

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 17, 2019**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2020

DATE: December 10, 2019

TO: Public Utility Commission

FROM: Sabrinna Soldavini

THROUGH: Michael Dougherty and Marianne Gardner **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. ADV 1056/Advice No. 19-19)
Updates Schedule 301, Public Purposes Funding Surcharge and
Schedule 320, Oregon Low-Income Energy Efficiency (OLIEE) Programs.

STAFF RECOMMENDATION:

Approve Northwest Natural's (NW Natural or Company) Advice No. 19-19, which updates its Schedule 301, Public Purposes Funding Surcharge, and Schedule 320, Oregon Low-Income Energy Efficiency (OLIEE) Programs, effective with service on and after January 1, 2020, subject to the following condition:

1. No later than April 1, 2021, Staff and the Company will initiate a review of the Schedule 301, OLIEE program funding allocation rate.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission) should approve NW Natural's Advice No 19-19, updating Schedule 301, Public Purposes Funding Surcharge and Schedule 320, Oregon Low-Income Energy Efficiency (OLIEE) Programs.

Applicable Law

ORS 757.205(1) states that 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. Pursuant to ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just and reasonable. 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. ORS 757.220. The Commission may approve tariff changes on less than statutory notice upon a finding of good cause shown. *Id.*

NW Natural's public purpose funding surcharge was established pursuant to Commission Order No. 02-634 in Docket UG 143, and supports a number of public purposes, including low-income weatherization assistance.

Analysis

Background

On November 18, 2019, NW Natural submitted its Advice No. 19-19 requesting updates to its Schedule 301, Public Purpose Funding Surcharge and Schedule 320, Oregon Low Income Energy Efficiency Program.

In addition to the proposed rate changes, the Company has also requested several language changes to Schedule 320 which the Company states are intended to clarify and simplify the applicability of the OLIEE program.

Schedule 301 – Public Purposes Funding Surcharge

NW Natural's Schedule 301 is designed to fund public purpose activities to be administered through independent entities. As noted in the Company's tariff, public purpose activities can include (but are not necessarily limited to) programs such as: energy efficiency, market transformation, residential-low income energy efficiency, and residential low-income bill payment assistance.

Schedule 301 is applicable to all Schedule 2 residential customers and Schedule 3, 27, and 31 Commercial customers.

Public Purpose Funds Allocated to the ETO

In this filing the Company is requesting to decrease the current Energy Trust of Oregon (ETO) allocation of the public purpose surcharge (PPC) as collected through Schedule 301, from 3.88 percent to 3.70 percent. This reflects an approximately \$(725,000) or (0.18) percent decrease to the ETO-Related portion of Schedule 301.

Staff asked for, and received the Company's workpapers outlining this decrease to the ETO-Related PPC calculation, and finds the tariff calculations to be accurate.

Staff finds the proposed change results in rates that are fair, just, and reasonable. Staff recommends the Company's proposed reduction in ETO allocation go into effect.

Increased PPC Funding Allocation to Schedule 320

As noted above, NW Natural's Advice No. 19-19 also requests to increase the PPC allocation for low-income energy efficiency activities from 0.55 percent to 0.85 percent. The Company notes that this change is intended to increase OLIEE program funding by approximately \$1.7 million from the current funding level, resulting in a total OLIEE program funding of approximately \$4.7 million in 2020.

To support the increase in funding, NW Natural cites a conclusion of the State of Oregon's Low Income Utility Program Working Group's report published in December 2018, which states, "it is clear that the need [for low income program support] is far greater than the current available funding" and "opportunities also exist to provide additional energy assistance and weatherization funding."¹

The Company additionally notes that it engaged with stakeholders and its advisory committee to develop the proposed funding increase and Schedule 320 changes, and further attests that the increase in funding would increase the ability to reach households in communities underserved or unreached by today's programs.

Staff asked for, and received, electronic versions of the Company's workpapers. After its initial review, Staff held multiple conversations with the Company to gain a better understanding of the proposed rate increase, and in these conversations requested the Company provide additional information to support the proposed rate increase as the appropriate level.

In response, Staff was provided an additional workpaper on December 9, 2019, detailing the Company's proposed PPC allocation for OLIEE programs. The Company is requesting the funds necessary to target an additional 100 homes for participation in OLIEE programs. This request is further meant to assure that when deemed cost effective, the necessary funds exist to provide both weatherization and heating project funding.²

Staff has reviewed the Company's workpapers, and takes no issue with the Company's proposal to make the program more broadly applicable, and to generally expand opportunities to provide additional energy assistance and weatherization where appropriate and cost effective. Staff does however, note that it is difficult to accurately predict how fast these programs will be able to grow, and to forecast precisely how many projects will be completed over a given period, and what exactly those projects will cost.

¹ Low Income Utility Program Working Group Report, Page 4.
<https://www.oregon.gov/puc/utilities/Documents/LIUPWG-2018-Final-Report.pdf>

² Staff notes that heating projects often consist of installing a high efficiency furnace, which per the Company's data, can range in cost from \$2,900 to \$5,179 on average dependent on geographic location.

Therefore, while Staff finds the Company's proposal reasonable, Staff requests that the approval of this rate increase be subject to the following condition:

1. No later than April 1, 2021, Staff and the Company will initiate a review of the Schedule 301, OLIEE program funding allocation rate.

