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REPORT NAME: REVISED 2014-2015 Oregon Low-Income Energy Efficiency (OLIEE) Annual Report

COMPANY NAME: NW Natural Gas Company

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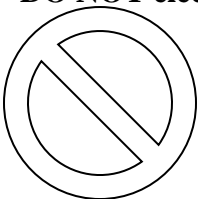
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[]Statute
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NW Natural, 2014-2015 Program Year, Oregon Low-Income Energy Efficiency Annual Report, OLIEE, RG 13

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January 7, 2016

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

Attn: Filing Center

RE: **RG-13** - Oregon Low-Income Energy Efficiency Program (OLIEE)
Revised Annual Report (Program Year 2014-2015)

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), submits herewith its revised Oregon Low-Income Energy Efficiency Program (OLIEE) Annual Report for the Program Year 2014-2015 in accordance with the Company’s Tariff P.U.C. Or. 25, Schedule 320. The report has been revised to correct the total health, safety, and repair costs in Table 1, the sum of the agency wait list and meter count metrics in Table 4, and the acronyms for three of the Open Solicitation Program organizations on page seven of the report.

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

Sincerely,

/s/ Gail Hammer

Gail Hammer
Rates and Regulatory Affairs

enclosure

NW Natural

Oregon Low Income Energy Efficiency Program Revised Annual Report To the Public Utility Commission of Oregon Program Year: October 2014- September 2015

I. OLIEE: Community Action Program (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 86% of total weatherization costs. This represents a significant improvement from prior years where the average ranged from 72-77% (2010-11 program year (PY) and 2012-13 PY, respectively). This reflects a program design that reimburses 100% of weatherization costs up to \$5000, as opposed to earlier tariffs that reimbursed only 90% of weatherization costs up to \$4000. However, significant matching funds are still required for the health, safety and repair (HSR) measures that are needed in these homes. HSR costs were nearly a third of weatherization totals in 2014-15, as reflected in Table 1 below. These matching funds are derived mainly from two federal sources: The Office of Community Services' Low Income Home Energy Assistance Program (LIHEAP) and the US Department of Energy's Weather Assistance Program (WAP).

III. Current year weatherization results:

Table 1 – 2014-2015 OLIEE Program Year Results

	<u>2014-2015</u>	<u>2013-2014</u>
Homes weatherized (Target)	208 to 334	253 to 358
Homes weatherized (Actual)	198	201
Total Weatherization (Wx) Costs	\$ 919,054	\$ 739,948
Reimbursed Measure Costs	\$ 791,611	\$ 664,069
Total Health, Safety and Repair costs (HSR) ³	\$311,120	\$251,837
Reimbursed HSR	\$ 85,928	\$ 80,537
% of HSR Reimbursed by OLIEE	28%	32%

¹ The 2015 Oregon LIHEAP Fact Sheet is found here:

<http://www.oregon.gov/ohcs/pdfs/factsheets/factsheet-low-income-home-energy-assistance.pdf>

² According to 2011 Impact Evaluation performed by Forefront Economics

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

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Est. therms	45,876	46,756
Est. therms saved per home ⁴	232	233
Wx cost per est. therm saved	\$20.03	\$15.83
Wx reimb per est. therm saved	\$17.26	\$14.20

While the total number of homes weatherized and the average therm saving per home remained steady year over year, the total and reimbursed cost per therm increased in 2014-15. This appears to be related to more furnace installations which increased 39% from the year prior (from 59 replacements to 82 in the current year). As of the November 27, 2013 tariff, OLIEE allows furnace replacements in “no-heat” (inoperable HVAC) situations, regardless of savings-to-investment calculation; it appears agencies are building this into their standard operating model.

IV. Energy Education:

The current tariff (effective since November 27, 2013) allows 10% of program collections (approximately \$1.5M) to be used for client energy education per program year. Due to a longer-than-expected timeline for program design, the first and second deployments were both issued during the 2014-2015 program year for a total of \$277,836. Below is a recap of program goals, reporting methods and service offerings.

