



# Oregon Citizens' Utility Board

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June 17, 2022

Public Utility Commission  
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## **RE: UM 2211/ADV 1409 - CUB Comments on Cascade Natural Gas's Low Income Rate Analysis and Proposed Arrearage Management Program and Energy Discount (AMPED)**

The Oregon Citizens' Utility Board (CUB) appreciates the opportunity to comment on Cascade Natural Gas's (Cascade) Low Income Rate Analysis (Analysis) and proposed Arrearage Management Program and Energy Discount (AMPED). CUB appreciates Cascade's efforts to reduce the inequitable energy burdens of low-income customers in its service territory on an interim basis while it collects more data to help inform its permanent program.

The Energy Affordability Act (HB 2475) encourages regulated utilities to reduce the energy burden of their residential customers by acknowledging income within the context of both rate design (e.g., discount for customers with low incomes) and program development (e.g., demand response, weatherization, subsidized smart thermostats or other grid-connected equipment for customers with low incomes). CUB supports the utilities and the Oregon Public Utility Commission's (PUC) efforts to identify programs and rate structures that will reduce the disproportionate energy burden of low-income Oregonians. It is worth noting that these inequities are exacerbated by the increasing frequency in extreme weather events. Ability to pay should not be the determining factor as to whether one of our neighbors is able to safely regulate the temperature of their home during the hottest and coldest times of the year.<sup>1</sup>

Cascade indicated it needs at least 90-days to prepare the AMPED program, which makes a July 1 effective date necessary for the program to be up and running by October 1, 2022. Given this limitation, CUB does not propose any major modifications to Cascade's interim proposal so as not to delay its October 1, 2022, launch in advance of the heating season. However, CUB does propose a rate design change for cost recovery for this program for the residential rate class and would like to see this change in the interim program, as discussed below. CUB also would like Cascade to respond to how it considered the three elements of Staff's Bundling criterion in development of AMPED, also discussed below. CUB believes the remainder of our comments can be addressed throughout the UM 2211 investigation and as AMPED is implemented, albeit in a timely manner.

CUB thanks PUC Staff (Staff) for its guidance in developing these innovative and important programs. CUB provides its comments generally and based upon the PUC Baseline Evaluation Criteria.

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<sup>1</sup> Cong, S., Nock, D., Qiu, Y.L. et al. Unveiling hidden energy poverty using the energy equity gap. Nat Commun 13, 2456 (2022) <<https://www.nature.com/articles/s41467-022-30146-5>>.

## **General Comments**

CUB appreciates that Cascade developed AMPED with information from an energy burden and rate impact analysis of its service territory. The results of this Analysis offer a helpful overview of the current energy burden of Cascade's customer base and the potential for discounted rate programs to lower low-income customers' energy burdens. CUB appreciates that Cascade states it is committed to removing barriers to customer enrollment, collaborating with programs that serve low-income communities, and using data from its low-income rate analysis, as well as Staff guidance, to improve its program's ability to reduce household energy burden. CUB is optimistic that this commitment enables Cascade to create a cost-effective, data-driven program specific to the needs of its low-income customers in its service territory. At the same time CUB offers our comments, CUB also emphasizes that the low-income program investigation is ongoing, and this interim program does not set a precedent for the final program.

## **Bundling**

PUC Staff indicated that, at a minimum, they will review how utility proposals considered the following bundling elements: 1) information sharing with Energy Trust of Oregon (ETO) and energy efficiency and weatherization administering agencies about interim rates and program participants; 2) collaboration with energy efficiency and weatherization partnering agencies on complementary services and potential cross referrals; and 3) making energy efficiency or weatherization information and program resources available to participating customers.<sup>2</sup>

