ITEM NO. RA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 26, 2022

REGULAR __X__ **CONSENT** ____ **EFFECTIVE DATE** __**August 1, 2022**__

DATE: July 18, 2022

TO: Public Utility Commission

FROM: Michelle Scala

THROUGH: Bryan Conway and Caroline Moore **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1412/ Advice No. 22-008)
Establishes Schedule 7, Low-Income Discount and Schedule 92, Low-Income Discount Cost Recovery Mechanism. Updates Schedule 90, Summary of Effective Rate Adjustments.

STAFF RECOMMENDATION:

Suspend and investigate Pacific Power's (PacifiCorp or Company) Advice Filing No. 22-008 proposal to establish new Schedule 7, Low-Income Discount, new Schedule 92, the corresponding Low-Income Discount Cost Recovery Mechanism, and update existing Schedule 90, Summary of Effective Rate Adjustments, for a period not to exceed six months.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission) should approve PacifiCorp's Advice Filing No. 22-008 proposal to establish new Schedule 7, Low-Income Discount, new Schedule 92, the corresponding Low-Income Discount Cost Recovery Mechanism, and update existing Schedule 90, Summary of Effective Rate Adjustments, proposed to be effective with service on and after August 1, 2022.

Applicable Law

ORS 757.205 requires public utilities to 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.

Under ORS 756.515(1), the Commission may open an investigation when it "believes that any rate may be unreasonable or unjustly discriminatory, or that any service is unsafe or inadequate, or is not afforded, or that an investigation of any matter relating to any public utility or telecommunications utility or other person shall be made, or relating to any person to determine if such person is subject to the commission's regulatory jurisdiction." Pending an investigation, per ORS 757.215, the Commission may order suspension of a tariff filing for an initial period not to exceed six months.

Under ORS 757.210(1)(b), "automatic adjustment clause" means "a provision of a rate schedule that provides for rate increases or decreases or both, without prior hearing, reflecting increases or decreases or both in costs incurred, taxes paid to units of government or revenues earned by a utility and that is subject to review by the commission at least once every two years."

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; Oregon Administrative Rules (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.

ORS 757.230, as amended by House Bill (HB) 2475, provides the Commission authority to take certain considerations into account when determining a comprehensive classification of service for each public utility; including, the quantity used, the time when used, the purpose for which used, the existence of price competition or a service alternative, the services being provided, the conditions of service, differential energy burdens on low-income customers, and other economic, social equity, or environmental justice factors that affect affordability for certain classes of utility customers.[1]

ORS 757.695, codifying HB 2475's Section (7)(1), provides that the Commission may address the mitigation of energy burdens through bill reduction measures or programs that may include, but need not be limited to, demand response or weatherization. HB 2475(7)(1) must be collected in the rates of an electric company through charges paid by all retail electricity consumers, such that retail electricity consumers that purchase electricity from electricity service suppliers pay the same amount to address

[1] The Energy Affordability Act (HB 2475 – 2021 Regular Session) amended ORS 756.610, ORS 757.230, and ORS 757.072 and enacted new provisions to address equity in rate setting and participating in PUC proceedings, effective January 1, 2022. Or Laws 2021 Ch. 90.

the mitigation of energy burdens as retail electricity consumers that are not served by electricity service suppliers.

Analysis

Background

On January 1, 2022, HB 2475 became effective. The bill expanded language under ORS 757.230 to include additional factors the Commission may consider when establishing rate classifications, such as the "differential energy burdens on low-income customers and other economic, social equality or environmental justice factors that affect affordability for certain classes of utility customers." In response to HB 2475, the Commission has initiated a broad implementation effort that includes both interim actions to provide customers near-term relief under the new authority and a longer-term investigation to fully explore and establish the Commission's policies for differential rate design and administration.[2]

On January 6, 2022, the Company filed a deferral for the costs and revenues associated with HB 2475, Energy Affordability Act, in Docket No. UM 2223. The application was approved in Commission Order No. 22-094. The Order authorized the use of deferred accounting and adopted Staff's recommendation that incremental administrative costs will be separately deferred and tracked for later rate making and that "all costs would accrue at the modified blended treasury (MBT) rate."

