

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 12, 2022**

REGULAR X **CONSENT** **EFFECTIVE DATE** July 15, 2022

DATE: July 5, 2022

TO: Public Utility Commission

FROM: Michelle Scala

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. ADV 1390/Advice No. 22-02)
Establishes Schedule 330, Residential Bill Assistance Program and
Schedule 335, Bill Assistance Program Cost Recovery.

STAFF RECOMMENDATION:

Approve Northwest Natural Gas Company's (NW Natural or Company) Advice Filing No. 22-02 establishing Schedule 330, Residential Bill Assistance Program and Schedule 335, the corresponding Bill Assistance Program Cost Recovery Mechanism, proposed to be effective with service on and after July 15, 2022, on less than statutory notice (LSN).

Additionally, Staff makes the following forward-looking recommendations that do not require a change to the final Schedule 330 tariff language:

1. With input from Stakeholders, develop and administer a short survey offered to participants at the time of enrollment and within 12-month in Year 1 with frequency to be reassessed thereafter. Surveys should be developed with input from community partners and include questions on energy affordability and demographics. The surveys should:
 - a. Be optional;
 - b. Have results trackable by income level declared at the time of self-verification; and
 - c. Omit or encrypt personal identifiable information (PII).
2. Share participant survey findings and participant attributes with Staff and Stakeholders during post-implementation engagement.

3. Develop and administer an annual short survey offered to CAAs providing necessary information to NW Natural to auto enroll clients in BDP for the purposes of evaluating overall experience administering the program and effectiveness with helping clients.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission or OPUC) should approve NW Natural's Advice Filing No. 22-02 establishing Schedule 330, Residential Bill Assistance Program and Schedule 335, the corresponding Bill Assistance Program Cost Recovery Mechanism, proposed to be effective with service on and after July 15, 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 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; 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

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

Analysis

Background

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 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

This Commission authority provided in HB 2475 represents a significant evolution in Oregon utility rate design. Prior to the passage of HB 2475, in September 2018, OPUC published a report on Senate Bill (SB) 978, entitled "Actively Adapting to the Changing Energy Sector."³ The report, in part, addressed legislative and commission action spurred by increased customer interest in having more electricity options and an emerging awareness of social equity as a policy objective. In a section specifically addressing environmental justice at the PUC and differential rates based on factors other than cost-of-service or service characteristics, the report stated:

Direction from the Legislature would allow the Commission to prioritize how to integrate social equity and differential energy burdens into rate design and the Commission decision-making process more generally. The Legislature may be prepared to conclude that the Commission should be given express authority to establish a separate, low-income rate to

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.

² See Docket No. UM 2211.

³ SB 978 Actively Adapting to the Changing Energy Sector, Oregon Public Utility Commission, September 2018; <https://www.oregon.gov/puc/utilities/Documents/SB978LegislativeReport-2018.pdf>.

address the energy burden of Oregon's low-income ratepayers. For example, this could be in the form of a bill discount, a percentage of income payment program, or other approach. However, the Commission would need express authority with detailed criteria to create a low-income rate for customers while keeping rates just and reasonable for other customers.

The Energy Affordability Act now serves to provide that authority. Further, ORS 757.695 specifically authorizes the Commission to implement bill reduction measures such as discounts or credits for qualifying customers.

On February 28, 2022, the Company filed a deferral for the costs and revenues associated with HB 2475, Energy Affordability Act, which is docketed as UM 2233. The application was approved in Commission Order No. 22-113. In addition to authorizing the deferral of costs and revenues associated with HB 2475, the Order specified 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."

In March of 2022, NW Natural received approval to extend and enhance temporary arrearage management options offered through the Company's Schedule R, Residential Arrearage Management Program (AMP). The additional funding and program options were intended to provide near term relief to residential customers in advance of a differential rate proposal. Schedule R originally offered all NW Natural customers experiencing financial hardship due to the COVID-19 pandemic a variety of arrearage management options, including an instant grant, 50/50 matching grant, time payment arrangement with matching grant, and crisis grant. Following the March Open Meeting, the Company staged in a series of changes as originally proposed by NW Natural and modified by the Commission's adoption of Staff recommendations. The currently available terms and conditions of Schedule R took effect on May 1, 2022, and include all the relevant changes as adopted by the Commission. Specifically,

- Increase the Program participation cap to \$1,500;
- Increase the Instant Grant option to \$600;
- Increase the Low-Income Instant Grant Option (LIIGO) to \$1,500;
- Establish a self-certified income qualifier for all proposed Schedule R programs at 300 percent of the Federal Poverty Level (FPL) and below (effective upon a second compliance filing no later than May 1, 2022);
- Establish a self-certified income qualifier for the LIIGO that allows customers to self-certify household income at less than or equal to 60 percent State Median Income (SMI) to receive up to \$1,500 toward their arrearage balance without a matching requirement or proof of crisis (effective upon a second compliance filing no later than May 1, 2022); and,
- Supplement existing quarterly reports with AMP participation data reported by month and five-digit zip code.

