

PUD #1 of Clallam County

CETA

Energy Assistance for Low-Income Households

March 22, 2021

Presenters:

- PUD
 - John Purvis – Assistant General Manager
 - Sean Worthington – Finance Manager/Treasurer
- FCS
 - Sergey Tarasov – Senior Project Manager
 - Matt Hobson – Project Manager

What is RCW: 19.405.120

- Intent of Legislature is to make progress toward making energy assistance funds available to low-income households.
- All WA Electric Utilities must make programs and funding available for energy assistance to low income households by July 31, 2021.
- Priority must be given to low-income households with a higher energy burden.
- Programs can include direct monetary assistance or conservation measures to reduce energy burden.

Energy Burden / Energy Assistance Need

- Energy Burden
 - The percentage of household income that goes toward household energy costs.
- Energy Assistance Need
 - The amount of assistance needed over and above 6% Energy Burden.
- Example
 - Household Income = \$36,000
 - Annual household energy costs of \$2,880.
 - Energy Burden = $2,880/36,000 = 8\%$
 - Energy Assistance Need = $(0.08-0.06) * \$36,000 = \$720/\text{year}$

Department of Commerce

- Must collect and aggregate data estimating energy burden and energy assistance need for each utility. Updated biennial.
- Publish Data with estimated number and demographic characteristics for each utility
- Provide the estimated level of energy burden and energy assistance need.
- Provide Housing characteristics including housing type and energy efficiency potential.

Utility Responsibilities

- Biennially each utility must submit an assessment of the following:
 - Programs and Mechanisms used to reduce energy burden and the effectiveness of those programs.
 - Outreach strategies used to encourage participation of eligible households.
 - Cumulative Assessment of previous funding levels for energy assistance compared to the funding levels needed to meet:
 - Sixty Percent of the current energy assistance need;
 - Increasing energy assistance by 15% over the amount provided in 2018 (whichever is greater) by 2030
 - 90% of the current energy assistance need by 2050
 - A plan to improve the effectiveness of the assessed mechanisms and strategies toward meeting energy assistance need.

