



CASCADE NATURAL GAS

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April 21, 2020

Oregon Public Utility Commission
201 High Street St. SE Suite 100

RE: Comments on Energy Trust of Oregon Manufactured Homes Exemption Request Submitted under UM 1696

Cascade Natural Gas Corporation (CNGC) appreciates the opportunity to submit comments regarding the UM 1696 Manufactured Home Replacement (MHR) Exemption Request submitted by the Energy Trust of Oregon.

Energy Efficiency is a powerful tool for ensuring grid reliability and reducing a household's energy burden. Cascade applauds the Energy Trust for seeking innovative ways to achieve these goals through innovative pilot efforts.

The Energy Trust began its manufactured home replacement pilot in 2017 with the goal of developing a standard offering to assist in replacing pre 1995 manufactured homes with new homes that exceeded code. In December 2018, Energy Trust began partnership with Craft3 to introduce a loan component to the pilot to support owner-occupied replacement projects. Energy Trust partnered with Oregon Housing and Community Services (OHCS) and other entities within the state in support of these efforts.

Through the MHR and associated partnerships, Energy Trust has replaced 26 homes to date and is just under the \$500,000 initial spending cap. The typical house accepted under the pilot receives \$7,500 to \$18,000 in incentives towards home replacement depending on size, age, and heating climate zone of the home.

It's Cascade's understanding that the pilot has not been cost effective under the Total Resource Cost (TRC) test, but is structured to pass under the Utility Cost Test (UCT). It's understood that while energy savings is a major component of the TRC, there could be additional non-energy or societal benefits that have not yet been fully quantified in the analysis. Energy Trust has indicated that it has remaining research questions which it seeks to answer through continuation of the pilot. If the pilot is extended, Energy Trust proposes focusing on owner-occupied housing sited on leased land. However, continuation will require an exemption under UM 1696.

While no natural gas households have been served to date in Cascade's service areas, we understand that the MHR could be extended to our customers. We have thus been invited to provide comment on the potential continuation of the MHR pilot effort.

Cascade was recently informed by the Energy Trust that manufactured pilot monies beyond the \$500,000 are intended to be leveraged with state and federal emergency monies in support of flood relief in Pendleton. The additional funding for Pendleton would not count against the proposed \$500,000



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extension, however if Energy Trust does not receive the extension, Cascade has been told that they cannot offer the manufactured home replacement incentives at any site. While Energy Trust would have the ability to provide funding for Pendleton above and beyond the \$500,000 extension, they would still require the extension to continue the pilot.

After communication with several stakeholders and attending the March 26 and April 9 webinars, Cascade has several thoughts regarding the proposed exemptions required for pilot continuation. We also have recommendations on analysis that could take place during a pilot extension to ensure low income households are left in an equal or stronger economic position following program participation. We have separated these thoughts into categories, as follows:

Pendleton Flood Relief Effort

Cascade commends the Energy Trust for its desire to support the flood relief efforts in Pendleton, Oregon. We likewise appreciate the Energy Trust reaching out to the Company to gauge our thoughts on a pilot continuation that's extended to the Pendleton community.

It's our understanding that the Energy Trust plans on leveraging emergency funding to buy down the cost of MHP replacement projects associated with the pilot in order to make reach the cost effectiveness screening criteria of 1.0 or higher on the TRC test. Expenditures incurred by the Energy Trust on this effort would not be factored against the \$500,000 cap associated with the pilot extension. The Pendleton sites would be incorporated into the pilot's research effort with potential insights into energy savings, project costs, and frameworks for inter-agency collaboration.

Cascade is not opposed to the use of Energy Trust funds to further support the recovery effort. However, we would strongly encourage the prioritization of solutions that alleviate the immediate crisis for displaced families and place them in safe, affordable housing based on the needs of those being served. Energy Trust should carefully partner with existing regional organizations dedicated to providing support in crisis situations, such as CAPECO and follow their lead on how to best support Pendleton's flood victims. If other providers of state and federal emergency funds are able to offer equal services without the use of a loan product, the non-loan-based program should be prioritized, with Energy Trust's Craft3 loan option offered only if other services are unavailable.

