

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 26, 2022**

**REGULAR**   X   **CONSENT**        **EFFECTIVE DATE**       August 1, 2022      

**DATE:** July 18, 2022

**TO:** Public Utility Commission

**FROM:** Michelle Scala

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

**SUBJECT:** AVISTA UTILITIES:  
(Docket No. ADV 1410/ Advice No. 22-03-G)  
Updates Schedule 493, Residential Low-Income Rate Assistance  
Program, with new income-based bill discount model.

**STAFF RECOMMENDATION:**

Approve Avista Utilities' Advice Filing No. 22-03-G, updating Schedule 493 and establishing the Low-Income Rate Assistance Program (LIRAP) Bill Discount and Arrearage Assistance offerings, as supplemented on less than statutory notice, effective for service on and after August 1, 2022.

Further, direct Avista to:

1. With input from Stakeholders, develop a short survey offered to participants at or around the time of enrollment and in regularly scheduled increments thereafter. The survey may be administered, and data, stored by the Company, CAAs, or third-party, as deemed appropriate. The survey should:
  - a. Be optional
  - b. Include questions on demographics and energy affordability
  - c. Have results trackable by income level declared at the time of self-verification
  - d. Omit or encrypt personal identifiable information (PII)
2. Develop and administer an annual short survey offered to CAAs enrolling clients in the energy discount for the purposes of evaluating overall experience administering the program and effectiveness at helping clients.
3. Share survey findings and participant attributes with Staff and Stakeholders during post-implementation engagement.

4. Report on energy discount program and participant metrics by month and zip code in quarterly increments. Metrics include, but are not limited to:
  - a. Total number of customers enrolled in the program
  - b. Total dollars provided to customers, by discount tier
  - c. Average discount provided to customers, by discount tier
  - d. Dollars spent on administrative costs, by descriptive cost category
  - e. Total enrollments through Avista (does not need to be by zip code)
  - f. Total enrollments through community partners (by agency)

## **DISCUSSION:**

### Issue

Whether the Oregon Public Utility Commission (Commission) should approve Avista's Advice Filing No. 22-03-G proposal, as supplemented, to establish the Low-Income Rate Assistance Program Bill Discount, effective with service on and after August 1, 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 House Bill (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.<sup>1</sup>

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*

The Energy Affordability Act (HB 2475) took effect on January 1, 2022, and provides the Commission the authority to consider differential energy burdens on low-income customers in rate classifications. In Docket No. UM 2211, Staff is leading an investigation into HB 2475 implementation that seeks to explore energy burden mitigation and inform Commission policies for differential rate design and administration.

The Company's original Low-Income Rate Assistance Program (LIRAP) was approved by the Commission on October 15, 2002. 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. The revenue collected for LIRAP is provided to the four Community Action Agencies<sup>2</sup> (CAAs or Agencies) 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.

### *Avista's Proposed LIRAP Bill Discount and Arrearage Assistance*

In Docket No. 1410, Avista has proposed a bill discount program for all self-attested income-qualifying residential customers to be part of (and eventually funded through) the Company's Schedule 493, LIRAP. The discount structure includes four distinct income tiers as shown in Table 1. The level of relief provided to enrolled customers ranges from 15 percent to 90 percent, with the deepest discounts afforded to those in the lowest income bracket. The bill discount percentages were informed by a low-

---

<sup>1</sup> 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.

<sup>2</sup> 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).

income needs assessment performed by Empower Dataworks that, in part, assessed the average bill discount amount needed to reduce customer energy burden to 3 percent.

Avista's proposal also includes arrearage assistance for enrolled customers. For customers between 21-60 percent SMI, the arrearage assistance incorporates Avista's existing LIRAP AMP (90-10 match), inclusive of the April 2022 modifications and an increased maximum award of \$1,000. For customers between 0-20 percent SMI, customers will have the opportunity to have their arrearage forgiven (no match) up to \$1,000.

