

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 8, 2022**

REGULAR CONSENT EFFECTIVE DATE March 9, 2022

DATE: February 28, 2022

TO: Public Utility Commission

FROM: Bret Farrell

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: CASCADE NATURAL GAS COMPANY:
(Docket No. ADV 1367/Advice No. O22-02-01)
Proposes Schedule 35 Temporary COVID-19 Residential
Bill Assistance Program Surcharge Revision.

STAFF RECOMMENDATION:

Approve ADV 1367, Cascade Natural Gas Company's (Cascade or Company) request to revise Schedule 35 Temporary COVID-19 Residential Bill Assistance Program, effective with service on and after March 9, 2022.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve Cascade's Advice No. O22-02-01, which revises Schedule 35, Temporary COVID-19 Bill Assistance Program, effective with service on and after March 9, 2022.

Applicable Law

Oregon Revised Statute (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.

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 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 Energy burdens may be mitigated through the use of tariff schedules, rates, and bill credits.²

Analysis

Background

On March 8, 2020, Governor Kate Brown declared a state of emergency due to the public health threat posed by the novel infectious coronavirus. In response to the state of emergency, the Commission approved a Stipulated Agreement, endorsed by Portland General Electric (PGE), NW Natural (NWN), Pacific Power (PAC), Avista, Idaho Power (IPC), Cascade, Staff, Oregon Citizens' Utility Board (CUB), Community Action Partnership of Oregon (CAPO), Northwest Energy Coalition (NVEC), Verde, and Multnomah County (MCo) in Order No. 20-401. The Stipulated Agreement provided a number of temporary customer protections, including a requirement for electric utilities to offer arrearage management plans (AMP) to residential customers experiencing economic hardship due to the COVID-19 pandemic. In fulfillment of the AMP terms, on April 30, 2021, Cascade filed Advice No. O21-02-01, Docket No. ADV 1246, requesting authorization for new Schedule 35, Temporary COVID-19 Residential Bill Assistance ("Big HEART") Program. The Commission approved the program, and Cascade began enrolling customers on April 1, 2021.

Big HEART Program

Cascade's original Big HEART Program provided two bill assistance options to customers whose accounts were in arrears. Those two options were:

1. Automatic Hardship Grant– Designed for customers with a history of low-income program eligibility. Qualified customers will automatically receive a one-time grant, equal to the amount of their total past due balance, not to exceed \$1,500.

¹ The Energy Affordability Act (HB 2475 – 2021 Regular Session) amended ORS 756.610, ORS 757.230, 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.

² ORS 757.695.

2. Financial Hardship Grant– Designed for customers who have not received energy assistance (EA) within the past 24-months but express financial hardship due to COVID-19 in verbal or written form. The Company will determine the qualified customer’s benefit amount using a benefit curve based on household size, combined monthly income of all adult household members, and account balance. The grant is not to exceed \$1,500 and will be applied to the customer’s past due balance.

Both programs required customers to be more than 31 days in arrears to receive a benefit. Each eligible customer may receive funding up to the maximum amounts as described above; however, no option may leave a credit on a customer’s account. The programs are mutually exclusive, based on whether the customer has received EA in the previous 24-months. Those who have received EA received the Automatic Grant upon the Company’s review.

As outlined in the Stipulation adopted in Order No. 20-401, the original Big HEART funding authorization was equal to one percent of the Company’s Oregon retail revenues (\$707,517), not to be increased without prior Commission approval, as determined by the Company’s recent general rate case in Docket No. UG 390. As of February 18, 2022, the Company has spent 87.5 percent of the original authorization, which leaves approximately \$88,575 left to be distributed.

Energy Affordability Act

On January 1, 2022, Oregon House Bill (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 effort³ that includes both interim action 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. In addition to the interim action proposal under review in this Staff memorandum, Cascade is developing a permanent energy burden discount program (EBDP) proposal to provide income-qualified discounts to customers. The Company expects to present the EBDP proposal to the Commission in the second half of 2022, and targets implementation of the program to align with the 2022-2023 winter heating season.

