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Utilities Commission

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August 31, 2017

Sent via eFile

FEI 2016 RATE DESIGN

EXHIBIT A2-13

To: All Registered Parties

Re: FortisBC Energy Inc. – 2016 Rate Design Application – Project No. 3698899 – Elenchus Research Associates, Inc. Response to Information Request No. 2

Commission staff submit the following document for the record in this proceeding:

Elenchus Research Associates, Inc.
Response to British Columbia Old Age Pensioners' Organization *et al.* Information Request
on Rate Design Report dated August 31, 2017

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

ES/kbb
Enclosure

1 **1.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 2.3, p. 8**

2 **Preamble:** The authors make the observation that “the hardship resulting from a
3 rate increase is more closely correlated to income than the rate
4 increase itself. Further, since customers tend to focus on the change
5 in their total bills, rather than changes in individual components of the
6 bill, it is typical, and in the view of Elenchus more appropriate, to
7 define rate shock in terms of the increase in the total bill.”

8 1.1 Please describe the evidence on which the authors relied in order to make
9 the above-noted observation. Specifically, what evidence have the authors
10 considered in making the observation that customers tend to focus on total
11 bill change as opposed to individual components?

12 **RESPONSE:**

13 The observation is made based on Elenchus experience that customers are concerned
14 with the total bill and not individual components of the bill.

15 This perception does not appear to be unique to Elenchus. For example, in Ontario,
16 when the electricity market was opened up to competition and the industry was
17 restructured to separate generation, transmission and distribution, the guidelines issued
18 by the regulator, the Ontario Energy Board, specified that electric distributors would
19 need to consider bill impact mitigation as a result of their application if the total bill
20 impact exceeded 10%. Electric distributors were not required to submit mitigation plans
21 if their own distribution revenue requirement bill impact exceeded 10%.

22 It is the understanding of Elenchus, based on working on regulatory issues with
23 numerous Canadian natural gas and electric utilities, that most of the customer
24 complaints they receive is in response to unexpected changes in their bills, not changes
25 in regulated rates. For example, periods of high demand often trigger increase numbers
26 of customer complaints.

1 **1.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 2.3, p. 8**

2 **Preamble:** The authors make the observation that “the hardship resulting from
3 a rate increase is more closely correlated to income than the rate
4 increase itself. Further, since customers tend to focus on the change
5 in their total bills, rather than changes in individual components of
6 the bill, it is typical, and in the view of Elenchus more appropriate, to
7 define rate shock in terms of the increase in the total bill.”
8

9 1.2 Have the authors studied the elasticity of demand for natural gas
10 consumers? If yes, how have these studies informed the conclusions as to
11 the sensitivity of customers to rate increases?

12 **RESPONSE:**

13 No.

14

1 **2.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.1, p. 10**

2 **Preamble:** In considering the proposed adjustment to the fixed component of the
3 distribution charge, the authors note that the proposed change would
4 result in no net change in distribution charges to customers
5 consuming between 80 and 85GJ. Customers above that range
6 would see a net decrease in distribution charges and customers
7 below this range would see an increase.

8 2.1 Please provide a graph which plots the increase/decrease in costs against
9 the annual consumption.

10 **RESPONSE:**

11 Please refer to Exhibit B-1, Figure 7-11 on page 7-24 for the requested graph that
12 illustrates the increase/decrease in annual bills against the annual consumption.

1 **2.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.1, p. 10**

2 **Preamble:** In considering the proposed adjustment to the fixed component of the
3 distribution charge, the authors note that the proposed change
4 would result in no net change in distribution charges to customers
5 consuming between 80 and 85GJ. Customers above that range
6 would see a net decrease in distribution charges and customers
7 below this range would see an increase.
8

9 2.2 Please provide a bar chart showing the number of customers impacted by
10 the fixed/variable adjustment using increments of \$3 (e.g. >-9 / -6:-9/ -6:-3
11 / -3:0 / 0:3 / 3:6 /6:9 / >9).

12 **RESPONSE:**

13 Please refer to Exhibit B-1, Figure 7-11 on page 7-24 for the distribution of customers
14 impacted by the proposed fixed/variable adjustment. Elenchus does not have data to
15 produce the requested graph.

1 **2.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.1, p. 10**

2 **Preamble:** In considering the proposed adjustment to the fixed component of the
3 distribution charge, the authors note that the proposed change would
4 result in no net change in distribution charges to customers
5 consuming between 80 and 85GJ. Customers above that range
6 would see a net decrease in distribution charges and customers
7 below this range would see an increase.

8 2.3 Have the authors studied any franchises (e.g. Fort Nelson) or other areas
9 in FEI's service territory that have higher (negative or positive) rate
10 structure adjustment impacts?

11 **RESPONSE:**

12 Please refer to Exhibit B-1-1, Figure 13-18 on page 13-52 for the annual bill impacts
13 from all changes including unbundling and rebalancing at various annual consumption
14 levels for Fort Nelson residential customers. The authors have not studied areas that
15 have negative or positive rate structure adjustment impacts.

1 **3.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.2, p. 10**

2 **Preamble:** The authors state that “Consistent with the perception that monthly
3 volumetric consumption is a reasonable proxy for demand, it follows
4 that it is reasonable to recover demand-related costs through the
5 volumetric charge.”

6 3.1 Please provide the rationale and supporting evidence for the supposition
7 that monthly volumetric consumption is a reasonable proxy for demand.

8 **RESPONSE:**

9 Load factor in a period is the relationship between a customers’ demand and energy
10 consumption.

11 Given the limitation of traditional smaller customers metering equipment, energy
12 consumption is usually measured as opposed to measuring demand consumption.
13 Therefore, energy, as opposed to demand, is used as a measure of consumption in
14 order to bill smaller customers.

15 It would have been more accurate to state that “monthly volumetric consumption is [the
16 most] reasonable proxy for demand [that is available without investing in advanced
17 metering technology].”

1 **3.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.2, p. 10**

2 **Preamble:** The authors state that “Consistent with the perception that monthly
3 volumetric consumption is a reasonable proxy for demand, it follows
4 that it is reasonable to recover demand-related costs through the
5 volumetric charge.”

6 3.2 Please explain what “value of service” refers to in this statement and why
7 such a “value” is best recovered through a variable charge.

8 **RESPONSE:**

9 Elenchus interprets that this question refers to “value of service” in the following
10 statement from Elenchus Rate Design Report:

11 “Consistent with the perception that monthly volumetric consumption is a reasonable
12 proxy for demand, it follows that it is reasonable to recover demand-related costs
13 through the volumetric charge. It is common for utilities to also recover some portion of
14 customer-related costs through the volumetric charge, presumably with the rationale
15 that the volumetric charge is a proxy for the value of service to customers.”

16 From the customers, the value of natural gas is derived essentially from its heat content.
17 The heat content and value of a given volume of natural gas to most customers does
18 not vary with their demand.

1 **3.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.2, p. 10**

2 **Preamble:** The authors state that “Consistent with the perception that monthly
3 volumetric consumption is a reasonable proxy for demand, it follows
4 that it is reasonable to recover demand-related costs through the
5 volumetric charge.”

6 3.3 The authors note that maintaining a low fixed charge encourages
7 customer with minimal volumes to stay connected. What studies have the
8 authors done or considered which look at the relationship between
9 connection/ disconnection and the fixed charge of a utility bill?

10 **RESPONSE:**

11 No such study has been conducted or been considered by Elenchus. The statement is
12 made based on Elenchus experience.

13 For example, some natural gas utilities find it economic to connect customer that only
14 use natural gas for water heating. This approach is economic when the incremental cost
15 of connecting a customer is less than the present value of the expected net revenues.
16 The incremental cost of connection will typical be significantly less than the customer-
17 related costs as determined in a cost of service study.

1 **4.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.2 & 7.3**

2 4.1 One of the reasons given to increase the residential fixed charge has been
3 to address intra-class subsidies. As noted by the authors, uncertainties
4 and variation in standard cost allocation studies argue against spurious
5 specificity in setting revenue-to-cost ratios. Given this, please comment on
6 the extent to which a regulator should rely on using cost allocation results
7 as a means of determining whether or to what levels intra-class cross
8 subsidies exist.

9 **RESPONSE:**

10 A cost allocation study, even if it is more art than science, is the best available indicator
11 not only of the costs responsibility by customer class of a utility's approved revenue
12 requirement but also of the customer-related, demand related and the energy-related
13 costs of serving customers, on average, within a rate class. Just as it is reasonable to
14 seek class R:C ratios within an approved range, it is also reasonable to seek
15 reasonable correspondence between the fixed charge and the customer-related costs
16 per customer that are allocated to a customer class. Too large a deviation between the
17 fixed charge and customer-related costs is often viewed as giving rise to intra-class
18 cross subsidies.

1 **4.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.2 & 7.3**

2 4.2 As noted by the authors in the ATCO Gas example, utilities often argue to
3 increase the fixed component of the distribution charge in order to mitigate
4 weather risk. If an increase in fixed costs does decrease weather risk,
5 what adjustment should be made to the utility's cost of capital to reflect the
6 lowering of business risk?

7 **RESPONSE:**

8 The setting of a utility's cost of capital and the factors considered in establishing the
9 cost of capital are outside the scope of work undertaken by Elenchus for this
10 proceeding. A meaningful response to this question would require cost of capital
11 evidence to be prepared.

1 **5.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.2, p. 11-**
2 **12 & Footnotes 21 & 24-25**

3 5.1 Please provide the referenced excerpts (pages 94-96) of the Alberta
4 Energy and Utilities Board (EUB, now AUC) Decision 2007-026 (April 26,
5 2007) with regard to low use customers.

6 **RESPONSE:**

7 Please refer to BCOAPO 5.1 Attachment 1 for the extracted pages from EUB Decision
8 2007-026.

BCOAPO 5.1 ATTACHMENT 1: ATCO GAS

2003-2004 GENERAL RATE APPLICATION PHASE II

**COST OF SERVICE STUDY METHODOLOGY AND RATE
DESIGN AND**

2005-2007 GENERAL RATE APPLICATION PHASE II



ATCO Gas

2003-2004 General Rate Application Phase II
Cost of Service Study Methodology and Rate Design and
2005-2007 General Rate Application Phase II

April 26, 2007

associated with individual applications must be weighed to appropriately balance all of these criteria.

AUMA/EDM and PICA concurred with the ATCO Gas philosophy that the Board should approve a rate design methodology that closely reflects the cost components that result from the COSS, subject to assessing any concerns that might arise in relation to rate shock for any customer groups. AUMA/EDM considered that any rate shock issues should be further assessed in a compliance filing.

Calgary also supported the recovery of costs based on cost causation, but considered that ATCO Gas should improve the quality of the data utilized in the COSS. Calgary considered that by adopting the Calgary recommendations respecting rate classes, some inequities associated with the ATCO Gas rate design could be mitigated.

In general, the Board considers that results provided by a COSS, if the data and methodology used are found acceptable by the Board, ought to be given considerable weight in establishing the rate design. Overall, the Board considers that while there is an opportunity for a higher level of confidence with the ATCO Gas data in the future through further verifications, the data utilized in the COSS studies provides a reasonable level of confidence for the purposes of the present decision.

Fixed versus Variable

Parties did not agree with regard to the level of the proposed fixed charge for the Low Use and Irrigation rates.

ATCO Gas indicated that it believes that the rate components of the rates should closely match how the costs are allocated to the Rate Groups to ensure that customers within the rate group are not cross subsidizing other customers within the same rate group. As an example, ATCO Gas indicated that if a lower fixed charge than required as per the COSS for the Low Rate Group

-
- (b) in the control of the relative uses of alternative types of service by ratepayers (on-peak versus off-peak service or higher quality versus lower quality service).
5. Reflection of all of the present and future private and social costs and benefits occasioned by a service's provision (i.e., all internalities and externalities).
 6. Fairness of the specific rates in the apportionment of total costs of service among the different ratepayers so as to avoid arbitrariness and capriciousness and to attain equity in three dimensions: (1) *horizontal* (i.e., equals treated equally); (2) *vertical* (i.e., unequals treated unequally); and (3) *anonymous* (i.e., no ratepayer's demands can be diverted away uneconomically from an incumbent by a potential entrant).
 7. Avoidance of undue discrimination in rate relationships so as to be, if possible, compensatory (i.e., subsidy free with no intercustomer burdens).
 8. Dynamic efficiency in promoting innovation and responding economically to changing demand and supply patterns.

Practical-related Attributes:

9. The related, practical attributes of simplicity, certainty, convenience of payment, economy in collection, understandability, public acceptability, and feasibility of application.
10. Freedom from controversies as to proper interpretation.

See also *Gas Utilities Rate Design Inquiry Report* No. E80100, dated July 31, 1980, p. 53

were implemented, that would reduce cost recovery for the lower spectrum of the Rate Group and increase cost recovery from the upper spectrum of the Rate Group resulting in cross subsidization within the rate group. Further in this regard, ATCO Gas suggested that its ability to earn its approved return would also be impeded if the way costs are being recovered does not properly match the drivers behind how those costs are incurred. ATCO Gas indicated that a fixed cost by its nature should not be impacted by weather, yet by recovering fixed costs in the variable charge, there is a potential for under or over recovering the cost, which it considered would not be appropriate. Accordingly, ATCO Gas suggested that the fixed charge for the Low Use Rate Group should be moved from the current level which recovers 73%²¹¹ of the customer classified costs allocated to the Low Use Rate Group to recovering 100% of such costs. Similarly, it would be appropriate if the fixed charge for the Irrigation Rate Group to be moved from the current level of recovering 40% of the customer classified costs allocated to the Irrigation Rate Group to recovering 100% of such costs.

Calgary considered that until such time as the technology associated with demand metering for small customers might become cost effective, the existing rate structure will need to consist of a fixed monthly customer charge recovering customer classified costs and a variable or commodity charge which includes the recovery of deemed demand related costs.

CCA and AIPA expressed concerns that the level of the fixed charge should not be based upon the level of customer costs as determined from the COSS.

CCA suggested that the fixed charge should be held at its present level. CCA considered that the fixed charge should not recover 100% of the assigned costs if the Low Use class is not split into more homogeneous groups and the minimum system cost methodologies are used.

AIPA recommended that the Board limit the fixed charge to 73% of the allocated customer costs to prevent rate shock in a fashion similar to that adopted in Decision 2000-016.

ABCOM recommended that the fixed charge be eliminated or alternatively be reduced by 10% for First Nations.

The Board considers there are offsetting factors to be weighed. One factor relates to the societal implications in relation to affordability for the lowest use customers. Any consideration in this regard must consider that a rate design that might unduly favour the smallest customers would tend to disfavour the largest customers in that same rate group. Another factor relates to the ability of the utility to earn its approved revenue requirement without being subjected to undue weather related risk that might arise from a rate design that places excessive reliance upon collection of approved revenue requirements through the consumption related variable charge. Other factors to be considered include stability, simplicity and public acceptability.

As illustrated in Tables 9 and 10 above the fixed charge for Low Use customers was approximately \$13/month in January 2005 and is proposed to increase to approximately \$18 - 19/month in 2007 with the ATCO Gas proposal. Similarly the Irrigation fixed charge is proposed to increase from approximately \$20/month to approximately \$30/month. The Board notes that there have been a number of rate adjustments and timing influenced riders in 2005 and 2006 that may have had the same impact and been perceived as an increase to the fixed charge for the Low

²¹¹ For ATCO Gas South per Decision 2000-016

Use customers. For example the interim rates in effect, including riders, for Low Use ATCO Gas North and South customers are currently \$16.11/month and \$16.49/month, respectively. The Irrigation fixed charge under interim rates is currently \$19.22/month.

The Board considers that it would be reasonable to move toward a fixed charge for Low Use and Irrigation customers that recovers costs more in line with the COSS in order to ensure fairness within the rate classes (horizontal equity), fairness between rate classes (vertical equity) and to enhance the predictability of the utility recovering its approved revenue requirement and stabilizing revenues. However, the Board is not prepared to assign 100% of the customer component of allocated costs to the fixed charge at this time in recognition of the customer impact of any increase to the fixed charge, especially to lower and fixed income customers, and in order to mitigate potential rate shock and to reflect the rate design attributes of rate stability, certainty and predictability.

The Board considers the Low Use and Irrigation fixed charge should be limited to 90% of the COSS results. The balance of those charges not recovered in the fixed charge would be recovered through the variable charge. The Board notes that the fixed charge for High Use customers is proposed to decrease from its current levels incorporating the COSS results and that no parties expressed any concerns in that regard. The Board considers that no adjustment to the High Use rates would be required to limit the change to the fixed charge.

The Board directs ATCO Gas to limit the Low Use and Irrigation fixed charge to 90% of the level determined in the updated COSS in its refiling.

Revenue to Cost Ratios

ATCO Gas proposed revenue to cost ratios of 100% and noted that while the Board has previously relied upon a tolerance window of 95% - 105%, ATCO Gas did not consider that rate shock would be an issue.

AUMA/EDM concurred with ATCO Gas that the cost recovery should be aligned with the COSS unless there were rate shock issues which could be appropriately dealt with in a compliance filing. Other parties generally considered that a tolerance window of 95% to 105% would be reasonable.

Calgary recommended that an adjustment limitation of 90% would be appropriate if there was no split in the Low Use rate group as Calgary had proposed. Calgary considered that even if the revenue to cost ratio were 100% the quality of the data used in the COSS might not be accurate beyond a 90% to 110% threshold. However, Calgary made the distinction that it did not consider that the 95/105% adjustment ought to be used for inter-class adjustments; but only for intra-class adjustments.

The Board considers that utilizing a threshold target range for revenue to cost ratios can provide a mechanism for mitigating rate shock for effected rate groups if the COSS results in significant cost shifts, particularly in circumstances where there may be concerns respecting the reliability of the data or methodologies. The Board considers the revenue to cost ratios can be further assessed in the compliance filing process.

The Board directs ATCO Gas to include interactive sensitivity assessments illustrating utilization of a 95/105% target tolerance, as well as its proposed 100% recovery, in its compliance filing.

1 **5.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.2, p. 11-**
2 **12 & Footnotes 21 & 24-25**

3 5.2 Please provide the referenced Washington Utilities and Transportation
4 Commission Docket No. UG-150204-150205 and testimony of Patrick D.
5 Ehrbar.

6 **RESPONSE:**

7 Please refer to BCOAPO 5.2 Attachment 1 for the extracted pages from Direct
8 Testimony of Patrick D. Ehrbar and BCOAPO 5.2 Attachment 2 for extracted pages
9 from Order 05 on Docket No. UG-150204-150205.

**BCOAPO 5.2 ATTACHMENT 1: DIRECT TESTIMONY OF
PATRICK D. EHBAR REPRESENTING AVISTA CORPORATION**

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-15 ____

DOCKET NO. UG-15 ____

DIRECT TESTIMONY OF

PATRICK D. EHRBAR

REPRESENTING AVISTA CORPORATION

1 Idaho, Kootenai Electric Cooperative, has a residential monthly basic charge of \$19.50, and a
2 minimum charge of \$25.00 per month.

3 **Q. Turning now to natural gas, why is the Company proposing to increase**
4 **the Schedule 101 monthly customer charge from \$9.00 to \$12.00 per month?**

5 A. Schedule 101 total customer allocated costs, as shown in Mr. Miller's Exhibit
6 No. __ (JDM-3), page 4, line 25, is \$27.07 per customer per month. \$12.17 of the \$27.07
7 noted above are related to the cost of the meter and service, billing, and providing customer
8 service, as shown in Miller Exhibit No. __ (JDM-3), page 4 line 23.

9 **Q. What is the consequence to an electric or natural gas customer of a Basic**
10 **Charge that is priced below cost?**

11 A. Because rate design is a "zero sum game", if customer charges are set below
12 the cost, then other charges are, by definition, set above their cost of service. For residential
13 gas and electric customers, the only other charge is the volumetric charge. When volumetric
14 rates are increased above their cost of service to include customer costs that are not in the
15 Basic Charge, several consequences ensue:

- 16 • It results in almost all customers paying more "per-customer" related costs in the
17 winter, even though their customer costs are not higher in the winter summer.
- 18 • It results in the amount of customer costs a customer pays being unpredictable,
19 even though customer costs are actually very predictable.
- 20 • A portion of fixed costs of providing service to low usage customers is actually
21 recovered from other higher usage customers served under the same schedule.

22 Ideally, to properly match revenues with the cost of service, the fixed costs of
23 providing service would be recovered through a fixed monthly charge, paid by each customer

1 irrespective of actual usage. The rationale for that type of rate design is that a utility's
2 facilities and support functions are made available to its customers irrespective of how much
3 energy they use.

4 In summary, setting the basic charge at a rate substantially less than an amount that
5 covers annual customer costs can result in rates that are not equitable, and monthly bills that
6 are unnecessarily volatile.

7 **Q. But won't increasing the Basic Charge send the wrong price signal**
8 **through the energy rates?**

9 A. No. Conservation of electricity and natural gas is important for customers and
10 for the Company, and one might argue that a lower basic charge results in higher commodity
11 charges and a stronger price signal related to volume usage. However, sending a price signal
12 to customers through a residential rate design that contains a three-tier increasing block rate
13 for electric (natural gas has two volumetric tiers) was developed for just such a reason. The
14 more electricity that is used, the higher the rate, and therefore the higher the overall customer
15 bill. The volumetric pricing components will still send a very clear price signal to conserve,
16 even with the Company's proposed basic charge increase.

17 The Company's Integrated Resource Plans provide a perspective of the incremental
18 cost of electricity and natural gas on a forward looking basis, as compared to retail rates.
19 Illustration No. 4 below shows the average or melded Schedule 1 volumetric rate per kWh, at
20 varying usage levels, and with varying basic charges.

**BCOAPO 5.2 ATTACHMENT 2: DOCKET UE-150204 AND
UG-150205 (CONSOLIDATED) ORDER 5**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKETS UE-150204 and
TRANSPORTATION COMMISSION,)	UG-150205 (<i>Consolidated</i>)
)	
Complainant,)	ORDER 05
)	
v.)	FINAL ORDER REJECTING TARIFF
)	FILING, ACCEPTING PARTIAL
AVISTA CORPORATION dba)	SETTLEMENT STIPULATION,
AVISTA UTILITIES,)	AUTHORIZING TARIFF FILINGS
)	
Respondent.)	
)	
.....)	

Synopsis: *The Commission rejects the revised tariff sheets Avista Corporation dba Avista Utilities (Avista or Company) filed on February 9, 2015, that would have increased rates for the Company’s electric customers by 6.7 percent, raising \$33.2 million in additional revenue for Avista, and its tariff sheets that would have increased rates for Avista’s natural gas customers by 6.9 percent, raising \$12 million in additional revenue for the Company, if either had been approved by the Commission.*

The Commission approves and accepts the partial, multiparty settlement stipulation filed on May 1, 2015, including the proposed capital structure of 9.5 percent return on equity, 7.29 percent rate of return, and 48.5 percent equity component.

Based on the evidence presented, the Commission authorizes and requires the Company to file revised tariff sheets with natural gas rates that will recover \$10.8 million, for a 6.3 percent increase in rates. Further, after full consideration of the record, the Commission authorizes and requires Avista to file revised tariff sheets with electric rates that will recover \$8.1 million less in revenue, for a 1.63 percent rate decrease.

Paragraph 6 of the Settlement, “Electric Rate Spread/Rate Design,” only provides electric rate spread and rate design provisions for a revenue requirement increase. As we order a decrease in Avista’s electric rates, this provision of the Settlement is moot. Instead, the Commission adopts an equitable approach to electric rate spread and rate design that apportions a uniform percentage rate decrease across Avista’s rate schedules and schedule blocks.

14 The settling parties proposed an electric rate design to address any revenue requirement increase the Commission may approve. However, the Settlement did not offer a proposal in the event of an electric revenue requirement decrease. As for the natural gas rate design, the Settlement recommends the following:

- **Natural Gas Schedule 101: The Basic Charge would remain at \$9.00 per month, and the revenue spread to the volumetric rates on a uniform percentage basis.**¹⁶
- Natural Gas Schedule 146: The Basic Charge would increase from \$500 to \$525 per month, and the remaining revenue increase spread on a uniform percentage across all blocks.¹⁷
- Natural Gas Schedules 111: The monthly Minimum Charge based on Schedule 101 rates (breakeven at 200 therms) would increase and a uniform percentage increase spread to all blocks.¹⁸
- Natural Gas Schedules 121: The monthly Minimum Charge based on Schedule 101 rates (breakeven at 500 therms) would increase and a uniform percentage increase spread to all blocks.¹⁹
- Natural Gas Schedule 131: A uniform percentage increase spread to all blocks.²⁰

2. Joint Testimony in Support of Settlement

15 Avista, Staff, Public Counsel, NWIGU, and ICNU filed Joint Testimony in Support of the Settlement (Joint Testimony) on July 24, 2015. The Company states that the Settlement balances its interests and the interests of its customers on cost of capital, power cost, and rate spread and rate design issues.²¹ Staff asserts that the 7.29 percent

¹⁶ *Id.*, ¶ 7(b)(i).

¹⁷ *Id.*, ¶ 7(b)(ii).

¹⁸ *Id.*, ¶ 7(b)(iii).

¹⁹ *Id.*

²⁰ *Id.*

²¹ Norwood, Exh. No. 2 at 13:7-8.

ROR is reasonable because it is nearly identical to the 7.30 percent ROR the Commission authorized in Docket UE-140762 for Pacific Power & Light Company.²² Staff states that the testimony of Avista witness Adrien McKenzie is the only ROR testimony in the record, and it supports the settled capital structure.²³ Staff notes that the Settlement's debt level is near the upper end of the proxy group of 20 comparison utilities provided by Mr. McKenzie, which indicates that the equity percentage in the Settlement is not overly generous.²⁴ According to Staff, the 7.29 percent ROR recommended by the Settlement is only slightly lower than the ROR set in Avista's last general rate case.²⁵

- 16 Staff is particularly satisfied with the modeling corrections and assumption updates to the power supply component of the Settlement, as well as the continuation of the Energy Recovery Mechanism in its present form.²⁶ While the parties do not agree on a specific cost of service methodology, the Settlement maintains the electric residential basic charge at \$8.50 per month, which Staff asserts is consistent with the Commission's preference for basic charges to reflect only "direct customer costs."²⁷
- 17 Public Counsel contends that the Settlement amounts reflect a trend toward declining ROR and ROE for regulated utilities.²⁸ Public Counsel asserts that the agreement "represents a fair assignment of revenue responsibility for all customer classes."²⁹ Additionally, Public Counsel points out that the Settlement provides no increases to residential basic charges for electric and natural gas customers despite Avista's initial filing proposing a substantial increase to both.³⁰

²² McGuire, Exh. No. 2 at 15:15-17.

²³ *Id.* at 15:16-19.

²⁴ *Id.* at 16:6-10.

²⁵ *Id.* at 16:18-17:2.

²⁶ *Id.* at 17:10-12.

²⁷ *Id.* at 18:10-15 (citing *WUTC v. Pacific Power & Light Company*, Docket UE-140762, Order 08, ¶ 216 (Mar. 21, 2015) [*PPL Order 08*]).

²⁸ Johnson, Exh. No. 2 at 22:11-12.

²⁹ *Id.* at 23:8-9.

³⁰ *Id.* at 23: 12-15.

1 **6.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3**

2 6.1 Please confirm that the Ontario Energy Board has made no decision with
3 respect to changing the fixed/variable charge of the Ontario natural gas
4 utilities in the past 5 years.

5 **RESPONSE:**

6 By reviewing rates approved by OEB in the past 5 years, it is noted that the fixed
7 monthly charges for residential customers served by Enbridge¹ and Union² have
8 remained the same but the variable charges have changed in the past 5 years.

¹ Rate Order for OEB EB-2011-0354 and OEB EB-2016-0215.

² Rate Order for OEB EB-2011-0210 and OEB EB-2016-0245.

1 **7.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.1, p.13**
2 **& 3.23.2.1, p. 15**

3 **Preamble:** The authors note: “Conceptually, cost allocation principles imply that
4 to reflect cost causality the fixed charge should mirror customer-
5 related costs as identified in the cost allocation model, while variable
6 energy and demand charges should reflect energy and demand-
7 related costs. Nevertheless, rate-setting is also often influenced by
8 value of service considerations that result in a lower fixed charge
9 which keeps bills down for customers with below average demand.
10 This approach can encourage increased penetration in terms of the
11 number of customers connected although this is arguably
12 accomplished by embedding a cross subsidy of low-volume users by
13 the higher volume users in the same rate class.”
14

15 7.1 A number of jurisdictions have adopted energy conservation policies.
16 Please explain the conservation impact of recovering more energy costs
17 through a fixed rather than variable (i.e. volumetric) charge. Specifically,
18 have the authors examined any studies which attempt to quantify the
19 impact of such a change?

20 **RESPONSE:**

21 Elenchus has not examined studies that attempt to quantify the impact on conservation
22 efforts of recovering more energy costs through a fixed rather than variable charge and
23 the impact of this action on conservation policies.

24 Based on economic principles related to price signals, it can be expected that
25 recovering more energy costs through the fixed charge would reduce the incentive (the
26 volumetric price signal) for customers to participate in energy conservation programs.

1 **7.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.1, p.13**
2 **& 3.23.2.1, p. 15**

3 **Preamble:** The authors note: “Conceptually, cost allocation principles imply that to
4 reflect cost causality the fixed charge should mirror customer-related
5 costs as identified in the cost allocation model, while variable energy
6 and demand charges should reflect energy and demand-related costs.
7 Nevertheless, rate-setting is also often influenced by value of service
8 considerations that result in a lower fixed charge which keeps bills
9 down for customers with below average demand. This approach can
10 encourage increased penetration in terms of the number of customers
11 connected although this is arguably accomplished by embedding a
12 cross subsidy of low-volume users by the higher volume users in the
13 same rate class.”
14

15 7.2 Please comment on what British Columbia energy conservation policies are
16 advanced or impeded by FEI’s proposal to move to a higher fixed component
17 for rates.

18 **RESPONSE:**

19 FEI’s proposal to increase the fixed charge is based on cost causality and is done in
20 order to better align FEI’s distribution costs with distribution rates charged to customers.

21 As stated in Elenchus’ report on page 14:

22 *There appears to be two primary reasons for utilities not recovering their fixed*
23 *costs through fixed charges:*

24 *1. Doing so may result in rate shock to customers’ bills.*

25 *2. This approach may run counter to a Government policy objective of*
26 *encouraging conservation.*

27

1 **7.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.1, p.13**
2 **& 3.23.2.1, p. 15**

3 **Preamble:** The authors note: “Conceptually, cost allocation principles imply that to
4 reflect cost causality the fixed charge should mirror customer-related
5 costs as identified in the cost allocation model, while variable energy
6 and demand charges should reflect energy and demand-related costs.
7 Nevertheless, rate-setting is also often influenced by value of service
8 considerations that result in a lower fixed charge which keeps bills
9 down for customers with below average demand. This approach can
10 encourage increased penetration in terms of the number of customers
11 connected although this is arguably accomplished by embedding a
12 cross subsidy of low-volume users by the higher volume users in the
13 same rate class.”

14 7.3 At page 16, in reference to changes to the 5% increase in the fixed charge,
15 the authors state that: “The disadvantage of this alternative is that it runs
16 counter to Government objective of encouraging conservation by increasing
17 fixed charges and reducing variable charges sending the opposite price
18 signal to customers that reduced energy consumption results in lower
19 customer bills.” Please provide the government policy to which the authors
20 refer in this statement.

21 **RESPONSE:**

22 Exhibit B1, Section 5.4, page 5-3, line 6 to page 5-5 line 23, describes the BC
23 Government energy policy as it was considered by FEI in its Rate Design application.

24 In the same exhibit, page 5-4, lines 14 to 19 FEI states that:

25 *Another significant impact of government policies on FEI’s rate structure relates*
26 *to the 2010-2011 Revenue Requirements NSA (2010-2011 NSA). Consistent*
27 *with government energy policies, parties to the 2010-2011 NSA agreed to hold*
28 *the Basic Charge constant at 2009 levels and to increase the volumetric Delivery*
29 *Charge to recover the approved revenue requirements. Since the 2010-2011*
30 *NSA, all delivery margin increases have been allocated to the volumetric Delivery*
31 *Charge.*

1 **7.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.1, p.13**
2 **& 3.23.2.1, p. 15**

3 **Preamble:** The authors note: “Conceptually, cost allocation principles imply that
4 to reflect cost causality the fixed charge should mirror customer-
5 related costs as identified in the cost allocation model, while variable
6 energy and demand charges should reflect energy and demand-
7 related costs. Nevertheless, rate-setting is also often influenced by
8 value of service considerations that result in a lower fixed charge
9 which keeps bills down for customers with below average demand.
10 This approach can encourage increased penetration in terms of the
11 number of customers connected although this is arguably
12 accomplished by embedding a cross subsidy of low-volume users by
13 the higher volume users in the same rate class.”

14 7.4 The authors note that “a higher variable charge is a disincentive for the
15 utility to minimize the effectiveness of its conservation programs.” Please
16 provide the quantitative evidence that supports this statement. Please also
17 explain what specific FEI conservation programs might be affected by a
18 change to the fixed/variable portion of the rate.

19 **RESPONSE:**

20 The above statement is not based on any quantitative analysis undertaken by Elenchus.
21 It is based on the observation that the higher the proportion of a utility’s revenue
22 requirement being recovered through the variable charge, the more revenue the utility
23 could lose as a result of customers reducing energy consumption by undertaking
24 demand management initiatives.

25 Elenchus notes that some utilities and experts (including Elenchus) have
26 recommended, and some regulators have accepted, the introduction of a Lost Revenue
27 Adjustment Mechanism (LRAM) that is explicitly designed to compensate utilities for lost
28 revenue due to successful conservation effort and other drivers of declining throughput.

1 **8.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.2.3, p.**
2 **17**

3 8.1 The authors note that they did not identify any natural gas utilities with
4 low-volume residential customer rates. Is this conclusion based only on a
5 survey of the utilities shown in Table 1? If not, what other utilities in North
6 American or Europe were reviewed?

7 **RESPONSE:**

8 The conclusion was based on the review of residential rates provided by utilities listed in
9 Table 1 of Elenchus Rate Design Report. In addition, the authors have not identified
10 natural gas utilities with low-volume residential rates while engaged in their past work
11 related to natural gas utilities.

12 Elenchus conducted additional internet search on low volume residential rates. This
13 additional research did not yield any new information.

1 **8.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.2.3, p.**
2 **17**

3 8.2 Did the authors survey utilities for low income rates or subsidies in any of
4 the jurisdictions in review? If yes, please provide the results of those
5 reviews.

6 **RESPONSE:**

7 Please refer to Section 10 of the Rate Design Report for the jurisdictional review on the
8 assistance programs available for low-income customers.

1 **9.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.2.3,**
2 **Table 1**

3 9.1 Table 1 showing the utilities reviewed also shows the lowest customer fixed
4 charges are from the U.S. based utilities (Puget Sound Energy and Avista)
5 and Gazifere. Please comment on what might be the reasons for U.S. fixed
6 charges to be lower.

7 **RESPONSE:**

8 Elenchus has no information on the reasons for the fixed charge being lower for the
9 U.S. utilities surveyed.

10

1 **9.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.2.3,**
2 **Table 1**

3 9.2 Please also comment on whether there is a relationship between the low
4 fixed rates in Quebec and the low electricity rates and low natural gas
5 penetration in that province.

6 **RESPONSE:**

7 Elenchus has no information on the reasons for the low fixed rates in Quebec, the low
8 electricity rates and low natural gas penetration in that province and the relationship of
9 these factors.

10 Based on the experience of the authors in Quebec, there does appear to be a
11 correlation between the low electricity rates and the low penetration of natural gas. The
12 low customer density in much of the province is also a factor. Any relationship between
13 low fixed rates and low natural gas penetration is less apparent and is counter-intuitive.

1 **9.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.2.3,**
 2 **Table 1**

3 9.3 What is the fixed charge component of GazMetro's residential charge?

4 **RESPONSE:**

5 Gaz Metro does not have a separate tariff for residential customers. For those who use
 6 10,950 m³ (419 GJ) gas per year, the monthly basic charge is about \$15.53. This fixed
 7 charge is derived from the daily per meter charge.

8 Please refer to Figure 1 below extracted from Gaz Metro Conditions of Service and
 9 Tariff that provides fixed charges for the consolidated rate group.

10 Figure 1. Gaz Metro Basic Fee for Residential Customers¹

Volume Withdrawn				Price
m ³ /Year				¢/Metering device/Day
from	0	to	10,950	51.781
from	10,950	to	36,500	105.503
from	36,500	to	109,500	125.843
from	109,500	to	365,000	132.805
from	365,000	to	1,095,000	174.188
from	1,095,000	to	3,650,000	229.522
	3,650,000		and over	570.927

11

¹ Gaz Metro, Conditions of Service and Tariff, March 31, 2017, page 66.

1 **9.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 3.3.2.3,**
2 **Table 1**

3 9.4 Why did the authors exclude GazMetro from its survey?

4 **RESPONSE:**

5 Gaz Metro is excluded in Table 1 because it does not have a separate tariff for
6 residential customers.

10.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 7.1

10.1 Please provide the Ontario Energy Board policy on range of reasonableness for revenue-to-cost ratios for electricity distributors.

RESPONSE:

Please refer to Figure 1 below that is extracted from OEB EB-2010-0219 regarding OEB policy on range of reasonableness for revenue to cost ratios for electricity distributors.

Figure 1¹. OEB Acceptable Revenue to Cost Ratio Ranges²

SERVICE CLASS	RANGE
Residential	85 to 115%
General Service < 50 kW	80 to 120%
General Service 50 to 4,999 kW	80 to 120%
Large User	85 to 115%
Unmetered Scattered Load	80 to 120%
Street Lighting	70 to 120%
Sentinel Lighting	80 to 120%

¹ On June 12, 2015 the OEB narrowed the ratio for Street Lighting to 80 to 120%

² OEB EB 2010-0219, Report of the Board, page 36. Accessible online: https://www.oeb.ca/oeb/Documents/EB-2010-0219/Board_Report_CA_Policy_for_Distributors_20110331.pdf

1 **11.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 7.3**

2 11.1 Did the authors identify any utilities using a margin-to-cost ratio rather than
3 a revenue-to-cost ratio? If yes, please specify.

4 **RESPONSE:**

5 Elenchus's review did not identify any other Canadian utility using margin to cost ratio.

1 **11.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 7.3**

2 11.2 Please explain what the underlying rationale would be for using a ratio
3 which excludes gas and storage and transport costs.

4 **RESPONSE:**

5 Excluding costs that are a pure cost pass-through is reasonable in assessing the
6 reasonableness of the rates charged by a utility to its customers based on a cost of
7 service study since doing so isolates the revenue-to-cost variance associated with the
8 utility's internal costs. This approach is particularly relevant when the external costs that
9 are passed through are volatile.

10 Hence, margin to cost ratio can be used for transportation customers since these
11 customers arrange their own commodity, storage and transport resources and delivery
12 is the only service they buy from FEI. Using margin to cost ratio can also reduce the
13 uncertainty being driven by the commodity, storage and transport costs that are
14 included in revenue to cost ratio.

1 **11.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 7.3**

2 11.3 The M:C ratio results presented by FEI (Table 6-18, page 6-35) show that
3 under the M:C methodology the residential class has a lower ratio,
4 implying a greater need for adjustment. Do the authors believe that using
5 one methodology rather than the other should result in a different
6 residential rate based on one of these ratios?

7 **RESPONSE:**

8 No, regulators typically accept ratios within a range of reasonableness. It is reasonable
9 to use a wider range for M:C ratio considering that the calculated R:C ratio range would
10 always be less than the calculated M:C ratio range since the same values are added to
11 the numerator and denominator of the M:C ratio to derive the R:C ratio. In addition, R:C
12 (or M:C) ratio is only one factor that influence rate design results and there are other
13 considerations (e.g. rate impact, policy concern) that will lead to the final rates.

1 **11.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 7.3**

2 11.4 If yes, what is the theory that underpins the M:C methodology being
3 preferred over the R:C ratios used in most, if not all, other jurisdictions?

4 **RESPONSE:**

5 Elenchus sees merit in using the M:C ratio as the primary reference frame for
6 determining whether rate rebalancing is appropriate since it excludes pass through
7 costs. However, the R:C is so widely accepted that it would not be inappropriate as the
8 primary reference.

9 In addition, where the cost that are appropriate to excluded differs across customer
10 classes it may introduce unacceptable complexity to adopt M:C ratios that exclude
11 external costs for all classes. The resulting inconsistency may be viewed as confusing.

1 **12.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 10.1**

2 12.1 The authors reference two “programs” as being offered by the formerly
3 named Ministry of Social Development and Social Innovation (the
4 “Ministry”) as being “designed to help low income customers” – namely,
5 the Essential Utilities Supplement and the Utilities Security Deposit
6 supplement. Please confirm that these supplements are not programs that
7 are available to all low income BC Hydro customers; rather, they are
8 discretionary benefits available only to recipients of provincial income
9 assistance or disability assistance through the Ministry that meet the
10 statutory criteria for the respective supplements.

11 **RESPONSE:**

12 Confirmed¹.

¹ Government of British Columbia, Utility Security Deposits, Accessible online:
<http://www2.gov.bc.ca/gov/content/governments/policies-for-government/bcea-policy-and-procedure-manual/general-supplements-and-programs/utility-security-deposits>

1 **13.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 10.2**

2 13.1 Please confirm that Ontario residents who are recipients of social
3 assistance through Ontario's Ministry of Community and Social Services
4 (Ontario Works or Ontario Disability Support Program) can apply for
5 discretionary emergency funding for utility deposits and arrears through
6 the Housing Stabilization Fund / Housing Stability Program.

7 **RESPONSE:**

8 Elenchus identified three municipalities including Toronto, Hamilton, and Peterborough
9 within Ontario, which enable recipients of social assistance through Ontario's Ministry of
10 Community and Social Services to apply for financial support through the Housing
11 Stabilization Fund / Housing Stability Program^{1,2,3}.

¹ City of Toronto, Housing Stabilization Fund (HSF), Accessible online: <https://www1.toronto.ca/wps/portal/contentonly?vgnextoid=0a489b4ce3108510VgnVCM10000071d60f89RCRD>

² City of Hamilton, Housing Stability Benefit, Accessible online: <https://www.hamilton.ca/social-services/housing/housing-stability-benefit>

³ City of Peterborough, Housing Stability Fund, Accessible online: http://www.peterborough.ca/Living/City_Services/Social_Services/Homelessness_Services/Housing_Stability_Fund.htm

1 **14.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 10.2, p. 41**

2 14.1 Please clarify which jurisdictions have low income support which is
 3 financed through utility funding (i.e. OEB LEAP), which jurisdictions are
 4 government funded, and which have both. For the jurisdictions that have
 5 both utility funded and government funded programs, please describe both
 6 (including any limits on eligibility).

7 **RESPONSE:**

Jurisdiction	Program	Funding	Description
Ontario	Low-Income Energy Assistance Program (LEAP)	Utility ¹	<p>Low-income customers can get up to \$500 in emergency assistance for their electricity bills (\$600 if home is electrically) and \$500 for natural gas bills.</p> <p>Assistance only available if customer is behind on their bill, or in arrears, and may face having their service disconnected.</p> <p>Eligible customers must have a household income that falls below a certain limit, depending on the number of house occupants and combined household income.</p>
	Northern Ontario Energy Credit	Government ²	<p>For the 2017 benefit year, single people can receive up to \$148, and families can receive up to \$227.</p> <p>You may qualify if you are 18 years of age or older, and your</p>

¹ Ontario Energy Board, Low-income Energy Assistance Program, Accessible online: <https://www.oeb.ca/rates-and-your-bill/help-low-income-consumers/low-income-energy-assistance-program>

² Ontario Ministry of Finance, Northern Ontario Energy Credit, Accessible online: <http://www.fin.gov.on.ca/en/credit/noec/>

Jurisdiction	Program	Funding	Description
			principal residence is in Northern Ontario.
	Ontario Energy and Property Tax Credit	Government ³	<p>For the 2017 benefit year, you can receive from \$25 to \$1,165 depending on your status as a non-senior, senior, resident of a reserve or public long-term care home, or in a designated college, university or private school residence.</p> <p>In order to qualify, you must reside in Ontario, be 18 years of age, and:</p> <ul style="list-style-type: none"> • Rent or property tax for your principal residence was paid by or for you for 2016 • You lived in a student residence • You lived in a long-term care home, or • You lived on a reserve and home energy costs were paid by or for you for your principal residence on the reserve for 2016
Alberta	Alberta Works/Alberta Supports	Government ⁴	Through its Emergency Financial Assistance service, you can receive aid for one-time emergency costs including help with utility-bill arrears, although

³ Ontario Ministry of Finance, Ontario Energy and Property Tax Credit, Accessible online: <http://www.fin.gov.on.ca/en/credit/oeptc/>

⁴ Utilities Consumer Advocate, Financial Assistance, Accessible online: <https://ucahelps.alberta.ca/financial-assistance.aspx>

Jurisdiction	Program	Funding	Description
			residents must repay costs for utility-specific emergencies. Eligibility is based on evidence indicating that the recipient do not or will not have enough money to cover their one-time, short-term emergency bill ⁵ .
	Canadian Red Cross	Government ⁶	Through its Emergency and Disaster Services, Canadian Red Cross may provide vital services to households who experience emergencies affecting their livelihood ⁷ .
Manitoba	Employment and Income Assistance Program (EIA)	Government ⁸	Provides financial assistance with costs related to household needs. Eligible recipients must live within the province and indicate a financial need, which is based on their income, assets, and number of dependents ⁹ .
U.S.	Low-Income Home Energy Assistance Program	Government ¹⁰	Provides assistance to eligible low-income households, whose eligibility is determined on income guidelines evaluating a

⁵ Government of Alberta, Emergency Financial Assistance (September 2016), Accessible online: <http://www.humanservices.alberta.ca/documents/emergency-financial-assistance-factsheet.pdf>

⁶ Utilities Consumer Advocate, Financial Assistance, Accessible online: <https://ucahelps.alberta.ca/financial-assistance.aspx>

⁷ Canadian Red Cross Alberta, Emergency and Disaster Services, Accessible online: <http://www.redcross.ca/in-your-community/alberta/emergency-and-disaster-services>

⁸ Government of Manitoba, Employment and Income Assistance (EIA), Accessible online: <http://www.gov.mb.ca/fs/eia/>

⁹ Government of Manitoba, Employment and Income Assistance (EIA), Accessible online: <http://www.gov.mb.ca/fs/eia/>

¹⁰ California Department of Community Service & Development, Low-Income Home Energy Assistance Program, Accessible online: <http://www.csd.ca.gov/services/help-paying-utility-bills.aspx>

Jurisdiction	Program	Funding	Description
	(LIHEAP)		household's monthly income in relation to the number of persons residing in the household ¹¹ .

8

¹¹ California Department of Community Service & Development, Utility Assistance Income Guidelines, Accessible online: <http://www.csd.ca.gov/Services/HelpPayingUtilityBills/EnergyIncomeGuidelines.aspx>

1 **14.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 10.2, p. 41**

2 14.2 Please clarify whether there are crisis assistance funds in U.S.
3 jurisdictions that are ratepayer funded. If so, what are those jurisdictions?

4 **RESPONSE:**

5 While many U.S. crisis assistance funds are supported by the government, there are a
6 few states provide programs that are funded by ratepayers.

7 For example, the California Alternate Rates for Energy (CARE) and Family Electric Rate
8 Assistance (FERA) programs provide assistance to low income households in paying
9 their utility bills and are funded through utility surcharges. In Wisconsin, the “Reliability
10 2000” was passed in 1999. A state low income assistance fee is collected from Investor
11 Owned Utility (IOU) customers and adjusted annually. The law requires that 70% of the
12 fee come from residential customers and 30% from non-residential customers. The
13 State of New Jersey created an Universal Service Fund (USF) program to help make
14 natural gas and electric bills more affordable for low income household. It is funded
15 through a system benefit charge (SBC) paid by all regulated electric and gas utility
16 customers.¹

¹ Staff Report from New York Public Service Commission on Case 14-M-0565, page 9 to 17.

1 **15.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 11.3, p. 44**

2 **Preamble:** The authors make the statement: “Social policy guidance is required
3 since limitations on disconnections can result in higher costs for the
4 utility due to increased bad debt, which are ultimately borne by other
5 customers.”

6
7 15.1 What empirical evidence do the authors have which would substantiate
8 the supposition that residential disconnections are driving year-to-year
9 variations in bad debt costs?

10 **RESPONSE:**

11 The quoted statement was not intended to imply that “residential disconnections are
12 driving year-to-year variations in bad debt costs.”

13 Utility's bad debt can originate from any type of customer, small or large.

14 The statement says that the utility's bad debt is eventually recovered by the utility,
15 usually from the other customers in the class that pay bills to the utility. Further, when
16 restrictions on disconnections are limited to the residential class, it follows logically that
17 arrears and ultimately bad debt is likely to increase for that class. Some Elenchus
18 clients have made this observation when policy changes were introduced.

1 **15.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 11.3, p. 44**

2 **Preamble:** The authors make the statement: “Social policy guidance is required
3 since limitations on disconnections can result in higher costs for the
4 utility due to increased bad debt, which are ultimately borne by other
5 customers.”

6
7 15.2 What study have the authors conducted regarding the causes of bad debt
8 variability of natural gas or electric utilities?

9 **RESPONSE:**

10 Elenchus has not conducted any studies regarding the causes of bad debt variability of
11 natural gas or electric utilities.

12 However, more relevant to the quoted statement, Elenchus has observed that arrears
13 and ultimately bad debt have increased for several utilities as a result of the introduction
14 of limitations on disconnections. This consequence of the policies is not intended as a
15 criticism of the overall merit of such policies.

1 **16.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 11.0**

2 16.1 The authors' jurisdictional review does not include that done by the New
3 York Public Service Commission, which in 2016 began a comprehensive
4 low income support program under Case 14-M-0565. Please provide the
5 June 1, 2015 Staff Report in that proceeding, which provides a review of
6 low income energy assistance in the United States.

7 **RESPONSE:**

8 Please refer to BCOAPO 16.1 Attachment 1 for the Staff Report from New York Public
9 Service Commission on Case 14-M-0565.

BCOAPO 16.1 ATTACHMENT 1: CASE 14-M-0565

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 14-M-0565 - Proceeding on Motion of the Commission to
Examine Programs to Address Energy
Affordability for Low Income Utility
Customers

STAFF REPORT

Dated: June 1, 2015

State of New York
Department of Public Service
Three Empire State Plaza

CASE 14-M-0565
STAFF REPORT
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14-M-0565 STAFF REPORT

June 1, 2015

INTRODUCTION

The Commission commenced this proceeding to examine programs for addressing energy affordability for low income utility customers, to ensure that these programs continue to be consistent with the Commission's statutory and policy objectives, and to streamline the regulatory process to conserve administrative resources.¹

The low income programs offered by utilities today do not conform to a consistent set of goals or objectives; and as a result, they vary in scope, eligibility, and amount of benefits. The Commission directed Staff, in consultation with interested parties, to conduct an investigation of utility low income programs, identify best practices, and develop a set of recommendations for how to optimize the implementation of utility low income programs, to be issued for party comment. Staff, under the direction of the Commission's Consumer Advocate, submits this report in compliance with the Commission's directive.

The Commission's directive was specific to examining the State's approach to ensuring low income customers are not overly burdened with their energy bills. It has been said that perhaps the very best low income program would be one that kept the cost of energy relatively low for everyone.² Through a variety of proceedings, including the Governor's Reforming the Energy Vision (REV) initiative,³ Clean Energy Fund,⁴ and Retail

¹ Case 14-M-0565, Utility Low Income Programs, Order Instituting Proceeding (issued January 9, 2015) (Instituting Order).

² Case 00-M-0504, Competitive Opportunities, Recommended Decision (issued July 13, 2001).

³ Case 14-M-0101, Reforming the Energy Vision.

Energy Markets,⁵ the Commission is addressing a wide range of initiatives to achieve lower energy bills for all customers, including low and moderate income (LMI) customers.⁶ The success of these initiatives can help narrow the affordability gap that needs to be filled with direct financial assistance for customers with low incomes.

Low income programs must allocate a finite amount of dollars for assistance, and no amount of available funding is likely to meet the total needs of all eligible households; however, a stronger and more comprehensive approach to the design and delivery of these programs can be taken. Such an approach is warranted in light of pending industry changes, and in order to ensure that these programs address the most vulnerable customers, the most important program objectives, and the most pressing policy goals.

⁴ Case 14-M-0094, Clean Energy Fund.

⁵ Case 12-M-0476, Residential and Small Non-residential Retail Energy Markets.

⁶ These actions complement activities by the New York State Energy Research and Development Authority (NYSERDA) and the New York Power Authority (NYPA) to address energy affordability for LMI customers.

BACKGROUND

Procedural History

The Instituting Order directed Staff to examine programs for addressing energy affordability for low income utility customers, to evaluate the effectiveness of current low income program designs, and to identify any improvements that are warranted.⁷

On January 16, 2015, a Notice was issued seeking comments on a series of questions regarding several low income affordability topics, including: overall policy; general program design issues; different types of programs; eligibility and enrollment criteria; recommendations for program evaluation; and, other matters which should be considered. The Alliance for a Green Economy, Association for Energy Affordability, Citizens Environmental Coalition and The Center for Working Families, on their own behalf and on behalf of other interested organizations, requested an extension of 30 days from the February 17, 2015 deadline to file comments.

To discuss the questions listed in the Notice and assist the parties in preparing comments, Staff held three collaborative meetings with parties on January 22, January 29, and February 9, 2015, at the New York State Department of Public Service's Albany Offices. A fourth meeting was held on March 24 to discuss the filed comments.

Comments were submitted by the following parties: American Association for Retired Persons/Public Utility Law Project (AARP/PULP); Association for Energy Affordability (AEA); Central Hudson Gas & Electric Corp. (Central Hudson); Binghamton Regional Sustainability Coalition and Citizens' Environmental Coalition (CEC); City of New York, Office of Sustainability (NYC); Consolidated Edison Company of New York, Inc./Orange &

⁷ Case 14-M-0565, Instituting Order, supra.

Rockland Utilities, Inc. (Con Edison/O&R); Multiple Intervenors (MI); National Fuel Distribution Corp. (NFG); National Grid, consisting of The Brooklyn Union Gas Co. d/b/a National Grid NY (KEDNY), KeySpan Gas East Corp. d/b/a National Grid (KEDLI) and Niagara Mohawk Power Corp. d/b/a National Grid; New York State Department of State, Division of Consumer Protection, Utility Intervention Unit (UIU); New York State Electric & Gas Corp./Rochester Gas and Electric Corp. (NYSEG/RG&E); and, New York State Office of Temporary and Disability Assistance (OTDA).⁸

Within 90 days of the order, Staff was to file a report with the Secretary with recommendations concerning the design and implementation of utility low income programs for further party comment and Commission consideration. The Secretary granted extensions of the original April 9, 2015, deadline to June 1, 2015, in order to enable Staff to thoroughly consider input from stakeholders and prepare a report in compliance with the Commission's directive.

Overview of Energy Affordability in New York

As of April 30, 2015, there were 1,037,651 residential customers who were more than 60 days in arrears, carrying nearly \$799 million owed to utilities; and 295,797 residential customers statewide had utility service disconnected for non-payment during the preceding 12 months. Low income customers experience a disproportionately high amount of these arrears and service terminations for non-payment. As stated in the Order initiating this proceeding, "Approximately 12% of utility customers participate in utility low income assistance programs, but they account for approximately 31% of the dollar value of residential arrearages, 22% of residential customers in arrears, and 21% of residential service terminations. This indicates

⁸ AGREE, AEA, CEC and The Center for Working Families also submitted unsolicited reply comments.

that these customers are having difficulty paying their energy bill and continuing to obtain utility service.”

A widely used measure of the impact of energy rates on consumers is the "energy burden" borne by the customer. Energy burden is the percentage of a customer's income that is spent on energy. Information from a variety of sources, including the Residential Energy Consumption Survey conducted quadrennially by the Federal Energy Information Administration, indicates that while middle and higher income customers experience energy costs in the general area of one to five percent of income, lower income customers experience energy costs in the general area of 10 to 20 percent of income.

Information on the energy burden in New York and other states has been compiled by the consulting firm of Fisher, Sheehan & Colton.⁹ Based on 2013 data, households below 200% of federal poverty level (FPL) face high energy burdens. The energy burdens calculated for households at different income levels are shown in the following table:

New York Low Income Household Energy Burdens

Percent of FPL	Households	Energy Burden
0% - 50%	489,000	41%
50% - 100%	600,000	22%
100% - 125%	311,000	15%
125% - 150%	314,000	12%
150% - 185%	422,000	10%
185% - 200%	170,000	9%

Summary of Existing Low Income Programs in New York

⁹ See <http://www.homeenergyaffordabilitygap.com/index.html>.

There are two general forms of utility low income affordability programs in place at the New York utilities: broad-based and targeted. Broad-based initiatives provide the same discounts to all utility customers that have been identified as low income. Broad-based programs are relatively easy to administer and therefore can be implemented with low administrative costs.

Broad-based programs generally do not attempt to adjust benefit levels to reflect the needs of individual participants. For example, fixed discounts are less likely to meaningfully reduce the energy burden for customers in the most severe poverty, and the level of assistance provided consequently may not be sufficient to maintain energy service.

Targeted programs provide a higher level of benefit to a subset of low income customers that have greater need. Need assessment and targeting may be based on level of usage, level of income, the degree to which the household is in arrears or at risk for termination, or a combination of these factors. Targeted programs can more efficiently allocate assistance dollars; however, because some assessment of the participant's needs may be required, targeted programs can be more administratively complex.

The vast majority of the annual funding for New York's low income affordability programs is provided for broad-based programs benefiting all identified low income customers. Only about one-sixth of the funding in New York is currently allocated to targeted assistance programs.

