

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 18, 2021**

REGULAR **CONSENT** **EFFECTIVE DATE** June 1, 2021

DATE: March 4, 2021

TO: Public Utility Commission

FROM: Michelle Scala

THROUGH: Bryan Conway, Michael Dougherty, and Caroline Moore **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. ADV 1254/Advice No. 21-02-G)
Updates Schedule 493, Residential Low Income Rate Assistance Program.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Avista Utilities' (Avista or Company) request to update Schedule 493, Residential Low Income Rate Assistance Program (LIRAP), to incorporate an Arrearage Management Program (AMP or Program) and extend the provision of LIRAP outreach funds for the delivery of the Program, effective with service rendered on and after June 1, 2021, and further direct Avista to:

1. Host a workshop with Staff and interested stakeholders on the implementation and efficacy of the Program within six months of October 1, 2021.¹
2. File a report with the Commission no later than October 1, 2021, in the event the proposed AMP is delayed or otherwise not made available to customers, explaining the reason for the delay and providing an update on the Company's plan and timeline for the AMP going forward.

¹ Avista expects to begin offering the AMP to Oregon Customers October 1, 2021, in order to align enrollment with the 2021-2022 LIRAP program year.

DISCUSSION:

Issue

Whether the Commission should approve Avista's Advice No. 21-02-G, which updates Schedule 493, Low Income Rate Assistance Program, to incorporate an Arrearage Management Program and extend the provision of LIRAP outreach funds for the delivery of the Program.

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.

ORS 757.315 provides allowances for when free service or reduced rates are allowed. Subsection (3) allows the Commission to authorize a natural gas public utility, upon application of the utility, to include in rates for residential customers of the utility amounts for the purpose of generating funds to be used for bill payment assistance to low-income residential customers of the utility.

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; 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.

OAR 860-022-0025 requires that utilities making tariff changes must file an entirely new tariff or revised sheets referring to the tariff sheets on file. Filings must include the effects of the change to existing rates, charges, tolls, or rules and regulations; the number of customers affected and resulting change in annual revenues; and a detailed statement describing grounds for the propose change.

Analysis

Background

On March 29, 2021, Avista filed Advice No. 21-02-G requesting to revise the Company's Schedule 493 to incorporate an AMP² into its tariff and extend the provision of LIRAP outreach funds to Avista as well as to the Community Action Agencies (CAAs or Agencies) for the delivery of the AMP within the Company's Oregon service territory.

The Company's original LIRAP was approved by the Commission on October 15, 2002, and is intended to reduce energy cost burden among those customers least able to pay energy bills.³ LIRAP provides energy assistance (EA) for qualifying households to maintain utility services and avoid having its utilities disconnected, or to help reestablish service after any such interruption in services does occur. LIRAP collects funding through natural gas tariff surcharges on Schedule 493.⁴ The revenue collected for LIRAP is provided to the four CAAs⁵ in Avista's Oregon service territory for disbursement to qualifying customers in a manner similar to the Federal and State-sponsored Low-Income Home Energy Assistance Program (LIHEAP) and to cover any administrative costs incurred by the Agencies in delivery of the program.

Customer eligibility to participate in LIRAP is determined by the participating CAAs and should be consistent with LIHEAP eligibility criteria⁶ or existing participation in adjacent income-qualified (non-energy) programs such as Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), and Supplemental Nutrition Assistance Program (SNAP).⁷

² The Arrearage Management Program is separate and distinct from Avista's Docket No. ADV 1237, Advice No. 21-01-G, Schedule 473, Residential Debt Relief Program. The Residential Debt Relief Program is a temporary relief measure for Avista's Oregon residential customers impacted by the COVID-19 pandemic and developed in accordance with the Stipulated Agreement, approved in Commission Order No. 20-401.

³ Avista's Oregon Low-Income Rate Assistance Program Guidelines at p. 3; updated July 2020.

⁴ Avista customers receiving service under Schedule 410, General Residential Natural Gas Service - Oregon, are subject to the Schedule 493 surcharge for LIRAP.

⁵ United Community Action Network (Douglas County and Josephine County), ACCESS (Jackson County), Klamath Lake Community Action Services (Klamath County), and Community Connection of Northeast Oregon (Union County).

⁶ The LIHEAP statute establishes 150 percent of the poverty level as the maximum income level allowed in determining LIHEAP income eligibility, except where 60 percent of state median income is higher (<https://www.acf.hhs.gov/ocs/grant-funding/liheap-service-eligibility-guidelines>).