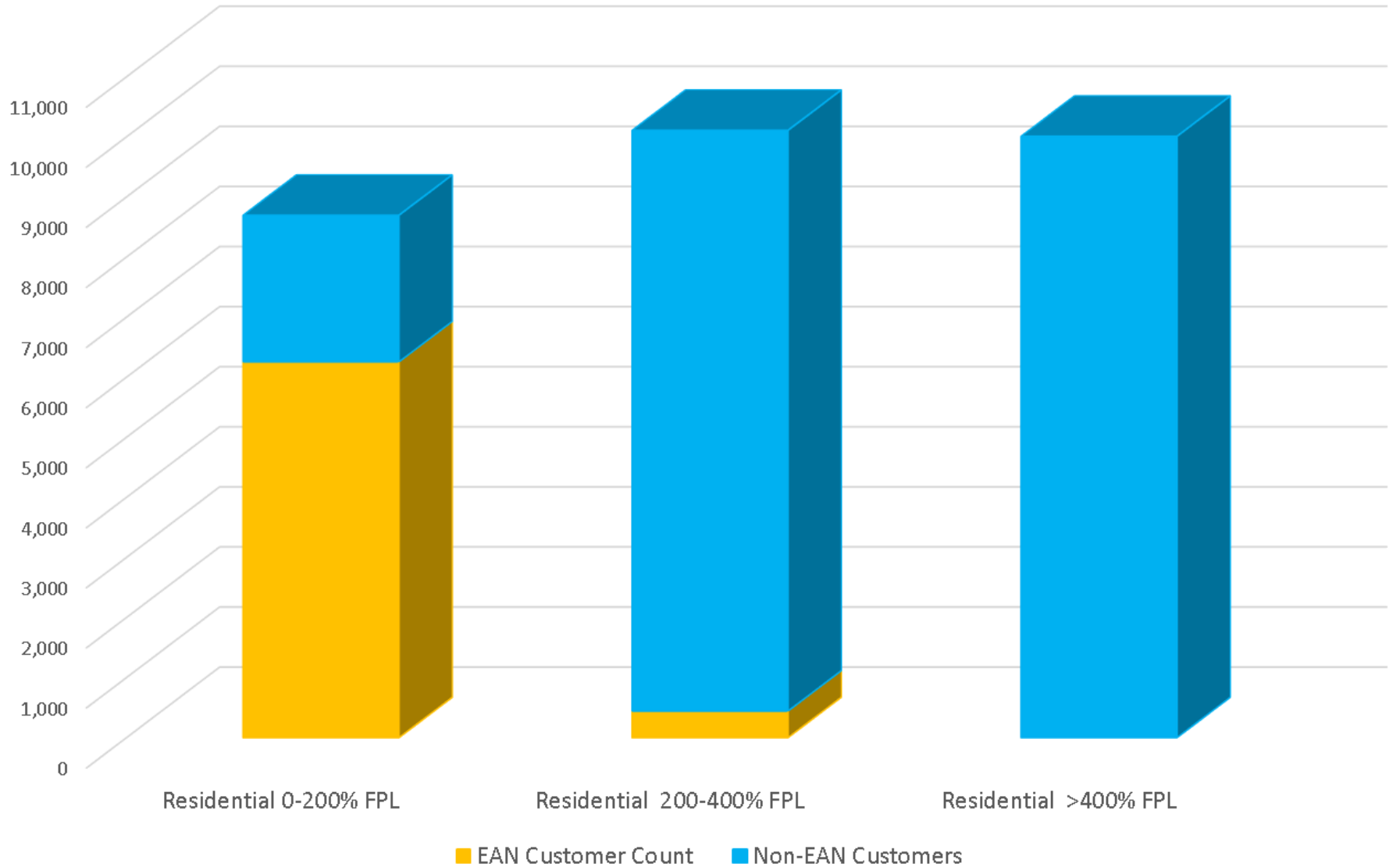
Energy Assistance Need Analysis

- Energy Assistance Need or EAN was presented in our CETA Presentation from October of last year.
- Provided in your packet is a copy of the District's analysis of RCW 19.405.120 dated 4/23/20 and based on 2019 data.
- This presentation incorporates subsequent information and a corroborative analysis conducted by the FCS Group.
- The two analysis have very similar outcomes utilizing independent and differing methodologies.
- At the conclusion of CETA Section 12 rule making, critical questions remained unanswered.
 - Utilities are obligated to demonstrate progress towards meeting EAN goals through biennially reporting.
 - There is no objective definition of "progress towards".
 - The State is not expected to provided utilities the data needed to make program assessments before July 31, 2021, we must proceed without the information.