Rate Discounts

The main programs in New York intended to enhance rate affordability are broad-based discounts. All major electric utilities in the State provide discounts for customers that have been identified as low income. Some gas utilities also offer a

fixed discount; however, to focus assistance on customers who heat with gas, certain discounts for gas customers have been implemented over the last several years on a volumetric basis, rather than as a fixed dollar discount.

The most common discount program types, and their key characteristics, are:

Fixed discounts -- Most utilities in New York offer a discount or credit each month to eligible low income customers. The amount of the discount is generally established in individual rate cases and can be designed to waive the residential customer charge, or to offset all or a portion of a rate increase. The intent of this type of program is to provide a fixed level of payment assistance to all customers who have been identified to the utility as meeting low income criteria. As implemented in New York and many other states, fixed monthly discounts have very low administrative costs, since the benefit is relatively easy to administer: income verification is performed by a governmental agency -- e.g., in New York, low income eligibility is most commonly determined by the utility's receipt of a Home Energy Assistance Program(HEAP) payment on the customer's behalf from OTDA, and enrollment is usually automatic, at little cost to the utility. Fixed discounts provide a relatively smaller proportionate benefit to customers using relatively large volumes of energy. Central Hudson, Con Edison Electric, National Fuel, National Grid Upstate, NYSEG, O&R, RG&E, Corning Gas and St. Lawrence Gas all have certain fixed monthly discounts for low income customers.

Percentage/volumetric discounts -- Con Edison Gas and KeySpan offer volumetric discounts on consumption up to a specified level. In order to preserve price signals to conserve, usage above the specified amount is priced at the full rate. Percentage or volumetric discounts are also relatively

easy to administer; however, in comparison with fixed discounts, they direct relatively larger benefits to households with higher energy consumption. For utilities with tariffs that do not have a separate rate for usage beyond a certain level, capping the discount may be problematic. This makes program costs less predictable and reduces the price signal to conserve on marginal usage.

Income-based discounts -- Central Hudson and National Fuel Gas offer discounts to low income customers that are tiered according to income level and household size. This type of program is intended to provide a higher level of assistance to customers in more severe poverty, to assist them in maintaining energy service. These programs have higher administrative costs, as the utility or a contractor must develop and implement enrollment and participation criteria. In addition, since bills are essentially capped, there is no price signal to conserve on marginal usage.

Arrearage Forgiveness

Arrearage forgiveness is a situation in which a utility relieves a customer from his/her obligation to pay a prior debt. Arrearage forgiveness programs are targeted to customers who are payment-troubled, and are intended to maintain service and/or re-establish appropriate payment practices by rewarding full and timely bill payment; consequently, such programs are often provided along with energy use or household budget counseling. Under these programs, income-eligible customers generally repay outstanding arrears through a deferred payment agreement (DPA) and are provided credits (often with each timely payment) to offset arrearages. Participants are generally identified by the utility and limited to a small portion of low income customers as permitted by program funding. These programs are costly to administer and require careful

oversight. All of the major utilities have arrearage forgiveness programs except Con Edison and Orange and Rockland.

Reconnection Fee Waivers

Utilities generally charge a reconnection fee when service is reconnected after a termination for nonpayment. Reconnection fee waiver programs, such as those offered by Con Edison, NYSEG, Orange and Rockland and RG&E, waive such fees for qualified low income program participants, usually with a limit of one such waiver per household. These programs help avoid the diversion of scarce low income household resources from payment of arrears to payment of reconnection fees; however, they may provide perverse incentives to utilities, if they are more inclined to terminate low income households to compel payment.

Summary of Low Income Programs in Other States

The following provides a summary of key low income programs in other states. States with targeted programs include: Illinois, New Hampshire, New Jersey, Ohio and Pennsylvania. States with broad-based low income rate assistance programs include: California, Massachusetts, Michigan, Texas, and Wisconsin. Like New York, many of these states offer a mix of program designs, such as fixed discounts and arrears forgiveness.

California

The California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) programs provide assistance to low income households in paying their utility bills and are funded through utility surcharges. CARE provides a discount of 30-35% off gas and electric utility bills for households with incomes up to 200% of FPL who are served by investor owned utilities (IOUs). While all California IOUs provide CARE, only the state's three largest electric IOUs offer FERA which is an additional electric rate discount for

households with incomes up to 250% FPL. Other assistance programs provided in California include the Sacramento Municipal Utility District EAPR (Energy Assistance Program Rate), which provides a discount of 30% on monthly bills for households with incomes up to 200% FPL; and the Los Angeles Department of Water and Power Low Income Discount (LIDR) Program which provides a discount of 15-20% on water and electric bills for households with incomes up to 200% FPL.

As with CARE, the Energy Savings Assistance Program (ESAP) has been in place for nearly two decades, and provides energy-efficiency measures for low income households. In a 2007 decision, the California Public Utilities Commission set forth a long-term vision for ESAP, which mandated that all eligible ESAP customers be provided the opportunity to participate and receive cost-effective energy efficiency measures in their residences by 2020. The four largest utilities ESAP expenditures were about \$285.7 million during 2013, compared to \$56 million in 1996. More than 299,300 households received ESAP services during 2013.

Massachusetts

Electric and natural gas IOUs in Massachusetts provide low income utility rate discounts, totaling approximately \$103.6 million, to over 406,000 households in 2012. The amount of the electric and gas discounts varies by utility, but ranges from 10 to 35 percent of the bill. Utility customers with a household income at or below 60 percent of state median income (SMI) are eligible for the discount. Customers that receive one of a dozen means-tested programs such as Low Income Home Energy Assistance Program (LIHEAP), Supplemental Nutrition Assistance Program (SNAP), public housing, Supplemental Security Income, Head Start, and Mass Health/Medicaid are automatically enrolled into the discount programs.

Since 2007, all IOUs in Massachusetts have been required to offer arrears management programs (AMPs) to low income customers with overdue utility bill balances. At the end of 2012, 12,632 electric customers participated in their utility's AMP, along with 4,692 gas customers. Electric utilities collected just over \$14 million in payments from participants and forgave nearly \$11.7 million in arrearages, while gas companies collected about \$3.8 million and forgave \$4.2 million.

Texas

Low income electric customers in areas of Texas where there is retail competition are eligible for LITE-UP Texas, a discount on electric bills from May through August. The summer discount has been funded through a system benefit charge (SBC) - a nonbypassable fee of up to 65 cents per megawatt hour on electric bills. Eligible households must be at or below 125 percent of FPL or receive certain means-tested benefits. The program provided eligible households with an electric bill discount that ranged from 10 to 17 percent from 2002 to 2010, and was reduced in subsequent years. The LITE-UP program will end after August 2016. In 2013, 877,277 households received \$74 million in discounts. As of the end of July 2014, \$393 million provided discounts to 735,865 households.

Wisconsin

In 1999, the Wisconsin legislature passed the "Reliability 2000" law. It addressed long-term energy reliability issues and created public benefits funding for energy efficiency, low income energy programs, and renewables. A state low income assistance fee is collected from IOU customers and adjusted annually. The law requires that 70% of the fee come from residential customers and 30% from nonresidential customers. Any individual charge may not exceed

the lesser of 3% of the total monthly bill or \$3.15 per month for residential customers and \$750 per month for industrial/commercial customers. These collections have grown to approximately \$81.8 million in 2013. During 2013, about \$39.6 million in public benefit funds were spent on energy assistance, helping 213,161 households through an electric benefit averaging \$186.

Illinois

Illinois has both a state low income assistance fund and a Percentage of Income Payment Plan (PIPP). Effective in 1998, the Supplemental Low Income Energy Assistance Fund (SLEAF) was authorized through electric utility restructuring legislation. The law directed gas and electric utilities to assess a monthly surcharge from customers and deposit it into a state fund. Annually, about 80 percent of the fund, \$65 million, provides for low income bill payment assistance. The current surcharge is \$0.48 per month per residential electric and gas account and from \$4.80 to \$360 per month for non-residential/commercial-industrial accounts.

Illinois also uses ratepayer funds for a statewide PIPP. Under the PIPP, income-eligible participants (households with incomes up to 150 percent of FPL) pay no more than six percent of their income for gas and electric service. The maximum PIPP benefit is \$1,800 per year, with a maximum of \$100 per month for the participant's natural gas bill and \$50 for the electric bill. In 2012, 37,000 households were enrolled in the program and benefits were approximately \$59 million. The PIPP also has an arrearage reduction component, whereby participants who make their monthly PIPP payments on time receive a monthly credit amounting to 1/12th of their past-due bills, up to \$1,000 per year for both gas and electric bills.

The Residential Special Hardship (RSH) program provides grants of up to \$500 every two years for Commonwealth Edison customers with incomes at or below 250% FPL, and who are experiencing hardship such as job loss or illness; PIPP customers are ineligible for RSH.

New Hampshire

New Hampshire's statewide Electric Assistance Program (EAP) provides discounts on monthly electric bills of qualifying customers. Electric restructuring legislation passed in 1996 authorizes funding EAP through a SBC. The SBC is a variable charge based on the consumer's monthly usage that is applied to all electric utility ratepayers. The current SBC, 3.3 mills per kilowatt-hour (kWh), supports energy efficiency and low income bill payment assistance. During 2013, \$11.8 million provided an average benefit of \$320 per household. As of August 31, 2013, 31,935 households were enrolled in the program.

Tied to a percentage of the FPL, the discounts are designed so that the portion of the bill for which the customer is responsible is between 4 and 5 percent of their income. Participating utilities work with six community action agencies located throughout the state to identify and enroll eligible customers for the statewide EAP. These agencies are also the local administrators of LIHEAP. Customers are certified as eligible to receive EAP benefits for 12 months or 24 months for participants 65 years of age or older.

Low income natural gas customers have also received bill payment assistance since 2006. Income-eligible heating customers of Liberty Utilities and Unitil-Northern receive a 60 percent discount on the delivery portion of their bill. Customers must qualify for one of 13 means-tested programs, including LIHEAP and EAP. The Low Income Gas Assistance Program

serves about 5,500 households with an estimated annual budget of \$1.5 million.

New Jersey

Funded from the New Jersey general fund, the Lifeline Assistance Program (Lifeline) provides an annual \$225 credit on electric or natural gas bills to disabled and senior citizen customers who are income eligible. Supplemental Security Income recipients receive Lifeline automatically; beneficiaries of Medical Assistance to the Aged, Medical Assistance Only, or New Jersey Care, are sent Lifeline applications automatically every August.

The Universal Service Fund (USF) is a program created by the State of New Jersey to help make natural gas and electric bills more affordable for low income households. It is funded through a SBC paid by all regulated electric and gas utility customers. The USF will fund a percentage of income payment plan under which participants will be required to pay no more than six percent of their annual income toward electric and gas bills - three percent for electric and three percent for gas, or six percent for all-electric heat customers. New Jersey electric and gas customers whose household income is equal to or less than 175 percent of the FPL are eligible for the program. The maximum total annual USF benefit for any household is \$1,800. In 2013, the USF budget was over \$186 million and served almost 213,000 households. First-year USF participants are also eligible for arrearage forgiveness under a program component called Fresh Start, which forgives a customer's pre-program arrears if participants pay their monthly bills in full and on time for an entire year. In 2013, the program enrolled over 14,500 households and forgave arrearages totaling \$8.3 million.

The Temporary Relief for Utility Expenses (TRUE) program, administered by the Affordable Housing Alliance (AHA),

is intended for low-to-middle income New Jersey residents who are struggling to pay their electric and natural gas bills. TRUE provides one-time assistance payments of up to \$1,500 per household directly to utility companies on behalf of customers. Similar to TRUE, the Payment Assistance for Gas and Electric (PAGE) program, administered by the AHA on behalf of the New Jersey Board of Public Utilities, is an annual assistance program designed to help low and moderate-income households that experience an economic hardship.

Ohio

Ohio's regulated gas and electric utilities are mandated to participate in the statewide PIPP Plus. Low income customers who heat with natural gas pay six percent of their monthly income or \$10 (whichever is greater) to their gas or electric company. Customers with all-electric homes pay \$10 or ten percent of their gross monthly household income each month, whichever is greater. Zero-income customers are required to pay a \$10 minimum monthly payment for both natural gas and electric. When PIPP Plus payments are made on time and in full, customers earn an incentive credit and an arrearage credit. If they make full, on-time payments for a consecutive 24 month period, all of the arrearages are eliminated. Customers must have a household income at or below 150% FPL to be eligible. At the end of 2012, electric PIPP enrollment stood at about 352,000 households with PIPP payments totaling about \$317 million. Gas PIPP payments totaled about \$160 million with enrollment at about 216,000 households.

Customers who become income ineligible for PIPP Plus, but are current on their PIPP Plus payment, are placed on "Graduate PIPP Plus." The "graduate" programs are designed to provide customers with a 12-month transition from PIPP Plus to full payments. Customers generally pay an average of their most

recent PIPP Plus amount and a budget-bill amount calculated by their utility. Customers who make payments on time and in full will continue to receive credits toward their monthly bill balance and a 1/12 credit to their old debt.

The Winter Reconnect Program allows residential customers of regulated utilities that have been disconnected or are threatened with disconnection due to non-payment of a utility bill to have service restored by paying either the total amount they owe or \$175, whichever is less, plus a reconnection fee of no more than \$36. Winter Reconnect may be used once during each heating season, which runs from mid-October through mid-April. There is no income-eligibility requirement for the Winter Reconnect Program.

Pennsylvania

Pennsylvania's electric and gas utilities are required to provide Customer Assistance Programs (CAPs), which generally provide a percentage of bill plan or a percentage of income payment plan, wherein low income customers' utility payments are based upon their incomes and/or utility bills. Some programs include utility arrears forgiveness; others provide flat rate discounts or bill credits. Under electric and gas restructuring legislation all electric and gas utilities are required to offer universal service programs, to include CAPs, and to continue pre-restructuring low income programs. CAP customers must meet income limits, generally at or below 150% of FPL and be "payment-troubled," meaning they have made a payment agreement with their utility. CAP programs may include different customer payment options based on the type of heating, changes in rates, and distribution of income levels among program participants.

Low income energy efficiency funding is provided through the Low income Usage Reduction Program (LIURP), which was mandated by a 1987 PUC order, renewed in 1992 through 1996,

and continued under the universal service provisions of restructuring legislation. The state's 15 major gas and electric utilities participate in LIURP with a pre-restructuring funding level of about 2/10 of one percent of each utility's total revenues. For electric utilities, total spending has more than doubled from \$10.2 million in 1996 to \$27.1 million in 2013. LIURP is targeted to customers with incomes at or below 150% of FPL. The program prioritizes the highest energy users that offer the greatest opportunities for bill reductions.

COMMENTS OF THE PARTIES

A comprehensive summary of the comments of the parties appears in Appendix A of this report. The following provides a brief summary of the parties' comments.

The parties agree that an energy affordability program is necessary for low income customers, whether it be to simply streamline programs statewide or to reduce terminations and collection costs among that customer segment. However, the parties were split on the type of assistance – broad-based or targeted – that would be most helpful. Most agreed that given current financial constraints, targeted discounts would be most effective in assisting those in greatest need.

The utilities generally are satisfied with their current low income programs, as they believe their programs best assist their respective service territories. They tend to believe that a uniform statewide program would be difficult to implement and might not be the most effective. Automatic enrollment based on HEAP eligibility is generally regarded by utilities as the most efficient way to enroll customers and cut down on administrative costs. Some utilities commented that arrears forgiveness programs can incentivize customers to stay current on their payments, but are costly to administer and do

not aid in making bills more affordable. Most of the utilities support and currently offer reconnection fee waivers; however, NFG believes these waivers reward customers for failing to pay.

While MI does not advocate that the level of assistance should be reduced, it is concerned about the possibility of any proposed increases to the existing burden on customers, particularly in the upstate New York region where many energy-intensive businesses are struggling to maintain operations, while internal and external competitors experience materially-lower energy costs. MI recommends that the Commission improve the efficacy of residential low income programs without imposing greater financial burdens on other customers.

Consumer advocacy groups fully support an increased bill discount and broader protections against terminations, which, as AARP/PULP state, utilities sometimes use as a bill collection method. AEA and CEC strongly support energy efficiency and weatherization as components of a uniform statewide low income program. AARP/PULP propose a statewide affordability rate set at a discount of 30 to 35 percent targeted to households with an annual income up to 200 percent of the FPL or based on the same eligibility criteria used in the Lifeline program. Several consumer groups state an energy burden of 6 percent would be appropriate. Utility rates in New York City are among the highest in the country, NYC states, and the Commission should not place statewide uniformity above the needs of New York City's low income customers or reduce the current low income benefit levels. NYC also recommends that OTDA modify its forms so low income customers can be automatically enrolled in a utility assistance program.

UIU suggests an eight-prong approach to a statewide affordability program: (1) extend eligibility to include the Lifeline criteria in addition to HEAP; (2) increase the discount

amount to reach the 6 percent energy burden standard; (3) implement weatherization and energy efficiency measures for housing in which low income people reside; (4) customers should not be permitted to participate in a utility low income program unless they take full service from their utility or an energy service company that guarantees that, on an annual basis, the ESCO will not charge the customer more than what the customer would have paid the utility; (5) uniform arrears forgiveness established in all service territories; (6) utility rate designs that include an "affordability block" that reward low income customers for using less energy; (7) reconnection fee waivers; and (8) evaluation metrics, quarterly reports requirements and an annual review by Staff to gauge program effectiveness. Program costs should also be shared by all ratepayers in the service territories, like storm restoration costs.

Several parties also note the success of reduced-rate and targeted assistance programs in other states, such as California, Ohio, Pennsylvania and New Jersey. According to UIU, California spends approximately \$1.2 billion on 5.1 million participating customers (\$235 per recipient), Ohio spends approximately \$480 million on 575,000 customers (\$775 per recipient), Pennsylvania spends \$350 million on 450,000 customers (\$777 per recipient) and New Jersey spends \$260 million on 517,000 customers (\$540 per recipient).

Overall, the parties support striking a balance of benefits with costs within a program to help the utilities' low income customers afford their energy bills and avoid the grief associated with shut-off.

THE STRAW PROPOSAL

In this section, Staff presents a Straw Proposal for a statewide low income program design that builds on existing

programs, offers a basic structure for program design while allowing the flexibility to incorporate other elements, and incorporates best practices as well as innovative approaches suggested by the parties. Staff offers the Straw Proposal not as a final product, but as a framework for further party comment and discussion.

Utilities in New York and in other states have taken a range of approaches to low income program design and implementation, and the parties provided a wide range of opinion on how these programs should be designed and implemented. Staff nevertheless found some common themes and a few areas where there was strong consensus:

- The programs should be simple - simple to understand, simple to explain, and simple to administer. This both helps customers understand the level of assistance available and lowers the administrative costs of the programs.
- Programs should be generally available to customers under the same eligibility guidelines currently used in the state for the HEAP program, i.e., 60% of SMI.
- The programs should automatically enroll eligible customers. Automatic enrollment achieves virtually 100% enrollment of eligible customers at limited expense.
- Programs must confer a meaningful bill decrease for participating customers, although parties differed on the amount required to achieve that goal.
- The costs of the programs should be borne by all classes of customers. As UIU notes, "affordability program costs should be shared by all customers because a healthy society demands such an approach."¹⁰

¹⁰ UIU Comment, p. 21.

These principles have generally guided Staff's development of the straw proposal.

Eligibility/Enrollment

Eligibility is a foundational issue in low income program design, and this also makes it among the most difficult to tackle. Many parties recognized the relationship between expanding the size of the eligible pool and increasing the costs and rate impacts faced by other customers, and urged the Commission to strike a careful balance between the two. Other parties were equally concerned that standardization might deprive low income program benefits from those now receiving them under current programs with more expansive eligibility guidelines. Several among the latter generally urged a gradual approach to harmonizing program designs statewide, so as not to lose the wider eligibility guidelines or other desired features of current programs.

Enrollment in New York's broad-based low income affordability programs generally is provided automatically to customers on whose behalf the utility received a HEAP payment. Reliance on OTDA to verify applicant eligibility considerably holds down administrative overheads and eliminates the burden of application and related transaction costs for low income customers. All of the states studied that receive significant benefits under HEAP also automatically enroll HEAP recipients into utility programs.

Some New York programs admit customers who qualify on the basis of receipt of other benefits. The most significant departure is by Con Edison, which identifies and automatically enrolls customers from seven (for electric) or eight (for gas) different social services programs. To accomplish this, Con Edison has established a file matching procedure with the New York City Human Resources Administration and the Westchester

County Department of Social Services, the two social services agencies covering its service territory.¹¹

States that are not substantial beneficiaries of HEAP, such as California,¹² have established other measures to verify income eligibility and bear the resulting costs. California has achieved enrollment rates between 78 to 88% for the four largest utilities, reflecting extraordinary efforts to identify and enroll low income customers.

HEAP enrollment is provided to New Yorkers with household income of up to 60% of SMI. AARP/PULP recommended using 200% of FPL as the criteria for low income enrollment, as is used in California.¹³ According to the U.S. Census, New York SMI is \$58,003, and an average household holds 2.6 occupants. Sixty percent of SMI is \$34,802, or a monthly income of \$2,900. For the 2014-2015 HEAP year, OTDA has established a maximum gross monthly income of \$2,869 for a household with two occupants. By comparison, the FPL for a household of two is \$15,930. The New York HEAP guideline therefore represents 218% of FPL for a household of two. For further comparison, Massachusetts and New Jersey use 175% of FPL, whereas Ohio and Pennsylvania use 150% of FPL.

The income eligibility guidelines provided by New York HEAP therefore are fairly broad, compared to other states. In fact, HEAP has the highest income eligibility threshold of any OTDA program in New York.

¹¹ Con Edison/O&R comments, p. 7.

¹² In the 2013-2014 Program Year, California received LIHEAP funding of \$172.5 million, and served about 211,000 households. By comparison, New York received funding of \$377.2 million, and served 1,376,866 households.

¹³ AARP/PULP comments, p. 9.

Some parties argued for using a wider menu of programs, due to concerns over the fact that HEAP only reaches a fraction (by some estimates, approximately half) of all eligible households. The City of New York specifically argues that HEAP is not as broadly relied upon in New York City as it elsewhere in the State.¹⁴ It is true that relatively few New York City low income customers receive a utility HEAP payment, as heat is frequently included in apartment rent; however, those same customers can receive a renter's benefit. In addition, participants in TANF and SNAP are automatically enrolled in HEAP (a procedure referred to as "autopay"), so these customers are captured under HEAP.

Notwithstanding this, Staff believes that receipt of a utility HEAP benefit represents the best indicator of need for utility bill assistance. We are persuaded that, aside from autopay recipients, applying for a HEAP benefit demonstrates that the customer is specifically experiencing energy poverty. While some may argue that \$1 owed on the utility bill is equivalent to a \$1 owed on any other bill, NFG points out that a certain percentage of eligible households will not participate in a given social services program, because the costs of a covered good or service may be deemed affordable for certain customers, given their individual circumstances.¹⁵

Applying for a utility HEAP payment shows that a customer is especially concerned about paying his/her utility bill. For example, the customer might face higher than average bills due to living in poorly insulated housing, or may have accumulated arrears and is at risk for termination. In a

¹⁴ NYC comments, p. 2.

¹⁵ NFG comments, p.5. We acknowledge that NFG does not support automatic enrollment of HEAP customers, but we find its observation nonetheless relevant.

general sense, as described by AARP/PULP, customers are pre-targeted when they seek and receive benefits in certain programs.¹⁶ Customers seeking a utility HEAP benefit self-select into a program that provides utility bill assistance, demonstrating a relatively stronger need for the utility low income program.

Moreover, utility HEAP payments provide a means to address a key concern regarding low income program design, in a way that is not presently utilized. Many parties favor programs that vary the level of benefit depending on a customer's income, such as the PIPP programs offered in many states, as well as Central Hudson's EPOP and NFG's LICAAP. Other parties acknowledged the value of targeting a higher level of assistance to households in greatest need, but were concerned that information on income level is costly and difficult for the utility to acquire, rendering such programs administratively cumbersome and expensive.

National Grid proposes to use the information contained in the utility HEAP payment itself to identify households in greater need.¹⁷ A regular utility HEAP payment is increased by \$25 if household income is at or below 130% of FPL. Such payments are also increased by \$25 if the household contains a vulnerable individual (i.e., household member who is age 60 or older, under age 6 or younger or permanently disabled); or by \$50 if both conditions apply.

National Grid's proposal is innovative and provides the opportunity to design low income programs with different levels of discount, based on household need, with virtually no

¹⁶ AARP/PULP comments, p. 17. We also acknowledge that AARP/PULP does not support limiting enrollment to HEAP, but we find its observation equally relevant.

¹⁷ National Grid comments, p. 9.

additional administrative processes or costs. The Commission could authorize a second and third level of discount to be provided, based on whether a household receives either one or both add-on payments. In these cases, having a vulnerable individual would be treated as equivalent to meeting a lower household income threshold as an indicator of household need. The fact that they are treated in this manner by OTDA for the purpose of determining the HEAP benefit level provides a basis for the Commission to do so with regard to the utility discount.

Staff is aware of the balance that must be struck between widening the scope of eligible customers, and the rate impacts that are borne by nonparticipants. Utility HEAP recipients represent slightly less than one-quarter of all HEAP recipients. Reaching beyond utility HEAP recipients in an attempt to reach all HEAP households could more than quadruple the pool of eligible customers, as well as add to administrative costs. All else being equal, quadrupling the pool of eligible customers would entail either quadrupling budgets, or cutting benefits.

Furthermore, reaching beyond utility HEAP recipients in an attempt to reach all households at or below 60% of SMI, based on information indicating HEAP in New York enrolls approximately half of eligible households, would increase the pool of eligible customers eight-fold, as well as further increasing administrative costs. Staff believes that targeting the utility's low income program to utility HEAP recipients strikes the right balance and appropriately targets limited utility program budgets.

Of the 1,376,866 households that received a regular HEAP benefit in the 2013-2014 program year, nearly two-thirds (66%) received a \$21 to \$35 "renters" benefit because heat is

included in household rent.¹⁸ About two-thirds of those remaining (316,443) received a \$350 (plus applicable add-ons) utility HEAP benefit. The remaining 152,110 households received a \$575 (plus applicable add-ons) deliverable fuel (e.g., oil or propane) benefit.

Thus, while only 23% of HEAP recipients receive a direct utility benefit, most of the remaining 77% receive a very small HEAP payment, because heat is included in their rent; and a small number (11%) received a \$225 larger benefit than utility customers, because they heat with a deliverable fuel.

Ideally, some utility discount would be provided to all of these customers; however, venturing beyond customers receiving a utility HEAP benefit involves substantial additional administrative burdens for the utility. Furthermore, the result of such efforts may be to reach a pool of customers with lesser apparent need – either because heat is included in household rent, or because the customer received a larger HEAP benefit, due to receipt of a deliverable fuel. Moreover, a key concern underlying ratepayer support for low income programs is controlling utility arrearages and terminations. When heat is not part of the utility bill, those concerns carry less weight. We also note that the difference between the HEAP payments to utility and deliverable fuel customers equates to an additional discount of \$18.75 monthly for the deliverable fuel customers.¹⁹ Therefore, automatically enrolling customers who receive a

¹⁸ 252,049 of these households also lived in government-subsidized housing.

¹⁹ Staff does not intend to suggest that it is invalid, from OTDA's perspective, to provide a higher HEAP payment to deliverable fuel vendors (e.g., because the payment must cover a minimum delivery). It is valid; however, from the perspective of the utility and its customers, to prefer utility HEAP customers when awarding its discount.

utility HEAP benefit both involves far less cost and complexity, provides more direct utility ratepayer benefits and further aligns allocation of program budgets with apparent need.

Identifying non-utility HEAP recipients raises concerns about increased administrative cost. Enrollment is more complicated if non-utility HEAP payments are considered, as the utilities are only directly informed of HEAP payments for which they are the direct vendor. Doing so requires a file matching process with the respective social service agencies. Con Edison has successfully implemented such a match; however, it has a geographically concentrated service territory, and consequently only had to establish a file match with two counter-parties. By contrast, NYSEG's service territory covers all or parts of 43 counties – establishing file matches with so many agencies could be daunting, in both expense and administrative complexity.

Regarding a suggestion to develop a file match between OTDA and all utilities, in an April 22, 2015 letter to the Secretary, OTDA states that "While OTDA is open to exploring additional ways in which the identification of individuals eligible for utility low income programs could be improved and/or streamlined, we note that utilities currently have a substantial amount of personally identifiable data on recipients of [public assistance], HEAP and Social Service Law §131-s payments that OTDA believes could be used to expand their low income programs."

The Straw Proposal therefore recommends that, at this stage, automatic enrollment be limited to customers on whose behalf the utility receives a HEAP payment. OTDA's comments identify another group that can be readily identified by utilities: recipients of public assistance through direct

voucher payments to the utility.²⁰ While these customers are likely already captured under HEAP due to autopay, receipt of such assistance is another way for utilities to distinguish among recipients on the basis of income, as such benefits generally are available only to those at or below FPL. This creates the potential for a fourth and higher tier of discount. Besides furnishing a low-cost means of accomplishing enrollment, this approach is consistent with efficient targeting of the benefit to the population most in need.

Addressing those who are concerned that no current participants are left out, we first note that best practices cannot be adopted if no changes are allowed. Assuming the appropriate eligibility criteria are defined, any current recipients outside that definition are presumably receiving a benefit that can be more efficiently applied, and for which there is greater need elsewhere. Recognizing; however, that withdrawing any benefit from a low income household should be approached with caution, the Commission could allow other variations in eligibility criteria, enrollment or other aspects of program design, either as transitional measures (e.g., to "grandfather" existing recipients under such other criteria), or alternatively over the longer term. For example, the Straw Proposal recommends that Con Edison be permitted to continue its file match process, with multiple qualifying programs.²¹ Such

²⁰ OTDA also mentions those receiving SSL §131-s payments; however, customers not meeting the public assistance standard may receive such assistance (with a repayment agreement), so such payments are not necessarily indicative of the lowest income.

²¹ Con Edison's service territory may include the majority of HEAP renter's benefit recipients statewide. If so, this would substantially address providing a benefit to non-utility HEAP recipients.

variations would be subject to certain limitations, which are described in greater detail below.

Straw Proposal Recommendations for Program Eligibility/
Enrollment

- Automatic enrollment for all customers who have received a utility HEAP payment. Existing programs with additional eligibility criteria, such as Con Edison's program,²² may maintain such existing eligibility criteria, subject to certain limitations.
- Other eligibility criteria (e.g., non-utility HEAP benefits) could be revisited, provided an automatic enrollment process can be implemented.
- Alternative means, whether by file match or manual enrollment should be permitted, but not required.

Benefit Levels

New York's current low income affordability programs provide an average annual benefit of roughly 10% of a residential customers' total utility bill. In New York, an average electric participant receives an annual benefit of about \$120, an average gas participant receives an annual benefit of about \$107 - and an average combination participant receives an annual benefit of about \$227. Average levels may be misleading; however, as many utilities offer different discounts for heating and non-heating participants.

New York's average annual benefit-per-participant, according to UIU, is much less than ratepayer funded programs in

²² Currently, Medicaid recipients are eligible for the gas program, but not the electric program. The Straw Proposal recommends that the Commission allow Medicaid recipients to be eligible for the electric program. Because they are not necessarily low income, the Straw Proposal recommends that \$131-s recipients ("utility guarantee" customers) not be included in Con Edison's program, going forward.

other states, such as California (\$235 per recipient), Ohio (\$775 per recipient), Pennsylvania (\$777 per recipient), and New Jersey (\$540 per recipient).²³ On the other hand, both the California and Pennsylvania programs include substantial administrative costs - the three California utilities expended \$29.4 million in administrative expenses alone in 2014, and Pennsylvania utilities are allowed by statute to expend up to 15% of total budgets on administrative costs (in 2013, they spent \$34.7 million, about 10% of total program costs). It's not clear that UIU deducted administrative costs in calculating the per customer benefits for those states. Ohio and New Jersey both implement administratively intensive PIPP type programs, which are administered by each state's respective social services agency. The programs for all four states are mandated by statutes.

No single approach to the design of low income program benefits enjoyed broad support, with several parties respectively recommending percentage of bill discounts, income-based discounts, or bills based on energy burden, with several hybrids and multiple variations within each type. One feature mentioned by several parties is the concept of an "affordability" block, i.e., a defined block of usage at a discounted rate, with incremental usage priced at a full or near-full market rate.

Staff believes it is possible to develop a hybrid approach that incorporates attributes of many of these designs. The Straw Proposal begins with the types of discounts that, for the most part, are already provided at each utility: fixed discounts for electric and gas service, with separate discounts for heating or non-heating service. Fixed discounts are simple to administer, and setting different discounts for heating and

²³ UIU comments, p. 12.

non-heating customers ensures that discount levels are properly correlated with usage, as well as maintaining a full price signal for marginal usage.

Utilities are able to estimate the average usage levels of heating and non-heating participants, and calculate the average monthly bill for each type of customer. Data on average bills faced by low income participants was furnished to Staff by the utilities, and appears as Appendix B. The typical usage for heating and non-heating customers varies widely among utilities. For this reason, the Straw Proposal recommends that the level of the average heating and non-heating bill at each utility represent the affordability blocks for low income customers at that utility.

The data reported by Fisher, Sheehan and Colton underscores the degree to which affordability is impacted by income level. The burden which the energy bill poses as a percentage of income may be the strongest determinant of a household's ability to pay. This suggests that financial assistance needs to be strongest for customers with the lowest incomes.

Many parties see value in such an approach. Some parties were concerned about the cost and administrative burden of identifying household income for each utility program participant; however, the information encoded in the HEAP payment, as well as receipt of direct voucher payments, gives utilities the ability to stratify participants on the basis of up to four levels of need. The Straw Proposal therefore recommends that utilities develop four levels of benefit for each of the respective electric and gas, heating and non-heating benefits. The discounts would be set at a level sufficient to achieve a target energy burden for the affordability (average) block of usage, for each of the respective income tiers.

What represents an acceptable energy burden is open to interpretation. The 6% target energy burden is used in several states that have established PIPP-type programs (e.g., New Jersey, Ohio). This in turn, reflects the premise that total shelter costs should not exceed 30% of income (for example, this percentage is often used by lenders to determine affordability of mortgage payments), and utility costs should not exceed 20% of shelter costs (20% x 30% = 6%). It also corresponds to the upper end of what middle and upper income customers would pay for household energy (usually given as a range of 1 to 5%).

Con Edison is among the parties that said that reaching a 6% energy burden for all customers may be unachievable. Staff's analysis shows that 6% is an achievable level at most utilities,²⁴ with an overall increase in statewide program budgets of about 46%.

As discussed above, New York SMI as reported by the U.S. Census is \$58,003, and 60% of SMI is \$34,802, or a monthly income of \$2,900, closely corresponding to a household of two under the HEAP guidelines, for which the income guideline is \$2,869. At a 6% energy burden, this household's energy burden should be \$172 monthly. For the same utility, consider a customer who receives a \$400 HEAP payment, i.e., with both adders, proving income at or below 130% of FPL (as well as a vulnerable member of the household). This implies a monthly income of \$1,704, for which the 6% energy burden is \$102 monthly.

The household energy cost should be adjusted to account for the HEAP payment received by the customer. This amount varies between \$350 and \$400, depending on whether the

²⁴ The exceptions are discussed in greater detail below.

customer receives none, one or both of the add-ons.²⁵ On a monthly basis, this adds between \$29 and \$33 to the customer's budget that can be accommodated under the customer's allowed energy burden. The budget limit of \$172 for the first household is increased by \$29 to \$201, and the budget limit for the second household is increased by \$33 to \$136, after applying the respective HEAP payments.²⁶ Utility discounts should be set at a level sufficient to produce a bill in such amounts for the qualifying customer, for the affordability block of usage.

The Straw Proposal recommends that the Commission create four different levels of benefit. In addition to the two above, another would apply to customers who receive only one of the HEAP adders, and discounts would be designed to achieve the 6% energy burden on a monthly income of \$2,287 (the median between the two levels just described), or a monthly bill of \$137 (\$168 after application of the HEAP payment).

The other would apply to customers on whose behalf the utility receives direct voucher payments. For these customers, discounts would be designed to achieve the 6% energy burden on a monthly income of \$1,328 (FPL for a family of two, the public assistance standard), or a monthly bill of \$80 (\$113 after application of the HEAP payment).

The income levels assumed for each tier and the corresponding allowable energy bill, assuming a 6% energy burden, are shown in the following table:

²⁵ This process is consistent with the method currently used by NFG to determine household energy cost in its LICAAP program, as well as by PIPP type programs in other states.

²⁶ After rounding. Under this procedure, deliverable fuel customers, even if included in the program, would see their allowed net energy burdens increased by an additional \$18.75.

Net Energy Burdens, by Income Tier

	Monthly Household Income	6% Energy Burden	Regular HEAP Benefit		Net Energy Burden
			Annual	Monthly	
Tier 1 (no add-ons)	\$2,869	\$172	\$350	\$29	\$201
Tier 2 (1 add-on)	\$2,287	\$137	\$375	\$31	\$168
Tier 3 (2 add-ons)	\$1,704	\$102	\$400	\$33	\$136
Tier 4 (Dir. Voucher)	\$1,327	\$80	\$400	\$33	\$113

The process of setting discount levels for each of the four tiers can best be illustrated by an example. A typical low income gas heating customer at Niagara Mohawk uses an average of 90 therms per month, at an average monthly cost of \$87, along with 594 kWh of electricity at an average monthly cost of \$98. A typical low income electric heating customer at Niagara Mohawk uses an average of 781 kWh monthly, at a monthly cost of \$125, and no gas; however, the average low income gas non-heat customer used 43 therms of gas monthly, at a cost of \$52.

Through a series of calculations, the level of discount that Niagara Mohawk should offer for each respective service can be determined. An initial, and surprising finding is that no discount is required for the first tier of participants with a target energy burden of \$201.²⁷ An average electric heating participant has an undiscounted bill of \$125,

²⁷ According to OTDA only about 18% of utility HEAP recipients in the 2013-2014 program year received a regular HEAP grant with no add-ons.

and an average gas heating/electric non-heating customer has an undiscounted combined bill of \$185.²⁸

For the second tier, a discount of \$8 on the gas bill, and \$9 on the electric bill yields a total bill of \$168, corresponding to the targeted energy cost. These levels of discount are determined by calculating the discount level that, if applied uniformly to both services, reduces the bill to the target 6% energy burden level (i.e., 9% discount on each service).

To achieve a 6% energy burden, no discount is required for the Tier 2 electric heating customer (already at \$125). The Straw Proposal would also provide such customers a \$9 discount; however, on the principle that electric heating customers should receive no less than the discount received by electric non-heating customers in the same income tier.

The Straw Proposal does not attempt to calculate an energy burden for gas non-heating customers.²⁹ Rather, the discount provided for gas-non-heating service is set equal to the lowest discount, on a percentage basis, of any other service customer in the same income tier. In this case it is 7% (\$4), equal to the electric heating discount percentage.

These calculations are repeated for each of the remaining two tiers. The various monthly discount amounts and

²⁸ Again, some may be concerned about a discount being withdrawn from certain customers who are currently receiving one. If one accepts the proposition that a 6% energy burden is reasonable (indeed, it is close to the level of energy burden faced by moderate income families), then the discount is unneeded, and its continued application is inefficient at best, and a wasteful application of scarce resources at worst.

²⁹ Gas non-heating customers most frequently are "cooking only" customers who live in multi-family buildings where central heating (and in some cases, electricity as well) is provided. In some cases, more commonly upstate, domestic hot water is also included.

percentages with respect to Niagara Mohawk are shown in the following table:

Niagara Mohawk Monthly Discount Levels

Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	%	\$	%	\$	%	\$	%	\$
Tier 1	0%	\$0	0%	\$0	0%	\$0	0%	\$0
Tier 2	7%	\$9	9%	\$9	9%	\$8	7%	\$4
Tier 3	21%	\$26	27%	\$26	27%	\$23	21%	\$11
Tier 4	31%	\$38	39%	\$38	39%	\$34	31%	\$16

Since the discounts are fixed, total program costs at each utility would depend on the total number of participants, and the proportion of participants that fall into each of the respective categories. Based on 2013-2014 data, about 18% of HEAP recipients receive the basic benefit with no add-ons; about 38% receive one add-on, and about 44% receive both add-ons. Staff does not have statewide data on the number of direct voucher or utility guarantee customers, but estimates that they comprise less than 10% of HEAP recipients.

Based on these percentages, if implemented at Niagara Mohawk in 2015, the program described above would cost about \$30.6 million annually, including \$20.5 million for electric discounts, and \$10.1 million for gas discounts, representing about 0.58% and 1.09% of electric and gas revenues, respectively. Stated otherwise, the costs amount to \$0.0006/kWh, and about \$0.021 per therm, if spread over all sales to end-use customers; or \$1.04 per month and \$1.90 per month, for electric and gas customers respectively, if divided equally over all end-use customers. These impacts are representative of the rate impacts on New York utilities generally under the Straw Proposal. Compared to current levels

for this Company, it would increase the overall budget by about 52% (73% for electric, 22% for gas).

On the benefit side, the average discount provided is 16%; although discounts vary from 7% (starting at Tier 2, discounts are 0% for Tier 1) to 39%, and monthly discount amounts from \$4 (gas non-heat, Tier 2 income) to \$38 (electric service, Tier 4 income), as shown in the table above. On an annual basis, the program would provide an average benefit of about \$194 per electric customer and about \$166 per gas customer (including Tier 1 customers), or about \$360 for a combination customer.³⁰

Tables for all of the utilities, showing all of the discount levels, are attached to this report as Appendix C.³¹ In order to ensure that the customer's overall energy burden is maintained at the 6% level for gas-only utilities, the average electric bills for electric utilities covering substantially the same territory are used in the calculation.³² If implemented statewide in 2015, electric program budgets would increase by about 33% overall, ranging at individual utilities (excepting PSEG) from 1% to 73%; and gas program budgets would increase by

³⁰ It is apparent from this exercise that current discount schemes are inefficient, in that they provide "too much" benefit to customers at the upper end of the low income spectrum (at least, more than is required to reduce bills to the 6% energy burden level), and not enough for those on the lower end of the spectrum.

³¹ Appendix C reflects certain additional adjustments to discount levels for Central Hudson and Orange and Rockland, as described later in this report.

³² For KEDNY, Con Edison electric bills are used; for NFG, Niagara Mohawk bills are used. KEDNY and PSEG-LI bills each are used in calculating the other utility's respective discounts. The average bill data is used, rather than the discounted bill amount, as the latter may be subject to adjustments, as described further in this report.

31% overall, ranging (excepting Brooklyn Union Gas) from a 6% decrease to a 106% increase.³³

For customers who use more than the typical customer, the discount may be less as a percentage of the bill, but possibly not on a percentage of income basis. Household usage strongly correlates with number of household members; and the HEAP threshold is adjusted upward for households of larger sizes. For example, for a family of four, the income threshold is \$4,219, which, at 6%, corresponds to an energy burden of \$253. Such a customer, receiving the discounts established above (and receiving a regular HEAP benefit) would be at 6% energy burden with a total bill of \$282 (compared to \$201 for the Tier 1 household described above).³⁴

In sum, the Straw Proposal would apply fixed discounts, designed to achieve a targeted energy burden as a percentage of income, for an affordability block consisting of utility-specific typical usage levels of heating and non-heating customers. The discount level would vary with customer income to the extent the customer receives one (or more) HEAP add-ons, or participates in the direct voucher program. The amount of the discount would be reset periodically; either annually, or over the terms of rate plans, using this method.

The discount is calculated on the basis of the total bill. It therefore includes the utility's supply costs; however, it is intended to be applied as a discount to delivery charges. Retail access customers therefore would receive the

³³ PSEG's budget would increase by 297%, however, its current program appears to be underfunded. The current Brooklyn Union program budget would decrease by 53%; however, that current program appears to be overfunded.

³⁴ Small households with high usage may need energy efficiency and weatherization services more than additional financial assistance.

same discount; and if the ESCO supply charge is less than the utility's charge, the percentage discount is amplified (and vice-versa). The proper limit on the level of supply prices charged to low income customers by ESCOs is being directly addressed in the Retail Energy Markets proceeding, and we will not further address it here.³⁵

Because of the nature and structure of the Straw Proposal discount (particularly the large discounts that apply to Tier 3 and 4 participants), Staff believes it functions most effectively and provides the greatest participant benefit when the customer takes budget or levelized billing. Levelized billing is an enormously beneficial tool for budget management, which should be leveraged with the utility's discount. It is even more important with respect to the high level of discounts provided to customers with the lowest incomes, where such discounts could result in net credit bills in summer months, and less impact on higher monthly bills in the heating season, when affordable bills are most needed.

Furthermore, these levels of discounts could potentially result in net credits for some small-usage customers. The Straw Proposal therefore includes automatic enrollment of participants in the utility's budget billing program, and a provision that bill discounts shall not exceed the amount of the customer's levelized bill. At its option, the Commission could make budget billing a mandatory requirement to receive the discount, or alternatively, allow customers to opt-out (but discounts should still be adjusted if the bill amount is exceeded).

³⁵ Case 12-M-0476, supra.

Straw Proposal Recommendations for Rate Discounts

- Separate programs for electric and gas.
- Separate discounts for heating and non-heating.
- Discount amounts shall be set at an amount sufficient to achieve a 6% energy burden on the levelized monthly total bill for the average participant in each class, assuming income at 60% of SMI.
- The 6% calculation is based on an affordability block corresponding to the levelized average heating and non-heating bill at each utility.
- A regular utility HEAP payment is increased by \$25 if household income is at or below 130% of FPL. Such payments are also increased by \$25 if the household contains a vulnerable individual (i.e., household member who is age 60 or older, under age 6 or permanently disabled). The Straw Proposal would treat such conditions as equivalent to meeting a lower household income threshold as an indicator of household need. Recipients of public assistance can also be identified through direct voucher payments to the utility.
- If the HEAP payment includes either or both incremental benefits, or if the customer is a recipient of direct voucher, the discount amount is increased accordingly. Other eligible categories of customers, if any, are not eligible for these higher levels of benefit.
- If implemented statewide in 2015, electric program budgets would increase by about 32% overall, ranging at individual utilities (excepting PSEG) from 1% to 73%; and gas program budgets would increase by 31% overall, ranging (excepting Brooklyn Union Gas) from a 6% decrease to a 106% increase.

- Discount calculation includes utility supply costs, but is applied solely to delivery charges (ESCO customers receive same discount).
- Discount levels to be reset annually.
- All participants are also automatically enrolled in the utility's levelized (budget) billing program. Discounts are adjusted downward if the amount of the levelized bill is exceeded. Opt-out could be permitted upon customer request (but discounts would still be adjusted if the bill amount is exceeded).

Utility Budget Levels

Generally, utility low income budgets are established by multiplying annual discount levels by the projected number of program participants in each Tier. In order to further balance the needs of participants with the burden on nonparticipants; however, Staff believes it is appropriate to set an upper limit on program funding. The upper limit could be established on the basis of a percentage of utility total or delivery revenues, a dollar amount per customer, a maximum charge per kWh (electric) or therm (gas), or a combination of these. For illustrative purposes, the Straw Proposal provides limits expressed in terms of annual cost per customer: \$20 (electric) and \$35 (gas). To be clear, the Straw Proposal's upper limit on funding equals an average monthly cost per customer of \$1.67 (electric) and \$2.92 (gas). Appendix D compares the budgets, percentage of revenues, costs per kWh/therm, and annual per customer costs represented

by current programs, the costs to achieve a 6% energy burden, and the budget limit described above.³⁶

The method of establishing the funding cap should not necessarily dictate the mode of cost recovery. Generally, the Straw Proposal recommends that program costs be allocated among all classes on a uniform per-customer basis, but recovered in rates on a per-kWh or per-therm basis.

If a budget limit is likely to be exceeded, and eligibility for the utility's program extends beyond HEAP, one or more other programs are eliminated from eligibility criteria until the funding limit is met. Which program or programs to eliminate could be determined on a case by case basis; however, in general, programs with higher income qualifications should be eliminated first. If the budget still exceeds the funding limit, the utility would adjust the target energy burden as needed to remain within the budget limit. The target energy burden is increased, and discount levels are reduced commensurately, until the funding limit is met.

The budget limit is a planning tool. The utility should not set discount levels that, given expected participation levels, would result in the budget limits being exceeded. Once the discount levels are set, the only factor that would cause expenditures to exceed (or fall short of) the budget are variances in the expected level of participation. If higher than expected participation causes the budget limit to be

³⁶ For Central Hudson, the "current program" values are for the low income program budgets proposed in the joint Proposal filed on April 22, 2015, in its pending electric and gas rate cases. See Cases 14-E-0318 & 14-G-0319, Central Hudson Electric and Gas Rates. For Orange and Rockland the "current program" values are for the budgets proposed by Staff in its direct testimony, and accepted by the Company in its rebuttal testimony, in its pending electric and gas rate cases. See Cases 14-E-0493 & 14-G-0494, Orange and Rockland Electric and Gas Rates.

exceeded, there would be no change in benefit levels for that year, nor would participation be capped, and the utility would be allowed to fully recover its program costs - this is unchanged from the way costs of current low income programs are recovered. The utility would adjust the energy burden target in the following year, so as to reduce discounts until the program costs are contained within the budget limit for that year.

As shown by comparison of the tables in Appendix D, the costs of achieving a 6% energy burden would exceed the gas cost cap for Central Hudson, and both electric and gas cost caps for Orange and Rockland. In order to fall under the budget limits, the Straw Proposal reflects an adjusted target energy burden for Central Hudson of 6.25%, and for O&R of 7.59%. The adjustment for Central Hudson reduces total benefits by \$503,000, or about 8%. The adjustment for Orange and Rockland reduces total benefits by \$5 million, or about 39%. The Orange and Rockland and Central Hudson programs would still have the highest costs per electric and gas customer, respectively, after these adjustments.

Fully balancing the interests of participants and non-participants requires that a maximum energy burden be established, i.e., discounts should be provided that are no less than required to achieve a 10% energy burden. If the lower limit is triggered, the funding limits described above would be exceeded; however, this would be expected to trigger a reexamination of the program parameters by the Commission, to determine if further adjustments are warranted.

Straw Proposal Recommendations for Annual Utility Budgets

- Established based on projected costs for rate year, or for multi-year plans, average annual cost for the term of the rate plan.
- Subject to full reconciliation to actual costs.

- A funding limit is established such that the total budget may not exceed the amount recovered by annual charges of \$20 per customer (electric), or \$35 per customer (gas), if collected from all end-use customers of the utility.
- If budget (per formula above) exceeds the funding limit and program eligibility extends beyond utility receipt of HEAP, one or more other programs are eliminated from eligibility criteria until the funding limit is met.
- If budget still exceeds the funding limit, target energy burden is increased until the funding limit is met.
- A lower limit is also established such that the monthly average bill discount provides no less than required to produce a 10% energy burden.

Arrearage Forgiveness

A few parties opposed arrearage forgiveness programs. Some, such as Con Edison, expressed concerns about the costs and effort involved in their implementation. AARP/PULP noted that the need for crisis assistance is already met by programs implemented by OTDA, such as Emergency HEAP and §131-s assistance.³⁷

A majority of parties; however, favored arrearage forgiveness programs. Some parties noted that arrearage forgiveness can address a specific customer need, has the potential to modify customer payment habits by encouraging timely payment, and may result in fewer and/or smaller uncollected final bills. As with other program elements, some parties are simply concerned about withdrawing a form of assistance that has been available to date. Conversely, NYC proposes a new approach to arrearage forgiveness, focusing on customers leaving the §131-s program. A one-time amnesty,

³⁷ AARP/PULP comments, p. 10.

according to NYC, would break the cycle of such customers having arrears frozen while enrolled in the program, only to be placed immediately at risk for termination upon exiting §131-s.

The principal rationale for the approach to low income program design taken in the Straw Proposal is that energy burden as a percentage of income is the strongest determinant of a household's need for assistance; however, it makes little sense to implement discounts for current bills if low income customers would nevertheless face unpayable burdens for arrears. In addition, customers accumulating the highest arrears tend to be the poorest and/or have high consumption (i.e., lower income relative to consumption).

There is little chance that these customers will be able to successfully complete a conventional deferred payment agreement (DPA), as current bills may be barely affordable for them and DPAs presume regular payments toward the current bill plus payments on arrears. Facing an insurmountable arrearage can actively discourage low income customers from maintaining regular payments of current bills. This inevitably leads to termination for nonpayment for the customer, and likely write-off of the final bill for the utility.

An arrearage forgiveness program targets additional assistance to the customers who are the most payment-troubled. Such a program helps provide payment-troubled customers with a clean slate. It can also encourage them to alter their payment habits.

From this perspective, arrearage forgiveness programs can transform an intractable problem into a win-win situation. The customer is able to retain service, and the utility receives some degree of payment on an account which otherwise appeared likely to be written off as bad debt, as well as securing the customer's future contributions toward fixed costs.

Utility revenue requirements include an allowance for uncollectible expenses, a significant portion of which are caused by low income customers. Since low income arrears bear a higher than average likelihood of being written off as bad debt, and are already accounted for in the utility's allowance for bad debt expense, arrears forgiveness programs are only worth funding to the extent they reduce the amount of arrears that would otherwise be written off as bad debt. This issue should be considered in establishing the utility's uncollectible allowance in its revenue requirement.

Current arrearage forgiveness programs also allow utilities to recover costs associated with their implementation. Similarly, the administrative expenses of an arrearage forgiveness program are only worth expending if they are less than what the utility would otherwise have spent to collect an equivalent amount. Since collection costs are also provided for in revenue requirement, Staff believes that any administrative costs of a properly designed arrearage forgiveness program should produce a net savings in reduced collection costs. In other words, there should be no costs of arrearage forgiveness programs to include in rates, as such programs are worthwhile only if they result in net savings to ratepayers from reduced uncollectible expense and collection costs.

It is important to structure arrearage forgiveness programs so as to encourage the retirement of arrears. Over time, as customers have demonstrated difficulties meeting strict program requirements, many of the current arrearage forgiveness programs have relaxed their requirements for regular customer payment. This may have resulted in more program participants remaining on the programs, and for longer periods, as well as resulting in greater offsets to utility bad debt; however, it's less clear that these modifications have helped the programs

achieve their objectives of maximizing low income customer contributions and improving payment habits.

Current utility arrearage forgiveness programs target customers with what is considered manageable arrears (typically limits of \$500 to \$1,000) that could be reduced to a \$0 balance within 1-2 years. The probability of arrears being written off increases with age, and low income customers are discouraged from maintaining regular payments in proportion to the size of their arrears. Current programs targeting modest arrears that the customer can afford to pay in a short period therefore appear to target those at least risk for write-off.

The Straw Proposal approach to arrears forgiveness focuses on presenting each low income customer with a manageable debt, which he/she can pay. In exchange for doing so, the balance of the debt is forgiven. Low income customers with large arrears tend to have accumulated such arrears over a long period of time. The Straw Proposal approach therefore allocates a larger share of forgiveness payments on older, larger arrears that are more likely to be written off. The Straw Proposal does not place a limit on what the customer can owe to participate, only a limit on the total program expense - the utility must exercise its best judgment concerning how to apportion the funds (this is no different from the administration of current programs).

Over time, we should expect that the need for arrearage forgiveness will decline. Customers who accumulate arrears are those who do not have the ability to pay their bill for current usage in full. With the rate discount program recommended by the Straw Proposal, low income customers in all low income strata should find current bills more affordable. Accordingly, there should not be a continuing significant influx of new arrearage forgiveness program participants from year to

year; and in the future, there should be less new arrears to forgive.

The Straw Proposal recommends that arrearage forgiveness program costs should be limited to a level of no more than 10% of total program budget, and no more than can be accommodated under the budget caps described above (and offset by reduced uncollectible expense as discussed above). Staff is unable to estimate the costs of NYC's proposal, but given that many customers enter the §131-s program with thousands of dollars in arrears, the costs of amnesty for such customers could be substantial. The NYC proposal further would not accomplish the goals of maximizing customer contribution and improving payment habits. Customers exiting the §131-s program would be eligible for the arrears forgiveness program outlined in the Straw proposal.

In order to maximize benefits and minimize costs, it is apparent that arrearage forgiveness programs should adhere to a set of best practices. Staff believes the best practices for arrearage forgiveness programs remain largely undefined, and that further study of the matter is warranted. The Straw Proposal nevertheless recommends some basic principles, which should be part of any properly structured arrearage forgiveness program.

The customer's need for arrears retirement, whether through a new, existing, or renegotiated DPA, or through arrears forgiveness, should be evaluated upon each customer's enrollment (or re-enrollment) in the low income program. The majority of HEAP recipients are enrolled (many through autopay) when the HEAP season opens, typically in November. Arrears subject to forgiveness should be the arrears that appear on the bill as of that date. Customers should not have an incentive to delay entering the arrearage forgiveness program until spring, taking

advantage of the cold weather rules, which tends to cause arrears to increase.

The utilities have established procedures for assessing a customer's financial circumstances in order to reach fair and equitable DPAs as required under HEFPA.³⁸ In many cases, the monthly payment the customer can afford (a minimum of \$10) would require a term of many years to fully retire the arrears. An arrearage forgiveness program should forgive the remainder of a customer's arrearage, provided that the customer has made timely payments over the course of a given period. The Straw Proposal recommends a sliding scale, where Tier 1 participants may have their remaining arrears balance forgiven after making timely payments over a 48 month period. The limits should be 36 months for Tier 2 participants, 24 months for Tier 3, and 12 months for Tier 1. For customers whose payment would fully retire the arrears within those time limits, no arrears forgiveness would be available.

