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January 17, 2018

CNG/O18-01-02

Oregon Public Utility Commission
Attn: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: Schedule 31, Public Purpose Charge

Cascade Natural Gas Corporation (Cascade or the Company) herewith submits the following revision to its Tariff P.U.C. Or. No. 10, stated to become effective with service on and after March 1, 2018:

First Revision of Sheet No. 31.1
First Revision of Sheet No. 33.3
First Revision of Sheet No. 33.4
First Revision of Sheet No. 33.5

Overview

The purpose of this filing is to reduce the Rule 31, Public Purpose Charge (PPC) from 4.87 % to 4.85%. This rate is set to collect the 2018 budgets for the Energy Trust conservation programs, the Oregon Low Income Bill Pay Assistance (OLIBA) program, the Oregon Low Income Energy Conservation (OLIEC) Program, and the Conservation Achievement Tariff (CAT) Program. The allocation of funds collected is revised to increase the amount distributed to OLIEC and CAT.

The PPC applies a charge to bills equal to a percentage of customers' total charges for gas service. Collections from this charge fund the Energy Trust of Oregon (Energy Trust) delivered natural gas energy efficiency programs offered to sales customers in Cascade's Oregon service territory as well as the Company's low-income programs, which include the Oregon bill pay assistance program, OLIEC and CAT.

The proposed 4.85% charge is set to collect \$2,633,048. 83% of PPC collections or \$2,183,789 will go to Energy Trust for the administration of Cascade's residential and commercial energy efficiency programs. The remaining 17% of funds collected will be used for Cascade's low-income programs: \$50,000 will fund low income bill pay assistance and \$399,259 will fund OLIEC and CAT.

Program Budgets

Energy Trust Programs

Energy Trust forecasts needing \$2,717,423 in 2018 to acquire 547,106 therm savings. Energy Trust and Cascade have agreed upon an additional budget reserve of \$467,076 for a total 2018 budget of \$3,184,499. The reserve is a large percentage of the overall budget because Cascade's budget is relatively small and one unexpected industrial project can consume a large portion of the reserve that is also used to mitigate increased uptake or lower than expected PPC collections. The PPC is set to collect Energy Trust's budget plus reserve minus the 2017 carryover amount of \$1,000,710. 4.02% of the proposed 4.85% PPC charge will fund Energy Trust's 2018 efforts on behalf of Cascade.

Oregon Bill Pay Assistance

Order No. 06-191 approved the Company's decoupling mechanism filed in UG-167, and established the low-income bill pay assistance program's annual budget at \$50,000.

OLIEC/CAT

OLIEC and CAT are complementary programs established in Schedule 33. OLIEC offers prescriptive rebates for the installation of qualifying energy efficiency measures at the residences of low income customers. CAT supplements OLIEC rebates by paying the remaining measure cost. CAT was developed as a means for addressing the barriers that prevent OLIEC from achieving a reasonable market penetration.

The Company began piloting CAT on January 1, 2014, with a termination date of December 31, 2015. The initial CAT pilot was funded using \$400,000 of unspent OLIEC dollars. In order to continue studying CAT's ability to increase OLIEC's reach to low income customers, the Company filed Advice No. O15-11-02, wherein it asked to extend the CAT pilot term to December 31, 2017. The Commission approved this request at its December 15, 2015, public meeting.

In 2016, Cascade filed to revise its public purpose charge so collections for the CAT program would be \$400,000 over twelve months. On Staff's recommendation, the Commission approved a \$200,000 increase in collections for CAT. Since this amount was not going to be sufficient, Staff asked the Company to develop parameters for the program. These conversations led to the Company simultaneously filing Advice Nos. O16-10-01 and O16-10-02; the first filing revised the Public Purpose Funding charge to collect 0.625% of annual gross revenues for the OLIEC and CAT programs, and the second filing established program delivery and reporting requirements.

The 0.625% of gross revenues budget for OLIEC/CAT was chosen as a close equivalent to the electric utilities' collections for low income weatherization programs plus a 0.025% premium for the higher costs of serving rural areas. The 2018 budget, set at 0.625% of the Company's gross revenues as reported in the Company's 2016 FERC Form 2 filed in Docket No. RG-33, is \$399,259.

