

Agenda Date: September 24, 2009
Item Number: A2

Docket: UG-091044

Company: Northwest Natural Gas Company

Staff: David Nightingale, Sr. Regulatory Engineering Specialist

Recommendation

Take no action, thereby allowing the proposed tariff filing in Docket UG-091044 by Northwest Natural Gas Company for the Energy Efficiency program to become effective October 1, 2009, by operation of law.

Background

Northwest Natural Gas Company (NW Natural or company) filed new tariff pages on June 30, 2009, followed by selected replacement tariff pages on August 28 and September 14, 2009. These submittals establish Energy Efficiency Programs for the Company's Washington customers as required by the Final Order Approving and Adopting Settlement Stipulation, Part D - Conservation, and Part F - Low-Income Programs, included on pages 7 and 8 of Docket UG-080546, Order 04, approved by the Commission on December 26, 2008.

This filing revises Schedule G for Energy Efficiency Services and Programs - Residential and Commercial customers, and Schedule I, for Low-Income Energy Efficiency programs. It also cancels Schedule F, the Residential High-Efficiency Furnace Program, and Schedule H, Commercial Energy Conservation Services Program which are superseded by the revised schedules. The proposed changes provide a broad conservation and energy efficiency program to all residential and commercial customers in the three counties served by NW Natural. NW Natural currently serves approximately 56,000 residential, 4,500 commercial, and 35 industrial customers in Clark, Skamania, and Klickitat Counties in Washington.

Discussion

Conservation Program Development

With the submission of this tariff Northwest Natural Gas Company (NW Natural) is offering their Washington customers a new level of conservation programs that mirror their offerings in Oregon as well as the offerings of other regulated utilities in Washington. NW Natural has developed this program by leveraging their existing relationship with the Energy Trust of Oregon (ETO) to expand various typical conservation programs to the Company's Washington customers.

NW Natural, ETO, various community service organizations, and UTC staff worked through a number of Energy Efficiency Advisory Group (EEAG) meetings to develop the scope and

implementation strategy for these new programs for residential and commercial customers in Clark, Skamania, and Klickitat Counties.

Due to the low number of industrial customers, a few dozen, and the lack of new construction in the Washington service area, the first year of the program will be focused on residential retrofits and commercial conservation measures and packages. A low-income energy efficiency program is also included in this tariff filing.

Proposed Tariff Impacts and Projected Results

The total program and administrative costs are estimated to be approximately \$998,000 in the first year of the program. These costs will be recovered by the Company in 2010 in accordance with the existing Schedule 215 tariff for energy efficiency programs. The expected residential rate impact from this tariff is as follows:

Residential Monthly Rates	Dollars per month	Percent Change
Current Average Billing	\$90.77	--
Energy Efficiency Program, increase	\$ 1.00	1.10%
Low-income Energy Efficiency, increase	\$ 0.07	0.08%
Projected Avg. Bill w/new tariff, total	\$91.84	1.18%

Until now the only residential program offered to NW Natural customers was for high-efficiency gas furnaces. The new tariffs allow for a much more comprehensive suite of energy efficiency services and programs. These include incentive and rebate programs for cost-effective energy measures such as shell improvements and retrofit (duct sealing, weatherization, etc.) or replacement of appliances (water heaters, furnaces, etc.).

The new programs are projected to:

- Save between 97,500 and 130,000 therms in the first year.
- Incur an average levelized cost for measures not to exceed \$0.65 per therm.

The start up costs for this program will be incorporated into the recovery tariff for the first year costs and are estimated to be only 11 cents of the \$1.00 per month energy efficiency services and programs cost per average residential customer. Although the benefits of startup will last beyond the first year, the level of impact to the rate payer was felt to be inconsequential by the EEAG in considering how the tariff might be best structured.

As required by the settlement, the ETO will implement this program on behalf of NW Natural for at least the first year. Tasks included in the contract with ETO include recruiting trade allies to perform the work, coordinating the local community agencies to implement the Low-Income programs, and monitoring the home building applications to discern when it will be appropriate to expand the program to new residential housing. ETO will also provide verification of the

results of the program to the Company and the EEAG. No program changes will be made by the ETO or NW Natural without first consulting with the EEAG.

Conclusion

This tariff revision is in the public interest and is consistent with the conservation goals of NW Natural's IRP and is in compliance with the settlement in Docket UG-080546. Therefore, Staff recommends the tariff pages filed in Docket UG-091044 be allowed to go into effect by operation of law.