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November 22, 2013

NWN WUTC Advice No. 13-8

VIA ELECTRONIC FILING

Steven King, Secretary and Executive Director
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION
1300 S Evergreen Park Drive, SW
Post Office Box 47250
Olympia, Washington 98504-7250

Re: Schedule G, Energy Efficiency Services and Programs – Residential and Commercial

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), files the following revisions to its Tariff WN U-6, stated to become effective with service on and after January 1, 2014:

Ninth Revision of Sheet G.1,
Schedule G,
“Energy Efficiency Services and Programs – Residential and Commercial.”

The purpose of this filing is to revise the Company’s Energy Efficiency Plan (EE Plan or Plan) which is attached and is by reference in Sheet G.1 part of the Company’s Tariff. The Plan is revised to include the 2014 calendar year program goals and budget.

The Company’s EE Plan outlines the parameters for the Company’s program, including guidance on when it will submit filings and reports. The Plan states that the Company will make a tariff filing each November to establish goals and performance metrics for the next calendar year. The Company was well along in the planning of its 2014 goals when the Commission’s Policy Statement on cost effectiveness was issued on October 9, 2013. The proposals put forth in this filing do not incorporate the consideration of the Commission’s Policy Statement because we did not have sufficient time to discuss this thoughtfully with our Energy Efficiency Advisory Group (EEAG), revise our goals accordingly, and meet the November filing requirement. We look forward to discussing with the EEAG in 2014 the Policy Statement and the implications it may have on the Company’s program. Until that time, the Company believes the goals and performance metrics it proposes herein are appropriate for the continued acquisition of therm savings that are cost effective on a portfolio basis using both the total resource cost (TRC) test and the utility cost test (UCT) as defined in the Schedule G of the Company’s tariff.

The Company expects that in 2014 it will spend approximately \$1.5 million on the acquisition of 240,000 therm savings in the residential and commercial sector. The Company will continue to maintain a benefit to cost ratio of 1.0 or better for its total portfolio using the TRC and UCT. Further, we propose maintaining the performance metrics of \$0.65 for the overall levelized cost per therm saved and \$6.50 or less for the first year therm cost. The Company's Washington Low Income Energy Efficiency (WA-LIEE) program will seek to treat 20 to 25 low income homes, acquiring up to 5275 therms saved at a cost of \$111,625.

Besides establishing 2014 goals and performance metrics, the Company is also changing the incentives offered on two existing measures and removing one from its commercial program offering. The proposed revisions are listed below followed by additional detailed for each:

- Revise the incentive for EnergySTAR gas certified fryers from \$1000 per fryer to \$800 per vat
- Increase the incentive for custom projects from \$1.00 per therm saved to \$1.50
- Cease offering an incentive for roof top unit (RTU)tune-ups

EnergySTAR Gas Fryers

The savings assumptions and incentives paid for gas fryers were initially based on the number of fryers installed. This measure is now being revised such that incentives will be granted on a per vat installed basis. The measure was initially based on fryers instead of vats because of the concern that split-vat fryers---where a single large vat has a divider and is used as 2 smaller vats--- could cause confusion and result in overstated savings. However, Energy Trust has observed more true multi-vat fryers in the market and realizes that counting savings on a per fryer basis has resulted in a lost opportunity to claim the real experienced savings for each vat. The new incentive for gas fryers is cost efficient at \$800/full size vat. A full size vat is a minimum of twelve inches wide, more typically fourteen to sixteen inches. Each split-vat will count as a single vat. This revision allows us to offer a more reasonable incentive on the smaller, less expensive fryers, and gives a larger incentive to customers with expensive multi-vat fryers.

Custom Projects

Our primary rationale in raising the incentive is that we believe \$1.50/therm is necessary to move the market and drive action. Customer project incentives are designed to facilitate the installation of energy savings opportunities identified during site specific studies which assess the feasibility of measures beyond those identified in the prescriptive measure list. Each project is individually screened for technical accuracy and cost-effectiveness. We are proposing to increase the project incentive from \$1/therm to \$1.50/therm, while maintaining an incentive cap not to exceed 50% of installation costs. The increase in custom-path project incentives is needed to move projects to installation in light of lower avoided costs on natural gas efficiency measures. Additionally, the \$1/therm incentive represents a relatively low percentage of project costs. To date, the average percentage of project costs covered by custom-path incentives in Southwest Washington is 11%, and no incentive has exceeded 23% of project costs. A shift to \$1.50/therm will improve customer's return on investment and will offset a greater percentage of project costs.

Since each custom project is unique, generalized support documentation justifying this measure and a benefit cost ratio (BCR) calculator cannot be provided. Each project is individually assessed to ensure the saving procured are cost effective.

Roof-Top Units (RTU) Tune Ups

The RTU tune up incentive is being discontinued in response to a billing analysis performed on projects installed in 2010 and 2011 that indicated negative savings across multiple project sites.

In support of these revisions, attached are the following work papers:

- **Exhibit A** - A table summarizing the three measure changes for 2014
- **Exhibit B** - Energy Trust's blessing memo for gas fryers, which outlines their justification for offering the proposed incentive for cost effective savings.
- **Exhibit C** - A BCR calculator for the EnergySTAR gas fryers that demonstrates that gas fryers have a Utility BCR of 3.3 and a societal BCR of 1.5.
- **Exhibit D** - A write-up explaining the reason for discontinuing the RTU tune-up measures.
- **Exhibit E** - A BCR calculator for the RTU tune ups that demonstrates that gas fryers have a Utility BCR of 0 and a societal BCR of 0.

The Company has shared this filing with its Energy Efficiency Advisory Council.

The Company respectfully requests that the tariff sheet filed herein be approved to become effective with service on and after January 1, 2014.

As required by WAC 480-80-103(4)(a), I certify that I have authority to issue tariff revisions on behalf of NW Natural.

A copy of the filing is available for public inspection in the Company's main office in Portland, Oregon and on its website at www.nwnatural.com.

Please address correspondence on this matter to me with copies to the following:

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Please call me if you have any questions.

Sincerely,

/s/ Jennifer Gross

Jennifer Gross
NW Natural

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