



Bob Ferguson

ATTORNEY GENERAL OF WASHINGTON

800 Fifth Avenue #2000 • Seattle WA 98104-3188

October 24, 2014

VIA UTC E-FILING PORTAL

Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: Schedule 215: NW Natural Gas Company Adjustment to Rates for Energy Efficiency Service and Programs, Docket UG-143333

Dear Mr. King:

Public Counsel submits this letter in response to NW Natural Gas Company's (NW Natural's) 2013 energy efficiency program cost recovery filing submitted on September 15, 2014. These comments address Public Counsel's review of the expenditures for the 2013 energy efficiency program year and the proposed rate adjustment. Public Counsel understands that this docket will be on the no-action agenda at the October 30, 2014, Open Meeting and does not request the Commission take any action at this time.

A. Summary of Filing.

NW Natural's filing seeks to amortize \$1,388,562 in costs associated with its energy efficiency program for 2013. This results in an overall proposed decrease in annual revenues of \$28,531 or 0.1 percent. Under the proposed decrease, the average residential customer using 57 therms per month will see a bill decrease of 8 cents per month for a total bill of \$60.87 and the average commercial customer using about 252 therms per month will see a bill decrease of 25 cents per month for a total bill of \$253.54. Public Counsel reviewed the rate adjustment workpapers associated with the Company's filing, including the monthly deferral amounts and detailed support behind the deferrals. Public Counsel did not identify any issues with the development of the rate adjustment.

B. Energy Efficiency Program Expenditures Audit.

Public Counsel participated in an audit of NW Natural's conservation expenditures for the 2013 program year. This included reviewing a list of all energy efficiency related transactions for the program year as well as invoices and receipts for a select list of transactions. During this

ATTORNEY GENERAL OF WASHINGTON

To: Mr. King
Re: Docket UG-143333
October 24, 2014
Page 2

process, Public Counsel identified certain charges it believes are inappropriate for recovery in rates. These costs are related to a Supplemental Executive Retirement Plan¹ for an Energy Trust of Oregon (ETO) executive and amount to \$556.²

SERP costs have not been allowed for recovery in rates by this Commission in recent years as these costs have been determined to be excessive and without benefit to ratepayers. At this time, no Washington Investor Own Utility (IOU) recovers SERP expenses in rates.³ In this instance, it is the SERP expenses of an ETO employee that NW Natural seeks to recover in rates. While this presents a somewhat unique example as the ETO is a contractor for NW Natural, this should not result in an exception to the Commission's precedent on SERP cost recovery. Since it would not be acceptable for a Washington utility to pass along employee SERP costs in energy efficiency rates, we also believe it is not appropriate for NW Natural to pass along ETO's SERP expense in rates.⁴ However, given the small dollar amount related to these expenditures removing these amounts would not affect the rate in this docket. In addition, NW Natural has informed Public Counsel that ETO no longer offers SERP to its executives so these costs will not be included in rates going forward. While Public Counsel continues to believe these costs are not appropriate for rate recovery, for the reasons discussed above, we do not recommend the Commission take any action at this time.

C. Review of NW Natural's 2013 Conservation Achievement Results.

NW Natural acquired 221,172 therms in 2013, slightly exceeding its annual goal of 220,421 therms. NW Natural's overall gas portfolio cost-effectiveness for 2013 is 1.16 under the TRC and 1.24 under the Utility Cost Test (UCT).⁵ In addition to maintaining a cost-effective portfolio, the Company achieved each of its performance metrics for 2013.⁶

NW Natural budgeted \$1,430,092 for its 2013 energy efficiency programs.⁷ Total expenditures for the program year were \$1,170,602 with \$475,643 for the commercial program, \$656,603 for

¹ Supplemental Executive Retirement Plans (SERP) provides retirement benefits for certain top executives in excess of the limits placed by IRS regulations on pension plan calculations for salaries in excess of specified amounts. *See, e.g., WUTC v. Puget Sound Energy Inc.*, Dockets UE-090704 and UG-090705, Order 11, ¶ 74. (April 2, 2010) (hereafter "Order 11").

² The Energy Trust of Oregon administers NW Natural's Washington Energy Efficiency Program.

³ Order 11, ¶ 74.

⁴ Public Counsel has shared this view with NW Natural.

⁵ NW Natural 2013 Annual Report on Conservation, Docket UG-132147, p. 4 (April 25, 2014).

⁶ NW Natural's program goals include the following metrics: total therms, expenditures, cost-effectiveness, dollars spent per therm saved and average levelized cost per measure.

⁷ Northwest Natural Gas Company, 2013 Energy Efficiency Plan, Docket UG-121886.

ATTORNEY GENERAL OF WASHINGTON

To: Mr. King
Re: Docket UG-143333
October 24, 2014
Page 3

the residential program and \$38,356 for administration.⁸ The Company indicated that actual expenditures were lower than budgeted, in part due to capping custom path commercial incentives at 50 percent of project cost as well as certain incentive offers within the Existing Homes program not being adopted at the expected rate.⁹

I will attend the Commission's October 30, 2014, Open Meeting to address any questions regarding these comments.

Sincerely,



LEA FISHER
Policy Analyst
Public Counsel Unit
(206) 464-6380

cc: Brad Cebulko (E-mail)
Deborah Reynolds (E-mail)
Jennifer Gross (E-mail)

⁸ NW Natural 2013 Annual Report on Conservation, Docket UG-132147, p. 7.

⁹ NW Natural 2013 Annual Report on Conservation, Docket UG-132147, p. 7.