

CASCADE NATURAL GAS CORPORATION

Washington Energy Assistance Fund (WEAF)

Program Year 2017-2018 Annual Report

Overview

In accordance with the terms established in Schedule 303, Washington Energy Assistance Fund (WEAF) Program, Cascade Natural Gas Corporation (Cascade or the Company) provides the following annual report for its 2017-2018 program year beginning October 1, 2017, and ending September 30, 2018.

Washington Energy Assistance Fund (WEAF) Program

The Washington Energy Assistance Fund (WEAF) program provides bill pay assistance to qualifying low income residential customers of Cascade Natural Gas Corporation. The program is administered and delivered through the Community Action Agencies (Agencies) located throughout the Company's service territory in Washington. Customers are qualified for WEAF assistance if their combined household income is less than or equal to 150% of the Federal Poverty Level. A qualified customer is awarded a grant of up to \$500 per household per program year. The WEAF grant is applied directly to that customer's natural gas bill. The program helps customers stay connected by reducing arrearages and seeks to reduce the overall cost of bad debt by preventing the accrual of large unpaid balances for all customers.

Program Budget Cap

The settlement concluding the Company's 2015 rate case established "not to exceed" spending caps for the five program years starting in 2016-2017 and ending in 2020-2021. The settlement agreement also contained a provision allowing Cascade to petition for additional funding if the spending caps proved insufficient to meet demand. On June 13, 2017, Cascade filed a petition with the Washington Utilities and Transportation Commission (Commission) requesting authorization to increase the program year spending caps by 15%, allow an additional 5% soft cap buffer, and defer program costs that exceed the amounts collected in Schedule 593. The Commission approved this request. Table 1 below presents the program year budget as initially established in Commission Order No. 04 which adopted the UG-152286 settlement agreement, and the 15% increase and the additional 5% soft cap, both of which were authorized by Commission Order No. 05 issued in UG-152286.

| TABLE 1 | | | |
|---------------------|---------------------------|---------------------|-------------------------------|
| Program Year | Initial Budget Cap | 15% increase | Additional 5% soft cap |
| 2016-2017 | \$1,047,000 | \$1,204,050 | \$1,256,400 |
| 2017-2018 | \$1,100,000 | \$1,265,000 | \$1,320,000 |
| 2018-2019 | \$1,156,000 | \$1,329,400 | \$1,387,200 |
| 2019-2020 | \$1,215,000 | \$1,397,250 | \$1,458,000 |
| 2020-2021 | \$1,276,000 | \$1,467,400 | \$1,531,200 |

For the 2017-2018 program year, the budget cap was \$1,265,000. Total spending for the program year was \$926,349.66, which is \$338,650.34 below budget.

WEAF Program Funding

Program funding is collected from all customer through a charge established in Schedule 593 of the Company's Tariff. The rate is established annually to collect the program year's budget. Schedule 593 collections were \$765,376.67, which is \$499,623.33 less than budgeted and \$160,972.99 less than the amount spent. The WEAF fund began the program year on October 1, 2017 with a balance of \$671,105.51.

Outreach

In the subject program year, Cascade used a number of marketing channels to inform of the WEAF program.

- *Bill insert.* Bill inserts notifying customers of the available low-income assistance programs were issued. An insert called Programs to Help Keep Your Heating Bills Under Control provided an overview of WEAF and other assistance programs was issued in October 2017. A bill insert specifically for WEAF was issued in February 2018.
- *Customer Service Agents.* Customers who call Customer Service to request a payment plan or indicate they are having difficulty paying their bill are provided information about the available assistance programs as well as the contact information for the Agency in their area.
- *Cascade Website.* The Company maintains www.cngc.com which informs customers about the program and directs them to the appropriate Agency administering the program.¹
- *Agency Handouts.* The Company also provided Agencies with program brochures and other Cascade logoed handouts to help inform customers about assistance programs.
- *Radio.* The Company worked with two companies, Cherry Creek Radio in the Tri-Cities and Cascade Radio Group in Mount Vernon, to place English and Spanish ads on their stations promoting the WEAF program. Cherry Creek radio ran between 20-40 English and Spanish messages on three stations per week throughout the program year. Cascade Radio Group ran 16 English ads with a Spanish tag on three stations per week for 12 weeks. Cascade also had expandable web site home page exposure on the Cascade Radio station's websites in Spanish to provide additional information.
- *Facebook.* The Company added four WEAF-themed posts to its Facebook page to explain and promote the program. The posts were Sponsored to increase reach and exposure.

2017-2018 Program Year Results

The program year results provided below are for the timeframe October 1, 2017, through September 30, 2018.

Table 2 summarizes the program dollars spent.

