

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 22, 2022**

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE  March 23, 2022

**DATE:** March 16, 2022

**TO:** Public Utility Commission

**FROM:** Michelle Scala

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

**SUBJECT:** NORTHWEST NATURAL:  
(Docket No. ADV 1373/Advice No. 22-01)  
Requests additional funding authorization and modifies program options for NW Natural's Schedule R, Arrearage Management Program.

**STAFF RECOMMENDATION:**

Approve Docket No. ADV 1373, NW Natural's request for additional funding authorization and modified program options for NW Natural's Arrearage Management Program, and permit inclusion of the Company's grant commitments during the funding gap in its deferral, effective with service on and after March 23, 2022, subject to the following conditions and considerations:

- 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)<sup>1</sup> and below;
- 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 SMI<sup>2</sup> to receive up to \$1,500 toward their arrearage balance without a matching requirement or proof of crisis; and

<sup>1</sup> U.S. Department of Health and Human Service, *2022 Federal Poverty Level Guidelines*, available at [Guidelines-2022.pdf \(hhs.gov\)](https://www.hhs.gov/guidelines-2022.pdf).

<sup>2</sup> U.S. Department of Health and Human Services, *2021 Oregon State Median Income*, available at [Oregon State Median Income for FFY 2021 | The LIHEAP Clearinghouse \(hhs.gov\)](https://www.hhs.gov/oregon-state-median-income-for-ff-2021/).

- Supplement existing quarterly reports with AMP participation data reported by month and 5-digit zip code.

## **DISCUSSION:**

### Issue

Whether the Oregon Public Utility Commission (Commission) should approve NW Natural's Advice No. 22-01, which requests additional funding authorization and modifies program options for NW Natural's Arrearage Management Program, effective with service on and after March 23, 2022.

### Applicable Law

Oregon Revised Statute (ORS) 757.205 requires public utilities to file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. Pursuant to ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable.

Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220; Oregon Administrative Rules (OAR) 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

ORS 757.230, as amended by HB 2475, provides the Commission authority to take certain considerations into account when determining a comprehensive classification of service for each public utility; including, the quantity used, the time when used, the purpose for which used, the existence of price competition or a service alternative, the services being provided, the conditions of service, differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers.<sup>3</sup> Energy burdens may be mitigated through the use of tariff schedules, rates, and bill credits.<sup>4</sup>

### Analysis

#### *Background*

On March 8, 2020, Governor Kate Brown declared a state of emergency due to the public health threat posed by the novel infectious coronavirus. In response to the state

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<sup>3</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>4</sup> ORS 757.695.

of emergency, the Commission approved a Stipulated Agreement, endorsed by Portland General Electric, NW Natural, Pacific Power, Avista, Idaho Power, Cascade, Staff, Oregon Citizens' Utility Board, Community Action Partnership of Oregon, Northwest Energy Coalition, Verde, and Multnomah County in Order No. 20-401.<sup>5</sup> The Stipulated Agreement provided a number of temporary customer protections, including a requirement for electric utilities to offer arrearage management plans (AMP) to residential customers experiencing economic hardship due to the COVID-19 pandemic. In fulfillment of the AMP terms, on February 25, 2021, NW Natural filed Advice No. 21-02, Docket No. ADV 1249, requesting authorization for new Schedule R, Residential Arrearage Management Program. After the Company worked with Staff and stakeholders to incorporate feedback and modify the original proposal, the Commission approved the program as requested in revised Advice No. 21-02A, and NW Natural's Schedule R became effective May 3, 2021.

#### *Schedule R- Residential Arrearage Management Program*

NW Natural's currently approved AMP provides the following bill assistance options to eligible customers whose accounts are in arrears:

1. Instant Grant – A one-time grant up to \$300 for past due or full account balance intended for qualified customers with smaller past due balances who express economic hardship. No matching payment required.
2. 50/50 Matching Grant Option – Provides a payment match option that offers up to a \$600 credit matching the qualified customer's payment, applied directly to the past due or full account balance.
3. Time Payment Arrangement (TPA) with Matching Grant Option – Provides customers an option in which the qualified residential customer enrolls in a TPA and receives a matching grant payment directly to their past due account for each monthly installment, paid at the time the customer's TPA payment posts. The grant is equal to 50 percent of the total account balance with matching grant payments divided equally by the number of payments required by the TPA. No down payment is required and a levelized payment arrangement can be made to bring the customer's account current in addition to a "Current bill plus" payment plan.

All three programs require customers to be more than 31 days in arrears to receive a benefit. Each eligible customer may receive funding up to the Program maximum of \$1,200; however, no option may leave a credit on a customer's account. The programs may be used individually or in any combination, depending on the circumstances and

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<sup>5</sup> Order No. 20-401, *Investigation into the Effects of the COVID-19 Pandemic on Utility Customers*, Docket No. UM 2114, Appendix A 9-35 (Nov. 2020).

needs of each customer. The program options do not preclude participation on the basis of the amount of arrears on a customer's account. In exceptional situations when customers are unable to make any payment due to various forms of additional financial hardship due to crises above and beyond those commonly experienced due to the COVID-19 pandemic, Instant Grants greater than \$300 may be considered (crisis grant). A qualified customer may receive a crisis grant up to \$1,000, not to exceed the customer's total past due balance at the time of enrollment. Additionally, a customer receiving a crisis grant is still subject to the total Program benefit cap of \$1,200. The Company expressed that providing customers options to combine programs and/or be considered for Crisis Grants creates flexibility and more customized assistance options for customers

As outlined in the Stipulation adopted in Order No. 20-401, the original AMP funding authorization was equal to one percent of the Company's Oregon retail revenues (\$6,167,000), not to be increased without prior Commission approval, as determined by the Company's recent general rate case in Docket No. UG 388.

