

Rates and Regulatory Affairs
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February 18, 2010

Dave Danner, Executive Director & Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: UG 080546 - Petition for Declaratory Ruling on Order No. 04

Dear Mr. Danner:

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby files the enclosed Petition for a Declaratory Ruling on Order No. 04 in Docket No. UG 080546.

Please contact me at (503) 226-4211, extension 3590, if you have any questions.

Sincerely,

/s/ Jennifer Gross

Jennifer Gross
Rates & Regulatory Affairs

enclosures

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION
DOCKET UG-080546

In the Matter of)	Petition for a Declaratory Ruling
NW Natural Gas Company)	on Final Order
For a Petition for Reconsideration of)	
Final Order No. 04)	
)	

Pursuant to RCW 34.05.240 and WAC 480-07-930, NW Natural Gas Company dba NW Natural (“NW Natural” or the “Company”) hereby petitions the Washington Utilities and Transportation Commission (“WUTC”) for a declaratory ruling on the following language in Order No. 04 to Docket UG-080546:

The stipulation anticipates that NW Natural will rely on the Energy Trust of Oregon (ETO) to deliver the Company’s energy efficiency programs in Washington, initially through a *one-year* pilot program.¹ (Emphasis added.)

The Full Settlement Stipulation (“Stipulation”) filed on October 21, 2008, which Order No. 4 adopts, similarly states,

. . . Parties agree that the Company has demonstrated a prima facie case supporting the retention of ETO to deliver energy efficiency programs for the Company in Washington, and will support the Company retaining ETO for this purpose on a pilot basis for a one-year period.²

The Stipulation further explains that after the one-year pilot, the Company will, in consultation with an Energy Efficiency Advisory Group (“EEAG”) made up of interested parties to the rate case, evaluate the cost-effectiveness of continued

¹ Order No. 04, Final Order Approving and Adopting Settlement Stipulations; Authorizing and Requiring Compliance Filing, Docket UG-080546, page 7, December 26, 2008 (“Order No. 04”).

² Full Settlement Stipulation, page 5 (“Stipulation”).

use of the Energy Trust of Oregon (“ETO”) for delivering the Company’s Washington energy efficiency programs. The Stipulation and resulting settlement did not foresee that such explanatory language could be read as precluding the ETO from delivering the Company’s program while the decision regarding cost-effectiveness is being made.

NW Natural hereby requests that the Commission consider revising or clarifying the wording in Order No. 04 to allow the ETO to continue delivering the Company’s energy efficiency programs throughout the period that the cost-effectiveness decision is being made, and in the event the decision is made to not retain the ETO as program administrator, throughout the period during which a new program administrator is selected and established.

In the event the decision is made to change program administrators, allowing the ETO to continue delivering energy efficiency programs to the Company’s customers while a new program administrator is established will prevent customers from being without energy efficiency options while the change is being made. NW Natural presumes changing administrators will require issuing a Request for Proposal (RFP) for a new third party administrator and drafting a contract prior to program planning and actual implementation. If the determination is made that NW Natural should deliver the energy efficiency programs in-house, the Company will need to hire employees before it can develop a new program. Changing program administrator will take time; and, if it is required, it will be because the decision has been made that the energy efficiency programs can be delivered in a more cost-effective manner. A change or improvement in the administrator in order to achieve more cost-effective energy efficiency programs cannot be made with hasty selection, design and implementation. Therefore, NW Natural believes it is reasonable and in its customers’ best interests to have the ETO continue to deliver the energy efficiency programs while the decision regarding its retention is made, and in the

event a new program administrator is to be established, during the selection and implementation for that new program administrator.

This petition is being filed simultaneously with WUTC Advice No. 10-2, wherein the Company seeks to revise its Energy Efficiency Plan which is by reference part of Tariff Schedule G. Revisions requested in WUTC Advice No. 10-2 are consistent with the plea contained herein.

Communications to NW Natural concerning this proceeding should be addressed to:

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BACKGROUND

On March 28, 2008, NW Natural filed a rate case with the WUTC which was docketed as UG-080546. On October 21, 2008, parties to that case jointly filed a Full Settlement Stipulation ("Stipulation"). The Stipulation outlined the plan by which the Company, in conjunction with the EEAG, would develop an energy efficiency program to be administered by the ETO. The Stipulation was adopted by Commission on December 26, 2008, in Order No. 04.

On June 30, 2009, the Company filed WUTC Advice No. 09-7 (Docket No. UG-091044) which established the ETO-delivered residential and commercial energy efficiency programs which became effective on October 1, 2009.

The Stipulation provides for a process whereby the ETO's performance will be evaluated after its first program year. The first full program year will conclude on September 30, 2010.

