Exh. DLT-5
Docket UG-240008
Witness: Daniel L. Tillis

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. CASCADE NATURAL GAS CORPORATION, Respondent.	DOCKET UG-240008

CASCADE NATURAL GAS CORPORATION

FOURTH EXHIBIT TO THE
DIRECT TESTIMONY OF DANIEL L. TILLIS

March 29, 2024

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the matter of Cascade Natural Gas Corporation, CNGC Advice No. W23-06-02, Cascade Arrearage Relief Energy Savings (CARES) Program	Docket UG-230551

COMMENTS OF THE ENERGY PROJECT ON THE CASCADE ARREARAGE RELIEF ENERGY SAVINGS (CARES) PROGRAM

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I. Introduction

On June 30, 2023, Cascade Natural Gas Corporation (Cascade) submitted a tariff filing to implement the Cascade Arrearage Relief Energy Savings (CARES) program. The CARES program is a new energy assistance program for low-income customers that includes two main components: a multi-tiered bill discount program designed to reduce energy burden to 6% or less of household income, and arrearage relief for customers with past due balances. To provide more effective assistance to low-income customers, Cascade proposes to replace the Washington Energy Assistance Fund (WEAF) program, its existing grant-based energy assistance program, with the CARES program.

The Energy Project (TEP) has reviewed the CARES program filing and strongly recommends that the Commission approve the filing, and in its order approving the tariff direct Cascade to make a few minor refinements to the program in its second year. The CARES program is an important step forward for energy assistance in Washington State. It incorporates a series of best practices for providing energy assistance to low-income customers, which Cascade refined through months of in-depth collaboration with its low-income Advisory Group. The result is a program that will advance important public policy goals by expanding access to energy assistance, with the potential to reduce energy burdens for thousands of low-income customers.

II. Cascade developed the CARES program through a robust advisory group process.

TEP commends Cascade for the time and effort it devoted to designing the CARES program, including its extensive collaboration with the Advisory Group. Active members of the Advisory Group include Community Action Agencies (Agencies), Public Counsel, Commission Staff, TEP, and the NW Energy Coalition, among others. Together, these members have significant expertise with the design and delivery of low-income energy assistance programs.

For most of the past eight months, Cascade convened weekly meetings of the Advisory Group to discuss the elements of the CARES program and work through the nuts and bolts of implementation. Cascade and other Advisory Group members also consulted with other utilities in Washington that are designing similar programs and researched utility practices from around the country to ensure that CARES incorporates the best available ideas for serving low-income customers. These detailed discussions and extensive research led to the creation of a well-designed energy assistance program that will provide significant benefits to low-income customers in the years to come.

III. The CARES program will improve access to energy assistance and reduce energy burden.

A. CARES addresses barriers to participation in energy assistance programs.

As the Washington State Department of Commerce recently observed, the existing "combination of utility-operated assistance programs and LIHEAP falls short of addressing the energy burdens of low-income households."[1] Currently, only a small percentage of customers who are eligible for energy assistance actually receive it, and those that do often do not receive

[1] WA State Dept. of Commerce, *Low-Income Energy Assistance 2023 Legislative Report* (2023 Legislative Report), at 3 (March 6, 2023), https://deptofcommerce.app.box.com/s/qazu3yweu5w6udvnvw97qk5dwzop56p5.

aid that is sufficient to reduce energy burden to 6% or less of household income, as prescribed by the Clean Energy Transformation Act (CETA).[2] The causes for the gap between the substantial need for energy assistance and the amount of aid actually delivered are varied, and include insufficient levels of program funding, onerous enrollment processes, and lack of awareness among customers regarding available programs.[3] The CARES program is designed to address these barriers, including by expanding the avenues available for enrollment, providing aid that is appropriately sized to reduce energy burden, and leveraging the capabilities of Agencies and Community Based Organizations (CBOs) to provide better services to customers.