#### *Energy Affordability Act*

On January 1, 2022, Oregon House Bill (HB) 2475 became effective. The bill expanded language under ORS 757.230 to include additional factors the Commission may consider when establishing rate classifications, such as the "differential energy burdens on low-income customers and other economic, social equality or environmental justice factors that affect affordability for certain classes of utility customers." In response to HB 2475, the Commission has initiated a broad implementation effort that includes both interim action to provide customers near-term relief under the new authority and a longer-term investigation to fully explore and establish the Commission's policies for differential rate design and administration.<sup>6</sup> In addition to the interim action proposal under review in this Staff memorandum, NW Natural indicated it is in the process of developing a low-income bill discount program that is estimated to be filed later in 2022 with the program in place for the next heating season. The Company has also pointed to its completion of a low-income needs assessment in 2022 that is expected to inform a long-term and potentially comprehensive low-income rate program.

#### *Baseline Evaluation Criteria for Interim Actions*

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.

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<sup>6</sup> See Docket No. UM 2211.

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

#### *NW Natural's Proposed AMP Revisions*

NW Natural is proposing to revise the original AMP authorized funding amount by an increase of \$3,083,500, for a total authorization of \$9,250,500, or one and a half percent (1.5%) of NW Natural's UG 388 retail revenues.<sup>7</sup> The Company states that the financial hardship caused by the past two years of the COVID-19 pandemic persists and related economic impacts continue. According to the Company, additional authorization for the AMP will help mitigate the lingering effects of the pandemic and provide extended arrearage relief through the spring as customers navigate higher winter heating bills.

In addition to the Company's proposed funding increase, NW Natural proposed the following tariff revisions to the Schedule R, AMP:

- Add new Low-Income Instant Grant Option up to \$1,200 for no-match arrearage assistance.
- Set aside \$750,000 of the additional ~\$3.1 million authorization request exclusively for the new Low-Income Instant Grant Option (LIIGO).

The LIIGO and corresponding set-aside would be extended to customers who are receiving Energy Assistance (EA) or have been income-qualified for EA since January 2019. Eligible customers are auto-enrolled for the LIIGO if they have an existing arrearage balance. NW Natural believes the LIIGO addresses the needs of low-income customers impacted by the economic repercussions of the COVID-19 pandemic in a simple manner that doesn't present any barriers to customers receiving economic relief. NW Natural also states that the LIIGO and set-aside to meet Commission Staff's HB 2475 Interim Action Framework in UM 2211 to provide enhanced bill assistance that is targeted at providing relief to those most in need.

#### *Stakeholder Feedback*

On February 4, 2022, NW Natural reached out to stakeholders in advance of formally filing the AMP expansion for feedback. The Company reported limited engagement from this initial informal solicitation and notified stakeholders that the Company had filed Advice No. 22-01, requesting the AMP expansion on February 17. At this time, Staff recommended the Company conduct a technical workshop and provide an open forum for question and answer with stakeholders and community advocates to promote accessibility and align with the engagement strategies discussed in the HB 2475 implementation docket, Docket No. UM 2211. NW Natural agreed and worked with Staff

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<sup>7</sup> COVID-19 direct and indirect costs, including AMP assistance are currently being deferred by the Company pursuant to Order No. 20-380 in Docket No. UM 2068. Eligible costs deferred under this docket may be recovered from all NW Natural customers in Oregon in a future proceeding following a prudence review.

to host a workshop for the AMP proposal on March 4, 2022. Following the conclusion of the workshop, Stakeholders were asked to provide comments by March 14, 2022.

Staff notes the accelerated timeline under which stakeholders were asked to submit comments and appreciates the community's willingness to provide informative and valuable feedback despite this. As of March 14, 2022, Staff had received comments from Community Energy Project (CEP), Northwest Energy Coalition (NVEC), and the Multnomah County Office of Sustainability (MCOS), and the Oregon Citizens' Utility Board (CUB).

The CUB, NVEC/CEP, and CEP/MCOS comments include the following issues/themes:

- General support for additional AMP assistance to be made available quickly without a major program lapse. Comments also shared a theme of encouraging NW Natural to continue to investigate improvements and monitor program and arrearage data to gauge the success of the current design. NVEC/CEP suggest May 2022 as a target date for NW Natural to identify any improvements.
- Concern that and the AMP revisions have not done enough to target those in greatest need, including:
  - Concern that NW Natural is not allocating more to the low-income-focused carve out and concern that the 50/50 match options are not targeting those with the greatest energy burden;
  - Recommendation that \$1,200 of relief is available, without a match, for low-income carve out qualifying customers;
  - Recommendation to add an opportunity for customers that qualify for EA but have not previously participated in EA programs to apply for the low-income grant opportunity on a self-certify basis. Comments also suggest that NW Natural consider allowing applicants beyond those who meet EA eligibility, using to a percentage of household income or up to 300 percent of the Federal Poverty Level as used in Cascade Natural Gas's AMP; and
  - Interest in linking AMP participants with the opportunity to take advantage of low-income weatherization to more comprehensively address energy burden.
- Comments also suggest broader improvements to ensure utilities provide early and frequent stakeholder engagement and continued evaluation of arrearage data to monitor program impact and inform permanent program design.

#### *Funding shortfall*

NW Natural filed to extend its AMP offerings on February 17, 2022, with an effective date of March 23, 2022. Staff understands that NW Natural made best efforts to consider the level of authorized funding remaining when identifying this requested effective date.