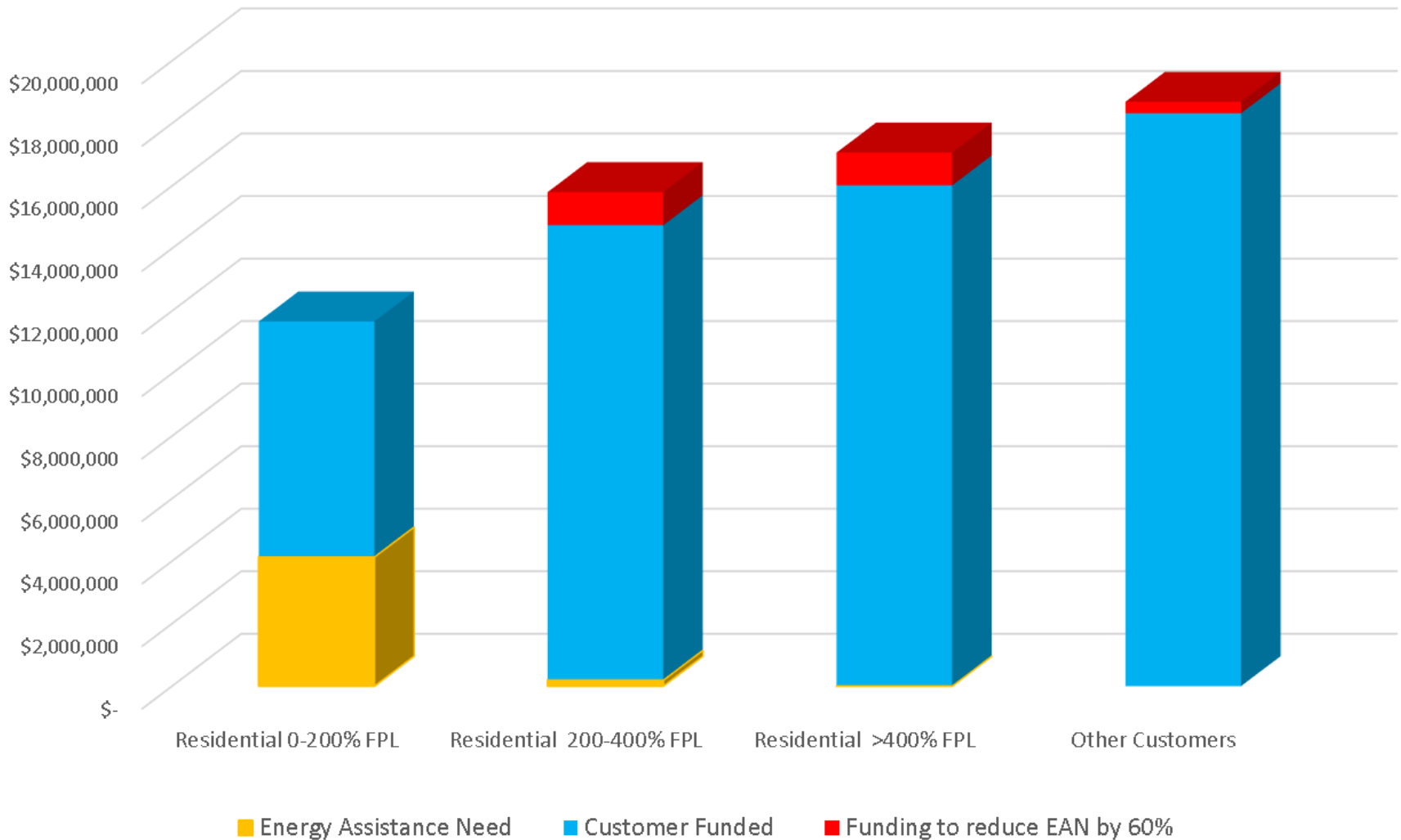
Summary of the PUD EAN Analysis

- Approximately 8,700 of 28,800 residential customers have household income below 200% of the Federal Poverty Level(FPL).
- About 6,250 customers have EAN.
- 35.4% of total electric billings for customer below 200% of the FPL is EAN.
- Total EAN is about \$4,129,000, or close to 6.7% of PUD revenue
 - 2030 EAN Target = \$2,477,000
 - 2050 EAN Target = \$3,716,000
- In 2020 PUD low-income assistance programs provided almost \$378,000 in assistance to 1122 customers.
- Perhaps as many as 1,800 customers currently received up to \$450,000 from OlyCAP and all other State, Federal and Tribal programs.

72% of customers below 200% FPL have EAN



More than 35% of Billings to Customers Below 200% FPL is EAN
 To Eliminate 60% EAN within the Local Jurisdiction Could Mean 7% Increase for Some



PUD EAN Analysis

- The EAN Analysis is conducted such that our utility can make decisions necessary to implement CETA Section 12
 - Development and implementation of compliant low-income programs.
 - It is unclear if CETA Section 12 will be a State mechanism to evaluate EAN, or if it will actually be used to mandate reduction in EAN through resources available to local jurisdictions using the legislative targets.
 - The 2% annual cap associated with the general CETA legislation does not apply to Section 12.
- In rule making comments, WPUA working group discourse, and in direct discussions with the Department of Commerce PUD staff has emphasized:
 - CETA Section 12 attempts to address an income inequality issue.
 - As a matter of fundamental fairness, the primary funding sources to meet Section 12 objectives should not be pushed to small jurisdictions such as PUDs.
 - Poverty rates and affluence of the local jurisdictions vary widely and large EAN needs should not be remedied by a disproportionately small non-low income ratepayer base.

FCS Presentation

Scope of Work

- PUD contracted FCS Group in 2020 to provide third-party review of internal analysis and estimates for energy burden and energy assistance need.
- Developed independent analysis of energy burden and energy need assistance estimates with data from:
 - Low-Income Energy Affordability Data (LEAD)
 - US Census American Community Survey
 - 2019 Clallam County PUD customer billing data
 - CETA legislation (RCW 19.405)
 - CETA draft guidelines from Department of Commerce
- Contacted other utility districts to gather comparative information on low-income programs and strategies to respond to CETA requirements.

Methodology



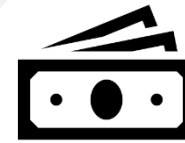
Estimate number of households below 200% federal poverty level or 80% area median income



Estimate monthly electric costs for households based on household income and size



