

# Rate & Regulatory Mechanisms

Dealing with the aftermath of COVID-19  
and actions to protect customers



# Purpose of This Presentation

- Present a broad range of potential rate and regulatory mechanisms for stakeholder consideration and discussion.
- Based on stakeholder feedback in prior workshops, results of the Staff survey provided to workshop participants, and a review of other states' responses to COVID-19.



# Potential Rate and Regulatory Mechanisms

Voluntary Roundups & Donations	Time Payment Agreements	Deferred Payments	Partial Arrears Forgiveness
Arrears Management Programs	Equal Pay Programs	Delaying Rate Increases	Public Purpose Charges
Securitization	Waiving Late Fees and Penalties	Suspending Deposits	Streamlining Customer Enrollment
	Cost Effectiveness Tests	Community Solar Subsidization	



# Low Income Rates

- Currently, DOJ has advised that the Commission does not have the authority to implement low income specific rates.
- Though low income rates may be an important part of long term solutions making rates more affordable, Staff believes they are currently outside the scope of this investigation, but is interested in views by participants.
- Examples of programs the PUC does not currently have authority to implement
  - Low Income Discounts
  - Percentage of Income Payment Plans (PIPP)



# Existing Authority on Collections

- PUC ratemaking sets the level of uncollectables a utility recovers in rates.
- PUC can encourage customer protections at collections agencies.
  - If a utility stops sending mostly paid bills to collections, the PUC has discretion to allow the utility to increase its uncollectables level accordingly.



# Voluntary Donations

- Utilities could allow voluntary bill round ups as an opt-in feature to customers when paying their bill
  - If bill is \$108.35 → \$0.65 would be added to the bill to round up to \$109.00.
    - The \$0.65 goes toward low-income assistance, debt relief, etc.
    - Utilities to add a feature to website allowing voluntary bill round ups as an opt-in feature to customers when paying their bill.
    - Could also include an option to include additional donation beyond the round up to help COVID relief.

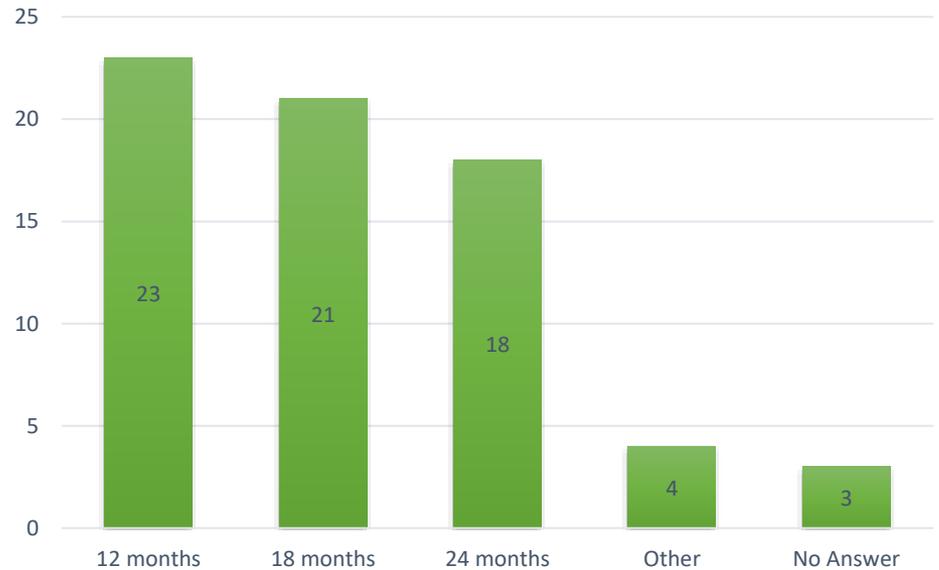
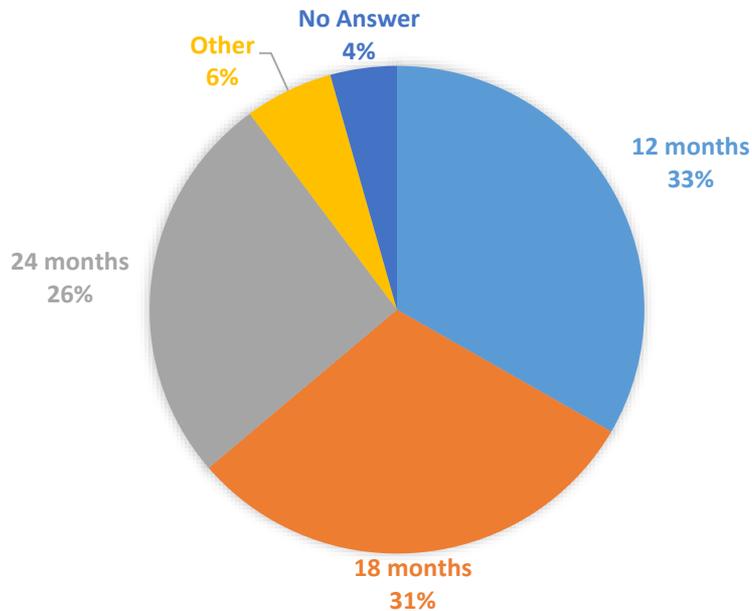