As of March 8, 2022, the Company reported to have committed the full extent of the

originally authorized funds. Staff has been in discussion with NW Natural its options to during the pendency of the AMP extension request and the merits of maintaining AMP availability for customers facing financial hardship during the winter heating season. In discussing options to temporarily suspend, permanently suspend, or seek authorization to defer AMP funds committed between March 8, 2022 and March 23, 2022, Staff confirmed its intention to recommend approval of NW Natural's AMP extension and to support a request to allow inclusion of AMP commitments incurred between March 8 and March 22 in the existing deferral and ultimate AMP cost recovery. However, Staff advised the Company that if it chose to continue to offer the AMP during this "funding gap" it would still be possible for the Commission to choose not adopt Staff's recommendation.

#### *Staff Review*

Like Stakeholders, Staff recognizes and is appreciative of NW Natural's efforts to provide continued arrearage relief to its customers. The \$750,000 low-income carve out and enhanced instant grant endeavors to target funds for income-qualified individuals, as was recommended in Staff's baseline evaluation criteria for HB 2475 interim action (Appendix A). NW Natural worked to align the program modifications with Staff's guidance and reduce barriers to enrollment by proposing an auto-enrollment feature to the LIIGO for EA recipients. Further, in presentations to Staff and Stakeholders, NW Natural pointed to other energy assistance programs available to their customers, enhanced community outreach designed to communicate and disseminate information in new and creative ways, targeted to reach hardest to access populations, and the cultivation of new and existing partnerships, including referrals to local Community Action Partnership Agencies (CAP) for weatherization and EA services. Based on the information provided, there appeared to be a well thought out strategy for connecting AMP participants, inquiries, and communities in the NW Natural service territory with additional services and information to help address energy burden.

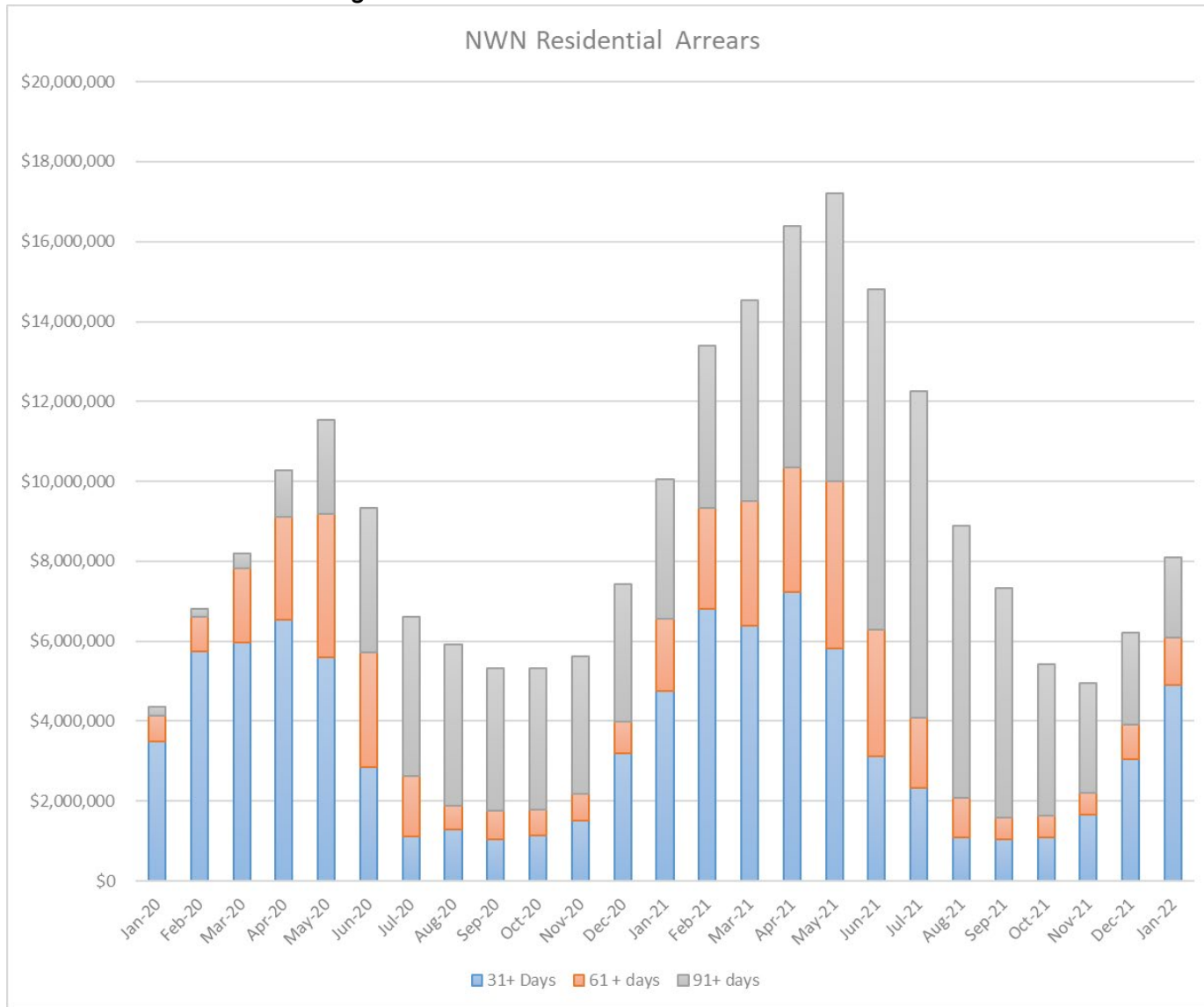
In its review of the Company's proposal, Staff juxtaposed the revised program with NW Natural arrears and AMP performance to date, key elements from HB 2475 baseline evaluation criteria, terms from peer utility programs, and issues identified in engagement with Staff and Stakeholders.

#### **Current Arrears Levels**

An important piece in evaluating how effective NW Natural's interim proposal will be is to examine trends in arrears levels over the past several months.

The figure below depicts NW Natural's residential arrears from January 2020 to January 2022 (Figure 1).

