PacifiCorp Equity Advisory Group (EAG)

January 2023 Meeting Notes

Thursday January 12, 2023, 1-4 pm Pacific Time

These notes were synthesized and summarized by E Source, PacifiCorp's meeting facilitation partner, EAG member attribution.

Executive Summary

There were 22 attendees at the Washington EAG meeting on January 12, 2023. In advance of a Washington rate design filing in March, PacifiCorp sought feedback on proposed residential rate changes from WA EAG members. Craft3, PacifiCorp's Energy Efficiency partner, presented on the Washington Home Energy Loan Program which helps income−challenged customers afford weatherization and energy efficiency upgrades. The following is a summary of the content and feedback received during this 3-hour meeting.

Session Objectives

- Engage your feedback in planning for 2023
- Discuss proposed residential rate changes and get your feedback on proposed approaches
- Inform you on Craft3's Home Energy Loans in the Washington State program

Slides available in Spanish below:

(Need to insert)

2023 Equity Advisory Group member	Organization
Erendira Cruz	Sustainable Living Center
Todd Hilmes	Northwest Community Action Center
Jonathan Smith	Yakima County Development Association
Paul Tabayoyon	Asian Pacific Islander Coalition
Norman Thiel	SonBridge
Not in attendance	
Nathan Johnson	Yakima Health District
Adam Rieker	Perry Technical Institute
Sylvia Schaeffer	Blue Mountain Action Council
Giovanni Severino	Latino Community Fund
Heidi Silva-Morales	Yakima Health District
Ray Wiseman	Yakama Power

Opening (1:05 pm)

E Source shared meeting objectives, the agenda, and land acknowledgment to start the meeting.

EAG Member Check-In (1:08 pm)

All EAG members "checked-in" by responding to the prompt: *What are you most excited about in 2023?* Themes in their responses included:

- Asian Pacific Islander Coalition: looking this first quarter to file for a separate C-3 as opposed to running their C-3 through their fiscal holder for the last few years. It has been a collaboration for growth. They have started the process of trying to develop an energy efficiency/energy outreach program for their API community and their larger bi-pop community for their Waktu area. Paul is going to be looking for a lot of grant funding to potentially locate in Waktu to create a sustainable facility. Creating a community access point for rural and low-income communities in Washington state.
- Sustainable Living center: looking forward to 2023 as a continuation of great work and rebuilt momentum after the pandemic of 2022. So just continuing that momentum, having a voice in these equity discussions, and finding ways to deploy efficiency through funding, programming outreach, education, and all the different ways that they do that.
- Yakima County Development Association: moved to a new location. They have also received a grant to get a mobile computer lab that they should be moving on by the end of the month. They plan to purchase laptops and mobile carrying cases for them so they can run training in several locations. The YCDA hopes to be able to lead training courses on quick books, digital literacy, financial literacy, as well as several other topics. This grant allows us to reach people who otherwise wouldn't be able to access these types of trainings due to their work schedule or other obligations.
- Sonbridge: 2023 is starting off in a good way. We had more visits to our facility in 2022 than we ever had before. This year we are picking up the legacy of another nonprofit here in the Walla Walla Valley helpline. It's been in business for 49 years, and we are taking over their service area, screening of those, and providing direct referrals and direct support. It's a big challenge but a great way to continue helping the community and bringing it under our umbrella.
- Yakima Valley Farm Workers: continue to dig out from covid. It's been a long process for us, but we are starting to see the light at the end of the tunnel. They are happy to continue the work towards that.

WA EAG Meetings & Community Calendar (1:15 pm)

PacifiCorp is seeking to join more community events and continue strengthening community connections in 2023. PacifiCorp's Kimberly Alejandro acknowledged upcoming meetings and events to take note of:

- Periodic in-person and hybrid meetings. In March, we will discuss Demand Response Filing and Updates; in July, CEIP Annual Report Feedback and Non-Energy Impacts Updates; in October, Energy Efficiency Updates.
- Local in-person visit at your location in May with a presentation covering Wildfire Mitigation.
- There will be no meetings in August and November.
- SLC Public Workshops Series: Sustainable Self Care at the WWCC Water and Environmental Center January 17th.
- Central Washington Hispanic Chamber of Commerce Meet & Greet in Yakima, Washington, January 25th and February 22nd.