OLIEC/CAT Annual Spending Cap

The Company is also revising Schedule 33, Oregon Low-Income Energy Conservation Program to include language that states the program will be managed so that expenditures do not exceed the program budget.

Work Papers

The following work papers are attached:

- Attachment No. 1 – This attachment shows the 2018 budgets for the programs funded through the PPC. It also shows how the charge is derived using 2018 forecasted volumes.
- Attachment No. 2 – This attachment provides the bill impact this change will have on each rate schedule.

If you have any questions regarding this filing, please contact Jennifer Gross at (509) 734-4635.

Sincerely,

/s/ Michael Parvinen

Michael Parvinen
Director, Regulatory Affairs

Attachments

**SCHEDULE 31
PUBLIC PURPOSE CHARGE**

PURPOSE

The purpose of this provision is to define the funding method for public purposes activities to be administered through one or more independent entities. Public purposes activities include, but may not necessarily be limited to, energy efficiency programs, market transformation and low-income conservation and bill assistance programs designed to benefit sales customers within Cascade Natural Gas’s service territory in Oregon.

ADJUSTMENT TO RATES

A public purpose charge equal to 4.85% of current revenues, including customer service charges, in each month will be assessed as a line item on the bills of rate schedules 101, 104, 105, 111 and 170. The level of the public purpose charge will be reviewed and revised as necessary based on periodic evaluation of public purposes funding needs.

(T)(R)

The Public Purposes Funds shall be allocated to specific separate accounts to fund the respective public purposes programs as follows:

- 4.02% will support public purpose funding of energy efficiency programs that replace programs previously administered by Cascade with energy efficiency programs administered by an independent entity. (C)
- 0.83% will support public purpose funding for low-income conservation and bill assistance activities. (C)

SPECIAL TERMS AND CONDITIONS

1. 83% of the monies designated as public purpose funding will be transferred to the Energy Trust of Oregon. The Energy Trust of Oregon will use the funds to design, promote and administer Natural Gas energy efficiency programs in accordance with agreements executed between Cascade and the Energy Trust. (C)
2. 17% of the monies designated as public purpose funding will be transferred to two internal program accounts and dispersed to Community Action Agencies (Agencies) for the purpose of adding or expanding low-income weatherization programs and bill assistance programs. 89% of the funding will be designated for low-income conservation programs, and the remaining 11% will be designated for bill payment assistance. The internal accounts shall accrue interest at the Company’s currently effective authorized rate of return. (C)
(C)

(continued)

**SCHEDULE 33
OREGON LOW-INCOME ENERGY CONSERVATION PROGRAM**

FUNDS COLLECTED UNDER THIS PROGRAMS ARE AVAILABLE AS FOLLOWS (continued)

- 4. The program will be managed such that expenditures to not exceed the annual budget of 0.625% of the Company’s gross revenues. If program funding is less than program demand, the program offerings may not being available for a portion of the year.

(N)
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(N)

AGENCY QUALIFICATIONS AND RESPONSIBILITIES

- 1. In order to participate in the program, an Agency must be a legal entity, contracting or subcontracting with the State of Oregon, Department of Housing and Community Services (OHCS), which is eligible to administer funding under the Federal Low Income Home Energy Assistance Program (LIHEAP). An agency shall also qualify to participate in the program if it is a state-recognized Low Income Agency or 501c3 nonprofit engaged in the construction or retrofit of affordable housing designated primarily for the habitation of low income individuals. Each participating Agency must also have an up-to-date, signed Memorandum of Understanding with Cascade Natural Gas.
- 2. Each participating Agency will have sole responsibility to screen and approve applicants for eligibility. Each Agency shall follow the established protocols for the qualification of and disbursement to eligible participants in accordance with the guidelines promulgated by OHCS. Agencies operating the Weatherization Assistance Program shall complete their work in accordance with the Low-Income Energy Assistance Act of 1981 and subsequent amendments, as outlined in the OHCS Omnibus Contract. The Company reserves the right to verify installation and compliance with all state codes and standards prior to payment of any rebates.
- 3. Each participating Agency shall be responsible to complete and return to the Company all required paperwork and other documentation as may be necessary for the Company to process the rebate request. The Company will provide the documentation forms to each participating Agency in electronic or hard copy form, whichever is requested. At a minimum, the documentation must include the Agency name, customer name, the landlord name and address, if applicable, the address of the qualifying households, the square footage of the home, a list of the measures installed, the rebate amount per measure, total rebate per household, and a statement on whether or not all eligible measures were installed at the dwelling.

