

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1434

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL

Establishes original tariff sheets in
Schedule O, On-the-Bill Repayment
Service, allowing pass-through billing
agent services to be provided as part of the
Portland Clean Energy Fund.

ORDER

DISPOSITION: REQUESTS APPROVED

On June 16, 2009, Northwest Natural Gas Company, dba NW Natural, filed Advice No. 09-10 with the Public Utility Commission of Oregon (Commission). The filing included a request to establish Original Sheets O-1 through O-3 in Schedule O On-the-Bill Repayment Service, an Application for Waiver for Less Than Statutory Notice with an effective date of July 1, 2009, and a request for waiver from Customer Service and Billing Service Quality Measures regarding issues that may arise specifically attributed to the Portland Clean Energy Fund. The basis for the current requests is detailed in Staff's Report, attached as Appendix A, and incorporated by reference.

At its Public Meeting on June 30, 2009, the Commission adopted Staff's Recommendation and approved NW Natural's requests.

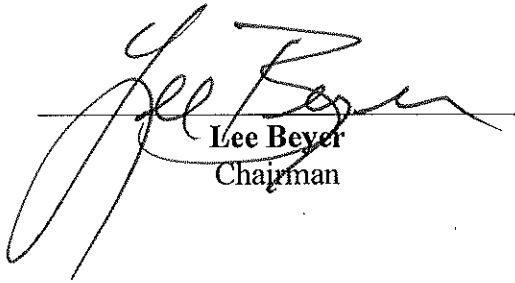
ORDER

IT IS ORDERED that:

1. Northwest Natural Gas Company's tariff sheets in Advice No. 09-10 are allowed to go into effect July 1, 2009, with less than statutory notice.

2. Northwest Natural Gas Company's request for waiver of Customer Service and Billing Service Quality Measures regarding issues that may arise specifically attributed to the Portland Clean Energy Fund is approved.

Made, entered, and effective JUL 07 2009.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 30, 2009

REGULAR X CONSENT _____ EFFECTIVE DATE July 1, 2009

DATE: June 22, 2009

TO: Public Utility Commission

FROM: Lisa Gorsuch

THROUGH: *LS* Lee Sparling, *EB* Ed Busch, and *EB for* Bonnie Tatom

SUBJECT: NORTHWEST NATURAL: (Advice No. 09-10) Establishes Original Sheets O-1 – O-3 in Schedule O, On-the-Bill Repayment Service, allowing pass-through billing agent services to be provided as part of the Portland Clean Energy Fund.

STAFF RECOMMENDATION:

Staff recommends that Northwest Natural's (NWN or Company) request to establish Original Sheets O-1 – O-3 in Schedule O, On-the-Bill Repayment Service, and Application for Waiver for Less Than Statutory Notice (LSN) be approved with an effective date of July 1, 2009. Staff also recommends that NWN's request for waiver from (C1) Customer Service and (B1) Billing Service Quality Measures (SQMs) regarding issues that may arise specifically attributed to the Portland Clean Energy Fund be approved.

DISCUSSION:

Background

The City of Portland (City) is partnering with the Energy Trust of Oregon (ETO), Multnomah County and ShoreBank Enterprise Cascadia (SBEC) to launch an energy efficiency pilot program known as the Portland Clean Energy Fund (PCEF). These entities will be referred to as PCEF sponsors. This pilot is intended to enable homeowners access to low-interest, long-term financing for energy efficiency measures. NWN, Portland General Electric (PGE) and Pacific Power & Light (PP&L) will be providing on-bill repayment services to qualifying customers of the PCEF as they pay back their low-interest loans.

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A participating homeowner will pay for energy efficiency improvements through a monthly charge on his/her NWN, PGE or PP&L bill based upon which of these companies is providing the participant's primary heat source. These improvements will include insulation, weatherization and closing off air leaks or possibly the installation of a high-efficiency furnace. The goal is to keep the monthly cost as low as possible causing only a small increase, if any, to the homeowner's energy bill.