- Women in Business: Purpose Workshop-Reininger in Walla Walla, Washington, January 26th.
- Chamber Connect Quarterly Lunch/Annual Meeting in Walla Walla, Washington, February 1st.
- SLC Public Workshop Series: DIY Home Remodeling at the WWCC Water and Environmental Center on February 22nd.

Promoting Equity Through Residential Rate Change (1:20 pm)

E-Source's Lisa Markus asked: *What comes to mind when you hear the word "rate?"*

Themes in their responses included: the amount per unit of electricity, how much someone is going to charge, the wider perspective view of "why are they going to charge me less or more than someone else," the formula that creates rate, industrial growth tying into environmental damage, demographics versus geographical areas, the rate my professor website and how rate can mean different things in different scenarios.

PacifiCorp's Robert Meredith provided an overview of Pacific Power's rate making timeline:

- Rate case that will be filed in March of 2023
- Proposed rates coming into effect the first quarter of 2024

Today's meeting will focus on understanding the components of a rate design, as well as some proposed changes to residential rates.

Rate is what a customer is charged for energy access and use. It can be broken down into two types of charges:

- Basic or fixed charge is to operate and maintain the energy system that everyone pays
- Energy use charge is the cost of units of energy used (kWh). These units of energy may fluctuate by season and be influenced by the type of home, such as its size, condition, and number of people living there.

Pacific Power's monthly base rate in Washington is $7.75- which is low. This means more of the costs are passed on through energy use charges. It does not cover actual fixed costs of more than $20.

Pacific Power in Washington breaks down energy use charges into two tiers: Tier 1 is 8.087¢ per unit of energy used (kWh), and Tier 2 is 11.009¢ per unit of energy used (kWh) beyond 600 kWh. Low Income Bill Assistance customers use slightly more energy in Tier 2 than other customers (3% more).

What can rate design do?

PacifiCorp's André Lipinski covered how rate design can address what impacts the energy burden of vulnerable customers such as those on Low Income Bill Assistance (LIBA). Tier 2 is a higher charge than tier 1 for energy use that kicks in if you use more than 600 kWh. LIBA customers are twice as likely to live in a multi-family dwelling, live in dwellings that are older, draftier, less weatherized, so there is more energy required to heat / cool the dwelling compared with better weatherized structures. LIBA customers therefore use more energy overall and specifically use more energy in Tier 2. The result is that their bills are higher.

The proposed changes would result in a 2% decrease for LIBA customers and a 1% increase for all other customers.

Proposed changes include a separate basic charge which increases for single-family dwellings and stays the same for multi-family dwellings. It also replaces tiered rates with a seasonal rate meaning a lower rate in the winter, a higher rate in the summer, and the price is the same regardless of kWh usage.

Proposed Rate Changes Discussion & Exercise

EAG members were asked to share their thoughts on the proposed changes. They shared the following:

Q: If we look at this from an equity standpoint, it doesn't seem like enough. I'm wondering if anybody has ever tossed around the idea of having a Low-Income Bill Assistance rate lower than everybody else's?

A: I believe that is what we have. If you look at our tariff there are three categories that would provide low-income bill assistance in the 15%, 35% and 70% bill reduction categories. We are setting the same price signals to use in certain ways that are good for the system and our customers. If you do qualify for LIBA, you get one of those percentage reductions after your entire bill is calculated. We used to have a LIBA rate only in the tier 2 rate. We moved away from that because it was kind of complicated for customers to understand and it didn't help anybody who was a lower usage customer as well. So, we moved from the discount rate to simply taking a percentage off the bill which ultimately will help reduce costs more.

Q: What is the rationale behind establishing the Tier 1 price point in the current model? Is that some kind of algorithm that is developed PPL? How is that number developed? Did PP&L in their considerations talk about possibly keeping the same model as now but potentially manipulating that Tier 1 level of cost to some of our lower-income clients addressing it this way?