*Table 1. Avista's Proposed LIRAP Assistance by Income Tier*

Income Range	Discount	Arrearage Assistance
0-5% SMI	90%	Arrearage Forgiveness <sup>3</sup>
6-20% SMI	60%	
21-40% SMI	25%	Arrearage Management Program <sup>4</sup>
41-60% SMI	15%	

Avista has also incorporated a hardship exemption into the program for customers between 60-80 percent SMI experiencing hardship and requesting assistance with their energy bills. In these unique circumstances, a customer who does not meet the income thresholds outlined in Table 1 may self-attest to a household income of up to 80 percent SMI and existing hardship impacting their ability to pay their monthly gas bill. The Company's representatives and administering CAAs will have received guidance and training on assessing for hardship exemptions and extend the 15 percent monthly bill discount to qualifying customers on a discretionary basis.<sup>5</sup>

Avista plans to continue its partnership with local CAAs to administer LIRAP offerings. Self-attestation for either qualifying household income or categorical eligibility for the discount program can be completed via telephone, online, or print. There are still some additional technical pieces to ensure non-discriminatory practices with administering self-attestation through the CAAs, however this is expected to be resolved prior to or around the time enrollments begin through further engagement.

Post-enrollment verification will be administered across a three percent sample of participants who were not auto-enrolled or income-verified through other EA processes with the CAAs. Avista plans to process the first batch of verifications nine months after

---

<sup>3</sup> Reduces customer arrearages owed over a 12-month period by providing an incentive for on-time, regular payment of their current bill plus a portion of the past due balance, for a maximum award of \$1,000.

<sup>4</sup> Provides arrearage forgiveness for customers with incomes at or below 20 percent SMI, for a maximum award of \$1,000.

<sup>5</sup> The hardship exemption does not include an AMP offering.

enrollments begin to provide the administering CAAs runway in advance of the busier winter heating season. Avista plans to work with Agencies and community stakeholders on best practices for post-enrollment verification that take into account the customer experience and circumstances that may impact their ability to produce requested documentation.

Customers enrolled in the program must re-enroll every two years. Customers receiving LIHEAP will automatically qualify for the program and be automatically re-enrolled for two years following receipt of LIHEAP funds.

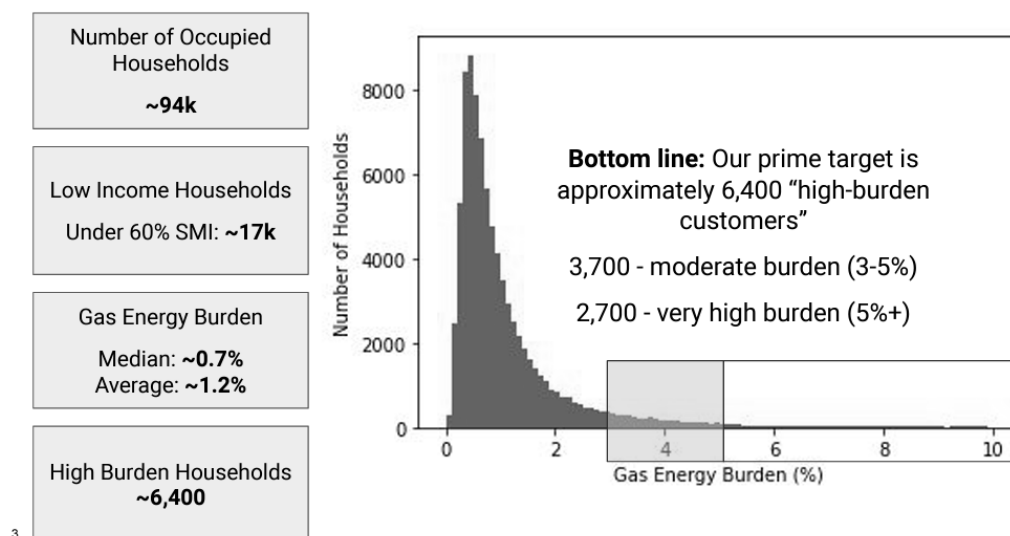
### *Avista Low-Income Needs Assessment*

In 2022, Avista commissioned Empower Dataworks, a third-party consultant, to perform a Low-Income Needs Assessment (LINA) for Avista's Oregon service territory.<sup>6</sup>

The study sought to identify the gas energy burden of Avista's Oregon customers and make recommendations on how to design energy assistance programs for the greatest impact. Figure 1 (see below), from the study, highlights the energy burden of Avista's customers. The study estimates the average gas burden of Avista Oregon customers to be 1.2 percent. In addition, the study found that roughly 17,000 of Avista's customers are under 60 percent SMI and of that subset 6,400 are classified as high energy burden households (households with an energy burden of 3 or greater).

*Figure 1. Gas Energy Burden of Avista's Oregon customers*

### Gas Energy Burden of Avista's Oregon customers



<sup>6</sup> See Docket No. UM 1410, Avista's Presentation for the 7/12/22 Workshop, accessed at <https://edocs.puc.state.or.us/efdocs/HAH/adv1410hah93442.pdf> for further details.

