



# Oregon

Kate Brown, Governor

## Public Utility Commission

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December 17, 2019



BY EMAIL

Northwest Natural Gas Company, dba NW Natural

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RE: Advice No. 19-19

At the public meeting on December 17, 2019, the Commission adopted Staff's recommendation in this matter docketed as ADV 1056. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser  
Chief Administrative Law Judge  
Public Utility Commission of Oregon  
(503) 378-3098

**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."<sup>1</sup>

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.<sup>2</sup>

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.

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

<sup>2</sup> 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 measure 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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December 10, 2019  
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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



# NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Eighth Revision of Sheet 301-1  
Cancels Seventh Revision of Sheet 301-1

## SCHEDULE 301 PUBLIC PURPOSES FUNDING SURCHARGE

### PURPOSE:

To specify the method of billing of a Public Purposes surcharge that is to fund public purposes activities to be administered through one or more independent entities. Public purposes activities include, but may not necessarily be limited to, energy efficiency programs, market transformation programs, residential low-income energy efficiency programs, and residential low-income bill payment assistance programs designed to benefit Residential and Commercial Customers within NW Natural's service territory in Oregon.

### APPLICABLE:

To Residential and Commercial Customers served on the following Rate Schedules of this Tariff:

Residential	Commercial
Rate Schedule 2	Rate Schedule 3 (03CSF)
	Rate Schedule 27 (27R)
	Rate Schedule 31 (31CSF)

### ADJUSTMENT TO RATES: Effective: January 1, 2020

A Public Purposes surcharge will be assessed on the total energy use billed (the total of the Customer Charge plus the per therm usage charges) and shown as a line item on each customer's monthly bill as follows:

Residential: 5.30% of the total energy use billed  
Commercial: 4.55% of the total energy use billed

(C)

(I)  
(I)

The funds collected from such Public Purposes surcharge shall be allocated to specific separate accounts to fund the specified public purposes program(s) as follows:

### RESIDENTIAL:

3.70% will support public purpose funding for **Schedule 350** energy efficiency programs delivered and administered by the Energy Trust of Oregon (Energy Trust).

(R)

0.75% will support public purpose funding for **Schedule 310** low-income bill payment assistance activities.

0.85% will support public purpose funding for **Schedule 320** low-income energy efficiency activities.

(I)

### COMMERCIAL:

3.70% will support public purpose funding for **Schedule 350** energy efficiency programs delivered and administered by the Energy Trust.

(R)

0.85% will support public purpose funding for **Schedule 320** low-income energy efficiency activities.

(I)

(continue to Sheet 301-2)

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11/18/2019

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NWN OPUC Advice No. 19-19

Effective with service on  
and after January 1, 2020

# NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Third Revision of Sheet 320-1  
Cancels Second Revision of Sheet 320-1

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## SCHEDULE 320 OREGON LOW-INCOME ENERGY EFFICIENCY (OLIEE) PROGRAMS

### **PURPOSE:**

To describe the Oregon Low-Income Energy Efficiency (OLIEE) program, which is funded through a designated portion of the Schedule 301 "Public Purposes Funding Surcharge." The OLIEE program includes two parts: 1) the Community Action Program (CAP) and 2) the Open Solicitation Program (OSP).

### **AVAILABLE:**

This program is available to income-eligible residential dwellings located within NW Natural's Oregon service territory where (1) a gas Service Line is installed at the Premise; (2) the primary space heating equipment is fueled by Natural Gas, and (3) and the premise has an active account with the Company, or will have an active account upon completion of work performed under this **Schedule 320**. Any residential dwelling that received assistance for the installation of the same or similar measures under any other energy efficiency program may not be eligible for assistance under this program.

(C)

(C)

### **PROGRAM YEAR and REPORTING:**

The OLIEE program year will extend from October 1 through September 30 (Program Year). The Company will submit an Annual Report of the OLIEE Programs to the Commission by December 31 following the end of each Program Year.

The Annual Report will consistently include the same Program Year results from year to year. The Annual Report will include the number of homes targeted for completion in the next Program Year, and the average savings per dwelling treated under CAP.