Only if the customer makes his/her required payments does the utility forgive the remaining arrears. If the current bill is not paid, no arrearage forgiveness is provided (it would be reasonable to provide half the forgiven amount annually for customers on two-year plans, one-third annually for three-year plans, and one-quarter annually for four-year plans). While this may result in fewer households successfully completing the program, it is crucial to meeting the program's objectives.

Given the difficulties low income customers have experienced in the past in adhering to strict payment guidelines, many more may enroll in the arrears forgiveness program than will receive forgiveness. To the extent the program secures such payments, this can only improve the program's cost-effectiveness. The customer's incentive to make

³⁸ 16 NYCRR §11.10.

regular payments is proportionate to the potential value of forgiven arrears; which rises with the size of the debt and, given the different time constraints for each Tier, the level of the customer's income (i.e., the "energy burden" of the arrears).

Straw Proposal Recommendations for Arrearage Forgiveness

- The costs of arrearage forgiveness benefits should not exceed 10% of the total program budget, and should fit within the budget limits described above.
- In rate cases, the Commission should fully or partially offset uncollectible expense allowances by any amounts expended for arrearage forgiveness.
- Amounts diverted to arrearage forgiveness may not reduce amounts available for discounts below levels required to fund discount levels sufficient to achieve an energy burden of 10%.
- The customer's need for arrears retirement should be evaluated upon each customer's enrollment (or re-enrollment) in the low income program. Arrears subject to forgiveness should be the arrears that appear on the bill as of that date.
- Tier 1 participants may have their remaining arrears balance forgiven after making timely payments over a 48-month period. The limits should be 36 months for Tier 2 participants, 24 months for Tier 3, and 12 months for Tier 1.
- Only if the customer makes his/her required payments does the utility forgive the remaining arrears. If the current bill is not paid, no arrearage forgiveness is provided (it would be reasonable to provide half the forgiven amount annually for customers on two-year plans, one-third

annually for three-year plans, and one-quarter annually for four-year plans).

- Administrative expenses of arrears forgiveness programs likewise should be offset by collection cost savings. No administrative expenses for arrearage forgiveness should be charged to low income program budgets.
- Arrearage forgiveness programs should be further studied to better define best practices and their appropriate rate treatment.

Reconnection Fee Waivers

NFG opposes reconnection fee waivers, arguing that reconnection fees incentivize customers to avoid disconnection. UIU and NYC support continuing reconnection fee waivers because they avoid diverting scarce low income customer funds from payment of the bill to payment of reconnection fees.

Conversely, AARP/PULP proposes that, rather than a waiver, utilities should not be allowed to charge reconnection fees to low income customers.

When a customer pays a reconnection fee, those funds could have been applied to the bill, but are diverted to the reconnection fee instead. For low income customers, this diversion of funds is more damaging than for customers of middle and upper incomes. One way to avoid this is to waive the reconnection fee for the customer, and this is the reason to have a reconnection fee waiver; however, in current programs, the fee is not truly "waived" but instead is paid for by other customers, through an allocation of the low income program budget.

Staff does not agree with National Fuel that the threat of a reconnection fee encourages low income customers to pay the bill. What drives a customer to pay the bill is the threat of termination, not the threat of a reconnection fee.

When a utility terminates a customer for nonpayment (there is never a charge for termination), the utility has no knowledge of whether it will collect a reconnection fee, because it's uncertain whether the customer will pay the past-due amount and incur the reconnection fee upon restoral. This theoretically causes utilities to use termination cautiously, and only on the accounts with the lowest probability of paying the bill. The fact that one-third of residential terminations are not restored indicates that utilities are generally doing a good job of identifying accounts that are likely to be left unpaid.

Having other customers cover the reconnection fee appears to remove the disincentive for utilities to use termination on low income customers - rather than being a last resort, it appears to promote the use of termination of low income customers as a tactic to induce payment. Data for a portion of 2014 reviewed by Staff showed that the delta between both termination rates and reconnection rates for low income customers and residential customers in general, is twice as large for utilities that have such waivers. For utilities without the waiver, low income customers are 12.4% of those terminated, for those with the waiver, the figure is 21.5%. Reconnection rates for low income customers also were higher (78.4%) than for residential customers as a whole (66.2%). This is counterintuitive, as low income customers presumably should be less likely to be able to pay the bill. In addition, for companies that have a reconnection fee waiver, the difference in reconnection rate is more than twice as large as for those that do not (28.4% higher, versus 12.8% higher). The higher reconnection rate among low income customers suggests that utilities have not done a good job of identifying which low income accounts will be left unpaid (i.e., they appear to use termination more indiscriminately against this population). This

data suggests that all utilities may be using termination against low income customers too aggressively, and for those with the waiver, the tendency is amplified.

When a utility shuts off a low income customer, it is expected that, more often than not, the customer will not pay or be restored and incur a reconnection fee. Shutting off a low income customer therefore should be deemed successful when the customer does not make payment. This demonstrates that the utility rightly concluded that the customer is unable to afford service, and disconnection prevents further loss to the utility as well as incurring additional charges that the customer will be unable to pay. On the other hand, a low income customer who pays and is restored demonstrates that the utility could have worked more effectively with the customer prior to disconnection.

Reconnection fee waivers therefore appear to do more harm to low income customers than good, as they promote more aggressive termination of such customers. The Straw Proposal would go further and prohibit reconnection fees from being assessed on low income customers at all, because it appears that all of the utilities, even those without such waivers, terminate low income customers more aggressively.

Utilities should work harder with low income customers to negotiate payment agreements that the customer can afford, before resorting to termination. The Straw Proposal doesn't suggest low income customers can't be threatened with termination, or be terminated, but it does encourage utilities to hold termination as a last resort, to be used only in cases in which it is likely the customer can't afford to continue service. Allowing no reconnection fee forces utilities to be more judicious in using termination on low income customers.

Straw Proposal Recommendations for Reconnection Fees

- Reconnection fees should not be charged to low income customers.
- No allowance should be made in program costs for waiver of reconnection fees.

Program Evaluation

The parties proposed a variety of data be collected to measure the performance of low income programs. Central Hudson urged balancing the feasibility and costs of data collection with the value of such data for program evaluation. Several parties suggested measures of the level of administrative costs; however, as the Straw Proposal would not provide an allowance from program funding for administrative costs, such measures would be unneeded.

A few parties suggested tracking collection costs, to measure the impacts of the programs in reducing such costs. Collection cost reductions benefit all customers, and an effective low income program should reduce such costs; however, such costs may be difficult to track separately for low income customers. For example, representatives taking calls from customers to negotiate payment arrangements or making outbound collection calls would have to track separately the amount of time spent on calls with low income and non-low income customers. Low income customers' financial circumstances may also be more sensitive to changes in general economic conditions; e.g., low-wage jobs may be more susceptible to layoffs or cutbacks in hours during an economic downturn. Such factors make measurement of low income program impacts on collection costs less certain, and consequently less likely to justify the effort and expense required to track them. The Straw Proposal therefore does not recommend tracking such costs.

On the other hand, collection costs can be measured indirectly, by collecting data such as the number of customers in arrears, the dollar amount of arrears, the number of deferred payment agreements negotiated, those in default, and those renegotiated, and the number of terminations. A substantial amount of collection activity data is already reported by the utilities for the general body of customers. Tracking such data separately for low income customers would furnish a great deal of information regarding changes in their status over time, and in comparison to non-participating customers.

The Straw Proposal therefore recommends that utilities begin tracking and reporting key collection activity data for low income customers in this manner. A representative collection activity report is attached to this report as Appendix E. Further comments are invited on the categories of data from these reports to be measured and reported separately for low income customers.

Staff is also engaged in the analysis and development of new performance-based ratemaking tools in the context of the Commission's REV proceeding. Some of the measures tracked in the context of monitoring and evaluating low income programs may also lend themselves to utility incentives. For example, Staff has proposed earnings-based incentives related to reductions in residential terminations and bad debt expense in recent rate cases.³⁹ A similar measure, focused on the low income population, could be made part of a more comprehensive "affordability" metric.

³⁹ See Cases 14-E-0318 & 14-G-0319, Central Hudson Electric and Gas Rates; and Cases 14-E-0493 & 14-G-0494, Orange and Rockland Electric and Gas Rates; supra.

Straw Proposal Recommendations for Program Evaluation

- A substantial amount of collection activity data is already reported by the utilities for the general body of customers. Utilities should begin tracking and reporting the same key collection activity data for the subset of low income customers.
- In the context of REV, some of the measures tracked in the context of monitoring and evaluating low income programs may also lend themselves to utility incentives.

Coordination with Other Programs

Some parties, especially the utilities, commented that the goals and objectives of utility low income programs were at odds with certain OTDA programs for low income utility customers. Utilities were particularly concerned that programs such as Emergency HEAP or §131-s that are intended to provide crisis assistance furnish a perverse incentive for customers to fall into crisis.

One way to address this concern is to consider the impact on level of discount for customers who receive Emergency HEAP payments. Emergency HEAP benefits for the current 2014-2015 program year can be provided in amounts of \$190 for heat-related electric service, \$350 for gas heat, or \$490 for both, as well as for electric heat. In the same manner as the amount of the regular HEAP payment is considered in determining the appropriate amount of discount to produce a given energy burden, Emergency HEAP payments could also be recognized in determining the benefit.

One simple way to recognize the impact of Emergency HEAP benefits: receipt of the benefit automatically cancels out any discount below \$16 (for a \$190 payment), \$29 (for a \$350 payment), or \$41 (for a \$490 payment). While not limiting a customer's right to receive Emergency HEAP, or diminishing the

value of such assistance for a household in crisis, this would adjust the customer's utility discount in a manner that recognizes the amount of the benefit, and lessens the incentive for the customer to fall into crisis in the first instance. For utilities with billing systems that can support additional levels of discount, the discounts in each tier in excess of such amounts could be continued at a reduced level, on receipt of the corresponding payment.⁴⁰

Parties as diverse as Con Edison, MI, PULP and UIU emphasized the value of energy efficiency and weatherization as tools to address energy affordability for low income households. The Commission's order instituting this proceeding noted that low income concerns are being addressed in several proceedings before the Commission. Staff understands that the Commission expects Staff's report in this proceeding to focus on direct financial assistance programs.

We will note; however, that much progress has been already made in referring utility low income program participants for energy efficiency services. All New York utilities now make referrals to NYSERDA's EmPower-NY program. As New York energy efficiency programs transition from the Energy Efficiency Portfolio Standard⁴¹ to the Clean Energy Fund, it will be important for such referral efforts to continue.

Energy efficiency and weatherization measures are strong tools in making low income home energy bills affordable. There is a clear correlation among low income households between total annual usage and the level of arrears. The largest growth in arrears furthermore is driven by a small group of customers

⁴⁰ Fewer than 5% of utility Regular HEAP recipients also receive Emergency HEAP, so such discount adjustments would not significantly reduce program costs.

⁴¹ Case 07-M-0548, Energy Efficiency Portfolio Standard.

with excessive consumption. The targeted use of conservation on such households can substantially reduce low income bills. Utility bill data could be better utilized to focus and prioritize efficiency services to low income households with high usage.

As a remedy to perceived lack of program coordination, as well as a forum for discussion of program goals and objectives, identification of criteria for program evaluation, and addressing conflicts in rules and procedures among low income programs implemented by various agencies, UIU proposes an Inter-Agency Task Force. While Staff recognizes the potential for improved efficiencies and better coordination among the various agencies that address low income energy needs, such a proposal is beyond the scope of this examination.

Straw Proposal Recommendations for Coordination with Other Programs

- The impact of Emergency HEAP benefits should be recognized in determining the appropriate amount of discount to produce a given energy burden.
- All New York utilities now make referrals of low income customers to NYSERDA's EmPower-NY program for energy efficiency/weatherization services. Such referral efforts should continue for EmPower-NY, or any successor program.
- Utility bill data should be better utilized to focus and prioritize efficiency services to low income households with high usage.

Other Party Proposals

Fixed Commodity Price

NYSEG/RG&E believes that price uncertainty is the biggest challenge for the low income customer and recommends that the Commission consider a fixed price option for commodity service, along with utilizing existing programs such as budget

billing and offering a fixed price at the same time. Staff agrees that budget billing should be part of best practices for low income programs; however, fixed supply pricing carries a number of concerns. These include the cost of hedges required to achieve full price certainty, ease of switching and other impacts on competitive markets, and keeping utilities indifferent to whether customers purchase commodity from the utility or from ESCOs. The Straw Proposal therefore does not recommend a utility fixed price option at this time.

Revised Termination Policies/Practices

AARP/PULP state that utilities take a significantly varied approach to the timing of terminations and the volume of relying on this method of bill collection for all residential customers. AARP/PULP suggest that Staff examine termination policies and related practices and investigate why these disparities occur and whether a statewide program that regulates termination practices - and potentially forbids them - during extremely cold winter months and during periods of extreme heat should be adopted.

A complete moratorium on terminations during the cold weather period would require modification of HEFPA and is beyond the scope of this examination. Staff agrees there is some limited evidence that utilities may be using termination against low income customers too aggressively; and that termination rates among the subset of low income customers should be monitored. The Straw Proposal recommends the same with respect to reporting and evaluation of low income programs. Monitoring of such data should reveal any long-term trends in how utilities approach the timing of termination of low income customers.

Alignment with REV

AEA states that, as the Commission's REV proceeding progresses, rate-related programs will be accompanied with

approach to low income financial assistance programs taken here, which is based on the size of the typical total bill, can easily be adapted to any future scenario, where such bills may be composed of more or different elements.

Straw Proposal Recommendations Regarding Other Party Proposals

- REV may present new opportunities for addressing low income customer needs.
- The approach to low income financial assistance programs taken here, which is based on the size of the typical total bill, can easily be adapted to any future scenario, where utility bills may be composed of more or different elements.

CONCLUSION

It is difficult to imagine modern life without the basic necessities of electricity to light our homes and natural gas to heat and keep them warm. Home energy costs pose a large burden to low income New Yorkers today. Particularly for households with incomes in deep poverty, home energy costs threaten not only their ability to retain access to energy services, but also threaten access to housing, food, medical care and other necessities of life.

The PSL states "It is hereby declared to be the policy of this state that the continued provision of all or any part of such gas, electric and steam service to all residential customers without unreasonable qualifications or lengthy delays is necessary for the preservation of the health and general welfare and is in the public interest."⁴² The 2014 Draft State Energy Plan updates this goal: "[To] facilitate greater access and support for energy efficiency opportunities in low income and underserved communities to provide those who are most vulnerable to increasing energy prices and least able

⁴² PSL §30.

to invest in clean energy with access and means to reduce their energy costs.”⁴³

In the spirit of these goals, Staff submits this report for party comment and Commission consideration. It is likely that no party will agree with all of the recommendations contained in the Straw Proposal, and we expect that the Straw Proposal can and will be improved by the further party comment and review that will follow. We look forward to continuing that examination.

⁴³ 2014 Draft State Energy Plan, p. 7.

Appendix A

CASE 14-M-0565 - Proceeding on Motion of the Commission to Examine Programs to Address Energy Affordability for Low Income Utility Customers**Initial Party Comments****Overall Policy (Questions 1.a through 1.f)**

a. How do we achieve the goal of affordability most effectively, and at minimum cost?

American Association of Retired Persons/Public Utility Law Project of New York, Inc. (AARP/PULP)

AARP/PULP recommends an affordability rate that is targeted to households that would qualify for Telephone Lifeline service or that have annual income at or up to 200 percent of federal poverty levels (FPL). This affordability rate should provide a percentage reduction on the customer's monthly bill. Utilities should be required in their next rate filings to propose an affordability rate that should reflect a reduction in the total bill, identify the eligibility criteria under which such a rate would be awarded, include rate design and revenue allocation changes to implement it, and identify bill impacts of the changes. AARP/PULP proposes that a discount of 30-35 percent be considered.

Association for Energy Affordability, Inc. (AEA)

Ensuring a well-defined and consistent approach to the establishment of minimum benefits for low income consumers across regulated utilities could be a valuable outcome and would reduce the burden on consumer advocates who have insufficient capacity to participate as effectively as necessary in multiple, simultaneous rate cases. AEA considers the domain of this proceeding as insufficient to ensure energy affordability for low income consumers. Consumers eligible for rate discounts or other income and means-tested programs should be enrolled in energy efficiency and weatherization programs to reduce or eliminate energy waste contributing to higher and unaffordable bills.

Central Hudson Gas & Electric Corporation (Central Hudson)

Each New York utility's customer base is different in terms of demographics and services each utility provides. These differences exist whether the customer is an electric or a gas heating customer, a non-heating customer, or an electric and gas combination customer. Service affordability for customers may differ among utilities. The Commission needs to establish what it is trying to achieve regarding affordability and the metrics needed to measure affordability. Utilities currently provide a great deal of data through various reports, which may help inform the Commission concerning the state of affordability, but a definition of affordability is still required to set a baseline necessary to achieve an affordability goal.

Citizens Environmental Coalition (CEC)

Affordability may be achieved by maximizing energy conservation education and energy efficiency retrofits to reduce overall energy costs. Eligibility for LIHEAP must require energy efficiency retrofits as a first step for fuel assistance. A statewide program should be established related to energy affordability similar to the Lifeline program and would reduce the enormous administrative costs in multiple proceedings among different utilities.

Consolidated Edison Company of New York, Inc./Orange & Rockland Utilities, Inc. (Con Edison/O&R)

Con Edison/O&R does not believe that it is practical or reasonable to attempt to achieve "affordability" as a goal for low income programs. Rather, the goal should be twofold: (1) to determine the most effective and efficient types of programs that provide assistance to low income customers; and (2) to define the metrics that should be used to evaluate and measure the success of low income programs. The absolute value of program elements (e.g., the size of a low income customer discount) should be determined in

each utility's base rate proceeding.

Programs can be evaluated in a number of ways, including but not limited to: the number of low income customers in the program; the impact of the program on low income customer payments; the impact of energy efficiency measures that may be a component of the program on low income customer energy expense; and the number of low income customers in arrears, among other things. Further, such evaluations must consider factors external to the program. For example, reductions in HEAP benefit amounts will impact low income customers' ability to reduce or avoid arrears in cases where such benefits apply, but utility customers should not be asked to make up the funding deficit. Con Edison/O&R believes that the appropriate measure of effectiveness is the total amount of financial assistance provided to customers, stated as a percentage of the total cost of the program (including the financial assistance provided to customers and administrative costs). Low income programs should maximize the percentage of program funds that are distributed to low income customers and minimize the amount of funds used for program administration.

Multiple Intervenors (MI)

MI asserts that the goal of achieving energy affordability most effectively, and at the lowest cost, starts with ensuring that delivery rates are no higher than is necessary to ensure safe and reliable utility service for all customer classes. MI recommends that the Commission adhere to cost-of-service ratemaking, promote the use of accurate price signals, and seek to minimize unnecessary or discretionary expenditures that have the effect of increasing delivery rates and/or surcharges. Additionally, the Commission should remain cognizant of the impacts of its policies and decisions on wholesale electricity prices. By implementing policies designed to reduce and/or minimize rates and other costs imposed on customers in general, the universe of customers needing subsidies should be lessened.

With respect to residential low income programs, MI asserts that the Commission's efforts should be focused, first and foremost, on maximizing the benefits of existing programs, as opposed to increasing the financial burdens that such programs impose on other customers. For instance, it may be possible to improve the efficacy of existing programs with little or no changes to overall program budgets. Multiple Intervenors anticipates that a number of potential improvements to the existing programs will be identified in this proceeding that should lead to increased affordability for participants irrespective of potential changes to budget levels.

National Fuel Gas Distribution Corporation (NFG)

For most gas customers, affordability is achieved when natural gas is competitive with heating fuel alternatives. Currently and for the foreseeable future, natural gas is significantly less costly than oil and propane. One indicator of affordability is whether customers are purchasing more of a product, all other things being equal. Normalized consumption of utility-delivered natural gas is on the upswing as customers adjust to the new environment of lower gas prices. Were natural gas not affordable, customers would use less. This result is all the more notable given that customers are continuing to weatherize their homes and purchase high-efficiency appliances.

But market-level heating costs can nonetheless be a significant burden on low income customers. The long-running solution to the problem of energy affordability has been to shift the cost of low income programs, including rate discounts, to the general body of ratepayers. Although this practice is not prescribed in the Public Service Law, it is well-established. More importantly, the rates can be effective when they: (1) reduce rates for low income customers, therefore increasing affordability; and (2) promote payment practices that result in fewer shut-offs.

Affordability is best achieved through combining resources from government, communities, and the utilities. These resources can be leveraged with low income programs to provide affordable bills. Those

programs in which customers affirmatively apply in order to participate and are aware of participatory benefits are likely to be most effective. When given an affordable bill customers should be required to pay it or face disconnection, which will improve payment behavior and will reduce collection expense in the long term. Only in this way will costs to other customers who do not participate in low income programs (“non-participating customers”) remain reasonable.

National Grid

Within National Grid’s New York service territories, the most effective and least-cost method to achieve the goal of affordability is through the use of categorical eligibility, such as HEAP eligibility, with automatic enrollment. This approach benefits all customers by minimizing utility administrative costs and maximizing the amount of program funding used to assist low income customers in paying their energy bills. Automatic enrollment eliminates the need for customers to apply and for the utility to certify eligibility, thereby reducing administrative costs, providing easy access and eliminating a potential barrier to low income customer participation.

New York State Electric & Gas Corporation/Rochester Gas and Electric Corporation (NYSEG/RG&E)

The question identifies three criteria which need to be balanced: affordability, effectiveness, and cost minimization. The best way to balance the three objectives is to increase price stability and emphasize programs that are easy to administer. NYSEG/RG&E believes that price uncertainty is the biggest challenge for the low income customer. Customers on fixed or low incomes cannot easily handle fluctuations in prices in any part of their bundle of purchased goods. Price certainty is critical when making decisions about which bills will be paid. Offering a stable budget bill with no fluctuation in the price for 12 months and providing the customer with a fixed supply and delivery price would improve the ability of customers to pay.

Utility Intervention Unit (UIU)

When properly designed and implemented, energy affordability programs benefit all New Yorkers. Reducing low income household energy burdens to an affordable level will in turn reduce uncollectible arrears and terminations due to personal financial difficulties as well as the higher costs to society associated with hospital emergency room visits and homeless shelters and other emergency public benefit programs.

In the UIU’s view, achieving affordability effectively and efficiently requires an eight-prong approach:

1. The number of poor people eligible for utility low income programs should be increased by using the Lifeline eligibility criteria statewide. Limiting automated enrollment eligibility to utility customers who receive HEAP payments, as is the case throughout most of upstate New York, is inadequate since most New Yorkers who are income-eligible to receive HEAP do not, in fact, receive a HEAP grant. Fundamental fairness requires that all similarly situated New Yorkers receive the same service regardless of their location.
2. The amount of the discount should be increased to address the affordability gap meaningfully by aspiring to the 6 percent energy burden standard.
3. All housing stock with substandard insulation and inefficient heating and cooling units in which low income people reside should receive weatherization and energy efficiency measures.
4. Customers should not be permitted to participate in a utility low income program unless they take full service from their utility or the Energy Service Company (ESCO) from which they purchase commodity guarantees that, on an annual basis, the ESCO will not charge the customer more than what the customer would have paid the utility.
5. A uniform arrears forgiveness program should be established in all of the service territories.

6. Utility rate designs should include an “affordability block,” which would reward low income customers for using less energy.
7. Reconnection fee waivers should be available throughout the State.
8. Evaluation metrics should be established – for instance, tracking the number of terminations and the amount in arrears – to gauge the effectiveness of the uniform statewide low income program, along with quarterly reporting requirements and a formal annual review by Staff of the program’s impacts and effectiveness.

UIU urges the establishment of an Energy Affordability Intergovernmental Task Force administered by and composed of senior management from the Department of Public Service (Staff), Office of Temporary Disability Assistance (OTDA), State Homes and Community Renewal (HCR), New York State Energy Research and Development Agency (NYSERDA), PSEG Long Island (PSEG-LI), New York Public Authority (NYPA), State Office For Aging (OFA), State Department of State UIU) and other state entities whose work addresses low income customers and affordable energy bills.

b. What is the level of affordability that should be achieved? How should the appropriate “energy burden” (e.g., the percentage of a customer’s income that is spent on energy) or level of affordability be determined?

AARP/PULP

Since there is no public data associated with this particular proceeding or included in the Commission or Staff documents to date about the current energy burden or the impact of the current programs on this burden, it is difficult to make a recommendation in this regard, but as noted earlier AARP/PULP believes a 30-35 percent reduction is just and reasonable. AARP/PULP notes that its recommendations also reflect the concerns raised in the Draft State Energy Plan about affordability of essential electric and gas service for low income customers and the discussion of the various robust discount and other affordability programs.

Central Hudson

The level of affordability needs to be established at the state level by agencies that are closest to, and understands the needs of, the low income customer base.

CEC

Affordability for energy should be defined as no more than 6 percent of expenses.

Con Edison/O&R

Determining the level of affordability or energy burden should not be the goal of this proceeding. The focus should be on determining the parameters and appropriate level of assistance for low income customers achieved through a bill credit or a discount on utility rates. Con Edison/O&R seeks to provide safe and reliable service at the lowest reasonable cost. The allocation of those costs among low income customers and other customers will continue to be an area of focus in utility-specific base rate proceedings. The Commission should develop its goals in terms of the metrics that would be used to evaluate and measure the levels and types of low income utility assistance, and how to best avoid and/or minimize unnecessary administrative expenses.

NFG

A household’s energy burden is a good way to determine affordability. Other states, such as Pennsylvania, have defined energy burden and established targeted utility bill levels. These are best established based on income levels, and will vary within ranges established by the regulatory body.

National Grid

Energy burden is the share of the annual household income that is used to pay annual energy bills. Once measured, benefits go solely to those households with the highest difference between their utility bills and their income. National Grid has experience with this type of program, as it was formerly used by a National Grid company in another jurisdiction. Based on that experience, the energy burden approach was found to be difficult and administratively burdensome to implement and manage. For these reasons, National Grid does not recommend that such a model be adopted for New York. As discussed more fully in response to 1.e., National Grid suggests an alternate approach, based on varying levels of HEAP assistance that could provide a better way to address varying customer need, but still maximize the provision of aid to customers.

Under the energy burden approach, customers with the highest energy burden may not always be the most in need of assistance, as customers with relatively higher incomes could score higher than customers with low or fixed incomes, due in part to variations in cost of living, larger or poorly insulated homes, and even localized harsh climates. Furthermore, the Company’s prior experience with such a program resulted

in a lengthy waiting list for participation, in part because available funding limited the number of customers able to participate.

Should the Commission determine that the energy burden approach be adopted in New York, National Grid believes that while utilities can provide billing data, it is not equipped to gather and validate individual customer data on income, cost of living, and household expenses that are necessary to measure energy burden to qualify customers and determine appropriate levels of assistance. Rather, if an energy burden approach were utilized, eligibility and benefit levels would need to be set by a governmental entity or community based low income advocacy organization based on an established certification process.

NYSEG/RG&E

NYSEG/RG&E agrees that the energy burden should be less for low income customers than the general population. It is unclear how such a goal would be met in practice, however, with an acceptable administrative effort and cost, utilizing readily available data, and taking into account the complexities of individual customer circumstances that also change over time.

UIU

UIU is not aware of any reason to depart from the widely accepted energy burden of 6 percent as an aspiration. However, achieving that goal for the poorest of New Yorkers may be quite expensive. According to the Affordability Gap Study, the 450,000 New York households with annual incomes at or below 50 percent of the federal poverty guidelines (about \$12,125) experience energy burdens of more than 40 percent. For households earning closer to 100 percent of the federal poverty level, achieving the 6 percent energy burden is less expensive. The average monthly Social Security benefit is about \$1,200; among elderly beneficiaries, 22 percent of married couples and about 47 percent of unmarried persons rely on Social Security for 90 percent or more of their income. Using the 6 percent energy burden, these low income New Yorkers would pay only \$72 a month for their utility bills. Similarly, a person working 40 hours a week receiving the minimum wage of \$8.50 per hour earns about \$1,360 a month. Using the 6 percent energy burden, these low income New Yorkers would pay only \$82 a month for their utility bills.

c. What is the appropriate level of funding? How much assistance should be provided by ratepayers, in light of taxpayer and privately funded assistance?

AARP/PULP

Affordable service is a policy goal that should be implemented without undue burden on other customers and customer classes. It is not possible at this time to provide a specific response to this question citing dollar amounts due to the lack of data from the utilities that might make such a projection possible by consumer advocates. To be able to do so, data about the type of assistance that is under consideration and the pool of eligible customers must be identified and evaluated to consider the revenue responsibility shifts and the bill impacts of various program proposals. Such data is not currently available but should be developed and considered in Staff's report to the Commission.

AARP/PULP notes that other states have strong reduced rate programs reaching a large percentage of eligible customers, with revenue forgone from the reduced rate customers reallocated to all other customers and customer classes. Utilities should be required to file proposals in their 2015 and subsequent rate proceedings for implementation of the policies established in this case; identifying reasonable rate design and revenue reallocation options; efficient outreach and enrollment systems; and identifying bill impacts on other customers and customer classes.

Central Hudson

Central Hudson's low income programs was determined as part of a settlement, and approved by the Commission with modifications. Central Hudson believes that low income program costs and rates attributable to customers should be decided in each utility's rate proceeding. This proceeding, however, may require a modification of low income program costs and rates if the Commission requires new programs or modifies existing programs.

CEC

While all residential ratepayers need to be better served with efficiency programs, the low income sector needs to be much better served, as it can dramatically reduce costs.

City of New York, Office of Sustainability (NYC)

NYC proposes that an appropriate structure for the utility low income programs is to base the discount on a percentage of the customer cost rather than a fixed amount. NYC concludes that the current discount rates in New York City should be increased.

In setting the low income discount level, it is important to consider the total bill. Because customers can purchase their supply from a variety of sources it is not possible to disaggregate the low income discount between delivery and supply or seek to impose a portion of the program costs on non-rate-regulated suppliers. Therefore, the construct advocated by NYC is to place the entirety of the discount within the delivery charge and recover the costs of the low income programs equitably from all delivery customers.

As to the percentage of the discount, NYC recommends that the Commission increase the level of the discount to at least 15 percent for electric and gas heat customers, and at least 10 percent for gas non-heat customers. These percentages will provide low income customers a meaningful reduction in their utility bills, which should make their utility costs more affordable and reduce the size of arrearages.

Although there is a clear need to help the most disadvantaged individuals and households, the programs should not be designed in a manner that unduly burdens those customers whose income levels place them just above the thresholds for participation in public assistance programs.

With respect to the calculation of the discount, NYC offers two alternatives. For ease of administration, it would be acceptable to determine the discount amount by applying the percentage to the average

residential delivery charge each year. In the event Con Edison is able to determine an average amount specifically for low income customers, that average should be used instead. Alternatively, NYC understands that Con Edison's billing systems are very powerful and adaptive. Recent upgrades have provided more flexibility to display information on customer bills and it may not be difficult to change the programming code applicable to the calculation of low income customer bills to base the percentage discount on each customer's actual delivery charge, similar to the way some surcharges are based on actual usage.

For heating gas customers, the monthly amount of the discount may be greater than the electric discount in the winter months, but the cost of gas service can be much higher at that time and the need for relief is correspondingly greater. In summer, gas usage is much lower, so the need for relief is similarly lower. At present, both Con Edison and National Grid use a combination of a reduction on the minimum charge plus a discount to the second block rate. NYC has no objection to continuing this structure as it reasonably addresses the changing usage and needs over the course of the year. NYC does not have all of the information required to determine the requisite changes to the fixed and variable discounts to effectuate the recommended 15 percent discount. However, the utilities should be able to make these determinations without difficulty. On a total basis, though, because the number of gas low income customers is substantially lower than the number of electric low income customers, the total cost for these discounts is not substantial and should not unduly burden any other gas customers. Similar to the electric proposal, the discount level should increase over time commensurate with the rate of change of the delivery rates.

With respect to non-heat gas customers, Con Edison presently provides a discount of \$1.50 per month and National Grid provides a discount of \$2.50 per month. Because the monthly bills for low income non-heat gas customers are relatively low, a similar level of relief is not needed, but the present discount levels should be increased. NYC recommends that the discount level for their customers be raised to 10 percent of their total bills. Implementation of this discount should adhere to the same two alternatives discussed for the electric discount.

Con Edison/O&R

The appropriate program funding level should be decided within the confines of a base rate proceeding. Establishing low income program funding levels in a base rate case context allows for a thorough assessment of the positions of interested stakeholders, and allows consideration of the costs to fund such a program, and the overall impacts on all customers. The greater the assistance through taxpayer and private funding, the less of a need there is to use utility rates to assist low income customers.

MI

MI is concerned about the overall cost of energy in New York. For many years, energy prices in the State have exceeded the national average by a substantial amount. While MI supports the Commission's stated goals of improving the efficacy of existing residential low income programs, it is concerned about possible increases to program budgets that would impose even greater costs on other customers, particularly in Upstate New York where many energy intensive businesses are located. Moreover, it is important that any proposed increases in the cost of residential low income programs be evaluated in the context of overall customer burdens.

NFG

A successful low income program design will coordinate the benefits from ratepayers, taxpayers and private assistance. Each plays an important role in providing an affordable bill. In a successful low income program that appropriately recognizes the impact on participating and non-participating customers' needs will drive funding. In periods of high energy costs funding requirements will increase, while in periods of low energy costs funding needs will decrease.

National Grid

Funding is a policy matter that may best be decided within the proceeding with input from all interested parties. Utilities have traditionally provided assistance to low income customers when taxpayer and privately funded assistance was not sufficient to ensure that low income customers could afford to pay for electric and gas service. Utility funded programs can also result in cost benefits accruing to all customers from avoided collections costs and public policy benefits. Both should be considered in this discussion.

NYSEG/RG&E

Funding needs to be a balance between meeting the needs of the low income population and the overall impact to all ratepayers. This balance is not necessarily intuitive and must be done in combination with other items in the base rates of each individual utility's tariffs. Direct exterior funding streams, such as HEAP, and indirect funding, such as subsidized housing, should also be taken into account when considering funding levels included in base delivery rates. As identified at the outset, each utility's level of funding should reflect the unique socio-economic circumstances of their service territories.

UIU

UIU would prefer that the level of funding for all low income New Yorkers be set to achieve an energy burden of no more than 6 percent for all low income customers. UIU realizes that the funding level needed to achieve this goal may significantly increase the energy burden on moderate income consumers beyond acceptable levels. Consequently, UIU recommends that Staff conduct an analysis with an energy burden of 6 percent for low income consumers and adjust the target should the burden for moderate income consumers be too great. The analysis should also look at the level of churning that occurs as participants in public benefit programs move in and out of eligibility as their financial circumstances either improve or suffer a setback.

d. How can benefits be maximized and costs minimized?

i. What approaches maximize the benefits to participating customers?

ii. Can waste and administrative costs be further reduced?

AARP/PULP

The concept of maximizing benefits to participating customers is a function of not only program design but the costs of implementation and the degree of difficulty or interest in the implementation of these programs by state agencies not under the jurisdiction of the Commission. The two basic designs of robust affordability programs in other states reflect the Percentage of Income Plan (PIPP) and the Percentage Rate Discount. AARP/PULP supports a percentage rate reduction based on the total bill or each component of the total bill. Under this approach, the reduction can be uniformly applied at a standard percentage (e.g., Massachusetts and California).

The rate reduction approach is easier to implement, lessens the administrative costs and privacy concerns of developing the necessary exchange of data under programs driven by individual income analyses of eligible consumers, and can be applied on a monthly basis based on the customer's actual bill by the utility with a computerized billing system that is programmed with the ordered percentage rate reduction. This would be implemented similar to other tariffed rates that are designed and applied to the customer's bill on a monthly basis. Under this approach, all qualified participants would receive the same percentage of bill payment assistance. AARP/PULP recommends that a rate reduction system be required in New York.

Central Hudson

Central Hudson has found that using pre-determined eligibility criteria (such as the eligibility criteria used to determine HEAP recipient eligibility) is a cost efficient method to qualify low income customers for participation into its Low Income Bill Discount Program. Any program changes that are considered by the Commission should, where possible, continue to utilize automated methodologies to determine eligibility criteria and administer low income programs.

CEC

CEC supports the integration of energy conservation and efficiency thoroughly into the low income program as California has done.

NYC

NYC understands that the costs required to administer the low income programs are relatively low as confirmed by Con Edison. The changes that NYC is recommending do not fundamentally modify the programs and should not add material costs to administering them. Moreover, increasing the size of the low income programs to include Medicaid customers, should not add a material amount to the administrative costs. NYC acknowledges that a broader program will require some additional resources (e.g., by increasing the number of enrollment transactions), but the additional needs should be minimal. In the context of the utilities' total revenue requirements, the additional costs would not be considered material.

Con Edison/O&R

Con Edison/O&R's low income programs are automated, resulting in minimal administrative costs. The majority of the funding available in its low income programs goes directly to low income customers and not to administration. Con Edison/O&R urges the Commission to support a similar automated approach for any new programs, or modifications to existing programs, that result from this proceeding.

NFG

Utilization of all resources, such as HEAP and available weatherization and low income program participation, is essential to maximizing the benefits to participating customers. It is critical that the customer remains responsible for his or her bill, and understands the need to apply for and follow up on benefits that may be available. Reduced administrative costs are possible by utilizing common factors for eligibility. Commonly used criteria, such as HEAP eligibility, and data sharing between counties and utilities are important elements to reducing waste and minimizing administrative costs.

National Grid

Reliance on categorical eligibility and automation is the most effective way to maximize program benefits for low income customers while minimizing administrative costs.

Several approaches maximize the benefits to participating customers, such as:

- Programs that allow the funding to be used for the customer's energy bill rather than program administrative costs.
- Ease of application
- Using existing data and eligibility for existing programs to qualify customers for enrollment.

Any program design should include a mechanism to periodically evaluate the process and look for opportunities to increase efficiency and lower costs.

NYSEG/RG&E

To maximize benefits to participating customers, programs must be easy for the customer to understand, easy for the customer to participate in, and simple to administer. NYSEG/RG&E supports a policy of helping customers develop and achieve a culture of success. Bill reduction programs such as those currently offered reach a broad base of customers and should be continued. These programs are intended to maximize benefits and provide assistance to customers who struggle to pay their bills each month, but may not be in arrears. NYSEG/RG&E believes that waste and administration costs should always be examined for opportunities to be reduced. Additionally, educating customers on program benefits needs to be a key component.

UIU

UIU recommends that strategic weatherization programs operated by the utilities and/or NYSERDA and HCR be coupled with the discount to reduce the energy consumption for the low income discount recipient to maximize the benefits.

e. How specifically can utility programs be better coordinated with the Home Energy Assistance Program (HEAP), fuel funds, and/or other forms of assistance?

AARP/PULP

AARP/PULP objects to eligibility criteria that focus on past payment of the utility bill or indication of crisis in utility bill payments. Criteria such as these are not indicative of energy burden, household income, or the choices that many consumers face in their allocation of household income for food, medicine, shelter, etc.

Central Hudson

Current practices by social service agencies create barriers that prevent low income customers from receiving benefits for which they are otherwise eligible and should modify their procedures to foster better coordination with state and utility low income programs. For example, social service agencies currently require low income customers to present a disconnect notice from the utility before the agency will provide emergency HEAP assistance. Assistance earlier in the process might allow low income customers to avoid receipt of a disconnect notice in the first place. Similarly, low income customers may not be eligible for public assistance for their utility bills if they have entered into a payment agreement with the utility. This acts as a barrier preventing low income customers, who have the greatest need for a payment plan, from entering a scheduled payment plan with the utility to pay off their arrears. This policy by social service agencies makes it more difficult for low income customers to stay current on their utility bills.

NYC

One administrative change that could ease the cost and burden imposed on the utilities would be to change the public assistance enrollment forms developed by OTDA to include the utility low income programs and facilitate direct, automatic enrollments in those programs. NYC is aware that Staff's efforts in this regard have not been successful so far. Perhaps these changes could be achieved through more high level interactions between the sister State agencies.

Con Edison/O&R

Social service agencies should consider modifying their procedures to foster better coordination of state and utility low income programs, and to remove disincentives for customers to avail themselves of utility programs and payment options designed to help them pay their utility bills in a timely manner. For example, social service agencies currently require low income customers to present a disconnect notice from the utility before the agency will provide emergency HEAP assistance. Similarly, in some cases, customers are not eligible for public assistance on their utility bills if they have entered into a payment agreement with the utility. These agency requirements discourage customers from entering a scheduled payment plan with the utility to pay off their arrears, without which it is more difficult for low income customers to stay current on payment of their utility bills.

NFG

Many existing utility low income programs use the receipt of HEAP payment assistance benefits as a determinant for program eligibility and participation. Many utilities enroll customers in their low income programs once HEAP is provided. This is an extremely cost-effective way to identify low income customers. Under existing rules, there is often a conflict between low income program participation and HEAP Emergency benefits. OTDA requires that a client be without utility service or faced with its imminent loss prior to the issuance of an emergency benefit. Utility programs require timely payment. Often customers will need to default in payment to be eligible for additional HEAP funding. The

Commission should work with OTDA to develop a solution that would allow the neediest clients to be eligible for additional funding without the need to default in payment. Programs should reward good payment, not the opposite.

One area of coordination that should be explored is the non-HEAP governmental assistance that may be available to customers under New York State Social Services Law. After customers have exhausted options with their utility, including defaulting on an affordable deferred payment agreement, they are eligible for assistance through local departments of social services. There is very little coordination of these benefits and customers frequently do not procure them.

National Grid

National Grid currently leverages low income programs with internal and external programs and services to assist its low income customers. Customers are automatically enrolled in several programs once the HEAP payment is received. National Grid believes its automated system that detects incoming HEAP payments and uses that information to automatically determine eligibility for low income assistance could also be used to establish different levels of assistance for customers in the greatest need. In accordance with HEAP eligibility criteria, recipients may be eligible for differing levels of HEAP assistance based on need and household circumstances. Leveraging these varying payment levels and the automated enrollment process could provide a cost effective means to provide varying levels of assistance for customers that need help most.

Ideally, to maximize customer eligibility, it would be beneficial to receive information from counties on other forms of assistance such as SNAP, SSI, Medicaid, and Temporary Assistance to Needy Families, etc. However, the 41 counties that National Grid serves may have technological difficulties providing the information electronically with a secure file transfer protocol or other secure means. In the past, certain counties have specifically denied National Grid access to this information, based on concerns with customer privacy and confidentiality. OTDA could undertake changes to improve efficiency and make HEAP more readily available to eligible recipients. In order to maximize efficiencies for customers and utilities, county DSS and OTDA should consider reverting back to the coupling of regular and emergency grants. This would help encourage participation and retention in utility low income programs.

The current system and decoupling policy is not the most efficient mechanism to provide benefits to those in need. Low income customers have advised National Grid's consumer advocates that it is difficult making multiple trips to the local HEAP office to apply for the separate benefits programs, particularly for the elderly and disabled. Customers who previously received both benefits together may now be forced to take another day off work, pay for transportation and/or parking, or withstand long waits on the phone. These burdens can be a barrier for low income customers who often have low paying jobs with little or no paid time off.

Emergency HEAP eligibility requires a utility to first issue a termination notice. For this reason, many low income program participants opt out or intentionally default on utility service in order to receive an emergency grant. This is a long term concern because it risks interruption of service and has the effect of incenting these customers to not pay their energy bill.

NYSEG/RG&E

NYSEG/RG&E believes that the sharing of timely and accurate information, with appropriate privacy and cyber security provisions, is critical to program success. The Companies hold quarterly meetings with the various county social services departments and, as a result, have found that communication and coordination is timelier with the county departments which have embraced automation.

f. Are there barriers to non-utility entities offering assistance programs which are not funded by ratepayers, and if so, how can they be removed?

AARP/PULP

AARP/PULP is not aware of any retail market that relies on third-party suppliers to create and deliver bill payment assistance programs to residential customers. Third-party suppliers can do so, but this would not be in their financial interest since they have no way to reflect these benefits on their balance sheets. ESCO prices are not regulated by the State and cannot be compelled or relied upon to provide affordability programs. AARP/PULP supports third party programs designed to reduce utility bills through energy efficiency and conservation measures and urge that a fair share of repurposed CEF funds be reserved to address low income customer needs.

Central Hudson

Central Hudson is not aware of any barriers to non-utilities offering assistance programs to low income customers.

Con Edison/O&R

Con Edison/O&R does not have information about barriers to non-utility entities offering assistance programs. Low income assistance is a matter in which all players in the energy field could play a role, and support non-utility entities offering assistance programs.

NFG

There are no known barriers to non-utility entities offering assistance programs which are not funded by ratepayers.

National Grid

National Grid is not aware of any barriers that would prevent non-utility entities from offering assistance programs. National Grid works with a number of low income assistance organizations and has accepted contributions from such organizations on behalf of customers.

NYSEG/RG&E

While a non-utility entity can be either a for-profit company (such as an ESCO) or a not-for-profit agency (such as Red Cross or Catholic Charities), the barriers seem to be similar. First, there is a decided lack of awareness of customer needs. Second, the lack of ready information is then coupled with the unfortunate reality that funding for this purpose is limited everywhere. All charitable organizations are competing for limited funds. Should need be identified, addressing nearly unlimited needs with limited resources is a daunting task. Allocation of funds must be a cornerstone of this process.

General Program Design Issues (Questions 2.a through 2.f)

a. Should a uniform statewide program be created? If not, to what extent should diversity among utilities in the design of affordability programs be allowed?

AARP/PULP

Based on AARP/PULP's review of programs in other states, New York should adopt a uniform statewide affordability rate as the minimum requirement for all gas and electric programs.

AARP/PULP listed its concerns regarding the current programs:

- Most of these programs, with some exceptions for natural gas customers, do not include a discount or bill payment assistance on the total bill. Rather, there is an emphasis on modest fixed credits in the range of \$5 to \$15 per month. This means that eligible customers are not obtaining bill payment assistance based on the actual total electric (or in some cases, the natural gas) bill on a monthly basis.
- AARP/PULP supports reasonable bill payment assistance in the form of reduced charges or rate reductions on the entire bill. Arrears reduction and forgiveness programs should be a secondary aspect of the overall program and should not disqualify customers from regular bill payment assistance.
- Endorses Con Edison gas and KeySpan approaches to establish categorical eligibility for a wide range of assistance programs that require a demonstration of household income: HEAP, Medicaid, TANF, Public Assistance, SSI, Food Stamps, Veteran's and Surviving Spouses Disability Pension, Child Health Plus, and local housing vouchers paid by the county/city government.
- A review of the annual reports on the current electric and natural gas low income programs do not provide any information on how participating customers are served by any of the no-cost efficiency and weatherization programs implemented by NYSERDA or any other entity. This lack of data about how customers participating in these programs are served by no-cost weatherization and efficiency programs is a significant defect that should be remedied by Staff as it prepares its report in this proceeding.

AEA

A state-wide approach for basic program parameters is a desirable outcome providing the eligibility requirements and relief offered are sufficient to encompass and service the low income population. A state-wide approach with the bar set too low – and therefore with low enrollment – would not be an effective or useful outcome. Consistency across service territories can ensure fair treatment of low income populations and relieve the burden on advocates that comes from the difficulty of engaging effectively, because of time and resources, in each rate case. It must not be achieved at the expense of serving the low income population to the greatest extent possible. Current eligibility criteria vary by utility; any attempt at standardization should increase not decrease participant levels. A state-wide approach based on the broader eligibility of receipt of need-based income support would be welcome while a statewide approach restricted to HEAP eligibility would not be progress.

Utilities may need some flexibility in designing programs that reflect specific circumstances or affordability in their territories. Programs based on state-wide average incomes or the federal poverty level may have very disparate impacts on affordability for consumers residing in territories where overall cost of living and electric rates are lower than those in places where the cost of living and utility rates are substantially higher. Use of area median incomes would be one method of adjusting program eligibility to

local affordability levels. New York also could consider using 200 percent or less of the poverty level as the cutoff for enrollment in low income programs, as is done in California.

Central Hudson

Central Hudson recommends that the Commission not create uniform statewide low income customer programs. Home ownership, home and apartment rentals, and rural versus urban characteristics are some of the obvious differences between utility service territories. Utility services are not always assigned to the tenants in cases of rental customers. Size of low income population and social service agency capabilities within a utility's service territory are also factors in program design. Central Hudson can offer different low income programs than Con Edison because of the many different issues facing each utility, including the number of customers served.

The Commission should define clear metrics and goals for low income programs, and afford Staff and the utilities the opportunity to analyze the effectiveness of existing programs in New York and other jurisdictions. This analysis will enable the Commission to determine whether, and to what extent, elements of existing low income programs may be standardized across the State.

CEC

A uniform statewide program should be created and allow for unique considerations. Statewide eligibility and assistance should be standardized to the greatest extent possible. Standardization helps keep administrative costs down. Targeting neighborhoods that need service based on demographics, such as income, unemployment, race, ethnicity, health status, can help increase cost effectiveness of program delivery for energy efficiency. Regional differences should be noted as some areas of the state have higher costs for housing or a real shortage of subsidized housing. Rural areas have different issues than urban areas, such as higher transportation costs.

NYC

NYC has not reviewed the low income programs in place outside of New York City and offers no opinion on them.

Con Edison/O&R

The Commission should not create a uniform statewide program for low income customers. There are significant demographic differences in utility service territories, among other things, that account for the variations among utility low income programs. For instance, in New York City and Westchester County, 73 percent of low income customers live in multi-family dwellings. A majority of these customers do not pay the costs of their heating directly to the utility and, thus, do not qualify for HEAP. Therefore, eligibility criteria for Con Edison's service territory are more expansive than in other areas of the State, where there are more low income customers who qualify for HEAP.

MI

There are wide variations among the residential low income programs offered by the State's utilities. The evaluation of different programs and attempting to identify best practices makes sense to MI. While some uniformity between utility programs may provide benefits, particularly where such uniformity reflects best practices, diversity still should be allowed if and where justified.

NFG

Uniform statewide programs should not be created for the natural gas industry in New York. The utility natural gas service territories are too diverse to develop effective uniform statewide low income affordability programs. The usage characteristics of residential natural gas customers vary greatly across the state.

National Grid

Given the diverse nature of each utility's service area and customer needs, individualized utility programs that are designed to respond to the unique needs of low income customers have been important to ensure affordable, safe and reliable service, and they should be retained.

NYSEG/RG&E

NYSEG/RG&E believes that, while a uniform statewide program could be created, there are probably more benefits to having uniform guidelines rather than rigidly defined programs. A uniform statewide program may or may not be cost-effective, taking into account costs such as program advertising, acquisition of third-party services to maintain the program and, to a lesser extent, changes to utility customer information systems.

UIU

UIU strongly supports a uniform statewide program that ensures that similarly situated low income New Yorkers receive the same tangible benefit regardless of the service territory in which they live.

b. What additional benefits and costs are introduced by implementing a portfolio of assistance programs to address a range of customer-specific needs, as opposed to a single program?

AARP/PULP

AARP/PULP recommends that a statewide affordability rate be the primary focus of this proceeding.

Central Hudson

Central Hudson is able to serve more customers by offering a portfolio of assistance programs through a broad-based low income bill discount program combined with the Company's targeted EPOP program. Central Hudson's diverse program options have allowed customers to achieve a high success rate regarding their ability to stay current on their bill and afford their electric and gas energy costs. Central Hudson recognizes that the portfolio approach works well for its customer base.

CEC

CEC strongly supports simplicity to the extent possible with success for communities and low income families. Encouraging innovation within specific delivery requirements is useful. CEC recommends a portfolio of programs jointly coordinated with local government entities and community-based organizations, which better understand that unsolved problems impact health and mental health, social services and health care.

Con Edison/O&R

Con Edison/O&R believe that each utility's low income program should be an automated program that relies on eligibility determinations that are made by a social service agency, which minimizes administrative costs. If the parameters of low income programs are expanded to address customer-specific needs, the cost to administer and maintain such programs would likely significantly increase.

NFG

While a portfolio approach may provide for a greater number of customers participating in assistance programs it will increase overall costs to non-participating customers. The administrative costs associated with managing multiple programs will contribute to this overall increase in costs. Programs limited to a more uniform and consistent design will likely prove to be less confusing to customers as well as lower administrative costs. Programs with a uniform design can also be used to serve an expanding group of customers.

National Grid

A portfolio of different programs may be helpful in addressing the individual specific needs and challenges of low income households. As the number of programs increases, however, the cost to monitor and administer these programs also increases.

NYSEG/RG&E

NYSEG/RG&E believes in minimizing program complexity and ensuring programs are as easy as possible for customers to understand and participate.

UIU

Gas conversion, weatherization, energy efficiency measures and other assistance programs can decrease customers' energy burden and can enhance their financial and physical health as well.

c. What is the appropriate level of benefit per participant?

AARP/PULP

An analysis is required of the costs and bill impacts associated with a range of bill discounts or any other program design. AARP/PULP recommends that utilities file plans for new rate designs and implementation of an affordability program reflected in its comments, identifying revenue reallocation and rate design options, bill impacts, and potential means for mitigating impacts. Under this approach, the plans filed will be open to further comment and Commission modification, and may be better than more prescriptive requirements at this time.

Central Hudson

Central Hudson believes that the level of benefit per participant in each of its low income programs was properly determined by the parties in recent cases. Should the state policies change, the current benefits levels may be inappropriate and may need to be amended.

Con Edison/O&R

Con Edison/O&R does not have the information required to make such a determination.

NFG

The appropriate level of benefit per participant should be based on predefined need similar to that identified in the previously cited Pennsylvania program design.

National Grid

The level of benefit provided to participants needs to be designed in such a way as to provide maximum value to the widest number of low income customers, while controlling the amount of funding consumed by program administration and ensuring overall ratepayer equity and taking into account energy needs, such as heating or cooking only, and regional cost of living differences.

NYSEG/RG&E

NYSEG/RG&E believes that the appropriate level of benefits per participant cannot be explicitly defined. The benefit is really dependent on each customer's situation. Benefits need to be assessed in a dynamic fashion using such evaluation criteria as income and need. Customers' needs are individual; there is no "one size fits all." Also, benefits should be categorized as pecuniary (e.g., direct financial aid) vs. non-pecuniary in nature. By doing so, it could be possible to evaluate the necessary mix of benefits to optimize value to the customer. Heat source and fuel types can influence need. The timing and magnitude of assistance changes when considering whether a customer is gas-only, electric-only, or a combination customer.

UIU

UIU suggests that the Commission examine the California Alternative Rates for Energy (CARE) model, which provides a discount of 30-35 percent off of a low income customer's bill. Data regarding the average income of low income participants compared to their average bill, found in the Affordability Gap Study, would assist to inform the appropriate level of discount for New York.

d. Should a basic level of assistance be provided to all eligible households (e.g., broad-based approaches), or should more assistance be directed to those most in need (e.g., targeted approaches)?

AARP/PULP

While a more targeted approach can take into account the individual household income and energy burden, the means to develop and implement such a program would require participation by other state social assistance agencies and a substantial level of resource commitment by those agencies to ensure that the proper data exchange with the utilities is developed and implemented.

Central Hudson

Central Hudson has designed its low income programs to provide assistance using a broad-based approach with its low income bill discount program and a targeted approach with its EPOP program. Central Hudson is able to offer these two different programs because of its size and the nature of its customer base, which differs from the customer base of other utilities.

CEC

Targeted approaches should be used to maximize outreach opportunities in communities for weatherization, energy efficiency and conservation. Targeting a building, a group of buildings or a neighborhood facilitates the effort at lower cost. Targeting those most in need should be a priority. Targeting those with special needs may also be appropriate, such as households with a person who is disabled or needs full time custodial care.

NYC

All of the public assistance programs that create eligibility for the Con Edison and National Grid low income programs serve the neediest individuals and households in different ways. If the question is actually seeking whether to limit the number of individuals qualifying for the programs, the NYC's response is no.

Con Edison/O&R

Con Edison/O&R supports providing a basic level of assistance to all low income customers via retail rate discounts or bill credits. Targeted assistance to those most in need is best administered via social service agencies that have the administrative capacity and the federal and state resources to provide such targeted assistance.

NFG

Because income levels can vary dramatically, it is difficult to provide broad-based programs that will be effective in improving customer payment practices. Since program resources are limited, assistance should be directed to the customers most in need; NFG's LICAPP program is designed to do just that.

NYSEG/RG&E

NYSEG/RG&E believes that broad-based approaches (e.g., those customers who meet the guidelines can achieve some type of assistance) allow us to reach those customers who struggle to pay their bills each month, but who have managed to stay out of arrears.

UIU

Each approach has strengths and weakness. UIU's emphasis is on a broad-based approach like California's, coupled with effective targeted programs.

e. If funds are targeted, is it more important to direct funds to households with the lowest incomes, the highest bills, the largest arrears, or those at greater risk of termination?

AARP/PULP

The targeting of utility bill payment assistance is unlikely to be possible.

Central Hudson

The Commission and all interested parties would need to identify and rank the metrics based on the specified goal.

City of New York, Office of Sustainability (NYC)

NYC urges the Commission not to pursue such a structure. First, income-based programs require extensive involvement by social services agencies. Second, such programs would pose significant administrative costs on the utilities, as each qualifying customer could receive a different discount. Third, these programs require customers to substantiate their income.

NFG

Designing programs that target benefits to households with the lowest income and highest bills, which are typically the customers with the largest arrears and at the greatest risk of termination, is an effective use of limited resources.

National Grid

An ideally functioning targeted approach would bring varying levels of assistance to households that are most in need due to limited household income and the presence of vulnerable persons within the household as described in 1.d. through the utilization of the HEAP payment amount. This approach would tend to focus on households with the lowest incomes and greatest needs (which would correlate to the greatest risk of termination). Providing varying levels of assistance would reduce high arrearages and mitigate the risk of termination over time through increased assistance to households most in need, budget billing arrangements, energy efficiency programs, payment agreements and public assistance.