Develop estimate for qualifying households with energy burden



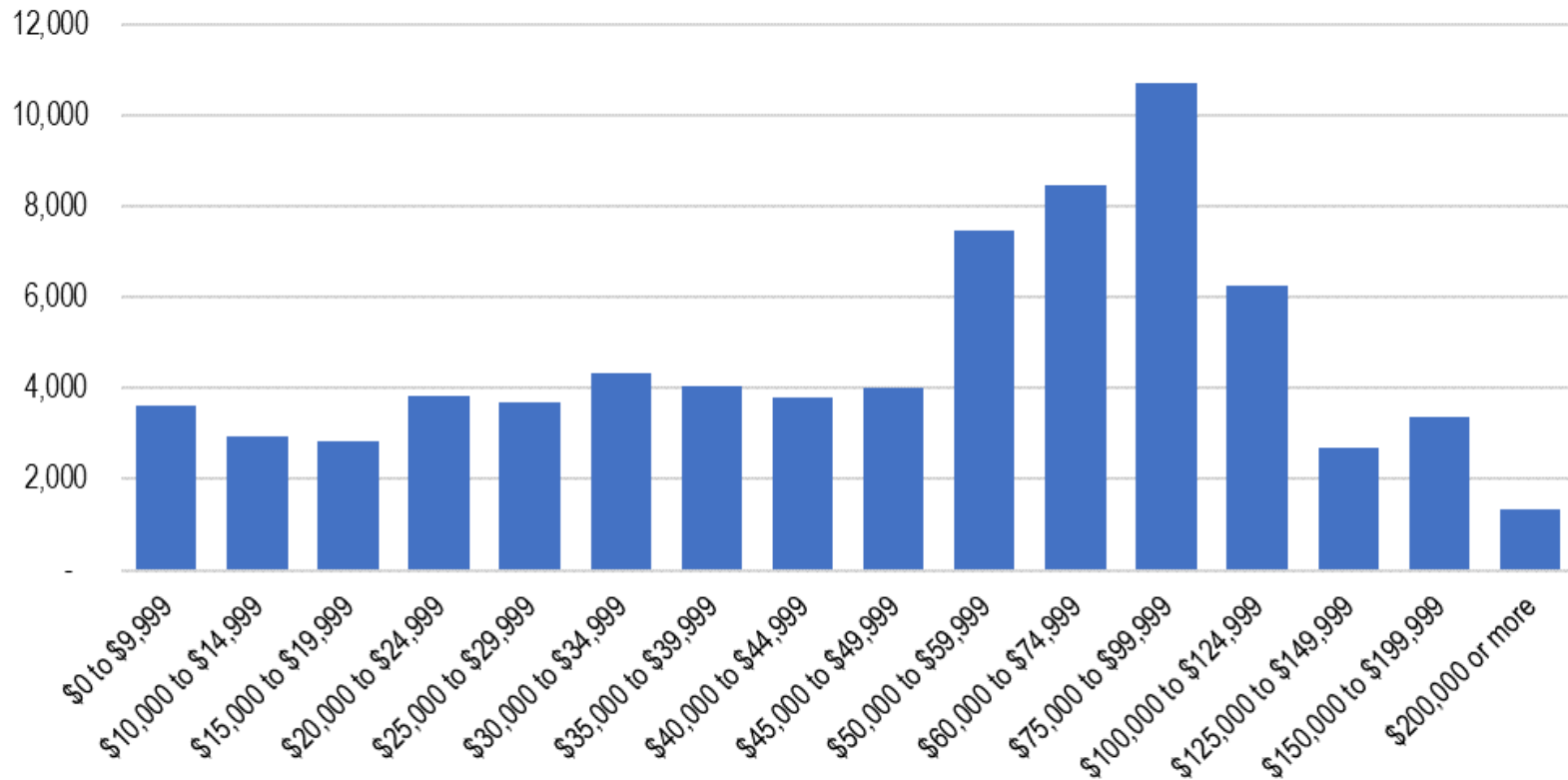
Calculate current energy assistance need across PUD service area



Determine potential customer rate impacts to achieve CETA energy assistance targets

Household Income Estimate

Clallam County Population by Annual Household Income



Source: Estimate developed using American Community Survey, US Census Bureau, 2016 5-Year Estimate



