

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 21, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ October 1, 2023

DATE: September 11, 2023

TO: Public Utility Commission

FROM: Kaitlin Lynch

THROUGH: Caroline Moore **SIGNED**

SUBJECT: CASCADE NATURAL GAS:
(Docket No. ADV 1531/Advice No. O23-07-05)
Update to Schedule 33, Oregon Low-income Energy Conservation Program.

STAFF RECOMMENDATION:

Approve Cascade Natural Gas Corporation's (Cascade or Company) Advice Filing No. O23-07-05 to update Schedule 33, Oregon Low-income Energy Conservation Program (OLIEC or the Program), with an effective date of October 1, 2023.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission) should approve Cascade's proposed modifications to Schedule 33, OLIEC Program, with an effective date of October 1, 2023.

Applicable Rule

ORS 469.633¹ requires investor-owned utilities to have energy efficiency programs, and ORS 757.262 states that the Commission may adopt policies designed to encourage the acquisition of cost-effective conservation resources² and may authorize period rate adjustments associated with the implementation of such policies.³

¹ ORS.469.633.

² ORS.757.262(1).

³ ORS.757.262(2).

Pursuant to ORS 757.205(1), a public utility shall file with the Commission schedules showing all rates, tolls, and charges that it has established and are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.⁴

Subsequently, ORS 757.210 states that the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable.⁵ Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025.⁶

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must 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.⁷ 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, OAR 860-022-0015.

Analysis

Background

OLIEC provides qualifying low-income households within Cascade's service territory with rebates for the installation of certain weatherization and conservation measures. The measures are performed by qualifying Community Action Agencies, 501(c)3 non-profit agencies, or Community Based Organizations (CBOs) (referred to collectively as Agencies). The Program is funded through the portion of Cascade's Public Purpose Charge (PPC) that supports funding for low-income conservation and bill assistance activities. During the past three completed program years (2020 – 2022), only one household received weatherization services through OLIEC.

Cascade has been collecting PPC funds since May 2006 to provide weatherization to its customers.⁸ The PPC was first approved by the Commission in Docket No. UG 167 through Commission Order No. 06-191. As part of a settlement agreement adopted in Docket No. UG 287, effective February 1, 2016, all OLIEC funding comes from the PPC applied to residential, commercial, and core industrial customers' bills.

⁴ ORS 757.205(1).

⁵ ORS 757.210(1)(a) (Whenever any public utility files with the Public Utility Commission any rate or schedule of rates stating or establishing a new rate or schedule of rates or increasing an existing rate or schedule of rates, the commission may, either upon written complaint or upon the commission's own initiative, after reasonable notice, conduct a hearing to determine whether the rate or schedule is fair, just and reasonable).

⁶ OAR 860-022-0025.

⁷ OAR 860-022-0025(2).

⁸ See Docket No. RG 7, *Cascade Natural Gas Company Low-Income Energy Conservation (OLIEC) Annual Report*, Nov. 30, 2022, accessed at <https://edocs.puc.state.or.us/efdocs/HAQ/rg7haq142917.pdf>.

Cascade's Proposed Changes

On July 28, 2023, Cascade filed Advice No. O23-07-05, which proposes several housekeeping changes and program modifications to OLIEC in an effort to increase program uptake.⁹ On August 18, 2023, the Company filed replacement sheets adding clarifying and corrective text as discussed with Commission Staff.¹⁰

The filing updates Schedule 33 with housekeeping changes by:

1. Revising language for increased clarity;
2. Updating the program measures list; and
3. Removing references to the Conservation Achievement Tariff (CAT) as an overlay to OLIEC or a pilot offering, as it has been established as part of the OLIEC Program offering since 2017.

The following program modifications are based on the feedback the Company received from its energy efficiency advisory group, made up of Cascade staff, Commission Staff, Community Action Partnership of Oregon (CAPO), and participating Agencies:

1. Administrative and delivery costs for the Agencies delivering OLIEC are updated to 30 percent of the total job cost, 20 percent for the audit, inspection, and paperwork, and 10 percent for indirect office support;
2. The United States Department of Energy (DOE) Priority List and Washington Department of Commerce Deemed Measure Priority List (DMPL) may be used to qualify measures instead of exclusive reliance on energy modeling that evaluates for a savings-to-investment ratio of 1.0 or higher
3. The \$10,000 cap on weatherization projects is removed; and
4. Secondary funding sources are no longer required for a project to receive OLIEC funding.¹¹

Staff Review

Staff reviewed Cascade's filing and met with Company representatives to discuss the proposed changes to OLIEC ahead of this advice filing. During the engagement, the Company did not receive any opposition or corrective feedback on its proposed changes. Parties, including Staff, expressed general support towards Cascade's efforts to improve OLIEC participation rates. The Program modifications are intended to

⁹ See ADV 1531, *Cascade Advice No. 023-07-05, Schedule 33 OLIEC, Initial Utility Filing*, July 28, 2023, accessed at <https://edocs.puc.state.or.us/efdocs/UAA/uaa143632.pdf>.