¹ See <https://www.cngc.com/customer-service/low-income-assistance-programs>

| TABLE 2 | |
|---|---------------------|
| WEAF Transactions on Accounts (includes grants, refunds to WEAF GL acct, and accounting corrections) | \$742,581.97 |
| Administrative Fees to Agencies | \$161,925.00 |
| Dollars spent on Marketing By CNGC | \$21,842.69 |
| Agencies | \$0 |
| Total Dollars Spent | \$926,349.66 |

Table 3 shows the pledges submitted by Agency in dollars, the number of homes pledged, and the average grant in the subject program year.

| TABLE 3 | | | |
|--|--------------------------|----------------------|-----------------------|
| Agency | Pledges Submitted | Homes Pledged | Average Pledge |
| Blue Mountain Action Council | \$ 78,831.00 | 179 | \$445.98 |
| Community Action Connections | \$35,421.00 | 136 | \$260.45 |
| Community Action Council of Lewis, Mason & Thurston Counties | \$ 12,495.00 | 40 | \$312.38 |
| Coastal Community Action Council | \$ 12,010.00 | 36 | \$333.61 |
| Chelan-Douglas Community Action Council | \$0 | 0 | 0 |
| Kitsap Community Resources | \$ 57,872.97 | 288 | \$200.95 |
| Lower Columbia Community Action Program | \$499.52 | 2 | \$249.76 |
| Northwest Community Action Program | \$35,874.00 | 128 | \$280.27 |
| Opportunities Industrialization Center of WA | \$184,267.00 | 430 | \$428.53 |
| Opportunity Council | \$253,074.00 | 634 | \$399.17 |
| Community Action of Skagit County | \$87,879.20 | 247 | \$355.79 |
| Snohomish County Human Services Department | \$9,548.00 | 33 | \$289.33 |
| Total | \$768,771.69 | 2153 | \$357.07 |

Table 4 provides the average pledge amount submitted by the agencies in the subject program year.

| TABLE 4 | |
|------------------------------|----------|
| Average Pledge per Household | \$357.07 |

Table 5 provides the average annual natural gas bill for WEAF recipients in the subject program year.

| TABLE 5 | |
|---------------------------------|----------|
| Average Annual Natural Gas Bill | \$482.53 |

Table 6 compares 2016-2017 program year with prior program years.

| TABLE 6 | | | |
|---------------------|---------------------|----------------------|---------------------|
| Program Year | Homes Served | Average Grant | Total Grants |
| 2012-2013 | 2341 | \$298 | \$698,935.57 |
| 2013-2014 | 2430 | \$313 | \$760,759.24 |
| 2014-2015 | 3207 | \$254 | \$813,338.35 |
| 2015-2016 | 2297 | \$318 | \$731,058.97 |
| 2016-2017 | 2387 | \$341 | \$813,911.05 |
| 2017-2018 | 2153 | \$357 | \$768,771.69 |

Low Income Home Energy Assistance (LIHEAP)

The WEAf program supplements the Federal government’s Low Income Home Energy Assistance (LIHEAP) program that is also administered by the Agencies. Table 7 provides the number of LIHEAP pledges and the LIHEAP amount pledged to natural gas customers’ bills.

| TABLE 7 | |
|-----------------------------|-----------|
| Number of WA LIHEAP Pledges | 1373 |
| LIHEAP Pledge Amount | \$338,163 |

Next Program Year

On August 31, 2017, Cascade filed a general rate case docketed as UG-170929. In the Parties’ Joint Settlement Agreement, the low-income advisory group (WEAF Advisory Group or Advisory Group) was charged with addressing issues of over-subsidization and benefit calculation uniformity. The WEAf Advisory Group discussed options at their May 29, 2018 meeting. The Advisory Group members ultimately decided on a benefit curve ranging from 40% to 90% based on a customer’s total bill.

A status report on the Advisory Group’s efforts to address over-subsidization and benefit uniformity issues was filed with the Commission by the Company on August 13, 2018.² The Commission acknowledged the report’s compliance with Order 06 of Docket No. UG-170929 on August 29, 2018.³

In further compliance with the final order the Advisory Group met to have an initial discussion regarding program redesign matters on September 6, 2018.⁴ At the meeting representatives from Commission staff discussed their proposal to modify WEAf to a rate discount model. Representatives from The Energy

² UG-170929 CNGC WEAf Status Rpt 08-13-2018.pdf

³ UG-170929 - Compliance Acknowledgement Letter re WEAf Status Report - Cascade.pdf

⁴ UG-170929 Order 06 ¶ 78

Project presented information regarding low income assistance efforts at other utilities and called for a collaborative approach in meeting the needs of customers and the utility alike. The Company stated its intent to meet WEAf program goals while addressing these and other issues with the Advisory Group in a collaborative way.

The WEAf program budget is \$1,329,400 for the 2018-2019 program year. The activities described in the Outreach section of this report will continue and WEAf logoed giveaway items for distribution by Agencies will be added. The Company will continue meeting with the low-income Advisory Group on the evaluation of program performance, addressing ongoing concerns, determining program budget and exploring alternative program designs.⁵

Conclusion

The 2016-2017 program year is the first full year after the implementation of the changes adopted in the settlement agreement to UG-152286. During this program year, more customers were served and the average grant amount has increased. Cascade anticipates continued improvement in 2017-2018 as the Company works with its advisory group and focuses on the following four program goals adopted as part of the settlement agreement:

1. Keep customers connected to energy service;
2. Provide assistance to more customers than are currently served;
3. Lower the energy burden of program participants; and
4. Collect data necessary to assess program effectiveness and inform ongoing policy discussions.

⁵ UG-152286 Joint Settlement Agreement ¶ 28