CUB believes fair utility rates and costs begin with energy efficiency as the primary driver of utility resource planning and fair and equitable rate design. Every dollar saved by energy efficiency reduces costs to Cascade customers. CUB is interested in if and how Cascade considered Staff's three bundling elements in the development of AMPED. Relatedly, CUB is interested in whether Cascade has analyzed, or can analyze, the cost-effectiveness of using energy efficiency and weatherization programs to help reduce low-income residential customers' energy burden, for both homeowners and renters. CUB would like to see Cascade work with ETO and other energy efficiency and weatherization partners to investigate and analyze opportunities that prioritize energy efficiency and demand response programs. Some questions CUB would like to see the utility and Staff consider are:

- *How is Cascade prioritizing energy efficiency and weatherization at the utility level and through residential program opportunities as part of its energy burden reduction efforts?*
- *How can and will the utility consider the cost-effectiveness of its energy efficiency and weatherization cost-reduction efforts in its energy production and delivery?*
- *What is the cost-benefit analysis of the opportunity to reduce energy burden with investments in increasing energy efficiency and weatherization in low-income homes, coupled with various discount program options?*
- *What demand response strategies does the utility propose to reduce energy consumption?*
- *What role does ETO have in helping Cascade reduce the energy burden of its low-income customers?*

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<sup>2</sup> UM 2211, Staff Interim Action Proposal Update, p 3 (Feb. 1, 2022) (<https://edocs.puc.state.or.us/efdocs/HAC/um2211hac17313.pdf>).

CUB anticipates that energy efficiency and weatherization strategies combined with discount programs can provide meaningful reductions in inequitable energy burdens imposed on low-income customers, while reducing the costs for the remaining customers each utility serves.

### **Level of Relief**

PUC Staff developed three key design elements they will use to analyze the utility program’s “level of relief” to low-income customers: 1) prioritize lowest income with the highest energy burden; 2) explain how the interim rate was designed to provide a meaningful reduction of energy burden; and 3) allow for flexibility or direct engagement opportunities in program design to accommodate enrollments reasonably outside specific eligibility terms.<sup>3</sup>

CUB appreciates that Cascade’s proposal gives the lowest income households the greatest energy bill discount. CUB also appreciates that Cascade set a goal to reduce low-income customers’ total energy burden to 6%, establishing a ceiling for equitable energy burden in its AMPED program. CUB also acknowledges that percentage may change throughout the UM 2211 investigation and as programs are implemented.

Cascade also acknowledges that households with very low incomes “may be obfuscated when averaged in with a larger group of low-income customers.”<sup>4</sup> CUB believes this distinction is important and CUB would like to see the Company’s analysis of households at very low incomes at 10%, 5%, and 0% State Median Income (SMI) levels, at a minimum to see if the 6% energy burden goal is being met for those most in need of help.

In addition to the Grouped Tier style rate design approach used in its AMPED, Cascade discussed the possibility of a percentage of Income Payment Plan (PIPP) rate design, in which the energy bill for each household is tailored to the individual household income. CUB is interested in whether a PIPP rate design, as implemented in Ohio<sup>5</sup>, may lead to greater discounts proportional to a customer’s income. For example, this criterion may better encompass customers living in the Bend-Redmond Metro Area who may have higher costs of living and may be less likely to qualify under the current eligibility requirements. Relatedly, CUB would like to have a better understanding of how Cascade has considered Staff’s third element regarding flexibility in program design.

### **Eligibility**

PUC staff directed that interim eligibility criteria should be income-based and there has not yet been consensus on a definition of income, including whether it should be based on either Federal Poverty Level (FPL) or State Median Income (SMI). CUB highlights and defers to the knowledge and expertise of Community Action Agencies (CAAs), and low-income and environmental justice advocates for direction on defining income and equitable percentage of energy burden, as well as ease of enrollment. These community-based and direct service providers are closely connected to

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<sup>3</sup> *Id.*

<sup>4</sup> Cascade Natural Gas Corporation: Low-Income Rate Analysis for Oregon, Prepared by Forefront Economics Inc and H. Gil Peach & Associates, LLC, p 19 (April 26, 2022).