The study presented the following high-level takeaways:

- The total energy assistance need for Avista customers in Oregon is approximately \$1.8 million, meaning that it would require \$1.8 million to bring all energy burdened households in Avista's service territory down to a three percent energy burden.
- Between 2019-2021, total program funding appeared to cover a large portion of the need, but only 35 percent was directed at high-burden households.
- LIRAP redesign in 2022 is expected to target benefits at high-burden customers.
- The program administration/overhead is in a similar range as other programs.
- The weatherization program participation is low, primarily due to constrained workforce, and supply chain issues.
- There is good coordination between Avista and local agencies on designing culturally appropriate marketing.

In addition to providing findings related to the current situation around energy burden in Avista's service territory the study also provided recommendations for improving outcomes. Among these recommendations were more targeted marketing efforts towards energy burdened homes, revisiting weatherization allowances, and formalizing the agency referral process.

#### *Cost Recovery*

To date, the differential rate proposals that have come the Commission have included automatic adjustment clauses, or cost recovery schedules to contemporaneously recover direct assistance costs of the programs. Avista has not made such a proposal, in part because the long-term goal is to use the existing Schedule 493 LIRAP charge to encompass the costs of the discount. That said, for the purposes of the first program year, rather than request an increase to the LIRAP rate now based off of forecasting the potential impacts of HB 2475, the Company has proposed to defer all costs associated with the proposal, including both administrative and direct assistance costs.<sup>7</sup> The Company believes this approach will allow proper time to observe the actual financial impact of these modifications and will help to mitigate the potential rate impact of the increased participation expected to result from these changes. Avista also notes that it will be able to leverage any LIRAP carryover from the 2022-23 program year to help offset any rate increase that may be needed to recover deferred costs as well as future program costs.

#### *Stakeholder Feedback*

Stakeholders have expressed significant support for Avista's LIRAP bill discount proposal and appreciation for the Company's proactive adjustments to LIRAP terms, AMP benefit maximums, and softer post-enrollment verification plans. Additionally, the

---

<sup>7</sup> See Order No. 22-099, Docket No. UM 2232, Avista Deferral of HB 2475 Costs.

low-income needs analysis was highlighted as providing valuable insights and useful in both near- and long-term planning.

The bullets below summarize feedback provided by Community Action Partnership of Oregon, Community Energy Project, and Oregon Citizens' Utility Board (CUB):

Positives:

- Auto-enrollment
- Self-verification
- Level of relief
- Risk-free
- Arrearage Forgiveness
- Permanent AMP in place
- Hardship exemption

Opportunities:

- Target 80 percent enrollment as a metric of success.

*Staff Review*

Staff's review consisted of regular participation in Avista's pre and post-filing engagement, including but not limited to, workshops, multi-party written correspondences, and CAA outreach. Additionally, Staff engaged with Empower Dataworks on the LINA findings and had the opportunity to review and dialogue on the relevant metrics and recommendations with regard to Avista's proposed LIRAP bill discount and arrearage assistance model. Staff assessed the proposed model using the key baseline evaluation criteria put forward in Docket No. UM 2211<sup>8</sup> and found no major concerns with the proposal. Table 2 (see page 8) provides a high-level summary of Staff's positions across the aforementioned key baseline criteria used to evaluate HB 2475 interim differential rate program proposals.

---

<sup>8</sup> See Attachment A.

*Table 2. Summary of Staff Positions across Key Baseline Criteria*

<b>Design Element</b>	<b>Staff Position</b>	<b>Notes</b>
<b>Eligibility</b>	Support	See Table 1 at p.4
<b>Level of Relief</b>	Support	See Table 1 at p.4
<b>Tracking</b>	Support	Staff provides additional guidance regarding tracking and reporting in its non-tariff recommendations, which the Company has indicated it is willing to do
<b>Outreach and Engagement</b>	Support	Multiple platforms; Agency and CBO partnerships; targeted call campaigns
<b>Post-Enrollment Verification</b>	Support	Avista has proposed to initiate post-enrollment verification at 9-months in the interest of CAA heating season workloads

Staff also notes its support for a number of the more granular components included in Avista's design, including the use of auto-enrollment, income self-certification, LINA informed discount levels, third-party enrollments, risk-free terms, and arrearage assistance.