DISCUSSION

After the first one year program period, the Company and the EEAG are to "evaluate the cost-effectiveness of continued use of the ETO for delivering the Company's energy efficiency programs in Washington".³ Cost effectiveness is clearly defined in the Company's Schedule G, Energy Efficiency Services and Programs – Residential and Commercial, as based on the results of two benefit cost ratio (BCR) tests: 1) A Total Resource Cost (TRC) test which looks at the total benefits attributable to the program divided by the total program costs; and 2) A Utility Cost (UC) test that measures the present value of the energy savings divided by the net costs incurred by the program.⁴

While the Stipulation does not foresee the Company and the EEAG making the year-end decision based on anything other than cost-effectiveness, the Company concurred with an EEAG recommendation to also base the year-end decision on the results of a benchmarking study.⁵ This study will be performed by a third-party contractor who will: 1) assess the cost and value of other natural gas utility energy efficiency programs delivered in Washington; 2) compare these results to NW Natural's ETO-delivered program; and 3) determine how much it would cost the Company to deliver its own program.

The ETO-delivered pilot program began on October 1, 2009 and will end on September 30, 2010. The Company's Energy Efficiency Plan establishes how the EEAG will be informed of ETO's performance. Quarterly reports will be due February 25, 2010, May 25, 2010 and August 25, 2010. A comprehensive annual report will be filed with the Commission on January 25, 2011. The delay

³ *Ibid.*

⁴ For more information see Schedule G.

⁵ The Company has incorporated this requirement in its Energy Efficiency Plan which is by reference part of Schedule G.

between the end of the pilot year and the delivery of the comprehensive annual report is necessary because program offerings are honored for up to 120 days. A customer may commit to participate in the program during the first twelve months, but its measure may be installed up to three months after it commits, which could be up to three months after the program year has ended. This lag must be accounted for in order to fully understand first-year results. After the 120-day period, ETO contractors must report their annual results which will then be compiled in the comprehensive annual report.

The results of the comprehensive annual report will inform the benchmarking study, which will be delivered to the Company and the EEAG by March 25, 2011. The Company will meet with the EEAG by April 25, 2011, to determine its recommendation, which will be filed with the Commission no later than May 25, 2011. This schedule allows a reasonable amount of time for EEAG members to meet and consider the comprehensive annual report as well as the findings in the benchmarking study.

This process exceeds the one-year timeframe stipulated in Order No. 04. The Company would like for the ETO to continue delivery of its Washington energy efficiency programs during the time it takes for this decision making process.

If the recommendation is that the ETO continue as NW Natural's energy efficiency program administrator, the ETO should be allowed to continue its work without interruption. If the recommendation is to change the energy efficiency program administrator in order to achieve a more cost-effective program, making the change in program administrator will take time. Improvements to increase the cost-effectiveness of the energy efficiency programs cannot be made with hasty program design and implementation. Indeed, it took ten months to launch the ETO-delivered program, which was leveraged off of the offering already being delivered in NW Natural's Oregon service territory. The Company cannot predict how long it may take to establish an energy efficiency program

administrator that may be recommended at the end of the review of the one-year pilot period. Therefore, NW Natural believes it is reasonable and in its customers' best interest to have the ETO deliver its program beyond the first one-year period and, and if a new program administrator is desired, until a new program administrator is selected and implemented. During this interim period, the Company will provide the EEAG with quarterly reviews that will detail the ETO's performance and the Company's progress in establishing a new energy efficiency program administrator.

NW Natural would prefer to ensure that its customers have continuous access to energy efficiency programs, especially during heating seasons. NW Natural believes clarification of the intent behind the wording in Order No. 04 defining this pilot as "one-year" is in its customers' best interest. The Company also believes continuous delivery of its energy efficiency program is appropriate per WAC 480-90-238, which requires that energy utilities procure all cost-effective demand side management (DSM) identified in their Integrated Resource Plans (IRP). The acquisition trajectory forecast in the IRP cannot be sustained if the energy efficiency programs are stopped and then restarted.

Prior to the establishment of the current ETO-delivered energy efficiency program, the Company did not have a robust energy efficiency program in Washington. Customers have been receptive to the new energy efficiency program offerings. It is not in the State's best interest that the Company regress in its acquisition of energy efficiency.

CONCLUSION

In Conclusion, NW Natural requests that Commission clarify that Order No. 04 in Docket No. UG-080546 does not prohibit the ETO from continuing to deliver the Company's energy efficiency programs throughout the period that the cost-effectiveness decision is being made, and in the event the decision is made to not retain the ETO as program administrator, throughout the period during

which a new program administrator is selected and established. The Company believes this request is in the spirit of the settlement agreement: Customers will not be harmed because the Company and the EEAG will be continually evaluating the ETO's performance and finally making the recommendation they deem is best for cost-effective DSM acquisition.

DATED: February 18, 2010

NORTHWEST NATURAL GAS COMPANY

/s/ Jennifer Gross

Jennifer Gross
Rates and Regulatory Affairs