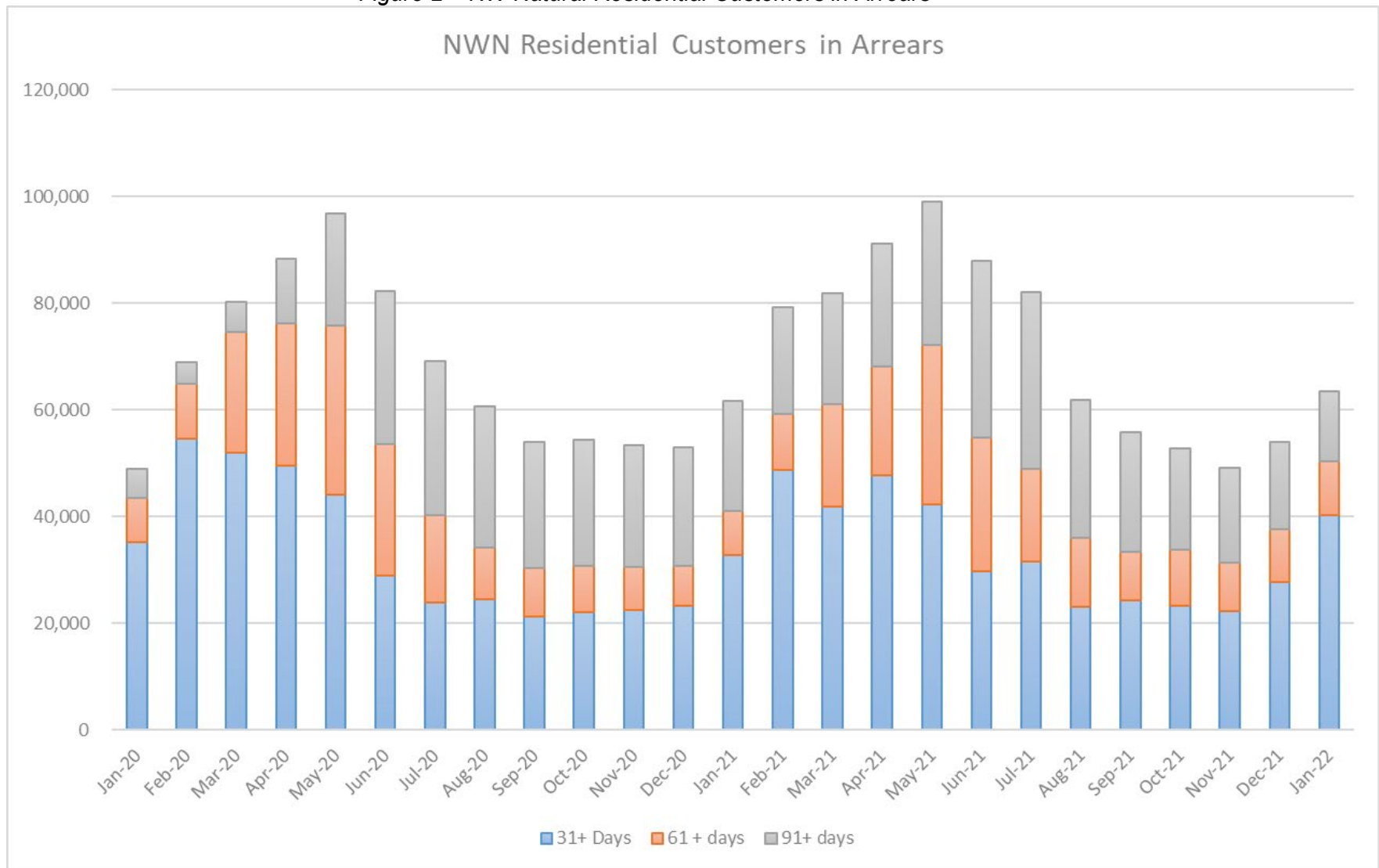
Figure 1 – NW Natural Residential Arrears





NW Natural residential arrears peaked in May 2021, the same month the Company began offering the Residential AMP. At this time, total residential arrears were approximately \$17.2 million, 42 percent of which were more than 90 days past due. As of January 2022, the total amount has come down about 47 percent to roughly \$8.1 million, with 90+ day arrears representing around 25 percent of the total. For context, in January 2020, NW Natural total arrears were \$4.4 million and only five percent of this amount were more than 90 days past due. Overall, Staff can see a downward trend in 2021 to 2022 monthly comparisons, however, the Company is still a ways off from pre-pandemic levels and Staff remains concerned that the 90+ day arrears, while improving, remain the furthest behind. Figure 2, below, depicts NW Natural's residential customers in arrears from January 2020 to January 2022 and appears to further validate this concern. In January 2020, there were a total of 48,916 NW Natural customers in arrears, 11 percent in the 90+ day group. Twelve months later, January 2021, there were 61,603 total NW Natural customers in arrears, 33 percent in the 90+ day group. In the most recently reported data set, 63,543 NW Natural customers were in arrears and 21 percent of these customers had past due balances greater than 90 days. Thus, while Staff sees some progress away from pandemic peaks, overall counts are still higher than 24 months ago and longer term past due customers continue to linger well above pre-pandemic comparisons.

Figure 2 – NW Natural Residential Customers in Arrears



Regarding AMP activity over the last year, Staff reviewed monthly AMP reports which were summarized in the Company’s initial filing (Figure 3).