A: In terms of the math behind the Tiers, I don't know if there is a ton of math behind it. This is what we have right now, it's an outgrowth from many years of this evolving. I don't know how long we've had tiered rates for. Historically the idea behind the tired rates is to encourage energy efficiency. The theory behind the 600 threshold is that it covers some basic usage.

My only concern taking a casual look at this is that I can see some confusion among some of our clients with regards to the summer and the winter rates. I could see there having to be a lot of explanations and a lot of questions raised surrounding that. I am just wondering if manipulating what your definition of basic energy use (Tier 1 energy use) is and if that might be a better bang for our buck. I think there is a lot that can be done with Tier 1. You can look at possibly manipulating that number along with your low-income assistance program. There are a lot of different ways to look at it in your present model. I just wonder if that would save PacifiCorp some marketing hassles as well as bring a little more savings to those who truly need it.

PacifiCorp Response: I don't believe we have an answer to that.

Q: Are any utilities just doing a straight flat rate? I did the math, and it might be wrong but to stick to $144.44 bill over 12 months at that rate would be about 0.8024 cents a kWh. Is there an advantage or disadvantage for a residential at such a small level to have a a tier or not have a tier? My understanding is that there isn't an additional tier within the winter or summer.

A: That's what we're recommending here is to just go to a flat seasonal rate. There are a lot of PUD's that just have a flat rate. It's a certain cents per kWh without any tiers. I would say it's a lot more common for the PUD's not to have tiered rates and the seasonal rates are less common in the west side of our system for Pacific Power. They are more common in our Utah service area, there are cost reasons why summer is more expensive than winter and that's the driving force behind it. Part of what we want to do is reflect on those costs, especially as we think about how homes have so many differences. We want our customers to ultimately have their bill to better reflect the cost of providing service to them.

Q: Is any of this impacted by time of day or is that not a factor on the residential side?

A: It is not a factor in what we are planning to propose.

Q: I know that as an investor in utility the rules you operate under are slightly different than a PUD. Are there requirements that you justify- for example the $2.26 cost- is that a requirement justification or is that something that was done internally?

A: That was done internally but we will include it with the proposal that we file with the UTC. It'll be something that all the intervening parties in the preceding can consider and ask for more data on if they so choose to. The UTC will ultimately be the ones who decide if it's a good idea and if we justified it sufficiently and what not.

Q: Are there requirements that you stay within a bandwidth of your cost to serve? Like an individual rate class can't be over 5% their cost to serve or 5% under or is that more fluid?

A: PacifiCorp has no hard and fast rule that we must stay within our cost to serve. When you're considering how the rate gets pushed to different classes- residential, commercial, industrial, etc. Cost to service is generally seen as a guide so if a class is far off its cost of service, then that's something the UTC will weigh. With all of this, they must make a determination for what's being approved, that it is just, reasonable, and in the public interest.

Q: Were these comparison stats based only on electric heated homes?

A: No, it's everybody. But I would like to add that usage is usually higher for somebody that is using electricity to heat their home. In our Washington serviced territory electric space heating is very prevalent and it is less likely than any of the other states that we serve where there is more natural gas penetration.

Q: I was reviewing some of the historical news information that I've tracked. According to some of the publications it said that PacifiCorp is seeking up to 12.2% increase for rates in 2023. I'm wondering about that potential increase, even if our low-income community is saving 1-2% that would literally still mean a 10% increased rate. I'm wondering if that same kind of change came to Washington some of the other programs would it have the same effect? I am also wondering if there could be future allowances for some of the lowest-income customers based on geographical location? Additionally, are incentives or allowances different for renters versus owners?

A: Unfortunately, we don't know right now what that rate increase would be. We are still working on what that rate increase would be. I don't necessarily have an answer for you right. I do not know if you should expect a big increase or if you should not. I think they are still working that out and trying to get the numbers together. Your question regarding an allowance for renters versus owners, I don't know a good way to do that in terms of driving the difference for cost of service. What is the cost for bringing that energy to the customers. We do have our low-income bill assistance which I do believe can be a powerful tool to reduce those energy burdens so we can really look at folks' income and they can go to an agency and have that opportunity to have a significant decrease in their cost. But I don't know a way to drive a distinction between renters and owners through the rates themselves.

