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January 29, 2016

NWN OPUC Advice No. 16-01 / ADV \_\_\_\_\_

**VIA ELECTRONIC FILING**

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

Attn: Filing Center

Re: **Schedule 320, Oregon Low-Income Energy Efficiency Program (OLIEE)**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), files herewith the following revisions to its Tariff P.U.C. Or. 25, stated to become effective with service on and after **March 1, 2016**:

First Revision of Sheet 320-3  
Schedule 320,  
“Oregon Low-Income Energy Efficiency (OLIEE) Programs,”

Second Revision of Sheet 320-4  
Schedule 320,  
“Oregon Low-Income Energy Efficiency (OLIEE) Programs,”

Second Revision of Sheet 320-5  
Schedule 320,  
“Oregon Low-Income Energy Efficiency (OLIEE) Programs,”

and

First Revision of Sheet 320-6  
Schedule 320,  
“Oregon Low-Income Energy Efficiency (OLIEE) Programs.”

The purpose of this filing is to propose revisions to Schedule 320 “Oregon Low-Income Energy Efficiency (OLIEE) Program” that are intended to improve the performance of the OLIEE program and increase the number of low-income households served by the program over the next three program years.

NW Natural and representatives from the Community Action Partnership of Oregon (“CAPO”), Oregon PUC Staff (“Staff”), Citizens Utility Board (“CUB”), Avista Utilities (“Avista”), and Cascade Natural Gas (“Cascade”) met several times during 2015 to generally discuss concerns about the underperformance of each utility’s low-income energy efficiency

program, to collectively share program experience, and to gain insight from Cascade's Conservation Achievement Tariff (CAT) pilot program. It is NW Natural's understanding that Cascade experienced an improvement in their program's performance during the initial CAT pilot, and Cascade has received Commission approval to continue their CAT pilot program through December 31, 2017. While it may be that a larger state-wide effort could be needed to address the broader low-income issues, NW Natural believes that there are interim enhancements that can be made to the OLIEE program that, similar to Cascade's CAT pilot program, will improve the OLIEE program performance in the near term.

NW Natural's OLIEE program is structured so that OLIEE funds are used to supplement other available funding sources rather than to fully fund the installation of energy efficiency measures. Over time, the agencies that deliver OLIEE funds to customers have faced ongoing uncertainty around the amount and availability of federal and other funding sources that can be used to leverage available OLIEE funds. In addition, through conversations with CAPO and the other utilities during 2015, it became clear that agency efforts are further complicated by the fact that the cost of serving natural gas heated homes is considerably higher than it is for electric heated homes. These cost barriers, in large part, can be attributed to the low OLIEE program performance. The changes proposed by NW Natural are intended to address these cost barriers by removing the strong reliance on the need to leverage other funding sources. Similar to Cascade's experience, NW Natural believes that these changes should increase the number of low-income gas heated homes served by the OLIEE program. A summary of the proposed changes is provided below:

- Agency Qualifications and Responsibilities (Sheet 320-3). NW Natural proposes to broaden Condition 7 to provide for any training that the Company determines necessary. The current provision was specific to training for data entry into the Energy Analyzer Software to address an issue that arose in 2012.
- CAP Administration and Delivery Costs (Sheet 320-4). NW Natural proposes to increase the Community Action Program (CAP) administration and delivery cost from \$225 to \$750 per household. This change will ensure that agencies are able to cover actual administrative and direct program costs without reliance from other funding sources.
- Energy Efficiency Measures and Rebates (Sheet 320-4). NW Natural proposes to remove the exception language applicable to the 2012-2013 and 2013-2014 program years and replace it with a statement that the Savings to Investment Ratio (SIR) will use the residential natural gas price published by the Energy Information Administration's (EIA). This change still addresses the cost-effectiveness issues that arise because of today's low natural gas prices but relies upon a reliable third-party data source rather than an average of the Company's Schedule 2 billing rates.
- Energy Efficiency Measures and Rebates (Sheet 320-4). NW Natural proposes an increase of the maximum amount paid for cost-effective weatherization per household from \$5,000 to \$10,000.
- Audit and Inspection Reimbursement (Sheet 320-4). NW Natural proposes to add a new provision that provides for a diagnostic testing reimbursement of \$550 and an inspection reimbursement of \$300. This provision was discovered in the Cascade pilot to enable the agencies to provide whole home weatherization without the use of DOE funds and accompanying rules.
- Health, Safety and Repair (Sheet 320-5). NW Natural proposes to increase the health, safety and repair (HSR) reimbursement from \$440 to \$1,000 times the