Cost Effectiveness Exemption Criteria

On March 30, OPUC Staff provided a report detailing the potential exemptions under which the manufactured homes replacement pilot could fit. Cascade has listed each below, with additional thoughts and comments:

Criterion A: *The measure produces non-quantifiable non-energy benefits.*

Cascade agrees that there are likely non-quantifiable (or difficult to quantify) non-energy benefits associated with replacing older housing with new high-performance housing. However, it will be important during the next phase of this effort to assess the full range of costs and benefits associated with



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the pilot in order to ensure that the program sufficiently addresses the needs of low and middle income home owners, provides demonstrable quality-of-life improvements and achieves deemed savings while lowering energy demand and energy burden for the household. If other costs (such as monthly loan payments) outweigh those benefits, or the household experiences energy “takeback” that results in lower-than-anticipated savings, these factors will need to be taken into consideration before a full program is implemented.

Criterion B: Inclusion of the measure will increase market acceptance and is expected to lead to reduced cost of the measure.

Cascade generally agrees with Staff’s assessment that leveraged funds could lead to reduced costs and improve program delivery. That said, Cascade has previously observed increases to the cost of certain efficiency measures and programs associated with attractive rebates. If funds are available to subsidize the housing, there is always a risk that costs could likewise inflate. There is also a risk that mobile home parks could raise the cost of rent where a mobile home has been replaced to a higher value model. Thus, the use of Criterion B is less of a certain fit from our perspective.

Criterion F: The measure or package of measures is included in a pilot or research project intended to be offered to a limited number of customers.

Cascade agrees that because this is a pilot with a limited number of participants, the MHR program could potentially qualify for exemption under this criterion. If this exemption is utilized, it could make sense for the Energy Trust to maximize the value of the extension by treating it as an opportunity to fully quantify the non-energy benefits associated with the pilot, and to determine ways to achieve deeper cost effectiveness with and without buydown of the SIR through leveraged funds. It is promising that the program is already cost-effective under the UCT. It will likewise be important to confirm that the value extends to program participants who may be economically vulnerable; and that the DSM goals associated with this measure are achieved.

Criterion G: The measure is required by law or is consistent with Commission policy and/or direction.

Cascade agrees with Staff’s assessment that such pilot efforts have been encouraged by the OPUC.

Considerations Serving Low Income Households

While it’s important for any program supporting a major life purchase be grounded in sound economic analysis and maximum transparency, this is particularly true of programs serving the low and middle-income sector.

Cascade encourages the Energy Trust to weigh program value from both an energy savings and customer cost savings perspective and proactively consider the development of protections for low income participants, particularly where the use of a loan product is involved. This could include the use of an impartial third party to handle intake and present available loan options. It could also involve proactive disclosure of associated risks and costs, conservative energy saving estimates, and communication of any



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alternative options available to the participant. Any requirements for remaining in the home for x number of years should be clearly communicated before paperwork is signed and should be balanced against the needs of low income individuals that may need to relocate for personal or economic reasons, and who may be harmed by having to remain in the dwelling for a decade or else incur a financial penalty.

Cascade would also like to draw attention to Oregon Housing and Community Services (OHCS)'s program requirements that participants must own their own land and cannot be a renter. While this may preclude some individuals from participating in the program, it also helps ensure that those participating in the program are not vulnerable to external cost increases that may make continued occupation of their homes unaffordable. Based on Energy Trust's presentations to date, it appears that the continuation of the pilot would specifically look towards homes on rented land. This would need to be taken into consideration and reconciled with OHCS's program assuming that the Energy Trust was continuing to seek leveraged funds.

Energy Trust should also consider further safeguards and provisions in the event that the MHR program ends up resulting in greater costs to low income homeowners. If the pilot is extended, Energy Trust could also consider mid to long-term tracking to determine how indicators of quality-of-life and economic health shift for the participant pre and post pilot (factoring out confounding variables).