Household Income Estimate



38% of Households at or below 80% Area Median Income



30% of Households at or below 200% Federal Poverty Level

Source: Low-income energy affordability data (LEAD), Department of Energy

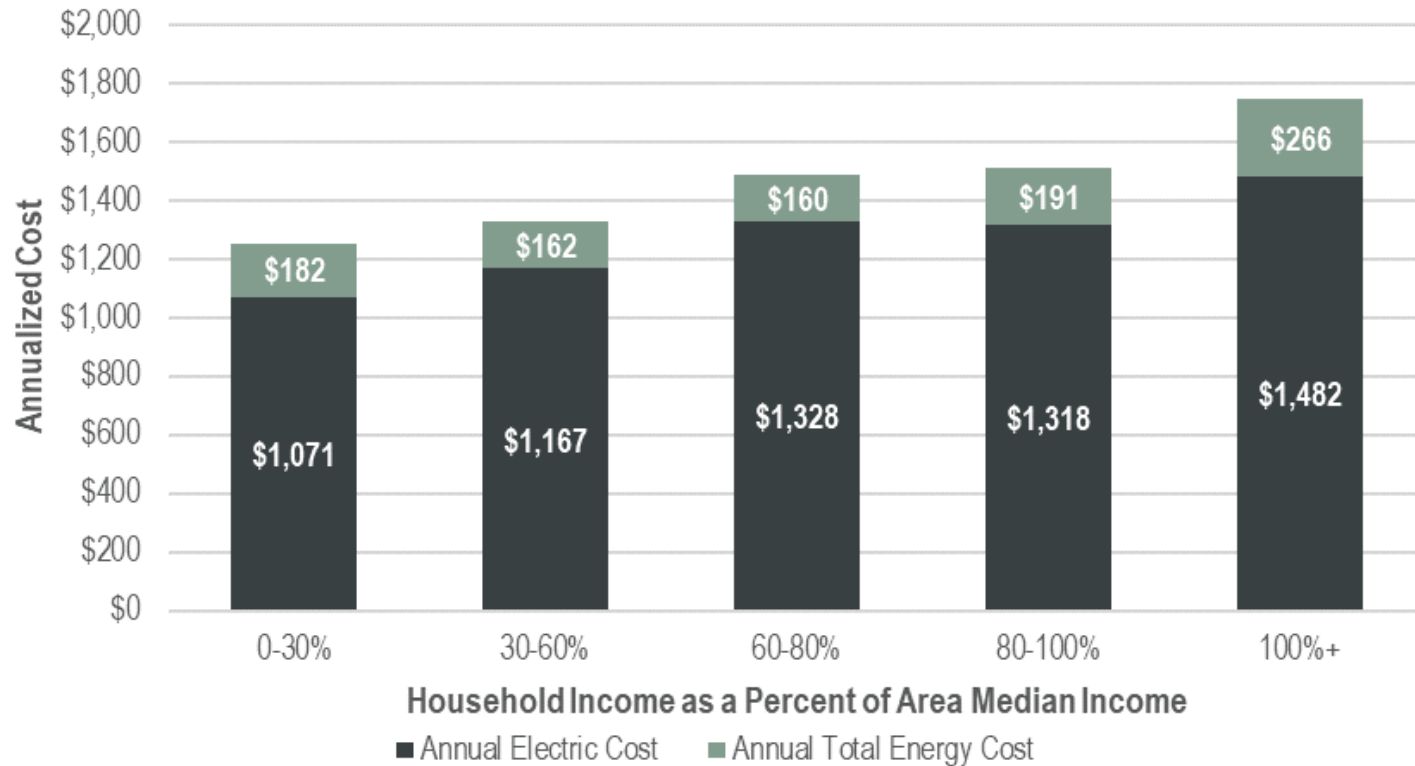
Qualifying Households Based on Income



11,600 to 12,000 residential customer accounts estimated to have annual household income below 80 percent of area median income

2019 Residential Accounts	28,958
Estimated Accounts Below 80% Area Median Income	11,600 to 12,000
Estimated Account Above 80% Area Median Income	16,958 to 17,358

