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REPORT NAME: 2013-2014 Oregon Low-Income Energy Efficiency (OLIEE) Annual Report

COMPANY NAME: NW Natural Gas Company

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If known, please select designation: RE (Electric) RG (Gas) RW (Water) RO (Other)

Report is required by: OAR
Statute
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Schedule 320 of NWN's Tariff

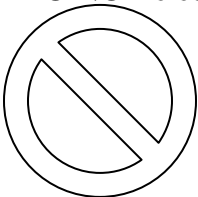
Is this report associated with a specific docket/case? No Yes

If yes, enter docket number: RG 13

List applicable Key Words for this report to facilitate electronic search:

NW Natural, 2013-2014 Program Year, Oregon Low-Income Energy Efficiency Annual Report, OLIEE, RG 13

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December 16, 2014

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

Attn: Filing Center

RE: **RG-13** - Oregon Low-Income Energy Efficiency Program (OLIEE)
Annual Report (Program Year 2013-2014)

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), submits herewith its Oregon Low-Income Energy Efficiency Program (OLIEE) Annual Report for the Program Year 2013-2014 in accordance with the Company's Tariff P.U.C. Or. 25, Schedule 320.

Please do not hesitate to contact me should you have any questions about this report.

Sincerely,

/s/ Jennifer Gross

Jennifer Gross
Tariffs & Regulatory Compliance Consultant
Rates Department

enclosure

NW Natural

Oregon Low Income Energy Efficiency Program Annual Report To the Public Utility Commission of Oregon Program Year: October 2013- September 2014

I. OLIEE: CAP Overview:

Since October 2002, NW Natural (NWN) has collected public purpose funding for its Oregon low income energy efficiency program (OLIEE). This collection is equal to one quarter of a percent (0.25%) of gross revenues received from Oregon's residential and commercial customers.

The OLIEE program assists NWN's low income customers by reducing their natural gas needs through the installation of high efficient gas equipment and weatherization. The program is applicable to owners and renters of single or multi-family dwellings, who meet income guidelines as established in Oregon's annual Low Income Home Energy Assistance Program (LIHEAP) State Plan¹, and is administered by local community action agencies (agencies). On average, the OLIEE program reduces participating customers' gas usage by approximately 20%² annually.

II. Matching Funds:

During the current program year, OLIEE funds covered 90% of total of weatherization costs. This is up significantly from prior years (77%, 76% and 72% in 2012-13, 2011-12, and 2010-11 respectively.) For each unit weatherized, the program now pays 100% of qualifying measure costs up to \$5000 per home, a flat administrative fee of \$225, and a health, safety, and repair (HSR) allowance not to exceed an average of \$440 per home. In prior years the program covered only 90% of job costs up to \$4000 with the remaining job costs being paid for by other funding sources, namely LIHEAP and Weather Assistance Program (WAP), which are referred to generally as "OLIEE matching funds." Homes weatherized in OLIEE still generally use OLIEE matching funds for job costs exceeding the \$5000 cap, but it is no longer a requirement that matching funds be used on each home.

III. Current year results:

Table 1 – 2013-2014 OLIEE Program Year Results

	<u>2013-2014</u>	<u>2012-2013</u>
Homes weatherized (Target)	253 to 358	213 to 328
Homes weatherized (Actual)	201	151
Total Weatherization (Wx) Costs	\$ 739,948	\$ 573,001
Reimbursed Measure Costs	\$ 664,069	\$ 442,326
Total Health and Safety and Repair (HSR) ³	\$ 251,837	\$ 318,848
Reimbursed HSR	\$ 80,537	\$ 63,257

¹ The 2014 LIHEAP State Plan is found here:

http://www.liheap.ncat.org/stplans/2014/OR_2014_abbrev.pdf

² According to 2011 Impact Evaluation performed by Forefront Economics

³ As reported by each agency, not within NWN's customer database

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	<u>2013-2014</u>	<u>2012-2013</u>
% of HSR Reimbursed by OLIEE	32%	20%
Est. therms	46,756	36,995
Est. therms saved per home ⁴	233	245
Wx cost per est. therm saved	\$15.83	\$15.49
Wx reimb per est. therm saved	\$14.20	\$11.96