Other factors to consider if the pilot is extended would be if property taxes are increased with the change-out to a new home (and the economic impacts to the vulnerable), the risk of increased HOA or park rental rates (in the event that the pilot is continued for homes in these communities) and what happens to the property loan in event the owner passes away before its fully paid. These are just a few considerations. Cascade encourages the Energy Trust to continue to work with a diverse range of stakeholders, including those from low income and traditionally marginalized communities to fully determine the factors that will require additional exploration.

Recommendations if Pilot is Extended

Cascade recognizes the value of innovative pilots to achieving deeper energy savings in the State of Oregon. As stated above, the Company appreciates the work of the Energy Trust to help households move into new, efficient mobile housing as a replacement for their older module homes. Because the pilot is reaching its funding cap, and value from a customer cost-versus-savings perspective is yet to be fully understood, the Company recommends a cautious approach to further rollout. A key goal would be to determine if the pilot monies and loan component associated with the Energy Trust MHR efforts offer a significant benefit as an ancillary funding source to existing state grants and efforts associated with manufactured housing, and if the loan product enhances the ability to serve communities and achieve deeper energy savings while protecting vulnerable consumers.

As it pertains to Cascade's service area, we are particularly interested in the interplay between the MHR pilot and the Pendleton flood recovery effort. Regardless of the fuel type of the household, it is important that residents that have lost their homes have access to programs and services that will alleviate the hardship associated with the loss of property and will be able to access the full benefits available. Therefore, if others in the community under equal circumstances would be able to access funds to fully



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cover housing repair or purchase, the same should apply participants in any Energy Trust operated pilot mechanism. And all available options for relief associated from flood recovery efforts should be clearly communicated in an impartial manner to those in need.

If the OPUC moves forward with approving the continuation of the MHR pilot, Cascade recommends that it be used as an opportunity to gather additional information on the overall net benefits to the low and moderate-income population it serves. Data collected might include:

- Assessment of the economic “trigger point” at which any participant’s out-of-pocket costs associated with replacement of a home (even if minimal) are outweighed by the benefits of monthly energy bill reductions. What does the “ideal participant under ideal circumstances” look like for this program?
- Assessment of additional direct and indirect benefits that would result in improved quality of life for a program participant such as increased health, reduced sick-days, increased ability to spend funds on other necessities and discretionary needs.
- Identification of best practices in client screening, transparent communication, and safeguards to ensure that participants are not left in a worse economic situation as a result of MHR costs.
- Monitoring of long and short-term impacts of MHR in terms of demand side value and weather normalized energy savings.
- Identification and monitoring of long and short-term indicators of well-being of MHR participants such as overall energy burden and other economic health indicators. Consideration of debt-to-income ratio and ability to pay for necessities, etc.
- Assessment of the loan component of the pilot and identification of best practices and lessons learned as a result of this model.

A continued MHR pilot could also benefit from monitoring and review by an independent third-party. Such an entity could support oversight of the intake process to determine if customer communication and screening was sufficient to identify customers that would benefit from MHR, and conveyed a clear understanding of the risks and benefits of program participation. Participant interviews would be a helpful tool to gauging a client-eye-view of the process and outcomes. Consider a pre-post survey to gauge indications of program success, energy savings, and economic health.

To this end, Cascade suggests additional discussion amongst stakeholders to determine if the proposed \$30,000 for evaluation is sufficient to drawing meaningful conclusions from the data.

Conclusion



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Cascade appreciates the opportunity to submit comments regarding the continuation of the MHR pilot program. We believe that providing economic incentives to households to change out their inefficient manufactured homes to a new high-efficiency model is an excellent idea. However, due to the likelihood that many of the households served by the program are (or will be) low income, the Company encourages careful deliberation to ensure that participants are not met with incrementally higher expenses as a result of debt incurred as part of the MHR program, and that it complements other existing state and federal programs.

Thank you again for your time and consideration.

A handwritten signature in black ink that reads "Alyn Spector". The signature is fluid and cursive, with the first name "Alyn" and the last name "Spector" clearly distinguishable.

Alyn Spector
Manager, Energy Efficiency Policy
Cascade Natural Gas Corporation