⁷ As of July 14, 2020, Avista began accepting a determination of "categorical eligibility" to provide customers with easier access to the LIRAP benefit and reduce administrative burden for customers and CAAs.

The current rate for LIRAP is \$0.00451 per therm, which is approximately 0.46 percent of current retail rates.⁸ This rate has not increased since the program's inception in 2002.

Proposed AMP

In the Company's initial filing, Avista modifies its Schedule 493 to authorize an AMP, to be "determined in cooperation with the Agencies and captured in the LIRAP Guidelines, including eligibility and administration of the LIRAP Arrearage Management Plan (AMP)." Avista introduces the proposed AMP as a potential long-term solution for low income customers with high energy burdens that find themselves in a perpetual struggle to stay current with their costs of living. The Company wishes to mitigate the potential for disconnection of natural gas services and has developed the AMP to provide additional financial relief for low-income customers who have unmanageable past-due balances, or arrears that cannot be addressed by a grant program alone.

Avista provides a draft AMP and explains that, if the tariff filing is approved by the Commission, it will work with the Agencies to modify LIRAP Guidelines to include the AMP. The draft AMP is intended to be available to customers whose income is at or below 60 percent of the State Median Income (SMI). As a sample measure, in 2018, Oregon's SMI was \$69,165;⁹ 60 percent of this is \$41,499. Avista's AMP, as proposed, would provide participating customers a benefit that covers 90 percent of their arrears while the customer would be responsible for the remaining ten percent. Upon enrollment, the customer paid portion of the balance will be spread out over a 12-month period. For each on-time payment the customer makes on their portion of the arrears and their current bill, 1/12th of 90 percent of their total arrears will be forgiven by the LIRAP AMP. In the Company's filing, the following example was provided:

A customer has \$300 arrears when enrolled. Under the AMP, the arrears would be divided into two parts:

- (1) 10% of the balance (customer responsibility); and
- (2) 90% of the balance (LIRAP incentive).

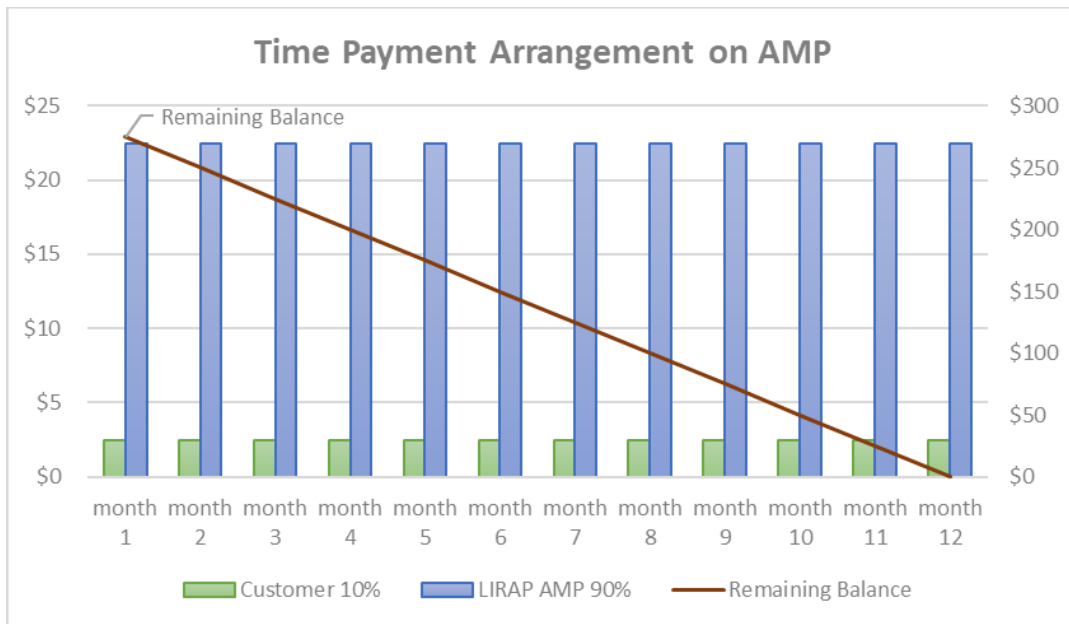
The following is an example of the amount to be billed to the AMP customer on a monthly basis:

10% of 300 = \$30/12 months = \$2.50/month (to be paid by the customer)

90% of \$300 = \$270/12 months = \$22.50/month (to be paid by the LIRAP)

⁸ PUC OR No. 5 Third Revision, Avista Corporation Schedule 493.

