

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

Docket No. ADV 1390

In the Matter of

NORTHWEST NATURAL GAS
COMPANY,

NW Natural's Advice No. 22-02
Residential Low-Income Bill Discount
Program.

Staff's Comments

Introduction

Staff of the Oregon Public Utility Commission (Staff) presents its Comments in response to NW Natural Gas Company's (NW Natural or Company) proposed Residential Low-Income Bill Discount Program (Program). NW Natural's proposed Program offers a percentage based discount to income qualified NW Natural customers utilizing a three-tier discount structure and self-certification. The proposal also includes cost recovery terms to recoup the Program's direct costs through an automatic adjustment clause that is supported by a balancing account to track the Program's collections and costs.

NW Natural filed Advice No. 22-02 proposing an interim bill discount program intended to address customer needs in the near-term as the Commission undertakes its investigation into the implementation of Oregon House Bill (HB) 2475 legislation. To clarify, in the context of this filing, Staff understands customer "needs" to describe energy burden faced by low-income households. Staff's comments are offered in response to the terms of the initial filing and consider whether or not the proposal aligns with the guidance put forth by Staff in its Baseline Evaluation Criteria (Criteria) for Interim HB 2475 Interim Action published in Docket UM 2211.¹ Staff Criteria includes key design elements for utilities to address in HB 2475 interim proposals across the following categories:

¹ *In the Matter of Public Utility Commission of Oregon, Implementation of House Bill 2475*, Docket No. UM 2211; <https://edocs.puc.state.or.us/efdocs/HAC/um2211hac17313.pdf>.

- Eligibility;
- Level of Relief;
- Tracking and Accounting;
- Bundling; and
- Outreach and Engagement.

These comments summarize NW Natural’s proposal, note key design elements, and identify areas in which there may be opportunities for further engagement and program development.

Background

The Energy Affordability Act (HB 2475)

In part, the passage of HB 2475 expanded the Oregon Public Utility Commission’s (Commission or PUC) ratemaking authority with regard to the classification or schedule of rates applicable to individual customers or groups of customers in consideration of differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability. One of the goals of HB 2475 is to enhance the Commission’s ability to mitigate energy burden for low-income utility customers in Oregon.

In December 2021, shortly before the effective date of HB 2475, Commission Staff launched Docket UM 2211, *In the Matter of Public Utility Commission of Oregon, Implementation of House Bill 2475*. Through Docket No. UM 2211, Staff has and will continue to engage stakeholders on HB 2475 initiatives, including interim differential rate proposals such as that in NW Natural’s ADV 1390, and a broad longer-term investigation into the implementation of differential rates and programs across the regulated Oregon utilities.

Like a number of peer utilities, NW Natural was not prepared to propose a differential rate program that would be ready before the Fall of 2022. As a temporary relief measure, and in alignment with Staff’s guidance for gas utilities to provide “enhanced bill assistance” in advance of discounted rates, NW Natural extended its Arrearage Management Program (AMP) in March and included Staff endorsed elements such as auto-enrollment, income-based eligibility using self-certification, and larger grant options without match requirements. Concurrently, NW Natural had contracted and was awaiting the results of a Low-Income Needs Assessment (LINA) which the Company expects will inform its actions in response to HB 2475.

The filing subject to Staff comments today represents the most recent action item relative to HB 2475 and is NW Natural’s Residential Low-Income Bill Discount Program, with a target effective date of November 1, 2022.

NW Natural Residential Low-Income Bill Discount Program

The three tier discount structure proposed by NW Natural is structured as follows:

	State Median Income (%)	Bill Discount (%)
Tier 1	30% SMI	25%
Tier 2	45% SMI	20%
Tier 3	60% SMI	15%

*Customers in single households are eligible for Tier 3 at a wage level the higher of 60% SMI or full-time minimum wage income.

The Program allows applying customers to self-certify their household income at the time of enrollment. Self-certification of income will be required every two years and post-enrollment sample audits of enrollment forms will be conducted to verify income qualifications. NW Natural will auto-enroll customers that have previously received energy assistance within the past two years. The enrollment will be at the Tier 3 level and enrollees will receive a letter explaining the program and how to apply for a greater discount or how to opt out if desired or if income level has changed. Enrollment will expire two years after the most recent energy assistance (EA) payment.

Staff Response to NW Natural's Proposal

Baseline Evaluation Criteria

Eligibility

Staff advised that interim proposals support low-barrier enrollment practices, such as self-certification and categorical eligibility; incorporate auto-enrollment for EA recipients; and allow for third-party enrollment. Staff finds that NW Natural's proposed Program terms endeavor to align with two of the aforementioned low-barrier enrollment practices and is supportive of including these terms in the final design. At this time, Staff understands third-party enrollment has not been included and recommends the Company continue to discuss this issue with Stakeholders. Staff has heard from multiple community advocates that third-party enrollment improves accessibility and further reduces barriers for the intended participants. Third-party enrollment includes Community Based Organization (CBO) representatives and members of the customer household not listed as the primary account holder. Staff acknowledges that there may be some logistical concerns from the Company regarding this feature but feels the issue warrants additional consideration in one of the upcoming workshops.