REBATE PAYMENTS

- 1. The Company will reimburse participating Agencies for the installation of qualifying measures installed in each eligible household based on the table shown below.
- 2. In no event will any rebate amount be greater than the actual installed cost of the measure.

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(continued)

**SCHEDULE 33
OREGON LOW-INCOME ENERGY CONSERVATION PROGRAM**

REBATE PAYMENTS (continued)

3. Qualified measures are eligible for rebate in the amount of 100% of avoided therm cost or 100% of the installed cost of the measure, whichever is less. Custom projects for new low income construction shall be eligible for a rebate of 80% of avoided therm cost. Avoided therm cost shall reflect the Company’s most recently acknowledged IRP document.
4. Copy of REM-Rate auditing report demonstrating savings-to-investment ratio of 1.0 or higher for each individual measure must be submitted in order to qualify for rebate.

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Measure	Therm Savings Factor Per Square Foot	Avoided Cost Per Therm	Rebate per Home
Install ceiling insulation where no ceiling insulation exists	0.088	\$11.66	<i>Therm savings factor x square footage x avoided cost per therm</i>
Install ceiling insulation where ceiling insulation <R-12 exists	0.034	\$11.66	<i>Therm savings factor x square footage x avoided cost per therm</i>
Install floor insulation	0.052	\$11.66	<i>Therm savings factor x square footage x avoided cost per therm</i>
Install wall insulation	0.074	\$11.66	<i>Therm savings factor x square footage x avoided cost per therm</i>
Install duct insulation	<i>Therm savings factor per linear foot</i> 0.136	\$9.21	<i>(Therm savings factor x square footage)/(square footage x average linear ft of ductwork per sq ft) x avoided cost per therm</i>
Install duct sealing	--	--	\$810
Install infiltration measures	--	--	\$120
Install high-efficiency (90%+) furnace	--	--	\$690
Install direct vent spaceheater	--	--	\$396
Perform furnace tune-up	--	--	\$65
High efficiency water heater (.62)*	--	--	\$85
Energy Star qualified homes	--	--	\$1,107

* Hot water measures shall only be installed in homes where the primary heating source for water is natural gas.

PROGRAM ADMINISTRATION AND DELIVERY COSTS

1. Each Agency will be reimbursed from the Low-Income Weatherization account for administrative costs and direct program costs incurred by them in their administration and delivery of the OLIEC Program in the amount of \$225 per household. The Agency fee will be paid to each Agency along with each rebate payment. The Company will process rebates and Agency payments within thirty days from the date the Company receives all completed documentation in support of such rebate requests.

(M)

(continued)

**SCHEDULE 33
OREGON LOW-INCOME ENERGY CONSERVATION PROGRAM**

PROGRAM ADMINISTRATION AND DELIVERY COSTS (continued)

The Company will be reimbursed for actual first year program set up costs from the OLIEC account in an amount not to exceed \$5,000.

- 2. The Company will be reimbursed from the OLIEC account each month for actual program administration costs incurred, except that such reimbursement will not exceed 5% of the total available funds collected during each program year.

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ADVISORY GROUP

An Advisory Group will assist the Company in low-income weatherization and bill assistance program development, implementation, and evaluation. The Advisory Group will consist of at least one member each from the Company, the Commission staff, The Community Action Partnership of Oregon (CAPO) and from two or more participating Agencies.

