

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 6, 2021**

REGULAR  CONSENT  EFFECTIVE DATE April 9, 2021

**DATE:** March 29, 2021

**TO:** Public Utility Commission

**FROM:** Scott Gibbens

**THROUGH:** Bryan Conway and Caroline Moore **SIGNED**

**SUBJECT:** NORTHWEST NATURAL:  
(Docket No. ADV 1245/Advice No. 21-01)  
Additional pricing option for large commercial customers participating in the Schedule 400, Smart Energy Program.

**STAFF RECOMMENDATION:**

Approve Northwest Natural's (NWN or Company) proposed updates to Schedule 400, Smart Energy Program, as described in Advice No. 21-01, effective for service rendered on and after April 9, 2021, subject to the following condition:

- NWN must file for additional Commission approval prior to entering into a Schedule 400 contract which includes utility ownership of any underlying offset projects.

**DISCUSSION:**

Issue

Whether the Oregon Public Utility Commission (Commission) should approve NWN's Advice No. 21-01, which provides large commercial customers with an additional pricing option for Schedule 400, Smart Energy Program.

Applicable Law

ORS 757.205 requires public utilities to 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.

ORS 757.220 requires that any change in rates, tolls, charges, rules, or regulations be filed with the Commission at least 30 days before the effective date of the change.

OAR 860-022-0025 and OAR 860-022-0030 set forth the requirements for tariff filings naming changes to rates. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules include, in its filing, a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

## Analysis

### *Background*

NWN's Smart Energy Program is a voluntary program for customers that choose to offset greenhouse gas emissions associated with their natural gas usage by purchasing project-based emission reductions from projects that reduce or prevent the release of greenhouse gas emissions.<sup>1</sup> This program is available to residential, commercial, and industrial customers, but pricing options differ for each class, described in NWN's Schedule 400.

NWN filed Advice No. 21-01 on February 18, 2021, proposing to revise Schedule 400, Smart Energy Program. The filing updates the Smart Energy Program by providing large commercial customers whose aggregate demand exceeds 100,000 therms an additional pricing option, which mirrors the existing pricing option for industrial customers. Currently, the commercial pricing option offers a fixed rate at the customer's choosing, while the industrial pricing option is subject to negotiation pursuant to the execution of a written contract. The Company states that many large commercial customers have expressed a desire for another pricing option catered to the specific needs of customers working to achieve carbon neutrality goals. The proposed new option would allow large commercial customers the ability to request offsets with specific attributes such as offset type, location, volume, and contract duration. Further, NWN notes that it is planning to propose a Voluntary Renewable Natural Gas tariff in the near future, which in conjunction with the offsets provided by the Smart Energy Program, could allow commercial customers to better meet their carbon neutrality goals.

### *Staff Review*

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<sup>1</sup> Priority is given to projects that help bring biogas to the region.

The proposed change in Schedule 400 affects only those commercial customers electing to pursue a negotiated contract allowed by the tariff change. There will be no rate or revenue changes as the result of this tariff change for existing Smart Energy participants.

Since the time of filing Advice No. 21-01, two cities and two counties residing in NWN's service territory have filed comments expressing support for NWN's proposed tariff change. This seems to support NWN's statement that large commercial customers are seeking additional optionality to meet their climate goals.

As of January 1, 2021, 60,201 Oregon customers participate in this program, comprised of 59,905 residential and 296 commercial customers. In 2020, residential enrollment increased by over seven percent from the previous year, while commercial enrollment dropped two percent. This could be due to either the impact of COVID-19 on the commercial sector, or a sign that the commercial segment could benefit from an additional pricing option which would allow for a more catered approach.

As the proposed changes do not impact the rates or revenues of currently participating customers and the program setup is designed to insulate non-participating customers from the costs borne by the program, Staff views the proposed change as relatively low-risk with minimal potential complications for participating and non-participating customers. However, Staff notes that as the Company pursues additional means to reduce the carbon impact of natural gas usage, there may be concerns over risks to non-participating customers if utility owned assets, such as renewable natural gas projects, are used to supply the program. Therefore, Staff recommends that the Commission and stakeholders be allowed to review and consider the sufficiency of customer protections prior to program changes that would supply customers under this tariff from Company-owned projects.

### Conclusion

Staff finds that the updated tariff in Schedule 400 provide customers with additional options to meet their carbon neutrality goals with minimal impact to other customers and recommends that the Commission approve the proposed tariff changes and permit the revised schedule to go into effect on April 9, 2021, subject to the above noted condition.

**PROPOSED COMMISSION MOTION:**

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