### **PROGRAM FUNDING:**

Each month, the Company will bill and collect Public Purposes funds in accordance with **Schedule 301** of this Tariff. By the 20<sup>th</sup> of the month following the billing month, the amount collected, net of an allowance for uncollectibles, will be deposited into a market-based interest bearing bank account dedicated to the OLIEE program (OLIEE Account). The reserve for uncollectibles shall be in an amount equal to NW Natural's average percentage of residential net write-offs.

### **PROGRAM ADMINISTRATION, EVALUATION AND VERIFICATION:**

All OLIEE programs are to be administered by the Company in accordance with this **Schedule 320**. The Company will be reimbursed from the OLIEE Account each month for actual program administration costs incurred, except that such reimbursement will not exceed five percent (5%) of the total funds available during each Program Year.

(continue to Sheet 320-2)

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**SCHEDULE 320**  
**OREGON LOW-INCOME ENERGY EFFICIENCY (OLIEE) PROGRAMS**  
(continued)

**Agency Qualifications and Responsibilities for CAP Funds:**

- 1. In order to qualify to participate in the OLIEE program, an Agency must be a legal entity that has been in the business of providing housing or energy efficiency services to low-income customers for at least one year. Any Agency that is contracting or subcontracting with the State of Oregon, Department of Housing and Community Services (OHCS), which is eligible to administer funding under the Federal Low Income Energy Assistance Program (LIEAP) is automatically authorized to participate. All other Agencies must first apply to the Company for authorization to participate. The conditions upon which the Company will approve an application will include, but are not necessarily limited to (a) availability of funds, (b) Agency location, and (c) number of residential dwellings served by NW Natural. (C)
- 2. All Agencies must enter into a written contract with the Company in order to participate in the administration and delivery of funds under this program. (C)
- 3. Each participating Agency will have sole responsibility to screen and approve applicants for eligibility. Each Agency shall follow the established protocols for the qualification of and disbursement to eligible participants in accordance with the guidelines of this program and the guidelines promulgated by OHCS and the Low-Income Energy Assistance Act of 1981 and subsequent amendments, as outlined in the OHCS Omnibus Contract.
- 4. Each participating Agency shall be responsible to complete and return to the Company, all required paperwork and other documentation as may be necessary for the Company to process the request in a form prescribed by the Company.
- 5. Each participating Agency must agree to abide by the program parameters established in this Schedule including using, where applicable, the Department of Energy (DOE) approved residential, energy analysis software tool ("Energy Analyzer Software") in determination of all measures that qualify for funding under CAP. (C)
- 6. An Agency that fails to abide by the terms and conditions set forth in this tariff schedule may be removed from participating in the CAP Program. (C)
- 7. Each participating Agency must attend any training workshops offered in collaboration with the Company, OHCS and CAPO. Workshops will be designed to ensure agencies are consistently and accurately entering data into the Energy Analyzer Software. The Company shall inform Staff of the selected workshop trainer and provide a summary report on the workshop's accomplishments.

**Customer Qualifications for CAP Funds**

All CAP funds collected under this program will be used to weatherize qualified dwellings inhabited by customers of NW Natural. In the event the Company receives a request for premise from two or more Agencies, the Company will process only one request. (C)  
(C)

(continue to Sheet 320-4)

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**SCHEDULE 320**  
**OREGON LOW-INCOME ENERGY EFFICIENCY (OLIEE) PROGRAMS**  
(continued)

**CAP Administration and Delivery Costs**

Each Agency will be reimbursed from the OLIEE Account for administrative costs and direct program costs incurred by them in their administration and delivery of the OLIEE program up to \$1,600 per dwelling. The Agency fee will be paid to each Agency along with the measure rebate payments. The Company will process measure rebate payments and Agency payments within thirty (30) days from the date the Company receives all completed documentation in support of such rebate request(s). (C)

**Annual Program Year Targets (households)**

At the beginning of each Program Year, each participating Agency will be assigned a home completion target that supports the achievement of an annual program target. Agency targets may be adjusted from time to time throughout a Program Year, as necessary. Nothing precludes Agencies from serving more than the annual target of homes in any program year provided sufficient funds are available and approved by the Company. The Company will include the expected targets for the following year, by Agency, in the Annual Report.