⁹ <https://www.qualityinfo.org/-/a-closer-look-at-oregon-s-median-household-income>.



Thus, in this example, to receive the monthly LIRAP benefit, the customer would need to pay \$2.50 towards their arrearage balance on top of their monthly utility bill over the 12-month term, at which point their past-due balance would be paid off.

Avista intends for the AMP to be targeted towards customers who have already exhausted all other available energy assistance options yet still need assistance with past due balances. However, the status of a customer's engagement in other forms of energy assistance does not preclude the local CAAs from offering the AMP to income qualified customers.

Under the draft AMP, the AMP will be available to an eligible customer twice¹⁰ every seven years during the history of the account, with a maximum benefit of \$500 available in each instance. Customers enrolled in the AMP will be terminated from the program after two missed payments but will have the opportunity to re-enroll during the next program year if they have resolved their previous arrearage balance.

Avista has requested a June 1, 2021, effective date for the tariff filing, to allow for further collaboration with partner Agencies and to allow the program to align with the beginning

¹⁰ On rare occasions, CAAs may offer a customer a third chance to enroll in the AMP during the 7-year period, based on their discretion.

of the upcoming 2021-2022 program year.¹¹ However, if the Commission approves this tariff filing, the AMP will not be available to customers until October 1, 2021.

AMP Funding

The Company proposes that initial funding for the AMP use existing LIRAP funding levels, and does not request any rate increases to Schedule 493 at this time.¹² Avista reported that the LIRAP has experienced carry over percentages over several years throughout the program's history. In a recent example, for the program year ending September 30, 2020, Avista's LIRAP had \$254,982 available for Direct Services¹³ from which the program provided 508 grants and distributed a total of \$189,598.¹⁴ Thus, the total unspent balance at the end of the program year was \$72,693, or 28.51 percent in comparison to available direct service funds.¹⁵ LIRAP administration and program delivery funds distributed to CAAs also report regular carryover balances. In the same program year example, the amount of unspent CAA administration and program delivery costs was \$36,555, or 42 percent of available funds.

Avista attributes the chronic carry over balances, in part, to a lack of understanding and trust of the benefits of the program and how personal information for qualifying for the program would be used along with ease in access to the program. To proactively address these issues, the Company has supported program modifications that make it easier for customers to qualify and continuously explores program designs that can cater to different needs. Looking forward, Avista wants to engage a more robust outreach for customers to connect with energy assistance available to them. This element will be discussed in greater detail in the following section.¹⁶

While carryover balances are available for use in subsequent program years, the trend is that funds available have consistently exceeded funds distributed. Avista's Advice No. 21-02-G would expand the use of LIRAP revenues for the outreach, administration, distribution, and incentive payments of the proposed AMP. The Company provided a

¹¹ The LIRAP year runs from October 1 to the following September 30, annually.

¹² Avista expressed that it expects to request a rate increase for Schedule 493 in the near future and emphasized that the current rate has remained unchanged since 2002.

¹³ Includes \$67,110 in prior year carry over; excludes 21 percent earmarked for Agencies' program administration.

¹⁴ OPUC Docket No. RG 51 *Avista Low Income Rate Assistance Program Report*, submitted December 22, 2020.

¹⁵ In addition to revenues that were not distributed by the CAAs, this amount includes direct services carry over from the 2018-2019 LIRAP program year and an adjustment for funds returned to the program from closed accounts.

¹⁶ *LIRAP Outreach Costs*.

preliminary forecast¹⁷ on customer participation in the AMP, based on historical bill assistance uptake. Avista estimates an enrollment of 122 customers with an average benefit amount of \$284 for a cost impact of approximately \$34,648 in the first year of AMP implementation. Based on carry over trends and forecasted AMP participation, the Company does not anticipate additional expenditures associated with the AMP to encroach on LIRAP Direct Service funds pursued or distributed as traditional energy assistance at this time.

To address budget control for the AMP, Avista plans to track uptake of the program and may consider adjustments, such as instituting a cap on participation, tiered benefit amounts based on income levels, or otherwise adjusting the \$500 maximum benefit amount.