# Time Payment Agreements

- Time payment agreements are currently administered subject to OAR 860-021-0415
  - Allows customer to sign up for a levelized payment plan or equal-pay arrearage plan to avoid disconnection
  - Currently set at 12 months.
- Introduce more flexibility into time payment agreements
  - Allow up to 18-24 months for time payment agreements
  - Explore applying a payment discount (10%, 15%, other) to the amount owed for certified low-income customers to the amount in the time payment agreement (would require law change).



# Survey: What duration should Time Payment Agreements (TPA) be set at?



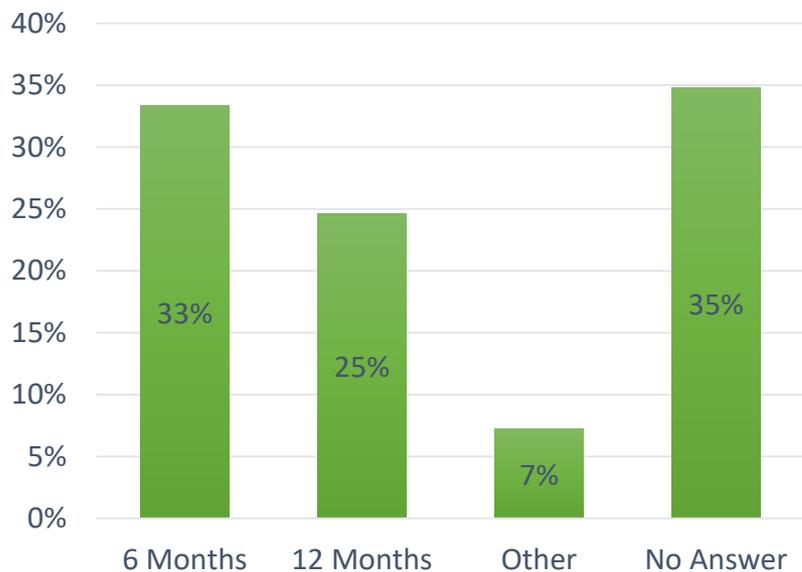
# Deferred Payments

- Fully or partially postponing payments for financial reasons, including COVID-19 hardships
- Payments could be deferred to allow those who have been impacted, but are expected to be able to pay at a later date may do so
  - Defer payments by up to 6-12 months
  - No interest accrual on deferred payments for customers
  - ~65 percent of survey respondents in favor of establishing deferred payment programs