While the cost per therm remained steady, the increase in program cap (\$5000 per home as compared to the prior cap of \$4000) contributed to the higher *reimbursed* weatherization cost per therm saved. Completions were up over last year but they are still below program redesign levels from pre-2007. Agencies cited the following reasons for low completions:

1. **Personnel:** There has been significant turnover in the weatherization coordinator role which is responsible for running each agency's weatherization program. Over the last two program years, five of the nine active agencies found themselves under new weatherization leadership. Within the various teams there have also been issues with newly outsourced roles- both of installer contractors and technicians. While these have caused some natural slowing (due to training and the refreshing and refining of procedures) it sounds like agencies are largely on the other side of these hurdles.
2. **DOE prioritization changes:** The Department of Energy no longer allows the availability of leverage funds (OLIEE dollars) to factor into the prioritization of homes on the waiting list. Prioritization is given solely to elderly, disabled, families with children, high energy users and those with a high energy burden. Gas heated homes are less inclined to fall into these 5 categories, especially when gas prices are at 10-year lows. Higher priority was formerly given to gas heated homes because OLIEE dollars represented leverage funds; this is no longer factored.
3. **Cost-effectiveness:** While low gas prices are a boon to those paying for heat, it is a detriment to the cost-effectiveness equations that only consider the cost of saved energy. These equations are intended to identify which measures and projects constitute wise financial investments. It is well accepted that weatherization programs have many non-energy benefits but the extent of those benefits is difficult to quantify precisely and hence, are excluded from OLIEE's cost-effectiveness calculation. This means many measures which would help seal up leaks and keep customers warm, are not eligible for OLIEE.

In addition to increasing the per unit cap and eliminating an automatic matching requirement, the newly revised OLIEE tariff (effective 11.27.13) allowed for furnace replacements in "no heat" (inoperable HVAC) situations. It appears this had a positive effect

⁴ Estimated therms saved as calculated by the Oregon Department of Energy (ODOE) -approved modeling software, RemRate.

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on the program as 59 furnaces were replaced in the current program year, as compared to 31 in the prior.

IV. Program Funding: Cash basis⁵

Table 2 – 2013-2014 OLIEE Program Year Funding

Program Revenue:	
OLIEE Public Purpose Funding	\$ 1,491,938
Interest and Investment Income	\$ 3,037
Total PY 2013-14 Program Revenue	\$ 1,494,975
Expenses:	
Total Agency Cost ⁶	\$ (773,798)
NWN Administration	\$ (76,816)
Open Solicitation Program	\$ (29,805)
Total PY 2013-14 Expense	\$ (880,419)
PY 2013-14 Excess Funding	\$ 614,556

Note: the current tariff also allows 10% of program collections (approximately \$1.5M) to be used for client energy education per program year. It took much of the prior year to determine goals, allocations and expectations for this resource. The first deployment was issued on September 30th, 2014, but did not impact the cash position until October 2014, and, therefore, is not referenced above.

Energy Education

It is our goal that by wisely deploying funds on client education, we will create synergies in the delivery and funding of traditional low income services - weatherization and bill assistance – while better serving this customer group. By targeting customers on the weatherization waiting lists (OLIEE) and previous recipients of bill assistance (OLGA⁷), we specifically we hope to:

- Provide more immediate attention and services to customers on weatherization wait lists
- Provide education and direct install measures to customers whose homes do not qualify for OLIEE
- Show OLGA customers how to use less gas and decrease their dependency on bill payment assistance.

⁵ Note: expenses are paid 1 to 2 months after being incurred. Due to this timing difference, figures in section III and IV will not fully synchronize.

⁶ Agency costs include measure reimbursement, health, safety and repair allowance as well as administrative costs.

⁷ Oregon Low Income Gas Assistance

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The uses and impacts of these funds will be reported on fully in the next annual report.