LIRAP Outreach Costs

Avista reported that traditionally, marketing and program promotion initiated by the Company is funded through the Operations and Maintenance (O&M) budget. However, as mentioned above, Advice No. 21-02-G includes expanding LIRAP-authorized expenses to include dedicated funds for customer outreach. In the filing, the Company cited the 2020 Oregon LIHEAP & OEAP¹⁸ Evaluation conducted by the Applied Public Policy Research Institute for Study and Evaluation against its own customer records to show that while 18,410 customers may potentially qualify for low-income assistance, only about 13 percent of these customers have actually sought assistance from the Company. Avista requests that \$15,000 of the annual LIRAP budget be designated to assist and enhance Company outreach beyond the customary strategies and reach afforded by O&M allocations. While the Company has not completed its expanded outreach strategy at the time of filing, Avista plans to use the additional resources to engage a greater number of customers, and connect those customers who have been historically “unreachable” by traditional outreach and marketing.

In discussions with Staff, Avista indicated that the \$15,000 amount is a rough estimate and is intentionally set below comparable marketing campaigns so as not to overburden the existing LIRAP funding levels.¹⁹

¹⁷ Avista indicated this is a high enrollment estimate and that both the timing of the program and increased access to other forms of bill assistance, it is likely actual AMP impacts will be much lower for the 2021-2022 program year.

¹⁸ Oregon Energy Assistance Program.

¹⁹ Avista reported that a comparable marketing campaign, such as that used for weatherization assistance, spends approximately \$40,000 on outreach and promotion.

Pilot

From October 1, 2018 to September 30, 2019, Avista launched a one-year PIPP and AMP pilot program (Pilot) in its Washington service territory. There, the Company partnered with two of its Washington CAAs, Spokane Neighborhood Action Partners and Rural Resources. The primary objectives of the Pilot were to reduce energy burden and to reduce arrearages for low-income customers. The Pilot was limited to 300 total participants²⁰ and was funded by the carryover LIRAP funding from the 2016-2017 program year.

The Company hired the third-party evaluator, Evergreen Economics, to evaluate and report on findings that reflect upon a year of the Pilot's implementation. Findings were generally positive and included high customer satisfaction ratings, a reduction in missed payments over the duration of the pilot program and a reduction in energy burden for all participants. The outcomes of the Pilot prompted Avista to explore the feasibility of offering a permanent PIPP and AMP in Washington as a potential strategy to limit the number of customer disconnections. The Company has since updated its Washington LIRAP to contain permanent PIPP and AMP offerings.²¹

Avista's Advice No. 21-02-G would extend the AMP offering to the Oregon LIRAP. The Company expressed that, should Oregon legislation allow, Avista plans to explore the possibility of bringing the PIPP offering to Oregon's LIRAP as well.

Stakeholder Feedback/Participation

Avista works closely with its community partner agencies, and the role of the CAAs in administration and delivery of the LIRAP is essential. As such, engagement between the Agencies and the Company has been ongoing and is expected to continue to and beyond the proposed October 1, 2021, AMP implementation date.

Staff solicited input from Community Action Partnership of Oregon (CAPO), Northwest Energy Coalition (NVEC), and Oregon Citizens' Utility Board (CUB). Some concern was expressed over a customer's removal from the program, rather than renegotiation, for non-payment;²² however, feedback was largely positive and praise was offered towards Avista's efforts to implement permanent solutions for low-income customers to pay down past due balances. No comments have been filed under Docket No. ADV 1254 at the time of this writing.

²⁰ Both Agencies reported challenges in recruiting customers, which prompted an expansion of the original outreach to widen the recruitment pool. Total enrollment in the pilot was 170 customers.

²¹ See Washington Utilities and Transportation Commission Docket Nos. UE 210077 and UG 210078.

²² Customer is removed from the program for the remainder of the LIRAP year after two instances of non-payment.

LIRAP AMP and Schedule 473 COVID-19 Debt Relief

Avista designed its COVID-19 Debt Relief Program²³ to provide immediate and robust arrearage forgiveness to customers facing hardship due to COVID-19. The Company communicated to Staff early in the year that the permanent AMP proposal contained in Advice No. 21-02-G would be forthcoming and should be expected after the Company received approval for its Debt Relief Program. The Company intends for qualified customers to receive benefits through the Debt Relief Program first, prior to the application of additional benefits through LIHEAP or LIRAP. Receiving benefits through the COVID-19 Debt Relief Program does not preclude a customer from receiving the maximum amount of benefits available under LIRAP, including the AMP; however customers may experience a complete reconciliation of their past due balance from the Schedule 473 grants.

Generally, the Debt Relief Program will provide short-term relief from large past due balances, and the AMP will continue the assistance for remaining or new balances on a longer term basis for lower income customers that chronically encounter difficulty paying their utility bills.

