

Agenda Date: August 22, 2024  
Item Number: D6

**Docket:** UG-210831  
Company: Northwest Natural Gas Company d/b/a NW Natural

Staff: Joshua Dennis, Regulatory Analyst  
Emily Gilroy, Regulatory Analyst

### **Recommendation**

Issue an order in Docket UG-210831 finding that Northwest Natural Gas Company d/b/a NW Natural:

1. Has complied with the reporting requirements in Order 01, Docket UG-210831, accepting the Company's Biennial Energy Efficiency Plan,<sup>1</sup>
2. Achieved 739,694 therms of savings during the 2022-2023 biennium, and
3. Is in compliance with its biennial gas conservation target of 650,915 therms accepted in Order 01.

### **Background**

On June 14, 2024, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed their 2022-2023 Biennial Energy Efficiency Report (BEER) with the Washington Utilities and Transportation Commission (Commission). On June 24, 2024, the Commission filed a Notice of Opportunity to Comment and Notice of Opening Meeting. The BEER is a required reporting element of Order 01 in NW Natural's Biennial Energy Efficiency Plan (BEEP).<sup>2</sup> The Company reports that it acquired savings of 739,694 therms, sufficient savings to meet the biennial target of 620,915 therms.

NW Natural services approximately 85,000 customers in its Washington service territory which encompasses Skamania, Clark, Klickitat, and Cowlitz counties. The Company relies on Energy Trust of Oregon to design, implement, and report on their conservation efforts.<sup>3</sup>

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<sup>1</sup> *In the Matter of Northwest Natural Gas Co. d/b/a NW Natural's 2022-2023 Biennial Acquisition Target Under RCW 80.28.380*, Docket UG-210831, Order 01 (Jan. 18, 2022). (2022 BEEP).

<sup>2</sup> *In the Matter of Northwest Natural Gas Co. d/b/a NW Natural's 2022-2023 Biennial Acquisition Target Under RCW 80.28.380*, Docket UG-210831, Order 01 Attachment A at 6 (Jan. 18, 2022). (Order 01 Attachment A).

<sup>3</sup> *In the Matter of Northwest Natural Gas Co. d/b/a NW Natural's 2022-2023 Biennial Acquisition Target Under RCW 80.28.380*, Docket UE-210831, Northwest Natural's Revised 2022-2023 Biennial Energy Efficiency Report at 6, (June 14, 2024) (2022-2023 BEER).

## Discussion

Commission Staff (Staff) notes that the Company reports that 2022-2023 biennium was a difficult period for conservation achievement. NW Natural discussed many challenges, such as inflation; Washington new building codes; and Community Action Partners as a factor influencing efficiency. These challenges aside, NW Natural was able to achieve the conservation targets set in its 2022-2023 BEEP. During this biennium, NW Natural employed several adaptive management strategies. These included expanding online offerings, raising incentives in response to inflation, and focusing on vendor support.<sup>4</sup> The Company also conducted targeted outreach to customer focused businesses in Named Communities and increased application-specific outreach efforts.

Table 1 summarizes the Company's gas conservation target achievements as outlined in the Company's biennial and annual conservation reports.

**Table 1: 2022-2023 Gas Conservation Overall Targets and Achievements (therms)<sup>5</sup>**

A	Total Conservation Goal	619,915
B	Decoupling Threshold Met	N/A
C	Total Reported Savings	739,694
D	% of Total Conservation Goal Achieved (C/A X 100%)	119%

NW Natural's programmatic forecast and actual costs and savings from NW Natural's BEER are reflected in Table 2. Market Transformation savings from participating in the Northwest Energy Efficiency Alliance (NEEA) were not included in the conservation savings target in their BEEP.<sup>6</sup>

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<sup>4</sup> 2022 BEEP at 3.

<sup>5</sup> Id at 4.

<sup>6</sup> Id.

**Table 2: Programs from 2022-2023 Forecasted Costs/Savings v. Actual Costs/Savings<sup>7</sup>**

Programs	Forecasted Costs	Actual Costs	Budget Variance	Forecasted Savings (therms)	Actual Savings (therms)	Savings Variance
Commercial	\$2,709,748	\$2,958,794	+9%	351,447	428,038	122%
Residential	\$3,182,266	\$3,328,939	+5 %	255,905	240,612	94%
Low-Income Weatherization (WA-LIEE)	\$302,136	\$179,460	-51%	13,563	4,052	30%
Market Transformation	\$176,296	\$176,296	0%	N/A	66,992	N/A

NW Natural conservation pilot programs have reached the implementation phase. The Company had the opportunity to assess their behavioral energy efficiency program (BEE)<sup>8</sup> and the industrial audit conservation offerings.<sup>9</sup> NW Natural contracted with Energy350 to provide energy efficiency audits a pilot conservation program directed at the industrial sector in their Washington service territory in 2022. Due to low uptake, The Company is ending the industrial audit and will be consulting with their Energy Efficiency Advisors Group (EEAG) on the future direction of the Industrial conservation program.<sup>10</sup> Staff discussed this issue with the Company and discovered that NW Natural has exhausted the available industrial customers who were interested in taking part in the program in their Washington service territory.

