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September 15, 2014

**VIA ELECTRONIC FILING**

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

Attn: Filing Center

Re: **UM 1622: NW Natural's Second Comments**

NW Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files herewith its second comments in UM 1622, the Energy Trust of Oregon's Request for Approval of Exceptions to Cost Effectiveness Guidelines.

A Certificate of Service is attached certifying that a copy of this of this filing has been served to all parties to UM 1622.

If you have any questions regarding this IRP, please contact me at (503) 226-4211, extension 3590.

Sincerely,

*/s/ Jennifer Gross*

Jennifer Gross  
Rates and Regulatory Affairs

Enclosure

**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 the Public Utility Commission of Oregon ("Commission") Staff's draft October 9, 2013, Public Meeting Memo submitted in Docket No. UM 1622 on August 13, 2014, and the subsequent conversation with parties to this docket at the workshop on August 27, 2014.

**II. The Measures under Consideration**

Order 94-590 provides the cost-effectiveness standards we have been applying to our energy efficiency programs since 1994. We use the Total Resource Cost ("TRC") test to determine if customer dollars should be spent on energy efficiency. If a measure fails to pass the TRC, it can still be offered under Order No. 94-590 if the measure meets one of seven cited conditions including: the measure provides significant non-energy benefits; it provides for consistency with other local efficiency program; or it is offered in order to transform the market (page 18). The seventh reason listed in that order which is as follows, provides the Commission with a great deal of discretion: "The measure is required by law or is consistent with Commission policy and/or direction."

NW Natural requests the Commission exercise its discretion and allow Energy Trust to continue offering incentives on all the measures for which it is seeking exceptions. We believe those measures should be grandfathered into the portfolio of gas measures offered to customers for the following reasons:

- Equity among Oregon residents: Because electricity is more expensive to produce and less efficient, promoting weatherization of electrically heated homes remains cost-effective. If gas weatherization programs are not offered while electric weatherization programs are, this will send a message to customers that conservation is only necessary or possible with electricity, and, perhaps, that customers should change their heating fuel to electricity. We believe this is the wrong message and that all customers should have equal access to weatherization

programs. Allowing the measures for parity with the electric offerings is allowed in Order No. 94-590 per exception (c) which says, "The measure is included for consistency with other DSM programs in the region" (page 18).

- Customer service expectation: Customers' expectations have changed since UM 551 was concluded in 1994. Customers expect to be able to access weatherization programs as well as information about saving energy. For years, gas utilities have been required per ORS 469.633 and OAR 860-030-0005 to provide home weatherization audits and energy savings information. Weatherization programs are a natural extension of providing audits and information, which customer have come to expect.
- Energy Conservation: With the ability to economically extract gas from shale reserves, natural gas prices have been low and are forecast to remain low. This means fewer gas measures are cost effective and customers have less economic incentive to conserve. We believe maintaining a weatherization program is essential to ensuring that customers continue to understand the value of conservation. Respecting and conserving natural resources and reducing our State's carbon footprint remain a central value of the State. In fact, the first goal in the Governor's 10 Year Energy Plan is focused on maximizing energy efficiency.
- Durability of Savings: The measures under consideration represent about 18% of the residential savings acquired in 2013, but it is important to recognize that the other 82% were largely from instant savings measures (faucet aerators, showerheads) and behavioral measures (O Power letters). These measures do not necessarily represent durable, long term savings. If we want to save energy and continue conserving energy over a long period of time, we need to target savings from measures with long measure lives--- measures such as space and water heating.<sup>1</sup>

We understand that if these programs are no longer a "least cost" resource, the offerings may need to look different than they look today. For example, it may be required that customers complete multiple measures before receiving incentives. Or, it may be that the offerings are available but not as

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<sup>1</sup> Natural gas companies have recently joined forces with NEEA to develop a 5-year gas market transformation plan that anticipates a levelized cost of \$0.28 cents a therm. This will bring innovative technologies to our region at long-term costs, well below our current programs. The strongest efficiency portfolios should have a diverse mix of short and long term savings, instant measures and pre-commercial innovation. Similarly, the cost of each measure will be diverse but we advocate a synergistic portfolio that, as a whole, is cost effectively advancing the public good.

heavily promoted. Any changes in this manner should be consistent across fuels to avoid inequity and confusion among customers. Also, it will be essential that program delivery occurs as efficiently as possible. Efficient delivery is a key focus of the Energy Trust's 5-year strategic plan and we believe this effort should make the programs more cost-effective over time.

Oregon has proven itself as a leader in energy efficiency.<sup>2</sup> We acknowledge that the decisions made in UM 551 laid the early foundation for today's respected position on conservation, and we ask the Commission continue to foster that leadership by grandfathering weatherization programs for the benefit of customers.

### **III. Hedge Value in Avoided Costs**

In its 2014 Integrated Resource Plan ("IRP") filed August 29, 2014, in LC 60, NW Natural committed to assessing a premium value to account for any natural gas price volatility hedging value associated with DSM energy savings.<sup>3</sup> The Company believes that in 1994, when UM 551 parameters were adopted, the 10% adder included in utilities' avoided costs for non-energy benefits was expected to be sufficient for hedging. Order No. 94-590 says, "the effect of conservation in reducing uncertainty in meeting load growth is included in the ten percent cost and no separate adjustment is necessary" (page 9). The Company believes it is worth investigating the actual value of hedging, and is willing to pursue this as part of its public 2016 IRP process or in a separate docket, as suggested at the August 29<sup>th</sup> workshop.

### **IV. Low Income Weatherization Programs**

NW Natural appreciates the following statement from Staff's memo: "Staff supports the Commission making clear that low income energy efficiency programs are not held to the same UM 551 cost effectiveness standards as non-low income programs." NW Natural believes this is a helpful step in providing clear regulatory guidance that has been missing for gas utilities. As mentioned in its initial comments, electric utilities have a statutory requirement to provide low income weatherization programs whether or not they are cost effective. This requirement stems from an understanding that low income weatherization programs provide other, hard to quantify benefits such as reduced arrearages and disconnections, as well as maintaining housing stock and improving tenants' comfort and health. Order No. 94-590 does not address the benefits of low income gas weatherization programs nor

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<sup>2</sup> In ACEEE's 2013 scorecard, Oregon ranked #4 in the nation, which is especially impressive for our mild climate and low energy costs.

<sup>3</sup> See Action Item 3.1 on page 1.21.

does it state that these programs should be evaluated in a different manner. The Company appreciates having the Staff memo state that low income programs are exempt from measure-by-measure TRC cost effectiveness testing.

**V. Conclusion**

In summary, NW Natural requests that the Commission grandfather the measures for which Energy Trust is requesting exceptions. We believe this is in the best interest of our customers.

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.



## CERTIFICATE OF SERVICE

I hereby certify that I have this day served NW Natural's Second Comments in UM 1622 upon all parties of record in the proceeding.

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DATED at Portland, Oregon, this 15<sup>th</sup> day of September 2014.

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