NYSEG/RG&E

NYSEG/RG&E believes that, although they must balance all the needs, it is most important to direct funds to households at greatest risk.

UIU

UIU believes that all low income customers should receive a uniform discount. However, funds should also be strategically targeted to particularly vulnerable customers to avoid the dire situations created by terminations. Accordingly, programs that can be shown to efficiently and effectively decrease terminations should also receive funding.

f. What are the least-cost approaches to administering targeted programs?

AARP/PULP

The least-cost approach is to reduce rates through implementation of a percentage rate reduction for qualified customers and to encourage the use of computer matching to verify eligibility. Manual enrollments through individual applications and application handling should be minimized to the extent possible.

Central Hudson

Automated eligibility determinations and enrollments are highly cost-effective. Partnerships with social service agencies and governmental authorities can allow for the division of costs among diverse funding sources and maximize benefits by making less-restricted funds available.

CEC

CEC recommends working with the State's procurement program to take advantage of bulk purchasing of weatherization supplies, which can reduce overall costs and associated savings for programs and contractor installations. CEC also suggests building broad community support by utilizing community based organizations and providing community jobs to implement the programs.

Con Edison/O&R

Targeted programs that can be easily automated, and that do not require utilities to make eligibility determinations, will likely result in a least-cost program.

NFG

A standardized program, targeted toward predefined customer needs that adjust benefits based on changes in out-of-pocket energy costs is the most cost-effective approach to administering targeted programs.

National Grid

The least-cost approach in administering targeted programs where individual customers receive different levels of benefit based on their income and annual energy consumption would involve utilizing already collected data to make a determination on program eligibility such as income data and household information previously validated by public agencies as part of the public assistance application process or HEAP application process.

NYSEG/RG&E

NYSEG/RG&E believes that there are three ways to minimize costs. First, the target population must be or become easily identified (using criteria identified in response to 2.d. and 2.e). Second, finding ways to automate programs using programmatic approaches such that little manual intervention is necessary, helps to reduce costs. Upfront investment in systems and solutions can frequently lower future cost streams. Finally, reducing the number of lump sum payments (e.g. HEAP payments,) to the target population would allow you to minimize the number of times a certain function has to be performed.

UIU

Uniformity and standardization reduce administrative resources devoted to these programs.

3. Program Type

a. Comments are solicited on the advantages and disadvantages of each of the following approaches:

i. Fixed Discount;

ii. Percentage Discount;

iii. Volumetric Discount, including whether volumetric discounts should be capped; and if so, at what level (e.g., providing a discounted block reflecting average usage for low income households, with subsequent usage blocks at full rate);

iv. Percentage of Income Payment Plan (PIPP);

v. Arrears Forgiveness;

vi. Reconnection Fee Waiver; and

vii. Other program types (please specify)

AARP/PULP

AARP/PULP recommends a percentage of total bill discount because it is a reflection of the customer's actual electric and gas bill. Arrears management or forgiveness programs should be viewed as an adjunct to the rate discount and not operated to be the main feature of an affordability program. All future programs should continue the current practice of a reconnection fee waiver.

AEA

This proceeding has been "fast-tracked" and would benefit from more consultation and review of the advantages and disadvantages of different program types and stakeholder discussion of experiences in other states. In general, AEA believes percentage of income approaches and the use of inclining block rates provide fair approaches to providing energy assistance to low income consumers. We also believe tiered pricing for blocks of energy could benefit lower income consumers providing enrollment in the programs is coupled with automatic/required enrollment in weatherization and energy efficiency programs, as we believe they should be.

CEC

CEC recommends a volumetric discount for low income consumers. For gas, a low income rate for a basic amount of gas delivered for the household should be established.

NYC

NYC recommends that the low income programs be structured to provide discounts set at a percentage of customers' total bills. With respect to reconnection fees, NYC recommends that each customer participating in the utilities' low income programs be allowed one reconnection fee waiver per year. Such customers should also receive a 50% discount on any additional reconnection fees during the same year.

NYC also proposes a new program to address arrears. A wide variety of circumstances may cause low income customers difficulty in paying their utility bills. As a result, they build up arrears balances that could become substantial. Under Social Services Law § 131-s, social services agencies are obligated to pay only up to four months of a qualifying customer's arrearages. The arrearages are then frozen for the duration of the period in which the customer receives public assistance. Once that period ends, the customer immediately thereafter becomes fully liable for any outstanding arrearages, and the utilities routinely pursue recovery of such amounts. This process results in a vicious cycle in which the customer again defaults on his or her utility bills, racks up additional arrearages, and once again seeks public assistance. We need to break the cycle and give these customers an opportunity to move forward without

being burdened by excessive debts. Moreover, a new approach is needed because the utilities' arrears balances continue to grow while the prospects of recovering those funds from customers arguably are remaining unchanged or diminishing.

The Commission should provide for a one-time amnesty for current low income customers who have no ability to pay their arrears. Alternatively, the arrears for such customers should be held in abeyance for a period of at least five years after the customers have ceased receiving public assistance (the period would be reset if a customer rejoins the rolls of public assistance recipients). This approach should provide these customers a reasonable opportunity to gain or regain financial stability and place them in a position, hopefully, to pay off the entirety of their arrearages. Because the utilities have a very low likelihood of otherwise recovering these debts, this approach should not unduly burden or disadvantage any utility.

Going forward, the utilities should discount uncollected arrears from low income program participants by 50%. Each such customer's account should be re-evaluated every five years. If the customer exhibits a pattern of being unable to pay, the amount discounted should be treated as a bad debt expense. If the customer exhibits an ability to pay all or a portion of the balance, and additional arrearages have not accrued, a deferred payment agreement for the balance may be appropriate. The rationale for this reduction is the same as for the amnesty described above – allowing these customers to gain or regain financial stability. The net effect on the utilities and general body of ratepayers should be positive because this approach should result in a higher level of recovery than currently occurs.

Con Edison/O&R

The Companies do not support a percentage of income benefit or an arrears forgiveness program because both would require substantial and complex administrative efforts for both utilities and state or local social service agencies.

Although the Companies recognize that the scope of this proceeding is purposefully limited to analyzing bill and rate benefits for low income customers, the Companies also believe that there are opportunities to enhance the services provided to low income customers by improving the integration of energy efficiency and demand management programs with low income programs. Providing low income customers with tools specially designed to help them to monitor and control their energy costs would provide greater value when paired with more traditional bill and rate benefits, and increase the likelihood that customers can stay current on their bills, or more quickly pay off their arrears. The right balance of demand side management and traditional low income benefits could be analyzed as part of the statewide study proposed earlier.

NFG

i. Fixed Discount

Fixed discounts on qualified low income customers' bills have the advantage of relatively simple administration and calculation. The fixed discount amount can simply be deducted from the minimum charge rate or just credited to the customers' bill. Fixed discounts, however, are not very effective in meeting the predefined affordability requirements of low income programs. Since the discount is fixed dollar amount, the discount level will not adjust for the amount of energy used by the low income customers. While it is possible to design tiered fixed income amounts based on household size and income, low income customers in better insulated homes with more efficient appliances will receive a greater benefit relative to income than low income customers in housing stock without such benefits.

ii. Percentage Discount

Percentage discounts are also relatively easy to administer and calculate. Overall percentage discounts can be designed for household size and income level and discounts applied to customer bills. The biggest constraint in designing percentage discount program may be the capability of utility billing systems in applying the discount to customer bills. One solution is to apply the discount amount to the full service

rates and input into the utility billing system discounted unit rates for the appropriate qualified low income customer rate category. Percentage discounts (as well as discounted unit rates) can be designed to meet the predefined affordability requirements of low income customers. Since the overall bill discount will adjust based on customer usage, the quality of housing stock will not impact the affordability results for particular low income customer. Also, since the total bill paid by the customer will still be a function of usage, the customer will still have an incentive to conserve energy.

iii. Volumetric Discount

Volumetric discounts will have similar benefit to the percentage discount. Capping discounts (either volumetric or percentage) will add additional complexity to administration of the low income program as well as customer information billing system design.

iv. PIPP

PIPP programs have extremely high administrative costs since individual bill amounts must be determined for each customer. PIPP plans also completely destroy the incentive for a customer to conserve energy because their energy bill is not a function of how much energy they use, the customer simply pays a flat amount based on their income.

v. Arrears Forgiveness

Arrears forgiveness is an essential aspect of certain low income programs. A sizeable number of customers have accrued arrears as a result of high energy costs and unaffordable bills.

vi. Reconnection Fee Waiver

Reconnection fee waivers are antithetical with a good low income program. To begin with, the objective of any low-income program is to promote payment practices that enable continuous service. Toward that end, participants should not be rewarded for failing to make timely payment of utility bills. A well designed low income program will provide for a predefined affordable service. Therefore, customers will have sufficient resources available to pay their discounted energy bill. Since non-participating customers effectively recover the costs of the discount program, adding the costs of reconnection fees associated with failing to pay an affordable bill, will only add to the costs shouldered by non-participating customers.

National Grid

i. Fixed Discount

Fixed Discounts have low administration costs, are easy to design, clearly understandable on a bill, and provide an equal benefit to all qualifying customers. A single fixed discount does not take into account disparity in income, household size and energy usage and may not provide a meaningful benefit to certain low income households. Utilizing fixed discounts that vary depending upon household income and circumstances provides an alternative that could provide a greater benefit for customers most in need.

ii. Percentage Discount

Percentage Discounts are also low cost administratively, and provide the advantage of according a greater benefit to higher energy use households. This type of benefit, however, also does not take into account available household income and may provide a disincentive to energy usage management (the higher the energy use, the greater the benefit). To the extent criteria can be established to permit varying levels of percentage discounts (to reflect, for example, simple criteria such the presence of a vulnerable person within the household), a varying percentage discount would be another way to provide greater benefits to the households most in need.

iii. Volumetric Discount

National Grid's gas companies have block rates in place for gas service that facilitate a volumetric based

discount. Such a rate structure does not exist for electric rates, which charge the same rate for every kilowatt hour consumed within each rate class. While they may work for gas customers, volumetric discounts would be difficult or impractical to implement for electric customers. Where feasible, volumetric discounts may be advantageous in that they encourage household energy usage management and use of energy efficiency and weatherization programs. Volumetric discounts do not take household income into consideration and may tend to penalize larger households and those where medical machinery drives up monthly usage. To the extent they are feasible, volumetric discounts are more complicated to fund and administer, require a more complicated billing system investment to work properly and may lead to more confusing bills as energy cost calculations change over the course of a billing period.

iv. PIPP

A PIPP may come close to matching monthly energy costs with available household income, but these programs can be complicated and costly to administer. Frequent and/or significant variation in monthly income and energy usage, as well as system design capabilities, make it impractical to implement individualized PIPP programs based on unique household characteristics. Where this approach has been implemented in other jurisdictions, it has provided a sliding percentage benefit based on varying “tiers” of household income. The burden of validating household income and the frequent adjusting of “tiers” based on changes in income is labor intensive and expends considerable resources that might otherwise be available to provide benefits to low income customers. Because tier assignment numbers can change quickly and are difficult to forecast, PIPP programs have also resulted in the need to administer “waiting-lists” for program initiation based on available funding, which raises questions as to how enrollment should be prioritized, to the lowest incoming households or to provide the greatest possible enrollment. To the extent PIPP programs result in waiting-lists or exhaustion of available benefits, these programs may also result in similarly situated customers receiving different benefits.

v. Arrears Forgiveness

Arrears Forgiveness Programs can provide customers who experience a temporary financial set back the opportunity to reestablish control of their utility bills, and provide discouraged customers with an incentive to make forward payments on their bills in order to receive the benefit of forgiveness. Arrears Forgiveness Programs by themselves do not address more chronic or recurring household conditions that lead to the accumulation of arrears in the first place, such as a basic inability to meet existing energy costs with available income. Arrears Forgiveness Programs must be designed carefully so as to control costs and not create a disincentive to making payments against monthly energy usage. National Grid’s Arrears Forgiveness Programs require considerable resources to administer and thus may be a less than optimal way to provide benefits to customers. Dedicating these resources to other, less administratively burdensome programs, would result in increased benefits to customers that need assistance most.

vi. Reconnection Fee Waiver

Reconnection Fee Waivers can encourage customers to take whatever required steps necessary to restore service without the discouragement of additional fees. While they may benefit households with no discretionary income, they do so at the expense of failing to offset utility costs incurred in the termination. Reconnection Fee Waivers by themselves do not address the conditions that led to the service termination and may not provide a meaningful benefit to financially stressed households.

NYSEG/RG&E

i. Fixed Discount

Fixed discounts are beneficial in that they are easy to implement to all eligible customers and they assist customers who are low income but not yet in arrears. However, they have the disadvantage of falling into the “one size fits all” approach and customers still have the potential to see a great deal of volatility in their monthly bills.

ii. Percentage Discount

Percentage discounts can be implemented into utility billing systems, but will have varying levels of costs associated with doing so. Any percentage discount would have to be focused solely on delivery rate discounts, since it would be considered “predatory” to discount supply charges below our cost to purchase and surcharges, which are typically a pass through of government imposed costs not able to be discounted absent specific authorization from the appropriate government agencies. Additionally, customers under this type of program will also see a great deal of volatility in their monthly bill and this type of discount is not tailored to give customers a discount based on need, as it is still a variation of the “one size fits all” scenario.

iii. Volumetric Discount

The Companies do not currently offer volumetric discounts. While these types of discounts have the benefit of limiting the number of customers in the program and provide an incentive for energy efficiency, they also carry the potential risk of leaving out customers who need assistance. In many cases, customers have no control over the efficiency of their rental property. Such customers might be in a position where they are forced to rent an energy inefficient home because of its lower rent cost only to be faced with higher energy bills.

iv. PIPP

A PIPP program has the clear benefit of allowing the utility to tailor the benefit to customers' specific needs. However, such a plan can have high administrative costs and the utility may not have the required specific income information to properly calculate the percentage of income. Further, this type of program would not address payment habits and could create the unintended consequence of providing an incentive for poor payment.

v. Arrears Forgiveness

The Companies have an active arrears forgiveness program. These programs provide a strong incentive for customers to build good payment habits by allowing customers to manage their energy affordability on a monthly basis. Arrears forgiveness also targets customers who would be in danger of being disconnected. However, these programs do not address affordability of monthly bills and in the Companies' experience, customers do drop from the program because of their inability to pay their current bill.

vi. Reconnection Fee Waiver

The clearest benefit of this program is that it does not create additional debt to a customer already struggling to pay their bill. However, the population who receives this is very limited. Also, it should be noted that this only benefits customers after a disconnection occurs, and the Companies strongly support programs that would identify and assist customers before shut-offs occur rather than after the fact.

vii. Other program types (please specify)

Other programs that can be considered are:

- **Budget Balance Forgiveness:** This has the advantage of allowing customers an affordable bill (subject to periodic reviews and subsequent forgiveness) in conjunction with energy efficiency to ensure customers are able to stay within the parameters of their budget. However, unless energy efficiency is built into the program, it may limit customers' efficiency efforts.
- **A Low Income Fixed Price Option:** The Companies believe that such a program would clearly address the variability in monthly bills based on market price volatility. It would also allow customers to have a consistent understanding on how usage patterns impact their bills, which would help to also encourage investment in and awareness of efficiency.

The Companies also feel that the REV proceeding (Case 14-M-0101) could open up other opportunities for low income programs which may be driven by Distributed Energy Resources or Community Choice Aggregation that are yet to be developed. Any such programs should be open to new technologies and options that come from that proceeding.

New York State Office of Temporary and Disability Assistance (OTDA)

iv. PIPP

OTDA suggests that the Commission review other states' programs which establish a percentage of a low-income customer's income to spend on energy to reduce the: number of customers with arrearages; amount of the arrearages; number of customer terminations for nonpayment; and, number of termination notices issued. A percentage of income approach has the potential to create incentives for customers stay current with payment plans and reduce reliance on publicly funded energy emergency programs.

UIU

i. Fixed Discount

It is administratively simple to apply a set statewide dollar discount to every low income person's utility bill. The disadvantage of this approach is that it ignores each customer's specific bill, which is developed from a variety of factors such as usage, supplier and rates. A customer living alone using a small amount of energy and purchasing commodity from the utility would receive the same dollar discount as a customer with a large family using a large amount of energy and purchasing supply from a potentially higher-priced ESCO. This approach also would require periodic administrative efforts to review and increase the fixed dollar discount depending upon inflation and rate increases.

ii. Percentage Discount

The UIU prefers the percentage discount approach over the fixed dollar approach because it more fairly takes into account a customer's living situation and the rates charged by her/his utility or ESCO. Using a percentage discount on a customer's entire bill is also administratively simple (assuming the UIU's proposal regarding ESCO service is implemented), but has none of the disadvantages of the fixed dollar discount approach.

iii. Volumetric Discount

The UIU supports implementation of an "affordability block" for both electric and gas low income customers as an additional component of low income programs. The Con Edison and KEDNY gas low income programs currently include volumetric discounts on the second usage block. These two programs are designed to benefit customers whose usage primarily falls within the second block; there is no discount on the third block. Even though customers who are unable to curtail usage for reasons of inadequate insulation or family size do not receive the same proportionate benefit, the UIU supports the concept of an "affordability block" for both electric and gas low income customers. Considering a usage range of the affordability block reflecting average usage for low income households in a service territory is a good beginning for discussion purposes.

It is in the state's interest to reward customers who use less energy. Assuming that DPS Staff's observation that the vast bulk of gas heating usage is weather-dependent is correct, and if the UIU's recommendation is implemented such that all housing stock in which low income participants live are weatherized and receive energy efficient heating units, then the affordability block is likely to benefit a larger percentage of participating customers. From the electric perspective, as a greater number of low income customers receive energy efficient cooling units and other appliances through utility or Clean Energy Fund programs, they will realize greater benefits from an affordability block.

iv. PIPP

Under a PIPP, low income customers would pay a regulated maximum percentage of the household's

current gross monthly income to the utility that provides the gas and electric service. The UIU believes that the benefit of this type of individualized energy burden/affordability gap approach, such as that used in Ohio, lies in its potential to tailor the program to each customer's own circumstances.

v. Arrears Forgiveness

Anecdotal information from DPS Staff and several of the utilities suggest that arrears forgiveness programs benefit both program participants and the general body of ratepayers by reducing arrears, write offs and terminations but the UIU is not aware of any real analysis of the data. Data indicates that arrears forgiveness programs help customers manage bills and debt and improve the quality of their lives by avoiding termination and allowing them to pay for other items like food and medicine. The UIU recommends that the best features of the existing programs should be identified and discussed by DPS Staff and interested parties, with the goal of implementing a standard program statewide.

vi. Reconnection Fee Waiver

The UIU supports the reconnection fee waiver program, which is applied almost universally in New York. Not having utility service can be dangerous, cause illness, poor school performance, and even result in death. When a low income customer has arranged to pay enough of her/his arrears for service restoration, paying a reconnection fee may be sufficiently daunting that service cannot be restored. Related to fee waivers, the UIU also urges the PSC to require the utilities to strive to achieve a same-day reconnection attempt level of 100%.

b. What is the appropriate balance between funding for rate discounts, arrears forgiveness, reconnection fee waivers, and/or other types of assistance?

AARP/PULP

AARP/PULP recommends that the primary focus be on the creation of a percentage of total bill rate reduction called an Affordability Rate. Weatherization and efficiency programs should additionally be promoted, particularly for those customers eligible for the reduced rate who also have above average usage. Utilities should be required to provide referrals to those implementing low income or no cost weatherization and efficiency programs for low income customers based on highest usage and highest bill discounts. Assuming that there is sufficient funding to address these customers, the resulting delivery of efficiency and weatherization programs will, in turn, reduce the costs of the Affordability Rate. The Commission should require more coordination of the two programs.

Central Hudson

The Commission would have to complete an analysis to make a balancing determination. The analysis should consider all of the factors previously discussed.

CEC

We recommend the simplicity of a low income rate pegged to the average electric residential rates in regulated states. We are recommending no terminations for electric service. It is essential that we significantly reduce low income rates for electricity, since we believe it is an essential service -providing emergency lighting, etc. It also enables limited space heating when the poor have insufficient funds for oil deliveries.

Con Edison/O&R

Low income programs should have minimal administrative costs so that the majority of funding directly benefits low income customers. The Companies do not believe that arrears forgiveness programs achieve an appropriate cost-benefit balance for customers given the significant administrative burden of such programs. The Companies believe that the vast majority of low income program funding should be directed at either customer credits or rate discounts.

NFG

NFG's Pennsylvania low income rate provides a reasonable balance between rate discounts, arrearage forgiveness, customer education and overall administrative costs, while meeting the predefined affordability requirements of low income customers.

NYSEG/RG&E

Funding to meet the needs of all vulnerable customers is not reasonable. The Companies believe such an evaluation must be done at the utility level since the overall funding level, as well as the balance among types of programs, are the real issues and are based on all the unique factors that each utility faces. It is likely that the balance should be evaluated annually based on a multitude of factors, including weather, commodity prices, HEAP funding, and changing demographics and economics.

UIU

More information regarding the balance between rate discounts and arrears forgiveness is required to respond to this discussion in a meaningful way. For people struggling to have heat and light restored, reconnection fee waivers are critical.

4. Determining Eligibility/Enrollment

a. How can eligibility for utility affordability programs best be determined?

i. Who should determine eligibility?

ii. Should eligibility consider other financial assets, in addition to income?

iii. Should current eligibility criteria be expanded to encompass more households?

iv. What improvements should be made to eligibility criteria?

AARP/PULP

AARP/PULP recommends that utilities use the eligibility criteria used in the Telephone Lifeline program, including a household income of up to 200% of FPL. We recommend that the Commission require the utilities to rely primarily upon the eligibility criteria used by current means-tested financial assistance programs. Using a standardized set of eligibility criteria would be more cost effective and less expensive to implement by the social assistance agencies as well as the utilities. If this recommendation is implemented statewide, it is our assumption that this would significantly increase the number of customers eligible for the Affordability Rate for some of New York's gas and electric utilities. Our recommendation also includes the option for a customer not otherwise participating in these programs to apply based on 200% of FPL in a manner set forth in each utility's plan to implement this program. This option can be implemented by contracting with a local social assistance or community action agency to perform this function at relatively low cost since this type of determination of income eligibility is at the core of the current mission of these agencies.

AEA

Eligibility for low income utility programs should include households eligible for HEAP and those receiving state and federal income and disability based support such as SNAP, Medicaid and SSI. Given utilities currently have disparate eligibility criteria, a state-wide approach must either be set to encompass the broadest set of criteria or be limited to the approach (discount rate, percentage of income, etc.) and leave eligibility criteria disparate across utility territories. To do otherwise risks reducing benefits to vulnerable populations in service areas that currently have broader eligibility criteria.

Identifying and enrolling eligible consumers and meeting their individual needs will require coordination with community based organizations and social service agencies, which are best positioned to determine eligibility. New York should explore best practices for providing outreach and education and coordinating service providers.

Central Hudson

Eligibility criteria for utility low income customer programs should be consistent with the criteria applied to existing low-income social programs where a social service agency, not the utility, screens for eligibility. Expanded eligibility needs to be balanced against the additional administrative and total program costs that will be shifted to the broader customer base or cause a decrease in benefits provided to low income customers.

CEC

CEC supports using Lifeline eligibility criteria, as those eligible for the other programs will automatically be qualified. The non-automatic eligibility option would require demonstrating income level using the federal poverty guidelines.

NYC

NYC supports the manner in which eligibility is determined for the Con Edison and National Grid low

income programs with one modification. Presently, Medicaid is a qualifying program for both utilities' gas programs, but it is not a qualifying program for Con Edison's electric program. Since the last Con Edison rate case, the City has continued to examine the merits of including Medicaid. It has determined that Medicaid should be added as a qualifying program for all low income programs within New York City.

Con Edison/O&R

Eligibility criteria for utility low income programs should mirror the criteria of existing social programs, and social service agencies, not the utilities, should screen for eligibility. Expanded eligibility needs to be balanced against the additional administrative and total program costs that will be shifted to the broader customer base.

NFG

a. How can eligibility for utility affordability programs best be determined?

Eligibility for participation in utility low income programs should be based on household income. Using HEAP eligibility guidelines and benefit grants to identify low income customers is an efficient means of determining participation.

i. Who should determine eligibility?

The PSC should establish a baseline standard for low income program eligibility. Historic programs have used 60% NYS median income, the threshold for HEAP.

ii. Should eligibility consider other financial assets, in addition to income?

Asset tests are costly to administer and provide a barrier to program access. Additionally, they are not a good test of current household status that may be impacted greatly by a recent job loss or illness.

iii. Should current eligibility criteria be expanded to encompass more households?

Expansion to more households should be considered only if it will not dilute the benefits provided under existing low income programs. Historically, low income programs that provide a more robust benefit have resulted in better customer payment than those that offer only a small, set discount.

National Grid

4-a. How can eligibility for utility affordability programs best be determined?

Eligibility for utility affordability programs is most cost-effectively determined through confirmed participation in other income-validated qualifying programs (such as HEAP eligibility, Public Assistance eligibility, etc.)

i. Who should determine eligibility?

Eligibility is most cost-effectively determined by those organizations dedicated to administering and determining eligibility for participation in such programs, and organizations that already have the functional capacity to validate and re-certify customer income levels.

ii. Should eligibility consider other financial assets, in addition to income?

These are determinations best made by organizations dedicated to administering and determining eligibility for such programs. These organizations are best suited to evaluate the type of program, participant demographics, need, available aid, and other considerations affecting eligibility.

iii. Should current eligibility criteria be expanded to encompass more households?

At some point the burden such programs impose on other rate payers will create a barrier for expansion of existing programs. To avoid reducing this pool further, expansion of such programs should only occur where eligibility could be determined through confirmed participation in other income-validated

qualifying programs (e.g., SNAP, DSS eligibility, etc.).

NYSEG/RG&E

i. Who should determine eligibility?

The utilities should not be put in the position of determining income eligibility for customers. Using an external agency (such as OTDA, the Office of Temporary and Disability Assistance) for such an evaluation would minimize costs and remove any perceived bias.

ii. Should eligibility consider other financial assets, in addition to income?

Were the utilities required to qualify customers, such a verification process would lead to increased administrative costs and may deter customers in need from seeking assistance. The Companies support DSS performing the financial evaluation. DSS is best suited to establish the necessary criteria to qualify customers.

iii. Should current eligibility criteria be expanded to encompass more households?

While this is an attractive idea, funding is not set at sufficient levels to assist all customers who meet the current eligibility guidelines. The Companies fear that adding more customers to the assistance population will only put a greater strain on the limited funding that exists.

iv. What improvements should be made to eligibility criteria?

The Companies support the customer being required to provide documentation of income to OTDA for need-based and income-related programs.

UIU

a. How can eligibility for utility affordability programs best be determined?

i. Who should determine eligibility?

OTDA and local Department of Social Services offices, including New York City's Human Resource Administration, are best situated to determine eligibility for those public benefit programs.

iv. What improvements should be made to eligibility criteria?

Current eligibility criteria should be expanded for two reasons. First, only about 30 percent of poor New Yorkers who are income-qualified for HEAP actually receive HEAP due to the shortfall in HEAP funding. Since the utility low income programs outside of New York City (other than Westchester County) require evidence of receipt of HEAP benefits as the eligibility requirement, most low income New Yorkers living upstate are unable to qualify for utility discounts. Second, it is inequitable that a low income person living in Westchester County who receives Medicaid or SNAP or any other public assistance program, but does receive HEAP, is eligible for Con Edison's gas low income program but that a similarly situated person living in Dutchess County is not eligible for Central Hudson's gas low income program. This is equally true for the other upstate counties.

The UIU recommends use of the eligibility criteria included in the federal Lifeline program. Additionally, customers who do not receive any of these benefits are nevertheless eligible for Lifeline if the customer's income is below 135% of the FPL, which is approximately \$33,000 for a family of four. The UIU notes that 200% of the FPL is slightly less than 60% of SMI.

b. If enrollment is not automatic, how can the number of eligible households enrolled be maximized? Can better ways be found to reach more of the eligible population, and if so, what are they?

AARP/PULP

Enrollment should be automatic to the extent possible. Coordination with other agencies administering need-based qualifying programs to include any necessary consent in their application systems to permit sharing of eligibility data with utilities will expedite enrollment. Utilities should be required to adopt a tariff requirement that information regarding qualification for reduced rates shall be used only for the purpose of administering the reduced rate, absent specific permission from the commission for any other uses. Prior to the implementation of more efficient computerized systems to provide proof of eligibility from the agency to the utility, we recommend the approach used by the Telephone Lifeline Program in which the customer provides proof of participating in the underlying program directly to the utility using a variety of such proofs as described in the application.

Central Hudson

If enrollment is not automatic, it should be contingent on participation in a well-defined low income social service program, such as the HEAP program. Non-automatic enrollment requires more full time employees to administer, which results in increased costs and less benefits to low income customers.

Con Edison/O&R

If enrollment is not automatic, it should be contingent on participation in a well-defined social service program with a focus on low income individuals, such as participation in the HEAP program. Allowing for non-automatic enrollment based on a large number of low income social programs will shift program funding to administration costs, once again reducing the funds provided to low income customers.

NFG

Enrollment can be maximized through the use of internal referrals based on information available to all parties, government programs, private organizations and utility records. Referrals should also be made by all social service programs. A certain percentage of eligible households will not participate. Barriers include education, language and perceived difficulties in applying. Also, current rates and bills may be deemed affordable for certain customers given their individual circumstances.

National Grid

Failing to implement an automatic enrollment mechanism will increase program administrative costs, decrease funds available to households, and reduce the number of eligible households.

NYSEG/RG&E

The Companies' bill reduction program is automatic when they receive a HEAP payment. However, a manual enrollment takes place if HEAP goes to a third party vendor. For the Arrears Forgiveness program, manual enrollment is more practical to ensure that customers understand the program, and targeted communications are required for customers. Maximizing the number of households has a potential downside, and that is the limitation of a fixed level of funding. Dividing the available dollars by an increase number of eligible customers will water down the available dollars per household. Ironically, the Companies also note that because not every eligible customer takes advantage of the available programs, sometimes the only way a customer understands that assistance is available and for that customer to reach out for program assistance is to be shut off.

UIU

Enrollment should be automatic for all program participants, not just for those receiving HEAP. The HEAP application form encourages the applicant to check a box authorizing OTDA to provide the

applicant's utility with the appropriate customer information, but the forms for the other public benefit programs do not include that option.

c. How can it be ensured that benefits are only paid to customers who are eligible?

AARP/PULP

If the customer meets the required eligibility criteria, they are “eligible” for the benefits of the Affordability Rate. If this question is aimed at how customers can be verified for renewal every year, AARP and the Utility Project suggest that the utilities conduct a computerized match with the assistance agencies on an annual basis and/or conduct a required verification with participation customers based on their current income and enrollment in underlying programs. Customers should be notified of the reason for their termination from the program and how the customers can reapply with one or more of the assistance agencies or seek an individualized determination of household income to remain in the program.

Central Hudson

Utility programs designed to benefit low-income customers should operate by automatic enrollment based on a customer’s participation in an existing low income social service program. This approach allows the utilities to utilize long standing eligibility processes performed by social service agencies that minimize costs for all stakeholders.

Con Edison/O&R

Utility affordability programs should operate by automatic enrollment based on a customer’s participation in an existing low income social service program. By doing so, utilities will leverage built-in screening mechanisms that have been implemented by social service agencies to ensure that other public assistance funds are provided only to those who need assistance. Requiring utilities to determine eligibility will be costly and duplicative for low income customers who are already being screened by social service agencies.

NFG

Adherence to program guidelines is important. There should be periodic re-verification of customer information, especially household income.

National Grid

Absent a workable automatic enrollment mechanism (and validation of current eligibility), customers should be required to provide periodic recertification of their continued eligibility for program enrollment or be subject to cancellation of their participation.

NYSEG/RG&E

The use of a third party to determine eligibility minimizes the chance of allowing ineligible customers to receive benefits. OTDA provides a consistent approach across the State to determine eligibility.

UIU

While fraud and abuse often exist in any government provided benefit program, the UIU believes the PSC must rely on the enrollment verification controls administered by OTDA and its local agencies.

5. Program Evaluation

a. What are the criteria the Commission should use to evaluate the effectiveness of different approaches? Some potential criteria for consideration include the following:

- i. Participation rates among eligible households*
- ii. Level of administrative costs/percentage of program budget disbursed as participant benefits*
- iii. Average dollar benefit per recipient*
- iv. Average reduction in participant energy burden and/or bill amount*
- v. Reductions in utility arrears and/or bad debt*
- vi. Reductions in termination rates among eligible households*
- vii. Percentage of participants who are current on their bills (i.e., not in arrears)*
- viii. Rate/bill impacts on non-participating customers*
- ix. Other criteria (please specify)*

b. How should utility benefits (e.g., reduced arrears, collection costs, write-offs, etc.) be weighed relative to participant benefits (e.g., maintaining service/reductions in terminations, increased affordability, and reduced energy burden)?

a. Evaluation Criteria

AARP/PULP

The Commission should require utilities to gather and report this data listed and use it to determine whether program reforms may be required or whether utilities are implementing the required program in a cost-effective and efficient manner. Much of the information is now collected on a total customer basis in monthly collection activity reports. Basically, there could be a similar report regarding the subset of customers receiving the reduced rates.

AEA

The draft State Energy Plan repeatedly notes that New York will keep residential customer electric bills as a percentage of household income at or below the national average. A similar benchmark would be appropriate to track specifically for low income consumers.

Central Hudson

Central Hudson supports a program evaluation. Some of the criteria listed earlier may be appropriate depending on the program design; however, consideration needs to be given to cost to implement the evaluation criteria and the feasibility for each utility to track the items.

CEC

The utility should be measured by its creativeness and success of local partnerships to help low income consumers better deal with their energy needs. The utility should also spend a specified percentage of its energy-efficiency efforts on low-income communities. CEC does not believe the PSC can adequately evaluate programs based only on paperwork submitted by utilities. Effectiveness must include community evaluations of the programs:

- Participant rates among eligible households in applying for the program
- Participation rates in energy efficiency evaluations and implementing measures
- Community awareness of the program

- Community jobs created
- Metrics associated with energy reductions
- Independent third party evaluations of program progress and success.
- Studies

NYC

There are many aspects of utility service and ratemaking that change over time. The REV proceeding in particular could result in substantial changes in both the provision and cost of utility service. Therefore, it is important to monitor the low income programs to ensure their continuing effectiveness. There is no plainly objective way to measure program effectiveness. Rather, the measurement must be based on a number of factors, including the criteria set forth in the Notice. Another important factor is to obtain opinions and feedback from the entities closely associated with low income issues and customers. Social services agencies, such as the City's Human Resources Administration, can provide important perspectives on the continuing reasonableness of the low income program terms (including the discount levels) because of their constant interaction with the program participants and deep knowledge of the needs of low income individuals and families. Advocacy groups such as the Public Utility Law Project and American Association for Retired Persons can also provide valuable input as they, too, routinely interact with program participants and are attuned to the issues and need of such persons. A combination of the tracking reports, plus a periodic dialogue with the City and other consumer representatives should be sufficient for Staff and the Commission to ascertain whether the programs are functioning as intended and providing meaningful benefits.

Also, there should be some mechanism to periodically review the generic policies and procedures established in this proceeding to ensure that they continue to be appropriate and meaningful and not unduly burdensome to other customers. Additionally, given the potential magnitude of the REV-related changes, the Commission should revisit the policies and procedures it adopts once there is more clarity in the REV proceeding and the impacts on low income customers are better able to be assessed.

The list of criteria in the Notice consists more of useful data points than measurement criteria. In some cases, though, it is uncertain whether the information sought, such as participation rates, can be provided. If the future low income programs are comparable to the existing Con Edison program, then participation would be available to all qualifying customers and the participation rate should be near 100 percent. Even if the number of qualifying public assistance programs is limited, the participation rate among individuals who receive assistance under the specified programs should still be near 100 percent.

In the City's experience, there are some customers who decline to participate in the utility programs, but they are relatively small in number. The actual number and identity of such individuals is not disclosed to the utilities because of federal and state privacy laws. Therefore, it is unlikely that the utilities or the Commission would be able to determine or evaluate the participation rates. Thus, as to participation rates, perhaps the more appropriate criteria is whether and to what extent the utilities or the Commission receive complaints from individuals or organizations/groups that eligible customers are being excluded or dropped from the utilities' programs.

Con Edison/O&R

The Companies suggest evaluating the effectiveness of programs based on utility efficiency at disbursing benefits to customers. This approach maximizes the use of limited customer funds to reduce the bills of low income customers.

MI

The Commission should strive to identify and adopt best practices and other program modifications that improve the efficacy of existing programs without increasing costs to non-participating customers. If the Commission were to consider increasing spending on residential low income programs, then, yes, the rate

impacts on non-participating customers should be a major consideration. Importantly, Multiple Intervenors also contends that such rate impacts should not be evaluated in a vacuum.

In evaluating utilities' current programs, the Commission should consider: (a) whether the programs are subscribed fully and the funds allotted in rates are being expended; (b) the percentage of funds that are allocated directly to program recipients, as opposed to program administration; (c) the effectiveness of programs in assisting the customers that most need such assistance; (d) the extent to which programs result in reductions to residential arrears and/or bad debt; and (e) whether the programs strike an optimal balance between providing a great deal of assistance to a small number of customers versus providing less assistance to a larger number of customers. Moreover, the impact of any incremental funding of low income programs on non-participating customers must be evaluated along with the impacts of other social and/or discretionary programs.

NFG

Participation rates among eligible households are a good measure of evaluating effectiveness. Needs assessment tools can set goals for each program based on utility and census data. A comparison of administrative costs as a percentage of total program budgets will serve as a measure of program effectiveness and will ensure that funding is focused on providing real benefits at minimal cost. The use of average dollar benefit and average reduction are not effective tools for evaluation. New York State has many different housing and fuel types, program variations, and utility territories, etc. Information such as average dollar benefit would be too diluted to provide any meaningful assessment. Analysis of arrears and bad debt are a useful measure in providing insight into the benefits of the programs. Reduction in termination rates is the objective of effective low income programs, but shut-off rates can increase under some of them. For example, Pennsylvania utilities are expected to enforce the monthly payment amount immediately upon default for customers that are receiving an affordable bill with the goal of improving payment behavior. This can increase the number of terminations. Examining the percentage of customers that are current or near current is one of the best evaluation criteria for a low income program. It is very important to evaluate the cost of low income programs on other nonparticipating customers in order to ensure that their rates remain in all respects just and reasonable.

National Grid

Programs should be designed and reviewed to ensure they are achieving the highest level of participation possible, with "automatic enrollment" utilized wherever practicable, avoiding the need for customers to initiate an application process. The Company suggests that criteria used to evaluate the effectiveness of these programs are best decided based on the collaboration of all interested parties.

NYSEG/RG&E

NYSEG/RG&E believes that administrative costs as percent of funding and percentage of the target population in arrears would be the most useful metrics.

UIU

All the criteria listed seem appropriate to the UIU for evaluation of the statewide uniform program. The UIU recommends quarterly reporting requirements by the utilities and a formal annual review by DPS Staff of the program's impacts and effectiveness.

b. Benefits

AARP/PULP

Utilities should reflect the actual impact of these programs in their base rate cases and provide data that compares the collection costs associated with participants and nonparticipants in the mandated affordability programs. When "weighing" utility benefits relative to participant benefits, the Commission

should recognize that “utility” benefits are those that should inure to all customers in the form of lower costs for arrears and uncollectible expense.

AEA

Individual utility programs should be evaluated based on participation rates among eligible households and measures of energy affordability. Reduced bills from a combination of energy efficiency services/program participation, arrears forgiveness and rate discounts would be an appropriate measure of success. Reduced terminations are a necessary benchmark to track, however, may or may not be an indicator of increased affordability if they are merely due to a utility decision not to terminate service. The percentage of participants that are current on their bills would also be a useful measure indicative of some degree of success.

Central Hudson

All costs of low income programs, including write-offs or participant benefits, are eventually passed on to the entire customer base. Central Hudson believes its current mix of programs and associated funding levels represent an appropriate balance between the utility and low-income participant. The importance of each element of the low-income program mix should be considered, but Central Hudson does not have any specific recommendations at this time.

NYC

Utility administrative costs for low income programs with the structure advocated in these comments is relatively small. Assuming the generic structure adopted by the Commission is similar to the current structure, administrative costs should continue to be insubstantial. The Commission should preserve an opportunity for the utilities, or other entities involved in the process (such as the social services agencies), to seek relief in the event there is a material change to the administrative costs. A successful program should result in a lowering of the arrearage levels attributable to low income customers. Concomitantly, a properly structured program may result in fewer terminations. By law, a utility cannot terminate service to a customer receiving public assistance under Social Services Law § 131-s. Therefore, terminations occur more predominantly among customers who are not yet receiving public assistance or whose public assistance benefits have ceased (in both cases, making such customers ineligible to participate in the utility low income programs). One goal of the utility programs should be to identify people in need and help them obtain assistance. It has been the City’s experience that both Con Edison and National Grid refer some customers to HRA for public assistance, but the City does not know how uniform the utilities’ actions are, or whether and what improvements to that process may be needed. Given the foregoing, this criterion may not be suitable for directly measuring the effectiveness of the utility low income programs. A reduction in terminations combined with an increase in the program participation could indicate the effectiveness of the utilities in helping people in need, but not necessarily the programs.

One criterion that could be considered for measuring program effectiveness (but which would not, by itself, be determinative) would be to examine the number of deferred payment agreements entered into with customers formerly participating in low income programs and the default rate under such agreements. Certainly, reductions in arrearages and terminations are good indicators of the programs’ effectiveness.

NFG

An effective low income program that, over time, reduces collection activity and terminations will result in reduced collection costs and lower write-offs. Program costs should be in relation to the attendant avoided cost of collection.

National Grid

The Company believes individual rate proceedings provide an appropriate opportunity to address the

balance between benefits and costs for low income assistance programs. With regard to the overall level of benefits or cost of programs, these may be best decided on the collaboration of all interested parties taking into account the diverse nature of each utility's service area and customer needs.

NYSEG/RG&E

The items described as "utility benefits" actually are benefits to non-participating customers, who ultimately bear the cost of the "participant benefits." As with other mandated programs (e.g., net metering) where public policy creates a cross subsidy, the benefits to participating customers should be weighed against the net costs to all customers who would be expected to provide those benefits.

UIU

The UIU does not have a specific weighting in mind comparing the benefits of enhanced utility low income programs that would inure to the general body of ratepayers compared to the benefits that inure to program participants. In general, the outcomes identified in the question may provide benefits to both categories of ratepayers to a lesser or greater degree.

6. Other relevant matters

AARP/PULP

AARP's and the Utility Project's analysis of terminations for New York's residential customers indicates that utilities take a significantly varied approach to the timing of terminations and the volume of relying on this method of bill collection for all residential customers. It is likely that a high percentage of these terminations are directed to households with low or modest incomes. AARP/PULP suggest that Staff examine termination policies and related practices and investigate why these disparities occur and whether a statewide program that regulates termination practices – and potentially forbids them – during extremely cold winter months and during periods of extreme heat should be adopted.

OTDA

OTDA suggests that the length of the winter moratorium period be extended. A longer moratorium period has the potential to allow a more targeted and planned approach for HEAP payments, public assistance, systems benefit charge and other private funding and would eliminate the reliance to these funds to temporarily resolve energy emergencies.

UIU

The UIU believes that affordability program costs should be considered in the same way as storm restoration costs, shared by all ratepayers in the service territories. The UIU also recommends that DPS Staff meet with low income customers and community based organizations that serve low income communities to gain a better understanding of how to hone the design and implementation of affordability programs to improve their effectiveness in the future. Finally, the UIU notes that the California Public Utilities Commission requires the utilities it regulates to actively promote affordability programs and to achieve a 90 percent participation rate. Metrics like these as well as a metric designed to reduce the number of terminations should also be considered.

Reply Comments

Reply comments were submitted by Alliance for a Green Economy (AGREE), Binghamton Regional Sustainability Coalition and Citizens Environmental Coalition; and the New York State Office of Temporary and Disability Assistance (OTDA).

Alliance for a Green Economy (AGREE), Binghamton Regional Sustainability Coalition and Citizens Environmental Coalition

The number of utility late payments and shutoffs continued to grow to unacceptable proportions in 2014, making it clear that New York's energy prices are unsustainable for a growing number of New Yorkers. The Public Service Commission must ensure affordable rates for low-income people by establishing a discount rate program that would be applied across all utility territories. We urge the Commission to integrate conservation, efficiency, weatherization and renewable energy into the discount rate program.

The following nine principles and recommendations should be considered in a new energy affordability structure:

1. *Consult low-income advocates and organizations on how best to design programs that will meet the needs of low-income people.*
2. *Everyone should be able to afford the basic amount of energy necessary to maintain a comfortable and healthy living space.*
3. *Eligibility criteria should be set so that discounts are accessible to all who need them.*
4. *Utility companies must be required to go through a mediation process, after the HEFPA process, before they can shut off service, and customers should have access to independent counselors who can advocate for their long-term interests.*
5. *Everyone should be encouraged to save money and energy through accessible efficiency programs.*
6. *The Commission should allow low-income people to use their subsidies to buy renewable energy rather than requiring the subsidies to be used for fossil fuels and nuclear energy.*
7. *Set up an Interagency Taskforce on Energy Affordability, as recommended by UIU.*
8. *Provide consumer advocates with resources to intervene in utility rate cases.*
9. *Ensure equitable distribution of the Clean Energy Fund.*

OTDA

While OTDA is open to exploring additional ways in which the identification of individuals eligible for utility low income programs could be improved and/or streamlined, OTDA notes that utilities currently have a substantial amount of personally identifiable data on recipients of PA, HEAP and Social Services Law Section 131-s payments that OTDA believes could be used to expand their low income energy programs. While not comprehensive, the following listing provides the types of data that utilities currently maintain that may be used to expand their low income utility programs:

- Direct voucher payments from Social Service Districts are made on behalf of PA recipients to utility companies. Currently, 78% of all public assistance households have at least a portion of their grant vendor restricted, and 86% of all assistance paid goes to households with at least a partial restriction. As these restricted payments are made primarily to landlords and utility companies, utility companies already have data which identifies a portion of the PA recipient population.
- The utilities have information on individuals who have received a SSL section 131-s arrearage payment. Since utility companies have the responsibility to suspend utility arrears in accordance with SSL 131-s (6), they already have information on PA, Emergency Assistance to Adults (EAA) and Emergency Assistance to Families (EAF) recipients who are in receipt of a SSL section 131-s arrears payments. The utilities also have records of which individuals have been

offered deferred payment agreements (DPAs), and could possibly use frequent DPA offers as an indicator that a low-income household is having difficulty paying their utility bills. Customers who provided income information to the utility as a result of a request for a DPA could have that data used in the determination of their eligibility for the utility's low income program.

- As certain HEAP benefits are paid directly to utilities on a customer's behalf (e.g., regular direct heating benefits, regular heat-included benefits and emergency heatrelated benefits), utilities have information on customers in receipt of such payments.
- OTDA also supports the forgiving of arrears held in suspension by the utility companies. This allows utility customers leaving PA or Supplemental Security Income to make a fresh start. Arrears forgiveness programs also encourage self-sufficiency by avoiding the need for further applications for emergency assistance that can result when the customer is immediately faced with often substantial arrearages which have been previously been suspended by the utility company.

Appendix B

Low Income Consumer Data

Con Edison		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)¹
Gas	Heat	15,983	127	\$139
	Non-Heat	110,850	6	\$27
Electric	Heat	1,241	940	\$143
	Non-Heat	392,165	291	\$82

Orange and Rockland		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat	9,228	86	\$123
	Non-Heat	160	24	\$49
Electric	Heat	429	1,000	\$206
	Non-Heat	10,134	634	\$142

National Grid		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat	57,533	90	\$87
	Non-Heat	3,589	43	\$52
Electric	Heat	23,157	781	\$125
	Non-Heat	82,565	594	\$98

Brooklyn Union Gas		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat	39,838	99	\$109
	Non-Heat	21,613	8	\$21
Electric	Heat			
	Non-Heat			

Keyspan Long Island		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat	10,990	107	\$134
	Non-Heat	1,189	36	\$56
Electric	Heat			
	Non-Heat			

¹ All Average Monthly Bill amounts reflect undiscounted monthly rates.

Central Hudson		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat	4,355	75	\$127
	Non-Heat	172	26	\$60
Electric	Heat	2,324	1,093	\$195
	Non-Heat	5,263	591	\$114

National Fuel Gas		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat	84,664	90	\$98
	Non-Heat	169	16	\$33
Electric	Heat			
	Non-Heat			

New York State Electric and Gas		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat	38,876	85	\$89
	Non-Heat	881	32	\$42
Electric	Heat	12,194	1,009	\$125
	Non-Heat	52,851	665	\$89

Rochester Gas and Electric		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat	35,393	93	\$86
	Non-Heat	1,705	57	\$60
Electric	Heat	3,802	842	\$110
	Non-Heat	38,528	583	\$83

Public Service Electric and Gas		Average Customers	Average Monthly Usage (kWh or Therm)	Average Monthly Bill (\$)
Gas	Heat			
	Non-Heat			
Electric	Heat	2,890	966	\$185
	Non-Heat	9,472	901	\$177

Appendix C

Central Hudson Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1	7%	\$14	13%	\$14	13%	\$16	7%	\$4
Tier 2	16%	\$31	27%	\$31	27%	\$34	16%	\$10
Tier 3	27%	\$54	41%	\$47	41%	\$52	27%	\$17
Tier 4	40%	\$77	51%	\$58	51%	\$65	40%	\$24

Con Edison Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1	5%	\$7	9%	\$7	9%	\$13	5%	\$1
Tier 2	14%	\$20	24%	\$20	24%	\$33	14%	\$4
Tier 3	22%	\$32	39%	\$32	39%	\$54	22%	\$6
Tier 4	28%	\$40	49%	\$40	49%	\$68	28%	\$8

New York State Electric and Gas Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1	0%	\$0	0%	\$0	0%	\$0	0%	\$0
Tier 2	4%	\$5	5%	\$5	5%	\$5	4%	\$2
Tier 3	17%	\$21	24%	\$21	24%	\$21	17%	\$7
Tier 4	26%	\$32	37%	\$32	37%	\$33	26%	\$11

Niagara Mohawk Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1	0%	\$0	0%	\$0	0%	\$0	0%	\$0
Tier 2	7%	\$9	9%	\$9	9%	\$8	7%	\$4
Tier 3	21%	\$26	27%	\$26	27%	\$23	21%	\$11
Tier 4	31%	\$38	39%	\$38	39%	\$34	31%	\$16

Orange and Rockland Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1	3%	\$5	4%	\$5	4%	\$5	3%	\$1
Tier 2	13%	\$28	20%	\$28	20%	\$24	13%	\$7
Tier 3	24%	\$50	35%	\$50	35%	\$43	24%	\$12
Tier 4	32%	\$65	46%	\$65	46%	\$57	32%	\$16

Rochester Gas and Electric Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1	0%	\$0	0%	\$0	0%	\$0	0%	\$0
Tier 2	0%	\$0	0%	\$0	0%	\$0	0%	\$0
Tier 3	15%	\$17	20%	\$17	20%	\$17	15%	\$9
Tier 4	25%	\$28	33%	\$28	33%	\$29	25%	\$15

Keyspan Long Island Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1					37%	\$49	37%	\$21
Tier 2					47%	\$63	47%	\$26
Tier 3					58%	\$77	57%	\$32
Tier 4					65%	\$86	65%	\$36

Brooklyn Union Gas Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1					0%	\$0	0%	\$0
Tier 2					0%	\$0	0%	\$0
Tier 3					19%	\$17	11%	\$7
Tier 4					33%	\$28	21%	\$12

National Fuel Gas Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1					0%	\$0	0%	\$0
Tier 2					14%	\$14	11%	\$4
Tier 3					31%	\$30	24%	\$8
Tier 4					42%	\$42	33%	\$11

Public Service Electric and Gas Discount Levels								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Percent	\$	Percent	\$	Percent	\$	Percent	\$
Tier 1	34%	\$62	35%	\$62				
Tier 2	44%	\$81	46%	\$81				
Tier 3	54%	\$100	56%	\$100				
Tier 4	61%	\$112	64%	\$112				

Appendix D

Programs at Current Budget Levels						
Current Budget		Current Budget	Percent of Total Revenue	Percent of Delivery Revenue	Cost per kWh or Therm	Annual Cost per Customer
Central Hudson (Proposed)	Electric	\$2,895,000	0.42%	1.39%	\$0.00019	\$9.64
	Gas	\$1,345,000	0.88%	3.88%	\$0.01933	\$22.26
	Total	\$4,240,000	0.51%	1.75%		
Con Edison	Electric	\$48,500,000	0.46%	0.92%	\$0.00089	\$14.46
	Gas	\$10,900,000	0.56%	1.54%	\$0.00740	\$10.22
	Total	\$59,400,000	0.47%	1.00%		
NYSEG	Electric	\$9,368,425	0.61%	1.81%	\$0.00061	\$10.63
	Gas	\$2,961,097	0.60%	2.89%	\$0.00606	\$15.23
	Total	\$12,329,522	0.61%	1.99%		
NiMo	Electric	\$11,850,000	0.33%	1.37%	\$0.00035	\$7.23
	Gas	\$8,345,000	0.90%	3.94%	\$0.01708	\$18.76
	Total	\$20,195,000	0.45%	1.88%		
O&R (Proposed)	Electric	\$2,600,000	0.40%	0.95%	\$0.00065	\$11.48
	Gas	\$1,900,000	0.67%	1.47%	\$0.00744	\$14.54
	Total	\$4,500,000	0.48%	1.12%		
RG&E	Electric	\$4,179,916	0.48%	1.26%	\$0.00058	\$11.28
	Gas	\$2,724,619	0.65%	2.45%	\$0.01151	\$11.97
	Total	\$6,904,535		1.56%		
BUG	Gas	\$10,400,000	0.63%	2.57%	\$0.01156	\$11.00
KEDLI	Gas	\$4,800,000	0.48%	1.40%	\$0.00824	\$9.81
NFG	Gas	\$9,700,000	1.25%	3.76%	\$0.01492	\$16.58
PSEG	Electric	\$3,250,000	0.09%	2.53%	\$0.00018	\$3.11
TOTAL/Average	Electric	\$82,643,341	0.39%	1.09%	\$0.00056	\$10.57
	Gas	\$53,075,716	0.70%	2.30%	\$0.01032	\$12.80
	Total	\$135,719,057	0.47%	1.37%		

Programs at 6% Energy Burden

6 % Burden		Proposed Budget	Percent of Total Revenue	Percent of Delivery Revenue	Cost per kWh or Therm	Annual Cost per Customer
Central Hudson (Proposed)	Electric	\$3,699,540	0.54%	1.78%	\$0.00024	\$12.32
	Gas	\$2,297,790	1.51%	6.63%	\$0.03302	\$38.03
	Total	\$5,997,330	0.72%	2.47%		
Con Edison	Electric	\$54,961,125	0.52%	1.05%	\$0.00101	\$16.38
	Gas	\$10,247,938	0.53%	1.45%	\$0.00696	\$9.61
	Total	\$65,209,062	0.52%	1.09%		
NYSEG	Electric	\$9,444,984	0.61%	1.82%	\$0.00061	\$10.71
	Gas	\$5,740,250	1.17%	5.61%	\$0.02555	\$29.53
	Total	\$15,185,234	0.75%	2.45%		
NiMo	Electric	\$20,469,233	0.58%	2.37%	\$0.00060	\$12.50
	Gas	\$10,158,124	1.09%	4.80%	\$0.02080	\$22.84
	Total	\$30,627,357	0.68%	2.85%		
O&R (Proposed)	Electric	\$7,284,355	1.13%	2.66%	\$0.00182	\$32.17
	Gas	\$5,533,590	1.94%	4.28%	\$0.02166	\$42.33
	Total	\$12,817,946	1.38%	3.18%		
RG&E	Electric	\$4,291,514	0.50%	1.29%	\$0.00060	\$11.58
	Gas	\$3,785,548	0.91%	3.40%	\$0.01600	\$16.63
	Total	\$8,077,062		1.82%		
BUG	Gas	\$4,856,629	0.29%	1.20%	\$0.00540	\$5.14
KEDLI	Gas	\$9,323,356	0.94%	2.72%	\$0.01600	\$19.06
NFG	Gas	\$19,973,556	2.58%	7.74%	\$0.03073	\$34.14
PSEG	Electric	\$12,895,814	0.36%	10.05%	\$0.00072	\$12.34
TOTAL/Average	Electric	\$109,870,379	0.51%	1.45%	\$0.00070	\$13.47
	Gas	\$69,295,979	0.90%	3.01%	\$0.01828	\$21.90
	Total	\$179,166,359	0.61%	1.81%		

Programs at Budget Limits

Budget Limit		Budget Limit	Percent of Total Revenue	Percent of Delivery Revenue	Cost per kWh or Therm	Annual Cost per Customer
Central Hudson (Proposed)	Electric	\$6,004,500	0.88%	2.89%	\$0.00040	\$20.00
	Gas	\$2,114,840	1.39%	6.10%	\$0.03039	\$35.00
	Total	\$8,119,340	0.97%	3.35%		
Con Edison	Electric	\$67,092,160	0.63%	1.28%	\$0.00123	\$20.00
	Gas	\$37,342,305	1.93%	5.27%	\$0.02536	\$35.00
	Total	\$104,434,465	0.83%	1.75%		
NYSEG	Electric	\$17,633,160	1.14%	3.40%	\$0.00114	\$20.00
	Gas	\$6,803,545	1.39%	6.65%	\$0.01393	\$35.00
	Total	\$24,436,705	1.20%	3.94%		
NiMo	Electric	\$32,758,220	0.92%	3.80%	\$0.00096	\$20.00
	Gas	\$15,568,910	1.67%	7.36%	\$0.03187	\$35.00
	Total	\$48,327,130	1.08%	4.50%		
O&R (Proposed)	Electric	\$4,528,920	0.70%	1.65%	\$0.00113	\$20.00
	Gas	\$4,574,850	1.60%	3.54%	\$0.01791	\$35.00
	Total	\$9,103,770	0.98%	2.26%		
RG&E	Electric	\$7,414,060	0.86%	2.24%	\$0.00104	\$20.00
	Gas	\$7,967,855	1.91%	7.15%	\$0.03367	\$35.00
	Total	\$15,381,915		3.47%		
BUG	Gas	\$33,100,165	2.01%	8.18%	\$0.03679	\$35.00
KEDLI	Gas	\$17,124,870	1.72%	4.99%	\$0.02938	\$35.00
NFG	Gas	\$20,478,185	2.65%	7.94%	\$0.03151	\$35.00
PSEG	Electric	\$20,903,880	0.59%	16.30%	\$0.00116	\$20.00
TOTAL/Average	Electric	\$156,334,900	0.73%	2.06%	\$0.00106	\$20.00
	Gas	\$145,075,525	1.90%	6.30%	\$0.02821	\$35.00

	Total	\$301,410,425	1.04%	3.05%
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Appendix E

MONTHLY COLLECTIONS REPORT

Utility:

RESIDENTIAL SERVICE

MONTH OF: _____

ITEM DESCRIPTION		TOTALS	
		Customer	Dollars
1	Arrears Greater Than Sixty Days		
2	Final Termination Notices This Month		
3a.	Unresolved Arrears (FTN Expired)		
3b.	Accounts Eligible For Field Action		
4a.	Terminations For Non-Payment - All		
4b.	Terminations For Non-Pmt - Heat Related		
4c.	Terminations For Non-Pmt - Service Limiter		
4d.	Term. Other Than Non-Pmt. or Cust. Request		
5	Reconnections for Non-Pmt.		
5a.	Reconnects Due To HEAP or DSS		
5b.	Reconnects Due To Deferred Payment Agrmt.		
6a.	Active DPA's At The Beginning Of This Month		
6b.	Deferred Payment Agreements Made		
6c.	Deferred Payment Agreements Reinstated		
6d.	Deferred Payment Agreements Defaulted		
6e.	Deferred Payment Agreements Satisfied		
6f.	Active DPA's At The End Of This Month		
6g.	Percent Of DPA's In Arrears > 60 Days		
7a.	Uncollectibles This Month		
7b.	Percent Of UCB's with Less Than 1 Year Service		
7c.	Resid. UCB Accounts with One or More DPA		
8	Residential Sales		
9a.	Residential Bankruptcies		
9b.	Percent Of Bankruptcies Compared To All UCB's		
10a.	Final Bills Issued This Month (Res & NonRes)		
10b.	Final Bills With Arrears This Month		
10c.	Final Bills With One or More DPA (last 12 months)		
11	Deposits Received This Month		

1 **16.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 11.0**

2 16.2 Please also provide the New York Public Service Commission Decision of
3 May 20, 2016 for Case 14-M-0565, which sets out and orders the
4 Commission's new low income rate policies.