Regarding the housekeeping request included in this Advice filing, PacifiCorp's request for authorization to expand the demand response offerings available to Oregon customers[3] was approved by the Commission at the May 5, 2022, Public Meeting. The Commission's approval authorized 1) introduction of Schedule 106, enabling demand response programs; 2) cancellation of Schedule 105, the irrigation load control pilot; 3) introduction of an irrigation demand response program; 4) and recovery of irrigation demand response program costs through Schedule 291. In this Advice filing, PacifiCorp proposes to remove Schedule 105 from the Tariff Index, and to add Schedule 106 to the index.

PacifiCorp's Proposed Schedule 7 Low-Income Discount

In Docket No. 1412, PacifiCorp is proposing an income-qualified low-income discount that is applicable to all PacifiCorp residential customers with a gross household income at or below 60 percent of Oregon State Median Income (SMI), adjusted for household size. In the Company's June 16, 2022, filing, the Company proposes a 25 percent discount of the Residential Service Schedule charges for eligible customers (Schedule 4, 5, or 6). The monthly bill discount will be applied prior to taxes and will not apply to Schedule 300 charges. In contrast to peer utility differential rates currently

[2] See Docket No. UM 2211.
[3] See PacifiCorp's Advice No. 22-004.

proposed or in place in Oregon, PacifiCorp's design offers a single discount level rather than multiple tiers targeting discounts based on need.

Applicants for the Low-Income Discount (LID) must be the PacifiCorp accountholder and will be able to enroll by self-declaring household size and income in an application for the program. Customers approved into the program must re-enroll every two years. Customers receiving Low-Income Housing and Energy Assistance Program (LIHEAP) or Oregon Energy Assistance Program (OEAP) grants will automatically qualify for the program and be automatically re-enrolled for two years following receipt of LIHEAP/OEAP funds.

Stakeholder Feedback
The bullets below summarize comments submitted by Community Action Partnership of Oregon and Community Energy Project prior to PacifiCorp's June filing.

Positives:

- Auto-enrollment
- Self-verification
- Consideration for excluding or elimination post-enrollment income-verification
- Use of Community Equity and Advisory Group (CEAG) for continued engagement and feedback

Opportunities:

- Provide online tool and funding for direct enrollment administration by Community-Based Organizations (CBOs) and Community Action Agencies (CAAs).
- Ensure that enrolling in program is a no-risk venture (i.e., no rebilling).
- Post-enrollment verification, if incorporated, should be preceded with, and informed by, stakeholder engagement.
- Add another discount level of at least 50 percent for incomes below 25 percent of SMI.
- Consider offsetting impacts of potential bill increases as a result of PacifiCorp's on-going general rate case (Docket No. UE 399) in terms of the appropriate level of discount needed.
- Open CEAG meetings to public to promote transparency and community participation.
- Specify level of accountability to be expected by the Company regarding CEAG feedback.
- Gather demographic data at enrollment.
- Implement permanent income-qualified arrearage management component or program.
- Target 80 percent enrollment as a metric of success.

Staff Review
Staff supports a number of components included in PacifiCorp's LID design, including the use of auto-enrollment and income self-certification. Staff finds inclusion of low-barrier enrollment and eligibility processes to be conducive with promoting participation and expedited deployment of assistance to customers. Additionally, these elements were included in Staff's key design elements and baseline evaluation criteria published in Docket No. UM 2211.[4]

That said, there are some elements of the PacifiCorp proposal where Staff feels change is necessary to align with energy burden mitigation objectives expressed by Docket No. UM 2211 stakeholders and provide more targeted levels of relief based on household needs. Figure 1 summarizes key differences between Staff's evaluation criteria and the Company's proposal. Both approaches provide low-barrier relief with protections to control costs to other customers—but come with different trade-offs. For example, Staff's approach relies on targeting and post-enrollment verification to mitigate the risk of overspending but comes with greater complexity and administrative requirements. PacifiCorp's approach offers simplicity for participants and the Company but compromises the level of relief and risk-free participation as a means to control the risks associated with self-certification.