As with the original terms, customers may use any combination of the AMP options, up to the \$1,500 participation limit. As of June 15, 2022, NW Natural has made 38,806 enrollments across its six grant offerings. This represents approximately \$9 million in arrearage assistance. Staff remains supportive of NW Natural's AMP offerings as it provides a benefit to customers experiencing financial hardship in advance of a differential rate offering. NW Natural is expected to continue offering the AMP until it fully expends the authorized funding, or the proposed Schedule 330 Bill Discount Program begins enrolling customers.

On April 18, 2022, following an informal stakeholder engagement process, NW Natural filed for approval of the proposed Schedule 330 Residential Low-Income Bill Discount Program and Schedule 335 Bill Assistance Program Cost Recovery mechanism. The Company requested a July 15, 2022, effective date to ensure sufficient implementation time for customer enrollment to begin on November 1, 2022.

NW Natural's Proposed Schedule 330 Residential Low-Income Bill Discount Program
In Docket No. 1390, NW Natural is proposing an income-qualified bill discount program (BDP) that is applicable to all NW Natural residential customers with a gross household income at or below 60 percent of Oregon State Median Income (SMI), adjusted for household size.⁴ In the Company's original April 18, 2022, filing, the proposal calculated monthly bill discounts as a percentage of bill and offered three tiers, based on the enrolled Customer's household income as a percentage of SMI.

Table 1. Proposed Bill Discount Program Tier Structure

BDP Level	HH income⁵	% of Bill Discount
Tier 1	≤ 30% of SMI	25%
Tier 2	31% - 45% SMI	20%
Tier 3	46% - 60% SMI	15%

For customers in single-person households, Tier 3 eligibility would be extended to those with gross household income that is the greater of 60 percent SMI or full-time wages at Oregon minimum wage rates for Portland Metro area.

⁴ For customers in single-person households, eligibility is extended to those with gross household incomes up to the greater of 60 percent SMI or \$30,700.

⁵ IQBD eligibility is based on SMI thresholds adjusted for household size. See Appendix C for additional detail.

Applicants for the BDP must be the NW Natural account holder and will be able to enroll with self-certification of income qualifications through the NW Natural call center, Community Action Agency (CAA) partners, or a form that will be available both online and in hard copy. Forms not submitted through the Company's website may be submitted by mail or electronic mail. Customers approved into the program must re-enroll every two years.

The bill discount applies to all components of a customer's Residential Rate Schedule 2 charges. This includes the customer's monthly charge and volumetric charge.⁶ At the time of enrollment or soon thereafter, the Company will reduce the qualifying customer's past due balance by the percentage of their qualifying income listed in Table 1, above. The arrearage management instant grant is limited to once per program year per account and may not create a credit balance on the account.

NW Natural will coordinate with Oregon Housing and Community Services (OHCS) and CAAs to establish a process to permit the CAAs to share income information with NW Natural, which will enable NW Natural to automatically enroll categorically eligible customers in the BDP. Additionally, when the program rolls out later this year, NW Natural plans to automatically 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 payment.

Customers are only eligible to receive bill credits under this rate schedule at one residential location at any one time and only for new charges billed after enrollment or re-enrollment.

Participants that were not auto enrolled may be subject to post-enrollment verification audit sampling, which may require a showing of proof of household size and income.⁷ Bill discounts may be suspended for customers found to be ineligible or non-responsive during post-enrollment audits. Customers may re-apply for this program upon providing verification of eligibility.

⁶ Other charges not directly attributed to the customer's rate schedule 2 monthly and volumetric charges would not be eligible for the discount. This includes late fees and reconnect fees, as well as voluntary program charges like "Smart Energy."

⁷ The Company indicated that it remains flexible to input from interested parties on the sample size for the first post-enrollment verification process. Currently, there is not language specifying the post-enrollment verification survey sample size in Schedule 330.

Post-Filing BDP Revisions

After a series of workshops and discussions with Staff and Stakeholders, NW Natural filed comments on July 1, 2022, indicating a number of proposed changes to the original advice filing. Specific stakeholder comments and the Company's reply will be addressed later in the memo, but the following paragraph summarizes the redlined changes in the Company's supplemental filing.

- Target enrollments launch for October 1, 2022, but no later than November 1, 2022;
- Add a "Tier 0" which provides a 40 percent discount on participating customer's monthly bills where income is self-declared at or below 15 percent SMI;
- Modify the Tier 1 discount of 25 percent to apply to customer's where income is self-declared between 30 to 16 percent of SMI;
- Add language to Schedule 330, Special Condition 3 specifying that auto-enrollment also applies to customers who have participated in any of the Company's low-income programs;
- Adjust language in Schedule 330 special condition 4 to:
 - Limit post-enrollment verification to customers who were not auto enrolled into the program;
 - Provide the Company flexibility with regard to post-enrollment verification and rebilling practices

Regarding the changes to the proposed discount structure, Table 2, below, illustrates the revised income tiers and corresponding bill discount percentages.

