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Initial Comments in UM 1622 regarding ETO's Report to Commission Staff regarding ETO's Request for Approval of Exceptions to Cost-Effectiveness Guidelines

July 24, 2014

Introduction

Cascade Natural Gas Corporation (Cascade) submits these initial comments in UM 1622 regarding Energy Trust of Oregon's (ETO) report to Commission Staff titled "Cost-Effectiveness Review for Specific Gas Measures and Programs" (Report).

This report was produced in response to the Oregon Public Utility Commission (OPUC) Order 13-256 in UM 1622 in order to determine and closely analyze the benefit/cost ratios (BCR) of ETO's natural gas energy efficiency programs and to recommend whether individual measures should be continued or discontinued on the basis of criteria established in Order 94-590 in UM 551 on the basis of their BCR.

Given the experience, and reporting, of ETO in a variety of forums over the past few years it should come as no surprise that the majority of natural gas measures most at risk when viewed through the lens of UM 551 are residential measures offered through the Existing Homes program. The primary reasons for this situation have been; a) the decline of natural gas avoided costs, b) a high level of installed cost of measures compared to energy savings, and c) a statistical determination that therm savings per individual measure is lower than historically assumed.

As a consequence, the majority of these comments will focus on the Existing Homes measures and ETO's most interesting recommendation about the creation of a Core Residential Program (Core Program).

Gas Measures in the Existing Homes Program and ETO's Proposed Actions

ETO lists numerous measures contained in the Existing Homes program that have BCRs less than 1.0 under the Total Resource Cost Test. The majority of these measures comprise what is included in a combination weatherization package: ceiling, wall and floor insulation, duct insulation, air sealing for both single family and manufactured homes and manufactured home duct sealing.¹ The continuation of providing meaningful incentives

¹ ETO's proposed action in the area of multifamily ceiling, wall, floor and duct insulation will be covered in the discussion of the Core Residential Program.

for these measures would be dependent upon either finding an acceptable exception based upon one or more of the seven exception criteria identified in UM 551 or upon developing an alternate solution.

ETO presents such an alternate solution by introducing the concept of the Core Program which would include single-family ceiling, wall, floor and duct insulation and the same measures for multi-family dwellings. This program would “provide customers with a basic level of service provided independently of cost-effectiveness determinations.” ETO outlines seven advantages to this approach. Cascade believes two of these seven advantages (Fairness and Compatibility with Other State Supported Efforts) will require more discussion and agreement before any Core Program concept is fleshed out and ready for customers.

Observations, Conclusions and Areas of Further Study

Cascade supports the concept of the creation of a Core Residential Program, as outlined by ETO, with the inclusion of the aforementioned whole-home air sealing measure. Defining the recommended measures as a basic utility service package provided independently of cost-effectiveness determinations will help to reinforce to customers the importance of these basic, long-lived, energy efficiency measures. Further, it leaves the customer free to determine for themselves, in light of the incentives provided through the Core Program, the level of non-energy benefits they perceive and/or realize as they do their household calculus of what they are willing to pay for the measures. As ETO notes, the Core Program concept is still in need of additional definition and agreements before it would be ready to be offered to customers. Cascade would welcome the opportunity to work on such collaboration.

Cascade believes that ETO and the OPUC should allow the inclusion of whole-home air sealing into the Core Residential Program. Utility customers indeed look to the utilities and ETO as sources of information on how they can use natural gas more efficiently in order to reduce their gas bills. Even though there have been significant reductions recently in natural gas rates, many customers most likely are interested in reducing their winter heating bills. Nearly all residential weatherization information programs and messaging features air sealing, many times utilizing a caulk gun as a primary visual. The clear message is that customers can save money by sealing cracks and air leaks in the home. Learning that air sealing is not part of a “Core Residential Programs”, or that there are zero ETO/utility incentives for the measure because it is not “cost effective”, sends mixed messages to customers.

In the Report’s discussion of the Existing Buildings Program (commercial) there is a proposal to continue the multifamily ceiling, wall, floor, and duct insulation measures as part of the Core Residential Program. Cascade supports this suggestion.

Cascade made the following suggestion at the first meeting where ETO introduced us to their initial findings for the Report. The Company suggested as part of future investigations into simplifying program delivery and/or reducing overall program costs of the Existing Homes program to Cascade’s Oregon customers, consideration should be given to Cascade’s proven experience in successfully delivering just such a program in Washington State under the jurisdiction of the Washington Utilities and Trade Commission. With the introduction of the Core Residential

Program concept we can certainly see potential value in the manner in which these measures are delivered within Cascade's widespread Central and Eastern Oregon service area. We would welcome collaborative discussions with ETO, Staff and interested parties in this area.

Cascade supports the exploration of streamlining the approval process for both prescriptive and custom measures between ETO, Staff and other interested parties. Cascade also supports the ongoing examination of including a hedge or risk mitigation value in estimating avoided cost forecasts. However, we are skeptical of the development of an adder simply being placed upon measure benefits before a strong analytical case is made. We are confident the proposed measures in this report will help guard against any "premature program changes" being made before such a benefit can be added to natural gas efficiency measures.

Finally, Cascade is supportive of the Proposed Actions ETO has outlined in this report with the exception of discontinuing the Whole-Home Air Sealing in the Existing Homes program. Cascade's recommendation would be to continue whole-home air sealing under the Core Residential Program.

Cascade appreciates the opportunity to provide comments in this matter and for the support that the Commission and parties have shown for the continuation of natural gas energy efficiency programs in Oregon.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Abrahamson", with a long horizontal flourish extending to the right.

Jim Abrahamson
Manager, Conservation Policy
Cascade Natural Gas Corporation

CC: UM 1622 Service List