- 1. Goals:** Our goal is to 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 (OLGA⁵), we specifically 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.
- 2. Reporting:** Each agency provides an annual report that includes:
 - A program overview of services provided
 - Participation metrics
 - Program highlights
 - Participant feedback
 - Accounting

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

⁵ Oregon Low Income Gas Assistance

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3. Program offerings: Consistently the services include group workshops and in-home visits in each county. Below are excerpts from one of these reports for each offering category:

- **Workshops:** “To better serve our community, workshops are held in both English and Spanish at various locations in Washington County. The attendees are introduced to ideas that reduce energy consumption and how to make their homes healthier and safer. Topics include basic building science, how their home works, the importance of changing furnace filters, ways to save water, how to change hot water settings and the importance of an appropriate temperature setting, controlling indoor humidity and preventing mold, carbon monoxide and alarms, and lighting choices. Discussions and questions are strongly encouraged. All attendees receive a kit with energy saving materials and the Home Energy Manual in either Spanish or English. The workshops are scheduled to last 1½ hours, but frequently last longer when there are a lot of questions.⁶”
- **In-home education:** “A 76-year-old woman, taking care of her 89-year-old husband who has Alzheimer’s, was recovering from her second knee surgery. Like many people on fixed incomes, she was concerned about keeping her energy costs down and she was also concerned that things in her home weren’t being maintained. She wants to remain in the home, because of her husband’s condition. She said ‘he knows the home and he would be lost if we moved.’ NWN EE funds provided in home client education, cleaned and tuned her furnace and installed a CO alarm on both levels of her home. She called afterwards to say thank you and that it gave her great comfort to know that her furnace was running well and that the CO alarms were present.⁷”

NW Natural is pleased with the agency reports and is seeking to foster inter-agency collaboration to help create an even stronger education program.

⁶ Excerpt from Community Action Organization’s annual report, dated November 30, 2015

⁷ Excerpt from Community Action Organization’s annual report, dated November 30, 2015

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V. Program Funding: Cash basis⁸

Table 2 – 2014-2015 OLIEE Program Year Funding

Program Revenue:	
Public Purpose Funding	\$ 1,352,518
Interest and Investment Income	\$ 3,236
Total PY 2014-15 Program Revenue	\$ 1,355,755
Expenses:	
Total Agency Cost ⁹	\$ (887,335)
NWN Administration	\$ (62,156)
Energy Education	\$ (277,836)
Total PY 2014-15 Expense	\$ (1,227,327)
PY 2014-15 Excess Funding	\$ 128,428

VI. 2015-2016 Future look including targets and wait lists

In addition to 2015-16 targets, Table 4 provides actual results for program year 2014-15, waiting list information as of program year-end 2014-15 and total meter count by agency geography as requested by the Commission.

⁸ Note: expenses are paid 1 to 2 months after being incurred. Due to this timing difference, figures in section III and V will not fully synchronize.

⁹ Agency costs include measure reimbursement, health, safety and repair allowance as well as administrative costs.

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Table 4: Results, Projections and Wait List Data¹⁰

CAP Agency	Counties Served	PY 2015-16 Targets		PY 2014-15 Actuals	Gas home wait list 9/30/14	As of 9/30/15		Residential Meter Count
		Conservative	Stretch			Gas home wait list	Total Wait list	
Clackamas County CA	Clackamas Co	34	50	8	41	61	272	82,100
Community Action Organization	Washington	33	45	31	162	105	173	126,241
Community Action Team, Inc.	Columbia & Clatsop	8	12	2	66	65	221	18,652
Community Services Consortium	Benton, Linn and Lincoln	25	40	28	107	118	414	47,137
Housing & Comm Svcs of Lane Co	Lane	30	50	11	83	62	650	34,535
Mid-Willamette Valley CA	Polk and Marion	35	60	48	275	295	497	71,415
Weatherization & Energy Services	Multnomah	65	80	63	28	134	163	179,424
Yamhill Co CA Partnership	Yamhill Co	8	14	7	0	0	159	10,537
All Agencies¹¹		238	351	198	762	840	2,549	570,041