Table 2. Revised BDP Tier Structure

BDP Level	HH income	% of Bill Discount
Tier 0	0-15% of SMI	40%
Tier 1	16-30% of SMI	25%
Tier 2	31% - 45% SMI	20%
Tier 3	46% - 60% SMI	15%

Outreach and Engagement

The Company continues its "robust and extensive" community outreach established for its AMP to ensure low-income, fixed-income, seniors, and hard-to-reach communities are aware of the bill discount program and how to enroll. In the Company's July 1, 2022, comments, NW Natural highlighted a number of the enhanced outreach strategies that are currently being implemented in BDP engagement; specifically:

- New content in multiple languages across various messaging channels, including hard copy brochures, condensed language for social media, newsletter callouts and talking points for in-person or phone conversations;

- Working with partners to integrate outreach materials into established channels;
- Engaging with the over 150 distinct community partners throughout NW Natural's service territory;⁸
- Delivering information through a variety of nonprofit-led channels that include check-in calls with homebound seniors, brochures inserted in food boxes at schools and food pantries, through US mail, e-newsletter, social media posts, etc.

According to NW Natural, community feedback has been very positive, and partners have commended their informational materials, language accessibility, and peer utility contacts as especially valuable.

As a means of program evaluation and ongoing engagement with participating customers, NW Natural indicated that it plans to survey program participants at the time of enrollment and again before each two-year certification cycle ends.

NW Natural also points to the Company's recently formed Community Equity and Advisory Group (CEAG) as a valuable resource in developing and maintaining customer programs, including the BDP. The CEAG is meant to be additive to existing channels of communication and community engagement and recruitment for the group was focused on community-based organizations that serve an identity, community and underrepresented/underserved population present within the NW Natural service territory. Further, the Company said it prioritized organizations that have not historically engaged in energy planning and Company program planning opportunities in the past.

NW Natural's Proposed Schedule 335, Bill Discount Program Cost Recovery

NW Natural has proposed an automatic adjustment clause to recover the direct costs of the low-income bill discount program, which includes the cost of the bill discount. As discussed with Staff and consistent with peer utility cost recovery structures, a balancing account will track the collections and direct assistance costs to protect both Company and customers from under- or over-recovery over time. Administrative costs to develop, implement and maintain the program will be deferred and tracked separately for recovery in a future proceeding. As referenced earlier in this memo, this treatment is consistent with Commission Order No. 22-113, which approved NW Natural's application for the use of deferred accounting in the treatment of costs and revenues associated with HB 2475.

⁸ NW Natural's engaged community partners include, but are not limited to CAAs, community-based organizations, housing networks, places of worship, food banks, trusted community partners, culturally specific organizations, healthcare networks, manufactured home communities, and Tri-Met.

Stakeholder Feedback

NW Natural worked with Staff and stakeholders before, during and after the filing and approval of this bill discount program. NW Natural initially shared its plans regarding the low-income bill discount program in UM 2211 discussions in fourth quarter 2021. The bill discount program was also included as part of the Company's HB 2475 interim action plan filed on February 28, 2022. A stakeholder roundtable workshop was held on March 31, 2022, and a three-part series of Staff facilitated technical workshops were scheduled after the April 18, 2022, filing. Although Staff heard from Stakeholders a desire for more robust pre-filing engagement early on, NW Natural met with parties just before the official filing to respond to these concerns and indicated the Company's intention to remain actively engaged and receptive to stakeholder input regardless of the status of the filing. The Company assured Staff and stakeholders that it was open to meaningful evolutions to the program and discount design throughout the review process.

Staff scheduled multiple rounds of comments for stakeholders and an opportunity for the Company to provide reply comments. The intent was to allow parties to respond to the initial filing after the first technical workshop and again later once the Company had the opportunity to reflect and consider implementation of the feedback provided throughout the engagement and review process. Stakeholder groups that provided comment in this proceeding included, Community Action Partnership of Oregon (CAPO); Clean Energy Project (CEP), NW Energy Coalition (NWECC), Green Energy Institute at Lewis & Clark Law School, Rogue Climate, Climate Solutions, African American Alliance for Homeownership, Verde, and Coalition of Communities of Color as the Joint Advocates and Oregon Citizens' Utility Board (CUB). Comments include the following issues/themes:

Positives:

- Simplified intake and self-certification of income;
- Auto enrollment;
- Coordination with State agency partners;
- Commitment to refer program participants to Community Action Programs (e.g., weatherization, energy assistance, etc.); and
- Openness to feedback from CBOs on post-enrollment surveys.

Opportunities for further development:

- Make program risk-free for customers that enroll;
- Allow CBOs and CAAs to directly enroll clients through the online tool;
- Include outreach funding for CBOs and CAAs;
- Thoughtful and sensitive approach to post-enrollment verification process including exemptions for certain customer groups and consideration of whether or not one is needed;

- Consideration of adequacy of income-eligibility thresholds;
- Deeper discounts
 - Informed by available peer utility low-income needs assessments and overlapping NW Natural proceedings with rate implications
 - Additional tier at 15 percent SM or below with a 50-75 percent monthly bill discount;
- Target enrollments launch earlier than November 1, or allow customers to sign up in advance to provide discounts by the start of the heating season;
- Make CAP referrals default (i.e., opt-out) at sign-up;
- Inclusion of energy efficiency and weatherization analysis to inform BDP and energy burden reduction efforts at the Company; and

Other general feedback provided in either or both published comments and workshop engagement, include:

- BDP design is acceptable as an interim relief measure and should not limit future differential rate and program design options;
- Interest in Percentage of Income Payment Plans (PIPP);
- Coordination with ETO and weatherization agencies on implementing energy efficiency components into energy burden reduction efforts and programs; and
- Interest in additional analysis of:
 - Households at very low incomes and
 - Energy efficiency and weatherization needs in NW Natural's service territory.

