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December 29, 2016

**CNG/W16-12-01**

Records Center  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504

**Re: Schedule 301, Low Income Weatherization Incentive Program  
UG-152286 Compliance Filing**

Cascade Natural Gas Corporation (Cascade or the Company) files the following revisions to its Tariff, WN U-3, stated to become effective with service on and after February 1, 2017:

**Fourth Revision Sheet No. 301  
Original Sheet No. 301-A**

The purpose of this filing is to revise Schedule 301, Low Income Weatherization Incentive Program, to remove barriers that have inhibited qualified Community Action Agencies (Agencies) from weatherizing more low income natural gas homes within Cascade's service area. This filing is made in compliance with the requirement in paragraph 26 of Appendix A to Commission Order No. 04, issued in Docket No. UG-152286, which says:

The Company shall, in concert with the conservation advisory group and representatives from the Community Action Agencies ("CAAs"), investigate the barriers to low-income weatherization within its Washington territory and develop a proposal for overcoming those barriers. The Company and stakeholders may consider approaches that Cascade has employed in other state, such as the low-income weatherization pilot tariff currently operating in the State of Oregon. The parties shall present a proposal to the Commission by December 31, 2016.

Per this requirement, the proposed modifications to the WIP program design were made in consultation with the Company's Conservation Assistance Group (CAG).

The Company's current Low Income Weatherization Incentive Program (WIP) offers rebates to Agencies for the installation of the following energy efficiency measures in qualifying low income households where natural gas is used:

- Ceiling Insulation
- Wall Insulation

- Floor Insulation
- Duct Sealing & Insulation
- Infiltration Reduction

Cascade has partnered with Agencies in providing low income weatherization to its customers since 2008. The table below demonstrates homes served and therms saved per year since the inception of WIP.

<b>Weatherization Incentive Program Participation Levels and Savings by Year</b>		
<b>Year</b>	<b>Number of Homes Served</b>	<b>Therm Savings</b>
2008	46	13,985
2009	54	14,733
2010	112	30,809
2011	84	24,130
2012	64	21,824
2013	38	14,960
2014	21	7,338
2015	19	11,724

The number of homes treated and the acquisition of therm savings rose steadily from 2008 through 2010, peaking at 112 homes served in a single year. This success in 2010 was due to the abundance of funds available through the American Recovery and Reinvestment Act of 2009 (ARRA). Once the ARRA funds were expended, homes served by the low income weatherization program have steadily declined.

The CAG has discussed the barriers to improved program performance and supports restructuring WIP program to better accommodate the Agencies' needs.

On Wednesday, October 5, 2016, the Company presented the CAG with potential revisions to Cascade's WIP. Points of discussion included:

- Barriers to success, such as program design constraints, natural gas weatherization costs, Federal guidelines, and Federal prioritization methods for use of public funds;
- Areas of potential improvement; and
- Potential solutions to increasing program viability by addressing the limitations associated with the current funding mechanism; and potentially reconfiguring the current program design to meet the needs of the Agencies delivering the program.

The Company found this meeting to be extremely productive. Following this discussion, Cascade drafted revisions to WIP using feedback from the CAG. The program changes are modeled after Cascade's Conservation Achievement Tariff (CAT), a supplementary low income weatherization

program the Company offers in Oregon. CAT pays the difference between the avoided energy costs payable under the traditional Oregon Low Income Energy Conservation (OLIEC) program—which is comparable to WIP-- and the total installed cost of a qualified weatherization measure.

Proposed changes to the Company's WIP include:

- Expanding the list of qualified energy efficiency measures to align more closely with the Washington State Department of Commerce's Weatherization Priority List.
- Increasing rebate payments to cover the total installed cost of approved measures. Payments per dwelling are capped at \$10,000 to manage program costs and ensure as many homes as possible receive weatherization services.
- Adding an audit payment of \$550 and an inspection payment of \$300 provided to agencies for work performed. Cascade will annually review these amounts to ensure they are adequate to cover the Agency's costs.
- Requiring Agencies to execute a memorandum of understanding that defines their role as program administrators and establishes annual performance targets.

Below are the list of all measures subject for rebate under the proposed WIP changes. The new measures are in bolded text.

- Ceiling insulation
- Wall insulation
- Floor insulation
- **Water heater insulation**
- Duct sealing
- Duct insulation
- Infiltration reduction
- **Low-flow faucet aerators**
- **Low-flow showerheads**
- **Natural gas furnaces (95% AFUE or greater)**
- **Furnace tune-up and filter replacement**
- **Direct vent space heater (90% AFUE or greater)**
- **Natural gas water heaters (0.91 EF or greater tankless)**
- **Natural gas water heaters (0.64 EF or greater storage)**

Each measure above is eligible for rebates under WIP and E-WIP. To receive a rebate, an Agencies will provide Cascade with documentation demonstrating the measure is cost effective under the appropriate climate zone and housing type under the Priority List or that it has a savings-to-investment (SIR) ratio of 1.0 or higher when modeled in the Agency's TREAT energy audit software.

The program changes are expected to increase to WIP's annual budget by 328% with the calendar year budget increasing from \$90,000 in 2016 to \$385,000 in 2017. Cascade expects this will result in a 114%

increase to programmatic therm savings. The WIP therm savings target in 2016 was 7,000 therms, and with the proposed modifications, in 2016, Cascade is anticipating 15,000 therm savings in 2017. This Company is expecting the modified program will have a cost per therm of just under \$26.

The Company believes that these changes will bolster program participation and empower the Agencies to serve more gas heated, low income households.

If you have any questions regarding this filing, please contact Allison Spector at 206-310-1120.

Sincerely,

*/s/ Michael Parvinen*

Michael Parvinen  
Director, Regulatory Affairs

Attachment