B. CARES incorporates best practices for energy assistance, appropriately tailored to the needs of Washington customers.

CARES includes several significant changes relative to Cascade's existing WEAF program, including allowing customers to enroll by declaring their income and providing discounts that vary based on a customer's income. Puget Sound Energy (PSE) and Avista have proposed similar changes in their recent tariff filings. Although these elements are new in the context of Washington's investor-owned utilities (IOUs), they represent emerging consensus in both Washington State and elsewhere regarding best practices for providing energy assistance to low-income customers. The following sections discuss a few of these important improvements.

1. The proposed income tiers and discount percentages are designed to reduce overall energy burden to 6% or less.

Like Avista and PSE, Cascade has proposed a multi-tiered bill discount program that provides varying discounts based on a customer's income. Cascade selected the income tiers and

[2] RCW § 19.405.120(1)-(2) (directing utilities to "make programs and funding available for energy assistance to low-income households" to address unmet energy assistance need); WAC § 480-100-605 (defining energy assistance need as the "the amount of assistance necessary to achieve an energy burden equal to six percent for utility customers").

[3] 2023 Legislative Report at 3, 16-18.

corresponding discount percentages to limit customers' gas energy burden to no more than 3 to 3.5% of household income.[4] In combination with an affordable electricity bill, the CARES program will advance Washington's critical public policy of reducing utility customers' overall energy burden to no more than 6% of income.[5] The multi-tiered structure is an effective method of providing assistance in proportion to a customer's need, thereby advancing CETA's policies to prioritize energy assistance, where possible, for households with higher energy burdens.[6]

In the coming years, the Advisory Group will need to monitor the effectiveness of the established discount percentages at reducing energy burden to below 6% of household income. If rates, energy usage, or income levels change such that the program is not effectively reducing energy burden to the target 6%, revisions to the discount tiers or percentages set in tariff will become necessary.

For this reason, TEP recommends that the Commission ask the Advisory Group to monitor the effectiveness of the program and suggest revisions as necessary. To aid this process, the tariff should explain how the discount tiers and percentages were designed. Describing the energy burden standards in the Commission's order approving this program and the CARES tariff will ensure that parties in the future understand the goal of the program, and facilitate the process of reviewing and making adjustments as necessary.

[4] Cascade, Cover Letter for CNGC Advice No. 23-06-02, at 2 (June 30, 2023) (Cascade Cover Letter).

[5] *See* fn. 2, *supra* (citing CETA's objective of reducing energy burden to less than 6%).

[6] RCW § 19.405.120(2) ("To the extent practicable, priority [for energy assistance] must be given to low-income households with a higher energy burden.").

2. Automatic enrollments and enrollment through declaration of income, with appropriate post-enrollment verification, are proven and effective tools.

The CARES program includes new avenues for enrollment that will reduce longstanding barriers to participation in energy assistance programs and ensure the efficient use of program funds. First, Cascade will automatically enroll customers in the bill discount portion of the program if they have received LIHEAP, WEAF, or Winter Help in the 2022-2023 program years.[7] And going forward, any customer who enrolls in LIHEAP through their Community Action Agency will be able to simultaneously enroll in the CARES.

Second, the CARES program allows customers to enroll by declaring their income, with a subset of customers chosen for post-enrollment verification of eligibility.[8] Allowing customers to declare income reduces longstanding barriers to enrollment by eliminating the requirement for all customers to locate and provide extensive income documentation before receiving assistance. It also ensures the efficient use of program funds by reducing the administrative burden associated with obtaining and reviewing documentation for every customer. Finally, the random selection of customers for post-enrollment verification protects program integrity by providing a mechanism for accountability and measurements of incorrect program enrollments. This method of enrollment has been used for years in California, and was recently adopted in Oregon as well.[9] As the California Public Utilities Commission noted in a recent order reaffirming and expanding the state's bill discount programs, the combination of customer declarations and post-enrollment

[7] Cascade Cover Letter at 3.

[8] Proposed Rule 20, Sheet No. 20-A (as amended July 17, 2023) (Proposed Rule 20).

