February 21, 2018

Oregon Public Utility Commission
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Re: UM 1787, Investigation into Percentage of Income Payment Program
Joint Gas Utilities' Comments

INTRODUCTION

Avista Corporation (dba Avista Utilities), Northwest Natural Gas (dba NW Natural), and Cascade Natural Gas Corporation hereby submit joint comments in response to an email, dated February 8, 2018, from Julie Peacock, of the Public Utility Commission of Oregon (Commission) Staff. The email provided a flow chart presenting a proposed alternative process for concluding UM 1787, the Commission's "Investigation into Percentage of Income Payment Program (PIPP)", and invited parties to respond to the proposed process.

BACKGROUND

Docket No. UM 1787 was opened per Commission Order No. 16-254 (the Order), "to examine the concept of creating a Percentage of Payment Program (PIPP) to reform low-income energy assistance."[1] Appendix A to the Order defines the scope of the investigation as being limited to determining "if a PIPP would be appropriate to pursue in Oregon" and further notes that "a PIPP proposal, if endorsed, would likely require the restructuring of OEAP, requiring a potentially lengthy process and legislative action."

Commission Staff has held two UM 1787 workshops. In the first workshop, interested parties identified issues related to low-income, bill pay assistance and PIPP implementation. Staff encouraged parties to stick to the scope of the proceeding as defined in Order No. 16-254; however, parties stated that reforming bill pay assistance and understanding what approach is appropriate for Oregon required first looking at the current bill assistance program, defining what may not be working, and then seeking the best solution—not only PIPP-- to mitigate the issues with the current program.

At the second workshop, Staff presented three possible paths for the UM 1787 investigation: The first option was to continue the investigation under the current scope and deliver a recommendation to the

[1] *See* Order No. 16-254, Appendix A, page 15.

Commission. The second path was to hand the investigation over to Oregon Housing Community Services (OHCS), who may consider a PIPP by procuring a third-party study of OHCS's rules, policies, and existing bill pay assistance programs for the electric utilities and then make recommendations based on the study. The third path was to adjust the scope of the investigation so that parties may compare PIPPs to other low-income bill assistance programs. At the workshop, emphasis was placed on the second path, having OHCS do the investigation.

As described above, Commission Staff sent an email on February 8, 2018, asking parties in UM 1787 for comments on a flow chart that outlines process steps for the second path. The natural gas local distribution companies (LDCs) participating in UM 1787 –Avista, NW Natural, and Cascade Natural Gas-reviewed the proposed outline and have agreed to submit the following comments jointly, as our concerns and interests are aligned.

COMMENTS

The LDCs have reviewed the proposed flow chart that outlines how OHCS would oversee a process for procuring a third-party study to consider the efficacy of the electric utilities bill pay assistance program, evaluate alternative program delivery models, and ultimately, make recommendations based on the study. For the reasons outlined below, the LDCs request that they be excluded from this process.

First, this docket, since its creation in Order No. 16-254, has had an electric utility focus. As stated above, Order No. 16-254 says, "a PIPP proposal, if endorsed, would likely require the restructuring of OEAP, requiring a potentially lengthy process and legislative action." OEAP or the Oregon Energy Assistance Program, is the OHCS-administered, electric utility bill-pay assistance program established in the Oregon statutes that restructured the electric utilities. ORS 757.612(7)(b) establishes the amount of money PacifiCorp and Portland General Electric must collect from their customers and remit to OHCS for OEAP.

Because the LDCs are not subject to direct access legislation, the LDCs bill pay programs are not under OHCS's purview, and as such, the LDCs have not had a working relationship with OHCS. Instead, the LDCs each voluntarily offer and administer their own programs, approved per ORS 757.315(3), which gives the Commission the authority to authorize low-income natural gas bill pay assistance programs.

Since OHCS does not administer the LDCs bill pay assistance programs, the LDCs expect that the study they intend to procure will not assess the efficacy of the LDC's programs. Instead, the study, which will inform the recommendations, will be based on electric utility programs and their data. The LDCs are concerned that having representatives in this process that includes ceding oversight to an energy policy committee and housing stability council that the LDCs have not worked with or had experience with, would not ensure the final recommendations will be in natural gas customers' best interests. The OHCS-driven process is better tailored for the electric utilities and their customers, and assumptions drawn for those entities are likely not appropriate for LDCs and natural gas customers. The LDCs' view is that natural gas service is different enough from electric service that it should be treated differently.