From our experience here in Walla Walla with the core urban area, mostly Pacific Power customers, there is a high rate of natural gas usage for primary heat source. But, at the same time a lot of the multi-family is all electric and mostly resistant heat which is more expensive so i just wonder if that can skew those numbers.

PacifiCorp Response: That's interesting and Walla Walla is a smaller customer segment than Yakima. So, Yakima has probably pushed this average higher I would think and then that electric heating level higher.

The proposed seasonal rates sound extremely beneficial. Especially for agricultural communities. During the summer periods there is an abundance of work and that means a steady flow of income. While in the winter season that is not the case, so the proposed rate is interesting. It can help a substantial number of families that work in agriculture.

Break (2:20 pm)

Craft3: Home Energy Loan Program in Washington State (2:30 pm)

Craft3's Martha Pulido, a bilingual loan representative, said that Craft3 is a mission-focused Community Development Financial Institution (CDFI). Craft3 partners with PacifiCorp's energy efficiency outreach efforts to help income−challenged customers afford weatherization and upgrades ultimately to lower their utility bills and have healthier dwellings.

According to Martha, Craft3 focuses on investing in entrepreneurs, nonprofits, and individuals. Craft3 Home Energy Loans help homeowners make energy improvements and invest in their homes, especially when upfront cost is a barrier. Craft3 now has Spanish−language marketing materials, lower rates for low-income households, financing for critical repairs when completing a rebate-eligible project, unsecured financing for manufactured homes and homes on tribal land.

Eligibility Criteria

- Perfect credit is not required, and customers are not penalized for poor credit.
- Pacific Power Customers in Washington can borrow the entire cost of eligible measures up to a maximum loan amount of $50,000.
- Property must be owner-occupied.
- Projects must be eligible for rebates from Pacific Power. Contractors are responsible for verifying rebate eligibility.
- Detached single-family homes are eligible for all financing offers. Condominiums, townhomes, manufactured homes, and small multifamily properties may be eligible for certain offers.

Pacific Power asks that all Trade Allies participating in OBR, make information about 'no cost weatherization services' available to their customers when they discuss Craft3 and financing options for them. Local agencies partnered with Pacific Power to provide no-cost weatherization services for limited income households.

Martha mentioned that upfront costs are often a burden to vulnerable customers. The current rates are 4.99% if their income is equal to or less than 100% of the area median income in the county, they live in. Craft3 does not have any upfront fees or prepayment penalties and their loans are conveniently repaid through their Pacific Power utility bill. The most financing that Craft3 has done has been for heat pump upgrades. This program is of no cost to the contractors. Craft3 continues to work on their commitment by hiring Spanish–speaking lenders that can be with customers through the entirety of a loan.

The current project workflow is that a contractor first submits their bid, or it could happen at the same time as the client applies for the loan. Craft3 then evaluates the bid and underwrites the loan to ensure that the client's project is eligible for a rebate. If they are approved, they sign their loan documents electronically, but they also have them available through regular mail. Once Craft3 receives the signed documents they send 50% of the project cost to the contractor, giving them a green light to schedule and begin the project. The remaining amount is sent after the project is complete. The contractors take care of processing the incentives.

To apply for a Home Energy Loan, customers can visit Craft3's website or they can request a paper application via phone. They have often provided contractors with paper applications that they can assist clients in filling out and then the contract can process it. Clients must work with a program approved contractor to finalize the bid and ensure that they receive the Pacific Power incentives. Craft3 would like to highlight that the loan is repaid through the Pacific Power utility bill over time.

Some other types of lending Craft3 has are for Clean Water Loans and Commercial Lending.

FEEDBACK

We've used this for Community Energy Efficiency Program customers and so when we do the intake, we ask them if they'd like information about the on-bill financing program and we've had people who can take advantage of it so i think that this is an awesome program.

Q: If customers do an upgrade that qualifies for a rebate can they also do other upgrades that don't necessarily qualify for a rebate?

A: So, there is a certain percentage for allowances. For example, sometimes when there is a heat pump upgrade some will get an air filtration system upgrade as well. Those are called allowances because they are not necessarily required to better energy efficiency, but they do serve a purpose in the clients home and it does benefit them.