[9] *E.g.* OR Pub. Util. Comm., Dkt. ADV 1424, Cascade Advice No. O22-08-01, Low-Income Assistance Program Tariff Revision, Letter Order (Sept. 6, 2022) (approving Cascade's tariff revisions to allow for enrollment in energy assistance programs using income declarations).

verification appropriately "balances the desire for the maximum number of eligible customers to participate with the need to verify participant eligibility."[10]

After consultation with the Advisory Group, Cascade has decided to verify 5% of enrolled customers, a rate that is comparable to the percentages used in California.[11] The Advisory Group agreed to monitor this verification percentage and adjust as necessary in the future, based on data from the initial program rollout.

Further, TEP strongly supports the protections that the CARES program provides to customers who are disenrolled for not responding to a request for income verification. Customers can receive a credit of up to 3 months for missed payments, if they reenroll within 90 days of removal by providing appropriate income documentation. This is a laudable protection for deserving customers who do not receive the initial notice or are slow to respond and eventually produce the required income documentation.

Finally, the program will use an extended two-year term. Not requiring customers to reapply every year is a significant improvement from the current process.

[10] CA Pub. Util. Comm., Dkt. A-19-11-003, Application of Pacific Gas and Electric Company for Approval of Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets for 2021-2025 Program Years (California CARE Proceeding), Decision 21-06-015, at 21 (June 3, 2021).

[11] *See* California CARE Proceeding, Decision Denying the Public Advocates Office's Petition for Modification of Decision 21-06-015, at 7 (Dec. 19, 2022) (explaining that the California IOUs verify between 4% and 8% of participants in the CARE discount program, and approximately 1% of participants in the related FERA discount program). To choose customers for verification, California's IOUs employ "propensity models" designed to focus verification efforts on customers who are likely to be ineligible for the program. The Advisory Group and Cascade decided to randomly select customers, rather than use a propensity model, to avoid bias and potential inequities in the selection of customers for post-enrollment verification.

3. The Community Action Agencies will play a critical role in the success of the program.

Community Action Agencies perform several essential functions in the CARES program. The Agencies will enroll customers in the program.[12] When Cascade auto-enrolls customers based on a customer's participation in another means-tested program, the Agencies can assist Cascade in identifying the correct tier for the customer based on income information the Agency has previously obtained. Finally, the agencies are responsible for conducting post-enrollment verification, which leverages their expertise with calculating and verifying household income. Every customer contact also provides Agencies the opportunity to enroll customers in other assistance programs they offer, such as LIHEAP, weatherization, housing, childcare, banking, and water assistance programs, among others.

4. Partnerships with Community Based Organizations will help the CARES program reach customers in need.

The CARES program includes funding, approved by the Commission in Cascade's last general rate case, for Community Based Organizations (CBOs) to serve customers who otherwise might not learn about or participate in utility assistance programs.[13] As the Commission has previously recognized, community-based outreach and partnerships between utilities, Agencies, and other "trusted messengers" are important methods for overcoming barriers to participation in utility assistance programs.[14]

[12] Proposed Rule 20, Sheet No. 20-A.

[13] Proposed Rule 20, Sheet No. 20-B.

[14] Dkt. UG-210755, *Washington Utilities and Transportation Commission v. Cascade Natural Gas Corp.*, Final Order 09, at 24 (Aug. 23, 2022) (directing Cascade to establish a community-based outreach program).

5. The CARES program includes meaningful arrearage relief for low-income customers with past-due balances.

The CARES program includes an arrearage relief component to help low-income customers who have fallen behind on their bills. Customers with the lowest incomes are eligible to have their entire arrears forgiven, while other eligible customers can get 50-90% of their arrearage forgiven. In this way, the CARES program works to comprehensively reduce energy burden on future bills through the energy discount, and to reduce the burden of paying off past-due balances with arrearage relief.

IV. The Commission's order approving the tariff should direct Cascade to make minor modifications to the CARES program beginning October 1, 2024.