**Energy Efficiency Measures**

Qualifying energy efficiency measures are, 1) energy efficiency measures recommended when the dwelling is modeled in the Energy Analyzer Software. All measures prescribed by the Energy Analyzer Software for the whole house must meet or exceed a Savings to Investment Ratio (SIR) of 1.0 or better unless identified through number 2 or 3 below. The SIR calculation will use the Energy Information Administration's Oregon residential natural gas price as the cost against which the benefits are measured 2) The replacement of non-functioning or red-tagged heating equipment with a high efficiency gas furnace. Heating equipment is considered red-tagged when a representative from the Company or an Agency has deemed the appliance unsafe to operate, 3) Measures identified as cost effective by third party organizations (Regional Technical Forum, Energy Trust of Oregon, etc.). (C)  
(C)  
(C)  
(N)(C)  
(C)(N)  
(N)

The energy efficiency measure payment may not exceed \$15,000 per dwelling. When only heating equipment measures are performed, the payment may be up to \$5,000 per dwelling. When no heating equipment measures are installed, energy efficiency measure(s) paid per dwelling shall not exceed \$10,000. When both heating equipment and non heating equipment measures are included the payment may not exceed \$15,000 per dwelling. To accommodate timing differences between measure installations, the payment may be disbursed through one or more requests provided all of the work is based on the same audit. Only one energy efficiency audit per home will be eligible for payment under the OLIEE Program. Under no circumstances will the payment exceed the actual installed cost of the measure(s). The Company may coordinate with other funders (eg Energy Trust of Oregon) to facilitate payments and appropriate reporting of measures. (C)(I)  
(N)  
(N)  
(N)  
(N)  
(C)  
(C)  
(N)  
(N)

(C)

(continue to Sheet 320-5)

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# NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Third Revision of Sheet 320-5  
Cancels Second Revision of Sheet 320-5

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## SCHEDULE 320 OREGON LOW-INCOME ENERGY EFFICIENCY (OLIEE) PROGRAMS (continued)

### **Health, Safety and Repair (HSR) Allowance**

In addition to funds for qualifying energy efficiency measures, funds may be available for the costs of health, safety and repair (HSR) measures. HSR measures are those items that if not completed would adversely impact the safety and health of the occupants or the effectiveness of the energy efficiency measures. Standard efficiency furnace replacements may qualify for HSR funds if the existing furnace is broken, is found to produce an unsafe level of CO emissions, is back-drafting, or has a cracked heat exchanger and a high-efficiency furnace is not cost-effective or if it is physically impossible to install a high-efficiency furnace. When a furnace is replaced with a standard efficiency furnace, the Agency must specify the reasons for the replacement in the reimbursement request.

(C)

The maximum annual HSR disbursement available to each Agency will be \$1,000 times the actual number of households treated by the Agency in the Program Year (HSR Allowance).

Each Agency will have discretion in the use of their individual HSR Allowance such that they may use more or less than the \$1,000 on any one home. Each Agency must manage their HSR funds to ensure that the average HSR amount per home is not more than \$1,000.

### **Agency Reporting Requirements**

For each home treated under the OLIEE Program, each Agency will be required to report to the Company, the following information:

- Customer Name (as shown on NW Natural Account)
- NWN Account Number
- Service Address
- Owner, Occupant or Property Manager Name
- Owner, Occupant or Property Manager Phone Number
- Audit Date
- Measure Completion Date
- Reimbursement Request Date
- Agency and Agency Representative
- Size of home in square feet and Year Built
- Measure description
- Installed cost per measure
- Estimated therm savings per measure
- Energy Analyzer Software SIR per measure
- Total Energy Analyzer Software SIR for
- Measure Group
- Total Cost of all energy efficiency measures installed (EEMC)
- Total Energy Analyzer Software estimated savings for each household (Total therms)
- Total job cost to Agency (OLIEE and non-OLIEE measure costs)
- Cost per measure
- Fuel cost savings per measures
- Total HSR measure cost
- Total Reimbursement Request: (energy efficiency measure costs up to annual limit + Admin + HSR)
- Prior 12 months of gas usage
- Projected savings as a percentage of the last 12 months gas usage

(continue to Sheet 320-6)

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