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September 18, 2017

NWN OPUC Advice No. 17-16 / 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

Re: **Schedule 301, Public Purposes Funding Surcharge 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 **November 1, 2017**:

Fifth Revision of Sheet 301-1
Schedule 301,
“Public Purposes Funding Surcharge,”

Second Revision of Sheet 320-1
Schedule 320,
“Oregon Low-Income Energy Efficiency (OLIEE) Programs,”

and

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

The first purpose of this filing is to revise Schedule 301 “Public Purposes Funding Surcharge” to increase the public purpose surcharge for low-income energy efficiency activities from .25% to .55%. Changes were made to the Oregon Low-Income Energy Efficiency (OLIEE) program in 2016¹ to increase the success of the program by addressing cost barriers and removing the strong reliance on the need to leverage specific funding sources. These changes have improved program uptake as hoped, and the Company now seeks to increase program funding in recognition of the overall improved adoption of the program. The program increased from 198 homes in 2014-2015 to 231 homes in 2015-2016 and the current forecast for 2016-2017 and steady state goal is 300 homes. As the public purpose surcharge for OLIEE has not been increased since program implementation in 2002, this change will ensure there is adequate funding for the 2017-2018 program year.

¹ Docket No. ADV 206, Advice No. 16-01

As program success continues, the increase in funding is necessary to continue the momentum while allowing agencies to reach out to additional low-income customers.

NW Natural provides approximately 30 percent² of total Oregon residential home heating load, but only provides between 10 and 11 percent³ of total utility weatherization dollars. This proposed change would increase NW Natural funding to 19 percent of total utility weatherization dollars. OLIEE is targeting 300 homes as stronger participation in OLIEE may also curb the increase in NW Natural's Oregon Low-Income Gas Assistance (OLGA) program participation, which has increased more than 18 percent since 2010 or an average of 258 households per year.

This filing will result in a total public purpose charge of 4.5% applied to Residential bills and 3.75% applied to Commercial bills. The effect of this filing is to increase the average residential bill by about \$0.28 per month and the average commercial bill by about \$1.10 per month. Attached are worksheets demonstrating the calculation of the rate and the impact this will have on customer bills. Following is an estimate of how the funding would be budgeted for 2018.

OLIEE BUDGET FORECAST 2017-2018	
Weatherization (300 homes at an avg \$8,000)	\$2,400,000
Energy Education	\$120,000
Open Solicitation Program	\$190,000
NW Natural Administration	\$110,000
Total Budget	\$2,820,000

The second purpose of this filing is to propose revisions to Schedule 320 "Oregon Low-Income Energy Efficiency (OLIEE) Program" that are intended to allow for clarification and more efficient administration of the OLIEE program. A summary of the proposed changes is provided below:

- Program Administration, Evaluation and Verification (Sheet 320-1). NW Natural proposes a reimbursement to the Company not to exceed five percent of total program funds for actual OLIEE program administration and verification costs. Currently reimbursement will not exceed the lesser of \$90,000 or six percent of program collections plus an additional five percent of program collections for the Open Solicitation Program.
- CAP Administration and Delivery Costs (Sheet 320-4). The current tariff language states that each agency will be reimbursed up to \$750 per household for administrative costs and direct program costs. As administration and delivery costs can be less than these amounts, the Company is proposing clarifying language to address reimbursements that are less than the stated amounts.

² Oregon Utility Statistics book plus 90 percent of households use NW Natural for heating
<http://www.puc.state.or.us/docs/statbook2015WEB.pdf>

³ Electric PPC found in OHCS Budget Report
<http://www.oregon.gov/ohcs/pdfs/budget/2015-2017-LAB-Housing-Community-Services.pdf>

- Annual Program Year Targets (Sheet 320-4). NW Natural proposes to add clarifying language to require approval by the Company for an agency to serve more than their annual target of homes. This change will allow the Company to ensure funds are available to cover all projects.
- Audit and Inspection Reimbursement (Sheet 320-4). The current tariff language states that each agency will receive \$550 per dwelling for diagnostic testing and \$300 per dwelling for final inspection and approval of the work. As diagnostic testing and/or final inspection costs can be less than these amounts, the Company is proposing clarifying language to address project reimbursements that are less than the stated amounts.

Program performance will continue to be monitored by NW Natural and reported to the OLIEE Advisory Committee (OAC) during the remainder of 2017 and in 2018 to allow for an opportunity to work collaboratively on continuing program success and sustaining a goal of 300 homes per year. In addition to tracking the metrics historically reported in the OLIEE annual report, the Company continues to record the information reported by each agency to track timing of the agency weatherization process from beginning to end.

The Company respectfully requests that the tariff sheets filed herein be approved to become effective with service on and after November 1, 2017.

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.

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

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

Sincerely,

/s/ Gail A. Hammer

Gail A. Hammer
NW Natural

Attachments

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Fifth Revision of Sheet 301-1
Cancels Fourth Revision of Sheet 301-1

SCHEDULE 301 PUBLIC PURPOSES FUNDING SURCHARGE

PURPOSE:

To specify the method of billing of a Public Purposes surcharge that is to fund public purposes activities to be administered through one or more independent entities. Public purposes activities include, but may not necessarily be limited to, energy efficiency programs, market transformation programs, residential low-income energy efficiency programs, and residential low-income bill payment assistance programs designed to benefit Residential and Commercial Customers within NW Natural's service territory in Oregon.