*Figure 3- AMP Activity*  
 May 3, 2021 – February 14, 2022

Grant Type	Number of Households	Total Funds Granted
Instant Grant – up to \$300	15,668	\$3,892,327
50/50 Matching Grant – up to \$600	4,345	\$859,609
TPA w/Matching Grant – up to \$1,200	3,459	\$515,769
Crisis Grant – up to \$1,000	228	\$190,681
<b>Total</b>	<b>23,700</b>	<b>\$5,458,386</b>
<b>Percent of total Granted/Committed</b>		<b>88.5%</b>

Staff notes that the majority of enrollments utilize the instant grant, indicating a much higher demand for program options that do not require a match. Combining the 50-50 lump sum matching grant with the TPA matching grant enrollments represent approximately 33 percent of total grants committed compared to 67 percent by no match grant options (Instant and Crisis). Staff does not have information regarding the success/completion rate for TPA matching grant participants or the degree of overlap between customers accessing multiple options.

- *Eligibility*  
 NW Natural’s program streamlines eligibility by auto-enrolling customers with a history of low-income program eligibility. It does not propose to allow customers to self-certify income status to access the LIIGO outside of auto-enrollment. There is no income qualifier to participate, which is a concern for Staff as peer utilities have generally moved away from financial assistance for untargeted populations (e.g. COVID-19 hardship).
- *Level of Relief*  
 Staff believes NW Natural’s program does not currently prioritize the lowest income customers with the highest levels of energy burden despite the LIIGO carve out. The proposal for \$750,000 dedicated low-income assistance is less than a quarter of the additional funding authorization request and Staff shares Stakeholders concerns that funds may be unintentionally diverted away from those who need it most. CEP and MCOS highlighted the retention of the match program which tends to target those with higher means to pay. Offering up to

\$600 in assistance through the match while capping the instant grant at \$300 moves the program further away from the intended triage approach recommended by Staff.

- *Tracking and Reporting*

The costs associated with Schedule R are currently being deferred and tracked by the Company pursuant to Commission Order No. 20-380 in Docket No. UM 2068. In terms of program specific metrics, NW Natural will continue to track what is currently provided on a monthly and quarterly basis for COVID-19 bill assistance. In addition to existing reports, Staff believes that quarterly reporting, broken down by month, that provides AMP participation (customer count and assistance dollars) by 5-digit zip code should begin with the new program terms. Staff finds this data would aid with program evaluation and provide reference points for analyzing the success of outreach and targeted assistance.

- *Bundling*

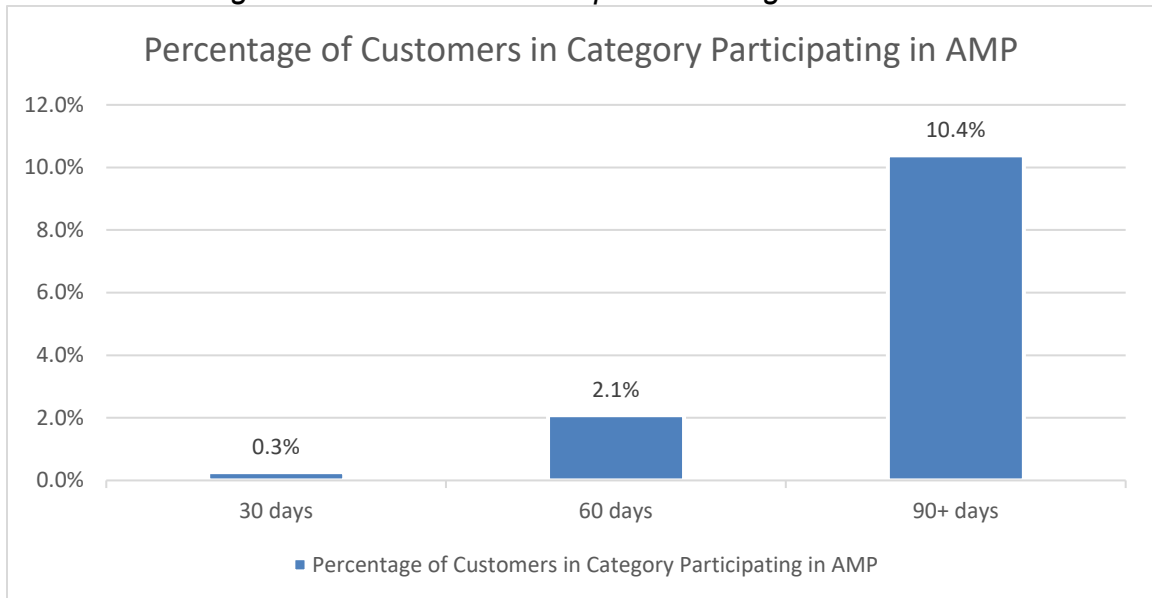
Schedule R does not include an energy efficiency (EE) bundling component. In presentations to Staff, the Company indicated that it provides referrals to weatherization services administered by local CAP agencies for AMP participants and inquiries as well as part of its enhanced outreach, but this feature is not memorialized as part of the tariff or Company obligations to customers. Stakeholders provided comments indicating they would prefer explicit ties between enrollment and access to weatherization services. Staff encourages the Company explore the feasibility of this partnership but recognizes relevant concerns discussed in Docket No. UM 2211 regarding EE administering agencies' capacity for required services and feels this component may benefit from additional collaboration prior to implementation.