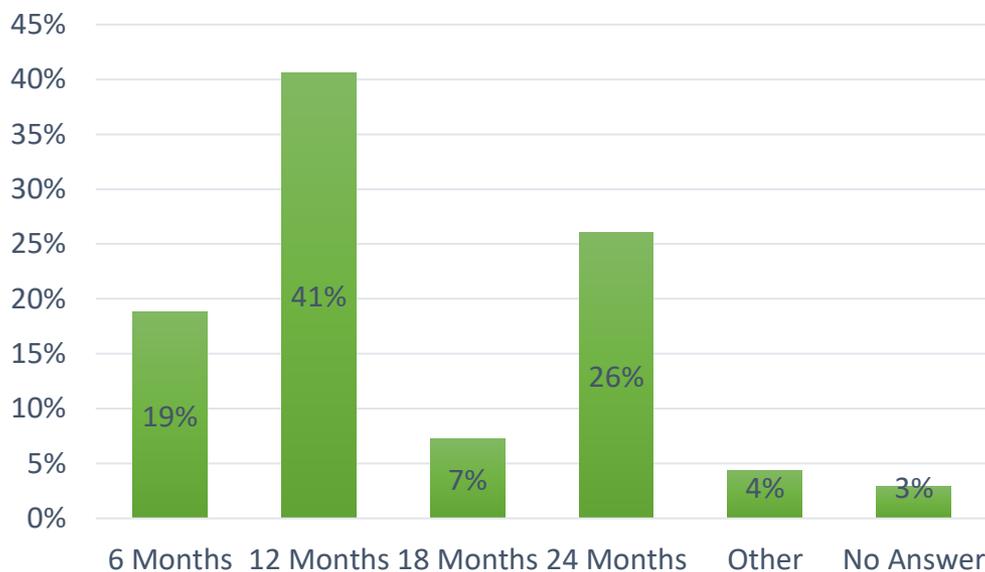


# Deferred Payments - Survey

## How Long Should Debt be Deferred?



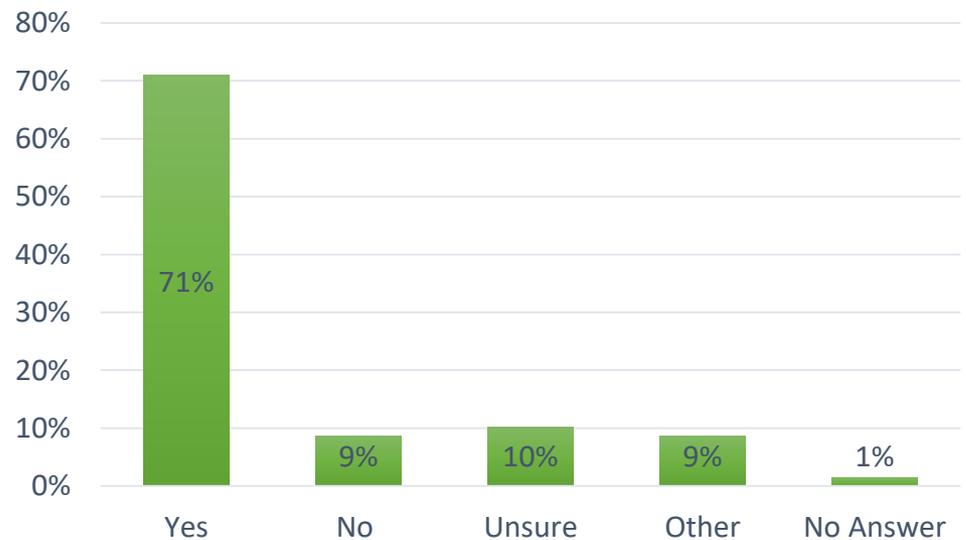
## How Many Months Should a Customer be Allowed to Amortize the Debt Over?