In NW Natural's reply comments, the Company addressed the issues brought forward in both workshop discussions and stakeholder's written comments. The Company identified a number of improvements and efficiencies that it indicated would apply to the BDP proposal in advance of the July 12, 2022, public meeting, the details of which Staff has outlined earlier in this memo. For the issues that were not identified as part of the planned supplemental filing, NW Natural provided the following responses:

- The results of the low-income needs assessment (LINA) are still forthcoming;⁹ but when completed will be used to inform:
 - Income-eligibility thresholds;
 - BDP and complementary income-qualified program designs;
 - Future iterations of discount tiers; and
 - Strategies to maximize participation;
- Acknowledgement of the efficiencies of online tools for third-party enrollment and clarification that the Company is unable to implement at this time;
- The position that enabling the program to have both an audit and bill-back capability will, by itself, provide a meaningful deterrent to anyone seeking to

⁹ Expected to be completed by the end of July.

improperly take advantage of the program but has endeavored to modify the tariff language to allow greater levels of discretion with regard to the application and outcomes of post-enrollment verification process;

- A table comparing NW Natural’s proposed discount tiers with those proposed and filed by Avista Utilities and Cascade Natural Gas Company, as well as the tier previewed by PacifiCorp.¹⁰
- A table comparing the Company’s proposed bill discount program taking into consideration the pending general rate case in Docket No. UG 435.¹¹
- A table illustrating the impact of the BDP on a customer’s annual bill as a percentage of income;¹² which the Company says indicates reduced stress upon household income under the interim bill discount program, particularly so when used in tandem with energy assistance from NW Natural’s Oregon Low-Income Gas Assistance (OLGA)(shown below).¹³

Tier	SMI %	Bill Discount Percentage	Annual bill discount	Current Bill as a % of income	Bill as a % of income w discount	Bill as % of income w discount and OLGA grant
0	15.0%	40.0%	\$303.34	6.4%	3.8%	0.6%
1	30.0%	25.0%	\$189.59	3.2%	2.4%	0.8%
2	45.0%	20.0%	\$151.67	2.1%	1.7%	0.6%
3	60.0%	15.0%	\$113.75	1.6%	1.4%	0.5%

- Intentions with regard to limiting surveys to at the time of enrollment and subsequent two-year re-enrollment out of consideration for participant time burden.
- Plans to continue to work with its energy efficiency and weatherization partnering agencies to provide information on complementary services and cross-referrals to provide a full menu of options available to low-income customers and continue partnerships with community-serving nonprofit organizations to create opportunities for eligible household to participate in the low-income weatherization program.
- An OLIEE overview in response to questions relating to low-income weatherization.
- Proposal to defer more in-depth weatherization, energy efficiency, and demand response questions as they relate to future program designs to Staff’s HB 2475 investigation in Docket No. UM 2211.
- Additional insights on the process for and composition of the CEAG.

¹⁰ See Docket No. ADV 1390/Advice No. 22-02, NW Natural Reply Comments, July 1, 2022, at Page 3.

¹¹ Id. at Page 4.

¹² Using a 3-person household and maximum SMI percentage income levels.

¹³ See Docket No. ADV 1390/Advice No. 22-02, NW Natural Reply Comments, July 1, 2022, at Page 5.

Staff Review

NW Natural initially previewed its bill discount proposal with stakeholders in 2021. Between the fourth quarter 2021 and as recently as early July 2022, NW Natural engaged with Staff and stakeholders in workshops, informal discussions, and written correspondences to develop the BDP. While as noted earlier, there were concerns that NW Natural filed a proposed program in advance of direct input on program design from the community, Staff is pleased that the Company followed through with its assurances to allow for post-filing evolutions with collaboration from stakeholders.

NW Natural's Low-Income Needs Assessment

As noted earlier, NW Natural expects its LINA results to be completed at the end of July 2022. The Company contracted with Applied Economics Group (AEG) to perform the LINA to compile relevant data and summary analysis regarding low-income needs in the NW Natural service territory that will be used to inform existing and potential low-income programs. While this work is ongoing, the results have yet to be published or discussed for public consumption Staff believes that the LINA will provide important data regarding energy burden across NW Natural customers. In multiple forums, Staff has highlighted the need for and value of data collection and analysis to inform and evaluate energy burden and other disparate experiences across utility customer groups. Staff looks forward to a review of NW Natural's LINA results and appreciates comments shared by the Company that there will likely be future assessments conducted with the July results serving as a baseline for the data.¹⁴

Key Baseline Evaluation Criteria for HB 2475 Interim Differential Rates

In Docket No. UM 2211, Staff published a set of baseline criteria for evaluating utility interim action proposals that incorporates feedback from utilities and other stakeholders. Staff provided this 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.

