

# **Board Decision**

## **Authorizing Contracts to Evaluate Potential Energy Trust Management of Efficiency Programs for NW Natural in Washington**

April 9, 2008

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### **Summary**

Authorize staff to negotiate and sign agreements for NW Natural to fund Energy Trust assessments of the opportunity to provide energy efficiency services to NW Natural's residential and commercial customers in Washington.

### **Background**

- NW Natural is an Oregon-based gas utility. Energy Trust energy efficiency programs currently serve NW Natural's residential and commercial customers in Oregon.
- Energy Trust's current services to NW Natural customers are related to a "decoupling" tariff that the Oregon Public Utility Commission (OPUC) first approved in 2003. In 2007, the OPUC extended the decoupling tariff to 2012.
- Decoupling is meant to address a utility's disincentive to encourage customers to reduce fuel consumption through energy efficiency. Under traditional tariffs, revenues depend on sales, which are reduced by energy conservation, undermining a utility's ability to recover its fixed costs. By "decoupling" revenues from sales, a utility can recover fixed costs even if customers reduce energy use.
- NW Natural intends to file a decoupling tariff for consideration by the Washington Utilities and Transportation Commission (WUTC). NW Natural has asked Energy Trust to help assess energy efficiency programs in Washington and, if the WUTC approves the decoupling proposal, consider providing such services.

### **Discussion**

- NW Natural has about 65,000 Washington customers, predominantly in Clark County. Portland and Clark County share media markets, and a number of Energy Trust contractors and trade allies work on both sides of the Columbia River. Given this, and its productive working relationship with Energy Trust in Oregon, NW Natural has asked Energy Trust to explore delivery of similar programs to its Washington residential and commercial customers.
- NW Natural proposes:
  - (1) To contract with Energy Trust to prepare a broad Phase One study addressing: energy use characteristics of NW Natural's Washington customer base; Energy Trust programs that could be adapted for Washington customers; potential program goals and delivery models; tracking, reporting and evaluation processes; tax, regulatory and stakeholder issues; and a protocol for allocating costs to Washington programs.

- (2) Within 60 days of a WUTC order approving decoupling, NW Natural would form a Washington Advisory Group to further help examine NW Natural's Washington market, review and establish potential program targets, and help monitor results on an ongoing basis. Energy Trust would be represented on the Advisory Group.
- (3) After the Phase One study, NW Natural and Energy Trust would develop a contract for a more in-depth Phase Two study, to be completed within five months of the WUTC order. The Phase Two study would develop a full implementation plan for programs in Washington.
- (4) After completing the Phase Two study: (a) NW Natural would discuss the study with the Advisory Group; (b) NW Natural and the Energy Trust board would determine whether to proceed with Energy Trust administration of the programs; and (c) NW Natural would file an energy efficiency plan with the WUTC, after which implementation would begin.
- Previously, Energy Trust determined not to provide services to Washington customers of Cascade Natural Gas. Cascade has a large and diverse Washington territory: 251,000 customers in 93 cities and towns across the state, many in areas where Energy Trust has no presence. In addition, while the proposal was being considered, the Oregon legislature passed the Oregon Renewable Energy Act, authorizing expanded efficiency programs and realigning Energy Trust's renewable energy programs. These factors led Energy Trust to conclude that it should not deliver programs to Cascade's Washington customers at that time.
  - The NW Natural proposal involves a relatively small number of potential program participants in areas adjacent to Energy Trust's existing service territory. There still may be issues involved in serving NW Natural's Washington customers at a time when Oregon programs are expanding and changing, which will be explored in the proposed studies.

## Recommendation

Approve resolution #474, authorizing staff to negotiate and sign agreements for NW Natural to fund a preliminary assessment to provide Energy Trust energy efficiency services to NW Natural's residential and commercial customers in Washington, and if decoupling is approved by the WUTC, to conduct a more in-depth review of the opportunity for consideration by NW Natural and the Energy Trust board of directors.

**RESOLUTION #474**  
**AUTHORIZING CONTRACTS TO EVALUATE POTENTIAL**  
**MANAGEMENT OF EFFICIENCY PROGRAMS FOR NW NATURAL**  
**IN WASHINGTON**

**WHEREAS:**

1. **NW Natural has asked Energy Trust to evaluate the possibility of providing efficiency programs to NW Natural's residential and commercial customers in Washington, if the Washington Utilities and Transportation Commission ("WUTC") approves a decoupling proposal for the utility.**
2. **NW Natural proposes that Energy Trust study this prospect in two phases: Phase One would broadly study energy use characteristics of these customers; programs that could be adapted for them; potential program goals and delivery models; tracking, reporting and evaluation processes; tax, regulatory and stakeholder issues; and a protocol for allocating costs to Washington programs. Energy Trust would do a Phase Two study only if the WUTC approves the decoupling proposal. The Phase Two study would include a full implementation plan.**
3. **In contrast to the previous Cascade Natural Gas proposal, which involved a large and diverse customer base, mainly in areas where Energy Trust has no presence, the NW Natural proposal involves a relatively small number of potential participants in areas adjacent to Energy Trust's existing service territory.**

**It is therefore RESOLVED:**

1. **Staff is authorized to negotiate and sign agreements to carry out a two-phase assessment, as described above, of the opportunity to provide energy efficiency services to NW Natural's residential and commercial customers in Washington.**
2. **Staff shall update the board of directors on the WUTC decoupling ruling and study results.**
3. **The board will determine whether Energy Trust will provide energy efficiency services to NW Natural's residential and commercial customers in Washington.**

Moved by:

Seconded by:

Vote:

In favor:

Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]