The CARES program is a thoughtfully designed program that will provide significant benefits to customers. However, the Commission's order approving this tariff should direct Cascade, in the second program year, to make several minor revisions in order to improve customer benefits and ensure that the program is effective over the long run. The first modification, described in section III.B.1 above, is to ask the Advisory Group to evaluate the program's success in reducing customers' energy burden to the established target, and beginning October 1, 2024 to list the target energy burden in tariff. This section describes two other modifications suggested by TEP for the second year of the program.

A. Starting October 1, 2024, the CARES energy discount should apply to the remainder of a customer's bill in the final month of a LIHEAP grant.

To maximize the use of federal funding and conserve ratepayer funds, Avista and Cascade have both proposed to apply any available LIHEAP benefits to a customer's bill before applying the energy discount. That sequence means that LIHEAP may cover a customer's entire bill for several months before the grant is exhausted. However, in the final month of the grant, LIHEAP will likely only cover a portion of the customer's bill. As a result, Avista has designed its bill discount program to ensure that the discount applies to the remainder of the bill after the LIHEAP grant is used up.[15] That feature ensures that customers enrolled in both LIHEAP and the bill discount are not left with an unexpectedly high bill in the final month of a LIHEAP grant. For example, if a LIHEAP grant covers a customer's entire bill for one month, for that month the bill discount would be applied to the net bill of zero dollars, resulting in no expenses charged to the ratepayer-funded CARES. In the next month, the remaining LIHEAP grant would be applied to the bill. If there is a remaining balance after LIHEAP funds are exhausted, Cascade proposes not to apply the discount to the remaining balance, but instead apply the discount on the next month's bill. Avista will apply the bill discount to that remaining balance.

TEP prefers that CARES follow Avista's model and apply the bill discount to the remaining balance in the final month of a LIHEAP grant. However, Cascade stated that its billing software is not currently able to automate the provision of a discount in the same month a customer receives LIHEAP. As a result, customers will wait until the first full month after all LIHEAP funds have been used in order to resume participation in CARES. In Advisory Group meetings, Cascade indicated openness to exploring making this change in the future. TEP thanks Cascade for this openness. TEP recommends that the Commission's order approving Cascade's tariff include a condition requiring Cascade, no later than October 1, 2024, to update its billing system and the CARES tariff to ensure the CARES discount applies in the final month of a LIHEAP grant.

[15] Dkt. UE-230539, Cover Letter of Avista Corporation for Revisions to Tariff No. WN U-28, Schedule 92 (Avista BDR Cover Letter), at 9 (June 30, 2023) ("[I]n any month when a customer has a balance owing *after* the application of the LIHEAP grant, the Bill Discount will then be applied to the net bill.").

Moreover, Cascade should remove the language on Sheet No. 20-C stating that customers will be “temporarily suspended” from CARES if they receive other state or federal financial assistance. That phrase may be viewed by customers as hostile and disincentivize customers from seeking other financial assistance. Instead, the tariff should state that the energy discount will be applied to a customer’s bill after other assistance is applied. TEP suggests the following language for energy discount term 2 on sheet 20-C:

> A customer receiving a bill discount may still be eligible to apply for other available financial assistance programs, such as LIHEAP and Winter Help. The CARES bill discount will be applied to participating Customer’s bill after ~~However, when~~ state or federal financial assistance is applied (e.g., LIHEAP)~~, the customer’s enrollment in CARES will be temporarily suspended until the grant is fully utilized~~. ~~Once the grant is exhausted~~ After state or federal financial assistance is applied, the customer’s enrollment ~~will resume service~~ in CARES ~~at the beginning of the next full billing month and service~~ will extend ~~resume~~ for an additional 24- month term. These provisions are not applicable to non-governmental, third-party payments such as those from friends, relatives, or churches.