- *Outreach and Engagement*

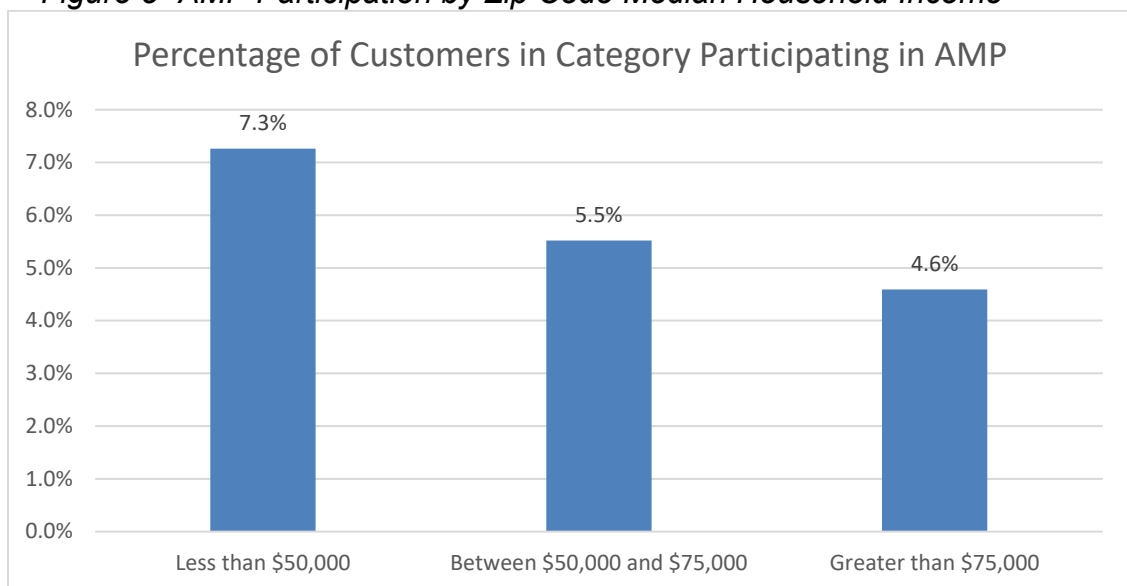
In its initial implementation, the Company's AMP utilized a proactive outreach effort known as the Healthy Account Campaign (HAC). Outcomes appeared successful, and in the month following the AMP launch, the vast majority of participants were customers with arrears more than 90 days past due (Figure 4). Initial enrollments indicated higher participation in lower wealth zip codes (Figure 5), 90+ day basket (Figure 4), among EA participants (Figure 6), and among those previously disconnected (Figure 7). Given the smaller time horizon (May 2021 - June 2021) it is difficult to draw solid conclusions about the HAC's success in reaching participants and extrapolate long term; however, Staff is hopeful that these initial enrollments are signs that the Company's HAC and outreach proved effective for need-based targeting. The Company indicated it plans to continue enhanced and creative outreach strategies and cultivate partnerships throughout the service territory. Stakeholders were supportive of the campaign and engagement proposals but recommend the Company provide for

better engagement in the OPUC process with early and frequent outreach, multiple channels for feedback, and timelines respective of coalition workflows. Staff agrees with the positive comment related to enhanced outreach as well as the areas of opportunity highlighted with regard to program design and OPUC process.

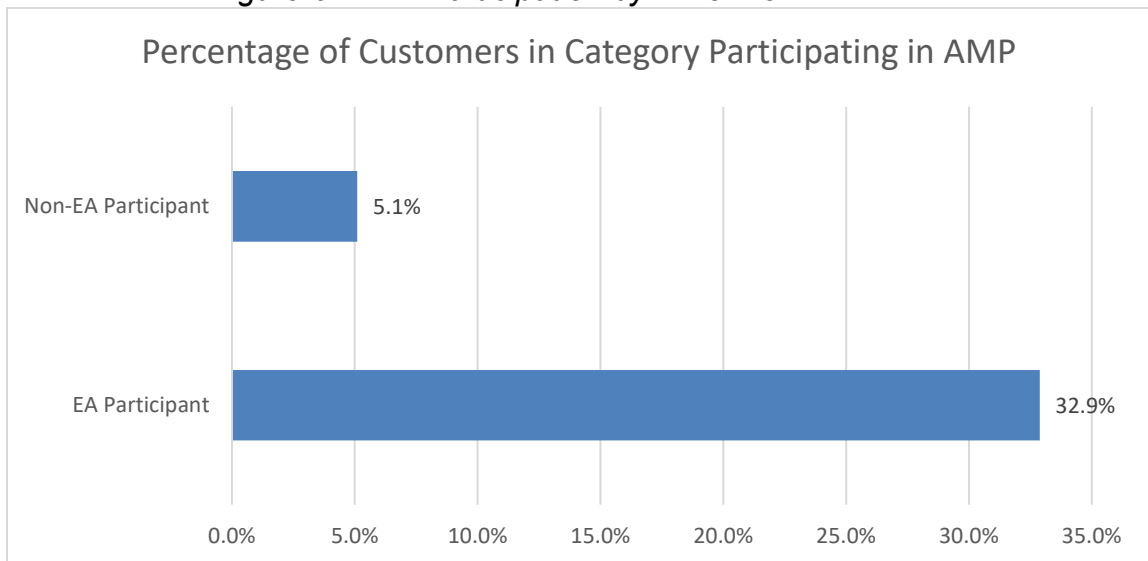
*Figure 4- NWN AMP Participation through June 2021*



