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July 24 2014

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
Post Office Box 1088
Salem, OR 97308-1088

Attn: Filing Center

Re: **UM 1622, Energy Trust of Oregon Exceptions**

NW Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files the attached comments in UM 1622, Energy Trust Exceptions.

A copy of this filing has been served to parties as indicated on the attached Certificate of Service.

Please call me if you have any questions.

Sincerely,

/s/ Jennifer Gross

Jennifer Gross
Tariff and Regulatory Compliance Consultant



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing COMMENTS OF NW NATURAL, upon all parties of record in the UM 1622 proceeding by electronic mail.

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DATED at Portland, Oregon, this 24th day of July 2014.

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**Before the Public Utility Commission of Oregon
UM 1622**

In the Matter of
Energy Trust of Oregon
Exceptions

NW Natural's Comments

I. Overview

NW Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files the following comments in response to "Energy Trust of Oregon's Report to Commission Staff regarding Energy Trust of Oregon Request for Approval of Exceptions to Cost Effectiveness Guidelines, " ("Report") filed in Docket UM 1622, on July 1, 2014.

Energy Trust of Oregon's ("Energy Trust's") Report responds to concerns that fewer natural gas energy efficiency measures are able to pass the cost effectiveness test established by the Commission in Order No. 94-590, issued in Docket No. UM 551. Energy Trust notes that the inability to meet cost effectiveness standards on a measure-by-measure basis is the result of lower gas prices, higher installation costs, and fewer savings per measure. Energy Trust recommends continuing to offer a number of non-cost effective measures under the exceptions to the cost effectiveness standard granted in Order No. 94-590. Energy Trust further recommends offering weatherization measures as a basic utility customer service. As explained in more detail below, NW Natural supports Energy Trust's recommendations.

II. Cost Effectiveness Standard and Exceptions to the Standard

NW Natural values energy efficiency and is committed to acquiring demand side management that is shown to be a cost effective resource in the Company's integrated resource planning process. The Company believes the Commission has aptly defined "cost effective" in Order No. 94-590 which states, "The Total Resource Cost test should be used to determine program and measure conservation cost effectiveness."¹ The Company believes the Commission's policy provides good guidance by allowing deviations from this standard for specific reasons such as transforming markets, acquiring substantial non-energy benefits, or to being in parity with other utility program offerings. The Company

¹ Page 14.

supports Energy Trust's proposal to continue offering the following measures under the exceptions granted in Order No. 94-590:

- 0.67 and 0.70 EF Energy Star water heating
- Solar water heating
- Spa covers
- New home builder option package with 0.67 EF water heater
- Multifamily window retrofits
- Custom projects where there are significant non energy benefits
- Commercial kitchen vents hoods
- Condensing tank water heaters
- Market Solutions measures
- Manufactured home duct and air sealing
- Whole home air sealing

III. Basic Utility Customer Service

NW Natural supports Energy Trust's proposal that incentives for weatherization measures should be offered as part of a utility's basic customer service and that the cost of delivering these incentives should not be subject to cost effectiveness screening. These measures provide customers a means for reducing their bills and having a more comfortable living environment. The Company believes customers as well as policy makers in Oregon expect that utilities will offer basic weatherization services.

By allowing a utility to offer weatherization incentives as a basic utility customer service, customers would receive consistent messaging about savings opportunities ---even during times when avoided costs rise and fall, and utilities would not incur the costs for starting, stopping and restarting programs. Having a basic offering would also prevent lost savings opportunities that would occur if a program or measures were not always available. Also, these measures should not be controversial within a changing market because they are fuel neutral.

Gas utilities are currently required to provide energy audits and information regarding energy efficiency measures per ORS 469.633 and OAR 860-030-0005. Similarly, independently owned electric utilities are required to charge customers a public purpose charge for the steady investment in energy efficiency programs.² It appears that legislative intent in Oregon has for some time been that independently owned utilities should offer some basic level of energy efficiency services, but the programs have not been defined on a measure level because until recently, many measures were still

² See ORS 757.612(3)(a)(A) requires that 63% of the 3% public purpose charge be invested in cost effective energy efficiency. The legislation assumes a steady stream of cost effective energy efficiency is available as the statute does not allow for reduced collections.

cost effective.

The Company also believes low income energy efficiency programs should also be formally acknowledged as being part of a basic utility customer service, outside of the cost effectiveness standard. Unlike electric utilities, gas utilities do not have legislation that requires having a low income energy efficiency program. The statutory guidance for gas utilities is simply that all energy efficiency should be cost effective. It would be valuable to have clear acknowledgement from the Commission that low income weatherization programs are invested in for many reasons and are not expected to meet the cost effectiveness standards established in Order No. 94-590.

If utilities are offering weatherization incentives as part of a basic, expected utility service, the Company believes that some consideration of this need to be made when evaluating the cost effectiveness of delivering additional energy efficiency programs. A basic utility customer service will require an investment in personnel and marketing that will be necessary regardless of whether or not incentives are offered on other measures. The costs that will be necessary for the basic utility customer service need to be removed from the cost effectiveness tests applied to other, non-weatherization programs. Only the marginal cost of delivering the non-weatherization programs should be looked at when evaluating cost effectiveness. The Company believes this is the right way to look at cost effectiveness and it will have the effect of allowing some non-weatherization measures that are on the margin to pass the cost effectiveness test.

IV. Non-Energy Benefits

In Appendix A to Energy Trust's report, Energy Trust included a list of non-energy benefits and a range of potential values for each. NW Natural supports the current Commission policy as stated in Order No. 94-590: "A utility should calculate cost savings and other non-energy benefits if they are significant and there is a reasonable and practical method for calculating them."³ A balanced total resource cost test should include a value for all costs and benefits experience directly by the program participant. Non-energy benefits that cannot be quantified have been addressed by the application of a 10% adder. NW Natural believes it may be useful to discuss if the 10% adder for non-energy benefits is sufficient to ensure that the value of costs and benefits in the total resource cost test are balanced.

V. Conclusion

In summary, NW Natural supports Energy Trust's request to continue offering the measures listed above in Section II under exceptions to the cost effectiveness standard as allowed per Order No.

³ p. 15

94-590. The Company further supports the approval of offering incentives for weatherization and low income measures as a basic utility customer service that is not subject to a cost-effectiveness standard. If the Company is providing energy efficiency as a basic customer service, only the marginal costs needed to invest in an energy efficiency program should be applied to the costs looked at in the cost effectiveness tests. And finally, the Company is willing to discuss if the avoided cost adder for non-energy benefits needs to be increased or if a value for specific NEBs should be included in the total resource cost calculation.

The Company appreciates the opportunity to provide comments in the proceeding and appreciates the Commission's and parties' support of continuing energy efficiency programs in Oregon.