B. The tariff should not include the prescriptive table concerning income deductions.

The CARES program is designed to use the same methodology for calculating household income as LIHEAP so that customers and Agencies can calculate income a single time for both programs. As part of those calculations, LIHEAP includes deductions from certain types of gross income to arrive at a household’s final net income. Despite objections from the Advisory Group, Cascade included a table with detailed information on LIHEAP’s current deductions in the tariff.[16] That level of information is highly prescriptive and counterproductive to include in the tariff in the long term. LIHEAP’s methodology for calculating net income is subject to change. Under Cascade’s current approach, Cascade will need to revise the CARES

[16] Proposed Rule 20, Sheet 20.

tariff anytime the program guidelines for LIHEAP change. TEP is concerned about the administrative burden that this approach imposes on Cascade to remain apprised of relevant changes to the LIHEAP income deduction methodology. And while Cascade is drafting and the Commission reviews changes to the income deduction table in the CARES tariff, enrolling in CARES and LIHEAP will require two different income calculations, an unnecessarily burdensome process. A much better approach, consistent with Avista's proposed tariff,[17] is to clarify that CARES's definition of income includes LIHEAP's deductions from gross income and omit the prescriptive details of how those deductions are calculated to avoid unnecessary tariff revisions. The Commission's order approving the CARES program should require Cascade to remove the prescriptive table and instead use the following for the tariff's low-income definition on Sheet 20:

> A customer is considered low-income if their gross cumulative household income, <u>inclusive of deductions in alignment with the Low Income Home Energy Assistance Program (LIHEAP),</u> for a specific timeframe within the last twelve months, extrapolated for twelve months, ~~adjusted per the table below,~~ does not exceed 80% of the county's area median income (AMI) or 200% Federal Poverty Level (FPL) for a household with the same number of occupants.

V. TEP supports increasing the budget for the current WEAF program with less than statutory notice.

On July 19, 2023 Cascade informed its Advisory Group that it projects exceeding the WEAF budget within 10 days. On July 20, 2023 Cascade filed a tariff revision with less than statutory notice to increase this year's WEAF budget. If the Commission does not approve this budget change, low-income customers will not have access to the WEAF or CARES program from July 28, 2023 to October 1, 2023. TEP supports approving the new WEAF budget with less

[17] Avista's proposed tariff for its bill discount and arrearage management program uses this approach and the language suggested below. Dkt. UE-230539, Avista Corporation Proposed Fourteenth Revision to Sheet 92 (June 30, 2023).

than statutory notice so that customers can continue accessing the current energy assistance program until the CARES program launch on October 1, 2023. TEP does not take a position on Cascade's request for less than statutory notice regarding the other aspects of this filing.

VI. Although CARES will provide meaningful assistance to low-income customers, it was not designed to address documented racial disparities in utility disconnection practices.

The CARES program represents a significant step forward for Cascade's low-income energy assistance programs. However, it is important to note that the CARES program was not designed to address the inequitable impacts of utility disconnections. As TEP and other experts explained in the Commission's ongoing Credit and Collections rulemaking, research shows that Black and Latinx households receive disconnection notices and experience shutoffs at higher rates than white households at comparable levels of income.[18] TEP urges the Commission to take appropriate action in the Credit and Collections proceeding to end utility practices that are documented to perpetuate racial inequities.

VII. Conclusion

TEP thanks the Commission for the opportunity to submit these comments on the CARES program, which will assist the state in meetings its vital public policy goals of expanding access to energy assistance and reducing energy burden. TEP recommends the Commission approve the proposed tariff for the CARES program, and in the order approving the

[18] Dkt. U-210800, Rulemaking to consider potential long-term changes and improvements to customer notice, credit, and collection rules, including permanent elimination of late fees, disconnection and reconnection fees, and deposits (Credit and Collections Rulemaking), Comments of Joint Advocates (Oct. 17, 2022), at 3-4 (reviewing research on disparities by race and ethnicity in utility shutoffs); Credit and Collections Rulemaking, Presentation Materials of John Howat on behalf of the National Consumer Law Center, at 6-7 (June 22, 2023) (reviewing research on racial disparities in disconnections).

tariff direct Cascade to make several minor revisions to the program in its second year beginning October 1, 2024.

DATED: July 21, 2023

By: */s/ Yochi Zakai*

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