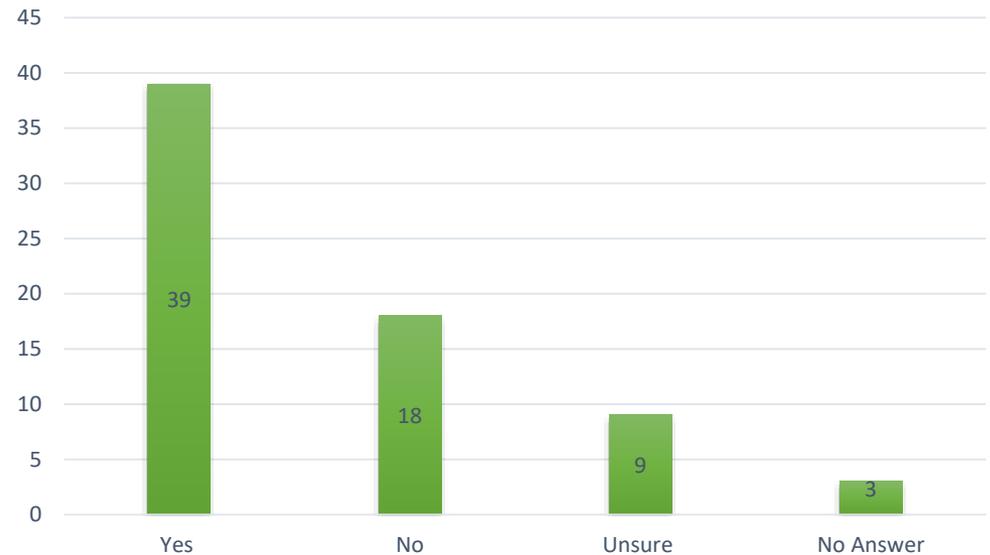
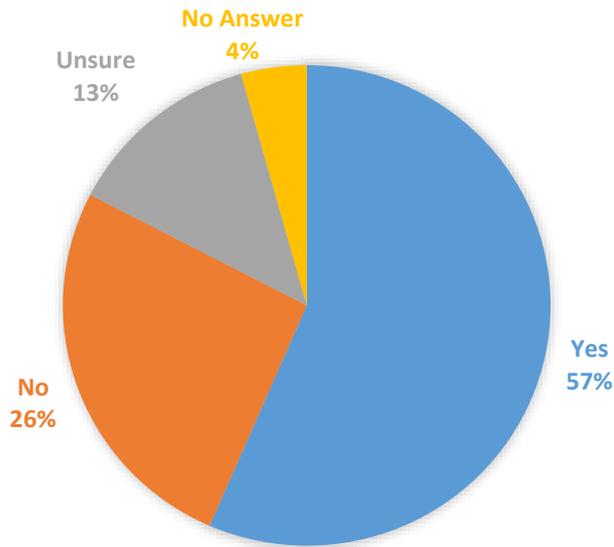
# Equal Pay Programs

- Utility equal pay programs allow customers to have less uncertainty regarding their utility bill throughout the year
- Evens out monthly bill so the same payment is made each month, with an annual true-up/adjustment
- Generally eligible only to customers with no outstanding balance

Should Utilities Open Equal Payment Plans to Customers that Currently Have Outstanding Balances



# Survey: Should utilities put in place a tariff that allows some level of debt forgiveness if customers maintain current monthly payments?



# Partial Arrears Forgiveness

- One time rate forgiveness due to COVID-19 impacts on customer arrearages.
- Each utility could designate a total amount of debt relief, or a percentage of 2020 arrears to be forgiven, to be divided amongst eligible customers as a bill credit:
  - The debt relief could be amortized in a deferral
  - Each utility could propose their own program that works best for their specific level of COVID related arrears



# Partial Arrears Forgiveness

- Example from Illinois Settlement
  - Large utilities agreed to between \$300-\$500 dollars of arrears forgiveness for customers
- PGE's and NWN's recent 10% arrearage forgiveness programs for residential customers