actual number of households treated by an Agency in a program year. The proposed increase will address the higher costs experienced in addressing health and safety issues associated with gas heated homes due to the combustion nature of the gas-fired appliances. Additionally, the latest ASHRAE building standards require ventilation fans that exceed the original allowance. This standard did not exist when the \$440 was originally approved.

- Open Solicitation Program (Sheet 320-6). NW Natural proposes to add language to this section to allow NW Natural the opportunity to allocate excess OLIEE funds to special programs that the Company may identify, provided that the special programs are expected to increase the number of low-income households served under the OLIEE program. The provision currently restricts the opportunity for the use of OLIEE funds to proposals submitted by third parties.

Based on discussions with CAPO and with specific agencies, should the Commission approve the changes proposed herein with an effective date of March 1, 2016, NW Natural could expect that the number of homes served by the OLIEE program during the remainder of the 2015-2016 program year could reach 254 homes, which is an increase of 56 homes or more than 25 percent over the 2014-2015 program year. Thereafter, NW Natural would propose program-year targets of 450 home completions for the 2016-2017 program year, and 600 home completions for the 2017-2018 program year.

Program performance will be monitored by NW Natural and reported to the OLIEE Advisory Committee (OAC) on a quarterly basis during 2016 and 2017 to allow for an opportunity to proactively address any issues that may arise. In addition to tracking the metrics currently reported in the OLIEE annual report, if the proposed changes are approved, the Company will also track the following information to be reported by each agency in order to increase understanding of the agency weatherization process from beginning to end:

- Date customer applied
- Date customer qualified
- Date home qualified
- Date home audited
- Date home completed

NW Natural will report on the overall program performance and specifically on the effect that the tariff changes may have had on the program in the 2015-2016 and 2016-2017 OLIEE Annual Reports. Should the Company find that these changes did not achieve the expected results, NW Natural will revisit the program performance issues with the OAC in an effort to determine the next steps, which may include but will not necessarily be limited to engaging an independent organization to conduct a comprehensive evaluation of the OLIEE program.

The Company respectfully requests that the tariff sheets filed herein be approved to become effective with service on and after March 1, 2016.

Copies of this letter and the filing made herewith are available in the Company's main office in Portland, Oregon and on its website at [www.nwnatural.com](http://www.nwnatural.com).

The Company waives paper service in this proceeding. Please address correspondence on this matter to me with copies to the following:

eFiling  
NW Natural Rates & Regulatory Affairs  
220 NW Second Avenue  
Portland, Oregon 97209  
Telecopier: (503) 721-2516  
Telephone: (503) 226-4211 x 3589  
[eFiling@nwnatural.com](mailto:eFiling@nwnatural.com)

