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January 25, 2012

Public Utility Commission of Oregon
550 Capitol Street, N.E. Suite 215
P.O. Box 2148
Salem, Oregon 97308-2148

Attn: Filing Center

RE: **RG-13**, Oregon Low-Income Energy Efficiency Program (OLIEE)
Annual Report (Program Year 2011-2012)

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 2011-2012 in accordance with the Company's Tariff P.U.C. Or. 24, Schedule 320.

The Tariff requires that the annual report be filed by December 31 following the end of each program year. Staff at the Public Utility Commission of Oregon generously allowed NW Natural to file later than normal for the 2011-2012 program year as the Company had a key employee with an unplanned extended absence.

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 2011- September 2012

I. OLIEE: CAP Overview:

Since October 2002, NW Natural 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 NW Natural's low income customers by reducing their natural gas needs through the installation of high efficient gas equipment and weatherization. The program is available to owners or renters of single or multi-family dwellings, who meet income guidelines as established in Oregon's annual LIHEAP¹ State Plan, 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 76% of total of weatherization costs. For each unit weatherized, the program pays up to 90% of qualifying measure costs but no more than \$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 – 2011-2012 OLIEE Program Year Results

	<u>2011-2012</u>	<u>2010-2011</u>
Homes weatherized (Target)	390-492	500
Homes weatherized (Actual)	541	339
Total Weatherization (Wx) Costs	\$ 1,262,429	\$ 1,462,422
Reimbursed Measure Costs	\$ 963,145	\$ 1,048,428
Health and Safety and Repair	\$ 209,474	\$ 151,898
Est. therms	92,708	108,141
Est. therms saved per home ³	171	319
Wx cost per est. therm saved	\$13.62	\$13.52
Wx reimb per est. therm saved	\$10.39	\$9.70

¹ Low Income Home Energy Assistance Program (LIHEAP)

² According to 2011 Impact Evaluation performed by Forefront Economics

³ Estimated therms saved as calculated by the Oregon Department of Energy (ODOE) -approved modeling software, RemRate.

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The 60% increase in home completions and 14% *decrease* in therm savings over the prior year can be attributed largely to a boon of multifamily projects. 50% of the units weatherized during the 2011-2012 program year were multifamily as opposed only to a handful in 2010-2011. Most multifamily complexes are heated with electricity so the Agencies do not anticipate this being repeated in 2012-13.

IV. Program Funding: Cash basis⁴

Table 2 – 2011-2012 OLIEE Program Year Funding

Program Revenue:		
Public Purpose Funding	\$ 1,509,372	
Interest and Investment Income	\$ 2,128	
Total PY 2011-12 Program Revenue		\$ 1,511,500
Expenses:		
Total Agency Cost ⁵	\$ (1,390,326)	
NWN Administration	\$ (89,395)	
Total PY 2011-12 Expense		\$ (1,479,721)
PY 2011-12 Excess Funding		\$ 31,779

V. 2012-2013 Targets and Wait Lists

See Table 3 for 2012-13 targets by agency, actual results for program year 2011-12 and waiting list information. It should be noted that while the total waiting list grew by 7%, the waiting list for gas heat customers has dropped 11%.

⁴ 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. Further note, funds used for Habitat Humanity furnaces for the 2010-11 Program Year were paid from the OLIEE cash account in Dec 2011. These are not listed in Table 2 but did impact cash by \$19,107. This activity was reported in last year's OLIEE report in Section VI OLIEE: OSP.

⁵ Agency costs include measure reimbursement, health, safety and repair allowance as well as administrative costs.

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Table 3: Results, Projections and Wait List data⁶

CAP Agency	County Served	PY 2012-13 Targets		PY 2011-12 Actual	Est Therm Savings by Unit ⁷	As of 9/30/12	
		Conservative	Stretch			Gas home wait list	Total Wait list*
Clackamas County CA	Clackamas	25	45	78	195	166	460
Community Action Organization	Washington	40	60	65	294	188	518
Community Action Team, Inc.	Columbia	18	30	52	96*	87	349
Community Services Consortium	Benton, Linn and Lincoln	40	50	127	111*	109	365
Housing & Comm Svcs of Lane Co	Lane	25	40	13	180	91	1168
Mid-Columbia CA	Wasco & Sherman	2	4	1	378	80	1200
Mid-Willamette Valley CA	Polk and Marion	25	35	51	327	385	1850
Office of School & Comm Partnership	Multnomah	40	60	143	119*	70	182
Yamhill Co CA Partnership	Yamhill	10	14	10	304	27	461
Oregon Coast CA	Coos and Curry	3	5	1	257	19	372
All Agencies		228	343	541	175⁸	1222	6925

VI. OLIEE OSP: No funds were spent towards the OLIEE Open Solicitation Program.

⁶ The waiting list information presented in this table is as reported to NW Natural by each agency.

⁷ Schedule 320 states that the annual report will include pre-and post-usage therm savings by agency. It is not realistic that the Company could provide this annually as it would require that an impact study be done no less than 12 months after the weatherization measures were installed. NW Natural intends to change the tariff language so to clarify the content of its annual reports.

⁸ Rounding differences impact savings per agency versus savings in total (Table 1 above reflects 171 therm savings on average for all agencies, this chart shows 175).