# Arrears Management Programs (AMP)

- Debt forgiveness over time
- $AMP \text{ Monthly Bill} = Current + \left( \frac{1}{12}A - \frac{1}{12}A * X \right)$ 
  - A = Arrearage Balance
  - X = Percentage of arrearage to be forgiven through the AMP
  - Note that if X = 100 percent the monthly bill is just the current bill
- Each month 1/12 of the arrearage relief amount is forgiven, after 12 months the full arrearage relief rate is forgiven.
  - This could be amortized via an annual deferral.
  - If customers do not complete the program the arrearage amount becomes uncollectible.

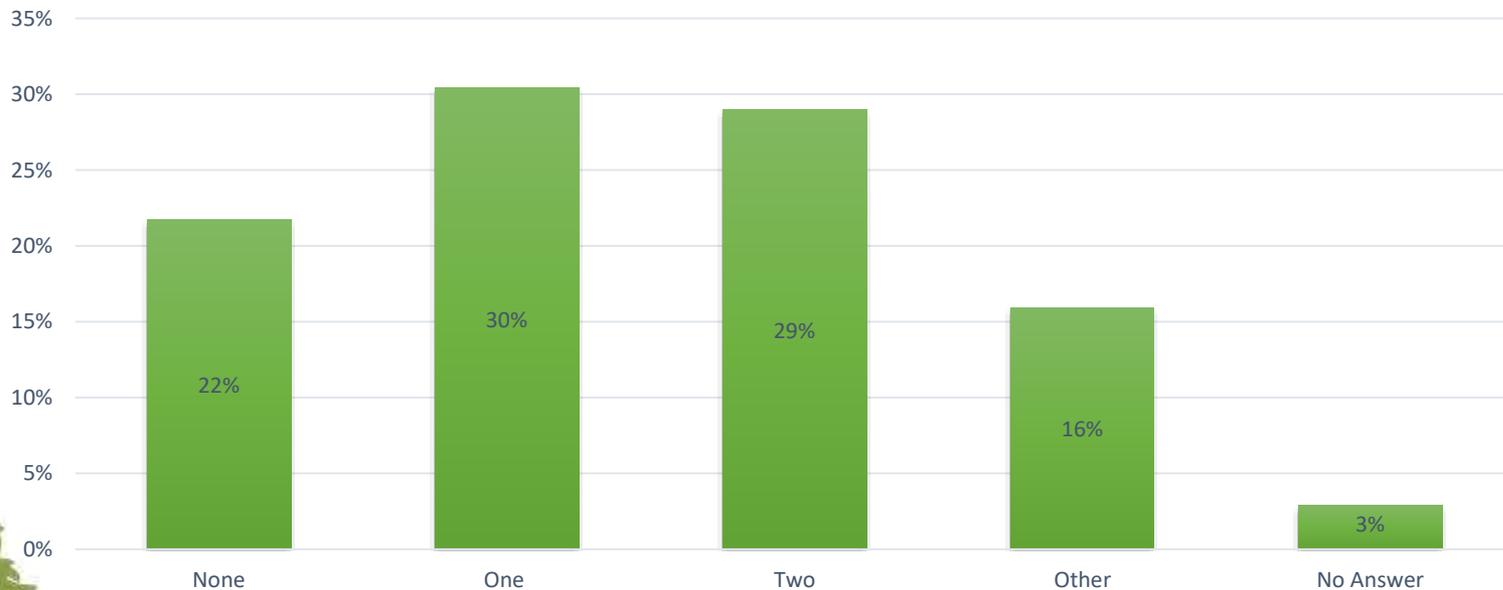


# Arrears Management Programs

- Potential Benefits of AMP
  - Fewer write-offs for utilities, lower collection costs
  - Customer engagement
  - Creates good customer habits
- Potential Issues
  - Bill Impacts:
    - Generally AMPs are funded through ratepayers, not shareholders
    - What level of bill impact would result from providing 100% forgiveness? 50%, 25%, 10% etc.?
  - Customer Eligibility
    - Open to all customers or LIHEAP eligible (requires law change)?
    - One time eligibility?
    - Only open to customers whose arrears were developed in 2020?
  - Customer Incentives



Survey: If utilities were to put in place a tariff that allows some level of debt forgiveness, how many times should a customer be allowed to miss a monthly payment before losing the benefit of debt forgiveness?



