

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 10, 2006**

REGULAR _____ CONSENT X EFFECTIVE DATE May 11, 2006

DATE: April 20, 2006

TO: Public Utility Commission

FROM: Lynn Kittilson

THROUGH: Lee Sparling, Ed Busch and Bonnie Tatom

SUBJECT: NORTHWEST NATURAL: (Advice No. 06-4) Increases the Oregon Low-Income Gas Assistance (OLGA) charge and makes housekeeping changes.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural Gas Company's (NW Natural or company) application to waive statutory notice and allow the tariff revisions proposed in Advice No. 06-4 to become effective on May 11, 2006.

DISCUSSION:

On February 28, 2006, NW Natural filed tariff revisions in Advice No. 06-4 with a proposed effective date of April 1, 2006. The primary purpose of the filing is to request an increase in the monthly charge on Schedule 310, Oregon Low-Income Gas Assistance (OLGA). The filing also proposes several housekeeping changes to Schedule 310. The company submitted minor revisions to the filing on March 6, March 20, and April 19, along with an application to waive statutory notice. At staff's request, NW Natural extended the effective date of the filing to May 11, 2006.

NW Natural's OLGA program collects funds each month from residential customers to provide low-income bill payment assistance to income-qualifying residential customers. The company began collecting the monthly OLGA charge of 25 cents in October 2002, along with the Schedule 301, Public Purposes Funding Surcharge, which provides funding for NW Natural's Oregon energy efficiency programs and low-income energy efficiency programs. The company proposes to increase the OLGA monthly charge to be assessed on residential Rate Schedule 1 and Rate Schedule 2 bills by six cents,

from 25 cents to 31 cents. The six cents represents an increase of 24 percent, which is less than the company's 2004 and 2005 gas cost increases.

The filing states that the company became aware in February 2006 that the federally-funded Low-Income Home Energy Assistance Program (LIEAP) funds within NW Natural's service territory had already been depleted, leaving NW Natural's OLGA program and voluntary Gas Assistance Program (GAP) as the two primary funding sources to assist the company's low-income customers with bill payment assistance. In addition, the community action agencies (agencies) that administer the programs had advised the company that many qualified households were currently unserved, with some without heat for their homes while they remain on waiting lists.

The OLGA charge has not been increased since its inception in 2002. Over the last two years, two gas cost increases have raised NW Natural residential rates by about 35 percent. During the 2004-2005 program year, NW Natural collected about \$1.5 million and served 4,996 low-income customers with an average payment per household of \$309. The OLGA program served 59 fewer customers than the prior program year (2003-2004), and the average payment per household increased by \$27. NW Natural believes this demonstrates that the current growth in OLGA revenues of three percent per year due to customer growth does not provide sufficient funding to meet current program needs, given the higher gas costs and resulting higher bills per customer.

NW Natural's request to increase the OLGA charge to 31 cents will provide an additional \$378,750 in annual OLGA funding for qualifying low-income customers, about \$1.9 million in total over the next year. The filing states that the company plans to propose a mechanism in its 2006 Purchased Gas Cost filing that will provide a more systematic way to adjust the OLGA charge (up or down) as residential billing rates increase or decrease.

In addition to the proposed OLGA charge increase, the filing also makes several housekeeping changes to Schedule 310. Special Condition 5 is modified to clarify that the allocation of funds to participating agencies will be based on the same OLGA funds allocation used in the prior program year. Special Condition 6 is revised to eliminate the reference to the agency's report of expenditures as the company is no longer requiring the reports. Special Condition 8 is revised to (a) change the program year to October 1 through September 30, and (b) change the filing date of the annual OLGA summary evaluation report to December 31.

Staff supports NW Natural's request in Advice No. 06-4 to increase the OLGA charge by six cents to 31 cents per month. Although we believe sufficient need exists to justify the

proposed increase given the recent significant increases in NW Natural's residential gas rates, we think NW Natural should provide more specific information in support of future requests that identifies unserved customer needs and considers all current funding sources available to help with NW Natural's customers' bill payment assistance, i.e., LIEAP, OLGA, GAP, Duke/EI Paso funds, etc.

Staff sought additional support for the requested increase in the current filing through data requests to the company. NW Natural worked with Jim Abrahamson of Community Action Directors of Oregon to respond to staff's questions about the total availability of bill payments assistance funds and the number of qualifying NW Natural customers that remain unserved by all programs over the program year. However, data collection by the agencies that deliver the bill payment programs in NW Natural's service territory is currently not set up to track the unmet needs of NW Natural's customers.

Staff also met twice with the company, Jim Abrahamson, Jeff Bissonnette from Citizens' Utility Board, and Joan Cote from Mid-Willamette Valley Community Action Agency to discuss the current information available on the unmet needs of NW Natural's low-income customers and the increased OLGA charge proposed in the filing. After these discussions, we agreed we would support NW Natural's requested OLGA charge increase in Advice 06-4 to go into effect on May 11, 2006, and we will continue to meet to develop standards for future requests to modify the bill payment assistance charges. The other two gas utilities will be invited to participate in our discussions. Our goal will be to reach agreement on the information that will be provided to support changes in bill payment assistance charges by the gas utilities. NW Natural agreed to not file another request to modify the OLGA charge until we have come to agreement on the standards that will be applied.

I recommend that the Commission allow the filing to go into effect on May 11, 2006.

PROPOSED COMMISSION MOTION:

NW Natural's application to waive statutory notice be approved and tariff revisions proposed in Advice No. 06-4 be allowed to go into effect on May 11, 2006.