

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 15, 2003**

REGULAR _____ CONSENT X EFFECTIVE DATE May 1, 2003

DATE: April 3, 2003

TO: John Savage through Lee Sparling and Bonnie Tatom

FROM: Reed Harris

SUBJECT: NORTHWEST NATURAL GAS: (Advice No. 03-9) Revises the company's cost-effectiveness limits used in the evaluation of conservation programs and measures.

STAFF RECOMMENDATION:

I recommend that the Commission allow the tariffs in NW Natural Gas Company's Fourth Revision of Sheet 220-6, in Advice No. 03-9, to become effective with service on and after May 1, 2003. I additionally recommend that the Commission allow NW Natural's proposed 60-day "grace period", which permits transitional customers to choose the more favorable cost-effective standard.

DISCUSSION:

The purpose of this filing is to revise NW Natural Gas Company's (NW Natural or company) conservation cost-effectiveness limits used in the evaluation of conservation programs and measures. The attached table, "Northwest Natural / 2002 Avoided Cost Estimates and Resulting Residential Cost Effectiveness Limits" identifies the Net Present Value and avoidable costs for conservation measures.

Avoided costs are calculated for space-heating equipment at a 15.53% load factor and in equipment-life increments of 7, 10, 20, 25 and 30 years, respectively. Avoided costs for water-heating equipment are calculated at a 100% load factor for 12-year and 15-year intervals. Staff reviewed these calculations and did identify and correct a typographical error in the original spreadsheet provided by the company. While this correction does slightly change the avoided cost for a water heater with a 12-year life, it does not change the values incorporated into the company's proposed tariff sheet.

The proposed revisions to the cost-effective standards incorporate gas supply capacity cost and distribution system capacity cost studies completed within the UG 152 process. The proposed tariff revision increases the cost-effectiveness levels of energy conservation measures as follows:

Cost Effective Standard		
Expected Measure Life Cycle	Installed Cost Per Therm Saved	
	Current March 1, 2001	Proposed May 1, 2003
7 years	\$2.35	\$3.07
10 years	\$3.30	\$4.04
20 years	\$6.09	\$7.82
25 years		\$8.80
30 years	\$7.75	\$9.62

The proposed tariff also incorporates a 25-year value not included in the current tariff.

The company also requests to be allowed to offer a 60-day "grace period" for transitional customers that had weatherization audits completed prior to May 15, 2003, but whose loan rebate applications are not received until after May 15, 2003. These customers will be allowed a 60-day grace period, from the date that the weatherization audit was completed, to select either the cost-effective standard in effect prior to May 1, 2003, or the new cost effective standards included in Advice 03-9.

The 15-day lag from the effective date of the new tariff (May 1, 2003) and the start of the "grace period" window for completion of the audit (May 15, 2003) represents the current delay from when a customer requests an audit to when the audit is actually completed. Consequently, the May 15th starting date for the grace period is designed to accommodate customers requesting an audit prior to the new tariff's effective date of May 1st, and the anticipated completion of the audit by May 15th.

PROPOSED COMMISSION MOTION:

Allow the tariffs in NW Natural Gas Company's Fourth Revision of Sheet 220-6 to become effective with service on and after May 1, 2003 and allow the 60-day "grace period" that permits customers to choose the more favorable cost-effective standard.