V. 2014-2015 Future look including targets and wait lists

Increasing the per unit cap and removing the automatic matching fund requirement has not yet resulted in additional homes weatherized; additionally targets for the next year are lower than the past year's but higher than 2013-14 actuals. We understand there is often a lag between programmatic changes and optimal implementation. Additionally, as agencies work through changes in leadership and support personnel, we trust production will improve. However, because the price of gas is so low, many measures no longer pass cost-effectiveness as currently applied in the program. In order to make exponential production improvements, the criteria that determines which measures and projects are eligible for OLIEE dollars should be reevaluated because there are more benefits achieved from low income weatherization than are reflected in an energy-only cost test. Drafts are not warmer when gas is cheaper.

In addition to 2014-15 targets, Table 3 provides actual results for program year 2013-14 and waiting list information for the past two program years. While the figures will vary agency to agency, in total, the wait list for gas heated homes dropped 18% from the prior year, and the wait list for all fuels dropped 11%. This represents a larger trend as the 2012-2013 figures are lower than the year prior- 22% lower for gas heated homes and 44% for all homes.

This is most largely attributed to agencies preening their lists. Eligibility, interest and accessibility to these clients was reviewed which eliminated many. Now lists contain more relevant contacts and agencies are targeting them with energy education services before and during their weatherization treatments.

As Cascade Natural Gas completes their low income weatherization pilot, we will all look to that data to help inform additional changes that may be needed to the OLIEE tariff for the 2015-16 program year.

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Table 3: Results, Projections and Wait List data⁸

CAP Agency	Counties Served	PY 2014-15 Targets		PY 2012-13 Actual	As of 9/30/13		As of 9/30/14	
		Conservative	Stretch		Gas home wait list	Total Wait list*	Gas home wait list	Total Wait list*
Clackamas County CA	Clackamas Co	34	50	19	111	190	41	159
Community Action Organization	Washington	30	50	35	185	311	162	243
Community Action Team, Inc.	Columbia & Clatsop	8	15	8	42	179	66	280
Community Services Consortium	Benton, Linn and Lincoln	20	40	47	109	357	107	330
g & Comm Svcs of Lane Co	Lane	20	40	11	84	1015	83	925
Mid-Willamette Valley CA	Polk and Marion	25	40	14	334	961	275	633
Office of School & Comm Partnership	Multnomah	60	80	62	54	113	28	60
Yamhill Co CA Partnership	Yamhill Co	10	14	4	20	320	0	239
Oregon Coast CA	Coos and Curry	1	5	1	11	427	13	583
All Agencies⁹		208	334	201	950	3873	775	3452

OLIEE OSP: NW Natural contracted with Verde Energy to weatherize 10 single family units for \$29,805 during the 2013-14 program year. The participating homes are all owned by Portland Community Reinvestment Initiatives (PCRI), a non-profit that reinvests in Portland's neighborhoods, preserves diversity and provides tools to help low-income families and individuals achieve stability and self-sufficiency. Each unit received targeted air sealing and insulation, not equipment measures. The per unit spend ranged from \$1,245 and \$9,365 and estimated savings are between 5-15% per home. The pilot was intended to test the efficiencies gained in working with a property manager rather than resident-based outreach.

⁸ The waiting list information presented in this table is as reported to NW Natural by each agency.

⁹ Mid-Columbia Community Action has been removed, they do not have any gas homes on their wait list and only weatherized one gas home under OLIEE in the last 3 years.

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The pilot program also had an education component funded by a grant from The Concordia Foundation. The goal was to help residents understand the work being performed and how household habits affect energy bills, comfort and healthy indoor environments, and thereby empower them through behavior change and community support to manage their energy use.

While admittedly small in scope, the delivery was smooth and efficient. A minority- and woman-owned business that specialized in home weatherization was selected as the weatherization contractor. All parties to this pilot, including homes residents, were pleased with the results. Once more time has passed, bill analyses will be performed to determine relative cost effectiveness of this pilot.