

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

NORTHWEST NATURAL GAS
COMPANY d/b/a NW NATURAL

Petitioner,

Seeking an Order Approving Natural Gas
Potential Conservation Assessment

DOCKET UG-230427

ORDER 01

APPROVING NATURAL GAS
CONSERVATION POTENTIAL
ASSESSMENT

BACKGROUND

- 1 RCW 80.28.380 requires gas companies to identify and acquire all conservation measures that are “available and cost effective.” Each utility must establish an acquisition target every two years. The Washington Utilities and Transportation Commission (Commission) must approve the acquisition target by order. These targets must be based on a conservation potential assessment (Conservation Potential Assessment or CPA) prepared by an independent third party and approved by the Commission. The analysis used to identify all cost-effective conservation must include the cost of greenhouse gas emissions established in RCW 80.28.395.
- 2 On June 1, 2023, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed its 2023 Conservation Potential Assessment prepared by Applied Energy Group (AEG). In the CPA, Applied Energy Group provides an analysis of the available and cost-effective conservation potential for NW Natural from 2024 to 2050. AEG identified first-year natural gas energy efficiency achievable economic potential of 355,000 therms under the Total Resource Cost (TRC) test and 518,000 therms under the Utility Cost Test (UCT), with additional savings in subsequent years.¹
- 3 NW Natural’s previous CPA was approved by the Commission in 2021, subject to the following condition:

The Company will file the full CPA model (confidentially where necessary) with the Commission when seeking approval of the CPA. The Company will

¹ NW Natural 2023 CPA Report, Table ES-1, page ii, Docket UG-230427. Cumulative available economic TRC potential for 2024 and 2025 identified as 720,000 therms.

coordinate one or more structured, technical discussions as the CPA is developed to discuss the CPA model with Commission Staff, other interested stakeholders, and the independent third party performing the CPA. The Company will work with Staff to establish a timeline and additional supporting documentation required for Staff review.²

4 Staff believes that NW Natural has met the requirements of this condition and has provided the full CPA model with Commission in this docket.

5 Staff observes that during the approval process of the 2021 gas CPAs, Staff recommended that the Commission include a condition which required gas companies to include transportation customers in future CPA analyses.³ The Commission ultimately decided that it did not have enough information to take action on the subject of transportation customers at that time. NW Natural did however direct AEG to evaluate potential for these customers in its 2023 CPA, reporting 78,000 therms of first year savings and 923,000 therms of cumulative achievable economic potential by 2035.⁴ Staff appreciates the Company's evaluation of conservation potential for transportation customers but does not recommend, at this time, that the Commission require the evaluation of transportation customers in future CPA filings as a condition in its Order. Staff anticipates further discussions on this issue with the Company.

DISCUSSION

6 We approve the Company's Conservation Potential Assessment, taking effect for the 2024 - 2025 biennium.

7 We agree that NW Natural's CPA for the 2024 - 2025 biennium meets the requirements of the statute and the condition in Order 01 of Docket UG-210773 and should be approved. The CPA was prepared by an independent third party and reasonably reflects all available and cost-effective conservation measures typically considered.

² *In the Matter of the Petition of NW Natural Gas Company*, Docket UG-210773 Order 01 ¶¶ 11, 13 (October 14, 2021).

³ NW Natural refers to transportation customers as "nonresidential natural gas consumers, typically large industrial users, who purchase natural gas from an alternate supplier, but use NW Natural's distribution system to deliver the fuel to their sites." *See* NW Natural 2023 CPA Report, Docket UG-230427, pg. 3.

⁴ NW Natural 2023 CPA Report, Table 6-4, page 54, Docket UG-230427

8 NW Natural's CPA followed the Northwest Power and Conservation Council (NWPCC) methodology and past standard practice to identify conservation potential. With regards to the specific cost-effectiveness tests, NW Natural notes that it uses both the TRC and UCT. The Company includes the social cost of greenhouse gas as an avoided cost. We find this approach adequate and approve of the CPA but recognize that this is a complicated issue that deserves further consideration in the coming years. The Commission likewise approves of the CPA's evaluation of transportation customers as one element of the Company's CPA pursuant to RCW 80.28.380.

FINDINGS AND CONCLUSIONS

- 9 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including gas companies.
- 10 (2) NW Natural is a gas company and a public service company subject to Commission jurisdiction.
- 11 (3) NW Natural is subject to RCW 80.28.380, which requires the Company to determine a conservation acquisition target every two years.
- 12 (4) NW Natural's Conservation Potential Assessment was prepared by an independent third party and followed NWPCC methodology.
- 13 (5) NW Natural identifies 355,000 therms of natural gas energy efficiency economic achievable potential for core customers in 2024, with additional savings in subsequent years.
- 14 (6) NW Natural identifies 78,000 therms of natural gas energy efficiency economic achievable potential for transportation customers in 2024, with additional savings in subsequent years.
- 15 (7) NW Natural has provided the full Conservation Potential Assessment model and supporting workpapers, per Order 01 of Docket UG-210773.

- 16 (8) This matter came before the Commission at its regularly scheduled meeting on September 14, 2023.
- 17 (9) After reviewing NW Natural's Conservation Potential Assessment filed on June 1, 2023, and giving due consideration to all relevant matters, the Commission finds that NW Natural's Conservation Potential Assessment should be approved.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Northwest Natural Gas Company d/b/a NW Natural's Conservation Potential Assessment filed on June 1, 2023, meets the requirements of RCW 80.28.380, and the condition set forth in paragraph 11 of Order 01 in Docket UG-210773.
- 19 (2) The Commission retains jurisdiction over the subject matter and Northwest Natural Gas Company d/b/a NW Natural to effectuate the provisions of this Order.
- 20 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective September 14, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

KATHY HUNTER
Acting Executive Director and Secretary