Baseline Evaluation Criteria for Interim Actions

Staff published a set of baseline criteria for evaluating utility interim action proposals that incorporates feedback from utilities and other stakeholders. Staff provided this

³ Docket No. UM 2211.

upfront, transparent information about its minimum evaluation criteria to facilitate timely and meaningful development of interim actions. Staff's approach to developing the baseline evaluation criteria was to first identify high level areas that would benefit from standardization and then reflect on feedback from prior stakeholder engagements and literature for practicable design elements that could be applied in interim designs.

Attachment A provides Staff's current baseline evaluation criteria and key design elements in the context of interim filings.

Cascade's Proposed Schedule 35 Revisions

Cascade is proposing to revise the original AMP authorized funding amount by an increase of \$353,759, for a total authorization of \$1,061,276, or one and a half percent (1.5%) of Cascade's UG 390 retail revenues.⁴

In addition to the Company's proposed funding increase, Cascade also proposes the following tariff revisions to the Big Heart program:

1. Increase the customer outstanding past due balance eligible for assistance under Big HEART from \$1,500 to \$2,500.
2. Allow all outstanding balances to be eligible.⁵
3. Remove language limiting Big HEART benefits from being a one-time benefit, thus allowing multiple opportunities for assistance up to the program limit.
4. Remove barrier language in the tariff requiring customers to express financial hardship due to COVID-19 and allow for declarations of such hardship without a specified reason; and
5. Remove the previous sunset date for Big HEART, which was originally set for September 30, 2022, and allow the program termination date to be open-ended until the revised spending limit is reached or the Commission closes the program, whichever occurs first.

Cascade's Schedule 35 revisions represent the Company's interim action effort to enhance the level of assistance available to residential customers in advance of EBDP implementation. The revisions, in part, shift the Big HEART program's focus from

⁴ COVID-19 direct and indirect costs, including AMP assistance are currently being deferred by the Company pursuant to Order No. 20-379 in Docket No. UM 2072. Eligible costs deferred under this docket may be recovered from all Cascade customers in Oregon in a future proceeding following a prudence review.

⁵ Includes charges from most recently concluded billing period.

providing relief to those experiencing economic hardship as a result of the pandemic toward income-qualified customers experiencing energy burden within and/or beyond pandemic conditions.

Stakeholder Engagement

On November 10, 2021, Staff met with environmental justice (EJ) and community advocates to discuss implementation process planning of HB 2475, including interim action. At this workshop, Staff and state agency partners covered several topics, including the content and authority of HB 2475, existing energy assistance programs and useful metrics, ongoing PUC dockets where EJ community voices have been important to process planning and strategy, and most importantly, paths forward and advocate priorities related to HB 2475 implementation.

Attendees expressed support for interim action to provide customers near-term relief and assistance with balances from the 2021-2022 heating season prior to the comprehensive HB 2475 investigation into differential rates and programs.

On February 15, 2022, Cascade hosted a roundtable for Staff and stakeholders to go over the interim proposal and provide an opportunity for questions and answers. Advocate groups offered general support for the program and indicated the 300 percent Federal Poverty Level eligibility cap was preferred over a more conservative income qualifier.

Estimated Big Heart Bill Impacts

In the initial filing, Cascade provided the following table (Figure 1), which details the estimated monthly bill impacts to all Cascade customer classes receiving natural gas services in the State of Oregon.

Figure 1 – Cascade Bill Impacts by Rate Schedule

BILL IMPACT PER RATE SCHEDULE								
Customer Class	Schedule	Average Therms Per Month	Monthly Charge	Per therm Rate	Average Monthly Bill w/o 1.5%	Bill Impact @ 1.5%	Bill Impact @ 1% (Advice No. 021-04-01)	Difference
Residential	101	60	\$6.00	\$0.768600	\$52.12	\$0.78	\$0.52	\$0.26
Commercial	104	252	\$12.00	\$0.648230	\$175.35	\$2.63	\$1.75	\$0.88
Industrial	105	1,693	\$35.00	\$0.627330	\$1,097.07	\$16.46	\$10.97	\$5.49
Large Volume General	111	13,025	\$144.00	\$0.547030	\$7,269.07	\$109.04	\$72.69	\$36.35
Interruptible	163				\$5,671.03	\$85.07	\$56.71	\$28.36
Industrial Interruptible	170	53,459	\$300.00	\$0.510370	\$27,583.87	\$413.76	\$275.84	\$137.92

