

Agenda Date: October 27, 2016
Item Number: A7

Docket: UG-161059
Company: Northwest Natural Gas Company

Staff: E. Cooper Wright, Regulatory Analyst

Recommendation:

Staff recommends that the commission take no action, thereby allowing the proposed tariff to go into effect by operation of law.

Background:

On September 12, 2016, Northwest Natural Gas Company (NW Natural or company) filed with the Washington Utilities and Transportation Commission (commission) revisions to Schedule 215, Sheet 215.1, Adjustment to Rates for Energy Efficiency Service and Programs. The proposed tariff sheet has an effective date of November 1, 2016.

Discussion:

In this filing, NW Natural is revising rates for the recovery of 2015 energy efficiency program costs. The proposed adjustments seek to recover \$1,759,382 composed of the following:

	<u>Amount</u>
Deferred 2015 balance (including accumulated interest)	\$1,642,100
NW Natural 2015 Administration	\$8,895
Estimated Interest During Amortization (3.5 percent)	\$31,467
Revenue Sensitive Factor (4.4 percent)	\$76,920
<hr/> Total to be Amortized	<hr/> \$1,759,382

The overall proposed increase in annual revenue is approximately \$351,021, or 0.47 percent of normalized total revenues. The average monthly bill would see an increase of 0.7 percent for residential customers and an increase of 0.6 percent for commercial customers. The average residential customer using 53 therms would see a bill increase of \$0.34 per month, and the average commercial customer using 243 therms would see a bill increase of \$1.33 per month.

The Schedule 215 rate adjustment is filed coincident with the company's annual PGA filing (UG-161063).

Review of variance

In this filing, the company reports the 2015 energy efficiency program costs to be \$1,373,523. This amount is within the projected range for 2015 program costs of \$1,342,599 and \$1,570,292 presented in the company's 2015 Energy Efficiency Business Plan.¹ In 2015, the company achieved 201,446 therms of savings, short of its goal of 220,991 therms, with a benefit to cost

¹ Northwest Natural Gas Company, 2015 Energy Efficiency Plan, Docket UG-143895.

ratio of 0.8 under the Total Resource Cost (TRC) test and 1.0 under the Utility Cost Test (UCT).² As noted, NW Natural, through the Energy Trust of Oregon (ETO), did not achieve their 2015 conservation goals. In the 2015 Annual Report NW Natural Washington document, ETO explained that several of their Existing Buildings projects were delayed into 2016.³ This delay shifted the expected savings into the next year. In the latest quarterly report from the ETO, projections are that 2016 conservation programs will save more than twice the 2016 year-end goals.⁴

Audit of Selected Expenditures

On October 11, 2016, staff performed an on-site review and audit of NW Natural's energy efficiency program expenditures from January 2015 through August 2016. During its review, staff uncovered no significant issues. ETO provided staff with all requested invoices and associated documentation, and satisfactorily demonstrated that its data tracking system and internal controls and authorization processes were effective. All program expenditures reviewed were judged to be appropriate by staff.

Additionally, in accordance with Docket UG-143333, NW Natural's Internal Audit Department (IA) conducted two semi-annual reviews. The results of the reviews are included in the Annual Energy Efficiency report² and the 2016 second quarter Energy Efficiency report.⁵ Neither examination identified inappropriate expenditures.

During each semi-annual review, the company selects a representative sample of transactions for additional scrutiny. The selected transactions are then verified to have balances that were correctly captured within the proper period, transactions were appropriately classified and coded to NW Natural territories, allocations were completed per ETO policy and were related to NW Natural's specific programs and territories, incentive details were properly captured, and management of program expenses appeared appropriate. Lastly, IA verifies that programs captured were included within the ETO report and reviews for program effectiveness.

Overall, staff believes that the 2015 program costs are accurately presented in this filing, and that the proposed new rates, effective November 1, 2016, are adequate to recover 2015 program costs and are fairly distributed across customer classes. Therefore, staff recommends that the commission take no action, thereby allowing the proposed tariff rates to go into effect.

Conclusion:

Staff recommends that the commission take no action, thereby allowing the proposed tariff to go into effect by operation of law.

² Northwest Natural Gas Company, 2015 Annual Report, Docket UG-143895, Page 5 (April 22, 2016).

³ Northwest Natural Gas Company, 2015 Annual Report, Docket UG-143895, Page 4 (April 22, 2016).

⁴ Northwest Natural Gas Company, 2016 Q2 Energy Efficiency Report, Docket UG-152349, Page 1 (August 19, 2016)

⁵ Northwest Natural Gas Company, 2016 Q2 Energy Efficiency Report, Docket UG-152349, Page 10 (August 19, 2016).