ANNUAL REPORT

By December 1 of each year, the Company will submit an annual report containing the following information:

- General: 1) Program successes and barriers (if any) to implementation; 2) Associated Program outreach activities.
- Economic: 1) Revenue balance from previous year; 2) Program revenue; 3) Accrued interest; 4) Total available funds; 5) Total expenditure of OLIEC funds; 6) Total OLIEC costs allocated by measure; 7) the Company’s administrative costs; 8) Funding allocations or changes within the program year; 9) Payments to Agencies for weatherization measures, admin, and program delivery; 10) Average rebate allocated per home served;
- Agency Performance: 1) percentage of homes served per Agency for the program year; 2) Total number of homes served;
- Program Results: 1) Total deemed therm savings attributable to the OLIEC program by year; 2) Total number of measures installed in all homes served during the program year; 3) Average number of measures installed per home; 4) Number of measures installed by type; 5) Number of each allowable measure installed in total during the program year; 6) Total therm savings by measure; 7) Number of multifamily dwellings treated and observations made about multifamily projects.
- General: 1) A breakdown of the number of homes served by town and agency. The Company will identify factors that account for the volume of homes served by region; 2) The Company will monitor rebate turn-around time

(continued)

ATTACHMENT 1 - ADVICE NO. O18-01-02

2018 Public Purpose Budget		Notes
Energy Trust Budget	\$2,717,423	1
- Negotiated Reserve	\$467,076	2
Total Energy Trust Budget	\$3,184,499	
- Carryover	(\$1,000,710)	3
PPC for Energy Trust	\$2,183,789	
Low Income Program Budgets		
- OLIEC /CAT	\$399,259	4
- Bill Pay Assistance	\$50,000	5
Total LI Program Budget	\$449,259	
Total PPC Budget	\$2,633,048	

	101	104	105	111	170	
2018 volumes	42,977,699	30,284,841	2,515,445	1,628,267	2,418,468	79,824,720
rate	\$0.68705	\$0.58449	\$0.59391	\$0.55426	\$0.51143	
Revenue	\$29,528,000	\$17,701,308	\$1,493,958	\$902,490	\$1,236,887	
No. of Customers	61685	9875	140	18	4	
customer charge	\$4.00	\$4.00	\$12.00			
BSC Revenue	\$2,960,880.00	\$474,000.00	\$20,160.00			
Total Revenue	\$32,488,880.01	\$18,175,307.86	\$1,514,118.00	\$902,490	\$1,236,887	\$54,317,682.41

PPC %	4.85%		\$325,906.09
			\$286,797.36
Amt for ETO	4.02%	\$2,183,789.00	
Amt for LI Programs	0.83%	\$449,258.77	\$2,319,365.04
Total PPC Budget	4.85%	\$2,633,047.77	
% to Energy Trust		82.94%	
% to LI Programs		17.06%	
		100.00%	
Low Income Program Allocation			
- OLIEC /CAT		88.87%	
- Bill Pay Assistance		11.13%	
		100.00%	

NOTES:

- 1 2018 CY Budget
- 2 Cascade's smaller budget makes it more vulnerable to budget overruns.
- 3 Excess funding from 2017
- 4 In Advice No. O16-10-01, the Commission authorized 0.625% of the Company's gross revenues as the OLIEC/CAT annual budget. The 2018 budget is 0.625% of gross revenues as reported in the most recently filed FERC Form 2 for 2016 (See Docket No. RG-33).
- 5 Flat amount as agreed to in UG-167

ATTACHMENT 2 - ADVICE NO. O18-01-02

BILL IMPACT PER RATE SCHEDULE

	Customer Class	Schedule	Average Therms Per Month	Monthly Charge	Per therm Rate	Average Monthly Bill w/o PPC	Current PPC	Proposed PPC	Bill Impact
1	Residential	101	60	\$4.00	\$0.68705	\$40.36	\$1.97	\$1.96	-\$0.01
2	Commercial	104	255	\$4.00	\$0.58449	\$138.49	\$6.74	\$6.72	-\$0.03
3	Industrial	111	11,386	\$12.00	\$0.55426	\$5,645.75	\$274.95	\$273.82	-\$1.13
4	Industrial	105	1,813	\$0.00	\$0.59391	\$824.95	\$40.18	\$40.01	-\$0.16
5	Industrial Interruptibl	170	59,290	\$0.00	\$0.51143	\$24,588.25	\$1,197.45	\$1,192.53	-\$4.92
	Current PPC	4.87%							
	Proposed PPC	4.85%							