*Sch 163 Interruptible Service bill impacts based on total class revenues and customers

Staff Review

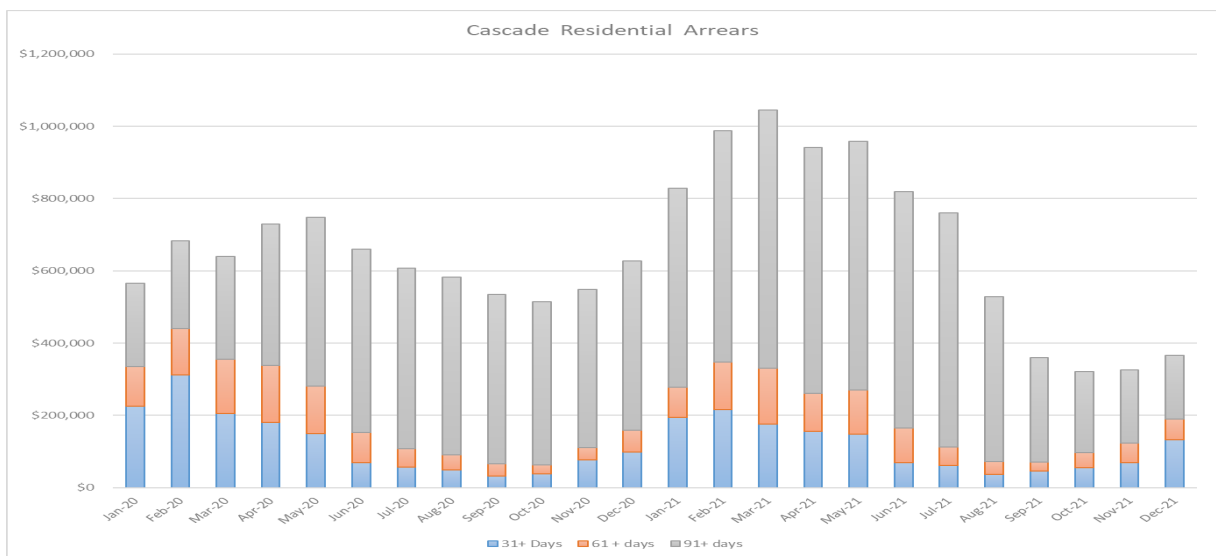
Staff believes that Cascade's program aligns with the baseline eligibility criteria.

- *Eligibility*
Cascade's program streamlines eligibility by either auto-enrolling customers with a history of low-income program eligibility or allowing customers to self-certify income levels. In addition, the program is income-based allowing customers up to 300 percent of the federal poverty level to be eligible for assistance.
- *Level of Relief*
Staff believes Cascade's program prioritizes the lowest income customers with the highest levels of energy burden through the company's use of automatic grants and a benefit curve based on household size, combined monthly income of all adult household members, and account balance. These design elements help to focus efforts to the most energy burdened customers. In Cascade's filing, they also include an estimate of rate impacts on other customers and classes (See Figure 1).
- *Tracking and Reporting*
The costs associated with the Big HEART Program are currently being deferred and tracked by the Company pursuant to Commission Order No. 20-379 in Docket No. UM 2072. In terms of program specific metrics, Cascade will continue to track what is currently provided on a monthly and quarterly basis for COVID-19 bill assistance.
- *Bundling*
The Big HEART program does not include an energy efficiency (EE) bundling component. In its February update to the baseline valuation criteria, Staff responded to feedback regarding challenges faced by both utilities and partnering agencies with incorporating bundling in interim action. Staff's position on bundling in the near term is primarily focused on continued conversation and collaboration with EE and weatherization partners in utility service territories. Thus, Staff does not have any concerns with Cascade's interim action not incorporating a bundling component at this time.
- *Outreach and Engagement*
In the February 15, 2022, workshop Cascade provided a high-level overview of their updates to communications and outreach efforts regarding their revisions to the Big HEART program. The Company indicated that Auto Grant recipients receive letters, auto calls, and emails (if opted in) advising of the grant. For the financial hardship grant recipients, Cascade sends letters, auto calls, and emails (if opted in) to all past due customers to advise them they may qualify, even if they have previously received a grant. In addition, the