According to the City, the program is designed to closely match the monthly energy savings from the energy efficiency improvements with the savings that will be realized on a monthly energy bill. The strategy to accomplish this goal will be to stretch the length of the loan, based on the total cost of the energy efficiency improvements and the associated monthly savings expected from the improvements, as far out as 20 years. For example, an average \$1,400.00 investment for insulation and closing off air leaks can generate an approximate monthly savings of \$18.00 to \$20.00. However, the installation of a high-efficiency furnace can result in a slightly higher monthly energy bill even with a 20-year loan. Results of savings will be impacted by changes in a participant's monthly energy usage as well as by energy rate changes.

The City will be transferring \$2.5 million, from its federal stimulus grant for energy efficiency projects and money from its general fund, to SBEC to establish a loan fund for this pilot. PCEF sponsors state that they anticipate the first participant will secure a loan and begin improvements by mid-July. They are planning to have their maximum of 500 pilot participants by early 2010.

Staff has had two different meetings with NWN, PGE and PP&L to discuss the pass-through billing agent services that they will be providing as part of the PCEF and the tariff that will be needed for each company as a result. Both meetings included lengthy discussions about potential liabilities that could develop as a result of this program that would be beyond the control of the energy company that will strictly be providing on-bill repayment services. The discussions also involved acknowledgement and compliance of the rules and regulations NWN, PGE and PP&L are subject to as regulated utility companies with regard to the tariffs to be filed. Staff agreed during these discussions that it would be reasonable for each of the utilities to be granted a waiver from C1 and B1 SQMs regarding issues that may arise specifically attributed to the PCEF.

Following the meetings, Staff provided a list of provisions, for inclusion in the proposed tariffs, to NWN, PGE and PP&L. Prior to filing, all three companies provided Staff with draft tariffs for review. Each of the draft tariffs included the suggested provisions. However, the content of each of them varied based upon the level of detail each company determined should be included in the tariff versus the agreement between the

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billing agent (NWN, PGE or PP&L) and the PCEF sponsors. At Staff's request, an Assistant Attorney General also reviewed the draft tariffs and concluded that all three provided an adequate description of the PCEF, its sponsors, the energy utility providing pass-through billing agent services and the associated responsibilities, in an effort to protect the utility and its customers.

Proposed Tariff

NWN proposes to establish Schedule O, On-the-Bill Repayment Service, to provide a general description of the PCEF and clearly identify its role in the program.

Schedule O, as filed by NWN on June 16, 2009, specifically details the responsibilities of SBEC with regard to its relationship with PCEF participants and with NWN, to allow for billing services to be provided without jeopardizing the Company's other customers. This schedule, along with a payment agreement and an operating agreement amongst the PCEF sponsors and NWN will ensure adherence to all Division 21, Utility Regulation under the Oregon Administrative Rules. Agreements between NWN and PCEF sponsors are still pending.

The special provisions in this proposed schedule specifically define NWN's role as a pass-through billing agent only, for the PCEF, placing a monthly loan payment amount on the participating customer's energy bill as a line item as designated by SBEC. NWN will not be responsible for qualifying the participants of the program, resolving participant questions or concerns regarding the program or collecting unpaid loan amounts. In addition, NWN will apply monthly payments to energy usage first and will not disconnect service for failure to repay the PCEF portion of the bill. NWN will be held harmless from liability that may result from the installation of energy efficiency upgrades and will not be responsible for financial assurances given surrounding the net benefit from participating in the program. The administrative costs associated with NWN providing pass-through billing agent services for the PCEF will be reimbursed by the City and/or SBEC.

Staff supports approval of this schedule noting that future revisions may be necessary as a result of pending legislation surrounding similar pilot programs to that of the PCEF.

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PROPOSED COMMISSION MOTION:

NWN's Application for an LSN be approved and the tariff sheets in Advice No. 09-10 be allowed to go into effect on July 1, 2009. In addition, NWN's request for waiver of C1 and B1 SQMs regarding issues that may arise specifically attributed to the PCEF be approved.

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