5 **RESPONSE:**

6 Please refer to BCOAPO 16.2 Attachment 1 for the Order Adopting Low Income
7 Program Modifications and Directing Utility Filings from New York Public Service
8 Commission.

BCOAPO 16.2 ATTACHMENT 1: CASE 14-M-0565

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on May 19, 2016

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair
Patricia L. Acampora
Gregg C. Sayre
Diane X. Burman, dissenting

CASE 14-M-0565 - Proceeding on Motion of the Commission to
Examine Programs to Address Energy
Affordability for Low Income Utility Customers.

ORDER ADOPTING LOW INCOME PROGRAM MODIFICATIONS
AND DIRECTING UTILITY FILINGS

(Issued and Effective May 20, 2016)

BY THE COMMISSION:

INTRODUCTION

In January 2015, the Commission opened this proceeding to examine the low income programs offered by the major electric and gas utilities in New York State.¹ The primary purposes of the proceeding are to standardize utility low income programs to reflect best practices where appropriate, streamline the regulatory process, and ensure consistency with the Commission's statutory and policy objectives.

The Commission directed Staff of the Department of Public Service (Staff) to conduct an examination of the utility low income programs, in order to identify best practices, evaluate the effectiveness of the current low income program

¹ Case 14-M-0565, Utility Low Income Programs, Order Instituting Proceeding (issued January 9, 2015) (Instituting Order).

designs, and develop a set of recommendations for any improvements that may be warranted. Staff conducted its program review in conjunction with multiple interested parties, including the utility companies and low income consumer advocates.

On June 1, 2015, Staff filed a Report on the results of its examination.² The Staff Report includes a Straw Proposal for a new statewide approach to low income programs that addresses numerous design and implementation elements including eligibility, enrollment processes, benefit structures, rate discount levels, budgeting, treatment of participant arrears, and reconnection fees.

Interested parties were provided a variety of opportunities to comment on the Staff Report. First, a technical conference was held on July 30, 2015, where Staff discussed the report with interested parties and answered questions regarding its content, in order to assist the parties in preparing their comments. Initial written comments on the Staff Report were solicited through August 24, 2015, and reply comments were solicited through September 8, 2015. In addition, 12 public statement hearings were held in six locations throughout the state, including Glens Falls, Poughkeepsie, Buffalo, New York City, Syracuse, and Albany.

Based on this extensive record, the Commission hereby adopts a regulatory policy framework for addressing low income customer needs as described in this Order. The Order also addresses implementation of this framework, and directs filings by certain utilities to achieve that goal.

² Case 14-M-0565, Staff Report (issued June 1, 2015).

A brief summary of our conclusions follows:

- The Commission adopts a policy that an energy burden at or below 6% of household income shall be the target level for all 2.3 million low income households in New York.³
- Success in this endeavor can only be achieved through a holistic approach that coordinates and leverages all available resources. The Commission authorizes and directs Staff to work with sister agencies to create an inter-agency task force, to achieve greater program coordination.
- Reaching all 2.3 million households will involve establishing new partnerships and new ways for utilities to identify and enroll eligible customers. As an initial step, the Commission directs that utilities open their low income discount programs to all households that currently receive HEAP, regardless of fuel or benefit type.
- A funding limit is established such that the total budget for each utility may not exceed 2% of total electric or gas revenues for sales to end-use customers.
- Con Edison is allowed to continue its file match approach which extends the low income discount program to customers receiving other income based benefits in addition to HEAP. National Grid NY is authorized to pursue such an approach.
- A default process of setting benefit levels is established which varies levels of discounts based on need. Utilities will be allowed some flexibility in designing rate discounts; however, alternatives must be shown to

³ The current utility programs reach about 1.1 million customers. Because customers could receive both a gas and electric discount, the 1.1 million customers equates to approximately 700,000 households.

accomplish the same results, and leave no class of participant underserved.

- Statewide, the enhanced low income discount program will serve approximately 1.65 million customers, at a cost of approximately \$248 million, an increase of approximately 87% to existing programs.
- Customers enrolled in the utility discount program will also be enrolled in levelized or budget billing. Participants will have the ability to opt-out.
- The costs of the programs will be borne by all classes of customers; however, the specific mode of cost recovery will be determined in rate cases, where the total impacts of all revenue requirement changes can be considered.
- Arrears forgiveness programs may continue for utilities who see value, but are not required for other utilities. A limit of funding for arrears forgiveness programs of no more than 10% of the budget shall be imposed.

BACKGROUND

The Staff Report, which included a detailed procedural history, was issued on June 1, 2015 after extensive information gathering efforts. The Report also described the various low income program approaches utilized by several key states, and summarized the existing programs in New York. The overview of energy affordability in New York included data on the "energy burden," or percentage of a customer's income that is spent on energy, compiled by the consulting firm of Fisher, Sheehan & Colton. This data reveals that the energy burden faced by low income households, those below 200% of federal poverty level (FPL), increases dramatically as household income decreases; an insight which helped guide the development of the Staff Report's

recommendations. The energy burdens calculated for households at different income levels is reproduced here:

New York Low Income Household Energy Burdens

Percent of FPL	Annual Income ⁴	Households	Energy Burden
0% - 50%	\$12,150	489,000	41%
50% - 100%	\$24,300	600,000	22%
100% - 125%	\$30,375	311,000	15%
125% - 150%	\$36,450	314,000	12%
150% - 185%	\$44,955	422,000	10%
185% - 200%	\$48,600	170,000	9%

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on June 2, 2015 [SAPA No. 14-M-0565SP1]. The time for submission of comments pursuant to the Notice expired on August 3, 2016. Moreover, Notices by the Secretary were issued in the case dated January 16, 2015, February 12, 2015, June 1, 2015, July 7, 2015, August 21, 2015, and October 2, 2015, seeking additional comment, with the last date for comments due October 21, 2015. The comments received are addressed below.

COMMENTS OF THE PARTIES

Written comments on the Staff Report were submitted by the following parties: Alliance for a Green Economy (AGREE); American Association for Retired Persons (AARP); Association for Energy Affordability (AEA); Central Hudson Gas & Electric Corp. (Central Hudson); Citizens' Environmental Coalition (CEC); City

⁴ Federal Poverty Level varies by family size; income is for a family of four, at the upper end of the given income range.

of New York (NYC); Consolidated Edison Company of New York, Inc./Orange & Rockland Utilities, Inc. (CEOR); Multiple Intervenors (MI); National Fuel Gas Distribution Corp. (National Fuel); National Grid, consisting of the Brooklyn Union Gas Co. d/b/a National Grid NY, KeySpan Gas East Corporation d/b/a National Grid and Niagara Mohawk Power Corporation d/b/a National Grid. (National Grid); New York State Department of State, Division of Consumer Protection, Utility Intervention Unit (UIU); New York State Electric & Gas Corp./Rochester Gas and Electric Corp. (NYSEG/RG&E); New York State Energy Research and Development Authority (NYSERDA); New York State Office of Temporary and Disability Assistance (OTDA); PSEG Long Island, LLC (PSEG); Public Utility Law Project (PULP); Solix, Inc. (Solix); and Natural Resources Defense Council, Pace Energy and Climate Center, WE ACT for Environmental Justice, Association for Energy Affordability, Center for Working Families, Enterprise Community Partners, and Green and Healthy Homes Initiative, jointly as Energy Efficiency for All (EE4All). Reply comments were filed by AEA, AGREE, CEC, Central Hudson, EE4All, MI, NYC, NYSERDA, and PULP.

In addition, over 80 written public comments (public comments are those filed by individuals and organizations who are not formally registered as active parties) were filed in this Case. Commenters included Affordability for All; Roger Colton;⁵ Community Service Society; Laundry, Distribution and Food Service Joint Board, Workers United; Energy Democracy Alliance, NY Communities for Change; Nobody Leaves Mid-Hudson; State Senator Robert G. Ortt, 62nd District; State Senator Kevin S. Parker, 21st District; and the Sierra Club; as well as

⁵ Mr. Colton is a co-founder and principal of Fisher, Sheehan and Colton, the consulting firm whose analysis of energy burdens is cited in the Staff Report and above.

comments filed by unaffiliated individuals. A summary of all written comments is included as Appendix A of this order.

Finally, 12 public statement hearings were held in six locations throughout the state, including Glens Falls, Poughkeepsie, Buffalo, New York City, Syracuse, and Albany. Over the course of these hearings, more than 100 speakers offered statements on the Staff Report, generating nearly 600 pages of transcript. Many of the speakers were low income electric and natural gas customers, who testified to the difficulties that they have faced paying for service, and the need to improve energy affordability for the poorest New Yorkers.

Specific comments of the parties are addressed in the discussion that follows.⁶

VISION AND GOALS FOR LOW INCOME REGULATORY POLICY

In Governor Cuomo's Reforming the Energy Vision (REV) proceeding, the Commission articulated a new approach to regulation of energy markets, and new business models that create opportunities for customers and other third parties to be active participants, utilizing distributed energy resources (DER) as an integral tool. The Commission's policy to maintain universal, affordable service is a critical driver of the REV initiative.⁷

There is no universal measure of energy affordability; however, a widely accepted principle is that total shelter costs

⁶ In many cases, several parties made the same or similar comments; attribution of comments to specific parties is intended to be illustrative, and does not necessarily identify all parties who made such comments.

⁷ Case 14-M-0101, Reforming the Energy Vision, Order Adopting Regulatory Policy Framework and Implementation Plan (issued February 26, 2015).

should not exceed 30% of income. For example, this percentage is often used by lenders to determine affordability of mortgage payments. It is further reasonable to expect that utility costs should not exceed 20% of shelter costs, leading to the conclusion that an affordable energy burden should be at or below 6% of household income (20% x 30% = 6%). A 6% energy burden is the target energy burden used for affordability programs in several states (e.g., New Jersey and Ohio), and thus appears to be reasonable. It also corresponds to what U.S. Energy Information Administration data reflects is the upper end of middle and upper income customer household energy burdens (generally in the range of 1 to 5%). The Commission therefore adopts a policy that an energy burden at or below 6% of household income shall be the target level for all low income customers.⁸

The energy burden statistics cited in the Staff Report suggest a significant energy divide exists for low income households. About 2.3 million households are at or below 200% of FPL, with an energy affordability "gap," i.e., an average annual energy burden above the 6% level, of \$807.⁹ Approximately 1.4 million of these households receive a HEAP benefit; however, for the 2013-2014 program year, only about 316,000 of those households received a benefit for utility service.¹⁰

Closing such a wide gap for 2.3 million low income households is a non-trivial pursuit, and will require a comprehensive effort that involves all of the tools at the state's disposal, including, but not limited to, utility

⁸ The policy applies to customers who heat with electricity or natural gas.

⁹ See <http://www.homeenergyaffordabilitygap.com/index.html>.

¹⁰ Staff Report at 26.

ratepayer-funded programs. A central role in achieving energy affordability for low income customers is played by the financial assistance programs administered by the Office of Temporary and Disability Assistance (OTDA), including the Home Energy Assistance Program (HEAP). Another important role is played by low income energy efficiency programs such as the Weatherization Assistance Program administered by New York State Homes and Community Renewal (HCR) and the ratepayer-funded EmPower-NY program administered by the New York State Energy Research and Development Authority (NYSERDA). Utility ratepayer funded programs also include the rate discount programs under discussion here, as well as investments designed to create opportunities for low income households to benefit from the cost savings offered by DER.

Success in this endeavor can best be achieved through a holistic approach that coordinates and leverages all of these resources. Working together, low income financial assistance, DER, energy efficiency, and other social services programs can be delivered more efficiently, so New York can make smarter investments in our communities and serve more customers with the resources at hand.

A key to the success of these initiatives therefore lies in better coordination among the various governmental and private agencies that administer these programs. The Commission directs Staff to work with sister agencies to create an inter-agency task force to achieve greater program coordination, share information, eliminate duplicative efforts, lower costs and increase effectiveness, and advise in the development of low income energy-related policies and programs.

Achievement of the 6% energy burden goal for all low income utility customers will also require a phased approach to implementing program changes, as many parties, including CEC and

UIU, suggested in their comments. Among other things, achieving an optimal design will require building new partnerships and new mechanisms for identifying and enrolling eligible households. As these are put in place, the utilities will be able to enlarge the populations they are able to serve.

In addition, the best solution for all customers, including low income, lies in facilitating opportunities to invest in clean energy and the means to reduce energy costs. Greater access and support for low income and underserved communities to DER is the best way to narrow the affordability gap that needs to be filled with direct financial assistance for customers with low incomes. Greater access to advanced energy management products to increase efficiency for low income customers will empower those for whom these savings may have the greatest value, as well as allowing the most disadvantaged customers more choice in how they manage and consume energy.

Through a variety of efforts, the Commission is taking steps to promote affordability of utility service and provide opportunities to offer benefits to low and moderate income customers to participate in DER. For example, the reauthorization of funding for the NY Sun photovoltaic program included an allocation of up to \$13 million to support penetration of solar technology into low and moderate income markets.¹¹

Within the past year, the Commission also approved the reallocation of \$11 million of uncommitted System Benefit Charge (SBC) funds to supplement the EmPower-NY low income energy efficiency program budget, as well as an additional increase of

¹¹ Case 03-E-0188, Retail Renewable Portfolio Standard, Order Authorizing Funding and Implementation of the Solar Photovoltaic MW Block Programs (issued April 24, 2014).

up to \$8 million.¹² In addition, interconnection of community distributed generation (DG) projects was prioritized to projects that promote low income customer participation during the introductory Phase One period.¹³ Staff also initiated a collaborative to develop means for encouraging low income customer participation and to address obstacles to such participation in Community DG during Phase Two.

In January, 2016, the Commission authorized a Clean Energy Fund (CEF) framework, to accelerate the growth of New York's clean energy economy, address climate change, strengthen resiliency in the face of extreme weather and lower energy bills for New Yorkers.¹⁴ The CEF is designed to meet four primary objectives: (1) greenhouse gas emission reductions; (2) affordability, as measured by reductions in customer energy bills; (3) statewide penetration and scale of energy efficiency and clean energy generation; and (4) growth in the State's clean energy economy. Additionally, the fund will attract and leverage third-party capital to support Governor Cuomo's aggressive Clean Energy Standard, mandating achievement of meeting 50 percent of our electricity needs with renewable resources by 2030.

As these other relevant proceedings evolve, greater opportunities to achieve affordability through increased energy efficiencies, demand response and DER deployment will reduce

¹² Case 07-M-0548, Energy Efficiency Portfolio Standard, Order Authorizing Reallocation of System Benefits Charge Funds to the Empower Program (issued June 19, 2015).

¹³ Case 15-E-0082, Community Net Metering, Order Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015).

¹⁴ Case 14-M-0094, Clean Energy Fund Order Authorizing the Clean Energy Fund Framework (issued January 21, 2016).

reliance on rate subsidies. In later phases, as these new markets and tools continue to develop, the Commission expects that a greater portion of the burden for ensuring affordability for low income customers will shift from direct financial assistance to such innovative approaches.

In the meantime, as the Commission continues to work with utilities and third parties to develop innovative programs to expand the reach of DER within low income communities, the utility low income rate assistance programs will continue to be funded where market solutions are not yet a viable option. Through a phased approach, best practices under the current operating environment can be incorporated now, and further steps towards increased benefits can be pursued.

In the balance of this order, the Commission addresses the various recommendations in the Staff Report to implement the program described in the Straw Proposal, and the Commission's decisions with respect to such recommendations; and concludes by establishing further filings and process to implement the decision.

THE STRAW PROPOSAL

The Straw Proposal is organized by sections in the Staff Report, and this Order follows largely the same organization. In the sections that follow, Staff's Straw Proposal is briefly summarized, followed by a summary of party comments and discussion of the issues.

Eligibility/Enrollment

The Straw Proposal program would automatically enroll all customers for whom the utility received a regular Home Energy Assistance Program (HEAP) payment on his or her behalf. Staff reasoned that customers seeking a utility HEAP benefit

self-select into a program that provides utility bill assistance, demonstrating a relatively stronger need for the utility low income program.¹⁵ Existing programs with additional eligibility criteria (e.g., Con Edison's program) would maintain such existing eligibility criteria, subject to certain limitations. Other eligibility criteria (e.g., non-utility HEAP benefits) could be revisited, provided an automatic enrollment process could be implemented; however, Staff also noted that it "is aware of the balance that must be struck between widening the scope of eligible customers, and the rate impacts that are borne by nonparticipants."¹⁶ Alternative means, whether by file match or manual enrollment would be permitted, but not required.

Party Comments

Many parties opposed limiting utility low income program eligibility to regular utility HEAP recipients. NYSEG/RG&E suggested that, at a minimum, Emergency HEAP should be included; and Central Hudson urged the Commission to extend eligibility beyond HEAP. UIU opined that HEAP was not necessarily the best indicator of need. In contrast, National Fuel stated that full enrollment of all HEAP recipients is not achievable, or necessary, since many HEAP recipients are not in arrears. Many parties, including CEOR, National Grid, NYC and PULP had concerns that many current participants would lose benefits under the Straw Proposal. Several parties, including CH, NYSEG/RG&E and PSEG, recommended that existing programs and benefits should be grandfathered.

A large number of parties recommend that the Commission adopt very broad eligibility criteria, similar to the telephone Lifeline program. National Grid and NYC both state

¹⁵ Staff Report at 24.

¹⁶ Staff Report at 25.

that Con Edison's matching approach, which reaches substantially the same eligible population as telephone Lifeline, is a best practice which National Grid and NYC are exploring for National Grid NY.

Some parties, including CEC and Solix, suggest that the Commission utilize a third-party administrator to identify and enroll eligible customers. National Fuel states that the costs for its third-party vendor, which performs income verification, is fairly low. Other parties, such as EE4A, recommend utilizing community-based organizations that operate in the low income communities the utilities are serving.

While it favors broad, Lifeline eligibility, PULP recommends as an interim measure, that utilities enroll all HEAP recipients, regardless of heating fuel or benefit type. PULP states that the target enrollment level for this effort should be 1.65 million participants at a cost of \$1.15 billion annually.

Discussion

As discussed above, the Commission adopts a goal of reducing household energy burden to 6% of household income for all low income utility customers. Approximately 2.3 million New York State households face energy burdens in excess of that level. At present, enrollment in most utility low income affordability programs generally is provided automatically to customers on whose behalf the utility received a HEAP payment; however, recent events may clear a path for extending eligibility to all HEAP recipients, regardless of fuel type. Due to federal requirements, OTDA has instituted new performance measures that are intended to ensure that HEAP benefits are targeted to those households with the greatest need. OTDA, with the assistance of the utilities, will now be required to gather and report certain data for all HEAP recipients, regardless of

fuel type. To comply with the federal requirements, beginning with the 2015-2016 HEAP program year, OTDA intends to begin providing lists of all HEAP recipients in their respective service territories to the utilities, so that they can provide the required data.¹⁷

As a result, utilities will soon have the ability to identify all of the state's HEAP recipients, and enroll those customers in each utility's low income program.¹⁸ Last year, approximately 1.4 million households participated in the HEAP program. The Commission directs that utilities open their low income programs to all HEAP recipients, as soon as practicable to do so. The utilities' filings herein should discuss the expected timeline for OTDA to begin sharing this data, and for the utilities to begin using it to enroll customers.

Reaching all 2.3 million households below 200% of FPL will involve establishing new enrollment mechanisms. Currently, the most significant initiative in this regard is by Con Edison, which identifies and automatically enrolls customers from several different social services programs. To accomplish this, Con Edison has established a file matching procedure with the New York City Human Resources Administration and the Westchester County Department of Social Services, the two social services agencies covering its service territory.

¹⁷ Currently, OTDA would limit the data gathering effort to the largest HEAP vendors of each fuel type. OTDA's criteria would include all New York State utilities with more than 25,000 customers, except Con Edison which, as discussed below, will be permitted to maintain its expanded eligibility criteria, and its current matching process to identify such customers.

¹⁸ As OTDA's lists will also include Emergency HEAP recipients, such recipients will also be automatically enrolled. However, they may be subject to benefit adjustments as described later in this order.

In future phases, a statewide file match between OTDA and all utilities may be feasible, which would similarly identify and automatically enroll additional low income customers into utility programs. This is an area that can be addressed through the inter-agency task force. In the meantime, existing programs with broader income eligibility criteria (e.g., Con Edison and National Grid NY's programs) shall maintain such existing eligibility criteria. Limiting eligibility to utility HEAP recipients as recommended in the Straw Proposal would result in a substantial reduction in the number of eligible low income customers served at Con Edison and National Grid NY.

National Grid NY serves a geographically concentrated service territory and a customer population similar to Con Edison's. It therefore faces similar circumstances in regard to identifying eligible customers, and estimating the level of need. As National Grid NY's program already incorporates broad eligibility criteria similar to Con Edison's, using a similar file matching approach is appropriate. National Grid must include any such modification in its filings as directed in this order; which must indicate whether such modification would cause the program to exceed the budget limits described herein.¹⁹ With these enhancements, the Commission projects that utility low income programs will reach 1.65 million households, or about the number PULP suggested would be appropriate.

As noted in the Staff Report, some utilities allow manual enrollment of customers that meet the income eligibility

¹⁹ Staff's analysis for National Grid NY indicates that this would not cause National Grid's program to exceed the prescribed budget limits. The budget for National Grid NY shown in Appendix C includes projected participation based on file matching.

guidelines, but did not apply for HEAP. The Commission will allow manual enrollment to continue where practicable; i.e., not administratively burdensome and within the budget constraints described below.

Benefit Levels

Under the Straw Proposal, separate discounts would be established at each utility for electric and/or natural gas service, and within each service, for heating and non-heating customers. The discounts would be set at a level sufficient to achieve a 6% energy burden, on an affordability block corresponding to the levelized monthly total bill for the average participant in each class, assuming income at 60% of State Median Income (SMI), the upper limit of income eligibility for the HEAP program.²⁰ For gas-only utilities, the average non-heating electric bills for electric utilities covering substantially the same territory would be used in determining total energy bill, for the purposes of calculating the discount.

A regular utility HEAP payment is increased by \$25 if household income is at or below 130% of FPL. Such payments is also increased by \$25 if the household contains a vulnerable individual (i.e., household member who is age 60 or older, under age 6 or younger, or permanently disabled); or by \$50 if both conditions apply. Under the Straw Proposal, if the customer receives either or both HEAP incremental ("add-on") benefits, or if the utility receives payment on the customer's behalf by direct voucher, discounts would be increased accordingly (other eligible categories of customers, if any, would not be eligible

²⁰ Depending on family size, 60% of SMI corresponds to approximately 218% of FPL.

for these higher levels of benefit).²¹ All participants would be automatically enrolled in the utility's levelized (budget) billing program; however, opt-out would be permitted.

Party Comments

Many parties approved of the concept of an affordability block, but had concerns with the way it was implemented under the Staff proposal. Some stated that Staff's proposed benefit structure was too complex. NYC stated that using the HEAP adders as a proxy for indication of financial need was inappropriate, and could have unintended results. National Fuel stated that calculating a gas utility's discount based on the neighboring electric utility's average bill invited controversy. As a result, many parties recommended providing low income customers a straight percentage discount, with discount levels ranging from 30% to 50%.

Conversely, some parties suggested ways to improve Staff's proposed discount structure. All of the utilities noted that the highest discounts under the Straw Proposal were reserved for direct voucher customers - which means the bills are paid by the local social services agency, and the customer's direct energy burden is effectively 0%. The utilities questioned why such bills should be discounted at all. NYSEG/RG&E noted that utility guarantee customers (those receiving benefits under SSL §131-s) were similarly situated, since payment of their utility bills is guaranteed by social services agencies, and recommended they be excluded as well. Addressing the concern that there are legitimate reasons why customers might consume above average, Mr. Colton recommended

²¹ Direct vouchered customers are those on whose behalf the utility bill is paid directly by OTDA or the local social services district. Such customers are participants in New York State Public Assistance programs.

increasing the affordability block incrementally, so that the discount would be based on usage at 120% or 130% of the average.

Many parties objected to the requirement that customers participate in budget billing. In contrast, Mr. Colton stated that automatic enrollment of participants in the utility's budget billing program is appropriate.

Discussion

The Commission recognizes that rate discounts offered to low income customers must be integrated into utility tariffs, which can vary in form, and processed through utility billing systems, which vary in capabilities. As a result, the utilities may vary in their abilities to implement rate discounts in precisely the manner described below. The Commission therefore establishes the below process of setting benefit levels as a default methodology, and will allow utilities flexibility in designing rate discounts to accommodate such variances, provided that any alternative must be shown to accomplish substantially the same results, and leave no class of participant underserved. Utilities will be required, in the filings required herein, to explain and justify any departure from the default method.

Although the straight percentage discount favored by some parties may be simpler to administer, it directs relatively larger benefits to households with higher energy consumption. This makes program costs less predictable, and also reduces the price signal to conserve on marginal usage. In addition, since fixed discounts are not reduced by conservation or efficiency, they represent an enhanced price signal for low income customers, a traditionally hard to reach segment, to conserve and use electricity and gas more efficiently. The Commission therefore adopts the fixed discount approach recommended in the Straw Proposal.

The Commission furthermore concludes that low income programs utilize funding resources most efficiently when they consider the customer's financial circumstances, which the straight discount approach fails to address. Consequently, the Commission adopts the approach of varying discounts based on level of need, with level of need demonstrated by receipt of one or more HEAP "add-on" benefits. The add-ons may be an imperfect tool; however, they provide a simple and expedient way to achieve the goal of targeting assistance based on need.

As discussed above, the utilities will soon have the means to automatically enroll all HEAP recipients in their service territory, regardless of fuel or benefit type (and, as described above, Con Edison as well as National Grid NY may go further). At this time; however, the Commission adopts the Straw Proposal recommendation that the higher levels of discounts are reserved for the utility's regular HEAP recipients. At least initially, these are the only customers for whom the utility will have information on the add-ons the customer receives. Moreover, a key concern underlying ratepayer support for low income programs is controlling utility arrearages and terminations. When heat is not part of the utility bill, those concerns carry less weight. Non-utility HEAP recipients would therefore receive the utility's lowest tier non-heating electric or gas discounts.

Better methods of identifying and targeting discounts based on differing levels of need are among the improvements that may be made in later phases. For example, if, in the future, as National Fuel suggests, OTDA establishes different dollar amounts for the two add-ons, this tool can be further refined. Another strategy, which can be examined by the inter-agency task force, involves comparison of income eligibility criteria for various OTDA programs, and stratification of

program benefits based on variances in presumed income levels of participants in different programs.²²

As previously noted, the unique challenges presented by the New York City metropolitan service area for identifying the low income population and estimating the level of need justify allowing existing eligibility criteria to be grandfathered. For the same reasons, Con Edison and National Grid NY are authorized to grandfather their respective existing discount levels; however, the existing discount level is not grandfathered, if the discount calculations the Commission adopts here would yield a higher level. In future phases, the Commission may consider when grandfathered discount levels can be phased out. For the present, the Commission will allow its prior decisions on the appropriate benefit levels for these utilities to substitute for the formulaic approach established here.

Aside from the unique circumstances presented by the New York City market, grandfathering of existing discount levels is inappropriate. Addressing those parties who were concerned that existing discounts may be reduced, the Commission generally agrees with the observation from the Staff Report that best practices cannot be adopted if no reductions to benefit levels of current programs are allowed.²³ Any customers who are receiving a benefit that places them below the 6% energy burden are presumably receiving a benefit that can be more efficiently applied, and for which there is greater need elsewhere.

²² Among other things, the inter-agency task force must address the extent to which such information can be shared with utilities.

²³ Staff Report at 28.

For all other utilities, therefore, the Commission addresses the concerns about adverse impacts on existing program participants by adopting a minimum monthly discount of \$3.00. The minimum discount applies to any eligible customer, regardless of service type or income tier, except direct voucher and utility guarantee customers, as in those cases benefits do not flow directly to the customer. This modification shall apply to any programs that currently provide discounts to such customers, including the Con Edison and National Grid NY programs.

To be clear, direct voucher and utility guarantee customers should be formally enrolled in the programs, but with a monthly discount amount set at \$0. This helps ensure that all eligible customers, including direct voucher and utility guarantee customers, are enrolled in and connected to the programs, so that the utility can adjust benefit levels if a customer's status changes, and they also will be included in program activities (e.g., mailings) and utility program reporting. As with grandfathered discounts, it will be appropriate to consider in later phases when minimum discount levels that exceed what is required to reduce bills to the target energy burden level can be phased out.

In order to address the concern that average usage may not be a sufficient basis for the discount calculation, the Commission adopts an approach that bases the affordability block on 110% of average usage. This level can be revisited in future phases, if experience under this structure indicates that further adjustment is warranted; however, there is no basis for applying larger gross adjustments at this time.

As discussed in the Staff Report, New York SMI as reported by the U.S. Census is \$58,003, and 60% of SMI is \$34,802, or a monthly income of \$2,900. This monthly income

calculation closely corresponds to a two person household's income under the HEAP guidelines of \$2,869. At a 6% energy burden, this household's energy burden would be \$172 monthly. The household energy cost is adjusted to account for the \$350 HEAP payment received by the customer, or \$29 per month, which is added to the customer's allowed energy burden.²⁴ The 6% energy burden of \$172 is therefore increased to \$201. Similar procedures apply to calculation of the allowable monthly energy burden for each of the higher discount tiers.

The Staff Report provided only a partial explanation of its discount calculations, which were explained largely by reference to the example of Niagara Mohawk. Many parties found the benefit structure complex and, for National Fuel and other single-service utilities, contentious.

The Commission therefore takes this opportunity to clarify and simplify the process used to calculate discounts. With flexibility to propose alternative means as described above, utility procedures will be based on the following principles:

- The affordability block on which discounts are based is equal to 110% of a 12-month levelized bill for the respective average monthly heating and non-heating electric and gas usage, as calculated by each utility for its residential customers.
- Gas service (whether designated as heating or non-heating) is discounted to one-half of a customer's total home energy burden.

²⁴ As discussed later in this Order, utilities may further consider the impact of any Emergency HEAP payments on the customer's net energy burden when setting the level of discount for customers who receive such payments.

- Electric non-heating service is discounted to one-half of a customer's total home energy burden.²⁵
- For electric heating customers, the electric bill is considered to be the customer's total home energy burden, and is discounted to a level of 6% of the customer's monthly income. In addition, for equity reasons, the electric heating discount provided by any utility shall not be less than its electric non-heating discount.²⁶
- As previously noted, Con Edison and National Grid NY may grandfather existing discount levels; however, the existing discount level is not grandfathered, if these discount calculations would yield a higher level.
- Regardless of the results of the calculations above, a minimum monthly discount of \$3.00 shall apply, for any eligible customer of any service type, and any income level; except direct voucher and utility guarantee customers, whose discount level will be set at \$0.

The changes to benefit levels for each utility that are yielded by the calculations above are shown in Appendix B. A summary of the current and proposed discounts is included below.

²⁵ Taken together with the preceding, this arrangement avoids gas utilities having to consider the level of the electric bill of the overlapping utility, while ensuring that discounts are sufficient to bring the customer's total energy burden to the level of 6%.

²⁶ In some cases, this may result in discounts for low income electric heating customers that are larger than the calculation would suggest is necessary to achieve a 6% energy burden. The Commission concludes that this is an acceptable trade-off, as electric heating customers are a relatively small population overall, and in addition, may be most at risk for facing high bills.

	Gas/Electric Heating		Gas/Electric Non-Heating	
	Current	Proposed	Current	Proposed
Central Hudson	\$18	\$23-\$72	\$6	\$23-\$56
Con Edison	\$10-\$50	\$10-\$50	\$2-\$10	\$3-\$14
NYSEG	\$13-\$19	\$3-\$34	\$7-\$10	\$3-\$28
NMPC	\$11-15	\$3-\$44	\$5-\$11	\$3-\$44
O&R	\$17-27	\$35-\$91	\$6-\$18	\$3-\$88
RGE	\$6-\$24	\$3-\$30	\$2-\$5	\$3-\$26
KEDLI	\$18	\$41-\$74	\$4	\$3
Bug	\$17	\$17-\$30	\$3	\$3
NFG	\$5	\$3-\$31	\$5	\$3

The Commission agrees that requiring budget billing maximizes the potential for using the rate discounts as a tool for achieving affordability. Budget billing is a required offering by utilities, and is an important benefit for low income households, as it reduces bill volatility due to seasonal changes in consumption.²⁷ In addition, as noted in the Staff Report, absent a levelized bill, the enhanced discounts could potentially result in net credits for some small-usage customers, which is not the intent of the program. This creates greater administrative complexity for the utility, and greater difficulty for the customer affording service during winter or other peak usage months. To address OTDA's comment that mandating budget billing for HEAP recipients is contrary to their statute, this Order clarifies that budget billing is not required for receipt of HEAP, but for participation in the utility's low income program. Participants will additionally have the ability to opt-out of budget billing. As part of the utility filings required herein, the utilities shall propose

²⁷ 16 NYCRR §11.11.

processes for participating customers to be notified of the option to refuse budget billing, and to exercise such option.

Perhaps some of the concerns regarding the budget billing requirement would be alleviated if utility budget billing programs were strengthened and improved. Although budget billing plans are intended to reduce fluctuations in customer bills, such plans can have a contrary effect, when large adjustments are required to reconcile the budget billing amount with actual billings. As part of the utility filings required herein, the Commission directs that each utility include a detailed description of its budget billing plan, including a description of its method for estimating bills when 12 months of billing data are not available. The Commission will also require billing adjustments for low income program participants to be tracked and reported as part of the reporting requirements discussed below.

Program Budgets

If the Straw Proposal were implemented statewide in 2015, program budgets would have increased to about \$179 million.²⁸ Budgets would be established at each utility based on projected costs for the rate year (or for multi-year plans, the average annual cost for the term of the rate plan), and subject to full reconciliation to actual costs.

A funding limit would be established under the Straw Proposal such that the total budget may not exceed the amount recovered by annual charges of \$20 per electric customer, or \$35 per gas customer, if collected from all residential, commercial and industrial end-use customers of the utility. If the budget

²⁸ Staff Report, Appendix D at 2, which included PSEG-LI. Excluding PSEG-LI, the figure would be \$166 million.

(per the benefit level calculation above) exceeded the funding limit and program eligibility extended beyond utility receipt of HEAP, one or more other programs were to be eliminated from eligibility criteria until the funding limit is met. If only HEAP recipients are eligible, and the budget still exceeded the funding limit, the target energy burden would be increased until the funding limit is met. A lower limit would also be established such that the monthly average bill discount would provide a discount that produces a 10% energy burden. Staff emphasized the budget limits were intended to be used as planning tools, and "the method of establishing the funding cap should not necessarily dictate the mode of cost recovery."²⁹

Party Comments

Several parties were concerned that Staff's program would be too costly. National Fuel believes Staff budget projections may have been understated, and is also concerned that programs will increasingly meet the budget caps if commodity costs rise. National Fuel also believes gas and electric customer contributions should be equal.

Conversely, other parties were "bitterly disappointed" in the Straw Proposal (AGREE), finding it constrained by a "false notion of limited financial resources" (CEC), and that it "fails to reflect the voices of people who are actually low income" (NLMH). These parties seek substantial increases in program budgets, to upwards of \$600 million. PULP projects the cost of its proposed 30% discount program at \$1.15 billion. On reply comments; however, NYC expressed concerns that such proposed funding levels could negatively impact moderate income customers.

²⁹ Staff Report at 42.

Many parties perceived Staff's proposed cost recovery structure as fundamentally regressive and unfair. These parties argued that large customers should contribute a larger share of the costs (CEC proposed 2% of bills). CEOR suggested that costs could be recovered volumetrically, while MI strongly opposed volumetric recovery. National Grid proposed that cost recovery be among the matters to be determined in rate cases.

Some parties proposed alternative funding sources. AARP and PULP proposed to reallocate unspent SBC funds for low income rate discounts (on reply, this was opposed by AEA). PULP additionally proposed to stream NYPA power to low income populations.

Discussion

Whether considering low income programs, energy efficiency programs, expansion of renewable resources, or any of its policies, the Commission must always balance achievement of policy goals with the costs. This tension lies at the heart of the Commission's statutory mandates to achieve "safe and adequate" service at "just and reasonable" rates.³⁰

As discussed above, the Commission's vision is that utility discount programs will be one of many complementary strategies for addressing energy affordability. Reducing the energy burden of low income households to the 6% level will require a range of initiatives, and cannot be accomplished through rate discounts alone. Utility low income programs thus should be designed to coordinate with, and not to supplant or replace public assistance programs to assist households in deepest poverty.

Although low income discounts represent subsidies from nonparticipating customers to participants, neither is it the

³⁰ PSL §65.

goal of these programs to radically redistribute utility costs among utility customers. Proposals that would provide large, unbounded discounts to broad segments of the residential class, and/or that would shift a disproportionate share of the costs of such subsidies to commercial and industrial customers, or utility shareholders, are inappropriate.

The costs of low income discount programs are predominately a function of (a) the size of the eligible customer population, and (b) the size of the benefit. This Order establishes the appropriate parameters for these factors in the discussion above. Statewide, the program will cost approximately \$248 million, a substantial increase of over 87% to existing programs.³¹ What remains is to allocate the costs fairly, and to consider the matter of budget constraints.

The guiding principle recommended in the Straw Proposal is adopted, that the costs of the programs should be borne by all classes of customers. This is appropriate as low income programs achieve social policy goals, and society as a whole benefits from their successful implementation. Cost allocation among the classes must be fair and impartial, and avoid adverse impacts on any customer class; however, the Commission adopts the National Grid proposal that the specific mode of cost recovery should otherwise be determined in rate cases, where the total impacts of all revenue requirement changes can be considered.

NYPA hydropower and SBC, Energy Efficiency Portfolio Standard (EEPS), Regional Greenhouse Gas Initiative (RGGI), or other funds will not be redirected for the low income discount programs. Such funding was collected for achieving specific

³¹ Excludes PSEG-LI. Specific electric and gas program costs for each utility are shown in Appendix C.

policy goals, and has already been proposed for, or is already committed to such purposes. In addition, this Order establishes that low income programs will be funded in utility rates on a continuing basis. Appropriation of unspent funds would at best be a "one-shot" solution, where continual funding for these programs is needed.³²

The approach to achieving affordability adopted here is essentially formulaic; therefore, maintaining the balance described above similarly calls for a formulaic approach to applying budget constraints. The Straw Proposal's budget cap, however, expressed as annual costs of \$20 and \$35 respectively per electric and gas customer, caused confusion.

To avoid this, the budget cap will be restated as 2% of electric revenues and gas revenues, respectively; for sales to end-use customers, i.e., including both total utility revenues and the commodity portion of Energy Service Company revenues collected through consolidated utility billing to those customers.³³ Allocation of program costs between electric and gas services is partly a function of discount design. Among other things, the revised and simplified approach to discount calculation described above also tends to equalize the amount

³² NYPA hydropower furthermore is fully committed for distribution to municipal electric utilities, NYPA's Replacement & Expansion and Preservation power programs, and for enhancing the state's economic development through the ReCharge-NY program.

³³ Pursuant to PSL §18-a, utilities must include an estimate of the sales revenue for commodities sold to end-use customers by ESCOs, for the purposes of calculating its gross operating revenue. NYPA supply-related revenues are exempt from 18-a assessment.

needed, as a percentage of revenues, to fund the electric and gas programs.³⁴

As a result, costs are allocated fairly evenly between electric and gas services, on a percentage of revenue basis (at about 1.2% overall), and the same 2% budget limit will apply to both services. In addition, only National Fuel's program reaches the 2% budget cap, which requires an adjustment to the energy burden target to 6.82% (more precisely, one half of the target energy burden of 6.82%, or 3.41%).³⁵

To avoid any further confusion, no party should infer that restating the budget cap as a percentage of total revenues necessarily implies that costs should be allocated to the classes or recovered from customers on a percent of total revenue basis. As expressed above, the programs should generally be borne by all classes of customers, and the specific mode of cost recovery should otherwise be determined in rate cases.

Finally, establishing the budget cap on the basis of total revenues means the cap will vary with changes in commodity costs. This is appropriate, as low income programs seek to make the total bill affordable, and the resources needed to accomplish this will vary as commodity costs change (and as costs are reduced through implementation of DER). This further avoids the problem identified by National Fuel that the budget

³⁴ The discount calculation to some degree represents the Commission's decision regarding how best to apportion program costs, rather than an estimation of the relative size of average electric and gas bills.

³⁵ For National Fuel to achieve the 6% energy burden target would require additional funding of approximately \$8.5 million, to \$24.6 million, approximately 2.98% of total revenues.

caps proposed in the Straw Proposal do not account for such changes.

The budget limits otherwise are applied in the same manner as outlined in the Straw Proposal. If higher than expected participation causes the budget limit to be exceeded, there would be no change in benefit levels for that year, nor would participation be capped, and the utility would be allowed to fully recover its program costs. The utility would adjust the energy burden target in the following year, so as to reduce discounts until the program costs are contained within the budget limit for that year.

The differences between actual program costs and the respective amounts allowed in rates would be reconciled using traditional deferred accounting procedures. Variances between actual costs and the amounts allowed in rates would be recorded in a regulatory asset or liability account. The regulatory asset or liability would accrue interest, with the appropriate rate to be determined, along with other matters related to the method of cost recovery, in each utility's rate proceeding. For the filings directed in this Order, utilities should utilize their existing low income program cost recovery methods, to the extent practicable, and estimate the cost allocation among the classes resulting from such an approach.

Arrearage Forgiveness

Arrearage forgiveness programs target additional assistance to customers who are payment-troubled. The Straw Proposal recommended that arrearage forgiveness programs should be further studied to better define best practices and their appropriate rate treatment. It nevertheless recommended some basic principles for structuring arrearage forgiveness programs.

A customer's need for arrears forgiveness should be evaluated upon each customer's enrollment (or re-enrollment) in the low income program. Arrearage forgiveness programs should use established procedures for assessing a customer's financial circumstances in order to reach fair and equitable deferred payment agreements (DPAs) as required under HEFPA.³⁶ Such programs should forgive the remainder of a customer's arrearage, provided that the customer has made timely payments over the course of a given period (a sliding scale from 12 to 48 months, depending on the customer's benefit level). Only if the customer makes the required payments does the utility forgive the remaining arrears.

Arrearage forgiveness costs should not exceed 10% of total program budgets, and must fit within the budget limits described above. Amounts diverted to arrearage forgiveness should not reduce amounts available for discounts below an energy burden of 10%. The Straw Proposal would allow no administrative expenses for arrearage forgiveness (positing that administrative expenses of arrears forgiveness programs should be offset by collection cost savings), and amounts expended for arrearage forgiveness should be fully or partially offset by reductions in utility uncollectible expense allowances established in rate cases.

Party Comments

Some parties believe arrears forgiveness is an essential component of low income programs. PULP recommended as an initial step, the Commission should focus on rate discounts, and defer consideration of arrears forgiveness. PULP also recommended that the Commission consider the approach to arrears programs taken in New Jersey and Massachusetts, where customers

³⁶ 16 NYCRR §11.10.

are offered "significant relief from old arrears balances in return for a modest payment that is designed to be affordable and ensure success."³⁷

On the other hand, National Grid, which participates in the Massachusetts program, recommends that arrears forgiveness programs be eliminated, as they are resource intensive and of limited benefit. National Fuel, while it supports continuation of arrears forgiveness, states that arrears forgiveness should not be offered to all low income program participants, and should exclude any customers who are not otherwise eligible for rate discounts.

Regarding the relationship of arrears forgiveness programs to uncollectible expense allowance, NYSEG/RG&E argues that no uncollectible adjustments are necessary for mature programs. National Grid states that while there may be a slight impact on uncollectible expense, it would be difficult to quantify. NYSEG/RG&E argues against imposing a 10% cap on arrears forgiveness programs, and states that the tiered timeframes recommended in the Straw Proposal are confusing. NYSG/RG&E proposes using a uniform timeframe of 24 months instead.

Discussion

Perhaps with closer study, and better data collection as described below, a set of best practices and the appropriate rate treatment for arrears forgiveness programs can be identified and implemented in later phases; however, a uniform approach to arrears forgiveness programs may not be possible at this time. Under these circumstances, the Commission will allow arrears forgiveness programs to continue for utilities who see value, but not presently require them for all companies.

³⁷ PULP Comments, page 17.

The arrears forgiveness program design principles proposed by Staff are reasonable, and the Commission generally adopts them. Given that best practices are not fully defined; however, utilities can justify alternate approaches. For example, the uniform 24 month timeframe proposed by NYSEG/RG&E may be a reasonable alternative to the sliding scale proposed by Staff.

Until best practices for such programs are better understood; however, a limit of funding for arrears forgiveness programs of no more than 10% of the budget is adopted. The 10% allocation shall be incremental to, and not reduce, the amount directed to rate discounts as described above. Overall program budgets must also fit below the 2% budget cap.

While arrears forgiveness can produce clear participant benefits for customers facing unpayable arrears and at risk of termination, arrears forgiveness should also directly impact utility collection costs and bad debt expense. Arrears forgiveness programs must generate cost savings in these areas, not additional costs.

The Commission recognizes that there are administrative costs for implementing arrears forgiveness programs, but they must be considered as part of general utility costs (and generate other savings of such costs), not separately recovered as a cost of the low income program. For example, personnel who implement the arrears forgiveness program are presumably captured in labor expense. To some extent, their labors will offset labor costs that would otherwise be incurred in avoided collection activities. If also recovered as a low income program cost; however, such costs are double-recovered, and the offsetting collection savings ignored.

The Commission also agrees with the findings of the Staff Report that an effective arrears forgiveness programs must

reduce the amount of arrears that would otherwise be written off as bad debt. Here again, better data collection may shed light on the appropriate ratio of these factors.

For mature programs, the Commission agrees with NYSEG/RG&E that the effects of arrears forgiveness activities are likely already reflected in the net write off amounts used to determine the uncollectible revenues expense allowance. For any new programs, or incremental expenditures to existing programs, the initial approach shall be to assume at least a 50% offset - annual utility uncollectible expense allowances in revenue requirement shall be reduced by 50% of any new or incremental amounts allocated to arrears forgiveness. This ensures that other ratepayers will share in the benefits of effective arrears forgiveness implementation.

Reconnection Fee Waivers

Reconnection fee waivers avoid the diversion of a low income customer's scarce resources from payment of the bill to payment of reconnection fees. Reviewing data for a portion of 2014; however, Staff concluded that "having other customers cover the reconnection fee appears to remove the disincentive for utilities to use termination on low income customers - rather than being a last resort, it appears to promote the use of termination of low income customers as a tactic to induce payment."³⁸ Therefore, as opposed to a waiver of the fee, the Straw Proposal recommends that reconnection fees should not be charged to low income customers. No allowance would be made in program costs for waiver of reconnection fees.

³⁸ Staff Report at 52.

Party Comments

Some parties, including CEC, EE4A, NYC, and UIU strongly supported elimination of reconnection fees. Others, including National Grid and NYSEG/RG&E recommend continuing the practice of waiving of reconnection fees for qualified low income customers, and charging the costs of such waivers as a low income program cost. CH, CEOR, and National Fuel argue that low income customers should pay reconnection fees, and that there should be no waivers. National Fuel denies the Staff finding that utilities use termination aggressively against low income customers.

Discussion

It is beyond dispute that performing service reconnections imposes costs on utilities. Among the fundamental principles of ratemaking is to allocate costs to the customers who impose them. Thus the Commission has authorized reconnection fees for all New York utilities.³⁹ Staff's findings, based on less than a full year's data, are insufficient to overcome this basic principle. Furthermore, as some utilities noted in their comments, low income customers may sometimes intentionally place themselves at risk for termination, in order to be eligible for and receive Emergency HEAP.

On the other hand, similar to rate discounts, waivers and discounted reconnection fees can ease the burden on low income families. For utilities that currently offer reconnection fee waivers, the budget allocation has been fairly

³⁹ An equally fundamental ratemaking principle is ensuring that rates are responsive to social needs and social costs, including consideration of low income customers' ability to pay. Resolving the tensions among competing goals is among the fundamental challenges of ratemaking.

low - approximately 1% of total program costs. The waiver programs thus do not appear to be overly costly, and can avoid compounding the difficulties posed on low income families resulting from having service terminated for nonpayment. The Commission therefore continues the practice of allowing reconnection fee waivers as an optional, but not required, feature of low income programs. Similar to the limit for arrears forgiveness, the Commission also establishes a limit of funding for reconnection fee waivers of no more than 1% of the budget. As with arrears forgiveness, budgets for reconnection fee waivers shall be incremental to the rate discount budget, shall not limit funding for rate discounts, and must fit within the budget cap.

In part, the matter of reconnection fees illustrates the lack of information that utilities currently report regarding their low income populations. Improved reporting, as discussed below, will help show whether utilities use termination excessively against low income customers.

Program Reporting/Evaluation

The Straw Proposal notes that a substantial amount of collection activity data is already reported by the utilities for the general body of customers. The Straw Proposal recommends that utilities should begin tracking and reporting the same key collection activity data for the subset of low income customers. The Staff Report also notes that some of the measures tracked in the context of monitoring and evaluating low income programs may also lend themselves to utility incentives, in the context of the REV initiative.⁴⁰

⁴⁰ Case 14-M-0101, supra.

Party Comments

A wide variety of parties, including AGREE, CEC, EE4A, MI, and UIU recommended improved collection of information, evaluation, and metrics for gauging the effectiveness of low income programs. AGREE and NLMH argue that utilities should be required to report terminations by zip code or census block, so that termination practices can be monitored for targeting of communities of color. NLMH and PULP recommend that Commission set targets for reducing terminations and arrears.

Discussion

Low income program reports currently filed by utilities do not provide sufficient information to compare different program approaches, identify best practices, or gauge program effectiveness. Some provide no more than the number of participants and dollars expended. Some provide cursory information on participant arrears, and none provide information on how many low income customers are terminated or reconnected, DPA activities involving low income customers, or bad debt attributable to low income customers.

The Commission therefore directs that utilities begin regular, quarterly filing of detailed low income program reports. Such reports shall include all of the information included in the sample report attached to this order as Appendix D. In the filings directed in this Order, the utilities shall provide a timetable for compliance with these reporting requirements.

The Commission concludes that the effort and expense required to track, report and analyze termination data by census block would be substantial. Furthermore, such an exercise would have limited value, and great potential for confusion and mischaracterization. As it would be costly, difficult, and

unlikely to provide any real insights into the matter, the Commission declines to order this step.

As noted in the Staff Report, the Commission has approved earnings-based incentives related to reductions in residential terminations and bad debt expense in recent rate cases.⁴¹ As development of new earnings adjustment mechanisms (EAMs) continues in the context of the REV proceeding, some of the measures tracked in the context of monitoring and evaluating low income programs may also lend themselves to EAMs.

Coordination with Other Programs

The Instituting Order noted that low income concerns are being addressed in several proceedings before the Commission, and the Straw Proposal makes recommendations concerning the coordination of the programs providing direct financial assistance that were the primary focus of this proceeding to certain related programs and initiatives. Among other things, such recommendations included the following:

- Recognize Emergency HEAP payments when calculating household energy burden;
- Continue referrals of low income customers to NYSERDA's Empower-NY program (or any successor program) for low income energy efficiency services, with better utilization of utility bill data to focus and prioritize efficiency services to low income households with high usage; and
- Leverage REV tools to narrow the "affordability gap" that needs to be filled with direct financial assistance.

⁴¹ See Cases 14-E-0318 & 14-G-0319, Central Hudson Electric and Gas Rates; and Cases 14-E-0493 & 14-G-0494, Orange and Rockland Electric and Gas Rates.

Party Comments

A wide variety of parties perceived a need for greater coordination among the various initiatives directed at addressing low income customer needs. AEA, CEOR, EE4A, National Grid, NLMH, and PULP were among those who pointed to the need for better coordination of rate discounts with energy efficiency and weatherization programs.

NYSERDA states that providing bill relief to low income customers is most effective when multiple strategies, including rate discounts and energy efficiency, are pursued simultaneously. It urges the Commission to continue referrals to its Empower-NY program, and to standardize and digitize referral mechanisms for more efficient handling. NYSERDA agrees with the Straw Proposal that energy efficiency services should be prioritized to households with the highest consumption.

In order to achieve greater program coordination, a concept initially advanced by UIU, and endorsed by other parties including AEA and PULP, is "establishment of an Energy Affordability Intergovernmental Task Force administered by and composed of senior management from DPS, OTDA, HCR, NYSERDA, the Long Island Power Authority, the New York Power Authority, the State Office For Aging, the Department of State and other state entities whose work addresses low income customers and affordable energy bills."⁴²

EE4A suggested that energy efficiency in low income multi-family housing sector is underserved by current programs. EE4A also encouraged the Commission to take steps to ensure that the benefits of DER are accessible to low and moderate income households. AGREE endorsed a program under consideration in

⁴² UIU Comments, page 9, citing its earlier Responses to Questions (filed March 4, 2015), page 7.

California whereby low income discount recipients are allowed to redirect their discounts to certain renewable energy projects.

OTDA opposed the Straw Proposal recommendation to reduce discounts for Emergency HEAP recipients. OTDA also recommended that the Commission lengthen the winter moratorium, currently a two-week period encompassing Christmas and New Year's Day, during which utilities may not terminate service for nonpayment.⁴³

Parties including CEC and PULP argue that issues concerning ESCO treatment of low income customers, including marketing practices and pricing, need to be addressed. NLMH urges the Commission to consider various rate design changes, including eliminating customer charges, and adopting inclining block rates for volumetric charges. EE4A argues that the Commission must help develop jobs and training opportunities for low income populations.

Discussion

As previously noted, the Commission concludes that a key to the success of addressing the energy divide facing low income households lies in better coordination between the various Commission initiatives funded by ratepayers, and the numerous other governmental and private agencies that administer programs addressing energy poverty. The Commission therefore directs Staff to work with sister agencies to create an inter-agency task force to achieve greater inter-agency coordination, share information, eliminate duplicative efforts, lower costs and increase effectiveness, and advise in the development of low income energy-related policies and programs.

A need for better coordination of rate discounts with energy efficiency and weatherization services was the most

⁴³ 16 NYCRR §11.4(a)(4)(ii).

widely given, and least opposed comment. Clearly, this need is perceived by a wide range of parties.