[4] See Attachment A.

Figure 1

Design Element	Option and Trade-offs	
	Staff (and stakeholders)	**PacifiCorp**
Level of Relief (Tier-Structure)	***Multi-Tier*** Provides targeted need-based relief; Aligns with Staff guidance (UM 2211) to prioritize low-income customers with the highest energy burden	***Single Tier*** Simple design; Existing system programming for discount level and structure (CA CARES program)
No-risk venture for participants (no rebilling)	**Yes** Encourages participation; Avoids unintended harm that may result from rebilling energy burdened households; Consistent with recommendations in peer utility interim HB 2475 programs	**No** Provides additional protection and prudence with regard to cost recovery from customers paying into the program
Post-Enrollment verification	**Yes** Provides data to review potential incidences of fraud and program integrity; Informs cost-benefit analysis of recurring PEV; Provides additional protection and prudence with regard to cost recovery from customers paying into the program	**No** Reduces burden on participants

Eligibility
Staff supports PacifiCorp's interim residential LID program eligibility terms, which require qualifying customers to earn at or below 60 percent SMI, adjusted for household size. Staff also supports the use of self-certification for income determination and auto-enrollment for categorically eligible customers.

Level of Relief
Staff does not support the use of a single tier program for differential rate design.

At this point in its review, Staff recommends PacifiCorp implement a multi-tier discount program that endeavors to provide targeted relief recognizing disparate energy burdens within income-qualified populations.

Multi-tier structures are superior designs in terms of providing need-based relief and prioritizing customers and assistance by severity of energy burden. Staff believes the additional tier will provide more meaningful levels of relief for the most energy burdened customers. Based on Staff's review of peer utility low-income rate analysis and low-income needs assessments, the data appears to show that at very low levels of household income, substantial bill discounts and/or forgiveness are needed to make monthly energy costs truly affordable for certain customer groups. A multi-tier structure, such as Northwest Natural's recently approved Schedule 330, Bill Discount Program is one such example PacifiCorp may model a revised design after in order to meet the objectives articulated by Staff herein.[5]

Tracking
Staff supports PacifiCorp's proposal to track and report LID and LID participant metrics on a quarterly basis in the first year.

Staff recommends that the quarterly data be reported by zip code in monthly increments and that the frequency of reporting not change to annual after the first year. Additionally, Staff recommends that PacifiCorp collaborate with Staff and stakeholders in the development of its demographic survey and how the resulting data and findings can most usefully be shared among interested parties as well as used to inform future iterations of the program and/or outreach methods.

Bundling
PacifiCorp has not provided comment on the Company's efforts or existing partnerships in the energy efficiency or weatherization space at this time.

Staff recommends PacifiCorp pursue continued or additional engagement with the Energy Trust of Oregon (ETO) and interested stakeholders—including, but not limited to, Environmental Justice (EJ) advocates, weatherization partners, and Staff—on how to move forward with EE opportunities in subsequent iterations of differential rates and related programs.

Outreach and Engagement
PacifiCorp has not provided written comment on the Company's outreach and engagement plans regarding the residential LID.

Staff recommends PacifiCorp:

- Commit to targeting outreach with arrears balances and zip codes and/or areas where median income is below SMI.
- Endeavor to connect customers with all forms of available assistance when reaching out or enrolling customers for the LID.
- Work with advocates and community groups on LID survey questions and administration.
- Perform recurring engagement with Docket No. UM 2211 stakeholders to discuss the data and experiences reported following LID implementation, including, but not limited to LID metrics and survey results.

[5] See NW Natural's Advice Filing 22-02, ADV 1390, approved by the Commission on July 12, 2022.

