

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 19, 2024**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** March 20, 2024

**DATE:** March 11, 2024

**TO:** Public Utility Commission

**FROM:** Benedikt Springer

**THROUGH:** JP Batmale and Sarah Hall **SIGNED**

**SUBJECT:** NORTHWEST NATURAL:  
(Docket No. ADV 1593/Advice No. 24-02)  
Update to Schedule 320, Oregon Low-Income Energy Efficiency Programs.

**STAFF RECOMMENDATION:**

Staff recommends that the Oregon Public Utility Commission (OPUC or Commission) approve Northwest Natural's proposed changes to Schedule 320, Oregon Low-Income Energy Efficiency (OLIEE) programs, with two modifications.

**DISCUSSION:**

Issue

Whether to approve Northwest Natural's proposed changes to Schedule 320, Oregon Low-Income Energy Efficiency (OLIEE) programs.

Applicable Rule or Law

A public utility is required to file schedules with the Commission showing all changes to rates, tolls, and charges. ORS 757.205. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. 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.

Filings that propose 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 change. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

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

## Analysis

### *Background*

NW Natural's Oregon Low-Income Energy Efficiency (OLIEE) programs help low-income customers weatherize their houses and is funded through a public purpose funding surcharge, under Schedule 301. In its February 14, 2024 filing in ADV 1593, the company proposes several changes to Schedule 320, which describes the operation of the OLIEE programs.

### *Proposed Changes*

NW Natural proposes the following changes in five areas:

1. Program Administration, Evaluation, and Verification (Sheet 320-2): The company proposes to update the details for the existing availability of program evaluation to learn about opportunities to improve the program through outreach, education, or other methods. The proposed update removes a \$50,000 cost cap and adds language to allow for a competitive bid process with assistance from the OLIEE Advisory Committee.

2. Agency Qualifications and Responsibilities for CAP Funds (Sheet 320-3, Items 6 and 8): NW Natural proposes to allow agencies that are already working with higher income brackets to qualify customers at up to 80 percent of Area Median Income. The Company also proposes changing the requirement to attend training workshops to “may attend” as opposed to current language that states, “must attend.” This section also clarifies that funding for training sessions will be covered under this tariff.
3. Administration and Delivery Costs (Sheet 320-4): NW Natural is adding language to clarify the amounts for payments of agency administrative costs (inclusive of inspections and audits). The proposed language includes the clarification that projects under \$11,500 may receive payments for administrative costs of up to \$3,500 but may not be higher than the cost of measures installed. Projects exceeding \$11,500 may receive up to 30 percent in administrative payments. The Company proposes language that allows for agencies to request upfront funding of programs at the beginning of a funding cycle.
4. Energy Efficiency Measures Section (Sheet 320-4): In addition to minor housekeeping edits the company proposes two new ways energy efficiency measures can qualify as cost-effective: the Department of Energy (DOE) priority list and Northwest Natural’s Deemed Measure Priority List (DMPL). NW Natural also proposes to remove project caps clarifying that qualified measures will be eligible for reimbursement of up to 100 percent of the installed cost of the measure.
5. Open Solicitation Program (OSP) Description (Sheet 320-6): NW Natural proposes housekeeping changes in this section for clarity and makes a change that was inadvertently omitted in a 2019 advice filing. The 2019 filing changed the word “occupant” to “premise” but omitted the change from Sheet 320-6.

#### *Discussion*

Staff reviewed the company’s proposed revisions and discussed them with the company. NW Natural discussed these proposed changes with the OLIEE Advisory Committee at meetings held December 5, 2023 and January 12, 2024, and through engagement with the company’s Community Equity and Advisory Group. Staff reviewed notes of stakeholder feedback. Generally, stakeholders were supportive of the proposed changes.

Staff believes the proposed changes offer more clarity and are reasonable with two exceptions. Beyond housekeeping changes, the tariff removes the total project cost cap; allows deemed measures; and allows higher-income participants, which will make it easier for Community Action Agencies to complete projects. This view was echoed by stakeholders. However, in line with stakeholder comments, Staff is concerned with

potential shifts in program participation. Increasing eligibility to 80 percent of area median income could take away projects from those with the lowest incomes. Customers with higher incomes are already more likely to participate in other programs, such as those offered by Energy Trust of Oregon. At the same time, Staff does believe that customers with moderate incomes are currently underserved, a gap addressed by Portland Clean Energy Fund in its programs. In response to these concerns, NW Natural proposed to report on the split between participants above and below 200 percent of the federal poverty level, as a safeguard.

Staff believes that this is not sufficient and maintains that the majority of low-income weatherization funds should be spent on those with the lowest incomes. Therefore, Staff proposed the following modification that has been agreed to by the Company:

1. Agency Qualifications and Responsibilities for CAP Funds (Sheet 320-3, Item 4): Staff proposes to add the following sentence at the end of NW Natural's proposed paragraph: *"Through the 2024-25 Program Year, at least 80% of funds will be disbursed for projects serving households at or below 200% of the federal poverty level. After the 2024-25 Program Year, the 80% limit will be removed or revisited in consultation with the OAC."*

Additionally, Staff is also concerned with removing the cap of \$50,000 for program evaluation. Staff believes that some cost control is necessary to encourage efficient use of resources for evaluation. To assuage this concern, Staff and the Company agreed to language that would limit evaluation costs to \$150,000:

2. Program Administration, Evaluation and Verification (Sheet 320-2): Staff proposes to modify the last sentence of NW Natural's proposed paragraph as shown in italics: *"Such evaluation shall be paid from the OLIEE account in an amount not to exceed \$150,000. It will include a competitive bid process with assistance from the OLIEE Advisory Committee to ensure cost effective spending."*

Staff discussed the proposed modifications with the NW Natural, and the company agreed to the changes. After Commission approval, the company will make a compliance filing integrating the agreed-upon modifications.

There are no rate impacts of NW Natural's proposed changes. As proposed, NW Natural only makes changes to how OLIEE programs are administered, not how much money is available. Funds for OLIEE programs are collected through Schedule 301, Public Purposes Funding Surcharge. Currently 0.85 percent of total residential and commercial energy use billed is set aside for Schedule 320, low-income energy efficiency activities. NW Natural has not proposed any changes to Schedule 301. At the end of Program Year 22-23, the OLIEE programs had a carryover of more than

\$11 million, around three times the annual expenses.<sup>1</sup> This means NW Natural can increase participation in this program dramatically without having to collect more funds. Staff would urge NW Natural to work toward weatherizing more homes and reducing the carryover. The company notes in its filing it will conduct a post-weatherization survey this year to ensure customer satisfaction and allow for customer feedback, which Staff supports.

### Conclusion

Staff finds NW Natural's proposed changes to the OLIEE programs generally reasonable and recommends approval with two noted modifications.

### **PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's proposed changes to Schedule 320, Oregon Low-Income Energy Efficiency (OLIEE) programs, with two modifications.

CA4 – ADV 1593

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<sup>1</sup> RG 13, Oregon Low-Income Energy Efficiency Program (OLIEE) Annual Report (2022-2023 Program Year), December 28, 2023.