Great progress has been made in improving utility referrals for Empower-NY, but there may be opportunities to better utilize bill data to prioritize referrals for efficiency services to low income households with high usage and high arrears. The Commission recently directed NYSERDA, the utilities, and Staff to update and enhance the current referral process in its recent Clean Energy Fund Framework Order.⁴⁴ Other meritorious proposals (e.g., standardizing referral mechanisms and developing more robust multi-family programs) for developing alternative approaches that can improve consumer value are important to addressing the totality of low income needs, and will actively be evaluated through the Clean Energy Advisory Council in order to inform the low to moderate income (LMI) Chapter of NYSERDA's Investment Plan, the utilities' future Energy Efficiency Transition Implementation Plans and budgets and metrics filings, and other clean energy activities.⁴⁵

Facilitating greater access to DER for low income households is of great interest to the Commission. In its Community Net Metering proceeding, the collaborative efforts to remove obstacles to low income participation in Community DG is continuing.⁴⁶

⁴⁴ Case 14-M-0094, supra.

⁴⁵ Case 14-M-0094, supra. The Clean Energy Advisory Council is co-chaired by Staff and NYSERDA and includes participation from all utilities offering energy efficiency programs in New York State, NYPA, LIPA, and PSEG, as well as involvement from a broad array of stakeholders.

⁴⁶ Case 15-E-0082, supra, Ruling on Extension request (issued April 15, 2016).

As the HEAP recipient data furnished to utilities for HEAP performance measurement will include Emergency HEAP recipients, these customers will be included in the utility low income programs. Unless these customers also receive a utility regular HEAP payment with add-ons, they would receive no more than the lowest tier benefit. Also, as discussed in the Staff Report, utilities may further consider the impact of Emergency HEAP payments on the customer's net energy burden when setting the level of discount for customers who receive Emergency HEAP payments.⁴⁷

An often overlooked tool for helping low income households maintain utility service is increasing energy literacy. Low income energy education, including counseling in household budgeting and financial management, energy savings actions, and information on how to participate in community DG and other DER projects, helps engage and involve the customer in the process, and can have a lasting impact on affordability. Utilities should incorporate educational efforts into their low income programs, and explain their strategies for doing so in their filings.

ESCO matters are being considered in the Commission's Retail Markets case.⁴⁸ Rate design matters are being considered in Track Two of the REV proceeding.⁴⁹ Other proposals (changes

⁴⁷ As this makes the discount structure more complex, the Commission will allow, but not require utilities to implement this approach.

⁴⁸ Case 12-M-0476, *supra*.

⁴⁹ Case 14-M-0101, *supra*, Staff White Paper on Ratemaking and Utility Business Models (issued July 28, 2015).

to HEFPA, training for low income workers) are beyond the scope of this or any other active Commission proceeding.⁵⁰

CONCLUSION

Access to energy services is essential to the safety and well-being of all residents of the state. Ensuring adequate access for those who face financial difficulties is a public concern, because the utility and societal cost of leaving the economically disadvantaged without such access can be much greater than the cost of maintaining utility service for these customers. Even during the recent trend toward lower commodity prices, especially for natural gas, low income customers continue to have difficulty paying their energy bills and maintaining utility service.

The Commission will continue to work toward facilitating opportunities for all customers, including low and moderate income customers, to invest in clean energy and advanced energy management products, and to enhance demand elasticity and efficiencies. The utilities and third parties should continue to develop and manage programs that provide opportunities for all consumers, regardless of income, to achieve the benefits of REV and clean energy. Partnerships with community groups and other market actors may spur additional investments in DER projects for low and moderate income customers. The CEF will also help lower energy bills for all New Yorkers. Finally, the Commission's Consumer Advocate will continue to work with the Consumer Advisory Council, utilities and other interested stakeholders to further develop these programs as part of ongoing REV development. In the meantime,

⁵⁰ There is currently no active proceeding to amend the cold weather rules or other provisions of HEFPA, however, parties may petition the Commission to amend HEFPA if they so desire.

the program designs outlined here are a strong and measured response designed to help ensure affordable access to service and optimize the implementation of the utility programs.

Given the phased approach to implementing the Commission's low income policies, utilities will need to file implementation plans that can be updated as needed. Crucially, the plans must include proposals for programs for introduction by utilities in areas that are not being served by markets as part of ongoing REV development, but allow market participants to identify opportunities to serve low income customers. The Commission directs filings by utilities with more than 25,000 customers, to achieve implementation of this framework, including any necessary program modifications, timelines, estimation of costs and proposals for cost recovery, including the details of the reconciliation of actual program costs to amounts reflected in rates. Utilities should utilize their existing low income program cost recovery methods, to the extent practicable, and estimate the cost allocation among the classes resulting from such an approach. Utility filings must propose a path to incorporate these recommendations into ongoing rate plans, as well as cases coming before the Commission in 2016.

The Commission orders:

1. The regulatory policy framework for addressing low income customer needs, as described in the body of this Order, is adopted. Central Hudson Gas & Electric Corp., Consolidated Edison Company of New York, Inc., Orange & Rockland Utilities, Inc., National Fuel Gas Distribution Corp., Brooklyn Union Gas Co. d/b/a National Grid NY, KeySpan Gas East Corp. d/b/a National Grid, Niagara Mohawk Power Corp. d/b/a National Grid, New York State Electric & Gas Corp., and Rochester Gas and Electric Corp. are directed to make the filings described

herein, within 90 days of the Commission's order in this case, for further Commission review and approval.

2. In preparing their respective filings pursuant to Ordering Clause 1, the utilities should utilize their existing low income program cost recovery methods, to the extent practicable, and estimate the cost allocation among the classes resulting from such an approach.

3. The utilities' filings pursuant to Ordering Clause 1 shall discuss the expected timeline for the Office of Temporary and Disability Assistance to begin sharing data on all Home Energy Assistance Program recipients, and for each utility to begin using such data to enroll customers.

4. The utilities' filings pursuant to Ordering Clause 1 shall explain and justify any departure from the default method of calculating discount levels as described herein.

5. The utilities' filings pursuant to Ordering Clause 1 shall propose processes for participating customers to be notified of the option to refuse budget billing, and to exercise such option; and include a detailed description of each utility's budget billing plan, including a description its method for estimating bills when 12 months of billing data are not available.

6. The utilities' filings pursuant to Ordering Clause 1 shall explain their strategies for incorporating educational efforts into their low income programs.

7. The utilities' filings pursuant to Ordering Clause 1 shall provide a timetable for compliance with the reporting requirements included herein.

8. National Grid NY must indicate in its filing whether it intends to utilize a file matching process to enroll eligible customers, and propose a timeline for implementing such a file match.

9. Staff is directed to work with other government agencies to establish an inter-agency task force, to achieve greater program coordination, share information, eliminate duplicative efforts, lower costs and increase effectiveness, and advise in the development of low income energy-related policies and programs.

10. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

11. This proceeding is continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary

SUMMARY OF PARTY COMMENTS

Affordability for All

- Composed of nine organization members.
- Individuals voiced their need for additional assistance and the hardships they have faced and continue to face with their energy bills.
- A list of root causes for high energy bills include: old homes, landlord is absent or unwilling to provide building improvements, income levels, and individuals being forced to choose amongst necessities. The solution is to put the surcharge money toward additional weatherization components.
- The program needs to be inclusive and not exclude customers.

Alliance for a Green Economy

- Agree applauds the Commission for initiating this proceeding, but is bitterly disappointed in the Staff Report.
- Agree recommends that the Commission create a comprehensive low income discount program open to all low income households, not just those households who obtain a utility HEAP benefit. Automatic enrollment using Lifeline criteria should be adopted.
- New York needs a statewide implementing agency (as other states have). New York's Office of Temporary and Disability Assistance (OTDA) needs more resources to provide information and file matching for utilities about eligible households.
- Utilities must provide meaningful discounts in the form of rate reductions of approximately 40% for low-income households. This could be accomplished by the following ways: including provision of an affordable block of energy as part of the monthly service charge; creating an across the board discount of 40%; or designing a program that calculates individual households' energy burden and reduces it to 6% of income.
- The program must have a significant increase in funding for utility assistance. Agree calls for a program that provides at least \$600 million in assistance. Other states are spending three to four times what we are currently spending per individual customer to ensure affordable service. A more rational and equitable formula for contributions to the low

income program must be devised than charging all customers a fixed annual surcharge of \$20 on their electricity bills and \$35 on their gas bills for the proposed low income program. The Commission should look at utility profits as a possible source for additional revenues.

- Energy conservation, efficiency, and weatherization services should be part of all low income programs. In general, state and utility programs have funded low hanging opportunities for efficiency at industrial and commercial entities, while low income households have not received proportional benefits, even though they have paid more than their fair share for these statewide programs. Popular education around energy conservation and investments in energy efficiency retrofits are cost effective ways to address the root causes of this crisis for many households and are proven ways to reduce future bill amounts and arrearages.
- The Commission should consider a program like “CleanCARE” being developed by the Interstate Renewable Energy Council, Inc. (IREC) for California. This proposal would allow low-income discount recipients to redirect their discounts into shared renewable energy projects, giving low income people a choice in where their electricity comes from and reducing their utility costs.
- Better data collection is needed for low income communities to understand the barriers to obtaining energy assistance, including for emergencies, the reasons for terminations in service, and how low income residents with unique medical needs are identified and protected. Agree supports the staff’s proposal to monitor termination rates among low income customers.
- Utilities must be monitored for racial discrimination and other abuses. The PSC should also collect information needed to document and monitor patterns of racial discrimination in who is being shut off. Utility shutoffs be reported, and analyzed by census block.
- The Commission should use its regulatory authority to prevent shutoffs during the cold period of November through April. More information and evaluations are needed associated with terminations during the cold period of the year. It is appropriate as part of this proceeding for the Commission to consider the relationship to, the Home Energy Fair Practices Act (HEFPA). Procedures taken by utilities to avoid terminations in the cold period should be scrutinized and best practices developed. A full record should be

developed to inform PSC reviews in regular rate cases as well as to identify if there is a need for any amendments to the Home Energy Fair Practices Act, such as a moratorium on shutoffs.

- Customers need protection from utility shutoffs and help with understanding their rights and their options when confronted with threats of service termination. Utility companies should be required to go through a mediation process with customers before terminating service, and customers should have access to independent advocates who speak their language and can help them access assistance.
- Low income people need better representation and influence over utility rates, utility programs, and in PSC proceedings. In the development of the Staff Report, low income individuals or community groups (whose work is embedded in low income neighborhoods) were not systematically consulted. Agree states that it does not believe low income people were consulted at all and questions the legitimacy of the Staff Report. The Commission must approve intervenor funds for community groups to be able to participate in rate cases and policy proceedings.
- The Commission should recommend an Energy Affordability Intergovernmental Agency Task Force (as recommended by the Utility Intervention Unit), to facilitate regular sharing of information about program design, implementation and effectiveness among government providers of services and benefits, be put in place.

AARP

- AARP is generally supportive of the guiding principles from the Straw Proposal, however disagrees with the recommended method for funding the program.
- All commenting parties agree to some type of streamlined approach to be adopted by the Commission, despite varying positions on the best approach. They are concerned with energy affordability for all residential customers and note the very best approach would be to keep energy costs down for everyone.
- AARP generally agrees with 5 principles described in the Straw Proposal: 1) A simple program design; 2) The program is available under the same eligibility guidelines; 3) Automatic enrollment; 4) The program must provide a meaningful bill decrease; 5) The cost of the program should be borne by all classes of customers.

- Eligibility/Enrollment/Benefit Levels – AARP strongly supports eligibility should coordinate with HEAP program as a good starting point which emphasizes a customer’s energy burden. However, HEAP as a not catch all for recipients, AARP suggests to utilize Lifeline and direct voucher as additional programs to increase eligibility and to consider Lifeline as criteria for eligibility. AARP suggests the Commission take an aggressive approach to closing the cooperation gap in sharing eligibility data with the Office of Temporary and Disability Assistance (OTDA). AARP agrees that enrollment should be simple and automatic so to include as many customers as possible and keep admin costs down.
- AARP is generally supportive of the benefit level approach, but reiterates that 200% of FPL should be the criteria and a 30-35% discount level be provided. However, in a tiered approach, some minimum discount may be necessary per tier level to ensure that target energy burden is achieved.
- Funding - AARP does not agree with the funding methodology and that exhaustion of and reallocating other sources of funding (Clean Energy Fund, or other NYSEDA funding sources) should be initially utilized and then any remaining funding needed be allocated on the customer usage basis. AARP states that any necessary ratepayer funding be allocated on a usage basis since basing it on per customer produces an unfair burden to the smallest users and for low income customers too.

Association for Energy Affordability -- Initial

- The proposed solution falls short of what is necessary to ensure all New Yorkers can control and pay their energy bills and take advantage of the clean energy economy the Commission seeks to advance. The proceeding is too narrowly focused on discounts and terminations. This focus is insufficient to address affordability and equity, which are a matter of total bills and access to a broad array of energy product and services. In this respect, we consider the domain of this proceeding as necessary but insufficient to ensure energy affordability and equitable access to distributed energy resources for low income consumers. Consumers eligible for rate discounts or other income and means tested programs should be enrolled in energy efficiency and weatherization programs to reduce or eliminate energy waste contributing to higher and unaffordable bills. The draft State

Energy Plan contains a similar goal. Weatherization and energy efficiency measures must accompany rate design approaches and can, over time, reduce or eliminate the need for ongoing subsidies via discount programs.

- Eligibility Determination -- The rationale for not expanding the participant pool seems to rely less on determination that the assistance is unnecessary and more on the cost of providing additional assistance.
- Enlarge the applicable pool of aid recipients, rather than restricting eligibility to HEAP recipients. If eligibility is broadened by a utility on its own but under the Staff Proposal framework, the utility could hit the proposed budget ceiling and be forced to lower its level of support.
- Program Coordination -- We understand ODTA believes constraints make it unable to provide further assistance in identifying low income households, but the Commission should engage with OTDA and other state entities to explore coordination and means of addressing resource constraints that prevent low income households from being offered services in a one-stop-shop approach.
- We recommend that NYS allocate 15% of its HEAP funds directly to the NYS Weatherization Assistance Program and support greater statewide and local collaboration between NYSERDA's direct LMI efforts, New York's WAP, HEAP, and utility low income programs. Upgrading existing housing through weatherization and coordinated energy efficiency treatment can address root causes of unaffordable bills, and when coordinated with HEAP and utility low income discount programs, can provide an effective low income energy assistance strategy statewide. Identifying and enrolling eligible consumers and meeting their individual needs will require coordination with community based organization and social service agencies.
- Determining Affordability -- We believe Ohio's PIPP is a good model for addressing arrearages and ensuring payments are based on a percentage of income. Also, a volumetric approach on pricing is beneficial to low income customers, together with automatic/required enrollment in weatherization and energy efficiency programs.
- Program Budgets -- The proposed budgets are low relative to both the need and overall utility revenues and consumer dollars spent on energy statewide.

AEA -- Reply

- We believe the Commission should act expeditiously to adopt a statewide expanded eligibility guideline for utility low income assistance programs, provide an “affordability block” of energy for low income households, ensure a more holistic and coordinated approach to energy assistance, and proceed with interagency coordination to help implement these approaches to energy affordability for low income households.
- Eligibility for Utility Low Income Programs -- A number of commenters agreed with AEA that “a state-wide approach based on the broader eligibility of receipt of need-based income support would be welcome while a statewide approach restricted to HEAP eligibility would not be progress” and that programs based entirely on HEAP assistance, rather than an expansion to Lifeline as recommended by UIU is insufficient to address affordability and equity.
- The Lifeline criteria would be a more appropriate and effective means of determining program eligibility than HEAP recipients. Adoption of the Lifeline criteria could be accomplished via an application form to be completed by the potential program enrollee
- Block Rate for Energy Affordability -- AEA and a number of other active parties in this proceeding advocated for the first block of energy use to have a lower rate. Tiered pricing for blocks of energy, coupled with automatic/required enrollment in weatherization and energy efficiency programs, would support the Commission’s objectives to assist low income consumers, implement demand management, and ensure that low income households are provided with the bill management opportunities envisioned in REV.
- Holistic Approach to Serving Low Income Households -- We recommended that New York allocate 15% of its HEAP funds directly to the NYS Weatherization Assistance Program (WAP), as permitted by both Federal and State legislation, and that there be greater statewide and local collaboration between NYSERDA’s direct LMI efforts, New York’s WAP, HEAP and utility low income programs
- It is important to use consistent definitions for eligibility for low income programs, ensuring ease of access to program opportunities, providing equitable distribution of utility and NYSERDA program resources and adopting appropriate consumer protection provisions.

- Interagency Coordination -- The Commission should commit to working with other state agencies to implement the State Energy Plan and its commitment to serving low income consumers. We understand OTDA believes constraints make it unable to provide “matching” services to assist utilities in identifying the customers also enrolled in OTDA administered assistance programs. Exploring how to address resource constraints and effectively achieve interagency coordination among OTDA, HCR, NYSERDA and utilities should be a state priority.
- We also support arrears forgiveness programs and a prohibition on reconnection fees for low income program participants. We strongly oppose the position of AARP and PULP that Clean Energy Fund dollars be used for low income discount programs and believe the Clean Energy Fund should only be used for clean energy programs, though including substantial support for energy efficiency for low income households, which provides the necessary complement to utility discount programs.

Central Hudson – Initial

- Central Hudson (CH) provided comments on their existing programs in place and that the Straw Proposal, in particular the 6% energy burden methodology, would negatively impact low-income customers. Changes to their current low income programs would cause incremental costs to CH through additional IT programming, program design and ongoing program resources. CH agrees in continuously making improvements to low income programs as they and other parties have collaborated numerous times to improve their Enhanced Powerful Opportunities Program (EPOP). CH states their current programs provide sufficient benefits at reasonable costs. CH understands the idea of incorporating a standardized low income program and encourages the Commission to maintain and design the most efficient low income program.
- Eligibility/Enrollment – CH agrees an automatic enrollment is a reasonable goal. In addition to HEAP, CH adds the following for eligibility for EPOP: 1) Need to be full service residential customers; 2) Enrolled in budget billing; 3) have \$100 in past due 4) electric or gas as primary heating source. CH states they would like to keep their more extensive eligibility criteria since only less than 10% of HEAP eligible customers are enrolled in EPOP which allows for higher benefit amounts to those most in need. CH

suggests new programs should be designed around automatic enrollment, but existing programs should be grandfathered in. CH is also unclear how they will derive the information needed to set up their low income customers in tiers, as well as, information sourcing, program cost, and cost recovery issues should be resolved prior to adopting a new program.

- Benefit Levels/Rate Discount – CH suggest removing Tier 4 customers from calculations since payment for these customers is provided by Department of Social Services.
- Arrearage Forgiveness – CH supports the continuation of an arrears forgiveness program since it has been a success factor in their EPOP program. CH rejects Staff's position that cost savings would be associated with an elimination of an arrears forgiveness program stating it is simply bad debt that is recognized as uncollectible expense through the forgiveness program. If the decision is to adopt a new program, CH suggests that a plan to phase out prior programs would be necessary.

Central Hudson – Reply

- Central Hudson (CH) provides ten principles to help formulate the low income program.
- 1) A nondiscriminatory eligibility process for all low income customers – The eligibility should extend beyond the proposed HEAP criteria since there is a large amount of HEAP eligible customers that do not receive HEAP.
- 2) Automatic enrollment upon meeting criteria – CH comments that all low income customers must assert their eligibility to the proper government agency and upon verification by that agency, the customer should be automatically enrolled in the low income program. Administrative costs would also be reduced in having the agency provide eligible customers.
- 3) Sufficient benefits allowed for customers to effectively manage their bill and avoid termination – CH comments on Staff's method of determining a 6% energy burden level is in part attributed to researching other states programs and thus wishes to correct Staff in regards to Ohio's PIPP program as being under statutory authority. CH proposes that an investigation of a possible partial year program where the provided benefit is sufficient to cover just the heating months, but leveled through budget billing. CH states this would result in a lower monthly benefit, but be sufficient, and therefore not place

additional burden on the rest of the customers. If the benefit provided is sufficient for low income customers to manage their utility bills, then low income customers should not receive a reconnection fee waiver, nor should other customers pay the cost of such waivers.

- 4) Program costs should be as low as possible – CH provides the following suggestions to limit costs: a) partial year heating program; b) adopt a higher benefit for primary heat source, usually gas and then a secondary heat source, typically electric; c) encourage payment plans and disconnection during the non-benefit period to limit arrearages; d) a structured program to provide one benefit to all customers in order to reduce operating costs (6 – 8% target operating costs).
- 5) Mandatory participation in energy efficiency programs - In order to help limit the costs of the program, low income customers must lower their usage. The program should target separately low income homeowners and renters. CH believes the current funding to NYSERDA is sufficient enough to provide such energy efficient programs.
- 6) Simple in design – CH notes the objections received to the four tiered system and believes one consistent benefit is simpler.
- 7) Existing agency should administer eligibility verification and provide eligible lists to the utilities; - CH comments for the program to be administered by an eligibility service provider, such as OTDA. CH states that such organizations utilize the government determined criteria which they require the necessary information from the customer for verification purposes.
- 8) Arrearage forgiveness program should be provided – CH believes an arrearage forgiveness program is important to help a low income customer transition out debt and improve other financial aspects of their lives.
- 9) Statutory requirements – CH agrees with New York City's comments that when designing the structure of such programs need to comply with federal, state, and local laws, and rules and regulations.
- 10) Utilities must receive cost recovery for low income program costs – CH states as the implementation entity of the low income program, the utility should be permitted to recover all costs of the low income program.

- 11) Nobody Leaves Mid-Hudson (NLMH) comments should be disregarded as factually inaccurate – NLMH alleged that inclining block rates and a reduced customer charge will help low income customers. CH states that is not accurate due to the usage of low income customers tends to be more than the average residential customer in which an increased customer charge and declining block rates disproportionately would assist low income customers. Also, NLMH alleged that disconnections may be racially motivated. CH states that is false and should not be tolerated. CH states all customers are treated in the same manner and all are subject to the same rules and regulations set forth by PSC.

Citizens Environmental Coalition – Initial

- A major overhaul of the Low Income program is needed.
- The following are factors contributing to an energy related economic crisis for NY families:
 - Electric prices increased 4% a year from 1970-2011. In states that restructured, prices rose about 220% faster than US electricity prices in the same period.
 - The Great Recession caused massive loss of homes, jobs, and pension, particularly among those at the bottom of the economic ladder.
 - Federal debt increased resulting in funding cuts for low income programs
 - Underemployment
 - Overall energy prices in New York are too high for all customers.
- The following are Commission directives:
 - Conduct an investigation of utility low income programs
 - Evaluate effectiveness of current program designs
 - Identify Improvements that are warranted
 - Identify Best Practices
 - Standardize utility low income programs to reflect best practices
 - Ensure the programs are consistent with statutory and policy objectives
 - Develop a set of Recommendations for how to optimize the Implementation of utility low income programs with more uniformity.

- There were underlying concerns not identified in the Order, such as limited and finite resources available for low income consumers and concern for other ratepayers. We believe this notion of limited resources has harmed the entire proceeding and there are no facts underlying the notion. No matter how large the customer is, the fee is the same. This fee does not have to be so regressive. Large commercial and industrial companies could reasonably contribute 2% of their monthly bill to the Low income fund and this would provide the resources needed to ensure a credible low income program. We recommend that at least \$600 million is needed for the low income program. Raising the total costs of a totally inadequate low income program from \$136 million to \$179 million, as Staff have proposed, is not at all satisfactory.
- Low Income Customers should be provided with a block of low cost electric and gas, as large commercial and industrial customers are provided with a block of low cost electricity.
- In the Staff Report, there was no evaluation of the effectiveness of utilizing the actual receipt of HEAP benefits to determine eligibility. Staff apparently believed they were operating with some sort of strict budget limit and therefore a thorough investigation of the magnitude of low income population needs was precluded. There was no evidence of an investigation or an evaluation of effectiveness of current programs, notably the use of HEAP as a qualifying factor. UIU identified that only 30% of HEAP-eligible customers actually get benefits.
- 25% of the state's population are low income yet only 12% of utility customers are receiving utility low income benefits. This 12% is largely achieved because Con Edison provides benefits to 22% of its customers, but some utilities are providing benefits to only 4-7% of customers. Upstate New Yorkers are not being treated equitably. Further, we are not reducing energy costs to the 6% level (currently).
- We believe Lifeline criteria are essential for a credible low income program.
- The Review of other baseline state programs is needed to be more thorough in identifying the key factors impacting low income customers.
- Best Practices needed to be identified and thoroughly discussed for possible application in NY. We noted that some states with better low income programs had significantly

lower arrears. The tradeoff of spending more on low income programs versus the costs of arrears should be thoroughly considered.

- Staff apparently did not believe it feasible to create uniformity statewide by having a more comprehensive program that covers more low income households statewide, because of financial limitations. It was also unacceptable for NYC and Con Ed to abandon their more comprehensive program.
- Staff did identify some modest improvements and included them in their proposal:
 - We support eliminating reconnection fees.
 - In general we support debt forgiveness associated with deferred payment agreements but strongly recommend providing wide latitude regarding payment due dates and allowance for partial payments.
 - Staff appears open to the idea of affordable block of energy, but this has not been fully developed. This needs to be discussed in a working group
- We strongly disagree with the budget limits proposed by DPS staff.
- We believe the UIU offered the best approach in its initial response to staff questions, by offering a comprehensive Low Income program. We also support a comprehensive program and have ordered our recommendations by their priorities at this point in time:
- Eligibility must be expanded and inequities resolved based on where a family lives so that all households under 60% of the State's median income are able to receive benefits. Automatic enrollment can be facilitated by utilizing the Lifeline criteria. It is likely we need a statewide administrator.
- Establish a Low Income Energy Affordability Intergovernmental Task Force.
- Substantial bill reductions of approximately 50% are essential for Low Income consumers. ESCO issues must be addressed. Significantly reduce costs for a basic block of affordable energy based on a relatively efficient household; high energy users should be referred for energy efficiency services.
- Elimination of the regressive free structure for Low Income program funding, instead charging larger entities more appropriately.
- Arrears Forgiveness
- Recommendation for no terminations during the cold period of year

- An Independent Consumer Advocacy Agency with substantial funding to enable public interest intervention in PSC cases.
- Substantially improved information collection and evaluation metrics for programs. We need more information about how families experience the program and metrics need to be established for evaluating the programs.
- While we would like to address the substance of data collection, we found the abbreviated form provided in the Appendix to the Staff report to be too obscure for us to understand and provide input.

Citizen's Environmental Coalition – Reply

- HEAP is an inadequate means of qualifying eligibility for low income benefits. All low income households must qualify and receive assistance that makes energy bills affordable.
- We recommend DPS consider a phased approach. We note that utilities have identified large numbers of customers who would lose benefits under the Staff proposal.
- Phase I should include:
 - Adoption of Lifeline criteria for determining eligibility for benefits
 - Elimination of reconnection fee
 - Reduced terminations during winter months
 - Statewide arrears forgiveness program. The calculation “Low Income benefits + arrears = total program cost” should be used.
 - If ESCOs cannot offer benefits to customers, they should not be allowed to operate in NY.
- Future Phase(s) should include:
 - -A holistic approach to low income affordability that integrates traditional activities like weatherization and energy efficiency with new programs like community solar. Given multiple new developments associated with REV, it is essential that various involved government agencies coordinate ideas, policies and programs. It should be noted some programs have operated for over a decade, yet have largely been directed to large industrial and commercial entities.

- -A Low Income Energy Affordability Interagency Task Force is necessary to tackle the multiple issues identified in this proceeding. Low Income issues are not being adequately dealt with in other REV proceedings.
- -The Low Income program must be funded in a less regressive way. Rather than charging all customers the same annual fee, larger customers should pay a larger fee to support the program. There are multiple options available, as discussed in the comments.
- -Rate reductions of 40-50% are necessary to make energy affordable for low income consumers. The tiered discount levels proposed by DPS are not a credible way to proceed. Options include:
 - -An affordable block of energy included with the monthly delivery charge.
 - -High usage customers referred for weatherization/energy efficiency services, but rate reductions still are needed for entire bill.
 - -Low cost energy from NYPA similar to the 900 MW in the ReCharge program for industrial and commercial entities.
 - -An Independent Consumer Advocacy Agency with substantial funding to enable public interest interventions in PSC cases.
 - -Substantially improved information collection and evaluation metrics for programs. We need more information about how families experience the program. At the same time metrics need to be established for evaluating the program-not just for addressing a utility's rate case.

Community Service Society

- CSS states the hardship and difficulty paying heating and electric bills especially in households with children. It contends that even though there are assistance programs in place, these programs do not go far enough to ensure that families are not having the lights turned off because they cannot pay the bills. It states that according to a data from their annual Unheard Third survey, around 1 in 7 of both poor (below 100 percent of the federal poverty level) and near poor (between 100 and 200 percent of poverty) New York City residents had services turned off by utilities in the previous year. This shows that the difficulty paying electric bills is not just an issue for the poorest New York City

residents, but even those who earn as high as 200 percent of the federal poverty level.

Among poor black respondents in the survey, 3 out of 10 had services turned-off in the prior year, the highest figure among the major racial/ethnic groups and more than double the rate of poor respondents overall.

- CSS expressed concern with the eligibility criteria of the Staff Straw Proposal, which it contends will leave many households who desperately need assistance out in the cold. CSS urges that we must ensure that households that are most in need of heating and energy assistance are able to receive it. It points out that just looking at HEAP enrollment to determine eligibility for the proposed program will exclude many households that need assistance.
- Consequently, it states that the Commission should re-examine its eligibility criteria, including the possibility of looking at enrollment in a variety of need-based programs to determine eligibility. In addition, enrollment for eligible households should be simple and straightforward, if not automatic.
- CSS further states that it is important that the new program provide meaningful assistance to families most in need. It expressed the concern that the proposal as currently written will not provide sufficient relief to alleviate the financial burden many low-income households face in trying to pay their energy bills. So, it urges the Commission to rework its proposal so that it will provide meaningful measure of relief to those who need it most.

Con Edison/O&R

- The Commission has purposefully limited this proceeding to considering incentive or discount programs in isolation, rather than on a holistic basis along with type of heating fuel used, customer behavior and usage patterns, rates, and weather. The Companies believe that considering all these factors together in a holistic manner would lead to better outcomes for low income customers, better align with the State's Policy objectives as outlined in the State Energy Plan and REV, and improve the long-term cost-effectiveness of low income programs. The Companies also state that as proposed in the Report, future low income programs would reduce benefits to many current participants

in the Companies' programs, cost more to implement, and would introduce volatility in benefits available to customers that rely on them most.

- Low income programs should be utility-specific and funding levels decided in base rate proceedings.
- While Staff was guided by several principles in developing the straw proposal, certain proposals have aspects which are inconsistent with these principles. The first principle cited is that low income programs should be simple to understand, explain, and administer. The second principle cited is that low income programs should automatically enroll customers and be automated to the greatest extent practical. However the Companies feel the proposals in the Report will transform what are currently streamlined, efficient programs with minimal administrative costs into cumbersome programs requiring significant expenses. The Companies also address the principle that low income programs should be available to customers under the same eligibility guidelines as are currently used for New York State HEAP recipients, and while they point out that they don't oppose this principle, they feel the implementation and administration is far more complex than the Report acknowledges. The fourth principle mentioned is that low income programs should provide a meaningful discount to participating customers. The Companies point out that the proposed discount levels would lead to many of the Companies' customers who currently participate in their low income programs to receive reduced benefits.
- While the Report recommends that eligibility requirements be primarily based on participation in HEAP, (and that Con Edison should be able to maintain its existing expanded criteria) , the Report only contemplates potentially expanding eligibility requirements to the extent it can be accomplished through automatic enrollment with little administrative burden.
- The Report proposes a discount structure that would apply four tiers of fixed discounts that would vary with customer income, which will be estimated by the number of HEAP add-ons received, or participation in a direct voucher program. However the Companies' current systems only capture that a customer has received a HEAP payment. Therefore the systems will need to be modified to account for multi-tier level discounts and certain assumptions will need to be automated to assign a tier based on the amount of HEAP

dollars passed to customers. The Companies express concern that it is not adequate to rely on these dollar amounts to assign customers to a tier. Furthermore, the Companies point out that it is not uncommon for OTDA to issue supplemental HEAP payments after concluding there are additional dollars remaining in the budget. These supplemental payments could result in a customer migrating into a tier with higher benefits, even though there was no increase in financial need. The Companies therefore feel that should the Commission pursue this approach, OTDA should identify which tier a customer who is a HEAP recipient be placed in. Additionally the Companies point out that although the Report states Con Edison can maintain its program eligibility requirements, it does not specify which tier non-HEAP recipients would be assigned to.

- The report proposes to add an additional category of electric low income customers who are not HEAP eligible to the Con Edison program. The Companies further state that with the addition of this group, there would be an additional 100,000 customers. The Companies believe this additional group should be considered during rate case proceedings. The Companies also state that during the Technical Conference held on July 30, 2015, Staff maintained that Con Edison (and other utilities with additional qualifying programs) put these customers (those who have qualified on a non HEAP basis) into the lowest discount level tier. This would result in more than 85% of Con Edison's low income participants receiving a smaller discount than what they currently receive.
- The Companies believe that the Report overlooks the fact that customers receiving a direct voucher are already having their entire energy bill paid for by social services directly. This gives these people an energy burden of zero. The Companies therefore believe the fourth tier should be eliminated in its entirety and direct voucher customers should be treated like other existing non-HEAP qualifying customers.
- The Companies feel that sixteen different tier discount levels (four proposed tiers, differentiated by heating, non-heating, gas heating, and gas non-heating) runs counter to the Report's guiding principle of simplicity.
- The Companies do not support the budget billing requirement of the Report as they feel this would undermine customer choice, and unfairly discriminate against customers based on income levels. Additionally, only about six percent Con Edison's low income

customers are on budget billing leading the Companies to conclude that customers do not generally value this option.

- The Company states that while the Report advocates that utility low income programs should set an upper budget limit on program funding, the Report did not provide a justification for its proposed limits. The Companies state they advocate for a volumetric approach to establishing per customer allocations that would assign costs equitably among rate classes and reasonably align contributions with usage.
- The Companies disagree with the Report's proposal that all benefits to non-HEAP low income participants be eliminated and those customers made ineligible for program assistance when the budget cap is exceeded, and that the benefits to remaining customers be reduced. The Companies state that this introduces significant variability in benefits that many customers rely upon and that because energy bills have a high correlation to the weather, this could result in low income programs running out of funding and benefits being reduced when they are most needed. The Companies agree that program costs should be deferred and fully reconcilable. Also, the Companies point out that it is not possible to eliminate non-HEAP qualifying customers from the program if the budget cap is reached, as the Companies are not made aware of which social service program a customer qualified for in order to be in Con Edison's low income program. The Companies believe that changes to qualifying programs to participate in low income programs only be made in the context of utility rate proceedings.
- The Companies do not support an arrears forgiveness program as the program would be challenging, administratively burdensome with high administrative costs. The Companies agree that arrears forgiveness programs should not be mandatory.
- The Companies strongly oppose the proposal to prohibit utilities from collecting reconnection fees from low income customers. The Companies state they terminate service only as a last resort and in compliance with Commission rules and regulations. The Companies feel the Report's proposal disregards what the Companies feel is an ill-conceived requirement (low income customers must receive a disconnect notice to qualify for emergency HEAP) and requests the assistance of the Commission to in working with other State agencies to eliminate this requirement. In addition, the Companies point out that if the utilities can't charge low income customers for

reconnection fees, these costs will have to be recovered from other customers which increases the subsidy by other customers, and reduces the funds available to low income customers.

- The Companies agree that additional tracking and data collection could provide useful information. However, the Companies feel it is premature to develop the tracking proposal and once the Commission adopts new standards for low income programs, tracking mechanism can be developed and designed.
- The Companies do not oppose consideration of earnings-based incentives related to low income programs. The Companies believe such metrics should be developed in the context of utility rate proceedings consistent with similar measures currently being evaluated in Track 2 of REV.
- The Companies state that efforts to improve energy affordability for low income customers should include both discount programs and energy efficiency and demand programs. The focus of this proceeding, per Commission instructions, has been solely on discount programs, but the Companies feel the State can achieve much more for energy affordability if it enhances energy efficiency programs and links them directly to bill discount programs. The Companies go on to say that the right balance of enhanced customer energy use management and traditional low income benefits could be analyzed as part of a statewide study, which could be undertaken to analyze in depth the energy related needs of low income customers across the state.

Energy Democracy Alliance

- EDA seeks urgent action from the Commission to address the suffering of low income families and the unacceptable level of utility shut-offs in the state. The Staff Straw Proposal has been roundly criticized from all quarters because it will leave so many people out, and it does not offer adequate funding or solutions to address crisis.
- EDA therefore, urges the Commission to take immediate actions within the proceeding, such as expanding eligibility criteria and automatic enrollment for utility low-income discount programs and increasing funding available for those programs to ensure affordable energy for all low-income New Yorkers.

- In addition, EDA hopes that the Commission will explore other deeper options for addressing the crisis, for instance, through the use of discount funding to help low-income people weatherize and gain access to low-cost renewables.
- The Commission has the responsibility to ensure that utility companies are not discriminatory in how they handle shut-offs and collections for people of color. It applauds the Commission's recent decision to investigate Central Hudson to examine the possibility of racial discrimination in collection practices. However; EDA contends that discrimination may be a broader problem that extends to shut-offs and to other utilities. It cites the example that, in a 2009 national survey of low-income households by the Federal Energy Information Administration, over twice as many Black families reported having their electricity disconnected in the previous year compared to White families. As a result, EDA urges the Commission to require the reporting of shut-off data by utilities in a format that researchers could use to root out any racial discrimination that may exist.

Energy Efficiency for All – Initial

- Energy Efficiency for All supports efforts in this Proceeding to improve programs for low-income customers and establish a streamlined approach on discounts for use in future rate cases. The Proceeding should not be viewed in isolation from the Reforming the Energy Vision and related proceedings. An integrated approach means uniting the various prongs of REV into a cohesive set of goals and strategies to address equity and affordability.
- An integrated approach will also help achieve a core tenant of REV, namely better leveraging customer, utility and private market funds to find and exploit system wide efficiency, drive markets, create a cleaner, decentralized grid, and ultimately lower costs.
- Solutions to energy burdens are inextricably linked to energy efficiency and other distributed energy resource (“DER”) opportunities. The consideration of efficiency and DER within low income assistance programs is ultimately the best way to leverage these funds to the benefits of all New Yorkers, and met this Proceeding's goals and directives.
- Low income consumers must be both empowered and protected throughout New York's Clean Energy Transition. Current low income assistance programs should be deployed as efficiently as possible, with existing budgets protected and ideally, expanded.

- 1) Make coordinated affordability approaches to efficiency and DER a goal or “Principle” of Low Income Assistance Programs. Energy for All generally agrees with the guiding program principles of the Affordability Proceeding: 1) programs be simple to understand, explain, and administer, 2) be generally available to customers under current guidelines used for HEAP, 3) automatically enroll customers, 4) confer a meaningful bill decrease, and 5) be funded by all customer classes. However, Energy for All asks that the goal that low income programs be effectively coordinated with energy efficiency and DER opportunities throughout REV and associated proceedings, and in future rate cases.
- 2) Ensure appropriate coordination between this proceeding and parallel processes, including REV, the BCA and the CEF.
- 3) Energy for All supports the UIU’s multi-pronged approach, particularly: 1) extend eligibility to include the Lifeline criteria, 2) increase the discount amount to reach the 6% energy burden standard, 3) implement weatherization and energy efficiency measures for housing in which low income people reside, 4) establish uniform arrears forgiveness in all service territories, 5) consider rate designs that include an “affordability block” that reward low income customers for using less energy; and 6) implement evaluation metrics, quarterly reports requirements and an annual review by Staff to gauge program effectiveness. Energy for All supports recommendations to ban reconnection fees for low income customers.
- 4) There is significant potential for energy efficiency savings in the low-to-moderate income sector, potentially for over \$3 billion in net energy efficiency benefits over the next twenty years.
- 5) It is important that the Commission ensure that DER and its associated benefits be made available to low income communities.

Energy Efficiency for All – Reply

- Stakeholder Alignment on the Importance of an Integrated Strategy to Harness the Benefits of Energy Efficiency for Low-Income Customers and New York as a Whole -- We wish to emphasize the importance of recognizing the following two points: that the consideration of efficiency and DER within low income assistance programs is ultimately the best way to leverage customer funds to the benefit of all New Yorkers and to meet

this Proceeding's goals and directives. In order to do so, current low-income assistance programs should be deployed as efficiently as possible, with existing budgets preserved or (ideally) expanded. In furtherance of these goals, and others, areas of consensus among various stakeholders include:

- 1) The need to develop an integrated, comprehensive approach to low-income assistance across REV and related proceedings.
- 2) The importance of prioritizing low-income affordability and reduction in overall energy burdens. In order to best serve low income communities efficiently, the Commission should include a focus on promoting energy efficiency and DER. Indeed, energy efficiency within the multifamily sector (which is predominantly low income) is a largely unaddressed area of need, and has the potential to realize over \$3 billion in energy savings over the next 20 years.
- 3) Banning reconnection fees for low-income customers.
- 4) Consider the use of a multi-pronged approach, as recommended by UIU and others. Several parties showed support for the UIU recommendations.⁶ CEC, New York City, and UIU all showed support for extending eligibility criteria beyond receipt of HEAP benefits. CEC specifically recommended using Lifeline criteria to determine support eligibility, which we agree with. Energy Efficiency for All agrees with these commenters that these UIU recommendations have promise for protecting and serving low-income customers, and urges the Commission to consider these approaches.
- Capture the Co-Benefits of Supporting Good Jobs for Low to Moderate Income New Yorkers Through Energy Efficiency and Income Assistance Programs -- As part of a more holistic approach to alleviating the New York energy burden, Efficiency for All urges the Commission to develop an intentional strategy around the development of training opportunities and jobs for low to moderate income New Yorkers in the context of low income assistance and REV participation.
- Better Engagement of Low Income Voices in the Development of Recommendations -- We urge the Commission to adopt strategies of partnering with local community-based organizations to deepen the engagement of targeted low income communities.
- Energy Efficiency for All believes that REV should power solutions to New York's energy burden, particularly for the most vulnerable. In order to do so, we urge the

Commission to take practical near term steps, like banning reconnection fees for low income customers and utilizing the Lifetime eligibility criteria. We also ask that the commission seek to streamline and enhance processes between agencies when possible. Ultimately, an intentional, holistic and multi-pronged approach to reducing energy burdens should be a result of this proceeding, and a result of REV.

Laundry, Distribution and Food Service Joint Board, Workers United

- HEAP is an inadequate criteria for eligibility.
- The discount should be a percentage of the bill.
- Eligibility should be expanded to up to 175% federal poverty guidelines, and receipt of Lifeline, HEAP, Medicaid, SSI, TANF, and Safety Net Assistance.
- Ideally, the program should have automatic enrollment.

Multiple Intervenors -- Initial

- MI believes the residential low income budgets recommended by Staff are excessive and that it did not consider the order instituting this proceeding, or the proceeding itself to be an invitation to significantly increase the existing budgets for low income programs. MI recommends that the Commission's efforts focus on maximizing the benefits of the existing low income programs (utilizing the existing budgets) rather than increasing the financial burdens that such programs impose on other customers. MI believes that the impacts of increases to residential low income programs should not be evaluated in a vacuum. MI goes on to further state that customers are already funding (or soon will be) numerous other programs and initiatives, such as: System Benefit Charge market transformation programs; Energy Efficiency Portfolio Standard programs and subsidies (including programs and subsidies targeted directly at residential low-income customers that MI states were seemingly were disregarded when calculating the level of assistance provided currently to such customers); Renewable Portfolio Standard programs and subsidies; the capitalization of the New York Green Bank; assessments under Public Service Law section 18-a for the benefit of the State's general fund (which are scheduled to be phased-out in the coming years); certain Reliability Support Services Agreements and at least one refueling contract that previously was approved; plans to increase

materially the replacement of leak-prone gas pipe; retail demand response and/or dynamic load programs; and various technology investments and demonstration projects in furtherance of the Reforming the Energy Vision (REV) initiative .

- MI supports Staff’s recommended inter-cost allocation method and further states it supports Staff’s recommendation that the cost of the residential low income programs be allocated among the classes on a uniform per-customer basis. MI states that, “under no circumstances should residential low income program costs be allocated among the service classes on a per kWh or per therm basis” as “ the cost of residential low income programs bears no relationship whatsoever to the amount of electricity and gas delivered to serve all types of customers, including commercial, industrial and municipal customers. Indeed, use of any type of volumetric allocator in this situation not only would violate basic cost-of-service principles, it would grossly over-allocate costs to large non-residential customers that obviously are ineligible to participate in, and receive no direct (as opposed to general, societal) benefits from, residential low-income programs.”
- Staff’s recommended cost recovery methodology should either be rejected or it should be modified. MI feels that customers already pay too many surcharges, and that there is no justification for the recovery of residential low income program costs from non-residential electric customers through either a per kWh charge or a surcharge. MI further states that in regards to gas customers, recovering of residential low income programs costs from large non-residential customers through per therm charge or surcharges is inconsistent with the manner in which such costs are incurred. MI believes that residential low income program costs allocated to each service class pursuant to Staff’s recommended interclass allocation methodology should be recovered through existing rate design structures.

Multiple Intervenors – Reply

- MI objects to the low income program budgets proposed by CEC and PULP, as it finds them to be excessive, and would place an unfair burden on other customers. MI believes the budgets proposed by CEC and PULP (\$600 million and \$1.15 billion respectively) bear no relation whatsoever to existing funding levels and are not supported by the record. MI believes the Commission first should concentrate on what MI believes to be

the main focus of this proceeding- the identification of best practices and the standardization of these practices across the State. MI believes that the potential benefits from existing programs should be maximized before the Commission considers seeking greater funding from customers.

- MI believes that the volumetric cost allocation methodology proposed by AARP and PULP would be highly punitive to large, energy-intensive non residential customers, whom MI believes to be among the State's most price – elastic and energy –efficient customers. MI states that the adoption of Staff's recommended per-customer cost allocation methodology is equitable in this proceeding, and should be adopted.

National Fuel Gas

- NFG administers several different programs that have been uniquely designed to assist these customers in an area of the state which experiences more extreme cold and poverty than other areas. The Company contends that it has been able to run a successful low income program offering an affordable bill in consideration of household income, while at the same time minimizing program administration expense. These types of programs should not be jeopardized in finding a statewide solution in this proceeding.
- The Straw Proposal would fail to provide benefits to the neediest customers while vastly increasing the cost to other ratepayers. The Company is concerned that the current proposal will actually reduce benefits to certain needy customers, and that under the methodology of the Straw Proposal, several utilities, including National Fuel, will exceed the proposed cap from the beginning when the tiers are calculated using actual utility experience rather than the statewide averages. Thus, not all customers will be able to participate.
- Moreover, no funding will be available to allow for continuation of existing low income program components, such as arrearage forgiveness. Customers who are meeting their obligations and are currently receiving debt forgiveness, and almost on their way to a fresh start, will be unable to achieve full arrearage forgiveness if the Straw proposal is adopted and no funding is available for that purpose.
- The overall cost under Straw Proposal as identified in Staff's Appendix D more than doubles the overall cost of National Fuel's low income program. The Company's

programs at current budget level as reflected on Page 1 of 3 of Appendix D is \$9,700,000 compared with the Company's Staff proposed programs at 6% Energy burden at the cost of \$19,973,556 as reflected on page 2 of 3 of Appendix D. The Company expressed great concern over the proposed increase of over 100%, compared to an overall state increase of 46%.

- The Company further contends that Staff's cost projection on page 2 of Appendix D is likely understated since it uses information on the mix of customers by tier based on information significantly different than that experienced by National Fuel. Based on data specific to the Company, it estimates that Staff's proposed program would have an overall cost of approximately \$22,415,179 which exceeds Staff's program budget limit for National Fuel of \$20,478,185 found on page 3 of Appendix D in Staff's report.
- NFG contends that while the goal of participation by all low income customers is laudable, it simply cannot be accomplished even with the proposed 46% average increase (or over 100% in the case of National Fuel) in funding and under the current low commodity costs. The Company points out that Staff's report concedes that some utility programs would already exceed the new cap if enacted as proposed on page 43 of Staff's report. The Company states that it would exceed the cap and therefore could not provide sufficient benefits to customers to achieve a 6% energy burden. The company therefore cautions that the program should not be designed to exceed funding limits from initiation; since doing so, would eliminate other current program components, such as arrearage forgiveness, that Staff's report recognizes as providing "additional assistance to the customers that are the most payment-troubled" and which can also encourage them to alter their payment habits.
- The Company states that it has been an industry leader in public education and awareness of HEAP benefits and has been likely more successful in assisting its customers with obtaining HEAP than any other utility in New York State. It states that its efforts have directly assisted those customers in the greatest need. The Company contends that the consequence of this success, given both universal enrollment and the funding allocation methodology of the Straw Proposal, will be to impose even greater costs on the Company's customers. It urges that careful consideration of any additional expense on non-participating customers must be given, especially since National Fuel customers are

already contributing more for low income discounts and weatherization than most other utility customers in the state. The Company contends that because universal enrollment of all HEAP recipients is not achievable, participant selection will need to be based on other factors. The simplest and the least burdensome way it suggests is to require that participation be further limited to those HEAP customers that have received a disconnection notice from the utility in the 12 proceeding months, with an alternative determinant to be customers who have defaulted on a deferred payment agreement.

- NFG argues that not every low income customer receiving HEAP needs additional assistance with their utility bills. Many HEAP recipients budget the annual use of the benefit and make timely payment for all of their utility bills. These customers have not demonstrated any need for additional assistance, so to use Staff's logic here, "the discount is unneeded, and its continued application is inefficient at best and a wasteful application of scarce resources at worst" (Staff Report, fn. 28 at pg.35). In other words, certain low income HEAP recipients on National Fuel's system have demonstrated a need for greater assistance. It is these low income customers that are currently participating on the Company's effective low income customer affordability assistance program (LICAAP) rate. LICAAP customers are payment troubled and consume natural gas in amounts well above that of the average low income customer.
- NFG disagrees with Staff's claim that its existing program does not provide a price signal to conserve on marginal usage. The Company states that its program provides a discounted unit rate. Under the Company's existing low income rate, the more a customer consumes, the greater his or her bill (albeit at a lower discounted rate). Therefore, the customer continues to receive an incentive to use less since it will lower his or her overall bill. The Company contends that its existing low income program provides a greater overall bill reduction for larger volume users, and is consistent with the overall goal to lower the energy burden for specific low income customers. Natural gas usage rises with the number of people in a household. So, by discounting the overall rate, larger low income households will receive a greater overall bill reduction. This use of household size will help to better achieve the percentage of income goal.
- NFG disagrees with Staff's unsubstantiated claim at page 46 of the report regarding the impact of arrearage forgiveness on utility uncollectible. Staff claim assumes that all low

income arrearage would result in an uncollectible expense and are included in utility rate allowances. The Company states that utility uncollectible expenses included in rates have been generally estimated in rate cases as the forecasted write-offs for the rate year net of any forecasted recoveries of previously written off balances. The arrearage balances anticipated in the rate year have never been used as the sole determinant of forecasted bad debt expense. Further, the Company states that Staff's claim that arrearage forgiveness should "only be worth funding to the extent they reduce the amount of arrears that would otherwise be written off as bad debt" completely ignores the significant incentive arrearage forgiveness can provide low income customers in remaining current on their bill payments. The Company opines that arrearage forgiveness programs are an important element in reinforcing good payment practices. Since not all arrearages lead to ultimate termination and bad debt write-offs, and it is impossible to determine ahead of time which low income customers would pay their arrearages and which customers would ultimately have their arrearages written off, the ultimate consequence of an arrearage forgiveness program is higher costs to the utility.

- The Company states that at page 49 of the Staff report, Staff proposes that an arrearage forgiveness program include Tier 1 customers whose bills are by definition affordable. The Company suggests that Tier 1 customers that do not qualify for a rate discount under Staff's proposal should be excluded from the program including the arrearage forgiveness component. Because including Tier 1 customers in the program will add complexity and increase administrative costs, including arrearage forgiveness costs, for services to customers that are deemed to already have an affordable bill.
- NFG contends that under Staff's proposal, the overall costs of a natural gas utility's low income program will be a function of the estimated electric non-heating rate paid by the low income customer. The Company argues that such an assumption will add a contentious issue to stand alone gas rates and is inconsistent with one of the prime objectives of this proceeding which is to streamline the regulatory process. For example, this can be seen from Appendix D where Staff has calculated National Fuel program costs of \$19,973,556 based on National Grid's estimated electric bill for low income non-heating electric customers. Electric rate design decisions can have a profound impact on the costs of service to low income electric customers since low income electric customers

tend to use less electricity than other residential electric customers while low income natural gas customers on National Fuel's system tend to use more natural gas than other residential natural gas customers. To demonstrate the impact of electricity bills on natural gas program costs under Staff's proposal, the Company referenced page 3 of exhibit A where Staff calculates the proposed low income program costs on National Fuel from a 25% reduction in low income electricity costs. Further, the Company states that a 25% reduction in electricity costs to low income non-heating customers would reduce the costs of Staff's proposed program on National Fuel to \$11,139,001 from Staff's estimate of \$19,973,556. The Company expressed interest in determining the appropriate rate design for electric customers in its service territory.

- NFG states that the Straw Proposal calculation of programs at the 6% energy burden increases the disparity in funding to be provided by electric and gas customers. At page 2 of Staff's Appendix D, electric customers are projected to incur an annual cost per customer of \$13.47 and gas customers \$21.90. Funding for low income customer programs should be equally shared between electric and gas customers. The Company contends that under the Straw Proposal, they are not. For example, a low income customer in Buffalo having electric service from National Grid and natural gas from National Fuel pays an average monthly bill of \$98 for each service (Staff's Appendix B). Despite the bills being the same, programs funded at the 6% energy burden would have National Grid customers paying \$12.50 annually (a \$5.27 increase) while National Fuel customers pay \$34.14 annually (a \$17.56 increase). This result is unfair and inequitable especially given the fact that the HEAP heating assistance payment is applied to the gas bill. Also, because the low income HEAP customer's \$98 monthly gas bill is already reduced by \$29 (\$350 Regular Benefit/12), there should be reduced need for low income subsidization by gas customers. At minimum, electric and gas customers should equally share the cost of funding low income programs. As described in the example, each should contribute no more than \$23.32 toward the respective low income programs.
- The Straw Proposal bases its second and third tiers on a customer's receipt of either one or two add-ons to the base benefit. The current add-on benefit is \$25 each for both benefits. i) Household income at or below 130% of the Federal Poverty level; and ii) vulnerable member in the household (under the age of six, age 60, or permanently

disabled). A customer who receives one add-on is placed on Tier 2 and if both add-ons are provided, the customer is in Tier 3. There is a vast disparity in income that exists in using this approach. For example, a household of two adults at the federal poverty level with a monthly income of \$1,328 will receive one add-on and be classified as Tier 2. So too will the two-person senior household with a much higher monthly income of \$2,935. The Straw Proposal would treat these households the same, despite the fact that their financial situations are much different. In the example, the couple at the federal poverty level has less than half of the available income that the other couple has and is likely living in inferior housing stock and facing higher heating bills.

- The Company proposes that OTDA assign a different and unique dollar amount to the two types of add-ons to differentiate these customers, so as to address OTDA's previous indication that it is not in a position to send tier level information to utilities due to system limitations. For example, the add-on for individuals with household income of up to 130% of Federal Poverty Level could be set at \$40 while the add-on for a household with a minor, elderly or disabled resident could be \$20 (or \$26 and \$24, or other unique amounts). This change can be entirely revenue neutral from OTDA's standpoint. In having a distinctly identifiable way to differentiate these two scenarios, utilities are able to subtract the base benefit from the total and be left with a simple means of identifying the different circumstances behind the HEAP benefit.
- NFG urges a rejection of the component of the Straw Proposal which recommends a Tier 4 discount level to those customers who are receiving public assistance through direct voucher. It should be rejected because the proposal does not take into consideration that direct voucher bills are being paid through the state using taxpayer dollars. The direct voucher customer receives a fuel for heating allowance that is intended to pay for his or her heating needs and also has electric bills paid. Further, Staff analysis on an affordable bill for direct voucher participants does not take into account the utility payments that are being made pursuant to social service law and regulation. NFG contends that these government payments provide direct voucher customers with an affordable bill and no further financial assistance is needed. In addition, requiring other utility customers to fund unneeded rate discounts to these customers is inappropriate and will further limit the

funding available to assist other customers in need of assistance. For National Fuel, Staff's addition of a Tier 4 discount level in its proposal adds over \$2.5 million in costs.

- In adopting HEFPA in 1981, the State Legislature created a list of proscribed charges that include fees or charges for: late payments (other than as allowed up to 1.5% per month); collection efforts, service disconnections, or deferred payment agreements occasioned by a customer's failure to timely pay for gas or electric service. However, the law did not prohibit the charging of reconnection fees and many utility tariffs still require a utility to do so. These tariff provisions have been approved by the Public Service Commission and recognize the general proposition that those who cause or receive the benefit of a service should be the ones that pay the expense associated with it. There is no support for Staff's suggestion that utilities are terminating low income customers in a more aggressive fashion than other customers; rather, the opposite is true. National Fuel states that it engages in extensive efforts on a daily basis to assist all customers in the payment of utility bills. It offers budget billing and deferred payment agreements to all customers, as well as discounts, free weatherization, and HEAP and other public assistance to its low income customers.
- The act of reconnecting utility service is required and the expense associated with it is both legitimate and necessary. A utility may not be deprived of the opportunity to recover legitimate business expense as such property rights are protected under the Constitution of the United States. For this reason, recovery of legitimate reconnection expense should be unabridged. Moreover, Staff's recommendation denying recovery is inconsistent with Commission policy recognizing that "continuing to spread a utility's revenue requirement across the broadest pool of ratepayers keeps the contribution required of each individual ratepayer as low as possible" (Order Specifying Criteria for Deferral of costs, issued and effective May 15, 2009, p. 8, in Case 08-M-1312).
- NFG states that it is necessary to dispel a misconception about program administration costs by describing how its targeted low income (LICAAP) program is cost efficiently administered. The Company uses a vendor to process application enrollments and procures relevant information on household income and number of residents. The vendor periodically verifies this information and also performs some educational services. This allows the Company to provide a targeted, variable rate discount. The administrations

costs for the program have averaged approximately \$155,000 per year over the last seven years for approximately 11,000 program participants. The administrative cost for each of the Company's customers has been just a few pennies a month when spread over the larger customer base, and has allowed the Company to run a targeted assistance program best meeting individual need. Therefore, the Company cautions that program administration expense should not be raised as a basis for eliminating a successful, targeted assistance program.