<sup>5</sup> Percentage of Income Payment Plan Plus (PIPP), Ohio Department of Development, <https://development.ohio.gov/individual/energy-assistance/2-percentage-of-income-payment-plan-plus>.

the net income realities of low-income households and have a good understanding of how to group income levels in the event a utility proposes a tiered discount program.

CUB also highlights stakeholder and Staff's interest in risk-free programs for customers that enroll. To the extent it may be considered, CUB does not believe there should be a focus on recovering potentially fraudulent funds during the interim program. This phase should focus on getting funds to low-income individuals, while also ensuring ongoing robust analysis focuses on meaningfully reducing low-income energy burden in a cost-effective way.

CUB encourages Cascade to make enrollment easy for low-income customers to determine income eligibility. Cascade mentioned at their May 19 meeting that verification processes were still being developed. CUB asks Cascade to ensure that additional burdens are not placed on customers. Verification can be a stressful process for low-income customers; working with CAAs to develop verification tools and help with the verification process will help alleviate potential burden.

### **Tracking and Accounting**

CUB believes that PUC Staff's tracking and accounting program design evaluation criteria should be helpful in implementing, evaluating, and improving upon utilities' interim program proposals. This information can help Cascade better understand who is accessing the differentiated rates to better ensure that those with the lowest incomes are accessing the program and allow for the program to develop in a cost-effective manner.

Cascade has proposed to allocate the cost of these programs on the basis of base margin revenue for each customer class. CUB is supportive of this rate allocation between customers. However, CUB proposes a rate design change for cost recovery for this program within the residential rate class. CUB proposes to use the rate spread allocation proposed by Cascade Natural Gas. Instead of recovering the residential portion of the costs associated with this program through a volumetric per therm charge from residential customers, CUB recommends that Cascade use a monthly residential customer charge. CUB makes this proposal to smooth the rate impact of this program throughout the year, as it avoids the majority costs of this program from being recovered from customers during the heating season. This is not a rate spread proposal, but a rate design proposal, and would not result in additional or less of the cost of the low-income program being recovered from Cascade's residential customers as a class.

CUB again defers to and highlights the knowledge and expertise of Community Action Agencies (CAAs), and low-income and environmental justice advocates for direction on how best to collect enrollment data. CUB agrees with Staff that utility program costs should be tracked and reported quarterly in a deferral with sufficient detail for ongoing Staff review and discussion and that ongoing workshops are important to understanding data developed from interim programs. CUB also highlights Staff's comments from the May 19 workshop about tracking and monitoring usage of the program as well as how connections to other energy assistance programs are being reached. This data will be key to informing and developing the efficacy and cost-effectiveness of long-term energy burden reduction programs.

## Outreach and Engagement

CUB encourages utilities to use demographic data to inform and narrowly tailor ongoing outreach and engagement efforts. Cascade has a head start in this area given the customer income information it has incorporated into its Analysis. Utilities and the PUC have an incredible resource in the knowledge and expertise of Community Action Agencies (CAAs), and low-income and environmental justice advocates. CUB encourages Cascade to maximize its opportunities for feedback from these community-based and direct service providers who are closely connected to low-income communities. CUB encourages Cascade to connect with other direct services providers like public benefits programs, low-income housing programs, food banks, and school lunch programs, to assist with outreach to enrollment of residential customers. How the utility engaged with and considered these stakeholders' feedback should be included in its low-income program proposal before the PUC.

Cascade's interim proposal is a good start to addressing the disparate energy burden placed on low-income customers. Again, CUB emphasizes that it is important to remember that the investigation is ongoing, and this interim program does not set a precedent for them. CUB appreciates the interim relief offered by Cascade and hopes the Company will continue to push to develop a long-term program that meaningfully and equitably reduces the energy burden of its low-income customers, while keeping costs low for all customers in its service territory. CUB thanks Cascade for its proposal and the efforts that it put into it. CUB also thanks PUC Staff for its guidance in developing these innovative and important programs.

Respectfully submitted,

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