Post-enrollment Verification
Staff supports PacifiCorp's tariff language that makes post-enrollment verification optional for the Company to administer, as opposed to requisite. Staff notes that PacifiCorp proposed to stakeholders that with the single tier discount, they would likely omit post-enrollment verification altogether, however that is not reflected in the proposed Schedule 7 tariff at this time.

Staff recommends that the Company implement post-enrollment verification after year one enrollment using a thoughtful process developed with stakeholders. Staff believes this will help inform conversations regarding LID program fraud rates and post-enrollment verification efficacy and terms going forward.

Additional Considerations
Staff and stakeholders have expressed concerns regarding PacifiCorp's residential arrears levels. The impact of a bill discount is offset by existing past due balances that customers remain obligated to pay and are not eligible for the Schedule 7 discount. Additionally, PacifiCorp does not have a permanent arrearage management program in place and has fully committed authorized funding for its temporary arrearage management program that emerged out of the COVID-19 investigation in Docket No. UM 2214. As of May 2022, PacifiCorp reported the following arrears metrics:

- Total Customers in Arrears: 86,125
- Total Arrears: $35,039,986.
- Average Residential Arrears per Customer:
    - 31-60 days: $79.09
    - 61-90 days: $200.14
    - 91+ days: $953.37

See Attachment B for PacifiCorp's residential arrears figures.

Effects of Filing
Based on the program design and discount structure proposed by PacifiCorp, the Company estimates that approximately 646,000 customers will be impacted by the proposed cost recovery adjustment rate. The overall average rate increase is 0.4 percent. A residential customer will see a bill increase of $0.35 per month. Low-income residential customers who are enrolled in the Low-Income Discount program will see a monthly bill decrease of 25 percent.

Staff did not have time to seek information from the Company about the potential rate impacts under a tiered discount structure; however, these details will be requested if the Commission adopts Staff's recommendation to suspend and investigate.

Housekeeping Request
Staff notes that the Company's request to remove Schedule 105 and add Schedule 106 into the Tariff Index is a housekeeping edit. Staff does not oppose this change, but as the Staff recommendation is to suspend the Advice Filing for investigation, the Company may wish to effect this tariff update under a different advice filing.

Conclusion
Staff finds that the bill discount proposal put forward by PacifiCorp in Advice Filing No. 22-02 does not meet the expectations articulated in Staff's baseline evaluation criteria and key design elements in Docket No. UM 2211. Further, Staff is concerned that a flat 25 percent discount does not target assistance in a way that recognizes differential energy burdens across all income-qualified customers.

While Staff does prioritize expedited near-term relief to customers in advance of more permanent program designs informed by the Staff-led HB 2475 investigation, Staff does not believe restructuring the PacifiCorp program to include multiple and targeted tiers would necessitate significant delays in deploying assistance. PacifiCorp currently offers a tiered program in Washington, has examples of Commission-approved tiered designs from peer utilities, and a simple proposal available from stakeholders. Additionally, in early rounds of engagement, PacifiCorp indicated that it was open to evolutions to the program, including considering the use of tiered discounts based on stakeholder feedback. Staff believes the Company has sufficient experience and capacity to implement a multi-tiered structure upon Commission direction.

To this end, Staff recommends the Commission suspend and investigate the advice filing. Staff supports allowing additional time to discuss alignment of the proposed Low-Income Discount and recovery mechanism with the following terms:

1. Implementation of a LID with a multi-tier income-structure that endeavors to provide targeted need-based relief recognizing disparate energy burdens within income-qualified populations and may reflect peer utility designs such as the recently approved NW Natural Bill Discount Program.
2. Implementation and designation of LID as a risk-free program for residential customers, under which customers will not be subject to recovery of underbilling based on enrollment in SID.
3. Implementation of a post-enrollment verification process for self-attesting[6] year one enrollment. The post-enrollment verification process should:
    a. Be informed by and developed with input from community stakeholders
    b. Administered across a 3 percent sample of the intended target enrollments (see Footnote 1).

