



**JOINT WORKSHOP AND DISCUSSION
Washington Utilities and Transportation Commission
and
Washington Department of Commerce**

**Defining Low Income and Energy Assistance Need
January 28, 2020 starting at 9:00 am**

Richard Hemstad Hearing Room, 621 Woodland Square Loop S.E., Lacey, WA 98503
Teleconference bridge line will be available at 360-407-3810

Background and Summary

The Clean Energy Transformation Act (CETA) includes provisions regarding energy assistance, or utility programs undertaken to reduce household energy burden. The Washington Utilities and Transportation Commission (Commission) and the Washington Department of Commerce (Commerce) are directed to established definitions related to implementation of RCW 19.405.120.

Previously, the Commission and Commerce received stakeholder input regarding energy assistance in response to Notices and Opportunities to Provide Comment on Oct. 4, 2019, and Nov. 8, 2019, respectively. (See end of notice for further information).

This joint workshop provides the opportunity to discuss and further inform potential rules and guidelines, respectively, concerning the definitions of “low-income,” “energy assistance need,” and “energy burden.”

The agencies provide the following background for consideration in advance of the workshop.

Low-income

RCW 19.405.020(25) provides that Commerce and the Commission will define “low income” for purposes of CETA and in doing so may not establish a household income level that exceeds the higher of (a) 80% of area median household income and (b) 200% of the federal poverty level, adjusted for household size. This definition will establish the threshold value for programs

to be considered energy assistance programs serving low-income households. The use of this definition in RCW 19.405.120 is narrow in scope and there may be different uses of this definition in other aspects of rulemaking.

Pursuant to RCW 19.405.120(2), “[a]n electric utility must make programs and funding available for energy assistance to low-income households by July 31, 2021.” The agencies’ decision on the threshold for “low income” affects utilities and their customers in implementing RCW 19.405.120 by establishing which households will be considered low-income.

Additionally stated in RCW 19.405.120(2), “to the extent practicable, priority must be given to low-income households with a higher energy burden.” One approach to determining a utility’s compliance with RCW 19.405.120(2) to “make programs and funding available for energy assistance to low-income households by July 31, 2021” is to define low-income as *either* 1) the area median income (AMI) metric or 2) the federal poverty level (FPL) metric. Another approach would be to define low-income as the *greater of* the two metrics.

1. What, if any, concerns exist with these approaches?
2. Please provide other suggestions on methodology or threshold value.
3. Another outstanding question regarding utility low-income programs is whether a compliant program can serve a subset of low-income customers or whether a compliant program must service all customers that meet the low-income definition. For example, if an agency were to set the definition of low-income to 200 percent FPL, would a utility program available to customers with incomes up to 150 percent FPL satisfy the requirement in RCW 19.405.120(2)?

Energy Burden

RCW 19.405.020(17) defines “energy burden” as the share of annual household income used to pay annual home energy bills. All utility customers have an “energy burden” where total home energy bills are the numerator and household income is the denominator.

Given the wide ranging comments from stakeholders to the agencies on this issue, there are a few issues that we hope to discuss as part of this workshop:

1. A clear explanation of the term “home energy.” Based on a plain-language interpretation of the words “home” and “energy,” respectively, the agencies intend to clarify the fuels associated with household utility bills for heating, cooling and other home services that do not include transportation energy or water expenditures. The agencies have currently identified electricity, gas, propane, heating oil, and wood as applicable fuel sources. Are there other fuels used for heating, cooling, or other home services that should be included for clarity?

2. A clear explanation of the calculation for energy burden, including what is included in the calculation of annual income. Should annual income include all monetary sources of public and private assistance including the value of housing-related vouchers and subsidies?

Energy Assistance

RCW 19.405.020(16) defines “energy assistance”:

(15) "Energy assistance" means a program undertaken by a utility to reduce the household energy burden of its customers.

(a) Energy assistance includes, but is not limited to, weatherization, conservation and efficiency services, and monetary assistance, such as a grant program or discounts for lower income households, intended to lower a household's energy burden.