company would post new information to their website and social media and include bill “onserts”. Cascade indicated they will train Customer Service Representatives (CSRs) on program changes as well as shift away from it being Covid-19 relief.

Current Arrears Levels

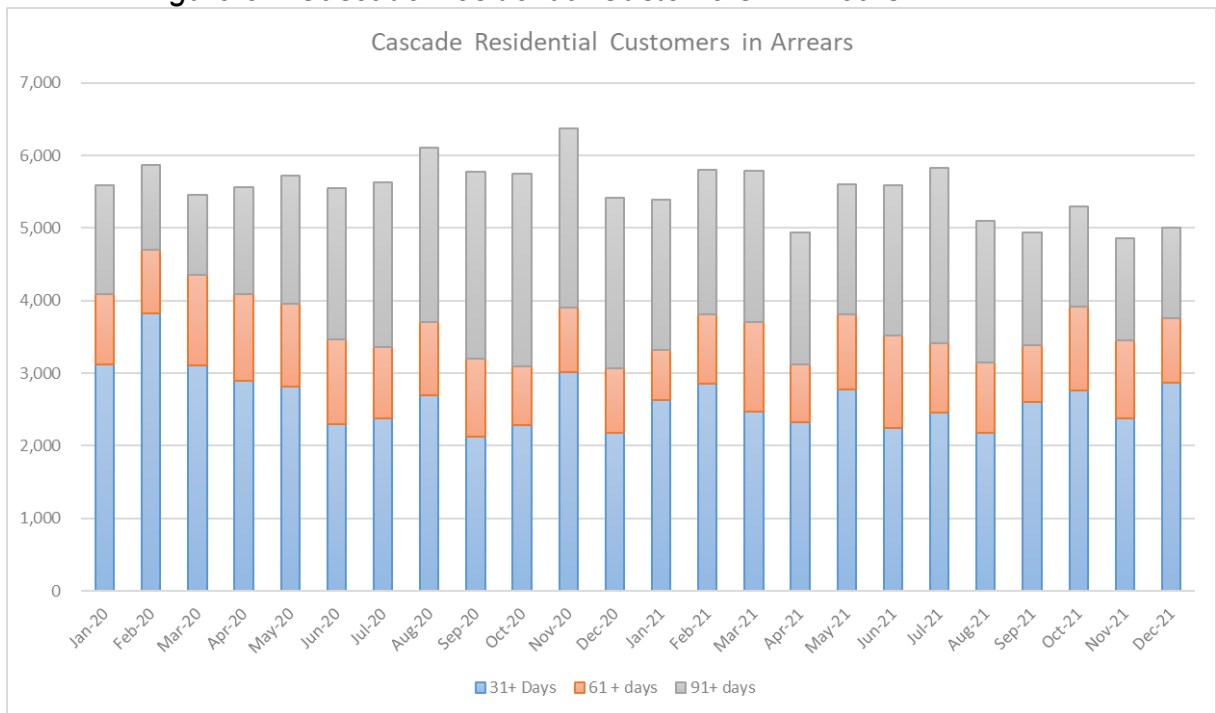
An important piece in evaluating how effective Cascade’s interim proposal will be is to examine trends in arrears levels over the past several months. The figure below depicts Cascade’s residential arrears from January 2020 to December 2021 (Figure 2).