Regarding the LINA, Staff believes that the study provides useful information in assessing the energy burden landscape across Avista's service territory and makes thoughtful recommendations for reducing energy burden and improving customer outcomes. Staff finds LINAs a valuable tool to inform any differential energy burden conversations and program evaluations going forward and encourages the Company and its peer utilities to continue this practice.

Regarding cost recovery, Staff supports Avista's approach to defer all costs associated with the proposal in its existing deferral authorization, as approved by the Commission on March 22, 2022, in Docket No. UM 2232, Order No. 22-099.

#### *Additional Considerations*

Staff and stakeholders continue to monitor the state of arrears across Oregon regulated utilities. In October 2021, Avista launched its permanent AMP to provide arrearage assistance to income-qualified customers and has since made enhancements to encourage enrollment and afford participants greater levels of relief. In a review of the most recently available arrearage data, the Company appears to be trending around pre pandemic numbers for several of the tracked metrics in its monthly COVID-19 Report,



RG 92. As of June 2022, Avista reported the following arrears metrics:

- Total Customers in Arrears: 9,754
- Total Arrears: \$1,631,603
- Average Residential Arrears per Customer:
  - 31-60 days: \$59.47
  - 61-90 days: \$121.42
  - 91+ days: \$294.03

See Appendix B for Avista's residential arrears figures.

#### *Effects of Filing*

In its original filing, Avista provided estimates that if approximately 3,310 eligible customers participated in the LIRAP discount in year one, the Company could potentially expend approximately \$1.6 million in LIRAP funds. The average customer using 48 therms would see their average bill of \$68.17 increase to \$69.16 (an increase of \$0.99 or 1.5 percent). Avista noted that this estimate provides a "high uptake" scenario, as they assume that all participating LIRAP discount customers will also receive Arrearage Forgiveness or participate in the AMP. The Company noted these values are likely still valid reference points that could carry over to the revised terms. That said, Avista's proposal, by comparison to peer utilities, has no immediate rate impacts to customers as the Company is not currently seeking contemporaneous cost recovery. As discussed earlier in this memo, Avista will defer all administrative and direct costs associated with this proposal until actual cost data is available to inform any necessary adjustments to Schedule 493 rates.

#### Conclusion

Staff finds that the LIRAP bill discount and arrearage assistance proposal put forward by Avista in the supplemental Advice Filing No. 22-03-G on July 19, 2022 meets the expectations articulated in Staff's baseline evaluation criteria and key design elements in Docket No. UM 2211. As such, Staff recommends the Commission approve the terms of the proposal establishing the new LIRAP bill discount and arrearage assistance terms, effective for August 1, 2022.

#### **PROPOSED COMMISSION MOTION:**

Approve Avista Utilities' supplemental Advice Filing No. 22-03-G, on less than statutory notice, updating Schedule 493 and establishing the Low-Income Rate Assistance Program (LIRAP) Bill Discount and Arrearage Assistance offerings, effective with service on and after August 1, 2022.

Further, direct Avista to:

1. With input from Stakeholders, develop a short survey offered to participants at or around the time of enrollment and in regularly scheduled increments thereafter. The survey may be administered, and data, stored by the Company, CAAs, or third-party, as deemed appropriate. The survey should:
  - a. Be optional
  - b. Include questions on demographics and energy affordability
  - c. Have results trackable by income level declared at the time of self-verification
  - d. Omit or encrypt personal identifiable information (PII).
2. Develop and administer an annual short survey offered to CAAs enrolling clients in the energy discount for the purposes of evaluating overall experience administering the program and effectiveness at helping clients.
3. Share survey findings and participant attributes with Staff and Stakeholders during post-implementation engagement.
4. Report on energy discount program and participant metrics by month and zip code in quarterly increments. Metrics include, but are not limited to:
  - a. Total number of customers enrolled in the program
  - b. Total dollars provided to customers, by discount tier
  - c. Average discount provided to customers, by discount tier
  - d. Dollars spent on administrative costs, by descriptive cost category
  - e. Total enrollments through Avista (does not need to be by zip code)
  - f. Total enrollments through community partners (by agency).

# 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"> <li>• Assistance dollars per customer;</li> <li>• Total and average arrears of participants (by 30, 60, 90+ days aged buckets);</li> <li>• Percentage of EA recipients;</li> <li>• Difference in average bill of participating versus non-participating customer.</li> </ul>	<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

Avista's Residential Customer Arrears January 2020- April 2022