As intended, Staff's review of the Company's proposal was oriented around said baseline evaluation criteria. The following section describes Staff's review of the revised BDP proposal through the shared evaluation criteria.

¹⁴ Id. at Page 8.

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 with CBOs.

Staff finds that NW Natural has included or addressed each of these features in its BDP terms and communications, particularly in the proposed supplemental filing that includes expanded auto-enrollment terms for customers who have participated in EA or any of the Company's low-income program offerings.

Staff supports the self-certification component of income eligibility and notes the Company's broad application of categorical eligibility, auto-enrollment, and commitments to improve third-party enrollment. Staff acknowledges NW Natural's comments that explained while an online tool for third-party enrollments is not available at this time, the Company's auto-enrollment options, including an internal query of EA recipients and a partnership with OHCS will likely achieve similar outcomes and efficiencies. Specifically, that once CAP agencies are able to share client data on household income and size with NW Natural, the Company can make eligibility determinations and auto-enroll eligible customers in the BDP. Staff's opinion is that the best strategy would be the one that maximized enrollments while reducing burdens and barriers for participants at the time of enrollment. To the extent that this can be achieved better with NW Natural's proposed terms than pursuit of an online tool, Staff would not recommend any changes; however, Staff encourages the Company to continue discussions with stakeholders on whether or not this is the case.

In broad HB 2475 discussions, stakeholders have proposed that assistance programs allow for relatives and support organizations representing the primary account holder to enroll. Currently, NW Natural's program allows for the primary account holder contact the Company directly or work with CAAs to enroll, but not relatives or other organizations that do not have existing agreements with the Company. Staff is not recommending that NW Natural expand third-party enrollments beyond the CAAs at this point; however, Staff encourages continued dialogue about how such a thing might be implemented in the future.

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.

Staff believes NW Natural's revised four-tier discount structure offering participants between 15-40 percent off their monthly gas bill acceptable for an interim discount program that demonstrates thoughtful application of stakeholder feedback provided in Docket No. 1390 and peer utility differential rate engagement.

NW Natural's proposed income tiers originally aligned with the three-tier discount offered in Portland General Electric's Income Qualified Bill Discount Program; however, in an effort to be responsive to Staff and stakeholder feedback, NW Natural has previewed a supplemental filing that includes a fourth tier offering a 40 percent discount for participants who earn at or below 15 percent SMI. Staff appreciates the collaborative history informing this design change and finds that the additional tier is demonstrative of NW Natural's commitment to include the community in program design and will enhance targeted relief to the most energy burdened households.

Staff also notes that the Company has regularly highlighted that the BDP is intended to provide many customers additional financial relief with gas bills as the Company will continue to offer grants through its existing low-income assistance programs, OLGAs, and the Gas Assistance Program (GAP). However, stakeholders have expressed concerns that the energy burdens parties are endeavoring to reduce exist alongside current relief programs such as OLGAs and GAP and thus the Company should be cautious about stacking the discounts in the context of forecasting the impacts on customers.

Tracking

Staff requested monthly zip code level reporting on participants for at least the first 12 months and provided some examples of desired metrics. Staff also addressed the need for further investigation into data collection, particularly with regard to more granular reporting on demographic and income data.

Staff supports NW Natural's proposal, which aligns with Staff's guidance for monthly data reported quarterly, including participation data delineated by zip code and month.

Bundling

Staff revised initial draft guidance related to energy efficiency (EE) bundling in interim programs in response to utility and CAAs 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 and 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 and reducing the cost of energy).

Staff is supportive of NW Natural's plans to share eligible customer information for referral to OLIEE and partnership with non-profit organizations to enhance participation in the low-income weatherization program. Staff also hears stakeholder feedback that Companies continue to analyze and pursue EE needs and opportunities, particularly with regard to a holistic approach at mitigating energy burden. Staff asks that the Company continue to work with, Staff, advocates, ETO and other weatherization administrating organizations on data sharing, program partnerships, EE referral opportunities and BDP enhancements that can benefit customers and energy burden mitigation efforts more broadly.

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 CAP agencies at three, six, and 12 months from implementation.

NW Natural plans to perform surveys of program participants at enrollment and again before each two-year certification cycle ends. The Company suggests that this frequency balances comments from stakeholders to be mindful of disproportionate time burdens already placed on low-income customers with comments that suggest a greater number of surveys. In peer utility dockets, Staff has asked for greater frequency with post-enrollment surveys and makes the same recommendation here. Staff believes it appropriate to extend voluntary surveys to participating customers at least once in the first 12 months after initial enrollment. Annual surveys may become less frequent after initial enrollment and the first post-enrollment survey depending on stakeholder feedback, a review of the survey findings, and changes to any BDP or differential rate terms and conditions; however in the near-term, Staff is interested in assessing the interim programs impact on energy burden via customer survey's across a shorter time period than two years but is open to a reduced frequency than original proposed in Docket No. UM 2211.