Since the inception of the Big HEART program in April 2021, Cascade has seen residential arrears balances fall 61 percent to below pre-pandemic levels. Cascade’s 90+ day basket has decreased by \$539,206 since its peak in May 2021. Overall, Cascade’s residential arrears balances have shown positive signs of recovery in the past several months, even as customers have transitioned into the winter heating season.

In addition to positive signs of recovery in residential arrears balances, the number of residential customers in arrears for Cascade has also shown improvement. The figure below depicts Cascade’s residential customers in arrears from January 2020 to December 2021 (Figure 3). The number of customers 90+ or more days in arrears decreased by 1,101 from December 2020 to December 2021. Overall, the total numbers of customers in arrears has dipped below pre-pandemic levels.

Figure 3 – Cascade Residential Customers in Arrears



Based on this data, there is a clear trend of recovery in Cascade’s residential arrears balance and customer counts. Staff believes that authorizing Cascade’s interim action proposal will allow this trend to continue and will offer interim relief to customers still in arrears.

Effects of Filing

Cascade’s Advice No. O21-02-01 requests approval to revise an existing tariff schedule, Schedule 35, Residential Arrearage Management Program.

It is unknown how many customers will utilize Cascade’s interim action proposal; however, the Program may provide up to \$1,061,276 in arrearage forgiveness to eligible customers and will run until the Company reaches the spending limit, or until the Commission otherwise approves termination of the program. Figure 1 estimates bill impacts across customer classes if Cascade utilizes all available program funds.

This filing does not include an increase or decrease in customer rates, or change Cascade’s revenue at this time; however, as noted above, program funds and prudently incurred incremental expenses to provide this arrearage management program will be tracked for later recovery in Cascade’s COVID-19 Deferral.

Conclusion

Based on the circumstances listed above, and Staff’s review of the company’s filing,

Staff concludes that Cascade's proposed revision to Schedule 35 align with the baseline eligibility criteria. Staff further finds that the revisions will benefit customers experiencing financial hardship and energy burden in the interim while Staff, the Company, and Stakeholders conduct the broader HB 2475 investigation.

Staff recommends that the Commission approve the Company's tariff as proposed in Advice No. O21-02-01.

PROPOSED COMMISSION MOTION:

Approve ADV 1367, Cascade Natural Gas Company's request to revise Schedule 35 Temporary COVID-19 Residential Bill Assistance Program, effective with service on and after March 9, 2022.

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:					
KEY DESIGN ELEMENTS	Eligibility	Level of relief	Tracking and accounting	Bundling	Outreach and engagement
	<p>Low-barrier enrollment component(s) should be included (e.g. self-certification; categorical eligibility; etc.)</p> <p>Auto-enrollment for energy assistance recipients should be included</p> <p>Options for CBOs to submit eligible customers to the utility should be included</p>	<p>Prioritizes lowest income with the highest energy burden</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>Information sharing with ETO and energy efficiency and weatherization administrating agencies about interim rate and program participants</p>	<p>Transparent and informative</p>
	<p>Eligibility criteria should be income-based in the interim (the broad investigation can explore other criteria)</p>	<p>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 PGE considered a target energy burden ceiling (6%) when identifying the income tiers and discount levels provided by the proposed rate)</p>	<p>Program costs are tracked and reported quarterly in a deferral with sufficient detail for ongoing Staff review and discussion</p>	<p>Collaborates with energy efficiency and weatherization partnering agencies on complementary services and potential cross referrals</p>	<p>Regularly scheduled (monthly or quarterly) discussions and consultations with partnering agencies representing or servicing target communities; consolidating with peer utilities where possible</p>
		<p>Allows flexibility or direct engagement opportunities in program design to accommodate enrollments reasonably outside specific eligibility terms</p>	<p>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.</p>	<p>Makes energy efficiency or weatherization information and program resources available to participating customers</p>	<p>Demonstrates the Company provided meaningful engagement in advance of filing</p>
					<p>Surveys participating customers and CAP agencies at 3, 6, and 12 months of implementation</p>