VII. Assessment of program design efficacy – 2016 implications:

Because the low income gas weatherization programs are not keeping pace with the production of market-rate programs across Oregon, the Public Utility Commission (PUC) requested all three natural gas local distribution companies work together using information gained in the Cascade Natural Gas pilot and our collective program experience to propose one state-wide program offering. LDC representatives as well as PUC, Citizens Utility Board (CUB) and the Community Action Partnership of Oregon (CAPO) met four times over the summer to determine collective objectives, understand program impediments and propose solutions. This information was shared with the PUC's Utility Program Director in

¹⁰ The waiting list information presented in this table is as reported to NW Natural by each agency.

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October and will result in a NWN-only tariff change filing in early 2016. The other utilities may follow once more data is obtained by NWN. Our recommendation seeks to address root issues that impeded program performance. Those issues are provided in Table 3:

Table 3: Oregon-wide impediments to greater production in the low-income gas programs

Impediment	Explained	Implication
(1) Estimated WX and EE measure savings struggle to pass cost effectiveness tests.	Historically low gas prices mean finding “cost effective” measures especially challenging.	Measures are either left undone or flexible federal funding (LIHEAP) is disproportionately tapped for gas homes. Gas homes are less attractive projects- they represent more work, more cost and less contribution than electric heated homes so it’s understandable under the current circumstances why fewer are completed.
(2) Non-weatherization project costs exceed program allowance	Administrative costs covered by the utility programs do not cover the true audit and inspection costs.	
(3) Health/Safety/Repair costs exceed program allowance	Due to combustion appliances in gas homes, the HSR-related issues are relatively more significant/ complex than in electric heated homes. The current design does not allot for even the minimum ASHRAE compliance requirements.	
(4) Onerous DOE requirements	Federal funding has increasingly difficult constraints – namely DOE - but these requirements must be met because the utility programs do not provide sufficient funding for project costs. (I.e. DOE requires daily test in/test out blower door procedures.)	

Proposed solutions to be represented in 2016: (per home figures)

- Cost-effective weatherization cap: \$10,000
- HSR average: \$1,000
- Audit and inspection reimbursement: \$850 cap
- Admin reimbursement: \$750
- Rate per therm: use the EIA Oregon rate for August (\$1.70)

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VIII. OLIEE: Open Solicitation Program (OSP) Overview:

In order to better steward the backlog of OLIEE funds, the Company also spent time this summer working with partners and assembling projects that meet the spirit of the OLIEE program while providing some diversification of housing stock and hence tenant profile. These projects all fall within the scope of the Open Solicitation Program of the OLIEE tariff.

More detail will be provided on the OSP offerings in the 2015-16 program year as monies have not yet impacted OLIEE accounting in 2014-15; however, an overview of organizations and projects is listed below.

Organizations:

- Community Energy Project
- Native American Youth Alliance and Enhabit
- MPower and Earth Advantage
- Portland Community Reinvestment Inc.
- Home Forward
- Lane County Housing Services

Projects:

- DIY Air sealing training and kits
- Furnace and window replacement in historic building
- Anti-displacement driven efficiency upgrades (repairs also made via other funding)
- High efficient gas boilers in new affordable housing
- Adding energy efficiency upgrades in homes that would otherwise only be evaluated for general repairs
- Replacement of water piping for radiator heat system - adding 30 years of life to a low income housing structure

We are hopeful that taking measures to strengthen the standard offering and exploring additional pathways to channel monies collected for low income customers will create stronger program efficacy and serve people that have never been reached. We are hopeful that diversification in our program will provide greater strength to each of the individual components and we will keep learning and refining this offering as we get smarter. Our goal is to have the backlog funds deployed by the end of year two (September 30, 2017).