Staff supports NW Natural's intentions to work with advocates and community groups on survey questions and design for both customers and CAP agencies.

Staff appreciates the information shared by the Company with regard to community outreach to promote the BDP. Staff is hopeful that the positive community feedback received by the Company with regard to enhanced engagement and community partnerships continues and looks forward to assessing the impacts of these efforts in program participation metrics.

Post-enrollment Verification

Post-enrollment verification was not an issue linked to Staff's baseline evaluation criteria but is an important consideration. Staff appreciates that the NW Natural has agreed to exempt categorically eligible customers from BDP post-enrollment verification sampling and finds this to be an appropriate accessibility feature for customers. 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.¹⁵

Staff and stakeholders share concerns that for some customers, their inability to produce the necessary documentation requested in income verification processes may not be rooted in fraud. There are likely circumstances where undocumented households, households with no income to report, poor record keeping, or document retention and other scenarios could cause a customer to fail a post-enrollment verification despite true need. The harm associated with these possibilities is worsened if the Company does not implement the program as a risk-free option for customers. Under its original proposal, NW Natural Company would have set out to recover discounts and grants it deems were inappropriately administered; however, after considering input from Staff, stakeholders, and peer utility proceedings, the Company's revised tariff has removed rebilling references. This revision effectively makes the BDP "risk-free" for enrolled customers. Staff has consistently recommended risk-free terms across peer utility differential rate discussions and appreciates NW Natural's willingness to incorporate this in its interim program.

Additional Considerations

As discussed in greater detail earlier in this report, NW Natural offers an arrearage management program for income-qualified customers in Schedule R. The Company is authorized a total of \$ 9,250,500 for direct residential arrearage assistance. This amount includes an initial authorization of \$6,167,000¹⁶ at the program's inception in May 2021 and a second authorization of \$3,083,500,¹⁷ from an extension granted in March 2022. Funds were expended and committed through multiple AMP options. At the start of the AMP, NW Natural's residential arrears had nearly quadrupled from a pre-pandemic¹⁸ \$4.4 million to \$17.2 million. What was even more concerning was that the January 2020 percentage of arrears more than 90 days past due was approximately 5.2 percent of total arrears, while by May 2021 the 90+ day bucket represented 41.9 percent. This value continues to register well above pre-pandemic numbers with a peak of 78.5 percent in September 2021. In the most recently available arrears data for May 2022, a year since the AMP began, residential past-due balances are approximately \$11.03 million. Arrears are presently down from the May 2021 peak;

¹⁵ See Docket No. ADV 1390, CEP Comments, May 27, 2022, at Page 2.

¹⁶ See Docket No. ADV 1249.

¹⁷ See Docket No. ADV 1373.

¹⁸ January 2020.

however, it appears higher winter heating bills have impacted arrears balances as Staff observes residential Company totals increasing between December of 2021 and April 2022.

April to May 2022 month over month data saw a decrease of approximately \$670,000, and Staff hopes this signals a downward trend for the summer, after which the proposed BDP will begin enrollments.

See Appendix B for the latest NW Natural's most recent residential arrears figures.

Effects of Filing

In the original filing, NW Natural estimated Year 1 cost recovery for the BDP at \$1,038,181. This amount assumes 7,500 customers enroll in the BDP. The Company estimated enrollment numbers using the average annual number of customers participating in OLGA.

The effect of the proposed Year 1 cost recovery in Schedule 335 would increase the Company's annual Oregon revenues by \$1,038,181, or about 0.14 percent. The Company estimates the monthly bill impacts based on average usage for each rate schedule illustrated in Table 3.

Table 3. NW Natural BDP Monthly Bill Impacts (original filing)

Rate Schedule	Avg. Therm/Month	Bill Impacts ¹⁹	
		\$ increase	% increase
2	53	\$ 0.09	0.14%
3	237	\$ 0.32	0.13%
27	45	\$ 0.06	0.13%
31	2,630	\$ 2.84	0.15%
32	36,103	\$ 7.46	0.05%

The number of customers affected by the proposed change is 644,573 residential customers, and 61,891 commercial and industrial customers.

In the Company's July 1, 2022, comments, NW Natural stated that it plans to revise cost recovery amounts upwards in its supplemental filing to reflect updated estimates that used more granular data than the original estimate of 7,500. The revised recovery is expected to reflect the at least 14,100 customers the Company forecasts auto-enrolling on the BDP's launch date. The updated bill impacts and Year 1 recovery amounts were not available to Staff at the time this memo was written.

¹⁹ These amounts represent a fixed per bill charge subject to change with the annual review of the associated BDP balancing account. The monthly charge is not volumetric and thus does not fluctuate monthly based on the customer's usage.