Regarding auto-enrollment, the current proposal allows for auto-enrollment for known EA recipients and a commitment from the Company to coordinate with the Oregon Housing and Community Services (OHCS) to establish a process that will enable NW Natural to enroll eligible customers in the program in the appropriate tier. Staff supports auto-enrollment as a means to promote program participation and maximize the deployment of relief for known qualifying customers. Staff further supports collaboration between the Company and OHCS to develop some sort of memorandum of understanding and/or legal authority that may improve the reach and sophistication of

auto-enrollment as quickly as possible.

In terms of the income thresholds for Program eligibility, Staff is not opposed to the 60 percent SMI threshold and acknowledges that this is consistent with the threshold that the Commission approved in the Portland General Electric Income-Qualified Bill Discount Program design. Staff also recognizes that, at present, 60 percent SMI is also used for State and Federal EA programs and there are advantages to “universal” eligibility terms when it comes to simplicity and understanding, particularly for customers accessing multiple forms of assistance. That being said, Staff has heard in a number of National forums that 60 percent SMI may be losing relevance in the context of a need-based income qualifier. There are on-going efforts to increase this threshold and capture customers who face energy affordability issues without available relief. To this end, Staff encourages the Company to evaluate this threshold in terms of its customers’ needs and bring any findings and discussion to the next engagement opportunity.

Level of Relief

Staff advised that energy burden mitigation structures prioritize based on level of need and asked that utility proposals be transparent as to how the interim rate was designed to meaningfully reduce energy burden. Staff also recommended that the program allow for flexibility that is responsive to customer needs that may exist beyond the terms of the tariff. The tiered percentage of bill based discount proposed by NW Natural is identical to the structure approved in Docket No. ADV 1365, PGE’s Income-Qualified Bill Discount Program. Staff continues to investigate whether the 15-25 percent range of relief is consistent with the Baseline Evaluation Criteria and reasonable for NW Natural customers; however, Staff would like to understand more about any nuances there might be relative to addressing affordability for NW Natural customers, including but not limited to, natural gas service (versus electric), service territory, and seasonality. Staff would like the Company to explain in the next workshop how it has considered these factors in its design and how the success of the current discount structure may or may not be impacted by such utility to utility differences.

Staff also notes that the Company is seeking to raise rates in a pending general rate case. If a rate increase is approved, it would go into effect at the same time as the Program becomes effective. This makes it difficult for Staff to fully assess the level of relief provided by the proposed bill discount levels. Staff suggests the Company provide a sensitivity for its analysis of the impact of the rate on participant utility costs that utilizes the Company’s requested residential rate increase from the general rate case.

In terms of exploring alternate designs, Staff would also like to see the Company forecast the costs and customer bill impacts of other peer utility designs, such as the four-tier discount proposed by Avista Utilities and single-tier discount proposed by PacifiCorp in each of their pre-filing engagements. Finally, Staff would like the Company to provide Staff and Stakeholders with any updates on the progress and content of the LINA.

Tracking and Accounting

Per the Company's filing, Staff understands the Company plans to work with Staff and the Commission to establish reporting requirements, including information by zip code and month. In related discussions, Staff has indicated it will request monthly zip code level reporting on participants for at least the first 12 months and work with utilities to determine the desired metrics. Staff also continues to articulate the need for further investigation into data collection, particularly with regard to more granular reporting on demographic and income data.

Staff has heard interest from some utilities in adopting an approach used in California whereby a statewide low-income needs assessment is performed and published annually with multiple contributors and parties to the contract. Staff would like to hear the Company's perspective on this type of data collection strategy, including any concerns, comparable experiences, or alternatives.

Bundling

Staff revised initial draft Baseline Evaluation Criteria related to energy efficiency (EE) bundling in interim programs in response to utility and Community Action Partnership (CAP) agency concerns that obligatory service bundles may be unfeasible from a capacity standpoint and create additional barriers from a participant standpoint. Staff's revisions recommended that utilities engage in information sharing with the Energy Trust of Oregon (ETO) and other EE/weatherization administering agencies; collaborate with said agencies on complementary services and cross referrals; and make EE/weatherization informational resources available to applicants. To the extent that these criteria do not oblige the Company to incorporate anything into the actual tariff, Staff simply reinforces its recommendation that utilities find ways to partner with ETO and EE/weatherization agencies and mitigate energy burden as effectively as possible (i.e. reducing energy needs + reducing the cost of energy).