Household Electric Costs

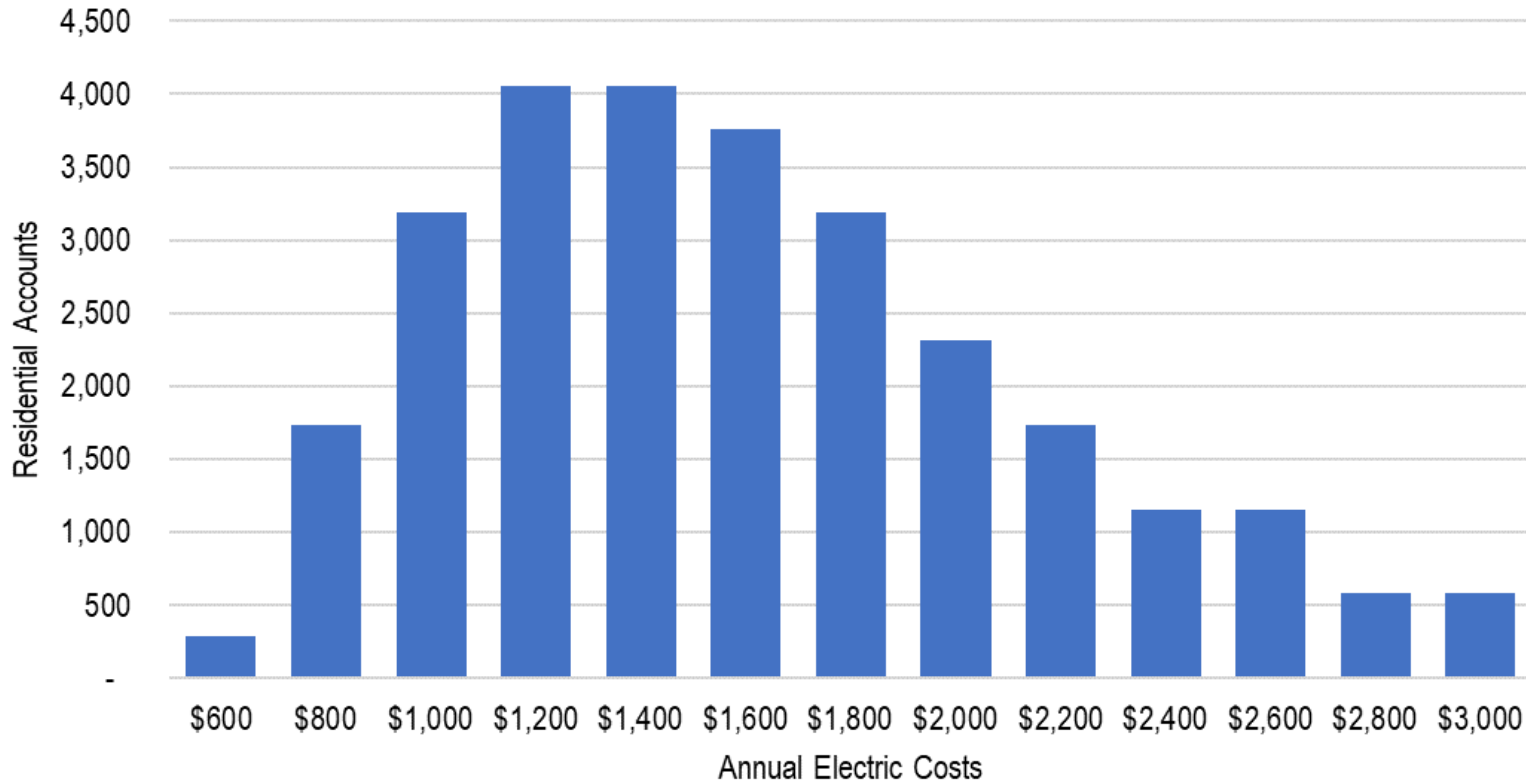


Source: Low-income energy affordability data (LEAD), Department of Energy



Household Electric Costs

Distribution of 2019 Annual Residential Electric Costs



Source: Clallam County PUD



Energy Burden

Energy Burden is measured by percentage of household income that goes toward household energy costs

Of the three examples below, Account B would likely qualify for assistance, while Account A and Account C may not qualify.