# Arrears Management Programs

- Examples from other states:
  - Massachusetts
    - Bill impact, eligibility, etc.
  - Connecticut
    - Bill impact, eligibility, etc.
  - California
    - New program details



Survey: What current tariff provisions are particularly difficult for low-income customers, and do you have suggested changes that should be made?

- Reconnect Fees
- Eligibility Requirements
- Due Dates



# Securitization

- Securitization would allow the utilities to issue securities to cover costs associated with COVID-19
- The purpose of securitization is largely to gain capital at a low interest rates
- Staff generally believes securitization is unnecessary in this instance given the deferrals in place related to COVID-19 costs
  - Deferrals allow utilities to earn interest at the Modified Blended Treasury Rate (MBT) ~~before~~ after amortization

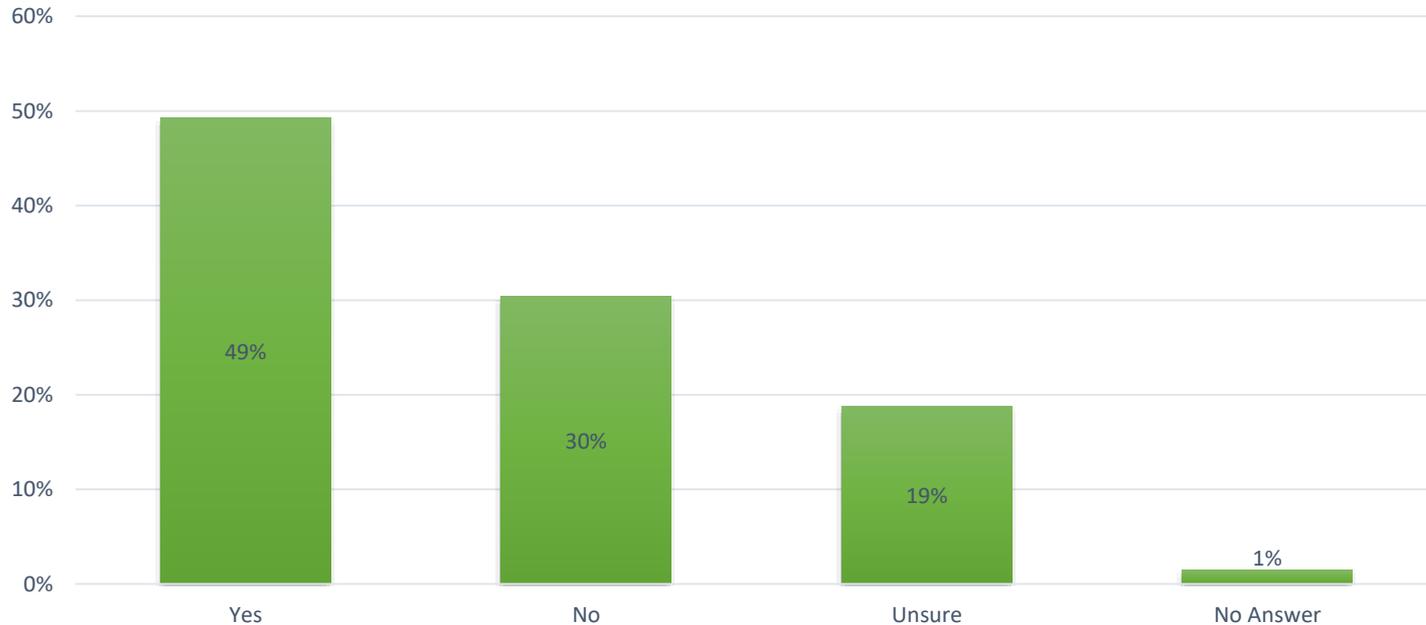


# Waiving Late Fees and Penalties

- Late fees place a greater burden on low-income customers.
- Late fee amount versus costs incurred by the utility.
- Tariff filings necessary to suspend these for an extended period of time
  - Suspend through 2021?
  - Only suspend for Low-Income Customers (requires law change)?