- NFG cautions that changes that are being considered to simplify and standardize the utility low income offerings should be carefully examined to ensure that effective current programs or program components may continue in the future. The Company contends that Staff's proposal, while attempting to address the requirement to streamline the regulatory process and conserve administrative resources, ignores the needs of some of the most vulnerable low income customers on National Fuel's system. In addition, there is a vast difference in not only rates but customer affluence and weather throughout the state and adopting a one-size fits all program will only serve to hurt those customers that need assistance most.

National Grid

- NG is concerned that there may not be a single comprehensive low income program that will suffice the varying needs of their widespread population individual programs based on the needs of each service territory would be most efficient and cost effective. NG acknowledges and agrees the program should be simple to understand, explain and administer. As NG dug into details with the possibility of a standardized approach, they concluded the challenges they would face would outweigh the benefits and approximately 80,000 current low income customers would lose benefits based on the tiered system in the Straw Proposal.
- Eligibility/Enrollment – It would be optimal for the Office of Temporary and Disability Assistance (OTDA) to administer identifying and classifying customers per the respective tier levels. NG believes the dialogue should continue where OTDA is open to exploring the creation of a file matching system that provides a list of eligible customers to utilities directly; similar to the current system between New York City Human Resources Agency

(HRA) and Consolidated Edison (Con Ed). NG believes the Straw Proposal would likely require additional information to qualify customers in the proper tier and querying internal systems to establish a customer's tier level. Utilizing only a customer's HEAP amount for tiered classification, could lead to inaccuracies. Example provided – A customer who receives regular HEAP with 2 add-on's gets a benefit of \$400, the same as a customer who receives a gas only Emergency HEAP in recent years. NG cannot determine type of benefit provided since they only know it is a \$400 benefit and both types come from OTDA. Ensuring unique benefit amounts could address this issue. Privacy concerns would also be addressed through OTDA administering the eligibility. Also, OTDA has more extensive amount of information and more mechanisms in place that could more easily perform these operations.

- Aside from HEAP eligibility, KEDNY and KEDLI have relied on other manual processes to identify low income customers who, for whatever reason, did not apply for HEAP payment. According to the National Energy Assistance Directors Association (NEADA), only 20% of eligible HEAP customers actually apply, which values other methods of achieving enrollment. NG notes that during the Technical Conference, utilities opposed the use of only HEAP and that utilities should be using the broadest methods in identifying eligibility, referencing HRA and Con Ed's mechanism as "best practice". Through a manual process of identifying customers from various assistance programs, KEDLI and KEDNY both achieve greater overall participation, 10% and 33% respectively. Of those, many are non-heating who would lose eligibility. NG agrees with Public Utility Law Project (PULP) where additional identifiable methods could be the Senior Citizens Rent Increase Exemption (SCRIE) and Disabled Rent Increase Exemption (DRIE). NG comments as a positive outcome of the discussions, they are developing interactions with HRA to create a similar file sharing mechanism as HRA has with Con Ed. There are still uncertainties and challenges to overcome, however, Con Ed's success with this mechanism suggests significant impacts could be obtained.
- NG supports the proposal to utilize HEAP payments to develop a 2nd and 3rd tier, but direct voucher customers in tier 4 ultimately have zero energy burden since the county assumes financial responsibility for these customers and any low income funds should be provided directly to customers and not a third party.

- Discount Levels – Discrepancies were found in the original data provided and included are the updated numbers to calculate the appropriate discount levels. NG states that a situation could occur where a customer changes tier level due to a change income level and suggests updated customer tier levels should be done on an annual basis.
- NG opposes required budget billing component due to level of difficulty, the required programming and time to implement. NG states that using the budget bill as a limit on the amount provided can have unforeseen impacts from different occurrences. Examples provided are swings in prices (polar vortex) or an increase in usage from medical equipment. These events can cause a lag between budget amount and actual amount of usage. Efficiency measures completed can also produce inconsistencies between budget amount and actual amount used which can lead to over collection from their historic budget bill and significantly reduced budget amounts. These events could render a customer losing benefits where otherwise eligible. NG opposes the budget bill as limit on benefits due to the difficulty in creating and administering a billing system mechanism that utilizes a variable budget cap for each customer and due to the possibility of unforeseen consequences. Also, it would not be easily communicated or understood. NG recommends a uniform discount each month regardless of customer's budget bill, but does agree with Staff Report that customers should not receive cash when benefits outweigh bill amounts and would explore alternative mechanisms for this.
- Program Budget Caps – NG is not prepared to provide an opinion on non-participating burden level since it could vary between territories and should be developed as matter of policy in rate proceedings.
- Arrears Forgiveness – NG recommends arrears forgiveness programs be eliminated due to the higher costs of administering such programs and funds should be allocated to other components of low income program. Through NG's experience few customers actually complete the program and those who do complete it, do not show an improved payment history afterwards. Although difficult or impossible to quantify the avoided uncollectible expense from an arrears forgiveness program, NG suggests it would only be a part of the total saved, thus not in line with the Straw Proposal.
- Reconnection Fee Waivers – NG opposes waivers and requests that utilities be able to recover reconnection fees due to all factors of deploying a vehicle and a service

employee. NG does acknowledge the potential impact of waivers for certain customers and supports the concept, however Commission policy suggests that recovery of costs associated to a specific customer for specific work should be recovered from that customer. Reconnect fees for NMPC are \$525K and for KEDNY \$90K which NG believes costs should be included in the overall low income program. NG is opposed to the notion that terminations are used as a collection tool since in many cases NG is not aware of the customers' circumstances until after termination occurs. Also, NG does not look at such information prior to termination in order to avoid any discriminatory actions.

- Terminations – NG states low income terminations occur at a higher rates due to their inability to pay and utilities should not impose more stringent collection activities or fees on low income vs. other customers which violates Public Service Law §65 (1)-(2). NG comments there are extensive efforts put forth with all customers to avoid terminations and are committed to assisting most vulnerable customers. The Company's Consumer Advocates provide assistance with payment agreements, enrollment and education services to meet individual needs. The advocates work with other agencies towards avoiding service disruptions and restoration of services. NG notes their Customer Assistance EXPO as a one stop shop service initiative for low income customers.
- Tracking, Reporting and Metrics – NG suggests to continue dialogue with these topics on what's appropriate to measure once the programs have been finalized.
- Additional Avenues to Promote Energy Affordability – NG believes improvements to energy affordability should not only include discounts but also, energy efficiency, fuel conversion programs, and possibility of distributed generation targeted to underserved customers and neighborhoods like the approved REV Demonstration Projects.

NYC – Initial

- City's overarching concern is that the proposed approach could reduce the benefits presently received for hundreds of thousands and could prevent tens of thousands of others low income customers from obtaining benefits.
- Statutory Framework – Extensive discussions have been had amongst the parties in regards to access to information of low income customers, particularly financial status, income levels and identity of those participating in low income programs. The Straw

Proposal creates a discount level for a customer based on the perceived income level of that customer. The City opposes for the following reasons: 1) it could force individuals to disclose personal information to utilities that is not required by other customers and; 2) the proxies used to determine discount are not appropriate, which shows an income based approach cannot work. The City notes there is no legal exception for any social service agency to disclose any client personal information to utilities or the Commission and for a utility to gather information directly from the customer would be administratively burdensome.

- A state-wide one-size-fits-all approach for utility low income programs is not appropriate. A) The proceeding should have originated with a discussion on whether existing programs needed to be changed and the goal of identifying best practices has not been achieved. City notes that Con Ed's current program is running efficiently, capturing most of the low income population in the territory and it is applicable to statutory and policy objectives. City includes the following notable difference of Con Ed's territory to others are: 1) HRA is larger and has more resources to utilize; 2) the low income population is far greater than any other territory; 3) HEAP is a small component of City's low income benefit programs, where HEAP may be the primary component in other areas (roughly 35,000 including KEDNY customers are HEAP recipients compared to 750,000 customers receiving non-utility HEAP benefit). City states that the proposal will cause 95% of current HEAP recipients to become ineligible in Con Ed's and KEDNY's low income programs which is counterproductive. City urges the Commission to consider further development to any changes they may see needed to low income programs and not to adopt changes in the Straw Proposal.
- (B) Recommendations from the Low Income Report that need clarification or modification are as follows: 1) City wishes to clarify that the "matching process" being allowed to continue for Con Ed expressed in the report, if a similar process can be adopted for KEDNY as well. Discussions between KEDNY and HRA have developed to set up a similar "matching process" to the one of Con Ed's. 2) City disagrees with Staff that certain low income customers should be excluded or removed from the utility's program if the costs reached the proposed caps; stating it is not in public interest. 3) City disagrees with using HEAP benefit as method for determining tiered levels. 4) City

interpreted a part of the report as allowing the multiple social services programs to be used for existing utility low income program participants, but that prospective participants would be limited to recipients of HEAP utility heating benefits. This was discussed at the Technical Conference where Staff indicated that no such limitations was intended and City is requesting that it be clearly stated to avoid future disputes.

- The use of a generally applicable low income discount is preferable to multi-level discounts. City has the following concerns with use of energy burden and income level in evaluating the appropriate level of discount: 1) constant fluctuations in income levels can lead to too high or too low of a discount provided; 2) lack of customer income knowledge; 3) administratively burdensome and costly. City believes a uniform discount approach would more appropriate, easier to administer and less costly, and still provide a reasonable benefit to the low income population. Also, City states that the percentage of program participants per the HEAP-based approach is flawed and thus does not accurately reflect the proper number of participants for each tier level. City indicates the proposal on the gas side is unfair to participants in that a high usage customer's relative benefit is substantially smaller than the benefit received for a small usage customer.
- To determine a reasonable discount is subjective and is a judgment based on a the following factors: 1) the totality of the public assistance and other benefits available; 2) general income levels and living expenses; 3) program participation levels and costs; 4) utility costs; 5) impacts on other utility customers.
- The program should be reviewed periodically and adjusted based on financial conditions across the State, program size, cost, and any other important factors. To avoid any hearings or litigation, the Commission could establish guidelines (through a collaborative with interested parties) when determining the reasonableness for any discount level adjustments.
- The proposed four-tiered, HEAP- and income-based discount is not reasonable or appropriate. A) The tier levels do not accurately capture customer needs. The use of affordability blocks based on the customer usage and HEAP benefit received is inaccurate in determining income level of a customer. City states that without verifiable customer information, we cannot determine income level based on HEAP amount. City provided different scenarios where the proposed HEAP methodology would not properly

place a customer in the appropriate tier level. City states that the Adders 1 and 2 do not automatically presume that the customer is in greater financial need nor can the utilities determine which Adder the customer has received (1 or 2), since receiving the second Adder relies solely on a vulnerable individual and not the financial need. B) To accurately achieve an income-based customer energy burden, customer income must be verified and not assumed. Due to federal and state laws no social service agency is permitted to disclose any financial information on any of their customers. So for any income based program to exist, administration of the program would have to be handled by the social service agencies or OTDA. City remains open to further discussions and considerations to the current discount construct. City points out that any changes to the low income program must not: 1) harm current participants; 2) not subject customers to inappropriate disclosure of personal information; 3) provide meaningful and reasonable benefits to eligible individuals; 4) and not unduly burden other customers.

- City supports the elimination of reconnection fee waivers. While City acknowledges that the reconnection fee waivers should be in place to help low income customers from the burden of restoration of service costs, in actuality the costs of the waivers are covered by other customers and included in the total low income program budget, which leaves less funds available for the bill discount portion. City in turns supports the proposal of elimination of reconnection fees for low income customers.
- The design of the proposed arrears forgiveness programs should be modified. City supports the arrears forgiveness portion as it is an important step for many low income customers to be relieved of prior debt as they try to work their way out of poverty. City has concerns with the structure of the program as follows: 1) First, City requires more details of the proposed program. The program should be clearly stated with terms defined, nor should it be left to the discretion of the utility, but a decided structure through this proceeding. 2) City's concerns with the tiered system and the issue that the utility does not have verifiable income information on each customer, a "manageable debt" payment should not be constructed based off the customer's tiered level. 3) A customer who is already struggling to pay their bill should not incur another debt charge. 4) City states that the use of an arrears program to "incentivize" low income customers to pay their utility bills in timely and regular manner is misplaced, in that it is not a lack of

motivation, but rather a choice of what can and can't be paid. 5) City is also concerned with the statement in the proposal that over time "the need for arrearage forgiveness will decline" with the reasoning that the proposed program will make bills more affordable. City believes due to the limitations on eligibility and reduction in participation numbers, the amount of arrears could increase for low income customers. Suggestions from City are as follows for the arrears program. City agrees with a set start date to begin measuring the customer's performance and has no objection to November 1 being the start date each year. A customer should remain consistent with paying current bills to remain in the program. A reset button should be allowed each November 1 for those who do not stay current with paying their bills or an alternative method, restart the program on a rolling window once full payment is received. The "manageable debt" payment amount is a key component to making this work. City suggests that this amount should be similar to that which is required under a deferred payment agreement (minimum of \$10 which seems reasonable). City disagrees with using the tier level to determine the length of the arrears forgiveness program for each customer. Alternatively, one set length of time could be used (12 or 18 months) or it could be based on whether the customer receive one or two utility services or a third option could be to base the term on amount of arrears owed (example for every \$250 or \$500 in arrears that equates to a 12 month term added to the total length of the program). City suggest that a collaborative be set up to continue discussions for the arrears forgiveness program.

- Participation in low income programs should not be restricted because of budgetary reasons. City states that the proposed budget limitations and the method included to avoid exceeding the budget limit is against Commission's longstanding commitment to helping low income customers. To address the balancing of program costs issue and to keep it within a $\pm 10\%$ of the budget, the utility should adjust the per customer credit by up to 50 cents to remain within the 10% band as the Commission had determined in the 2013 Con Ed rate cases. City states it would be unfair to other low income customers who previously received benefits due to growth of other low income programs. To avoid such action, the first option would be to increase funding (but that will add burden to rest of ratepayers) and second option would be to lessen the benefit levels.

NYC – Reply

- New York City’s Low Income Program is operating well and should continue. City points out the broad agreement voiced in the previous comments that the programs in Con Ed and KEDNY territories are functioning well and should continue. Also, that KEDNY is developing a similar file matching process with HRA as similar to Con Ed’s. City states there was limited support for a uniform program throughout state due to the differences in territories, differences in the cost of services, and for NYC, the reliance on HEAP is far lower than in other territories. City references a request for clarification from Con Ed’s comments in which Staff provided recommendation that Con Ed be able to continue its current low income program, but fails to identify which “tier” non-utility HEAP participants would be considered.
- Benefits provided to low income customers must be weighed and balanced against the costs to other customers. City supports a greater benefit to the low income customer population, however some of the proposed funding levels could have detrimental impacts to moderate income customers, those who struggle to pay utility bills but are just above the eligibility requirements. City provides the following factors in determining a balanced approach: consider the needs of the participants, the size of the discount level, the total cost of the program, and ensuing rate impacts on all customers. City believes the proposal does reach a balance and that a collaborative be set up for future analysis/discussions.
- Arrears Forgiveness and Reconnection Fee Waivers are meritorious proposals and should be adopted. City replies to the utilities that argued these programs do not provide meaningful benefits and are administratively burdensome. City disagrees with these views and supports their place within the overall Low Income Program design (subject to modifications previously provided). The arrears forgiveness component provides the customer an opportunity to gain some financial stability by eliminating prior debt.
- City supports the elimination of reconnection fees for low income customers stating that it will provide a better opportunity to remain as customers and to pay their bills. Also, that these customers have already shown their inability to pay their utility bill and adding another cost to what is already owed creates a larger financial barrier for the customer to overcome. In reply to the fees becoming more of burden to the rest of the customer base,

Con Ed's reconnection fee costs in 2014 were less than one percent of the total low income budget.

- HEAP recipients should not be automatically enrolled in a utility budget billing program. City agrees with OTDA's position that HEAP customers should not be automatically enrolled in budget billing and also against automatic enrollment of low income customers into budget billing. They state that the option of choice should remain consistent across all customers.

NY Communities for Change

- Opposes the Staff Proposal since it does not genuinely help all of those in need.
- Members of NY Communities for Change (NYCC) are primarily people of color who advocate in their neighborhoods for better living and working conditions. Many are retired on fixed income or working low-wage professions where the cost of living leaves them unable to afford their energy bills.
- Since the "Great Recession," almost a decade ago now, members continue to feel the impacts through "lost jobs, reduced wages, bankruptcy, evictions, foreclosures, shutoff threats, late charges, utility disconnections, reconnection charges, and other devastating impacts."
- NYCC acknowledges that current energy assistance programs are available, however, they are inadequate in these hard times and that income levels have not kept up with the skyrocketed costs of living for all necessities.
- The program should not restrict eligibility to HEAP. Many of those who are in desperate need of assistance may not receive HEAP grants due to the inadequate funding of the program.
- In addition, NYCC states that with such a diverse population where a number of different languages are spoken, the application process and calculation of their rate reduction would be difficult to understand and therefore, should not tie program eligibility criteria to HEAP recipients.
- NYCC provided guiding principles for program design, which are as follows: 1) percentage discount of energy bill (30% is adequate); 2) State-wide mandatory rate reduction where the Commission reserves the right to increase reductions in areas as the

Commission feels necessary; 3) eligibility should include households up to 175% of FPL and include recipients of Lifeline, HEAP, Medicaid, and other programs including SSI, TANF, and Safety Net Assistance; 4) an equitable way to spread the costs of the program to other customers and customers classes; 5) automatic enrollment of eligible customers and promote fuller participation for energy efficiency, weatherization, and other customer assistance programs.

NYSEG/RG&E

- 1) Some parts of the Straw Proposal are not simple to administer, explain or understand. In particular explaining and administering the program to customers without a defined benefit and difficult for a customer to understand who may lose the benefit without any changes to their financial situation.
- 2) Tier 1 and 2 customers should not lose benefits and bear the costs of providing benefits to tiers 3 and 4.
- 3) Remove tier 4 since bills are paid for by DSS.
- 4) Budget billing should be optional, however, if participating in the arrears forgiveness program budget billing should be required.
- 5) The Company finds the budget cap per customer and energy burden level reasonable, but the Company does have possible future concerns that it will undermine the simplicity and easy to understand goals.
- 6) The Company can successfully provide a bill discount to customers identified through HEAP, within the proposed cap, and will have sufficient dollars to fund the arrears forgiveness program and budget billing forgiveness program, as proposed in their pending rate cases.
- Eligibility and Enrollment – The Company agrees that HEAP be the criteria since it is the same as their current programs. However, Emergency HEAP should also be included, these customers need to be part of the low income program as well. 5,203 and 1,121 customers from NYSEG and RG&E respectively received emergency HEAP and not regular HEAP.
- Benefit Levels/Discount Levels – The Company supports the tier approach in providing benefits, with modifications. 1) Eliminate tier 4 since DSS pays the utility bills for this

customer group. 2) Guaranteed Payment Plans (GPP) should be included as equivalents of direct voucher customers. 3) OTDA should administer the eligibility since they determine the customer who receives regular, emergency, and add-ons for HEAP. OTDA has the most access to information and would most easily provide up to date tiered levels. 4) HEAP eligible customers should remain eligible for low income program regardless of income for the proposed tiered system.

- Budget Billing – The Company supports the measured use of budget billing to control administrative costs, but do not support the requirement as part of the program nor should it constitute a payment cap. Similar to NG’s concerns, the Company states that usage beyond the budget bill amount would lead to decreased benefits.
- Program Budget Caps – The Company agrees the budget caps are sufficient and would fully fund their low income programs, which would include their successful and necessary arrears forgiveness program. Also, utilities should be allowed provide a budget forgiveness program as long as it remains under budget cap.
- Arrears Forgiveness – The Company would like to continue its arrears forgiveness program and not create a uniform program due to successful rates in only certain parts of their territory. Company states roughly 70% of customers who complete arrears program are successful in maintaining service without incurring additional arrears for the next 12 months after completion and 50-60% fail to complete program. The Company has determined the primary reason for customer withdrawal is bill variability and the Company has proposed a Bill Balance Forgiveness component in current rate plan to produce levelized bills for these customers. The Company states that their mature arrears programs have long since been factored into uncollectible expense and no adjustments are necessary unless a new arrears program is introduced. The Company opposed the 10% budget cap since a successful arrears program should not warrant an arbitrary cap and could be restrictive of additional program successes. The Company also opposes the tiered level timeframe of arrears forgiveness which they believe undermines the simplicity concept of the program. Company states it would cause confusion as customers move from tier to tier and that a single timeframe of 24 months should in place.

- Reconnection Fee Waivers – The Company states they take exceptional measures to avoid shut offs and are a minimal component in their program. Terminations occur without bias and sometimes are an incentive for customers seek out resources. The Company believes they should be able to recoup the reconnect fees through the low income program.
- Tracking and Metrics – The Company comments that the low income program should be finalized before determining what efficiency tracking measures should be taken. The Company notes their current rate proceedings and changes implemented should align between both proceedings.

NYSERDA – Initial

- Energy efficiency reduces home energy bills -- NYSERDA recommends the Commission require continued utility referrals of low-income customers for energy efficiency services and establish a standardized referral format protocol and procedure. Energy efficiency promotes positive health impacts and a reduction in utility service costs and arrears
- Improvements in utility referral mechanisms can help accelerate the provision of efficiency services to eligible customers while also advancing the policy outcomes stated in this proceeding. NYSERDA recommends a singular approach to referring customers for NYSERDA energy efficiency services, preferably one that uses an electronic transfer of referral information, as a means to accelerate and improve the referral process and contractor work efforts. NYSERDA also recommends a standardized approach to the frequency of providing referrals for planning and project assignment purposes.
- NYSERDA indicates it is important to institute a program that prioritizes energy efficiency services whenever possible to households with the highest consumption. Also, NYSERDA believes that utility bill information for all customers referred for energy efficiency services should be provided in referrals to assist with the prioritization process. If the utilities and NYSERDA are able to better identify and prioritize energy efficiency services to customers with excessive consumption, the realization of significant reductions in both energy burden and arrearages increases may be possible. To facilitate prioritization, a standard set of utility consumption data provided with each referral is essential.

- NYSERDA recognizes the importance of feedback regarding referrals back to the utilities. NYSERDA supports DPS staff position that a stronger and more comprehensive approach to the design and delivery of low-income programs can ensure services are provided to the most vulnerable customers. NYSERDA believes that the referral of low-income customers for energy efficiency services is an integral part of a comprehensive approach to program design and delivery and will contribute to the meeting the objectives set forth in this proceeding to reduce the energy burden for low-income customers.

NYSERDA – Reply

- Repurposing of Clean Energy Funds to Support Low Income Rate Discounts -- In response to AARP's suggestion of the use of Clean Energy Fund or other NYSERDA funded monies: (from CEF proposal) First, NYSERDA believes an effective means of providing long term, sustained bill savings to consumers can come through participation in energy efficiency programs. Second, the implementation of energy efficiency programs provides system benefits, such as avoided distribution system costs, which can result in the moderation of costs to all consumers, regardless of participation in an energy efficiency project. Third, the CEF proposal takes into account the total ratepayer impacts realized by supporting clean energy activities.
- For low-to-moderate income consumers, multiple strategies will be needed to achieve bill relief, and should be pursued simultaneously. Rate discounts may be able to provide more immediate forms of relief, while energy efficiency activities can provide sustained bill reductions, and will reduce, and in some cases eliminate, the need for future rate discounts. NYSERDA recommends that the Commission not adopt the recommendation to repurpose funds that would otherwise support energy efficiency and other clean energy options for LMI consumers and for energy consumers generally.

Nobody Leaves Mid-Hudson

- NLMH expresses the concern that Staff's proposal reflects the voice of utilities and not the voices of people who are actually low income customers. The organization states that it values the comments by Public Utility Law Project (PULP) and AARP immensely, and shares a great deal of their recommendations. However; NLMH contends that it is

critical to also consult the communities that will be most impacted and are truly the experts on utility affordability. Further, it states that the best approach would have been to convene stakeholder meetings and done concerted outreach to a diverse set of low income people to gauge their needs, ideas, and vision for statewide affordability. Clearly this did not happen and this lack of front-end input is reflected in Staff's report.

- NLMH states that given this lack of input, the organization and allies in the Energy Democracy Alliance (EDA) attended the July 30th technical conference to ask questions about the proposal, and provide their technical knowledge of the real world impact of low-income programs. NLMH states that they felt that their voices were not welcomed, their knowledge and questions were treated as non- technical and experiences brushed off. NLMH feels that Staff can do better and that the PSC can be a forum for all stakeholders. Further, it contends that its participation can shape this proposal in a more positive direction and is looking forward to collaborating on this.
- NLMH suggests that a good first step is convening public statement hearings throughout the state, starting with Poughkeepsie, Syracuse, Buffalo and Albany. This will serve as an important opportunity for impacted communities to speak and make their concerns a part of the process. Also, it urges Staff to call on each utility to meet with low-income people and organizations in their respective service territories to develop solutions on a local level that take into account local conditions.
- NLMH states that it has a number of concerns with the proposal. One key concern is about the extremely limited eligibility criteria. It states that utility HEAP recipients represent a fraction of the low-income people who actually need assistance. NLMH gave an example of one of its members who did not get HEAP because enrollment had closed out. This member had been unable to leave her home due to serious medical conditions and the fact that her driveway was frozen over. She explained her circumstance, but was unable to get HEAP for the year. NLMH contends that this member would not benefit from the low-income discount as is being proposed now. If affordability is the goal, eligibility needs to be expanded, and the Lifeline criteria recommended by low-income advocates like PULP should be reconsidered.
- NLMH states that when this eligibility concern was raised during the technical conference, Staff's response was that if eligibility is expanded, it will necessarily narrow

benefits because the pool of money is fixed. NLMH notes that it is fixed at less than 1% of utilities' revenues. Moreover, while ratepayers shoulder the burden of financing low-income programs, utilities are making large profits for their investors. It further notes that the current rate structure is regressive, punishing low-income people for whom a basic service charge makes up a larger portion of their bills.

- NLMH argues that if the purpose of this proceeding is to ensure that low-income customers are not overly burdened with their energy bills, it is necessary to expand eligibility. The use of the Lifeline criteria is one way of reaching more of the low-income people, who are currently very burdened with their energy bills. NLMH points out that many in its group have been shut off, have had to choose between heating and eating or buying medicine, and have had to ask family members to make painful sacrifices just to keep the lights and heat on. It contends that more eligibility is needed, not less, and more benefits, not less.
- NLMH states that the consequences for low eligibility and low benefits are immense. Most of its members have had some experience with shutoffs. No matter how hard they try, there simply are not enough jobs and income in the Hudson Valley to pay high utility bills. Hence, shutoffs are the inevitable result. It described how one of its members lived for over a year without power. She faced the stigma of being known as “the lady without light.” She worried for her young family’s well-being because they were forced to live by candlelight. There are too many people facing this situation, because the system is broken.
- NLMH opines that if we begin with the premise that utility service is a basic necessity for low-income people, efforts will be made to find ways to increase funding. NLMH points out that the proposal flatly states that “No amount of available funding is likely to meet the total needs of all eligible households.” It contends that this is a wrong approach. Instead, it emphasizes that we must start with the vision for meeting low-income people’s needs, and then find appropriate ways to finance this effort. Further, NLMH states that it firmly believes that it is Staff’s job to be actively searching for financing mechanisms, and that it is not impossible to imagine a significant increase in funding for utility assistance, what is currently lacking is the will power and imagination.

- NLMH states that there are many alternatives that would increase available funds and more equitably distribute the burden. It contends that the proposal did not address the idea of an inclining block rate, which would reduce the burden on low-use ratepayers (including many low-income customers). Also, eliminating basic service charges that disproportionately impact low-income, low-use customers would prevent rate hikes at the expense of the most vulnerable. Another missed opportunity for increasing funding is to charge industrial customers who currently pay as much as an individual customer at an amount that reflects their higher usage and profitability. This would raise hundreds of millions of dollars. Finally, NLMH contends that it is an outrage that utilities are making huge returns for their investors while low-income people are being shut off and choosing whether to heat their homes or feed families. It argues that if utilities' return on investment was directly tied to low-income program funding, it is confident that utilities would find plenty of opportunities to invest in low-income programs.
- NLMH states that the proposal does not set a target for reduced shutoffs or reduced arrearage. It wonders how the success of the program could be measured if there no concrete goals on the most basic impacts of the lack of utility affordability. Once again, while Staff notes that this proceeding stems in part from the 277,000 terminations that took place in New York State in 2014, the proposal begins with the idea that large volume shutoffs are a fact of life. Therefore, a substantive examination and standardization of low-income programs would involve a measurable reduction in this devastating reality. It further contends that the proposal would reflect a very different set of interests if it began with the premise that we need to reduce service termination by half, and addressed this goal with eligibility expansion, financing increases, and recommendations for increased consumer protections.
- NLMH states that it found that shutoffs and utility debt disproportionately impact communities of color in Poughkeepsie and probably other parts of the State. It opines that this is likely due to bad housing stock, a history of residential segregation and disinvestment, and the racial dynamics within the utilities. It contends that it is critical to understand racism as another root cause of affordability crisis. This can be done getting utilities to track the demographics of service terminations by tracking shutoffs based on

census block. With better information, interventions can be developed to address the root causes of unaffordable utility bills and move toward great equity.

- NLMH states that whereas, Staff bracketed the question of energy efficiency as a means to achieve affordability, many of its members living without access to energy efficiency or weatherization, energy efficiency is a root cause of unaffordable utility bills. It states that most of its members are faced with living in houses with outdated appliances and poor insulation in Poughkeepsie because the housing stock has suffered from years of racially motivated disinvestment.
- Finally, NLMH urges Staff to adopt a different approach in the development of proposals about low-income programs. NLMH believes that as people who are directly impacted by these programs, they are the experts and have a great deal of knowledge about what these programs look like in real life. It contends that this knowledge base has not been sufficiently tapped within this proceeding. It hopes that this comment, public statement hearings, and innovative forms of consultation can begin to remedy this omission.

OTDA

- OTDA supports the use of a percentage rate discount rather than a multi-tiered, fixed rate approach. OTDA points out that the percentage rate discount can be uniformly applied, is easier to implement, lessens administrative costs, lessens privacy concerns associated with data exchange necessary for programs that rely on individual income analyses of eligible customers, and can be applied on a monthly basis with a computerized billing system programmed with the rate reduction.
- OTDA supports a longer winter moratorium, while at the same time acknowledging that the Staff Report says this issue is outside of the scope of this motion.
- OTDA opposes the Staff Report proposal that would reduce or eliminate low income utility discounts for emergency HEAP recipients as OTDA believes that the proposal is based on the faulty assumptions that emergency HEAP incentivizes customers to fall into crisis, and that emergency HEAP helps reduce energy burdens.
- Lastly, OTDA objects to the Staff Report's proposal to automatically enroll all HEAP clients into budget billing, and points out that automatically enrolling HEAP recipients into budget billing programs, without their consent, would be a violation of the federal

LIHEAP statute and the HEAP utility vendor agreement, which prohibit being adversely treated based upon the receipt of HEAP assistance.

PSEG

- PSEG commented on their low income program which is comprised of a rate discount, a weatherization component, and advocacy and outreach. Household Assistance Rate (HAR), the rate discount program provides eligibility through HEAP and through other assistance programs. HEAP, Temporary Assistance and SSI recipients are automatically enrolled in HAR. Discounts provided totaled over \$1 million in 2014.
- Residential Energy Affordability Program (REAP) is PSEG's energy efficiency program. The program provided for 2,474 households resulting in an average of 995 MWH of energy savings and \$2.69 million in expenditures. Savings averaged per household at \$95 annually. The consumer advocacy and outreach budget was over \$580,000 assisting about 2,000 customers in 2014.
- PSEG LI opposes limiting eligibility to HEAP recipients since it would exclude eligible customers who do not receive HEAP benefits for whatever reason. PSEG LI agrees with grandfathering in existing programs where benefits would decrease from the current low income customers. PSEG LI notes the Energy Affordability Proceeding overlaps with their current rate proceeding.

PULP – Initial

- Design of the Affordability Program -- The Commission should endorse and implement a uniform statewide "Affordability Rate" for essential electric and natural gas service for qualified residential customers. Program should emphasize a significant discount on the entire bill and simply offer a modest fixed monthly bill credit that is not related to the customer's actual bill amount. This is the simplest approach because it reflects the current "best practice" program design for some NY utilities and can be implemented directly by the utilities with relatively minor added administrative costs.
- 1) The Staff has recommended a methodology that, to our knowledge, is not being implemented in any other State and pairs artificially narrowed eligibility criteria with reductions in benefits to some existing recipients based upon a calculation that disregards

their eligibility in favor of keeping costs below an artificial ceiling in a given utility's service area. For example, benefits are not individually calculated.

- Staff's program design is not simple to understand. The utilities in the Technical Conference indicated it would be challenging to implement. The dollar amount of assistance is likely to result in questions and concerns from customers that will require the utilities to expend scarce resources to create a bill presentation that would explain.
- 2) The program design would eliminate bill payment assistance for some low income customers who are currently receiving benefits under the current electric and gas programs. Staff's justification is not reasonable since the Staff assumes that the design of the program to achieve a 6% energy burden is not a reflection of each customer's actual usage and income.
- 3) The program design provides a benefit only for the first usage block of the customer's bill and does not, ensure that the total bill is affordable or that the customer's total bill receives needed assistance.
- 4) The program design purports to create a benefit that assures that participating customers will not pay more than 6% of their household income for essential energy services, but Staff's proposal cannot accomplish this since it is based on average income and usage calculations that do not reflect the customer's actual income and usage characteristics.
- PULP recommends the Commission order electric and gas utilities to implement a total bill discount of sufficient amount to deliver significant assistance, similar to that in CA and MA. This significant rate reduction to customers whose need has been demonstrated to other agencies providing assistance is also consistent with the reference in the 2015 State Energy Plan to California's CARE plan.
- PULP does not agree with limiting the rate reduction to only a portion of the customer's bill. PULP continues to recommend a discount program similar to that of CA and MA that results in a practical rate reduction of 25-30% on the total bill.
- PULP will not endorse a program that eliminates benefits from HEAP eligible customers and is not based on an actual customer-specific analysis of affordability—it is additionally unreasonable to assert Staff's proposals are based on a 6% energy burden analysis when this is in fact demonstrably not the case.

- The objective of this reform must be to ensure that customers receive adequate and reasonable benefits that are designed to impact the affordability of the customers' actual electric and gas bill. Staff's proposal does not result in a program that achieves the intent and purposes of a PIPP program. It is not possible to implement a true PIPP type program at this time due to the lack of cooperation and integration of ODTA and other assistance agencies for implementation in the short terms.
- Eligibility for the Affordability Program -- Reduced rates should be available to those with household income at or below 200% of federal poverty level. At a minimum, programs should use the criteria of the NY telephone Lifeline program. The use of 200% of federal poverty criteria for this program as a catch-all income qualifier would mirror the discount program in MA and CA.
- PULP suggests, at a minimum, adoption of the program eligibility of the Con Ed gas affordability program, although we believe the public interest would best be served by adoption of the enhanced Lifeline criteria set forth above. Not only has Staff failed to include other means-tested financial assistance programs in its recommendations, but the proposal to rely on HEAP eligibility is significantly defective because it does not even include all electric and natural gas customers who receive HEAP benefits. Staff's proposal would only serve those HEAP customers whose benefits were directed to the natural gas or electric utility even though most of the other households that receive HEAP and who are eliminated in the Staff's proposal also have a gas or electric account. Only 25% of NY's current HEAP recipients received a direct utility benefit and that is the only group of customers that Staff recommends this program apply to. More importantly, HEAP is only available during certain months of the year and it may be difficult for a customer to apply for the plethora of programs available. Further, Staff's proposal does not properly include customers whose HEAP benefit is allocated to a utility that is not a combined gas-electric provider. Staff's focus on eligibility criteria that artificially limit enrollment would result in a program that would serve only about 21% of the NYS households truly in need of utility assistance.
- Categorical Eligibility for the Affordability Program -- The Commission should focus on a program that reaches the greatest number of qualified low income customers in the most cost effective manner. Staff's approach appears more concerned about the costs of a

specific program design than with the identification of a robust program that would actually address the need for universal service and affordability.

- While the Staff apparently relies on a proposal from National Grid with regard to using certain HEAP benefits levels to structure its proposed discount program, National Grid's comment also describe fixed discount approaches, referencing the implementation of the MA 25% discount on the total bill, stating that it is "very successful in terms of cost effectiveness and reaches a large number of low income customers."
- The Utility Project recommends that the Commission should strive to require that the mandated program reach all 1.65 million electricity and gas customers (including the separate electric and gas accounts of customers split between two utilities) that are represented by households subject to the eligibility set forth above, and with:
 - -Income less than 200% of the Federal Poverty Level, and who
 - -Spend more than 30% of their income on housing costs, and
 - -Pay at least one utility (electric and/or gas) bills.
- At the very least the Commission should require that the mandated program reach all HEAP customers with an electric or natural gas account and the Commission should seek to obtain the cooperation of other State Agencies through Gubernatorial or legislative action, if needed to develop the automated communication protocols to reach the same customers who are eligible for the Lifeline Program.
- ODTA or DSS can add a statement to their applications that allows the agency to release the customer's eligibility, at a bare minimum, this should be done for HEAP in NY.
- The Utility Project urges the Commission to communicate with the Governor and with State Agencies that implement means-tested financial assistance programs, to gain the authority and expertise to implement an efficient and effective enrollment method that captures more customers than the relatively small group of HEAP customers that is the focus of Staff's recommendations.
- Arrears Management Programs -- We recommend expenses for arrears management programs be evaluated for costs effectiveness and success in furtherance of universal and continued service objectives.
- The Staff's recommendation appears to suggest rigid payback period for a customer's arrears, but does not include any information to determine if those arrears payback

requirements would be reasonable or achievable by the affected customers. A properly designed cost-benefits analysis of such proposed programs could likely find a balance of cost effectiveness, impact upon the revenue requirements(s), impact upon a customer's financial health, and period, and should be conducted in each such rate case where a program is suggested.

- PULP recommends that the Commission follow the arrears management programs initiated by MA or NJ (described in our March comments), and which have been widely viewed as successful by stakeholders in those areas. The customer is enrolled in a robust bill payment assistance program that reduced the total bill amount either through a significant discount or a customer-specific PIPP calculation. The customer is then solicited to participate in a one-time arrears management program that offers significant relief from old arrears balance in return for a modest payment that is designed to be affordable and ensure success.
- Any arrears owed for longer than 60 days that were created by ESCOs that charged in excess of utility rates, or that “slammed” customers, failed to allow them to cancel service, or otherwise engaged in other violations of the uniform business practices or consumer protection law, the Commission could order the IOUs that forgive such debt.
- Social Services Law -- We recommend scrutiny of existing public aid programs for customers who receive shutoff notices or whose service is shut off for bill collection purposes many customers in financial distress need a “one-shot” grant of utility assistance under Social Services Law §131-s to re-stabilize household budgets. This program has become unreasonably restricted. Removing aid restriction would promote continued service, further public health and welfare, and could lessen some burdens now shifted to all utility customers through uncollectible bills and high collection costs.
- PULP strongly advocates the Commission communicate with the Governor and urge the creation of an inter-agency coordinating council whose purpose would be to identify, obtain and apply to this low-income affordability program all available federal, state and private grant monies that could potentially defray at least in part the impact of this program upon the bills of New York's energy ratepayers.
- Reallocation of Rates for the Affordability Program -- We recommended that the Commission direct utilities to file proposals for low income rate reductions meeting

standards prescribed in this case including their formulae for allocating the revenue impacts of the new program in a reasonable and equitable manner. Such proposals might include repurposing of current surcharges, instead of reducing them. Utilities should be required to file plans for affordable rates in their rate proceedings proposing options for new rate designs and reallocation of revenue so as to achieve the affordability objectives in reasonable ways. There may be different solutions proposed by the utilities that make it wiser for them to propose rate design and revenue reallocation solutions than to prescribe a single methodology at this time.

- The Staff fails to recognize or discuss the potential sources of funding other than reallocating the total costs of its proposed program to the bills of other ratepayers, particularly failing to discuss the recommendations of PULP with respect to repurposing existing Clean Energy Funds. PULP also suggests NYPA “stream” low-cost power to the utilities. PULP also suggests the Commission seek support for that program as a line item in the General Fund portion of the Executive Budget at a 2:1 match to funds raised for the ratepayers.
- PULP’s proposal to expand the bill discount and eligible customers will cost more than the Staff’s proposal. If the Commission is serious about the need to ensure universal service and affordable essential electric and gas service for low income customers, the scope and scale of the current programs must be reformed and significantly increased.
- Furthermore, if the REV initiatives actually do result in opportunities for lower income customer to experience lower electric bills this outcome will ameliorate the costs of the affordability program as well. However, if this well-intended outcome does not occur, i.e. that the costs of the REV initiatives and REV-mandated investments exceed the benefits in the form of lower electricity rate and bill for low income customers, those most likely to suffer with this result should not bear this risk.
- PULP respectfully requests the Commission’s endorsement of the program in these Comments, with immediate (if only interim) steps taken to include all HEAP recipients with a gas or electric bill in their names, until a necessary software interface can be implemented that would allow for the expansion of eligibility to include all Lifeline-conferring programs.

- PULP opposes the Staff’s proposed method of cost recovery in rates. Staff’s proposal would shield larger commercial and industrial customers from an obligation to fairly contribute to any affordability program because of the recommendation that recovery be assigned on a “per customer” basis. Multiplying the per residential customer budget (per Staff’s proposal) by each utility’s average number of residential customers, then dividing the product by the actual units of energy sold by each utility in 2014 as reported to the Commission and in this manner, without increasing the allocation to residential ratepayers beyond the budget Staff has proposed, \$524 million (45%) of the funding for our recommendation for a broad-based affordability program can be achieved (Appendix 5).
- PULP opposes Staff’s proposal to use higher prices charged by ESCOs to calculate the appropriate discount for customers enrolled in the affordability program. Such an approach would reward ESCOs for charging higher prices and adversely impact the costs of the program funded by other ratepayers. Rather, we recommend that any discount be based on the applicable default service price for generation supply service.
- We suggest the following phase-in should be considered regarding the rate reduction we have suggested in these Comments
 - In year 1, the residential customers’ allocation should be between 60% and 75% of the amount calculated by PULP in Appendix 5
 - In year 1, the commercial and industrial customers’ (C+I) allocation should be 60% of the amount calculated by PULP in Appendix 5.
 - In year 2, both the residential and C+I customers’ allocation should be at 100% of the amount calculated by PULP in Appendix 5
 - In year 3, the allocation to other funding sources should be added in at 100% of the amount calculated by PULP in Appendix 5
 - For all years of the program, the PSC should calculate the amount of rate reduction to be conferred by multiplying the total amount of rate reduction by the percentage of penetration of the actual number of enrolled eligible households versus the total number of eligible households.
 - We note this phase-in may be modified in our Reply Comments subject to our analysis of the filings of other parties.

- Terminations and Reconnection of Service -- We urge Staff to address the issue that some utilities follow vastly different policies concerning when termination take place and there is an apparent difference in the volume and timing of residential terminations.
- PULP agrees with the concerns identified by the Staff and the recommendations with respect to the need for utilities to focus on reasonable payment plans as opposed to the reliance on issuing a termination notice and threats of termination. PULP urges the Commission to focus on creating performance standards and specific investigations of this matter in future utility rate cases. PULP supports elimination of the reconnection charge for any low income customer participating in these programs.
- In conclusion, before the parties and staff continue on to the next stages of this proceeding, it is worth taking a moment to reflect upon the irony that the program regarded as the State's broadest based and most effective energy assistance program for low and fixed-income households, HEAP, does not reach all those that are eligible, and that Staff's proposed program based upon HEAP, reaches only a 25% subset of those that succeed in obtaining HEAP in some form. That is why we have advocated forcefully in this proceeding for a robust and uniform statewide program with far wider eligibility than that proposed by staff, and with a far higher benefit.
- The barriers cited by the Staff's Report can be overcome with dedicated and high level coordination, similar to the Commission's implementation of the REV proceeding in which Statewide and Gubernatorial initiatives have enabled the proceeding to move at a speed unseen in many years in the PSC's deliberations.

PULP – Reply

- There are three themes with a very strong consensus among the utilities and consumer organizations:
 - The program design does not meet the requirements announced by the Commission itself for such a program
 - the Staff's eligibility criteria are too narrow, resulting in the exclusion of more than 50% of low-income utility customers, which is unacceptable
 - the budget or funding targets are too low.
- Overall, PULP continues to recommend a program design that:

- Reflects a roughly 30% fixed percentage rate reduction the total bill
 - Bases the eligibility for the rate reduction on comprehensive eligibility criteria such as those reflected in NYS's Telephone Lifeline Program (as well as the criteria currently reflected in Con Edison's gas low-income program
 - Establishes a funding target to recover the revenue foregone from low-income customers that reflects a meaningful and comprehensive program funded by all customer classes in an equitable manner, including contributions from other funding sources
 - defers for future consideration certain aspects of the Staff's proposal with respect to arrears management and budget billing.
- Opposition to the Proposed Program Design -- PULP endorses the shared concerns and comments on the Staff's tiered rate-reduction approach (UIU, ODTA, CEC, the City of NY, and Alliance for a Green Economy). PULP endorses various notations made by some utilities, including National Grid, who indicated "certain tier 1 customers would see their benefit reduced to \$0," Con Edison, who indicated "electric discounts will be reduced from \$9.50 to \$7 per month. For O&R, the reduction is even greater." PULP also agrees that, "More than 85% of Con Edison's low income program participants will receive a smaller discount than they currently receive." Further, PULP supports, "The City respectfully submits that Con Edison's program is functioning well, is administratively efficient and streamlined, and reaching most of the low income population in NYC."
 - UIU and OTDA also opposed the tiered rate-reduction approach proposed by Staff. OTDA raised important issues about the absence of a relationship between the HEAP benefits level and the applicant's household income, thus rejecting the rationale of Staff's reliance of those benefit levels to assume a certain household income level used to calculate the Staff's fixed bill credit proposal. Many stakeholders supported PULP's recommendation for a broad-based percentage discount program design.
 - PULP recommends that the Commission eschew Staff's complicated multi-tiered rate-reduction approach and focus solely upon a percentage discount applied to the total bill.
 - The Need for Robust Eligibility Criteria -- There was widespread rejection by the Parties of the relatively small subset of low-income gas and electric customers who would

receive rate and bill reductions under Staff's proposal. PULP continues to recommend that any affordability program rely not only on HEAP benefits (including those who receive any HEAP benefits is the recipient has a gas or electric account and those who obtain HEAP for a non-utility fuel vendor, a "renters benefits," and "emergency" HEAP), but should also include those who are enrolled in comparable means-tested financial assistance programs, such as those reflected in Con Edison's natural gas program and the criteria used for the New York Telephone Lifeline Program. Such eligibility criteria would deepen the pool of eligible customers.

- Lack of Support for Staff's Arrears Management Program Structure -- Although some parties did not comment on the issue of arrears management, as noted above concerning other aspects of the Staff's proposal, there was little support for the Staff's arrears management program, particularly the required payback requirements. While PULP recommended Staff's proposal for arrears management not be adopted, PULP does not recommend that existing arrears management programs should be entirely eliminated at this time. PULP recommends the design of an effective arrears management program requires first the customer is able to afford and pay the "current" bill (the bill with the low-income rate reduction) prior to entering into a negotiation to establish the reasonableness of payment requirements for an arrears balance.
- Consequently, PULP recommends the Commission at this time focus completely on the priority of developing the rate reduction program, and once that has been allowed to run for some years while being studied, the Commission might consider the statewide guidance on arrears management programs.
- Lack of Support for Mandatory Budget Billing -- A number of stakeholders opposed the Staff's requirement that customers participating in the affordability program must enroll in budget billing. PULP agrees.
- Deficiencies in the Rate Design Recommended By Staff for Reallocation of Foregone Revenue from Low Income Customers -- PULP continues its opposition to the unfair cost allocation methodology proposed in the Staff Report. Consumer advocacy organization, including AARP, UIU, CEC, and Alliance for a Green Economy, rejected the Staff's recommendation for the reallocation of the revenue from low-income customer foregone due to the affordability program. Comments include: "...At least \$600 million is needed

for the low income program,” “Walmart and Chase Manhattan Bank should not pay the same surcharge as a residential customer,” “AARP recommends the Commission initially seek other sources of funding, and then if necessary, allocating and recovering any remaining low income program costs on a usage basis to all customer in all customer classes.”

- Insufficiency of the Rate Reduction Level and Funding Requirements -- There was a general opposition to the Staff’s proposed total rate reduction limit of roughly \$179 million for its proposed affordability program.
- Given REV and this proceeding, it is imperative that substantial progress be made to reform and improve the current New York programs in the near term. PULP urges the Commission to first design a robust program, such as the 30% rate-reduction reflected in its Comments. The program must also address affordability as recommended by most stakeholders to include a significant percentage bill reduction applicable to New York gas and electric customers with incomes at or proximate to 200% of poverty level and who has an electric and/or gas account in their name. The reallocation of revenue foregone from low-income customer can be phased in along with its implementation if necessary. PUKP supports seeking funding from reapportioned NYSEDA funds, the General Fund, and to explore other funding options (such as low cost power from NYPA).
- Inappropriate Use of Terminations as a Bill Collection Measure -- PULP urges the Commission to initiate audits or investigations into how utilities might be misusing the termination option for bill collection in the context of pending and future rate cases, as well as affordability burdens exacerbated by collection of higher ESCO charges and late payment charges, which greatly exceed the utilities’ allowed returns on equity and cost of debt. At the very least, utilities should be held to a performance standard to prevent over-reliance on this drastic toll that has significant health and safety impacts on residential customers and their families. Innovations that reward utilities that reduce terminations should be expanded.
- PULP agrees that the primary focus of this proceeding should be the development of a robust and well-funded percentage rate-reduction program to ensure that the resulting energy bill is affordable.

- Opposition to Reconnection Fees -- PULP reiterates its long-standing position concerning reconnection fees and the speed with which reconnections should be effected, and agrees with Staff's recommendation to eliminate the reconnection charge for any low-income customer participating in these programs
- Proposals for Increased Integration of Efficiency Measures and DER into the Proposed Low-Income Program -- PULP supports a more robust low-income affordability program and supports the need for coordination with and expansion of existing efficiency programs, including exploring DER programs for customers who are unlikely to respond to market-based incentives. PULP recommends the Commission focus first and foremost on the development of a robust rate reduction program. In a companion proceeding, or after a statewide rate reduction program has been established, then the Commission might turn its attention to the need for further integration and coordination of other programs that might affect the ability of lower-income customers to make timely payment on their gas and electric bills. PULP is concerned the Commission not rely on future undefined and unevaluated programs to "solve" the affordability gap.
- It appears the Staff program design, eligibility criteria, and funding level and methodology have been broadly rejected. There is a consensus that:
 - Staff design does not meet Commission requirements
 - Customer eligibility criteria is too narrow
 - Staff targets for total bill reductions are too low.
- PULP recommends:
 - A roughly 30% fixed percentage rate reduction on the total bill
 - A rate reduction be available based on comprehensive eligibility such as Lifeline as well as criteria in Con Edison's gas low-income program, with the addition of SCRIE and DRIE enrollment as eligibility criteria
 - Funding target reflects a meaningful and comprehensive program funded by all customer classes in an equitable manner, as well as contributions from other funding sources
 - Certain aspects of the Staff's proposal with respect to arrears management and budget billing be deferred for future consideration and not adopted at this time.

- PULP respectfully requests the Commission issue an interlocutory Order: establishing the parties' agreed-upon robust eligibility criteria as a uniform statewide criterion for low income rate reduction programs, thereby allowing New York's eligible energy consumer to begin signing up for such programs, instructing DPS Staff to begin consulting with OTDA to institute data matches similar to those used to verify eligibility for Lifeline; and seeking such additional authority as may be necessary to institute the data match coordination with OTDA necessary for this program.

Roger Colton

- 1) The costs identified in the Staff report appear to be the difference between bills that are rendered at discounted rates and bills that are rendered at the full standard rate. This difference does not necessarily represent the incremental costs of a low-income affordability program. Gross program costs are not the same as incremental program costs.
- The percentage of low-income accounts in arrears far exceeds the incidence of low-income customers in the residential population and the percentage of low-income dollars in arrears exceeds the percentage of low-income accounts in arrears (indicating that not only are disproportionately more low-income accounts in arrears, but also that they are further in arrears).
- If a utility is not collecting its revenue even if in the absence of a low-income program, to recognize that loss of revenue up-front in a discount does not represent a "cost" attributable to the program.
- 2) Staff gives short-shrift to reasons why customers do not participate in HEAP and populations (if any) who are underrepresented in HEAP.
- 3) No one should assert that low income bill affordability should be delivered "no matter the cost." Expanding income eligibility does not necessarily expand the costs of a low-income bill affordability program. Rate affordability assistance should not be provided to someone simply because they are poor, but instead be in recognition of the inability to pay because of an unaffordable burden.

- What should be considered by PSC: There should be a minimum payment, maximum ceilings on benefits, consider whether certain income-eligible customers should be excluded because they receive public benefits designed to pay their home energy bills, such as people who receive utility allowances while residing in public and assisted housing. (For the same reason HEAP benefits should be netted against a low-income customer's bill.)
- 4) Staff conclusion that ratepayer-provided assistance should not be provided to customers whose bills are included in their rent is appropriate.
- 5) Automatic enrollment cannot be limited to HEAP recipients. HEAP is primarily a heating and cooling program. ODTA should be requested to notify electric utilities of HEAP benefits to customers whose benefits do not go to the electric provider.
- 6) Much of what Staff discusses about home energy burdens is appropriate. But I recommend increasing the proposal use 120-130% of the average as "the affordability block of usage," as there are too many legitimate reasons why a customer might consume somewhat "above average." At minimum, the affordability block of usage should be set at the median. Adoption of a maximum benefit ceiling would aid this.
- 7) Staff appropriately recommends the "household energy cost should be adjusted to account for the HEAP payment received by the customer."
- 8) "Automatic enrollment of participants in the utility's budget billing program" is appropriate (to avoid a low income customer having to "make up" funds not billed during non-heating months). But, HEAP payments are not designed with budget billing in mind, and may also result in a low income customer having to "make up" funds not billed. Conclusion is not to avoid budget billing but that it may be more complicated than it would first appear.
- 9) The Staff's proposal that a utility make an annual budget for the low income program and on an annual basis, even if the utility exceeds its annual budget, there would be no change in benefit levels and participation levels would not be capped, is appropriate. But doing this on an annual basis does not take into account various factor that can affect costs. If more people participant in lower income tiers, this will be more expensive. Staff errs in asserting that the only reason program costs would increase is because of increased participation. Certain limits should be placed on the recommendation (if

spending goes over budget) that the utility should adjust its percentage discount in the following year to reduce discounts until program costs fall within the budget limit.

- An appropriate spending point to implement this would be 10% over budget. A maximum affordability ceiling of 10% is well-founded. Yes, affordability is a range and not a point. This should only occur if the modification results in a minimum change in the % discount, (1 or 2% should be avoided, should only occur in whole percent points, and if a change would result in a modification of the discount of more than 2%, may be appropriate).
- Discount level modifications should begin with the highest income tier(s) and then go downward as necessary. Modifications should be made first to the highest income levels, then to increasingly lowest income levels only when needed.
- 10) Staff appropriately notes that an arrearage forgiveness program is an essential part of any bill affordability program. However, bad debt is not the only contribution to a utility's revenue requirement that low income arrears cause, a larger contribution involves the contribution that the level of arrears makes to a utility's working capital. The calculation made by staff that "any administration costs of a properly designed arrearage forgiveness program should produce a net savings in reduced collection costs," is somewhat more involved. The positive impact of an arrearages forgiveness program might result from an increase in the effectiveness and/or efficiency of activity rather than in a reduction in collection activity. Utility collection efforts (thus collection costs) might remain the same, but instead generate a greater return on expenditure because arrears forgiveness would put collection efforts into those who can afford to pay their bills, instead of those who cannot.
- 11. Agrees with Staff that there is not a limit on what a customer can owe to participate in the arrears forgiveness program. While it is Staff recommendation to leave each utility the authority to establish its own approach, utilities should be specifically authorized (not required) to split arrears into increments. Ex. \$4,000 in arrears could be split into two increments of \$2,000, where the second is frozen and subject to a new program once the first one has been retired. Two benefits from this approach: 1) Customers will make a corresponding larger contribution, over time, toward retiring those arrears since more

months will be required to complete forgiveness plan; 2) Prevents utility arrearage forgiveness budget from being swamped with large unpaid balances.