Q: Is there a certain cap on the amount of the loan?

A: Yes, for a secured loan the cap is $50k and for an unsecured loan $25k.

Q: Does the lending program cover solar installations?

A: Not at this time.

Public Comments (3:45 pm)

The Bill Discount Program was approved in July 2021. All the electric and gas utilities in Washington are now required to have Bill Discount Programs and I believe PacifiCorp's was the first one to come in the door.

One thing I thought that might be helpful while we are talking about these great structure changes would be to ask if Robert and Andre could put together a comparison chart for how the rates would affect a general person but might also be helpful for EAG members or others to see how it would impact people at different levels in the LIBA Program or Bill Discount Program.

PacifiCorp Response: Thank you for that suggestion. I know that when we try to put together materials for the general group here. When we were looking at the changes, we took a general example and we caveated that this didn't include the discount program. So, I think your comment is valid in that we could give a little bit more of an understanding into that. When we make our filing, we will give a lot more information. The appendix also has some useful information and calculations.

Check Out & Next Steps (3:55 pm)

E Source's Lisa Markus closed the meeting by asking EAG members: *What's your big takeaway from today's conversation?* They shared the following:

- *This was a wonderful conversation about identifying the rates. A lot of residents or businesses are unaware of how rates are developed. Understanding how the energy transition plays into the other effects of how our community might feel. The EAG is a wonderful resource because it helps many community members and individuals who want to make a change. Great information, as well as the Craft3 program- I would like both PacifiCorp and Craft3 to be a part of these conversations this year.*
- *I really like the thought put into the rate structure. I didn't realize there was that much flexibility, and the thought of bringing equity into the conversation is wonderful.*
- *We didn't really talk about level pay plans in the context of it is sometimes less important to consumers what the exact amount is versus predictability. Thinking about if there is some way to use those tools to make customers happy without having to go through so many calculations. The complexity of the billing process is a lot and billing now has changed a lot now where they get one set bill per month. I wonder if there isn't some insight there for utilities to make sure customers are more satisfied and don't run into the wall of disconnection. To somehow use that understandability tool as a way for them to use utilities more wisely.*

PacifiCorp Response: Great points. I think it's a little tricky with electric rates. There are 2 goals that can be at odds with each other. One is having rates that reflect cost, with energy it is something that has a big commodity component to it. Doing something that is flat can go against energy efficiency. But I do believe it's important to balance simplicity with finding the right prices. Our equal pay tool is a great way to make things go more smoother for people and to help customers budget. One of the biggest takeaways for me, with this conversation, I'd love to go back to the EAG and present. It would be good to have some more education around a rate case and how that process works.

- *As we go more towards electric vehicles and heat it's going to evolve and it's a good time to think about how we can move along without those tiers going into residential accounts.*
- *I'm really looking forward to coming back to one of these sessions and talking about how things are going.*

- *These spaces give us the opportunity to test out how we present these ideas and speak it. So, we really appreciate your feedback, and we want people to know that their opinion really matters.*

Todd Hilmes: When we are trying to address the needs of our most vulnerable populations here, I'm not sure that a flat rate model isn't going to be sellable. So maybe look at what Tier 1 looks like and going off that. The model we currently have has a tier 1 price concept where that is supposedly the basic general usage of what everyone would pay. The more people we could get people to pay under that Tier 1, the better that would be. If you are living in a subsistence model you shouldn't have the same rate as someone who can easily afford a higher cost.

- *I'm grateful that these conversations are occurring and the changes we were able to implement in Craft3. I would love to be involved in anyway and I'm just grateful to be a part of this group*
- *I was really interested to learn more about the Craft3 program and what they are doing for mobile homes.*
- *I am appreciative of everyone's willingness to voice their opinions on all of these topics today. I am eternally grateful to have you all in this space and participate in this dialogue.*

Attendees were reminded that meeting materials and notes will be posted to the website. Members were also given the Washington EAG 2023 meeting schedule and reminded that the next meeting is on February 9th from 1-4 pm PST, online.

Members were also asked to think about possibly adjusting our spotlight presentations to include outside organizations. There was a positive response leaning more towards including outside spotlight & community connections.