Staff seeks this condition for several reasons. As the OLIEE program grows, it is important, to the extent possible, that the rate is set to a level at which ratepayer dollars are collected in the same time period as they are being spent. While this is of course difficult in a program such as OLIEE, where projects are completed by a third party, and the number and timing of completed projects eligible for funding is uncertain, Staff seeks to minimize large program reserves to avoid intergenerational equity issues. A review period will help to ensure program funds are being collected and paid out in a reasonable time frame.

The review period will also give Staff a chance to review the Company's progress towards its stated goals of increasing the number of total projects, and targeting more homes for the installation of both heating and weatherization measures.

Finally, a review period will provide Staff with an opportunity to thoroughly review the OLIEE program data, and to better inform the Company of the specific types of data Staff would like to see included with future funding requests.

Schedule 320 – Oregon Low Income Energy Efficiency Program

NW Natural's Schedule 320 describes the OLIEE program, which is funded through a designated portion of the Schedule 301, Public Purposes Funding Surcharge. The OLIEE program included two parts: the Community Action Program (CAP) and the Open Solicitation Program (OSP). The OLIEE program is available on an income-eligible basis and supports low-income weatherization assistance.

Through its Advice No. 19-19, the Company is proposing to make several language changes to Schedule 320. The stated goal is to allow for clarification and more efficient administration of the OLIEE program.

1. The first change is to use the word "funding" rather than "rebate" throughout the tariff to reflect the broader nature of reimbursement that occurs in the OLIEE program.
2. The Company proposes the following changes to Sheet 320-1:
 - a. To clarify the applicability of the OLIEE program to "residential dwellings" rather than the existing "Residential Customer Class",

- b. To clarify that the premise rather than an occupant must have an active customer account to ensure broader applicability of the program in situations where the occupant is not the responsible party for the gas account.
3. The Company proposes the following changes to Sheet 320-3:
 - a. To add the word "housing" to allow agencies that assist with low-income housing to be eligible for funding.
 - b. To add clarifying language to indicate the Department of Energy residential energy analysis software tool may not be used in all situations, such as when the measures is for a multiple-dwelling application.
 - c. To clarify that in the event NW Natural receives a request to process a payment on one project from two or more agencies.
4. The Company proposes the following changes to Sheet 320-4:
 - a. To simplify the description of administration and delivery costs by combining the \$750 in the CAP administrative and delivery costs sections with the \$850 in the Audit and Inspection Reimbursement section for a total of \$1,600 for administrative and program costs, and removing the Audit and Inspection Reimbursement section. The proposed change has no impact on total reimbursement to CAP agencies for incurred costs.
 - b. To clarify language related to energy efficiency measures and rebates, by rearranging the order of measures currently listed in order to simplify language related to the exception for the application of a Savings to Investment Ratio of 1.0 and adding language to allow measure identified as cost effective by a third party organization, such as the Energy Trust of Oregon as qualifying under the OLIEE program.
 - c. The Company proposes to increase the maximum allowance for energy efficiency measures from the current \$10,000 to \$15,000. The proposed increase of the maximum allowance \$15,000 includes a provision for the types of measures installed. When no heating measures are installed, the maximum is \$10,000 per dwelling and when only heating measures are installed the maximum is \$5,000. The Company states the proposed changes are designed to provide additional funding so that measures may include heating equipment.
5. The Company proposes the following change to Sheet 320-5:
 - a. To clarify the language regarding the availability of funds for Health, Safety, and Repair (HSR) Allowance, the Company proposes to

replace the word “will” with “may” to allow the Company to manage the program and limit costs as necessary.

Based on Staff’s review of the proposed modifications, and conversations with the Company regarding said modifications, Staff has no issues with the changes to the program or tariff sheets. As noted earlier, the changes will help clarify confusing language in the sheet, helping to clarify program eligibility and increasing the number of cost effective energy efficiency projects able to be completed. Staff believes the changes are reasonable and will result in clearer and more robust tariff sheets.

Staff recommends the proposed language modifications to Sheet 320, Oregon Low Income Energy Efficiency Program go into effect.

Effects of Filing

NW Natural’s proposed changes will affect all Schedule 2 residential customers and Schedule 3, 27, and 31 Commercial customers. The combined effect of the changes to Schedule 301 will result in a total PPC of 5.30 percent for residential bills and a 4.55 percent PPC applied to commercial bills.

The rate change to applicable customers is a 0.1 percent increase in their monthly bill, resulting from a (0.2) percent monthly decrease in Schedule 301 ETO related rates, and a 0.3 percent monthly bill increase in Schedule 301 rates related to the OLIEE program.

The average residential customer, using 54 therms per month, will see a \$0.07 increase in their monthly bill as a result of this filing.

The Company has reviewed this memo and expressed no issues or concerns.

Conclusion

Based on Staff’s analysis of NW Natural’s filing, the workpapers associated with the filing, and phone conversations with the Company, Staff finds that the Company’s updates to Schedule 301 and Schedule 320 result in rates that are fair, just, and reasonable. Staff recommends the Commission approve NW Natural’s application.

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PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 19-19, which updates its Schedule 301, Public Purposes Funding Surcharge, and Schedule 320, Oregon Low-Income Energy Efficiency Programs, effective with service rendered on and after January 1, 2020, subject to the aforementioned condition.

NWN ADV 1056