That being said, Staff appreciates NW Natural's intention to include a referral for its weatherization program and coordination with its existing low-income energy efficiency program, Oregon Low-Income Energy Efficiency (OLIEE) program. Staff expects EE bundling to play a more significant and requisite element in longer term HB 2475 programs and encourages the Company to begin exploring how to best incorporate this type of feature sooner than later.

In the upcoming workshops, Staff would like to hear from the Company on their experience and perspective on dual fuel heat pumps and whether this might present an opportunity for the Company to engage with ETO and improve low-income customers' access to affordable heating. Staff would also ask the Company to discuss what, if any, efforts it makes to monitor usage rates as a means of providing targeted weatherization outreach and how the Company measures success in the context of its low-income energy efficiency investments and programs.

Outreach and Engagement

Staff's expectations for outreach and engagement are that it be performed in a way that is transparent and informative; that the utility provide regularly scheduled monthly or quarterly discussions with partnering agencies and community representatives in a way that is mindful of stakeholder time; demonstrate meaningful engagement in advance of filing; and administer optional surveys to participating customers and Community Action Partnership (CAP) agencies at three, six, and 12 months from implementation. Staff notes that NW Natural did not engage in the level of pre-filing engagement recommended by Staff and requested by Stakeholders for differential rate proposals. That being the case, Staff expects the Company will fulfill its commitments to conduct its post-filing engagement in a way that is receptive and responsive to Staff and Stakeholder concerns. This includes following the Staff-issued docket schedule designed to maximize engagement in the limited time available, allowing for potential evolutions to the Programs, and providing thoughtful and detailed feedback to Stakeholders throughout engagement.

Per the filing, NW Natural indicates it plans to seek input and perspective from its Community Equity and Advisory Group (CEAG) and continue its current community outreach strategies to maximize target population participation in the program. The Company also states that it anticipates performing surveys of program participants at enrollment and again before each two-year certification cycle ends. In terms of these elements Staff asks that 1) the Company provide more clarity and transparency on how the CEAG will function in this space, including to what extent the Company will be accountable to their recommendations and whether their findings and discussions will be open in public forums; and 2) the Company discuss what types of questions and data it expects to include on enrollment and post-enrollment surveys and to what extent the data will be made available to interested parties.

Other Considerations

Post-enrollment verification was not an issue directly linked to Staff's baseline evaluation criteria, but is an important consideration nonetheless. Staff recognizes the importance of maintaining the integrity of the program by employing some verification of need and eligibility among participating customers. At the same time, Staff is sensitive to the additional burden and stress post-enrollment verification can put on customers, particularly those who are individuals or families with higher barriers. Staff notes that the Company has stated a willingness to explore ways to pre-qualify individuals out of post-enrollment verification. It seems practical that individuals who are categorically eligible for the discount Program via EA enrollments be the simplest to pre-qualify and Staff recommends this be implemented prior to the first verification check. With regard to other groups that may pre-qualify, Staff encourages the Company to continue to work with Stakeholders on whom and how to best identify these households throughout near- and long-term engagement. Staff has also heard a desire from Stakeholders to schedule assessments for the cost-effectiveness of post-enrollment verification. In other words, to the extent that fraud and misuse of the program are insignificant, particularly when juxtaposed with the burden and challenges faced by customers selected for post-enrollment verification and the costs of administering the process, that post-enrollment might be retooled and/or reduced in

terms of scope and frequency.

Staff has heard concerns from Stakeholders regarding the timing that NW Natural expects to begin offering the discount Program to customers, specifically, November 1, 2022. The realities of the winter heating season will have already begun for many households, and delays in enrollment or even awareness of the program may create unnecessary hardship. Staff would ask the Company continue to explore and discuss the possibility of an earlier implementation date or potentially allowing customers to pre-enroll to reduce delays.

Conclusion

Staff appreciates the opportunity to work with NW Natural and Stakeholders to evaluate the proposed Residential Low-Income Bill Discount Program. NW Natural has presented a proposal relatively consistent with Staff's HB 2475 Baseline Evaluation Criteria, but additional details and discussion are required to determine if any revisions or terms may be appropriate. Staff notes that engagement is ongoing and the recommendations and requests put forth in these comments are intended to be addressed by the Company and discussed by parties in the upcoming workshops and opportunities for comment. Staff also notes that the program and these discussions are oriented around a program that is interim in nature and is expected to evolve in the long-term based on the Company's LINA findings and Staff's broad HB 2475 investigation. Support offered by Staff to elements included in these interim programs should not be regarded in any way to limit differential rate program design proposals in the future.

This concludes Staff's comments.

Dated at Salem, Oregon, this 31st of May, 2022.

/s/ Michelle Scala

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