Conclusion

Staff believes the Company has worked collaboratively with interested parties on a differential rate proposal that strives to mitigate energy burden and support income-eligible customers with more affordable rates. Staff notes that much of the BDP proposal aligns with Staff's Baseline Evaluation Criteria and incorporates feedback shared by stakeholders both before and after the Company's initial filing. Staff notes that the Company endeavored to resource information from peer utility engagement and differential rate designs, while also allowing for post-filing evolutions that addressed higher needs customer groups with steeper discounts. Staff is also appreciative of the Company's intent for this program to be interim and iterative with learnings to be applied as needed from the LINA, Staff HB 2475 investigation, BDP data, and continued community engagement. Ultimately, Staff is supportive of the proposed NW Natural BDP, particularly with regard to the low barrier features of auto-enrollment and self-certification of income, and the four-tier discount structure and incorporation of risk-free terms, as revised.

In terms of cost recovery, consistent with the treatment of deferred differential rate program administrative costs in peer utility agreements, Staff supports NW Natural's proposal to separately defer and track administrative costs associated with the BDP while allowing for contemporaneous recovery of direct assistance costs in the automatic adjustment clause under proposed new Schedule 335.

Staff notes that the LSN comes as a result of the Company's efforts to incorporate input regarding terms and evolutions to the originally filed BDP from community partners, advocates, and Staff in advance of the Public Meeting. To this end, Staff supports approval on LSN.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural Gas Company's (NW Natural or Company) Advice Filing No. 22-02 establishing Schedule 330, Residential Bill Assistance Program and Schedule 335, the corresponding Bill Assistance Program Cost Recovery Mechanism, proposed to be effective with service on and after July 15, 2022, on less than statutory notice (LSN).

Additionally, Staff makes the following forward-looking recommendations that do not require a change to the final Schedule 330 tariff language:

1. With input from Stakeholders, develop and administer a short survey offered to participants at the time of enrollment and within 12-month in Year 1 with frequency to be reassessed thereafter. Surveys should be developed with input from community partners and include questions on energy affordability and

demographics. The surveys should:

- a. Be optional;
 - b. Have results trackable by income level declared at the time of self-verification; and
 - c. Omit or encrypt personal identifiable information (PII).
2. Share participant survey findings and participant attributes with Staff and Stakeholders during post-implementation engagement.
 3. Develop and administer an annual short survey offered to CAAs providing necessary information to NW Natural to auto enroll clients in BDP for the purposes of evaluating overall experience administering the program and effectiveness with helping clients.

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 the Company 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>