[6] I.e., not categorically eligible, auto-enrolled, or income-verified.

Further, Staff notes that it will recommend the Commission direct PacifiCorp, upon approval of an Advice Filing for the LID, to:

1. With input from Stakeholders, develop a short survey offered to participants at or around the time of enrollment and in regularly scheduled increments thereafter. The survey may be administered and data stored by the Company, CAAs, or third-party, as deemed appropriate. The survey should:
    a. Be optional
    b. Include questions on demographics and energy affordability
    c. Have results trackable by income level declared at the time of self-verification
    d. Omit or encrypt personal identifiable information (PII)
2. Develop and administer an annual short survey offered to CAAs enrolling clients in the energy discount for the purposes of evaluating overall experience administering the program and effectiveness at helping clients.
3. Share survey findings and participant attributes with Staff and Stakeholders during post-implementation engagement.
4. Report on energy discount program and participant metrics by month and zip code in quarterly increments. Metrics include, but are not limited to:
    a. Total number of customers enrolled in the program
    b. Total dollars provided to customers, by discount tier
    c. Average discount provided to customers, by discount tier
    d. Dollars spent on administrative costs, by descriptive cost category
    e. Total enrollments through Cascade (does not need to be by zip code)
    f. Total enrollments through community partners (by agency)

PROPOSED COMMISSION MOTION:

Suspend and investigate Pacific Power's (PacifiCorp or Company) Advice Filing No. 22-008 proposal to establish new Schedule 7, Low-Income Discount, new Schedule 92, the corresponding Low-Income Discount Cost Recovery Mechanism, and update existing Schedule 90, Summary of Effective Rate Adjustments, for a period not to exceed six months.

Attachment A

Staff's Final Baseline Evaluation Criteria for Interim Action

At minimum, Staff will review utility interim rate or program filings for inclusion of the following:					
	Eligibility	**Level of relief**	**Tracking and accounting**	**Bundling**	**Outreach and engagement**
KEY DESIGN ELEMENTS	Low-barrier enrollment component(s) should be included (e.g. self-certification; categorical eligibility; etc.) Auto-enrollment for energy assistance recipients should be included Options for CBOs to submit eligible customers to the utility should be included	Prioritizes lowest income with the highest energy burden	Monthly zip code level reporting on enrollments for first 12 months, quarterly thereafter unless guidance is updated following the broader investigation. Monthly data should include, but not be limited to: • Assistance dollars per customer; • Total and average arrears of participants (by 30, 60, 90+ days aged buckets); • Percentage of EA recipients; • Difference in average bill of participating versus non-participating customer.	Information sharing with ETO and energy efficiency and weatherization administrating agencies about interim rate and program participants	Transparent and informative
	Eligibility criteria should be income-based in the interim (the broad investigation can explore other criteria)	Utility proposal should explain how the interim rate was designed to provide a meaningful reduction of energy burden (e.g., Staff will look at how the Company considered a target energy burden ceiling (6%) when identifying the income tiers and discount levels provided by the proposed rate)	Program costs are tracked and reported quarterly in a deferral with sufficient detail for ongoing Staff review and discussion	Collaborates with energy efficiency and weatherization partnering agencies on complementary services and potential cross referrals	Regularly scheduled (monthly or quarterly) discussions and consultations with partnering agencies representing or servicing target communities; consolidating with peer utilities where possible
		Allows flexibility or direct engagement opportunities in program design to accommodate enrollments reasonably outside specific eligibility terms	Continued workshops with Staff and Stakeholders on right-sizing data collection and leveraging work done by other agencies; specific attention to more granular reporting of demographic and income data.	Makes energy efficiency or weatherization information and program resources available to participating customers	Demonstrates the Company provided meaningful engagement in advance of filing
					Surveys participating customers and CAP agencies at 3, 6, and 12 months of implementation