For example, natural gas continues to be a low-cost resource. For over a decade natural gas prices have been lower than their peak in 2006. The 2018 Energy Information Administration's (EIA's) Annual

Energy Outlook forecasts sustained low natural gas prices through 2050.[2] The average natural gas customer pays approximately $50 a month for an average annual cost of $600.[3] Comparing this to the average electric customer, who pays approximately $92 a month or $1,114 a year, an electric customer's bill is almost twice the financial burden of a natural gas bill. [4]

Natural gas is also consumed differently than electricity. Natural gas fuels a limited number of residential appliances. A natural gas customer typically has a winter-peaking load shape due to natural gas heating in winter months. Residential natural gas consumption during non-heating months may be limited to water heating or may be zero. Conversely, electric demand is higher year-round, not only because more appliances are electric, but also because the heating load peak in the winter months is replaced with a cooling load peak in summer months. The Northwest Power and Conservation Council's 7th Plan acknowledges the move towards a dual peaking electric load shape in our region: "largely due to the increased use of air conditioning, the difference between winter-peak demand and summer-peak loads is forecast to shrink over time."[5]

When energy is consumed largely for heating, as is the case for natural gas, bills are higher in winter months and an annual grant will either pay the cost of the winter peak or greatly reduce that seasonal cost. The LDCs each currently offer a rate payer funded grant program and a donation funded grant program. The LDCs believe their programs are successfully meeting qualifying customers' financial needs, as evidenced by low uncollectible rates (Cascade's uncollectible rate is 0.35%; Avista's is 0.63% and NW Natural's is 0.11%). Unlike a grant program, a PIPP would not completely remove or flatten a natural gas customer's winter heating bills as a grant does. But PIPP may reduce the burden of annual electric bills that reflect higher, more constant demand. Although this may be appropriate for electric utilities and their customers, the LDCs believe the differences between electric and natural gas utilities justify different considerations.

The LDCs present these differences from bill pay assistance structure, to price, and customer demand for natural gas to emphasize that its customers' bill assistance needs are different than the electrics' and should be considered separately. While the LDCs are committed to ensuring their most vulnerable customers have access to financial resources to keep their service connected, the LDCs do not believe the forum for examining these issues should be through an OHCS study.

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[2] The 2018 Energy Information Administration's Annual Energy Outlook, page 63, as found here (as of February 12, 2018): https://www.eia.gov/outlooks/aeo/pdf/AEO2018_FINAL_PDF.pdf

[3] This average residential bill amount is based on the data provided in Cascade Natural Gas's 2017 Purchased Gas Adjustment (PGA) filing submitted in September 2017 and docketed as UG-335.

[4] The average cost per residential consumer was take from Portland General Electric's Quick Facts found online (as of February 12, 2018): https://www.portlandgeneral.com/our-company/pge-at-a-glance/quick-facts

[5] NW Council's 7th Plan, page 7-3, found here (as of February 12, 2018): https://www.nwcouncil.org/media/7149931/7thplanfinal_chap07_demandforecast.pdf

CONCLUSION

If the electric utilities choose to work with OHCS on the PIPP, the LDCs ask the Commission to bifurcate UM 1787 so that it has an electric path and a natural gas path. The natural gas utilities would be amenable to pursuing either path 1 or 3 as presented by Commission Staff at the second workshop: Path 1 would continue UM 1787 under the current scope with the Commission and Path 3 would broaden the scope of the PIPP investigation under the Commission's purview.

To date, the LDCs believe that the parties and process in UM 1787 have not identified a problem with the bill assistance programs currently being offered by the LDCs. Identifying a problem would be a foundational step in understanding the scope of the solutions that should be considered.

Thank you for the opportunity to comment in this proceeding. Please contact any of the following if you have questions about our comments:

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Sincerely,

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