NW Natural’s Washington Low-Income Energy Efficiency (WA-LIEE) is a program designed to offer energy efficiency weatherization to income-eligible households. The program includes a Health, Safety, and Repair allowance to address safety concerns that may impact effectiveness of energy efficiency measures. The Company utilizes weatherization to comply with gas conservation requirements.

<sup>7</sup> *In the Matter of Northwest Natural Gas Co. d/b/a NW Natural’s 2022-2023 Biennial Acquisition Target Under RCW 80.28.380, Docket UE-210831, Northwest Natural’s Revised 2022-2023 Biennial Energy Efficiency Report at 4-5 (June 14, 2024).*

<sup>8</sup> Behavioral Energy Efficiency (BEE) pilot launched in Q4 2023 run by third-party, Bidgely. NW Natural reports no savings from the program for the year 2023.

<sup>9</sup> The conservation efforts were established in RCW 80.28.380(1) where gas companies, “must identify and acquire all conservation measures that are available and cost-effective” and that “[Acquisition] targets will result in the acquisition of all resources identified as available and cost-effective. NW Natural, in following the law sought out conservation programs that they never have before in the residential and industrial sectors, respectively. As their pilot programs mature, the Company is looking to refine offerings for those customers using lessons learned in these pilots.

<sup>10</sup> *In the Matter of Northwest Natural Gas Co. d/b/a NW Natural’s 2022-2023 Biennial Acquisition Target Under RCW 80.28.380, Docket UE-210831, Northwest Natural’s Revised 2022-2023 Biennial Energy Efficiency Report at 19 (June 14, 2024).*

Staff found a significant change between planned and actual expenditures for the WA-LIEE program, which spent under budget by \$152,703 in this biennium. Additionally, the program achieved only 4,052 therms in savings, representing 30 percent of the forecasted target. The Company informed Staff that the community action partner has faced challenges that have affected the agency's ability to operate at full capacity.<sup>11</sup>

To that end, Staff suggests the Company examine the factors contributing to the shortfall in the WA-LIEE program and develop targeted strategies to enhance its effectiveness.<sup>12</sup> By addressing these challenges, NW Natural can ensure a more comprehensive and inclusive approach to energy conservation that benefits all customers, particularly those in low-income households whom this program directly effects.

In contrast, the success of the commercial programs grabbed Staff's attention. Commercial programs accounted for a significant 41 percent of the Company's entire conservation portfolio. This reliance on commercial savings highlights the need to balance conservation initiatives to ensure benefits are equitably distributed.

The percentage of therms savings targets achieved from 2020 through 2023 is illustrated by Table 3 below.

**Table 3: Comparison of Targets by year 2020-2023 (therms)**

	2020 <sup>13</sup>	2021 <sup>14</sup>	2022 <sup>15</sup>	2023 <sup>16</sup>
Budget Goal	\$2,579,667	\$3,069,312	\$3,236,040	\$3,627,968
Budget Actual	\$2,363,539	\$3,322,803	\$3,487,654	\$3,521,350
Target	339,331	399,957	324,147	287,333
Achieved	320,170	360,313	430,470	306,399
Percent achieved	94%	90%	133%	107%

<sup>11</sup> *Id* at 15.

<sup>12</sup> Staff found an error in reporting on the WA-LIEE program in the Biennial Conservation Report Staff memo. Staff would like to point out that in Staff Comments filed in Docket UG-210831, there is a typo that was found on page 26. The sentence reads, "On average, they reimbursed each home \$7,639.61 for an estimated thermal savings of 101,471 therms." The correct estimated thermal savings is 1,471 therms for the WA-LIEE program overall.

<sup>13</sup> *In re Northwest Natural Gas Co.'s 2020 Annual Conservation Report*, Docket UG-190987, 2020 Annual Energy Efficiency Report at 6, (June 01, 2021).

<sup>14</sup> *In re Northwest Natural Gas Co.'s 2021 Annual Energy Efficiency Report*, Docket UG-200964, 2020 Annual Energy Efficiency Report at 7, (June 1, 2022).

<sup>15</sup> 2022 BEER at page 7.

<sup>16</sup> *Id.* at 8.

The comparison shows a steady progression in savings achieved from the last biennium. Staff notes that overall, the trend shows a substantial increase in 2022 after a minor decline in 2021. However, the high achievement rate in 2022 dipped slightly in 2023, although the rate remained above 100 percent, showing the Company's targets were still exceeded. This pattern highlights a period of recovery and improvement post-2021, followed by a slight regression in 2023. Staff applauds NW Natural for successfully meeting its biennial acquisition target for cost-effective conservation under RCW 80.28.380.

As of August 14, 2024, no party other than Staff has filed comments in this docket.

**Conclusion**

Staff recommends that the Commission issue an order in Docket UG-210831 finding that Northwest Natural Gas Company has complied with the reporting requirements in Order 01, Docket UG-210831, and has met the compliance requirements of the Company's 2022- 2023 Biennial Energy Efficiency Plan.