APPLICABLE:

To Residential and Commercial Customers served on the following Rate Schedules of this Tariff:

Residential	Commercial
Rate Schedule 2	Rate Schedule 3 (03CSF)
	Rate Schedule 27 (27R)
	Rate Schedule 31 (31CSF)

ADJUSTMENT TO RATES: Effective: November 1, 2017

A Public Purposes surcharge will be assessed on the total energy use billed (the total of the Customer Charge plus the per therm usage charges) and shown as a line item on each customer's monthly bill as follows:

Residential: 4.50% of the total energy use billed
Commercial: 3.75% of the total energy use billed

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The funds collected from such Public Purposes surcharge shall be allocated to specific separate accounts to fund the specified public purposes program(s) as follows:

RESIDENTIAL:

3.20% will support public purpose funding for **Schedule 350** energy efficiency programs delivered and administered by the Energy Trust of Oregon (Energy Trust).

0.75% will support public purpose funding for **Schedule 310** low-income bill payment assistance activities.

0.55% will support public purpose funding for **Schedule 320** low-income energy efficiency activities.

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COMMERCIAL:

3.20% will support public purpose funding for **Schedule 350** energy efficiency programs delivered and administered by the Energy Trust.

0.55% will support public purpose funding for **Schedule 320** low-income energy efficiency activities.

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(continue to Sheet 301-2)

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and after November 1, 2017

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

PURPOSE:

To describe the Oregon Low-Income Energy Efficiency (OLIEE) program, which is funded through a designated portion of the Schedule 301 "Public Purposes Funding Surcharge." The OLIEE program includes two parts: 1) the Community Action Program (CAP) and 2) the Open Solicitation Program (OSP).

AVAILABLE:

This program is available to income-eligible Residential Customer Class dwellings located within NW Natural's Oregon service territory where (1) a gas Service Line is installed at the Premise; (2) the primary space heating equipment is fueled by Natural Gas, and (3) and the occupant has an active account with the Company, or will have an active account upon completion of work performed under this **Schedule 320**. Any residential dwelling that received assistance for the installation of the same or similar measures under any other energy efficiency program may not be eligible for assistance under this program.

PROGRAM YEAR and REPORTING:

The OLIEE program year will extend from October 1 through September 30 (Program Year). The Company will submit an Annual Report of the OLIEE Programs to the Commission by December 31 following the end of each Program Year.

The Annual Report will consistently include the same Program Year results from year to year. The Annual Report will include the number of homes targeted for completion in the next Program Year, and the average savings per dwelling treated under CAP.

PROGRAM FUNDING:

Each month, the Company will bill and collect Public Purposes funds in accordance with **Schedule 301** of this Tariff. By the 20th of the month following the billing month, the amount collected, net of an allowance for uncollectibles, will be deposited into a market-based interest bearing bank account dedicated to the OLIEE program (OLIEE Account). The reserve for uncollectibles shall be in an amount equal to NW Natural's average percentage of residential net write-offs.

PROGRAM ADMINISTRATION, EVALUATION AND VERIFICATION:

All OLIEE programs are to be administered by the Company in accordance with this **Schedule 320**. The Company will be reimbursed from the OLIEE Account each month for actual program administration costs incurred, except that such reimbursement will not exceed five percent (5%) of the total funds available during each Program Year.

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(continue to Sheet 320-2)

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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 up to \$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).

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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 and approved by the Company. The Company will include the expected targets for the following year, by Agency, in the Annual Report.

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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.

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).

Audit and Inspection Reimbursement

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

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(continue to Sheet 320-5)

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NW Natural
Rates & Regulatory Affairs
OPUC Advice No. 17-16 - 2017 Public Purpose Charges
Oregon Bill Impacts of 2017-2018 Public Purpose Charges

1				
2		Monthly bill	OLIEE related	Monthly bill
3		<u>w/out PPC</u>	<u>PPC charge</u>	<u>w/PPC</u>
4	<u>Residential</u>			
5	Current Bill (OLIEE = 0.25%)	\$50.00	\$0.13	\$50.13
6	Proposed Bill (OLIEE = 0.55%)	\$50.00	\$0.28	\$50.28
7	\$ Change		\$0.15	\$0.15
8	% Change		123.2%	0.3%
9	RS2 using average therms/month:	50		
10				
11				
12	<u>Commercial</u>			
13	Current Bill (OLIEE = 0.25%)	\$199.27	\$0.50	\$199.77
14	Proposed Bill (OLIEE = 0.55%)	\$199.27	\$1.10	\$200.37
15	\$ Change		\$0.60	\$0.60
16	% Change		121.8%	0.3%
17	RS3 using average therms/month:	231		
18				
19				
20	<u>Notes:</u>			
21	Current Bill (OLIEE PPC = 0.25%)			
22	Proposed Bill (OLIEE PPC = 0.55%)			

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OLIEE-Related PPC Calculation

Schedule	Customers	Estimated collection for tracker year	Addition for new PPC charge	Current average bill with new PPC	Current average bill with old PPC	Total % Bill Change
2R	588,720	\$353,263,997	\$0.28	\$50.28	\$50.13	0.3%
27 dry-out	1,978	\$1,027,002	\$0.24	\$43.51	\$43.38	0.3%
3C Firm Sales	57,549	\$137,616,252	\$1.10	\$200.37	\$199.77	0.3%
31C Firm Sales	747	\$16,837,568	\$10.33	\$1,888.68	\$1,883.05	0.3%
	Total expected collection	<u>508,744,819</u>				
	PPC 1 year	<u>2,820,000</u>				
	Proposed OLIEE PPC Rate	0.55%				
	Current OLIEE related PPC	0.25%				
	Change	0.30%				
	% Change in Rate	120.0%				