Account A

Low Household Income
& Low Energy Costs



Account B

Low Household Income
& High Energy Costs



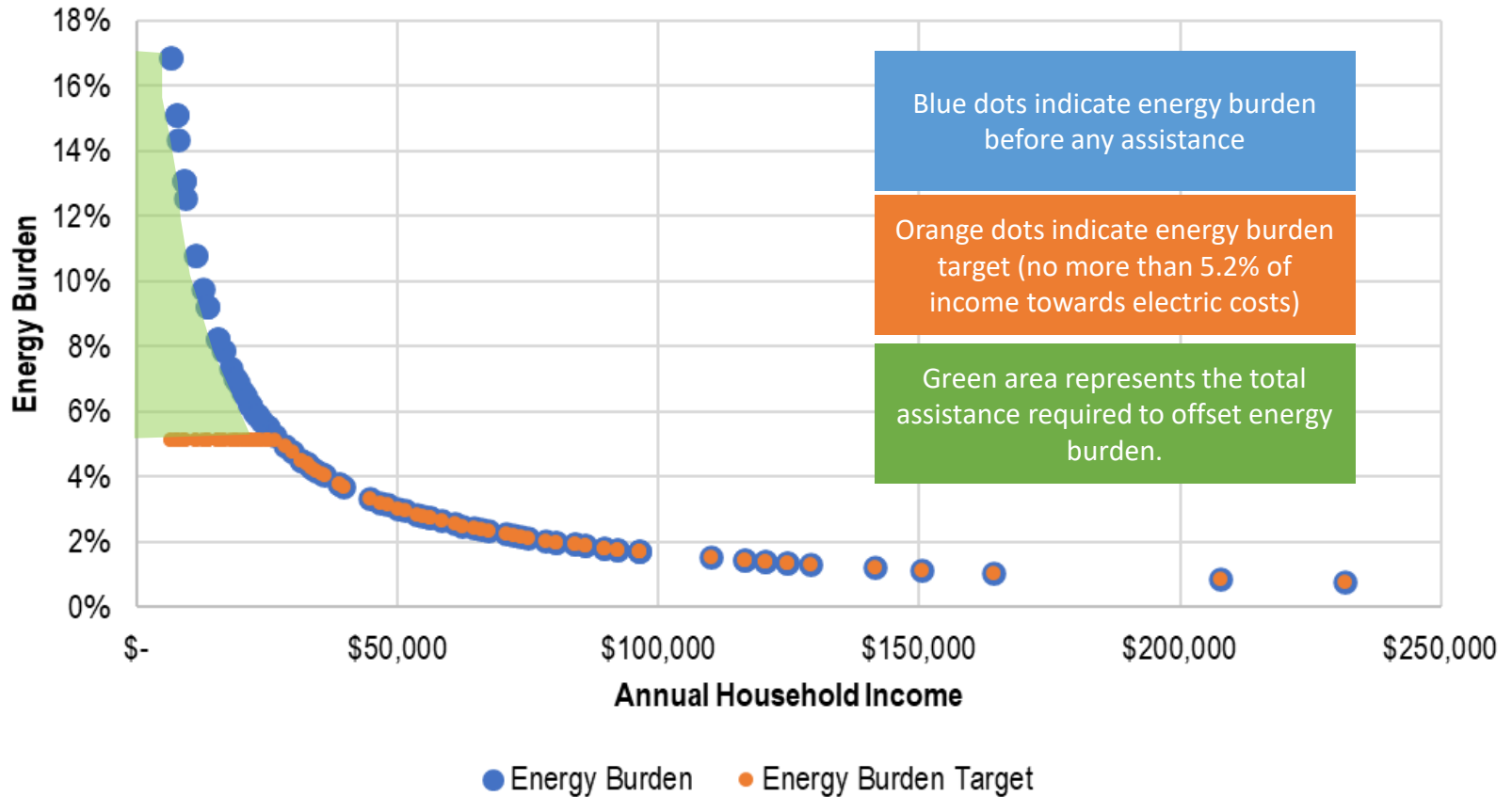
Account C

High Household Income
& High Energy Costs



Energy Burden Curve

Energy Burden Curve for Sample 100 Households



Energy Burden Estimate

	Residential Accounts	Percent of Residential Accounts
Service Area	28,958	100%
80% of Area Median Income or Less with Energy Burden \geq 5.2%	8,300 to 8,500	29%
80% of Area Median Income or Less with Energy Burden $<$ 5.2%	3,300 to 3,500	12%
All Other Households	16,958 to 17,358	59%

Energy Assistance Need

	Residential Electric Costs	Target Annual Residential Electric Costs	Annual Energy Assistance Need
Service Area	\$44.5M	\$40.5M	\$4.0M
80% of Area Median Income or Less with Energy Burden \geq 5.2%	\$11.1M - \$11.3M	\$7.1M - \$7.3M	\$4.0M
80% of Area Median Income or Less with Energy Burden $<$ 5.2%	\$4.9M - \$5.1M	\$4.9M - \$5.1M	\$0.0 M
All Other Households	\$28.3M - \$28.5M	\$28.3M - \$28.5M	\$0.0 M

CETA Funding Targets

Current Energy Assistance Need

Approximately \$4.0 Million

2030 Funding Target

60% of Current Energy Assistance Need
Proportional Fund Method: \$2.4M
Neediest Household Method: \$3.2M

2050 Funding Target

90% of Current Energy Assistance Need
Proportional Fund Method: \$3.6M
Neediest Household Method: \$3.9M