(b) Energy assistance may include direct customer ownership in distributed energy resources or other strategies if such strategies achieve a reduction in energy burden for the customer above other available conservation and demand-side measures.

The definition of “energy assistance” includes all utility programs “intended to lower a household’s energy burden.” Assistance provided to customers who do not qualify as low-income would be included in the utility’s total energy assistance, but such assistance may not necessarily help a utility comply with the requirements of .120(2). While the definition of energy assistance is not limited to low-income customers, the intent of RCW 19.405.120 is “to demonstrate progress toward making energy assistance funds available to low-income households” and, “to the extent practicable, priority must be given to low-income households with a higher energy burden.”

Stakeholders have suggested several other types of programs that may not clearly fall within this definition, including:

- reduction of shut-offs
- arrearage management
- donation/round up programs

1. Do these programs fit with the statutory definition of “utility programs undertaken to reduce the household energy burden of its customers”?
2. If not, please provide your reasoning.

In response to stakeholder comments requesting additional resources on home energy burden, please see the end of the Notice under “Energy Burden Resources.”

Energy Assistance Need

RCW 19.405.020(16) provides that Commerce and the Commission will establish a level of household energy burden for the purpose of establishing energy assistance need by determining which households are considered to have high energy burden. Utilities are responsible for showing progress towards covering these households and will provide a plan and assessment of mechanisms as part of compliance with RCW 19.405.120(4). For the UTC regulated entities, utility energy assistance plans will be integrated with the IRP process and the EIA process and these terms are not applied exclusively to customers who qualify as “low-income” unless otherwise stated.

In compliance with this section, and pursuant to RCW 19.405.120(4)(a)(iii), utilities must provide “[a] cumulative assessment of previous funding levels for energy assistance compared to the funding levels needed to meet: (A) Sixty percent of the current energy assistance need, or increasing energy assistance by fifteen percent over the amount provided in 2018, whichever is greater, by 2030; and (B) ninety percent of the current energy assistance need by 2050.”

Under the law, the established level(s) of energy burden effectively set an affordability level for home energy bills. Utilities will use this affordability level to estimate the funding levels of energy assistance that would be needed to make home energy bills affordable for all customers.

These funding levels will be one aspect of the assessments submitted to Commerce and subsequently reported to the Legislature as stated in RCW 19.405.120(4)(b), “the assessment required in (a) of this subsection must include a plan to improve the effectiveness of the assessed mechanisms and strategies toward meeting the energy assistance need.”

It should be noted that RCW 19.405.120(7) preserves for both the Commission and the governing boards of each consumer-owned utility their authority to set rates as otherwise provided by law.

One approach is to set a single baseline of energy assistance need at six percent energy burden for all electric utilities until further data can be collected. Six percent is a widely accepted value for establishing a level of high energy burden.¹ For example, according to the Oregon Department of Energy’s Biennial Energy Report, as part of its energy assistance programs it considers “energy burdened households” to be those that spent six percent or more of their income on energy costs.² The premise for this benchmark is that a household should not spend

¹ The 6% affordability threshold is based on Fisher, Sheehan and Colton’s Home Energy Affordability Gap Analysis. For more information, see www.homeenergyaffordabilitygap.com/; see also, *Understanding Energy Affordability*, ACEEE Policy Brief, September 9, 2019, <https://aceee.org/sites/default/files/energy-affordability.pdf>; U.S. Department of Energy, Energy Efficiency and Renewable Energy Office, “Clean Energy for Low Income Communities Accelerator Fact Sheet”, <https://betterbuildingssolutioncenter.energy.gov/sites/default/files/attachments/Better%20Buildings%20Clean%20Energy%20for%20Low%20Income%20Communities%20Accelerator%20Factsheet.pdf>.

² Department of Energy, 2018. Biennial Energy Report, Chapter 7. <https://energyinfo.oregon.gov/ber>

more than thirty percent of its income on housing expenses, and the utility costs should not exceed twenty percent of these expenses.

1. What, if any, concerns exist with this approach?
2. Please provide other suggestions on methodology or threshold value.