¹⁰ See ADV 1531, *Cascade Advice No. 023-07-05, Schedule 33 OLIEC, Initial Utility Filing*, Aug. 18, 2023, accessed at <https://edocs.puc.state.or.us/efdocs/UAC/adv1531uac165929.pdf>.

¹¹ Secondary funding sources are not explicitly required by the current tariff, but Cascade noted this as a significant change in the filing cover letter. Since project costs often exceeded the \$10,000 OLIEC cap, the Company encouraged Agencies to leverage other funds. Removing the \$10,000 project cap alleviates the need for Agencies to utilize additional funding sources.

remove barriers that the Company believes have limited program participation and deterred Agencies from utilizing OLIEC funds.

The current Schedule 33 OLIEC tariff provides partnering Agencies a flat rate for program administration and delivery cost reimbursements, including \$250 for program administration, \$550 for audits, and \$300 for inspections. The Company asserts that these flat rates may be insufficient to cover actual costs incurred by Agencies and thus reduces said Agencies' capacity to participate in the Program. Staff believes that a percentage-based reimbursement, as suggested in the Program update, is likely a more effective way for Agencies administering OLIEC to manage their resources and budgets dedicated to the Program. Staff agrees with Cascade that tying administrative and delivery reimbursements to the actual job cost may increase Agencies' ability to administer the Program and ultimately connect more clients with OLIEC offerings.

The Company states that using priority lists to determine measure cost-effectiveness removes the unnecessarily limiting requirement of using the state's energy modeling software for heat loss analysis to prove a savings-to-investment ratio of 1.0 or higher. Staff agrees that leveraging the work done by DOE and Washington Department of Commerce is a simpler and lower cost method of delivering savings to energy burdened customers. Staff anticipates the lists can be used to approve valuable conservation measures that may have otherwise been screened out by the energy modeling software.

Finally, the Company indicated that the \$10,000 cap on weatherization projects funded through OLIEC can often create significant limitations to the efficacy of the Program when a home requires substantial health, safety, and repair upgrades prior to installing weatherization measures. This issue is further exacerbated by increasing installation costs, thus increasing costs of the measures as well. Removing the cap will allow Agencies to make required health and safety modifications and install the appropriate weatherization measures without worrying that they will not be reimbursed for the full project cost—a worry that has historically dissuaded Agencies from utilizing the Program.

Staff agrees that removing the cap will help Agencies administer OLIEC more effectively for all parties involved and hopes that this change will result in both an increase in Agencies' use of the Program and the efficacy of weatherization projects for participating homes. The Company indicated that it will share monthly updates on the level of funding remaining in the Program with Agencies, so that projects do not run the risk of not being reimbursed if the entire OLIEC fund is utilized.

Staff notes that though removing the cap on weatherization projects is intended to increase program participation, it may also ultimately lower the total number of households that can be weatherized under OLIEC. Specifically, spending more money on each household without increasing the amount of money in the Program fund can result in fewer households being served. That said, since there were few to no

households being weatherized when the project cap was \$10,000, Staff believes that this change will result in a net increase in the number of households being served.

Additionally, if the fund is fully expended, it is possible that Cascade will request an increase to the dollar amount of the PPC compared to recent years, which is revised yearly according to forecasted program needs and can include a credit for underspending. If increased OLIEC participation does result in the need for an increase to the dollar amount of the PPC, the request will come before the Commission in the future and will be determined at that point.

Currently, unused OLIEC funds are returned to customers in the form of a credit to the PPC, effectively lowering the amount of the charge that customers see on their bill. An increase in program uptake will reduce that credit and result in an increase in the number of dollars that customers see as a charge under the PPC. Since OLIEC funding is a relatively small portion of the PPC in general, Staff believes that any change in the credit should not be significant. Additionally, a decrease in the amount credited back to customers will mean that the Program is functioning in the way that it is meant to and that more qualified households are being weatherized. Staff sees this as a net benefit, in terms of increased energy efficiency and reduced energy burden.

Stakeholder Engagement

Over the past year, the Company engaged in multiple discussions with Staff, Agencies, and regional stakeholders, both individually and in group settings, on barriers to participation and opportunities to revise and increase the efficacy of OLIEC. Cascade also leveraged its energy efficiency advisory group in order to develop a revised tariff intended to increase program uptake. Staff has discussed this filing with advocates, such as CAPO, who shared that they are supportive of the changes being made. Oregon Citizens' Utility Board (CUB) also communicated to Staff that they are supportive of the updates to OLIEC.

Conclusion

Based on the review of Cascade's filing, Staff believes that it is reasonable to move forward with the proposed program changes. Staff appreciates the work that Cascade put into engaging with Stakeholders and Staff ahead of its filing to make collaborative changes to OLIEC and improve the operations, efficacy, and participation of the Program. The Commission has been working towards mitigating energy burden through multiple tools, and Staff views these changes as a proactive effort to improve equitable access to weatherization services and reduce energy burden for low-income households.

Docket No. ADV 1531/Advice No. O23-07-05

September 11, 2023

Page 6

PROPOSED COMMISSION MOTION:

Approve Cascade Natural Gas Corporation's proposed modifications to Schedule 33, OLIEC Program, as described in Advice No. O23-07-05, with an effective date of October 1, 2023.

CNG ADV 1531