Attachment B

NW Natural's Residential Customer Arrears January 2020- April 2022

Figure 3 - Residential Customers in Arrears

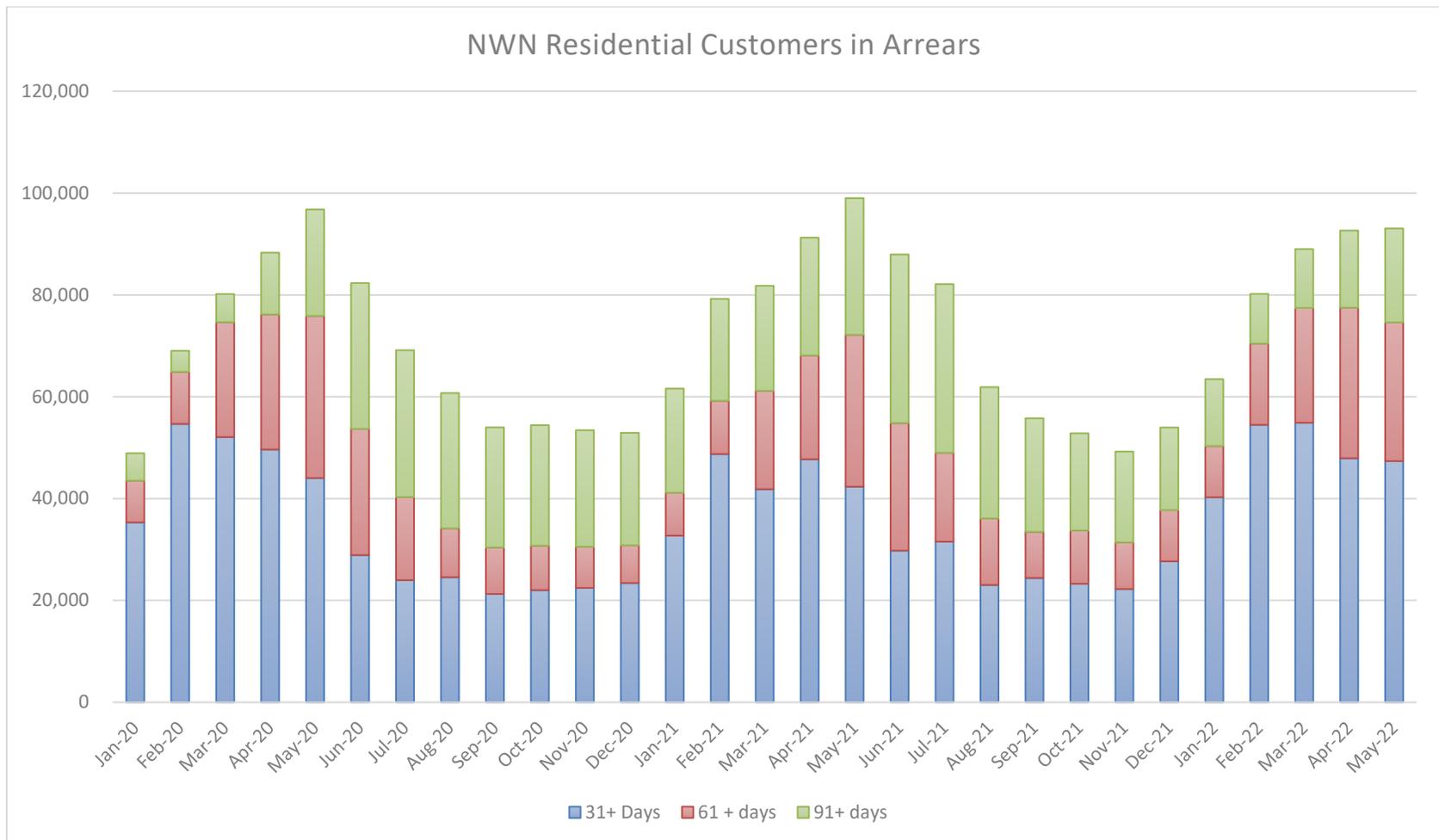


Figure 4 – Residential Arrears

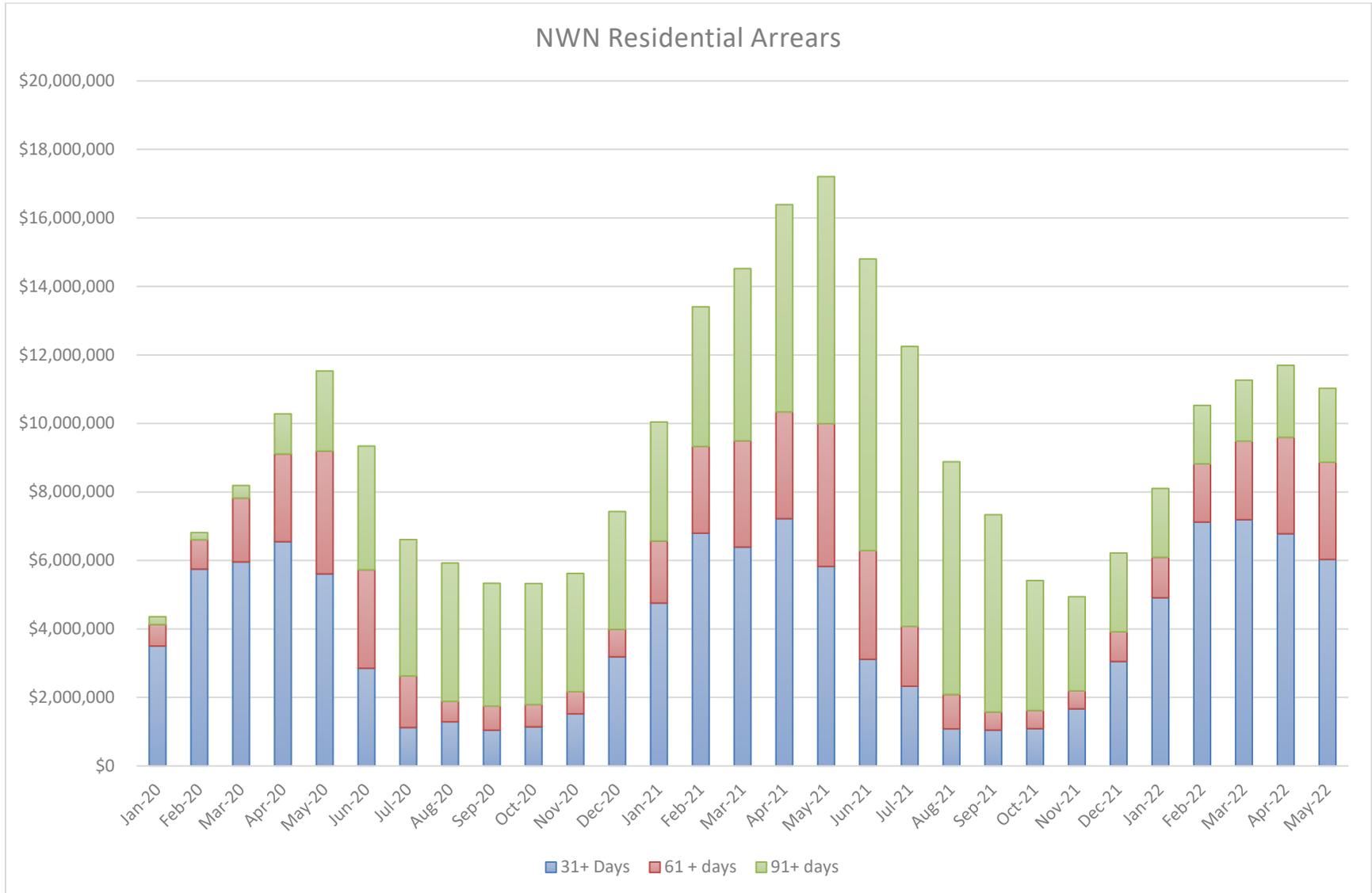


Figure 5 – Average Residential Arrears

