW Natural filed replacement tariff Sheet 215.1 updating forecasted Schedule 215 collections for August and September 2012 with actuals. The proposed tariff sheet has an effective date of November 1, 2012.

Discussion

In this filing, NW Natural is revising Schedule 215 to reflect adjustments to rates for the collection of 2011 energy efficiency program costs under Schedule G. The proposed rates seek to recover \$692,854 for 2011 program costs. These costs are composed of the following:

Deferred balance	\$ 606,553
Interest Accrued	\$ 64,026
NWN Administration	\$ 49,776
<u>Removal of Residual Unamortized Costs</u>	<u>\$ (27,501)</u>
Total to be Amortized	\$ 692,854

The average monthly bill impact of the amortization of Schedule G energy efficiency program costs incurred in 2011 is approximately 0.3 percent for residential customers and 0.3 percent for commercial Schedule 3 customers. The average residential customer using about 55 therms will pay an average of \$0.20 more each month, and the average Schedule 3 commercial customer using about 233 therms will pay an average of \$0.77 more each month.

The proposed increase in rates corresponds to the company's energy efficiency programs moving out of pilot phase. The company's energy efficiency programs were initially offered on a one-

year pilot basis through the Energy Trust of Oregon (ETO). 2011 marks the first full program year following the initial pilot period. The program continues to be administered by the ETO and reviewed within the company's Energy Efficiency Advisory Group. Due to a lag between the company's funding of ETO and its booking of program expenditures, the amount amortized for collection differs from actual calendar-year program costs. NW Natural annually forwards funds to ETO on specific dates for budgeted program expenditures. The amount paid each year is based on the costs necessary to meet the therm savings acquisition targets established in the company's Energy Efficiency Plan, less any carryover from the prior program year. In this filing, the 2011 amount being amortized for collection is \$692,854 while actual 2011 program costs were \$1,069,376.

In its 2011 Annual Report on NW Natural's Energy Efficiency Program, filed on April 23, 2012, in Docket UG-080546, the company reports acquiring 204,372 therm savings in 2011 at a program year cost of \$1,069,376. The company's 2011 portfolio-level Total Resource Cost ratio was 1.7 and its Utility Cost Test ratio was 2.6. The company exceeded its 2011 therm savings target range of 158,822 – 186,849 at a cost that was less than the \$1,212,000 – \$1,380,616 range forecasted in its 2011 Energy Efficiency Plan filed December 6, 2010, in Docket UG-101865.

Staff believes that the 2011 program costs are accurately presented in this filing, and that the proposed new rates, effective November 1, 2012, are adequate to recover 2011 program costs 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.

On October 19, 2012, Public Counsel filed comments recommending that the proposed tariffs be allowed to go into effect.

Customer Comments

On September 18, 2012, the company notified its customers of the proposed rate increase by paid advertisement in the Columbian newspaper. Northwest Natural also sent copies of the notice to community agencies, local newspapers, television and radio stations, and posted the notice on its website. The commission received no customer comments on this filing.

Conclusion

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