Survey: Should utilities permanently suspend late payment fees, interest, and bank-card payment fees to customers certified as low income by Community Action agencies? (would require a change in law)



# Suspending Deposits

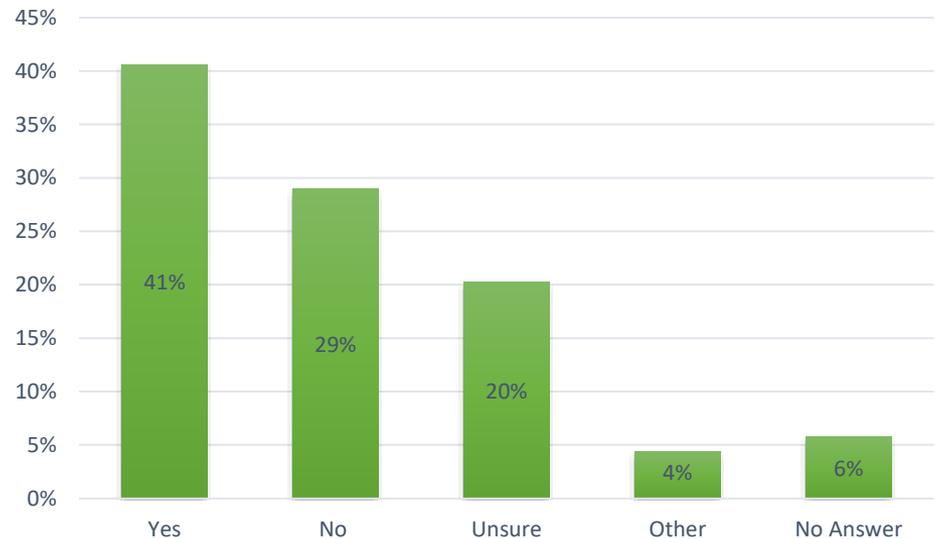
- Suspend residential customer deposits for two years (through June 2022).
- All gas/electric utilities automatically apply deposits for residential and commercial customers who are more than 60 or 90 days in arrears.



# Modify Public Purpose Charges

- Reallocate a portion gas monthly public-purpose charges toward bill assistance, low income weatherization, etc.
- Potential Increases to Public Purpose Charges

Survey: Should Natural Gas Companies' Public Purpose Charge (PPC) be increased to allow more funding for low income programs?



# Streamlining Customer Enrollment

- Allow Customers to Self-Enroll in programs
- Streamline enrollment into programs
  - Categorical eligibility: if you qualify for the another program, you automatically qualify
- People laid off due to COVID-19 may be entering into these programs for the first time.
- Encourage utilities to improve website customer experience.