Sincerely,

*/s/ Gail A. Hammer*

Gail A. Hammer  
NW Natural

attachments

**SCHEDULE 320**  
**OREGON LOW-INCOME ENERGY EFFICIENCY (OLIEE) PROGRAMS**  
(continued)

**Agency Qualifications and Responsibilities for CAP Funds:**

1. In order to qualify to participate in the OLIEE program, an Agency must be a legal entity that has been in the business of providing energy efficiency services to low-income customers for at least one year. Any Agency that is contracting or subcontracting with the State of Oregon, Department of Housing and Community Services (OHCS), which is eligible to administer funding under the Federal Low Income Energy Assistance Program (LIEAP) is automatically authorized to participate. All other Agencies must first apply to the Company for authorization to participate. The conditions upon which the Company will approve an application will include, but are not necessarily limited to (a) availability of funds, (b) Agency location, and (c) number of Residential Customer Class dwellings served by NW Natural.
2. All Agencies must enter into a written contract with the Company in order to participate in the administration and delivery of funds under this program.
3. Each participating Agency will have sole responsibility to screen and approve applicants for eligibility. Each Agency shall follow the established protocols for the qualification of and disbursement to eligible participants in accordance with the guidelines of this program and the guidelines promulgated by OHCS and the Low-Income Energy Assistance Act of 1981 and subsequent amendments, as outlined in the OHCS Omnibus Contract.
4. Each participating Agency shall be responsible to complete and return to the Company, all required paperwork and other documentation as may be necessary for the Company to process the rebate request in a form prescribed by the Company.
5. Each participating Agency must agree to abide by the program parameters established in this Schedule including using the Department of Energy (DOE) approved, residential, energy analysis software tool ("Energy Analyzer Software") in its determination of all measures that qualify for a rebate under CAP.
6. An Agency that fails to abide by the terms and conditions set forth in this tariff schedule may be removed from participating in the CAP Program.
7. Each participating Agency must attend any training workshops offered in collaboration with the Company, OHCS and CAPO. Workshops will be designed to ensure agencies are consistently and accurately entering data into the Energy Analyzer Software. The Company shall inform Staff of the selected workshop trainer and provide a summary report on the workshop's accomplishments. (C)  
(C)

**Customer Qualifications for CAP Funds**

All CAP funds collected under this program will be used to weatherize homes inhabited by qualifying income-eligible residential customers of NW Natural. In the event the Company receives a rebate request for a single customer from two or more Agencies, the Company will process only one request.

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**SCHEDULE 320**  
**OREGON LOW-INCOME ENERGY EFFICIENCY (OLIEE) PROGRAMS**  
(continued)

**CAP Administration and Delivery Costs**

Each Agency will be reimbursed from the OLIEE Account for administrative costs and direct program costs incurred by them in their administration and delivery of the OLIEE program in the amount of \$750.00 per household. The Agency fee will be paid to each Agency along with the measure rebate payments. The Company will process measure rebate payments and Agency payments within thirty (30) days from the date the Company receives all completed documentation in support of such rebate request(s).

(C)

**Annual Program Year Targets (households)**

At the beginning of each Program Year, each participating Agency will be assigned a home completion target that supports the achievement of an annual program target. Agency targets may be adjusted from time to time throughout a Program Year, as necessary. Nothing precludes Agencies from serving more than the annual target of homes in any program year provided sufficient funds are available. The Company will include the expected targets for the following year, by Agency, in the Annual Report.

**Energy Efficiency Measures and Rebates**

Qualifying energy efficiency measures are, 1) the replacement of non-functioning or red-tagged gas furnace with a high efficiency gas furnaces. A furnace is considered red-tagged when an Agency representative has deemed the appliance unsafe to operate, and 2) energy efficiency measures recommended when the dwelling is modeled in the Energy Analyzer Software. All measures prescribed by the Energy Analyzer Software for the whole house except certain approved exceptions and the replacement of an unsafe or nonfunctioning gas furnace under number 1 above must meet or exceed a Savings to Investment Ratio (SIR) of 1.0 or better. The SIR calculation will use the Energy Information Administration's Oregon residential natural gas price as the cost against which the benefits are measured.

(C)  
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(C)

The energy efficiency measure rebate(s) paid per dwelling shall not exceed \$10,000. To accommodate timing differences between measure installations, the rebate may be disbursed through one or more reimbursement requests provided all of the work is based on the same audit. Only one energy efficiency audit per home will be eligible for rebates under the OLIEE Program. Under no circumstances will the rebate exceed the actual installed cost of the measure(s).

(C)

**Audit and Inspection Reimbursement**

Each agency will receive \$550 per dwelling for diagnostic testing and \$300 per dwelling for final inspection and approval of the work.