Attachment B

PacifiCorp's Residential Customer Arrears January 2020- April 2022

Figure 3 - Residential Customers in Arrears

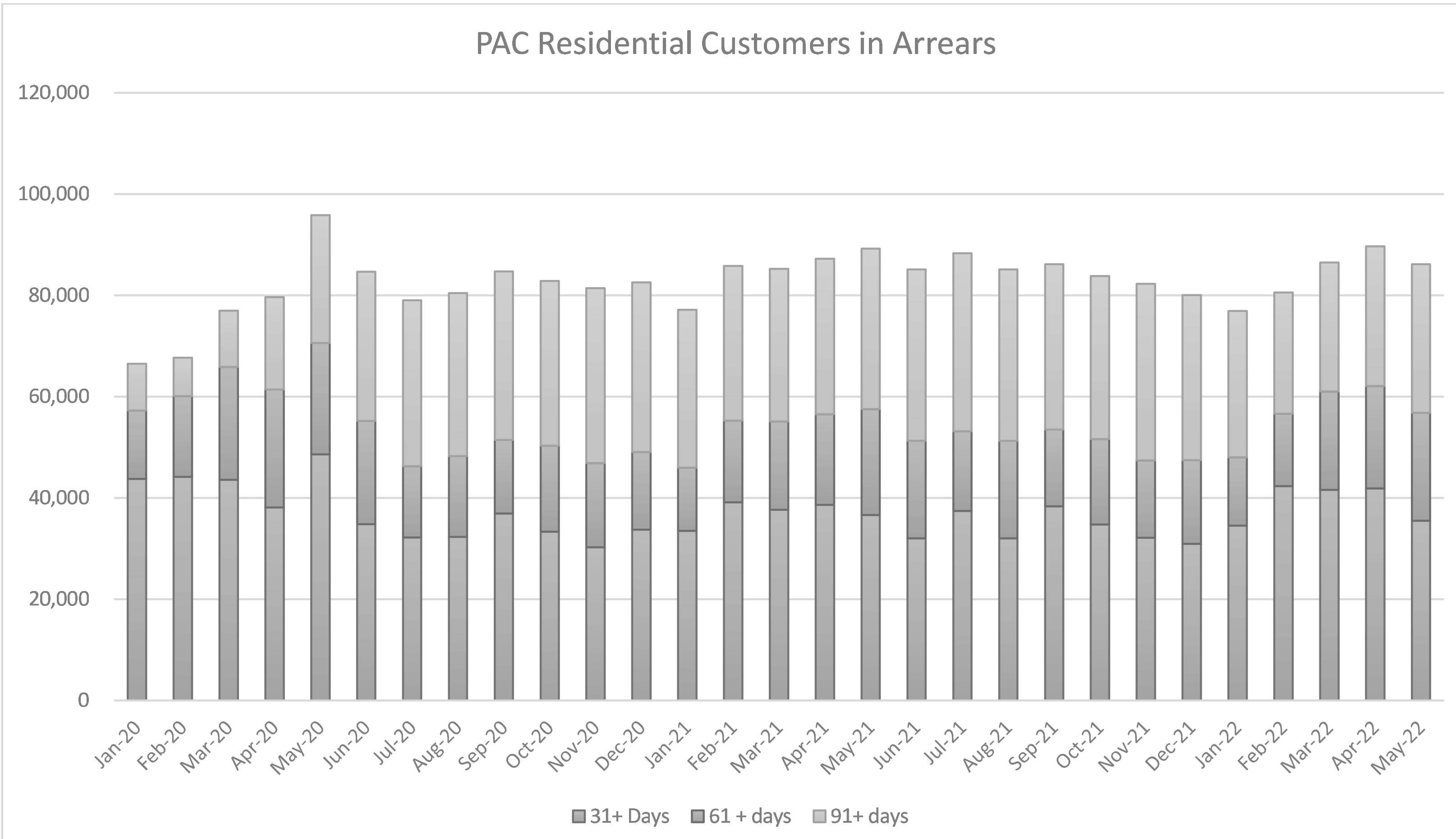

Figure 4 – Residential Arrears

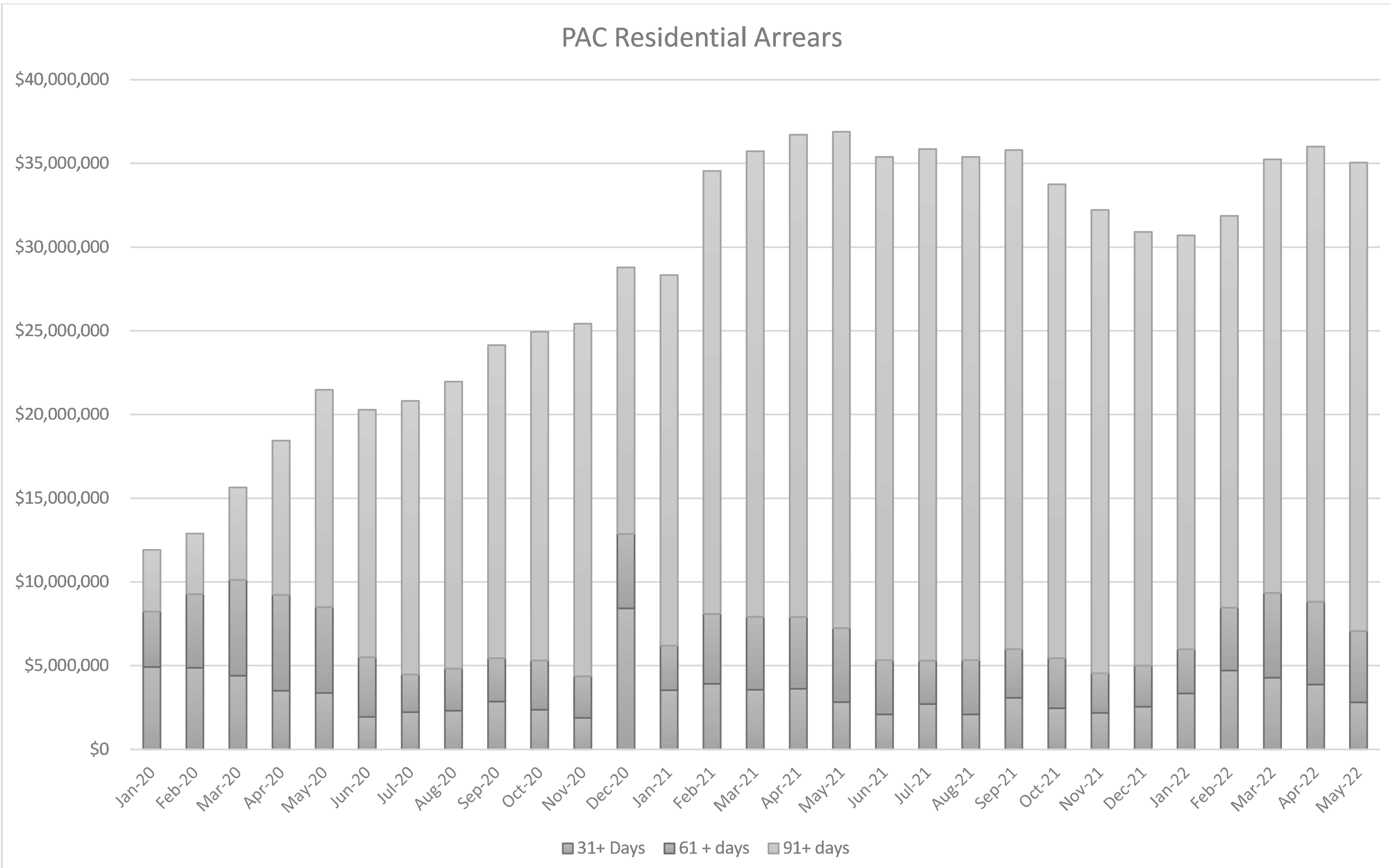

Figure 5 – Average Residential Arrears