

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 17, 2002**

**REGULAR** \_\_\_\_\_ **CONSENT**   x   **EFFECTIVE DATE**   January 1, 2003  

**DATE:** December 2, 2002

**TO:** John Savage through Lee Sparling and Bonnie Tatom

**FROM:** Reed Harris

**SUBJECT:** CASCADE NATURAL GAS: (Advice No. 002-12-01) Extends the Residential High Efficiency Equipment Rebate program through December 31, 2003.

**STAFF RECOMMENDATION:**

I recommend that the Commission approve Cascade Natural Gas Corporation's Application to Waive Statutory Notice and allow the First Revision of P.U.C. Or. No. 8, Sheet No. 1023 to become effective with service on January 1, 2003.

**DISCUSSION:**

On March 5, 2002 , the Commission allowed Cascade Natural Gas Corporation (Cascade or company) to initiate a residential high-efficiency natural gas fired space heating and water heating rebate program proposed in Advice No. 002-02-01.

The purpose of the high-efficiency equipment program is to encourage conservation by new and existing residential customers by promoting the installation of high-efficiency natural gas fired space heating and water heating equipment. In addition to the mandatory residential energy conservation programs required of investor-owned utilities under ORS 469.633, ORS 469.635 (4) allows an investor-owned utility to offer energy conservation programs if the Commission determines that such programs promote cost-effective energy conservation.

The vehicle for this program is a rebate for the installation of high-efficiency gas space heating equipment and water heating equipment. Similar to programs currently in effect with the other two Oregon natural gas utilities, Cascade's version of this energy conservation program provides rebates to customers of \$250.00 for the residential installation of high-efficiency space heating equipment and \$50.00 for the installation of high-efficiency gas water heating equipment. Customers may receive a total rebate

amount of \$300.00 for installation of both high-efficiency primary residential space heating and high-efficiency residential water heating equipment.

The program requirements are simple and straightforward:

- The program is limited to residential service.
- The use of high-efficiency equipment must be new. (The new equipment cannot be a replacement for existing high-efficiency gas equipment.)
- The newly installed equipment must meet the specified efficiency ratings.

For purposes of this program, "high-efficiency" means 90% or higher gas combustion efficiency for space heating equipment and an AFUE rating of .60 for gas water heating equipment. These efficiency-rating specifications are consistent with accepted industry standards as "high-efficiency" for the respective gas-fired equipment.

Within the tariff allowed last March, the company reserved the right to extend the program, provided that the program remained cost-effective. Both the high-efficiency space heating and high-efficiency water heater measures are within Cascade's current cost-effectiveness levels as identified in Cascade's Tariff P.U.C. Or. No. 8, Substitute Sixteenth Revision of Sheet No. 1004, effective November 9, 2001.

High Efficiency Gas Unit	Life Cycle	Installed Cost Per Therm	Max. Cost-Effective Cost Per Therm
Furnace	30 years	\$5.16	\$8.17
Water Heater	12 years	\$1.79	\$4.67

Consequently the current filing (O02-12-01), proposes to extend this program for another year, through December 31, 2003. This filing is accompanied by an Application to Waive Statutory Notice at Staff's suggestion, to ensure that the continuity of the current program would not be broken.

**PROPOSED COMMISSION MOTION:**

Approve Cascade Natural Gas Corporation's Application to Waive Statutory Notice and allow the First Revision of P.U.C. Or. No. 8, Sheet No. 1023 to become effective with service on January 1, 2003.