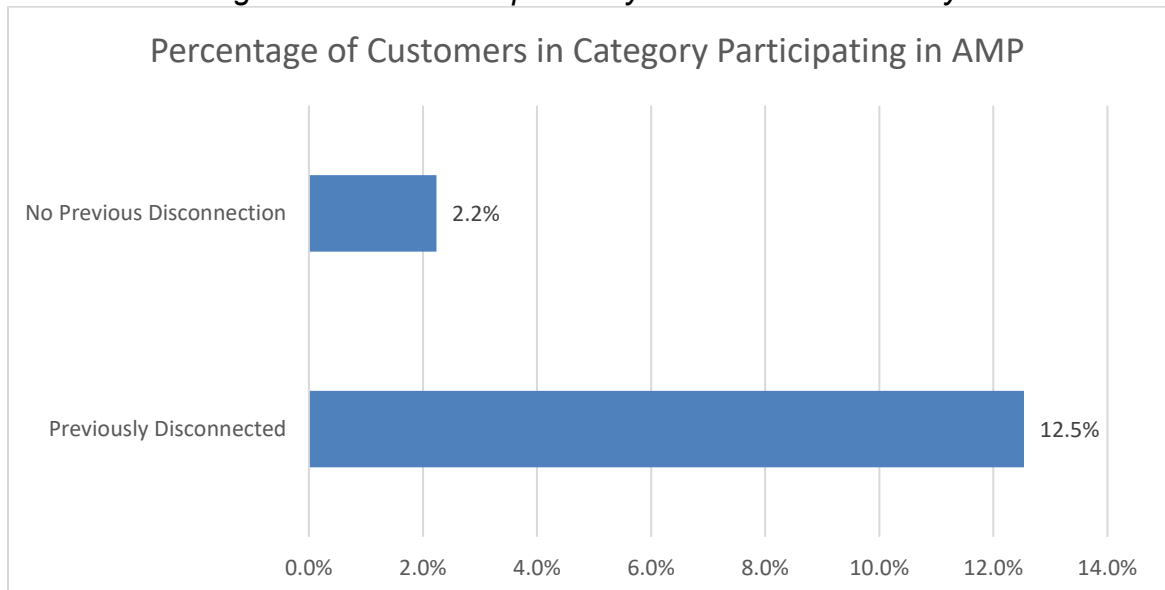
*Figure 5- AMP Participation by Zip Code Median Household Income*



*Figure 6- AMP Participation by EA or non-EA*



*Figure 7- AMP Participation by Disconnection History*



### **Peer Utility Programs**

In a review of peer utility program terms, Staff remained mindful of differences between gas versus electric programs as well as differential rate proposals versus enhanced bill assistance or AMPs. Staff recognizes there is rarely a one size fits all approach to the complex and highly personal issues related to energy burden, systemic inequities, and environmental justice. That being said, Staff has identified key design elements based on utility and Stakeholder feedback that it has asked all

the regulated utilities to consider in both interim and longer-term HB 2475 proposals (Appendix A). In comparing NW Natural's proposal to the Cascade Natural Gas and Avista interim actions, Staff is most struck by the difference in the other utilities' focus on relief for those with the greatest need. Staff notes that Cascade Natural Gas has also temporarily extended its existing AMP terms, but endeavored to target the program to providing enhanced relief levels, focused on customers below 300 percent FPL. Avista Utilities currently has a permanent AMP in place that utilizes Low Income Rate Assistance Program (LIRAP) funds and provides a 90-10 match to low-income customers in arrears. Their program also has an income qualifier, and uniquely, is not contributing to additional COVID-19 deferrals.

Portland General Electric (PGE) has exhausted both its original and additional AMP authorization and has now proposed a differential rate under Docket No. ADV 1365. While the former PGE AMP was not income qualified and focused on matching options, the proposed differential rate will only be accessible to household at or below 60 percent State Median Income (SMI).

In Staff's opinion, the most obvious area for opportunity with regard to NW Natural's proposal in comparison to peer utility terms would be to add an income qualifier, thus targeting the funds to those more in need.

#### *Recommended Modifications*

Staff and stakeholders share several concerns about the targeting of NW Natural's proposed AMP, including the level of relief available to customers that may have accessed the program previously, limiting access to the LIIGO to EA recipients, the appropriateness of retaining the match option, and potential EE bundling opportunities.

Staff finds that the addition of an income qualifier to the program will help resolve the most significant of these concerns. Specifically, that limiting participation to customers who self-certify below the 300 percent FPL will help target funds to households in greater need than those above. NW Natural has expressed some concern with this element, particularly to the extent it may create additional barriers to enrollment for some customers. Staff disagrees with this assertion, and makes the recommendation for the income qualifier as a means of targeting funds to low-income households.

Stakeholders expressed uncertainty regarding the level of relief available to customers, particularly those who are low-income and have access AMP funds before. Staff was informed by the Company that the intent was to retain the same \$1,200 program limit designated to participants since the initial launch. The Company suggested raising the limit for income-qualified individuals to mitigate the effects of prior participation on their ability to receive meaningful benefit now. Staff is supportive of taking measures to enhance bill assistance for low-income

households, especially those that find themselves in persistent hardship and a need to access additional grant funds. Staff believes increasing the program limit to low-income households to \$1,500 can be one such measure.

There is also a shared desire to allow self-certified low-income households to access the \$1,200 LIIGO rather than limiting that to EA recipients and relegating others to the \$300 instant grant. CEP and MCOS point to information from Oregon Housing and Community Services (OHCS) that only about 20 percent of people who qualify for energy assistance do obtain it, thus highlighting that many low-income households could be excluded from the targeted benefit. Staff agrees with this modification and feels it better aligns the program with Staff guidance relating to HB 2475 interim action and reduces barriers to enrollment and access to meaningful benefit for low-income households.

Stakeholders expressed concerns that the match terms in Schedule R give participants access to greater levels of relief than the original instant grant; specifically, \$600 in assistance with the match versus a \$300 instant grant. Specifically, Stakeholders state that these terms give customers with higher means to pay greater relief than those without. Under the current tariff, participants are limited to \$300 via instant grant, but are eligible to receive up to \$1,200 in assistance if using a combination of Schedule R options. There is also a \$1,000 crisis grant available for participants who express exceptional hardship during enrollment. Staff is not recommending removing the match options from the AMP options at this time, but makes other recommendations to address equity concerns with the level of relief available to participants.

Another concern, mostly effecting low-income and longer term past due customers is the seasonal uptick in arrears that began in November-December and are expected to continue through May. At this time last year, customers with past due balances were protected from disconnection. Today, absent the disconnection moratorium and in advance of finalizing Division 21 disconnection protections,<sup>8</sup> Staff believes meaningful arrearage assistance is likely an essential tool in keeping households connected. Community and EJ advocates have echoed these sentiments, particularly in calling for gas companies to address 2021-2022 winter heating balances as part of HB 2475 interim relief measures prior to differential rate proposals.

