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REPORT NAME: RG-13, NW Natural 2012-2013 Oregon Low Income Energy Efficiency (OLIEE) Annual Report

COMPANY NAME: NW Natural

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION?  No  Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation:  RE (Electric)  RG (Gas)  RW (Water)  
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Report is required by:  OAR Enter Rule number:  
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 Other Enter reason: Schedule 320 of NWN's Tariff

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If Yes, enter docket number: Enter docket number: RG-13

Key words: RG 13, NW Natural, 2012-2013, OLIEE, Annual Report, Oregon Low Income Energy Efficiency

If known, please select the PUC Section to which the report should be directed:

- Corporate Analysis and Water Regulation
- Economic and Policy Analysis
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December 23, 2013

Public Utility Commission of Oregon  
3930 Fairview Industrial Drive SE  
P.O. Box 1088  
Salem, Oregon 97308-1088

Attn: Filing Center

RE: **RG-13**, Oregon Low-Income Energy Efficiency Program (OLIEE)  
Annual Report (Program Year 2012-2013)

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 2012-2013 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 - Program Year: October 2012- September 2013

### 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 LIHEAP<sup>1</sup> State Plan, and is administered by local community action agencies (agencies). On average, the OLIEE program reduces participating customers’ gas usage by approximately 20%<sup>2</sup> annually.

### II. Matching Funds:

During the current program year, OLIEE funds covered 77% of total of weatherization costs. For each unit weatherized, the program pays the lesser of 90% of qualifying measure costs or \$4000 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. The remaining job costs are paid through other funding sources, namely Low Income Home Energy Assistance Program (LIHEAP) and Weather Assistance Program (WAP), which are referred to generally as “OLIEE matching funds.”

### III. Current year results:

**Table 1 – 2012-2013 OLIEE Program Year Results**

	<u>2012-2013</u>	<u>2011-2012</u>
Homes weatherized (Target)	213-328	390-492
Homes weatherized (Actual)	151	541
Total Weatherization (Wx) Costs	\$573,001	\$ 1,262,429
Reimbursed Measure Costs	\$442,326	\$ 963,145
Total Health and Safety and Repair (HSR) <sup>3</sup>	318,848	<i>did not track</i>
Reimbursed HSR	\$63,257	\$ 209,474
% of HSR Reimbursed by OLIEE	20%	<i>did not track</i>
Est. therms	36,995	92,708
Est. therms saved per home <sup>4</sup>	245	171
Wx cost per est. therm saved	\$15.49	\$13.62
Wx reimb per est. therm saved	\$11.96	\$10.39

1 Low Income Home Energy Assistance Program (LIHEAP)

2 According to 2011 Impact Evaluation performed by Forefront Economics

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

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

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The significant *decrease* in total completions and 43% *increase* in per unit therm savings over the prior year is attributable to the large percentage of multi-family projects completed in 2011-12. Fifty percent of the units weatherized in the prior year were multi-family. The economy of scale associated with these projects makes the cost per therm as well as the per-unit cost less than the cost to do the same work on stand-alone dwellings as multi-family units are also smaller on average than a single family residence. Additionally, several agencies transitioned from having in-house crews to contractors, and other agencies experienced a change in program management staff. With the tariff changes outlined in section V and these transitions complete, we are hopeful we can weatherize 100-200 more homes in the current program year.

### IV. Program Funding: Cash basis<sup>5</sup>

**Table 2 – 2012-2013 OLIEE Program Year Funding**

<b>Program Revenue:</b>	
Public Purpose Funding	\$ 1,406,046
Interest and Investment Income	\$ 2,214
<b>Total PY 2012-13 Program Revenue</b>	<b>\$ 1,408,260</b>
<b>Expenses:</b>	
Total Agency Cost <sup>6</sup>	\$ (876,453)
NWN Administration	\$ (84,363)
<b>Total PY 2012-13 Expense</b>	<b>\$ (960,816)</b>
<b>PY 2012-13 Excess Funding</b>	<b>\$ 447,444</b>

### V. 2013-2014 Future look including targets and wait lists

For several years, program collections roughly equaled program expenditures; however, we still have a \$2 million balance from years where collections exceeded expenditures. In order to address this surplus and to release the program from the volatility of matching funds, several changes were made to the OLIEE tariff as outlined below. It is our hope that by easing the restrictions on this program, more customers can be served either directly through weatherization services or by energy education. The targets outlined in Table 3 below were set with these changes in mind.

Changes to the OLIEE tariff effective November 27, 2013, are as follows:

- Increase per dwelling cap to \$5000 (previously \$4000)

<sup>5</sup> 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.

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

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- Remove requirement to use state or federal funds on each project (previously required matching funds of not less than 10% of the project cost.)
- Allow furnace to be replaced when current unit is inoperable without requiring the agency to model this measure as cost effective in its whole home modeling
- Provide an allowance not to exceed 10% of program collections for energy education

In addition to 2013-14 targets, Table 3 provides actual results for program year 2012-13, waiting list information and, for context, the percent of each market served by gas. While the figures will vary agency to agency, in total, the wait list for gas heated homes dropped 17% and the total wait list for all fuels dropped 31% from the prior year. Further, in all counties, gas heated homes represented a smaller percent of the total wait list than the portion of the market heated with gas. This causes us to believe our customers are receiving timely service.

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Table 3: Results, Projections and Wait List data<sup>7</sup>

CAP Agency	Counties Served	PY 2013-14 Targets		PY 2012-13 Actual	As of 9/30/13		
		Conservative	Stretch		Gas home wait list	Total Wait list*	% of market heated w/gas
Clackamas County CA	Clackamas Co	44	65	9	111	190	64%
Community Action Organization	Washington	30	50	35	185	311	81%
Community Action Team, Inc.	Columbia & Clatsop	8	15	3	42	179	50%
Community Services Consortium	Benton, Linn and Lincoln	60	70	30	109	357	53%
Housing & Comm Svcs of Lane Co	Lane	20	30	12	84	1015	31%
Mid-Columbia CA	Wasco & Sherman	1	2	0	60	900	20%
Mid-Willamette Valley CA	Polk and Marion	25	40	10	334	961	61%
Office of School & Comm Partnership	Multnomah	55	70	38	54	113	77%
Yamhill Co CA Partnership	Yamhill Co	10	14	14	20	320	34%
Oregon Coast CA	Coos and Curry	1	2	0	11	427	5%
<b>All Agencies</b>		<b>254</b>	<b>358</b>	<b>151</b>	<b>1010</b>	<b>4773</b>	<b>61%</b>

**VI. OLIEE OSP:** No funds were spent towards the OLIEE Open Solicitation Program for the 2012-2013 program year; however, NW Natural has contracted with Verde Energy for a 10-unit pilot during the 2013-14 program year. This pilot will test the efficiencies gained in working with a property manager rather than resident-based outreach. We are hopeful that a portfolio of offerings will enable greater reach of the low income weatherization dollars.

<sup>7</sup> The waiting list information presented in this table is as reported to NW Natural by each agency.