(N)  
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(N)

(continue to Sheet 320-5)

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**SCHEDULE 320**  
**OREGON LOW-INCOME ENERGY EFFICIENCY (OLIEE) PROGRAMS**  
(continued)

**Health, Safety and Repair (HSR) Allowance and Reimbursement**

In addition to the rebate for qualifying energy efficiency measures, a rebate will be available for the costs of health, safety and repair (HSR) measures. HSR measures are those items that if not completed would adversely impact the safety and health of the occupants or the effectiveness of the energy efficiency measures. Standard efficiency furnace replacements may qualify for HSR funds if the existing furnace is broken, is found to produce an unsafe level of CO emissions, is back-drafting, or has a cracked heat exchanger and a high-efficiency furnace is not cost-effective or if it is physically impossible to install a high-efficiency furnace. When a furnace is replaced with a standard efficiency furnace, the Agency must specify the reasons for the replacement in the reimbursement request.

The maximum annual HSR disbursement available to each Agency will be \$1,000 times the actual number of households treated by the Agency in the Program Year (HSR Allowance). (C)

Each Agency will have discretion in the use of their individual HSR Allowance such that they may use more or less than the \$1,000 on any one home. Each Agency must manage their HSR funds to ensure that the average HSR amount per home is not more than \$1,000. (C)  
(C)

**Agency Reporting Requirements**

For each home treated under the OLIEE Program, each Agency will be required to report to the Company, the following information:

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| <ul style="list-style-type: none"> <li>• Customer Name (as shown on NW Natural Account)</li> <li>• NWN Account Number</li> <li>• Service Address</li> <li>• Owner, Occupant or Property Manager Name</li> <li>• Owner, Occupant or Property Manager Phone Number</li> <li>• Audit Date</li> <li>• Measure Completion Date</li> <li>• Reimbursement Request Date</li> <li>• Agency and Agency Representative</li> <li>• Size of home in square feet and Year Built</li> <li>• Measure description</li> <li>• Installed cost per measure</li> <li>• Estimated therm savings per measure</li> <li>• Energy Analyzer Software SIR per measure</li> <li>• Total Energy Analyzer Software SIR for</li> </ul> | <ul style="list-style-type: none"> <li>Measure Group</li> <li>• Total Cost of all energy efficiency measures installed (EEMC)</li> <li>• Total Energy Analyzer Software estimated savings for each household (Total therms)</li> <li>• Total job cost to Agency (OLIEE and non-OLIEE measure costs)</li> <li>• Cost per measure</li> <li>• Fuel cost savings per measures</li> <li>• Total HSR measure cost</li> <li>• Total Reimbursement Request: (energy efficiency measure costs up to annual limit + Admin + HSR)</li> <li>• Prior 12 months of gas usage</li> <li>• Projected savings as a percentage of the last 12 months gas usage</li> </ul> |
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(continue to Sheet 320-6)

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**SCHEDULE 320**  
**OREGON LOW-INCOME ENERGY EFFICIENCY (OLIEE) PROGRAMS**  
(continued)

**II. OPEN SOLICITATION PROGRAM (OSP) DESCRIPTION**

The overall goal of the OSP is to cost-effectively provide energy efficiency assistance to a greater number of low-income households in NW Natural’s Oregon service territory through a broad and diverse network of delivery channels. The Company will invite proposals that include projects for new affordable housing, existing retrofit opportunities, and owner-occupied or rental dwellings, and will encourage proposals that include a component for energy education, environmentally sustainable practices, and collaboration with other entities or programs.

At the Company’s discretion, a portion of OLIEE funds may be allocated to special incentive programs where the Company has determined that there are sufficient OLIEE funds to support such special program(s), and that such special program(s) would result in an increase in the number of low-income households being served under the OLIEE program. Any such special program will be made available only to Customers that qualify to receive services under this Schedule 320.

(N)  
|  
(N)

The Company will make the final determination as to which proposals will be awarded contracts under the OSP. As needed, the Company will review proposals and incentives with the OLIEE Advisory Committee (OAC).

(N)  
(N)

**GENERAL TERMS:**

This schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff, any other Schedules that by their terms or by the terms of this Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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