More Information

If you have questions about this workshop, you may contact Kendra White, Policy Advisor at the Commission, at (360) 701-5363, or by email at kendra.white@utc.wa.gov, or Sarah Vorpahl at Commerce, at (360) 688-6000, or by email at sarah.vorpahl@commerce.wa.gov.

If you wish to receive further information on the Commission's dockets you may (1) call the Commission's Records Center at (360) 664-1234 or, (2) e-mail the Commission at records@utc.wa.gov and ask to be included on the mailing list for Docket UE-190652 or Docket UE-190698.

If you wish to find further information on Commerce's implementation work you can visit the website at <http://www.commerce.wa.gov/ceta/>.

Energy Burden Resources

- Lifting the High Energy Burden in America's largest Cities: How Energy Efficiency Can Improve Low-Income and Underserved Communities.³
- Understanding Energy Affordability.⁴
- LIHEAP Energy Burden Evaluation Study.⁵
- High Utility Costs Force Hard Decisions for the Poor.⁶
- Biennial Energy Report.⁷

³ Drehobl, A., and L. Ross. 2016. Washington, DC: American Council for an Energy-Efficient Economy (ACEEE) and Energy Efficiency for All. <https://aceee.org/research-report/u1602>.

⁴ ACEEE Policy Brief, September 9, 2019. <http://www.aceee.org/topic-brief/energy-affordability>.

⁵ Applied Public Policy Research Institute for Study and Evaluation (LIHEAP Study), July 2005. Prepared for US Department of Health and Human Services. <https://www.acf.hhs.gov/ocs/resource/liheap-energy-burden-evaluation-study>.

⁶ Inside Energy, May 8, 2016. <http://insideenergy.org/2016/05/08/high-utility-costs-force-hard-decisions-for-the-poor/>.

⁷ Oregon Department of Energy, 2018, Chapter 7. <https://energyinfo.oregon.gov/ber>.

- Low-income Household Energy Burden Varies Among States—Efficiency Can Help In All of Them.⁸
- The High Cost of Energy in Rural America: Household Energy Burdens and Opportunities for Energy Efficiency.⁹
- The Self-Sufficiency Standard for Washington State 2017.¹⁰
- Where the Poor Spend More than More than 10 Percent of their Income on Energy.¹¹
- 2019 Biennial Energy Report: Issues, Analysis and Updates.¹²
- Energy Burden is Just One Indicator of Inequality.¹³
- Low-Income Energy Affordability Data (LEAD) Tool.¹⁴
- The Housing and Transportation (H+T) Affordability Index.¹⁵

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⁸ U.S. Department of Energy Office of Energy Efficiency & Renewable Energy, December 2018.
https://www.energy.gov/sites/prod/files/2019/01/f58/WIP-Energy-Burden_final.pdf.

⁹ Ross, Lauren, et al., American Council for an Energy-Efficient Economy, July 2018.
<https://aceee.org/research-report/u1806>.

¹⁰ Pearce, Diana. 2017. University of Washington. Prepared for The Workforce Development Council of Seattle-King County. http://selfsufficiencystandard.org/sites/default/files/selfsuff/docs/WA2017_SSS.pdf.

¹¹ Chandler, Adam. 2016. Where the Poor Spend More than More than 10 Percent of their Income on Energy. The Atlantic. <https://www.theatlantic.com/business/archive/2016/06/energy-poverty-low-income-households/486197/>.

¹² Bonlender, Brian. 2018. Washington Department of Commerce. 2019 Biennial Energy Report: Issues, Analysis and Updates. <http://www.commerce.wa.gov/wp-content/uploads/2013/01/COMMERCE-Biennial-Energy.pdf>.

¹³ Chiodo, Jennifer. 2016. Cx Associates. Energy Burden is Just One Indicator of Inequality. <https://buildingenergy.cx-associates.com/energy-burden-is-just-one-indicator-of-inequality>.

¹⁴ U.S. Department of Energy. Low-Income Energy Affordability Data (LEAD) Tool. <https://openei.org/doe-opendata/dataset/celica-data>.

¹⁵ The Center for Neighborhood Technology. The Housing and Transportation (H+T) Affordability Index. <https://htaindex.cnt.org/>.