



Rob McKenna

## ATTORNEY GENERAL OF WASHINGTON

800 Fifth Avenue #2000 • Seattle WA 98104-3188

April 19, 2012

### **SENT VIA E-MAIL & ABC LMI**

David Danner  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Pk. Dr. S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Schedule G, Energy Efficiency Services and Programs—Residential and Commercial, Docket UG-120369**

Dear Mr. Danner:

Public Counsel submits this letter in response to Northwest Natural Gas Company's ("NW Natural" or "The Company") March 19, 2012, tariff filing revising the Company's Energy Efficiency Plan to add two new residential energy efficiency measures to the Company's offering and to include parameters for the Company's annual filing for cost recovery. Public Counsel is supportive of the new measure offerings which include a tank water heater and solar thermal pool heating system collector. Our comments in this letter are limited to a discussion of the new proposed process for cost recovery of energy efficiency program costs.

### **Public Counsel Recommendation**

Public Counsel supports the tariff filing which adds two new energy efficiency measures to the Company's program offerings and modifies the process for cost recovery of energy efficiency program costs.

#### **A. Background**

NW Natural currently defers energy efficiency program costs which are later amortized for recovery in temporary rates which are adjusted annually within the Company's PGA filing. Public Counsel and Staff have been in discussions with the Company over a number of months to develop a new process for recovery of energy efficiency program costs. In these discussions Public Counsel has advocated for the Company to move to a separate and individual tariff filing for energy efficiency program cost recovery, outside of the PGA filing. We believe this will enable stakeholders to more

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fully review program costs and results.<sup>1</sup> Public Counsel also advocated for transparency of energy efficiency program costs to NW Natural's customers, and has expressed its desire that the customer bill include the amount each customer is paying toward energy efficiency programs. We also believe that including the cost for the energy efficiency program on a customers' bill would increase customer awareness of the energy efficiency program itself. In the Company's December 1, 2011, filing to revise the Energy Efficiency Plan to include new program offerings as well as budget and performance metrics for the 2012 calendar year, the Company stated that it would "continue working with Staff and Public Counsel to determined an approach to cost recovery that will include a separate tariff filing for the amortization of costs and a statement on the bill of the amount each customer is paying toward energy efficiency."<sup>2</sup> This filing provides the Company's updated proposal for cost recovery.

**B. Proposal for Cost Recovery of Energy Efficiency Program Costs**

NW Natural is proposing, beginning in 2012, to submit an annual "stand-alone" tariff filing for energy efficiency program cost recovery. This filing would be separately docketed and would include the proposed rate change specifically associated with conservation program costs. In addition, this filing would include the following new components:

- Program expenditures compared to budget for the program year as well as background on the Company's energy efficiency programs and cost recovery process.
- The annual conservation report for the prior year which includes cost effectiveness results, total program savings, evaluation results and achievement of program metrics.
- The average monthly bill impact of the proposed rate for customers and workpapers demonstrating the analysis behind the collection rate.

It is Public Counsel's understanding that the proposed adjustments to rates for the energy efficiency program would still occur within Schedule 215 which rolls up into Schedule 201 (the temporary technical adjustments to rates that take effect within the Company's PGA filing). What this means is that while the cost recovery for the energy efficiency program would be a separate tariff filing and docket, it would be filed concurrently with the PGA and the rate changes associated with the energy efficiency program would continue to occur within the Company's annual PGA filing as one overall rate change.

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<sup>1</sup> Public Counsel Letter to David Danner, Re: Replacement Filing, Annual Purchased Gas Cost Adjustment; Deferred Gas Cost Amortization Adjustments; and other Non-Gas Cost Amortization Adjustments, Docket No. UG-111587, October 21, 2011.

<sup>2</sup> Docket UE-112068, Re: Schedule G "Energy Efficiency Services and Program—Residential and Commercial," p. 14, December 1, 2011.

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The Company is also proposing, beginning on January 1, 2013, to include a message on all customers' bills stating how much of their current monthly bill represents costs collected to pay for the residential and commercial energy efficiency program.<sup>3</sup>

Public Counsel is pleased that the Company has agreed to begin filing a separate "stand-alone" tariff filing for energy efficiency program cost recovery. It is anticipated that the new filing will include a significant amount of information surrounding the annual program expenditures that has not been provided with previous PGA filings, and will allow for a more transparent review of annual program costs and results. We believe this will have a positive impact on the development and evolution of the Company's energy efficiency program. With respect to the proposed cost recovery approach, Public Counsel would have preferred that the rate change for conservation program costs be completely separate from the PGA, such as a tariff rider or tracker mechanism which is utilized by other Washington electric and natural gas investor-owned utilities.<sup>4</sup> However, we understand that other stakeholders were concerned with implementing additional rate change filings as this can have a negative impact on rate stability for customers. In addition, Public Counsel supports the Company's proposal to provide the costs for the conservation program on customer bills.

At this time Public Counsel offers its support for the Company's proposals for modification to the cost recovery process and bill messaging. However, with any new change there is learning curve that follows. We look forward to monitoring this new process in the year ahead and may have suggestions for modifications in the future.

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<sup>3</sup> Docket UG-120369 Re: Schedule G "Energy Efficiency Services and Programs—Residential and Commercial," p. 13, March 19, 2012.

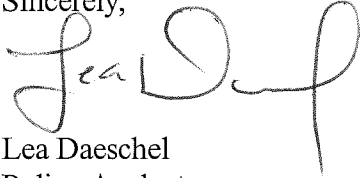
<sup>4</sup> Puget Sound Energy, PacifiCorp and Avista account for conservation program costs either through energy efficiency tariff riders, trackers or similar type mechanisms and recover costs through tariff revisions that are filed outside of a PGA filing. Cascade Natural Gas currently defers conservation costs and recovers these through its annual PGA filing. Public Counsel is interested in having discussions with Cascade regarding a cost recovery process for conservation costs outside of the PGA filing as well.

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Public Counsel appreciates the opportunity to provide comments in this docket and will be in attendance at the Open Meeting on April 26, 2012, and available to answer any questions at that time.

Sincerely,

A handwritten signature in black ink, appearing to read "Lea Daeschel". The signature is fluid and cursive, with the first name "Lea" written in a larger, more prominent script than the last name "Daeschel".

Lea Daeschel  
Policy Analyst  
Public Counsel  
(206) 464-6380

cc: Mark Vasconi (e-mail)  
Thomas Schooley (e-mail)  
Vanda Novak (e-mail)  
Deborah Reynolds (e-mail)  
Jennifer Gross (e-mail)