#### *Additional Considerations*

Staff recognizes the dynamic nature of NW Natural's proposal and the constraints imposed by the current availability of AMP funds. Staff also notes that the spirit of interim action is to ensure relief continues to be available while differential rate options are being developed. If the Commission believes that Staff's recommendations require

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<sup>8</sup> See Docket No. AR 653.



further exploration, the Commission may choose to approve NW Natural's proposal without modification and direct the Company to investigate Staff's recommended near-term modifications and propose additional to the AMP by the end of May 2022.

#### *Funding Gap*

As referenced in the background section of this memo, a separate issue from program terms requiring the Commission's attention is related to the Company's currently available funding authorization for the AMP. NW Natural notified Staff on March 7, 2022, that the Company was expected to fully commit the initial one percent authorization by the following day. This commitment level came at least two weeks before an earlier forecast had predicted. Although the Company has an active deferred accounting authorization for COVID-19 related costs and benefits, AMP funds were specifically limited to one percent of 2019 Oregon retail revenues, not to be exceeded without prior Commission approval. The Company expressed concern that absent authorization, they would need to either temporarily suspend or permanently conclude the AMP. Staff believes that there is good cause for continuing the AMP. Staff considered the potential customer impacts of temporarily suspending the program and felt it would likely negatively impact the customer experience for those pursuing assistance, but also create confusion given the pending request for additional funds and eventual resumption of the program. It seemed possible that enrollments could be lost and valuable assistance left unallocated as a result of what was an unintended funding gap. After conferring with Staff counsel, Staff advised the Company to continue to offer the current AMP until the March 22, 2022, public meeting. At the public meeting, the proposed program modifications would be brought before the Commission and Staff would recommend that the Company's grant commitments during the funding gap be allowed in the deferral and included as part of the requested additional authorization of approximately \$3.1 million.

#### *Effects of Filing*

NW Natural's Advice No. 21-02 requests approval to revise an existing tariff schedule, Schedule R, Residential Arrearage Management Program.

It is unknown how many customers will utilize NW Natural's interim action proposal; however, the Program may provide up to \$9,250,500 in arrearage assistance to eligible customers and will run until the Company reaches the spending limit, or until the Commission otherwise approves termination of the program.

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

### Conclusion

Staff and Stakeholders commend NW Natural for its thoughtful proposal and consideration of improvements proposed by parties since its AMPs were first filed in 2021. These efforts follow the spirit of interim action and represent meaningful steps to ensure relief will continue to be available while differential rate options are being developed.

That said, the timing constraints of this proposal did not allow parties to fully resolve concerns about the targeting the AMP to maximize the impact of this additional spending. After a review of the proposal and input from the Company and Stakeholders, Staff believes that four near-term modifications are well supported for adoption now:

1. Increase the program participation cap to \$1,500;
2. Increase the instant grant option to \$600;
3. Increase the LIIGO to \$1,500;
4. Establish a self-certified income qualifier for all proposed Schedule R programs at 300 percent of the FPL and below; and
5. 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 SMI to receive up to \$1,500 toward their arrearage balance, without a matching requirement or proof of crisis.

There appears a general consensus among parties that with the right modifications, a continuity in assistance and delivery of meaningful relief for winter heating bills is important. While shared learning and refinement should continue, Staff believes that the benefits of approving the authorization of further funds outweighs the risks of delaying this decision until all proposed improvements can be investigated. Staff recommends that NW Natural continue to investigate the other ideas and improvements proposed by Staff and Stakeholders and report its findings in this docket by the end of May. Engagement and collaboration will be important for this process. Further, with regard to tracking and program evaluation, Staff recommends the Company supplement existing quarterly reports, with monthly data showing AMP participation (i.e. customer count and assistance dollars) by 5-digit zip code beginning with the new program terms.<sup>9</sup>

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<sup>9</sup> Staff recommends that the monthly data be included in the utility's quarterly AMP reports.

**PROPOSED COMMISSION MOTION:**

Approve ADV 1373, NW Natural's request for additional funding authorization and modified program options for NW Natural's Arrearage Management Program, and permit inclusion of the Company's grant commitments during the funding gap in its deferral, effective with service on and after March 23, 2022 subject to the following conditions and considerations:

- Increase the program participation cap to \$1,500;
- Increase the instant grant option to \$600;
- Increase the LIIGO to \$1,500;
- Establish a self-certified income qualifier for all proposed Schedule R programs at 300 percent of the FPL and below;
- 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 SMI to receive up to \$1,500 toward their arrearage balance, without a matching requirement or proof of crisis; and
- Supplement existing quarterly reports with AMP participation data reported by month and 5-digit zip code.

# 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 PGE considered a target energy burden ceiling (6%) when identifying the income tiers and discount levels provided by the proposed rate)</p>	<p>Program costs are tracked and reported quarterly in a deferral with sufficient detail for ongoing Staff review and discussion</p>	<p>Collaborates with energy efficiency and weatherization partnering agencies on complementary services and potential cross referrals</p>	<p>Regularly scheduled (monthly or quarterly) discussions and consultations with partnering agencies representing or servicing target communities; consolidating with peer utilities where possible</p>
		<p>Allows flexibility or direct engagement opportunities in program design to accommodate enrollments reasonably outside specific eligibility terms</p>	<p>Continued workshops with Staff and Stakeholders on right-sizing data collection and leveraging work done by other agencies; specific attention to more granular reporting of demographic and income data.</p>	<p>Makes energy efficiency or weatherization information and program resources available to participating customers</p>	<p>Demonstrates the Company provided meaningful engagement in advance of filing</p>
					<p>Surveys participating customers and CAP agencies at 3, 6, and 12 months of implementation</p>