Estimated Rate Impacts

For the PUD to meet
CETA low income assistance funding targets

**2030 Funding
Target**

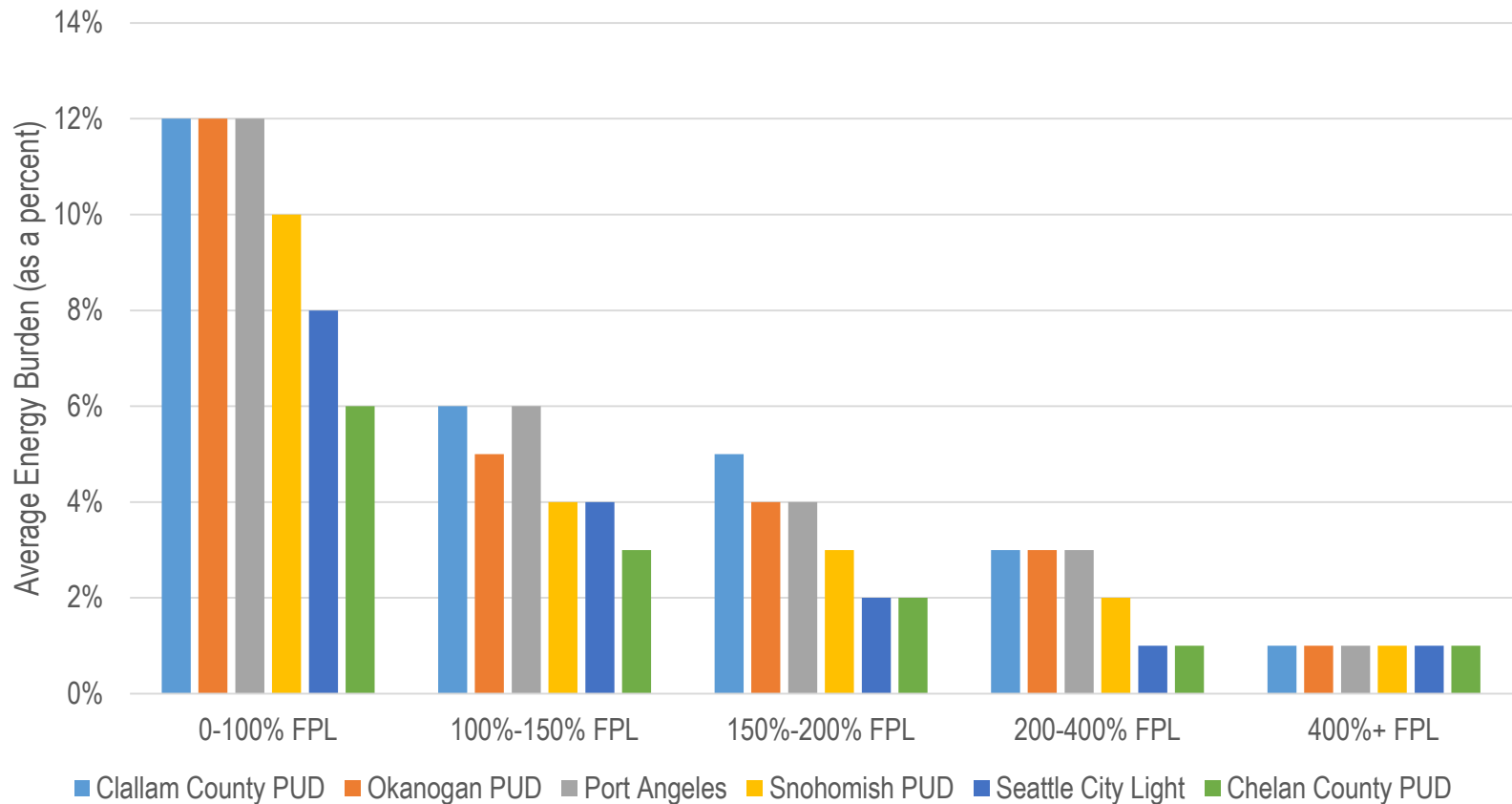
Annual rate increases of 0.5% to 0.7% each year through 2030

**2050 Funding
Target**

Annual rate increases of 0.2% to 0.3% each year through 2050

Comparative Survey

Estimated Energy Burden by Federal Poverty Status



Source: Low-income energy affordability data (LEAD), Department of Energy



Staff Recommended Program

Existing Program

- Clallam's existing program is only eligible to the following customers:
 - Senior Low Income
 - Disabled Low Income
- Does not meet requirements of RCW 19.405.120 as it is limited in scope and not available to all low income customers.
- Effective August 1, 2021 phase out existing program
 - Some overlap between notification, applying and phase out
 - Notify customers via first class mail in April
 - Give ample time to apply for new program



New Program

- RCW 19.405.120 specifically authorizes consumer owned utilities to partner with a CAP agency.
 - OlyCAP has resources and technology to accurately assess income levels and ascertain energy burden and energy assistance need.
 - OlyCAP would determine assistance levels required and communicate to the District the form of assistance (monetary or conservation)
 - Provide OlyCAP with 15% above our 2018 assistance for the time period 8/1/2021 thru 12/31/2022 (\$460,000).
 - Provide OlyCAP with \$40,000 to assist with agency overhead and administration of the new compliant program.
 - OlyCAP would track disbursements of awards and conservation measures and report.
 - OlyCAP would provide EAN and % Poverty data to utility.
 - OlyCAP would assist utility in reporting requirements.

New Program

- Financial Impact
 - To mitigate rate impacts, staff proposes a line item assessment for non-low income accounts. **“CETA LOW-INCOME COMPLIANCE”**
 - Initial estimates suggest the monthly assessment will be approximately \$1.40/mo.
 - Low-income customers who qualify through OlyCAP will have this charge waived.
 - All tribal accounts on tribal lands that are exempt from PUT and Privilege tax will automatically be exempt from the monthly assessment.
 - Cannot incorporate into rates: Vulnerable Populations and Low-Income are not to pay. Eliminates compounding effect.
 - In order to meet 90% energy assistance need by 2050 the monthly assessment will need to be adjusted yearly.

Questions and Discussion