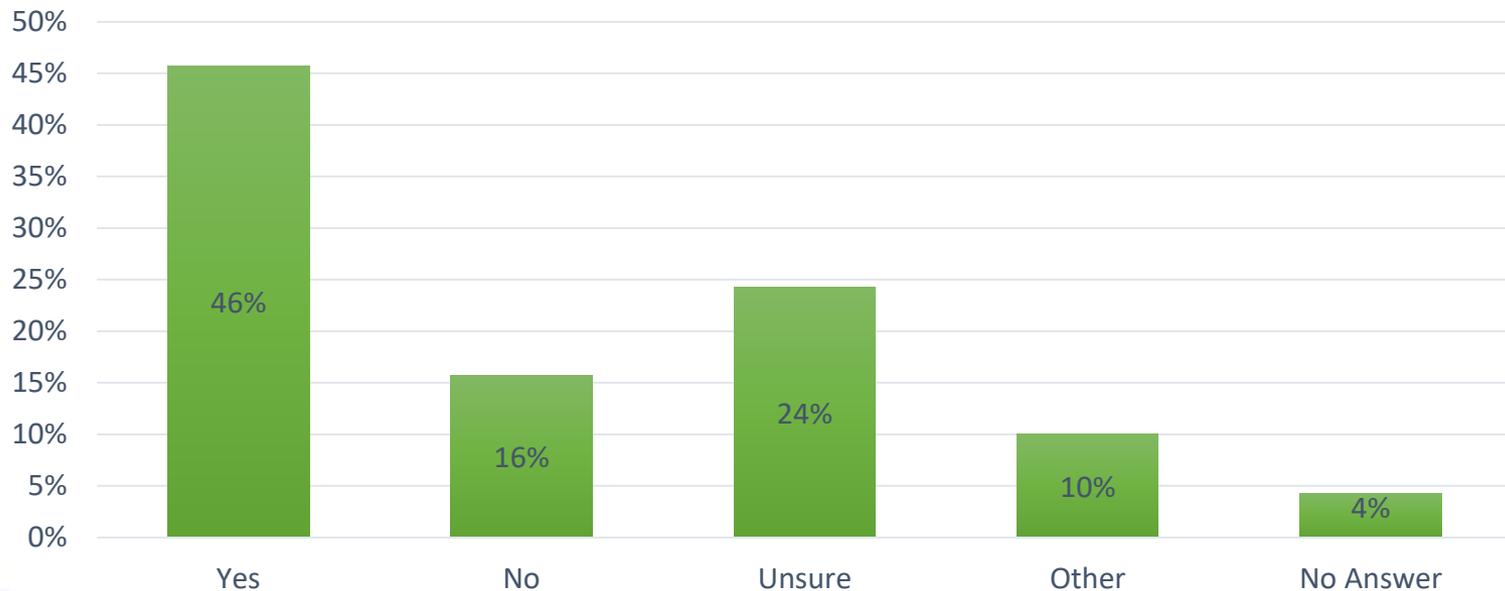


# Cost Effectiveness Tests

- Low-income weatherization helps that customer regardless of who pays
- Cost effectiveness test looks at whether other ratepayers on the utility system are better off



Survey: Should the Commission relax certain cost effectiveness tests to allow the Energy Trust to invest more heavily in low-income weatherization and other energy efficiency initiatives such as ductless heat pumps beyond what is cost-effective?



- Other response: within reason

# Relax Certain Cost Effectiveness Tests

Continue projects underway and expand upon them.

- Ongoing and new flexibility on DHPs to reduce energy burden.
- Expanding partnerships with CAP agencies on weatherization.
- Staff is working with Energy Trust on additional options and expansions.



# Delaying Rate Increases

- Four Oregon utilities currently have decoupling mechanisms in place (PGE, Avista, Cascade, Northwest Natural).
- Given decreases in commercial load as a result of COVID-19, there is the potential for surcharges to commercial customers.
  - To assist commercial customers during this time, decoupling surcharges could be eliminated in 2021. Utilities could agree to collect interest at MBT.
- Potential rate adders such as Purchase Gas Adjustment (PGA) rate increases and could also be delayed.



# Community Solar Subscription Subsidization

- Could CARES Act dollars be used to enroll low-income customers in the Oregon Community Solar program by paying their first year subscription fee?
- Piggybacks on Oregon community solar program provision that low-income participants receive a 20% subscription discount.
  - Potential opportunity for participants to receive bill savings in excess of their program subscription fees.

