

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 23, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE March 1, 2016

DATE: February 8, 2016

TO: Public Utility Commission

FROM:  Lisa Gorsuch

THROUGH:  Jason Eisdorfer and  Aster Adams

SUBJECT: NORTHWEST NATURAL: (Docket No. ADV 206/Advice No. 16-01)  
Revises Schedule 320, Oregon Low-Income Energy Efficiency Program (OLIEE), to enhance program resource levels in an effort to increase the number of low-income gas homes that are weatherized each year.

**STAFF RECOMMENDATION:**

Staff recommends that Northwest Natural Company's (NWN or Company) Docket No. ADV 206/Advice No. 16-01 be approved and the associated tariff sheet revisions be allowed to go into effect on March 1, 2016.

**ISSUE:**

NWN filed Docket No. ADV 206/Advice No. 16-01 on January 29, 2016, proposing to revise Schedule 320, Oregon Low-Income Energy Efficiency (OLIEE) Programs (OLIEE Program or Program), in an effort to improve the OLIEE program's performance and increase the number of low-income households served by the Program over the next three years.

**APPLICABLE STATUTES AND RULES:**

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls and charges for service that have been established and are in force at the time. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make any change in rates, tolls, charges, rules or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

## **DISCUSSION:**

NWN's Schedule 320,<sup>1</sup> describes and summarizes the Company's low-income weatherization program. The Program is funded through a designated portion of the Schedule 301,<sup>2</sup> Public Purposes Funding Surcharge. The OLIEE Program includes two parts: 1) the Community Action Program (CAP) and 2) the Open Solicitation Program (OSP). Annually, with an effective date of October 1, NWN determines the amount of residential low-income public purpose funds that will be allocated between Schedule 310, Oregon Low-Income Gas Assistance (OLGA), and Schedule 320, the OLIEE Program.

Multiple meetings concerning the OLIEE Program took place between March and October of 2015. These meetings included NWN, Avista Utilities (Avista), Cascade Natural Gas (Cascade), the Community Action Partnership of Oregon (CAPO), the Citizens' Utility Board (CUB), and Commission Staff. The primary objective of these meetings was to identify possible causes as well as solutions for declining low-income weatherization completions in the programs for all three natural gas utilities. Staff, along with stakeholders, had the opportunity to consider what was working well as a result of Cascade's Conservation Achievement Tariff (CAT)<sup>3</sup> pilot program, and what obstacles may still exist. Cascade was able to identify impediments midway through its two-year CAT pilot program that could be addressed without tariff changes. As a result of Cascade's midway improvements to its CAT pilot, weatherization completions improved significantly and this pilot program was extended for an additional two years, through December 31, 2017.

NWN's current OLIEE Program, without the proposed revisions, is structured to supplement other funding sources rather than fully funding natural gas energy efficiency measures in low-income homes. A major obstacle identified during the stakeholder meetings was an increasing deficiency of federal and other funding sources to leverage OLIEE funds. Additionally stakeholder's found that completing energy efficiency measures in natural gas heated homes is substantially more expensive than in electric heated homes.

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<sup>1</sup> See Schedule 320: [https://www.nwnatural.com/uploadedFiles/25320ai\(1\).pdf](https://www.nwnatural.com/uploadedFiles/25320ai(1).pdf)

<sup>2</sup> See Schedule 301: [https://www.nwnatural.com/uploadedFiles/25301ai\(5\).pdf](https://www.nwnatural.com/uploadedFiles/25301ai(5).pdf)

<sup>3</sup> CAT Pilot Program: [http://www.cngc.com/docs/rates-tariffs/0033\\_or\\_low-income\\_energy\\_conservation.pdf?sfvrsn=16](http://www.cngc.com/docs/rates-tariffs/0033_or_low-income_energy_conservation.pdf?sfvrsn=16)

NWN proposes the following revisions to its OLIEE Program to mitigate the obstacles identified by stakeholders as the primary contributors to declining Program performance:

- *Agency Qualifications and Responsibilities (Sheet 320-3)*. NWN proposes to broaden Condition 7 to provide for any training that the Company determines is 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)*. NWN proposes to increase the Community Action Program (CAP) administration and delivery cost from \$225 to \$750 per household. This change will help to 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)*. NWN 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 will use the residential natural gas price published by the Energy Information Administration. 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)*. NWN 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)*. NWN proposes to add a new provision that provides for a diagnostic testing reimbursement of \$550 and an inspection reimbursement of \$300. This provision was shown in the Cascade pilot to enable the agencies to provide whole home weatherization without the use of Department of Energy funds and accompanying rules.
- *Health, Safety and Repair (Sheet 320-5)*. NWN proposes to increase the health, safety and repair 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<sup>4</sup> 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)*. NWN proposes to add language to this section to allow NWN 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.

In addition to NWN's proposed Schedule 320 tariff revisions, the Company is also committing to its ongoing close monitoring of the Program's performance. NWN will submit a written report about the Program's performance to the OLIEE Advisory Committee on a quarterly basis during 2016 and 2017 to allow for an opportunity to proactively address any issues that may arise. NWN will also track the following information to be reported by each CAP agency in order to increase understanding of the agency weatherization process from beginning to end:

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

NWN states that it expects that the number of homes served by the OLIEE Program with the implementation of the proposed revisions during the remainder of the 2015-2016 program year could reach 254 homes. This would be an increase of 56 homes, or more than 25 percent, over the 2014-2015 program year. Subsequently, NWN will propose program-year targets of 450 home completions for the 2016-2017 program

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<sup>4</sup> ASHRAE: American Society of Heating Refrigeration, and Air-conditioning Engineers. ASHRAE provides the ventilation standards used by the CAPs when weatherizing gas-heated low-income homes.

year, and 600 home completions for the 2017-2018 program year. If NWN's low-income weatherization targets are achieved, it will likely require the Company to make a filing requesting an increase in public purpose funding.

In its 2015-2016 and 2016-2017 OLIEE Annual Reports, NWN will report on the overall Program performance, including the effect that the tariff changes have had on the Program. Staff will work closely with the Company to identify changes that did not achieve the expected results. NWN, along with Staff and other stakeholders, will revisit Program performance issues and evaluate potential changes to the program design if necessary.

Staff has worked closely with NWN and stakeholders to identify obstacles and potential solutions that will result in significant increases in the numbers of natural gas heated, low-income homes that are weatherized each year through the OLIEE program. Staff recommends approval of the following changes as proposed by the Company:

- *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."*

**PROPOSED COMMISSION MOTION:**

NWN's Docket No. ADV 206/Advice No. 16-01 be allowed to go into effect as of March 1, 2016.