Effects of Filing

Key differences between the existing LIRAP Schedule 493 and Avista's proposed updates with the AMP can be described by the following statements. Traditional assistance through the LIRAP is offered as a grant for payment to income eligible Avista customers and administered through CAAs. LIRAP assistance may be applied to current utility charges or past due balances and may leave a credit on customer accounts. A customer is eligible to receive traditional LIRAP assistance once per program year, which runs from October 1 to September 30. Under the proposed changes to Schedule 493, LIRAP revenues will continue to be used for traditional assistance and expanded to include the benefits and administration of the AMP and \$15,000 for Company outreach for the LIRAP program. By expanding the LIRAP to the AMP, qualified customers will be able to engage in a program specifically targeted to managing arrears that were not covered by assistance. As discussed earlier, participation and benefit maximums under the AMP are more limited than traditional LIRAP assistance payments and will not leave a credit on customer accounts. Specifically, participation may only occur twice in a seven year period and AMP benefits may not exceed \$500 in each instance. Participation in the AMP is intended to provide a viable means for the customer to address arrears and does not preclude or limit a customer's eligibility for traditional LIRAP assistance.

Avista's Advice No. 21-02-G requests approval to update Schedule 493 to include costs associated with an AMP. However, Avista is not currently requesting an increase to the

²³ See OPUC Docket No. ADV 1237.

LIRAP surcharge at this time and this filing does not lead to an increase or decrease in customer rates, or change Avista's revenue at this time. The AMP will be addressed in the LIRAP Guidelines.

It is unknown how many customers will utilize Avista's AMP; however, as discussed earlier, the Company provided an estimate based on historical bill assistance uptake and low-income eligibility versus energy assistance engagement. Avista forecasted approximately 122 enrollments with an average benefit of \$284, for a cost impact of \$34,648.

The Company plans to implement budget controls to ensure that LIRAP Direct Service funds remain sufficient to meet traditional energy assistance demand in the program. Staff has memorialized these planned and related efficacy evaluations in Staff's recommendation that the Company host a workshop with stakeholders within six months of the program's implementation date. As previously noted, Avista indicated that a rate increase to Schedule 493 may be likely in the near future, depending on LIRAP engagement growth and changes in the low-income assistance landscape, generally.

Staff Review

The Company provided a thorough account of the proposed program, LIRAP guidelines, and related information with its initial filing. Staff found the data and referenced documents included in Advice No. 21-02-G, supplemented with existing LIRAP reports²⁴ provided all requisite documents to complete Staff's initial review. To further clarify the estimates and implications of the filing Staff met with the Company, but Staff did not require any data requests to be sent out under the Docket. Staff also met with community stakeholders to discuss issues or concerns with the proposed AMP and received support in favor of the draft AMP program, which will be addressed if the filing is approved, from all solicited parties.

The Company has reviewed this memo and has no objections.

Conclusion

Staff finds that inclusion of an AMP in the LIRAP is likely to provide low-income customers additional assistance with reducing their energy burden and paying down arrearages without a negative impact to rates or existing energy assistance offerings. The draft AMP program, as proposed, has received support from local stakeholders and aligns with State efforts to reduce energy burden and mitigate residential disconnections. To this end, Staff recommends that the Commission approve the

²⁴ See OPUC Docket No. RG 51.

Company's request to update Schedule 493, as proposed in Advice No. 21-02-G. Staff notes that this recommendation comes with the condition that the Company host a workshop with Staff and interested parties six months after the AMP's implementation date. The purpose of Staff's conditional recommendation is to provide a forum to discuss the AMP's performance, efficacy, funding metrics and any potential program modifications in a timely and transparent manner. Depending on the information provided at the time of the workshop, Staff may recommend Avista revisit elements of the program for potential modifications to be brought before the Commission prior to the subsequent LIRAP year. Staff has also requested that the Company submit a report detailing the reason(s) for any delays or changes to the AMP as presently proposed in Advice No. 21-02-G that occur prior to the October 1, 2021 implementation date.

PROPOSED COMMISSION MOTION:

Approve Avista's request to update Schedule 493, Residential Low Income Rate Assistance Program, to incorporate an Arrearage Management Program and extend the provision of LIRAP outreach funds for the delivery of the Program, effective with service rendered on and after June 1, 2021, and further direct Avista to:

1. Host a workshop with Staff and interested stakeholders on the implementation and efficacy of the Program within six months of October 1, 2021.
2. File a report with the Commission no later than October 1, 2021, in the event the proposed AMP is delayed or otherwise not made available to customers, explaining the reason for the delay and providing an update on the Company's plan and timeline for the AMP going forward.