- 12. The 10% budget limit for an arrearage forgiveness program is likely to be insufficient to address the needs. A chart provided shows from various Pennsylvania Customer Assistance Program (CAP) budgets, a small percent in the last 5 years of 16 companies fall within the proposed 10% budget limit. Similar chart for Maryland Electric Universal Service Program would likely indicate the same result.
- 13. Staff's proposal to adopt a "sliding scale" forgiveness program has merit and should be approved (well suited to meet financial and programmatic objectives). Commenter agrees that only if customer pays bills, then should arrears be forgiven. However, a timeliness requirement in addition to requirement of current bills be paid in full should not be adopted. Arrears credits should be earned as bills are paid over time. The reasoning is that the utility has done their part in providing an affordable bill and it is now the customers turn to do their part in paying that bill. The consequence of the customer failing their part is not a loss of arrears credits, but rather they are placed into the collection cycle, the same as any other customer with an affordable bill.
- From a policy perspective, overlapping layers of "incentives" clouds the fundamental underlying proposition that in recognition of unaffordable burden posed by utility bills at standard rates, the low income customer is allowed to take service under the low-income program. It is then the customer's responsibility to make full and timely payments irrespective of any further "incentive"
- In addition not to impose timely payments for an arrearage program, it is provided from both the New Jersey and Pennsylvania programs, that it is reasonable to expect 90% of bills paid over annual basis in which an occasional bill may be missed or partially paid, however made up the following month.

Senator Kevin S. Parker, 21st District

- We respectfully request the Commission take the opportunity of this proceeding to mandate a statewide affordable energy rate that will apply to every energy utility.
- NY has some of the highest energy prices in the US.
- Existing low income programs are insufficient in light of the Great Recession.

- Affordable energy services for low/moderate/fixed income residential New Yorkers is in the critical public interest and a matter of grave concern that must be addressed without delay.
- The rate should be a percentage reduction of low-income customer's utility bill
- Rate should be mandatory and statewide, uniform percentage, provided the Commission may order areas of extreme average cold or heat conditions can receive high discounts when appropriate.
- Eligibility criteria should include households up to 175% of federal poverty guidelines and should include receipt of Lifeline, HEAP, Medicaid, and other assistance including SSI, TANF, SNAP, and Safety Net Assistance
- Cost should be equitably spread to other customers and customer classes
- To extent possible, utilities should have automatic enrollment and promote programs for energy efficiency, weatherization, and other customer assistance programs
- Commission policy should be to act to avert termination of water or heating.
- Providing a robust low income rate that will ensure that low/moderate/fixed income New Yorkers are neither excluded from the benefits of a 21st century energy grid nor forced to pay a grossly disproportionate percentage of their incomes on energy.

Senator Robert G. Ort, 62nd District

- Senator Ort supports the concept of creating a program that helps make utility rates more affordable for low income individuals, as well as, for all individuals. However, he questions the logic behinds placing additional fees on ratepayers to fund the program.
- New York needs to do more to lower energy costs overall, specifically eradicating the 18-a assessments that all ratepayers are forced to pay.
- Western New York is currently experiencing lower energy costs due to passing programs that involve renewable energy (net metering, solar power tax credits, and hopefully in near future geothermal energy tax credit programs).
- The \$20 and \$35 electric and gas customer charges are high monthly surcharges.

Sierra Club

- This program should be available to all low income citizens of NY at a reasonable threshold of family income. Current inequities based on where a family lives must be resolved. For example, automatic enrollment would ensure that all households under 60% of the state's median income are able to receive utility benefits.
- Program should be adequately funded
- Lower utility bills through winterizations, low cost renewable energy, and home repairs.
- A small fee/percentage on energy bills is fine, but larger entities should be charged more appropriately.
- There should be more research into forgiveness of arrears and proposals made to adjust to a range of circumstances including possibility of debt forgiveness.
- No terminations during cold periods
- There should be an evaluation process in place to determine how this program works, does it meet the needs of customers, are there ways to cut costs.

Solix

- Solix identifies itself as a third-party administrator of a range of complex programs, with expertise in complex regulatory program management, eligibility determination, customer care, and program compliance. Solix states it supports the PSC's and Staff's desire to 'balance the interests of participants and non-participants' and to 'maximize benefits and minimize costs'.
- Solix states that a potential approach to take in this proceeding is a centralized system that utilizes uniform eligibility criteria and to the extent possible, automated system solutions for secure eligibility processing and data management. Solix points out that following along this line of thinking, a third-party administrator may be a useful solution. Solix says that an experienced third-party administrator could serve as a partner to the NYS PSC and participating utilities; providing a common operating platform while maintaining flexible program options that can be individualized to each utility and the local community it serves. Solix states that this unified but flexible model would help to ensure that limited funding reaches those most in need while providing consistent decisions and program effectiveness

monitoring. Solix states that a third-party administrator can effectively interact with both service providers and subscribers, and is able to provide comprehensive support.

- Solix presents an examination of the LITE-UP Texas program, (referenced in the Staff Report) in order to provide additional details about a current working model. Solix has served as the Texas Low Income Discount Administrator (LIDA) since 2004. Solix discusses Texas's use of a coordinated enrollment process which utilizes a monthly data file e provide by the Texas Health and Human Services Commission. Solix postulates that coordinated enrollment at the state level drives efficiency.

UIU

- The DPS Straw Proposal is under-inclusive because it fails to enroll over half of NYS low income customers (limitation to HEAP recipients). The overarching issue for resolution for the low-income program is enrollment of all eligible customers. UIU recommends a two-phased approach:
 - 1) multi-faceted enrollment, Lifeline eligibility criteria, automated enrollment would expand to include Lifeline customers. The discount during this phase would be based on a uniform broad-based discount.
 - 2) Developing a more sophisticated system to achieve a targeted energy burden for all eligible customers (targeted 6% energy burden).
- Statistics from the Instituting Order indicate a number of customers not receiving a low income discount are struggling to pay the bills as well, perhaps attributable to their preclusion from receiving the discount. Expanding the program to enroll all eligible customers would decrease the amount in arrears, uncollectible accounts, and terminations.
- The initial administrative burden of identifying and including all eligible low income consumers in the utility discount program would be temporary at most. A low income discount with increased administrative costs may also produce offsetting benefits by resulting in 1) fewer terminations, 2) fewer arrears balances, 3) fewer collection and other administrative costs, 4) fewer reconnection fees, 5) less bad debt, 6) increased low-income customer revenue, and 7) increased health and social benefits resulting from energy security. However, even if a net administrative burden is anticipated, this cannot

allow qualifying New York households to receive no discount, while similarly-situated low income counterparts receive a full one.

- DPS' Straw Proposal's statement that "customers seeking a utility HEAP benefit self-select into a program that provides utility bill assistance, demonstrating a relatively stronger need for the utility low income program," is not supported. The bulk of HEAP recipients are automatically enrolled by OTDA when approved for other programs. Also some people may not be able to apply for HEAP during the application process for various reasons. Further, two-thirds of HEAP-eligible rate payers do not receive a HEAP grant due to a deficit in funding.
- Ideally, New York's utility affordability program would feature 1) Lifeline eligibility criteria applied to all gas and electric utility low income discount programs, 2) automated enrollment through matching or other computer software technique, and 3) each customer's discount based upon that customer's family income so as to achieve the targeted 6% energy burden.
- Phase 1 (steps occurring concurrently or consecutively):
 - 1) Issue an order to update tariffs to prohibit the assessment of reconnection fees on low income program participants and eligibility will be set to include Lifeline program criteria
 - 2) Continue discussions of determining the actual percentage fixed discount based upon each utility's average heat and non-heat residential bills, to be reset annually, and the other recommendation of the DPS Straw Proposal regarding arrears forgiveness and budget billing as well as UIU's interest in improving coordination among utility low income programs and New York's energy efficiency and weatherization programs to make better use of available resources so as to reduce the size of waiting lists.
 - 3) Utilities work with DPS Staff, OTDA, UIU and other interested parties to develop a standard utility low income application form (including language allowing applicants to agreeing to their utility learning or verifying their income).
 - 4) Utilities work with DPS Staff, OTDA, UIU and other interested parties to develop a statewide public outreach campaign.

- 5) Con Edison, NYC's Human Resources Agency and Westchester County's DSS continue their semi-annual matching of customer names with people receiving benefits, including criteria not currently included for electricity discount.
- 6) KEDNY and KEDLI work with NYC HRA to institute semi-annual matching. PSEG-LI works with OTDA to institute automatic enrollment of HEAP recipients and other eligible programs.
- 7) Utilities sign MOUs with OTDA/OITS to gain limited access to the state-wide database to confirm low income program applicants' eligibility, such as telephone companies with Lifeline.
- 8) OTDA/OITS make software adjustments to accommodate gas and electric utility access to the state-wide database for the limited purpose to verify eligibility for low income discounts.
- 9) State agencies complete revision of common application form used to apply for a variety of social service programs other than HEAP to include language allowing people to share their status as a recipient of a benefits such as SNAP or SSI and income with their utility.
- Phase 2:
- Develop processes for more sophisticated low income certification and discount for a targeted energy burden. Lifeline customers would be automatically enrolled in utility low income programs. Through software, utilities would learn the income of eligible customers so discounts can be fit to the customer.
- Cooperation between all state agencies that operate low income programs is key, including establishing an Energy Affordability Intergovernmental Task Force (senior management from DPS, HCR, NYSERDA, LIPA, NYPA, State Office for Aging, DOS, and other state entities addressing low income customers and affordable energy).
- With inter-governmental coordination, UIU believes New York can ensure that all ratepayers with family incomes at or below 60% of SMI have the opportunity to participate in utility low income programs designed to achieve an energy burden not greater than 6% through implementation of elements of the Con Edison low income discount program and the lifeline telephone models.

- The Commission must take concrete steps towards enhanced utility evaluation protocols, more rigorous data collection methods, and consistently monitor implementation of the low income program by utilities and all relevant data that may bear upon its success.

Various Individual Comments

- More than 70 public comments were received from individuals who are not affiliated with any organization or group.
- Some were opposed to low income program expansion, which they believe which unfairly adds to the burden of ratepayers who keep up with their obligations; and that there is no incentive for recipients to conserve and to meet the financial obligations.
- Most; however, were supportive of the program, and its expansion. Many were low income utility customers, who described the difficulties they have faced maintaining utility service, and the need to improve energy affordability for the poorest customers.

BENEFIT LEVELS

(all values rounded to nearest whole dollar)

Central Hudson								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$18	\$23	\$6	\$23	\$18	\$34	\$6	\$3
Tier 2	\$18	\$39	\$6	\$39	\$18	\$50	\$6	\$3
Tier 3	\$18	\$72	\$6	\$56	\$18	\$67	\$6	\$3
Tier 4	\$18	\$0	\$6	\$0	\$18	\$0	\$6	\$0

Con Edison								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating*		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$10	\$10	\$10	\$10	\$50	\$50	\$2	\$3
Tier 2	\$10	\$10	\$10	\$10	\$50	\$50	\$2	\$3
Tier 3	\$10	\$22	\$10	\$14	\$50	\$50	\$2	\$3
Tier 4	\$10	\$0	\$10	\$0	\$50	\$0	\$2	\$0

New York State Electric and Gas								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$19	\$3	\$10	\$3	\$13	\$3	\$7	\$3
Tier 2	\$19	\$11	\$10	\$11	\$13	\$18	\$7	\$3
Tier 3	\$19	\$28	\$10	\$28	\$13	\$34	\$7	\$3
Tier 4	\$19	\$0	\$10	\$0	\$13	\$0	\$7	\$0

Niagara Mohawk								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$15	\$11	\$5	\$11	\$11	\$3	\$11	\$3
Tier 2	\$15	\$27	\$5	\$27	\$11	\$16	\$11	\$3
Tier 3	\$15	\$44	\$5	\$44	\$11	\$33	\$11	\$3
Tier 4	\$15	\$0	\$5	\$0	\$11	\$0	\$11	\$0

Orange and Rockland								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$27	\$56	\$18	\$56	\$17	\$35	\$6	\$3
Tier 2	\$27	\$72	\$18	\$72	\$17	\$51	\$6	\$3
Tier 3	\$27	\$91	\$18	\$88	\$17	\$68	\$6	\$3
Tier 4	\$27	\$0	\$18	\$0	\$17	\$0	\$6	\$0

Rochester Gas and Electric								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$24	\$3	\$5	\$3	\$6	\$3	\$2	\$3
Tier 2	\$24	\$9	\$5	\$9	\$6	\$13	\$2	\$3
Tier 3	\$24	\$26	\$5	\$26	\$6	\$30	\$2	\$3
Tier 4	\$24	\$0	\$5	\$0	\$6	\$0	\$2	\$0

Keyspan Long Island								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1					\$18	\$41	\$4	\$3
Tier 2					\$18	\$57	\$4	\$3
Tier 3					\$18	\$74	\$4	\$3
Tier 4					\$18	\$0	\$4	\$0

National Grid NY Gas								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating*		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1					\$17	\$17	\$3	\$3
Tier 2					\$17	\$17	\$3	\$3
Tier 3					\$17	\$30	\$3	\$3
Tier 4					\$17	\$0	\$3	\$0

National Fuel Gas								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1					\$5	\$3	\$5	\$3
Tier 2					\$5	\$12	\$5	\$3
Tier 3					\$5	\$31	\$5	\$3
Tier 4					\$5	\$0	\$5	\$0

***Note: Con Edison Gas and National Grid NY heating discounts include estimated values for volumetric component of discount.**

Low Income Program Budget Summary

	Energy Burden		Current Budget	New Budget	Budget Increase	Percent of Total Revenues	Typical Average Res. Bill Impact	Typical Monthly Res. Bill Increase
Central Hudson	6.00%	Electric	\$2,895,000	\$8,915,946	207.98%	1.14%	0.99%	\$1.12
		Gas	\$1,345,000	\$3,209,619	138.63%	1.56%	1.36%	\$1.31
		Total	\$4,240,000	\$12,125,565	185.98%	1.22%		
Con Edison	6.00%	Electric	\$48,500,000	\$57,634,618	18.83%	0.52%	0.10%	\$0.17
		Gas	\$10,900,000	\$11,892,792	9.11%	0.58%	0.05%	\$0.06
		Total	\$59,400,000	\$69,527,410	17.05%	0.53%		
NYSEG	6.00%	Electric	\$9,368,425	\$13,292,596	41.89%	0.77%	0.28%	\$0.23
		Gas	\$2,961,097	\$6,903,243	133.13%	1.34%	1.18%	\$0.88
		Total	\$12,329,522	\$20,195,839	63.80%	0.90%		
NiMo	6.00%	Electric	\$11,850,000	\$53,672,258	352.93%	1.40%	1.78%	\$1.41
		Gas	\$8,345,000	\$12,569,997	50.63%	1.35%	0.80%	\$0.54
		Total	\$20,195,000	\$66,242,256	228.01%	1.39%		
O&R	6.00%	Electric	\$2,600,000	\$14,834,220	470.55%	1.96%	1.94%	\$2.65
		Gas	\$1,900,000	\$5,461,920	187.47%	1.84%	1.71%	\$1.78
		Total	\$4,500,000	\$20,296,140	351.03%	1.93%		
RG&E	6.00%	Electric	\$4,179,916	\$7,143,587	70.90%	0.86%	0.39%	\$0.34
		Gas	\$2,724,619	\$5,152,757	89.12%	1.17%	0.82%	\$0.57
		Total	\$6,904,535	\$12,296,344	78.09%	0.97%		
BUG	6.00%	Gas	\$10,400,000	\$23,580,580	126.74%	1.48%	0.75%	\$0.73
KEDLI	6.00%	Gas	\$4,800,000	\$7,297,920	52.04%	0.65%	0.21%	\$0.23
NFG	6.82%	Gas	\$9,700,000	\$16,165,185	66.65%	1.95%	1.17%	\$0.84
TOTAL/Average		Electric	\$79,393,341	\$155,493,224	95.85%	1.16%	0.91%	\$0.99
		Gas	\$53,075,716	\$92,234,014	73.78%	1.33%	0.89%	\$0.77
		Total	\$132,469,057	\$247,727,238	87.01%	1.23%		

QUARTERLY LOW INCOME REPORT

[Company Name]

LOW INCOME PROGRAM

QUARTER ENDING:

3/31/2016

ITEM DESCRIPTION	CUSTOMERS		
	Electric-only	Gas-only	Combination
1a. Rate discount participants - Total			
1b. Tier 1			
1b. Tier 2			
1c. Tier 3			
1d. Tier 4			
1e. New enrollments			
1f. Exited customers			
2a. Arrears forgiveness participants - Total			
2b. New enrollments			
2c. Exited customers			
2d. Completed			
2e. Defaulted			
2f. Cancelled (customer request)			
2g. Other			
4a. Energy efficiency program participant referrals - Total			
4b. EmPower-NY			
4c. Other			
3. Participant reconnection fees waived - Total			
	DOLLARS		
	Electric	Gas	
5a. Rate discounts - Amount expended			
5b. Over/undercollection			
6a. Arrears forgiveness - Amount expended			
6b. Over/undercollection			
7a. Reconnection fee waivers - Total			
7b. Remaining balance			
8. Average bill - Heating			
9. Average bill - Non-heating			
10a. Total Over/Under Collection			
10b. Regulatory Asset/(Liability) Balance-End of Qua			
	COLLECTION DATA		
	Customers	Dollars	
11. Participant Arrears - Total			
12. Termination notices sent to participants			
13a. Participants terminated			
13b. Heat-related			
14a. Participants reconnected			
14b. Due to HEAP/DSS			
14c. Due to DPA			
15a. Active Participant DPAs - beginning of period			
15b. DPAs made			
15c. DPAs reinstated			
15d. DPAs defaulted			
15e. DPAs satisfied			
15f. Active Participant DPAs - End of Period			
15g. Participant DPAs in Arrears >60 days			
16. Participant Uncollectibles			
17. Budget Billing Participants			
17a. Credit Reconciliations (overcollection)			
17b. Debit Reconciliations (undercollection)			

CASE 14-M-0565

Commissioner Diane X. Burman, dissenting:

As reflected in my comments made at the May 19, 2016 session, I dissent on this item.

1 **16.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 11.0**

2 16.3 Please provide the Ontario Energy Board Report “A Review of Low
3 Income Energy Assistance Measures Adopted in other Jurisdictions,”
4 Concentric September 4, 2008.

5 **RESPONSE:**

6 Please refer to BCOAPO 16.3 Attachment 1 for the report “A Review of Low Income
7 Energy Assistance Measures Adopted in other Jurisdictions,” prepared by Concentric
8 Energy Advisors for Ontario Energy Board.

**BCOAPO 16.3 ATTACHMENT 1: A REVIEW OF LOW
INCOME ENERGY ASSISTANCE MEASURES
ADOPTED IN OTHER JURISDICTIONS**

**A REVIEW OF LOW INCOME ENERGY
ASSISTANCE MEASURES ADOPTED IN OTHER
JURISDICTIONS**

Prepared for:

The Ontario Energy Board

September 4, 2008



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The views expressed in this report are those of Concentric Energy Advisors and do not necessarily represent the views of, and should not be attributed to, the Ontario Energy Board, any individual Board Member, or OEB staff.

I. EXECUTIVE SUMMARY

The Ontario Energy Board retained Concentric Energy Advisors, Inc. to prepare a report that summarizes the policies, programs, and measures that have been implemented by regulators in other jurisdictions to assist low-income energy consumers. Concentric's research indicates that low-income energy assistance programs have been established and implemented in many different jurisdictions. This report examines programs that have been adopted in Canada, the United States, the United Kingdom, Australia, New Zealand, France, Spain, and Finland.

Our research indicates that a common purpose of these programs is to help make electric and natural gas service more affordable to consumers with incomes below some specified threshold or to provide assistance to consumers whose energy bills represent more than a certain percentage of their household income. This objective typically is accomplished through direct rate assistance, reductions or waivers of service charges and support for energy efficiency programs. However, Concentric has not found any evidence that a separate rate class has been implemented for the benefit of low-income energy consumers.

Low income energy assistance programs ("LIEPs") may be categorized into several distinct groups: (a) rate discounts or waivers; (b) modified rate designs; (c) alternative billing methods; (d) customer rebates; (e) conservation and demand side management programs; (f) budget or equal billing; (g) payment plans for past due accounts; (h) waivers of late payment charges; (i) waivers or reductions of customer security deposits; (j) limits on disconnections; and (k) reduced or waived fees for reconnections.

Eligibility requirements for low income energy assistance programs are typically tied to qualification for some other form of government assistance, such as: (a) payments from a government-administered retirement plan; (b) disability or veterans' benefits; (c) some form of public welfare or social assistance; and (d) donations or assistance from churches or charitable organizations.

In our view, it is important for the regulatory authority to define the term “low income energy consumer” or “fuel poverty” or “utility financial hardship” before it attempts to develop and implement a specific policy or program that addresses the issue of energy affordability. There are a number of other relevant questions that a jurisdiction must answer when it is considering how to design and implement a policy or program to address the needs of low-income energy consumers, including: (a) how is the program funded?; (b) what are the eligibility criteria?; (c) who determines customer eligibility requirements?; (d) who administers the program?; (e) how are customers notified of program availability?; (f) is there a procedure for reviewing the program?; (g) how do you measure the success of low income energy assistance programs?; and (h) what are the implementation issues?

To the extent that a low income energy program involves charging higher rates to some customers in order to subsidize low-income customers, that program is properly seen as harnessing the market power of a monopoly in order to overcharge certain customers who lack sufficient competitive alternatives to allow them to leave the system when faced with monopoly pricing. In other words, discriminatory rates that take advantage of a utility’s market power may be incompatible with the primary underlying purpose of public utility regulation which is to act as a substitute for competitive markets.

Funding for low-income energy assistance programs is derived from a variety of sources including federal government grants, provincial/state and local government dollars, surcharges and assessments on utility customer bills, and charitable donations. On occasion, budgetary constraints or different legislative priorities have resulted in the elimination of some low-income energy programs in Canada and elsewhere.

Evaluations of low-income energy programs generally have found that the programs have been cost effective and successful at reducing the number of households who cannot afford electricity and natural gas services. Several evaluations have suggested, however, that the programs fail to target the poorest of the poor. The evidence appears to suggest that many low-income energy assistance programs have provided a significant societal benefit. However, this benefit must be weighed against the cost to subsidize this customer segment,

and the regulator must consider whether it is equitable for taxpayers or utility customers to finance this subsidy.

Finally, many different organizations have a role in the design and implementation of a low-income energy assistance program, including: (a) the passage of social policy agendas by parliamentary or legislative bodies to establish such programs; (b) judicial guidance or interpretation of relevant statutes; (c) economic and financial expertise of regulatory authorities in developing a program that meets the needs of the low income consumer while balancing the need for just and reasonable rates; (d) development of tariff proposals and rate structures by utilities for the benefit of low-income energy customers; (e) and cooperation with social welfare agencies and charitable organizations in establishing eligibility requirements and assessing customer needs.

II. INTRODUCTION

A. Purpose of Research Report

The Ontario Energy Board (the “Board” or “OEB”) retained Concentric Energy Advisors, Inc. (“Concentric”) to prepare a report that summarizes the policies, programs, and measures that have been implemented, mandated, or allowed by regulators in other jurisdictions to assist low-income energy consumers. The Board wishes to examine and investigate the various low income energy assistance policies and programs that have been implemented in other jurisdictions for the purpose of informing the Board’s consideration of the merits of such programs and their applicability for Ontario.

The purpose of Concentric’s report is to describe and evaluate the policies, programs and measures that have been implemented in other jurisdictions to address the impact of electricity and natural gas costs on low-income energy consumers. The report categorizes the various low income policies and programs that have been implemented, and, whenever possible, examines the effectiveness of those policies and programs as measured by the costs and benefits, as well the level of customer participation. The report covers a broad spectrum of regulatory jurisdictions, including those in Canada, the United States, the United Kingdom, Australia, New Zealand, France, Spain, and Finland. Finally, the report discusses the role of regulators, utilities, charitable organizations, and other interested parties in developing and implementing low-income energy assistance programs that are cost effective and efficient.

The report does not draw any specific conclusions or offer any recommendations; rather, the purpose of the report is to summarize the current state of low income energy assistance programs in order to encourage thoughtful and informed debate of the relevant issues related to low income energy assistance programs in Ontario. The report will have achieved this purpose if it both educates and stimulates the reader to consider different perspectives before reaching any conclusions about the benefits or costs of such programs.

The research for this report is based on publicly available data, supplemented by contributions from Concentric’s in-house experts who have direct experience designing low

income energy assistance programs and who have performed academic research and made scholarly presentations concerning the costs and benefits associated with those programs.

B. Goals and Purposes Commonly Cited for Low Income Energy Assistance Programs

Low-income energy assistance programs (“LIEPs”) have been established and implemented in many jurisdictions. A common purpose of these programs is to help make electric and natural gas service more affordable to consumers with incomes below some specified threshold, such as the government-defined poverty level, or to provide assistance to consumers whose monthly energy bills represent more than a certain percentage of their monthly income. Low-income programs can serve a variety of other public interest goals, including to: (a) safeguard and protect the public health and welfare of the citizens; (b) augment incomes or standards of living for the lowest income energy customers; (c) encourage conservation and more efficient use of energy resources; (d) reduce customer care costs for utilities; (e) reduce uncollectible accounts and bad debt expense for utilities, and (f) reduce carbon emissions and greenhouse gas levels.

C. Role of Various Entities in Providing LIEPs

Many different entities are involved in the provision of a low-income energy program. The program is often established through some legislative or parliamentary action, such as the passage of new statutes that encourage or allow the development of programs that enhance the affordability of energy services for low-income consumers. However, some programs are initiated by the utilities in order to control costs and customer debt. Regulators are then expected to evaluate the alternative proposals and develop a policy that balances the needs of low income customers against the needs of ratepayers generally and the investor-owned or publicly owned (i.e., government-sponsored) utilities. Once the program goals and objectives have been determined, the regulators must decide who will be eligible for assistance, how the program will be funded, how the program will be implemented, and how the program will be administered. Eligibility requirements are typically tied to some specified household income threshold or qualification for some other form of government assistance, such as: (a) payments from a government-administered retirement plan; (b) disability or veterans’ benefits; (c) some form of public welfare or social assistance; and (d)

donations or assistance from churches or charitable organizations. In most instances, a low-income consumer is eligible to receive energy assistance programs if they can demonstrate eligibility for some other form of public assistance.

Low income programs are funded through a variety of sources, including federal government grants, provincial or state government programs supported by tax dollars, utility-sponsored direct rate assistance or energy efficiency rebates, utility managed surcharges or rate subsidies, and donations from churches and charitable organizations such as the Red Cross, United Way, and specific organizations that were formed for the express purpose of raising funds and distributing grants to support low-income energy consumers. Depending on the type of program, it may be administered either by a government agency, a utility, a charitable or religious organization, or some combination of the foregoing. For utility administered programs, regulators will typically establish some reporting mechanism that allows them to monitor and evaluate the success of the low-income program during the early years of implementation. Regulators may also be expected to develop and disseminate customer education materials to increase public awareness and participation in low-income programs. An effective customer education program describes the available assistance programs and the eligibility requirements.

D. Brief History of LIEPs

Low-income energy assistance programs have been adopted and implemented in numerous jurisdictions around the world. Low-income energy assistance programs receive greater attention during periods when energy prices are rising rapidly and future energy supplies are in doubt. In recent years, programs have been implemented in response to concerns that increasing costs for electricity, natural gas, and home heating oil have a more significant impact on low-income households. Elected officials, appointed regulators, and government agencies have determined that the public interest is served by providing reduced rates or subsidies to low-income energy consumers in order to enhance the affordability of residential heating and cooling; services that are often considered essential to human life. Further, low-income energy programs are often tied to energy efficiency programs, which seek to reduce consumption and therefore consumer energy costs by granting financial

incentives and tax rebates to residents to weatherize their homes and purchase more efficient heating systems and appliances.

Canadian History

The provincial and federal governments in Canada have adopted various measures from time to time to address rising energy costs. The amounts and lengths of the programs reflect varying government budget priorities. In Canada, several low income programs were approved by the federal government in 2006, but those programs were not funded in subsequent years. Specifically, the Energy Cost Benefit was intended to provide rate assistance to residents of all ten Canadian provinces based on household income and qualification for other social assistance programs such as the National Child Benefit and the Guaranteed Income Supplement. In 2006, the Energy Cost Benefit program planned to provide a total of \$565 million to 3.1 million eligible low-income consumers.¹ It was funded through federal and provincial grants, and payments were made directly to eligible recipients. However, funding for the Energy Cost Benefit was discontinued in 2007. Similarly, the EnerGuide for Low-Income Households was sponsored by the Canadian Housing and Mortgage Corporation. It was intended to offer direct financial assistance of between \$3,000 and \$5,000 to low-income households to defray the cost of items such as draft-proofing, heating system upgrades, and window replacement. In 2006, the EnerGuide program was expected to distribute payments of \$500 million to eligible low-income residents in all ten Canadian provinces, including Ontario. However, funding for the EnerGuide program was not approved.

As part of its 2006 Budget, the Ontario Government initiated the Ontario Home Electricity Relief program. It provided \$100,000,000 in one-time assistance “to help low-income individual and families adjust to higher electricity costs”.² Individuals with net incomes under \$20,000 received from \$10 to \$60, depending upon income level; while families with net incomes below \$35,000 received from \$20 to \$120. The program funds were not linked to energy consumption, but only to income level.

¹ Subsequent federal accounts indicated approximately \$200 million was spent on this program.

² See Ministry of Finance Press Release June 22, 2006.

United States History

As a result of the increase in oil prices resulting from the Organization of Petroleum Exporting Countries (“OPEC”) oil embargo in 1973, the United States federal government became involved in awarding energy assistance funds to low income households, beginning in federal fiscal year 1973. The Low-Income Home Energy Assistance Program (“LIHEAP”) in the United States was established by the federal government in 1981 in response to continued concerns about the impact of rising energy prices on low-income consumers. LIHEAP distributes funds to state governments in the form of block grants, according to a formula based on each state’s weather and low income population. The states then distribute those funds to eligible low income energy consumers. Officials determined that rate assistance was appropriate for households that were spending more than a certain percentage of their annual income on home energy requirements. Energy prices stagnated between the middle 1980s and the late 1990s, and support for low-income energy assistance programs waned to some extent. However, natural gas and electricity prices have escalated substantially during the current decade.

History in the United Kingdom

Similarly, in an effort to tackle fuel poverty in the United Kingdom, the Office of Gas and Electricity Markets (“OFGEM”) published a document in March 2000 titled “The Social Action Plan.” According to the plan, a household was considered to live in “fuel poverty” if it spent more than ten percent of its income in order to heat its home to the temperatures recommended by the World Health Organization (i.e., 21 degrees C in the living room and 18 degrees C in other occupied rooms). The document stated that approximately five million households in Great Britain spent more than ten percent of their income to heat their homes, while approximately 1 million households spent 30 percent of their income on fuel. The UK average at the time of this 2000 report was between four and five percent. The report cites a survey that found that the majority of households living in fuel poverty were pensioners, often single household pensioners, who were mainly reliant on the state pension. The 1996 English House Condition Survey showed that those aged 60 and over accounted for around half of all fuel poor households, those with young children accounted for 17 percent, and single parent households accounted for ten percent.

Current Conditions

Once again, low-income energy consumers are facing difficult economic choices, and some elected officials, regulatory authorities, and utilities are considering additional programs or funding support to preserve the affordability of essential heating and cooling services. Many jurisdictions are studying this issue at present, and new proposals are being submitted to regulatory bodies for consideration by groups who represent the interests of low-income consumers and senior citizens. Although few people question the need for some form of energy assistance program for low-income households, there has been considerable debate over how these programs should be designed, implemented and funded in order to benefit those who most need assistance while maintaining social equity for the general body of ratepayers. This report examines those issues, and summarizes the policy response of regulators in different jurisdictions.

E. Taxonomy of LIEPs

Low income energy assistance programs may be classified or categorized into several distinct groups, as follows: (a) rate discounts or waivers; (b) modified rate designs, such as inverted block rate structures; (c) alternative billing methods; (d) customer rebates; (e) conservation and demand side management programs; (f) budget or equal billing; (g) payment plans for past due accounts; (h) waivers of late payment charges; (i) waivers or reductions of customer security deposits; (j) limits on disconnections; and (k) reduced or waived fees for reconnections. The actual LIEP implemented may consist of one, or some combination of two or more of these separate programs. Each of these programs is described in more detail in Section V of this report.

F. Research Approach and Methods Employed to Develop the Survey

Concentric surveyed a wide variety of primary and secondary data sources in developing this report in order to gather a set of data for each of the countries designated by the Board in its RFP. The data were then categorized and synthesized into tables and spreadsheets in an effort to identify patterns and trends. The data were filtered and arrayed for purposes of presenting information on a broad spectrum of different approaches to low-income energy assistance policies or programs across different countries, provinces, or states. Additional

details were then sought on those policies, programs, or measures that were found to be of particular interest. Concentric has attached as appendices to this report a summary of the data that were gathered for each specific jurisdiction, which will allow the Board and participating parties to review the complete compendium of available information. In this way, Concentric seeks to maintain the integrity of the research process and to enable participants to draw their own conclusions about the data. Please see the Bibliography for a complete listing of sources relied upon in conducting this survey and compiling this report.

G. Remainder of the Report

The remainder of this report is comprised of seven sections. Section III summarizes current low income energy assistance programs in Canada. Section IV discusses issues and considerations in determining the need for low-income energy assistance programs. Section V summarizes and categorizes low-income energy assistance policies and programs that have been implemented in other jurisdictions. Section VI reviews funding sources and levels for low-income energy programs in various jurisdictions. Section VII offers information regarding the effectiveness of several low-income energy assistance programs. Section VIII suggests some considerations associated with designing and implementing a low-income energy assistance program. Section IX contains concluding remarks and observations. Complete research results are summarized by jurisdiction in the attached Appendices. Appendix A contains a narrative summary of selected low-income programs in the United States, the United Kingdom, Australia, New Zealand, France, Spain, and Finland. Appendix B provides detailed information on funding sources, participation levels, eligibility requirements, and types of rate assistance offered to low-income customers in the U.S. Appendix C summarizes low-income energy assistance programs in Canada, the United States, the United Kingdom, Australia and New Zealand in table format.

III. SURVEY OF ONTARIO AND CANADIAN FEDERAL GOVERNMENT ENERGY ASSISTANCE PROGRAMS

This section provides a brief summary of currently effective Canadian programs that seek to address the issue of electricity and gas cost affordability for low-income energy consumers. Following is a brief summary of the low-income programs offered in Ontario. For a fuller overview of LIEPs available in all Canadian provinces and territories, please refer to Appendix C of this report. While Concentric attempted to include as many programs as possible, the attached appendix should be considered a representative sample rather than an exhaustive compilation of low-income programs in the provinces.

Emergency Energy Fund (“EEF”): This program provides financial assistance to low-income Ontarians, including social assistance recipients and people on fixed incomes, who are facing an energy related emergency (i.e., disconnection notice). The fund is not limited to electricity arrears; it may also cover natural gas, oil and other forms of energy. Funding is limited to assistance for payment of arrears, security deposits and reconnection fees. Funding for the program is provided by the Ministry of Community and Social Services at 100%. Municipalities are the service system managers for the EEF and are responsible for the administration of the program and for determining eligibility based on their assessment of need and long-term ability to manage energy costs.

Ontario Power Authority: In 2008, the Ontario Power Authority (“OPA”) issued a series of RFPs for program managers to deliver several additional programs intended to benefit low income energy consumers through conservation and energy efficiency initiatives. One new program targets multi-family buildings and is designed to enhance the energy efficiency of buildings with six or more residential units. A second program targets low income homeowners and residents of single family houses. The primary objectives of the two programs are: (a) to reduce the demands on the electricity system for peak summer demand; (b) to reduce the energy burden imposed on low income residents and their housing providers and/or building owners, managers, and operators; and (c) to raise awareness among low-income households and their support networks about the benefits of energy conservation.

Community Start-Up and Maintenance Benefit (“CSUMB”): The benefit is provided to social assistance recipients to assist in establishing a new principal residence (e.g., fuel and hydro deposits) to prevent eviction or the discontinuance of utilities or heating in an existing residence or to restore services if they have been disconnected. CSUMB may also be issued where there is a threat to the health or welfare of a recipient or their family (e.g., the cost to rent a generator). The amount of CSUMB payable is up to a maximum of \$1,500 for social assistance recipients with one or more dependent children, or \$799 where there are no dependent children in a 24 month time period. In addition, discretionary benefits may be available to Ontario Works/Ontario Disability Support Program (“OW/ODSP”) recipients to help with the cost of payments for continuation of hydro or heating service, low-cost energy and water conservation measures, and initial deposits required by landlords or others for rent, hydro and heating where necessary.

Share the Warmth: STW is a registered not-for-profit charity that purchases heat and energy on behalf of low-income families, senior citizens, and terminally ill and disabled persons living at or below the poverty level. The program is funded by charitable contributions. In 2007, STW increased its emergency energy assistance to low-income households to exceed \$600,000.

The Winter Warmth Fund: Eligible low-income households that have current or expected utility arrears can receive assistance from the Winter Warmth Fund to pay their energy bills. The United Way administers the program through a network of community-based agencies across the Province. Funds are credited directly to the electricity or gas account. The program is sponsored by a number of utilities including Enbridge Gas Distribution, Union Gas, Toronto Hydro, Enersource, HydroOttawa and Powerstream, and funded through charitable donations to the United Way and network agencies.

The Heat and Warmth Program: THAW provides seasonal emergency financial relief to cover the cost of utility bill arrears in order to avoid disconnection of service. The program is sponsored by London Hydro.

Fund for Utility Service Emergencies: FUSE provides emergency assistance that directly helps residents to retain electrical, water and sewage services and to avoid evictions. The program is sponsored by Peterborough Utilities Services.

Heat Bank – Waterloo Region: The Heat Bank can provide residents with one-time per year emergency assistance with heating bills when they have exhausted assistance through Regional Social Services or are not eligible for assistance through STW.

Keep the Heat – Windsor and Essex Counties: Keep the Heat provides energy assistance to eligible low-income households experiencing financial difficulties and/or in receipt of a notice of termination of utilities. The public and affected families are also educated about energy conservation and provided with tools such as window insulation kits.

Shelter Fund – Toronto: This fund is available to OW/ODSP recipients in Toronto who have one or more dependent children under the age of 18. This benefit, up to a maximum of \$1500, may be received in addition to CSUMB to assist with last month's fuel and electricity security deposits (i.e., establishing new account for services), rental, utility, or fuel arrears.

Rural or Remote Electricity Rate Protection: This long-standing program provides rate assistance to eligible electric customers in rural and remote areas of Ontario. The program is authorized under Section 79 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Schedule B) and its associated Regulation, O. Reg. 442/01 as amended. The subsidy program was continued after the electric market was opened to competition in May 2002. The program serves customers of Hydro One Networks, Inc., Hydro One Remote Communities, Inc., Great Lakes Power Ltd., Attawapiskat Power Corporation, Fort Albany Power Corporation, and Kashechewan Power

Corporation. Eligibility criteria as set out in the Regulation relate to service characteristics such as customer class, location and distributor, or distributor type, service territory size, and customer density. According to information provided by OEB staff, approximately 350,000 Hydro One customers receive rate assistance of \$127 million per year, 3,500 customers of Hydro Remote receive assistance of between \$21 and \$22 million per year, and an unspecified number of customers of Great Lakes Power receive between \$2 and \$3 million per year. Program delivery is achieved through subsidy of the distribution rate, which is paid to the distributor in recognition of the high costs associated with serving customers in rural and remote areas. The program is funded through a charge of \$0.01/kWh per customer that is standard on all approved rate tariffs.

Several federal government programs provide financial assistance to improve residential energy efficiency across all provinces and territories. However, the federal government does not currently offer any direct rate assistance to low-income energy consumers. Current federal programs in Canada which are available to all consumers are summarized below:

ecoENERGY Retrofit for Homes: In January 2007, the federal government introduced the ecoENERGY initiative to help Canadians use energy more efficiently, boost renewable energy supplies and develop cleaner energy technologies. ecoENERGY Retrofit for Homes provides home and property owners with grants of up to \$5,000 to offset the cost of making energy-efficiency improvements. Only homes that have undergone a residential energy efficiency assessment by an energy advisor licensed by Natural Resources Canada will be eligible for grants. The ecoENERGY Retrofit grant is based on the type and number of energy improvements that have been made, and how much the efficiency of the home has been improved. The grant is based on how effective that upgrade is in saving energy, not on the cost of the upgrade. The maximum grant one can receive per home or multi-unit residential building is \$5,000; whereas the total grant amount available to one individual or entity for eligible properties over the life of the program is \$500,000.

Residential Rehabilitation Assistance Program (“RRAP”) for homeowners: Sponsored by the Canada Mortgage and Housing Corporation (“CMHC”), this program offers financial assistance to low-income homeowners for “mandatory” home repairs that will preserve the quality of affordable housing. The program helps people who live in substandard dwellings and cannot afford to pay for necessary repairs to their home. Homeowners may qualify for assistance if their property is eligible and if their total household income is at or below the Income Threshold set by CMHC. In general, mandatory repairs related to heating, structural, electrical, plumbing and fire safety are eligible for funding under Homeowner RRAP. Assistance is in the form of a fully forgivable loan. The loan does not have to be repaid if the homeowner agrees to continue to own and live in the same house during the earning period, which could be up to five years (the loan forgiveness period). The amount the homeowner could receive is based on the cost of mandatory repairs and the area in which the property is located.

Emergency Repair Program: Also sponsored by the CMHC, this program offers financial assistance to help low-income households in rural areas with emergency repairs required for the continued safe occupancy of their home. Only those repairs urgently required to make a house safe are eligible for assistance. Examples include: heating systems; chimneys; doors and windows; foundations; roofs, walls, floors and ceilings; vents, louvers; plumbing; and electrical systems. Assistance is in the form of a contribution which does not have to be repaid. The maximum contribution varies according to the cost of the repairs and geographic zone in which the property is located.

IV. ISSUES AND CONSIDERATIONS IN DETERMINING THE NEED FOR LIEPs

A. Reasons Cited in Jurisdictions that Adopted LIEPs

Jurisdictions that have adopted low-income energy assistance programs have cited a variety of different reasons. The majority of jurisdictions are concerned with improving the affordability of electricity, natural gas, and heating oil for low-income consumers. They recognize that low-income families spend a higher percentage of their household income on costs for heating and cooling their residence. According to a Statistics Canada custom tabulation of 2003 data requested by Green Communities Canada, the average Ontario household spent 3.9% of its pre-tax income on fuel and electricity, while the lowest income quintile spent 13.7% for this purpose.³ Political leaders and regulators are cognizant of the fact that low-income consumers are more negatively impacted by price increases for basic essential services such as electricity and natural gas. For example, when British Gas announced in July 2008 that it planned to increase natural gas prices by 35% and electricity prices by 9%, government officials expressed concern that such significant price increases would cause fuel poverty to rise further.

Regulatory authorities in some jurisdictions have expressed particular concern about the potential detrimental effect of service disconnections on customers who have medical conditions, or young children, or who are elderly. Those customers are viewed as more susceptible to rising energy prices, and regulatory bodies have sought to protect the public safety and welfare of those customer groups by placing restrictions on disconnections during certain times of year or when the temperatures are forecasted to reach extreme levels. Many low-income programs were implemented in conjunction with restructuring of the electric utility industry. Consumer advocates successfully argued that competitive choice would reduce the number of electric companies that were willing to serve poor customers because those companies could be expected to pursue more affluent customers in order to maximize their profits. Therefore, regulators adopted policies and programs to make certain that low-income customers would continue to receive electric service at affordable rates.

³ “A Low-income Energy Efficiency Program: Mapping the Sector and Program Design Principles,” prepared by the Toronto Environmental Alliance for the Ontario Power Authority’s Conservation Bureau, May 2006, at 4.

Regulatory authorities in many jurisdictions have also implemented energy efficiency programs as an important component of low-income programs. The most commonly cited reasons for these programs include: (a) the need to reduce energy consumption through conservation; (b) the desire to upgrade and modernize the housing stock for low-income residents; and (c) the desire to reduce carbon emissions or greenhouse gases.

B. Reasons Cited in Jurisdictions that Rejected or Discontinued LIEPs

Concentric's research did not reveal any instances when jurisdictions had outright rejected low-income energy assistance programs. However, there does appear to be considerable debate among interested parties concerning how the program is funded and whether a rate subsidy program may be considered discriminatory. In terms of program funding, Colorado voters were asked to consider a ballot proposal that would have made mandatory an assessment on customer's monthly bills to support programs for low-income energy customers. The proposal was soundly rejected by voters. Most opposition to the ballot initiative came from those who believed that such support should be voluntary rather than mandatory. Occasionally budget constraints or alternative priorities have caused governments to eliminate funding for low-income programs. This occurred in Canada in 2007, when the federal government declined to proceed with \$500 million in funding for a proposed program that would have granted financial assistance to low-income households for energy efficiency measures. Similarly, in response to severe budget problems, the Texas legislature eliminated that state's funding for low-income energy programs and re-directed the money to the General Fund. Finally, several state governments, including Florida, do not offer any state funding to supplement federal LIHEAP grants.

Some jurisdictions have been reluctant to implement programs that offer rate reductions to low-income energy consumers because they are concerned that such programs might be viewed as discriminatory pricing. In Great Britain, for example, utilities in 2004 requested guidance from OFGEM regarding whether social tariffs that charged a lower rate to low-income consumers would be considered discriminatory pricing. OFGEM responded that utilities were encouraged to offer low-income energy assistance programs to their customers, but were warned against proposing rates that might be perceived as anti-competitive or as an

attempt to abuse their dominant market position. In 2008, many utilities in the UK have introduced social tariffs that provide rate discounts for low income customers. On July 25, 2008, OFGEM adopted new guidelines regarding the types of initiatives that energy suppliers can include toward their social spending commitments. Please see Section V.C for a more thorough discussion concerning social tariffs in the UK.

C. General Principles to Consider in Respect to LIEPs

From the standpoint of both efficiency and equity, a low-income energy assistance program presents tradeoffs between various goals of regulation. Consequently, in designing a regulatory program to provide discounts or subsidies for low-income customers of utilities there are certain broad, general principles that ought to be considered.

i. Intent and Scope of Regulatory Mandate

The Court has ruled that the Ontario Energy Board Act charges the OEB with setting “just and reasonable rates” within the context of the objectives of the Act, and that one objective is to protect “the interests of consumers with respect to prices.” Further, the Court ruled that the Board may take into account the differing income levels of customers when setting rates. However, the Court’s decision does not require the Board to do so, and the decision discusses the fundamental tension between income-based rates and cost-based ratemaking, which is the most widely-used standard for evaluating whether rates are “just and reasonable.”

The single most important reason for regulating utilities is that they tend to have little competition and that they might abuse their market power by charging excessive rates overall or by using price discrimination to maximize profits by charging discriminatory rates that depend upon the relative demand elasticities (i.e., willingness to pay) of different customers. Regulation is generally thought of as a substitute for competition in terms of holding rates to the level of costs and thereby preventing utilities from exercising market power over consumers. In highly-competitive markets it is generally difficult for competing service providers to discriminate between customers on the basis of income because an attempt to levy greater charges on high-income customers will tend to drive such customers to a competitor that does not engage in such discrimination. Thus, to the extent that a LIEP

involves charging higher rates to some customers in order to subsidize low-income customers, that program is properly seen as harnessing the market power of a monopoly in order to overcharge certain customers who lack sufficient competitive alternatives to allow them to leave the system when faced with monopoly pricing. In other words, discriminatory rates that take advantage of a utility's market power may be incompatible with the primary underlying purpose of public utility regulation, which is to act as a substitute for competitive markets.

ii. Possible Redundancy or Overlap With Other Social Welfare Programs

There are a variety of programs designed to supplement the income of low-income individuals. In many cases the income assistance available to individuals is calculated in a way that incorporates energy costs into the level of the payments, or the index of price changes that cause assistance payments to increase. When the amount of public assistance or charity already incorporates an allowance for energy costs, it would be redundant to establish a LIEP. Thus, before implementing or designing a LIEP the Board and stakeholders should understand how the level of income assistance is calculated in the various programs available to customers.

In addition, poverty guidelines and low-income measures generally consider only current cash income, and therefore do not consider the full range of resources and options available to customers. For example, many people who are counted as being below the U.S. Federal poverty level have significant assets, such as homes or savings. For this reason, many economists have criticized the U.S. Federal poverty guidelines for overstating the true poverty levels and have recommended that the full resources and needs of the individuals (i.e., "material well-being") also be considered in determining poverty levels. The overstatement problem tends to be much greater for elderly Americans since 80 percent of householders over age 65 own their own homes, and 80 percent of these homeowners own their homes free and clear. Thus, to the extent that eligibility levels ignore the wealth of an individual, or non-cash social benefits such as food, fuel or housing assistance, the need for a LIEP may be substantially reduced. Consequently, the fact that someone has a low amount of earned cash income often does not mean that they must sacrifice basic food, housing or

medical care in order to pay their utility bills. Thus, in order to design an appropriate LIEP the Board should understand the extent to which low-income means lack of wealth, as well as the extent to which existing social programs already include a provision for fuel costs.

iii. Compatibility With Public Utility Pricing Principles of Cost-Based, Non-Discriminatory Rates

Traditionally, utility regulation has sought to establish rates that are cost-based, and which do not discriminate between or within customer classes. However, low-income programs tend to distort this regulatory principle by introducing rates that result in cross-subsidization of one specific group of customers by the general body of ratepayers. The concept of just and reasonable rates can be challenged by proposals that seek to establish a separate rate class for one particular group of utility customers. In its survey, Concentric has not found any evidence that a separate rate class has been implemented for the benefit of low-income energy consumers. However, several utilities in the United Kingdom inquired about whether it was acceptable to propose social tariffs that charged different rates to low-income customers. OFGEM responded that such rate proposals might not be considered discriminatory pricing, if the utility was not attempting to use its market dominant position to distort the competitive market. Those UK utilities have subsequently implemented social tariffs which offer comparable (or lower) tariff rates to customers regardless of whether they are billed according to standard payment terms or use prepayment meters.

iv. Relationship Between Usage and Income

The design of some LIEPs may depend upon an assumption that low income implies that a customer uses a small amount of energy. However, studies in a number of jurisdictions indicate that this assumption is often incorrect. To the extent that this assumption underlies the design of a proposed LIEP, supporting evidence to confirm the validity of the assumption would be required. In Ontario, for example, many rental units have electric heat, but the monthly utility bill is paid by the landlord and included in the tenant's rent. According to information reported in 2004 by Low Income Energy Network ("LIEN") and Advocacy Centre for Tenants Ontario ("ACTO") based on earlier studies, the lowest household income quintile in Ontario has a far greater proportion of households that use electric as their primary heating equipment (24.5%), use electricity as their primary heating

fuel (27%), use electricity as their primary heating fuel for hot water (36.3%), and have primary heating equipment more than ten years old (64.5%).

v. Impacts on Efficient Usage of Services and Resources

For a portion of the population, low income levels may require difficult tradeoffs between consumption of non-food items and payment of utility bills. Programs that are targeted specifically at energy assistance are likely to discourage efficient use of energy by reducing the cost of energy relative to other items in the customer's budget. Thus, some program designs might actually increase the amount of energy used by low-income customers, and might even cause energy use to become a larger part of the overall household budget. In contrast, cash assistance that is not tied to the use of any particular product might cause customers to reduce energy use, while using the cash assistance to consume more of other products.

vi. Impacts on Efficient Operations of Utilities

Because dealing with late payments, service cutoffs, and uncollectible accounts is very costly relative to the amount of money involved, a low-income assistance program can provide significant savings to the utility by reducing those costs. Consequently, all customers may benefit from improved efficiencies. The extent of such benefits should be a consideration in any deliberation on LIEPs.

On the other hand, for a variety of reasons public utility ratemaking may not be equipped to deal with this social problem efficiently. These reasons include: (a) the inefficient distortions in consumption decisions by both low-income and non-low-income customers that can occur when rates do not properly reflect costs; (b) the lack of knowledge concerning the resources and options that are available to each individual; and (c) the inability of ratemaking to accurately target low-income individuals.

Definition of Low Income Consumers or Fuel Poverty

How Jurisdictions Have Defined the Terms

In designing and implementing an effective program to assist low-income energy consumers, the regulatory agency must determine how it wishes to define the term “low income energy consumer.” For example, the regulatory agency in Great Britain defines “fuel poverty” as applying to households who spend more than 10 percent of their income in order to maintain a satisfactory heating regime. Similarly, when the LIHEAP was implemented in the United States, there was discussion about the percentage of income spent by low-income consumers on energy and heating costs. Ultimately, the block grants were allocated to states based on a formula that takes into account weather and the size of the low-income population. Eligibility criteria most commonly depend on household income and the number of persons in the household. Some jurisdictions tie eligibility to some established benchmark, such as a percentage of the federal poverty guidelines, while other jurisdictions determine eligibility according to qualification for other social assistance, such as government pensions. Some programs are designed to provide benefits to the lowest income consumers, while others do not attempt to make such granular distinctions. The New Zealand Electric Commission defines “low income consumers” as those consumers whose low income, whether temporary or permanent, makes it genuinely difficult for them to pay their electricity bills. Western Australia defines “utility financial hardship” as those persons having the intention but not the financial ability to pay their utility bills, without affecting their ability to meet their individual or families’ basic living needs.

However, according to a recent survey of European Union countries, energy poverty is not currently recognized in most countries in the EU. The report states:

The absence of a definition even at the Member State level often leads to a lack of recognition of the problem, very little data collection, and a paucity of discussion on the subject. Policy measures to deal with the problems are often non-existent in Member States. Without political support and recognition and without the consequent funding to address the issue, research is dependent on the work of charities and non-governmental organizations. The concept of energy poverty needs to have its own status.⁴

⁴ “Energy Poverty in the EU,” Socialist Group in the European Parliament, by Eluned Morgan MEP, June 2008, at 4.

In an effort to gather relevant survey data, this report provides a summary of low-income energy programs in 27 EU member countries, including the percentage of households that indicated that electricity costs were not affordable in their country. This attempt to quantify the problem of energy poverty in European countries could lead to more attention being given to the issue. However, without a definition of fuel poverty or what constitutes a low-income energy consumer, it will be difficult to draw any meaningful conclusions about the scope of the problem and how governments might address it.

In conclusion, it is important for the regulatory agency to define what it means by “low income energy consumer” before it attempts to develop and implement a specific policy or program that addresses the issue of energy affordability. This definition appears to be the starting point in most discussions with stakeholders, including utilities, consumer advocates, community-based charities, and consumers.

How Many Energy Consumers Need Assistance

Although Canada does not have an official definition of poverty, Statistics Canada has established a threshold known as “Low Income Cut-Offs,” against which it derives energy poverty estimates. A recent study prepared for the government of British Columbia addresses the question of fuel poverty in that province.⁵ The report indicates that as many as 270,000 households (or 18%) in British Columbia could be faced with a disproportionate energy burden. The report states:

If the UK definition of energy poverty, spending 10% or more of after-tax income on energy, is applied to BC the data reveals that most of the lowest income quintile within BC is faced with an unreasonable energy burden. In this group, an average of 17.6% of income is needed to cover the costs of electricity, gas, and other fuels, which is almost 6.5 times more than the highest income quintile, where average energy costs represent only 2.7% of after-tax income.

According to this British Columbia report, 88% of these households have no full-time wage earner, 44% are age 65 or over, and 63% are living in rented property. The same report

⁵ “Affordable Energy: Diversifying DSM Programs in BC: A Discussion Paper,” May 27, 2008, at 16-19.

indicates that the average Canadian household in the lowest income quintile spends even a higher percentage of after-tax household income on energy costs. Statistics Canada reports that those with after-tax incomes of less than \$15,476 spent 20.4% of their disposable income on home energy needs.

Expert evidence submitted in Manitoba Hydro's 2006 rate proceeding suggested distinguishing between consumers with a "high energy burden" (using 11% of income as the threshold) and "severe" fuel poverty (using a 15% of income threshold).

In addressing fuel poverty in the United Kingdom, studies have shown that about 20% of households in Great Britain spend more than 10% of their household income on home energy requirements. While the UK has been successful in reducing the number of households living in fuel poverty, rising fuel costs are making this challenge more difficult. In 2005, the UK experienced the first increase in the number of those living in fuel poverty since 1996, and the government attributed this increase to rising fuel costs.

Based on the most common definitions of low-income energy consumer or fuel poverty, it appears that a significant percentage of households might be eligible for program assistance in Canada and elsewhere. Eligibility is likely highest among those households headed by senior citizens, disabled or terminally ill persons, and single-parent households with children. According to income guidelines, renters are more likely to qualify for assistance than are those persons who own their residence, but heating/cooling costs frequently are included in lease agreements. Senior citizens who own their residence free and clear might require energy assistance based on their annual household income, but might not qualify if the value of their assets is considered in determining their eligibility.

V. DESIGN AND RESULTS OF VARIOUS LIEPS

This section of the report categorizes and briefly describes the most common types of low-income programs that were identified by our research. Relevant examples from various jurisdictions are provided to illustrate how the policy or program has been implemented in a specific jurisdiction. Generally, the policies and programs provide assistance to low income energy customers through one or more of the following mechanisms.

A. Rate Discounts

Description and Policy Considerations

Customers may receive a rate discount to enhance the affordability of electric or natural gas service. This can take the following forms: (a) reduction or waiver of the fixed monthly charge that covers the cost of operating and maintaining the distribution system; (b) waiver or reduction of the commodity charge; and (c) waiver of service charges such as initial charges for connection to the system, customer security deposits, late payment fees, disconnection charges, and reconnection charges. From a policy perspective, rate discounts that waive or reduce the fixed monthly charge usually are perceived as more equitable because they improve the affordability of electric and natural gas service for low-income customers without regard to energy consumption levels. A waiver of the commodity charge portion of the customer bill might be very beneficial to the low-income customer, but the policy has been criticized as not providing the appropriate incentive for low-income customers to reduce their energy consumption. The regulatory authority should consider whether the waiver or reduction of the commodity component of the customer bill sends the correct price signal to the low-income customer regarding conservation. Waivers of security deposits and late payment charges are discussed in more detail later in this section.

Example – Waiver of fixed monthly charge

The Georgia Public Service Commission mandates that major gas and electric utilities waive their monthly service charge for customers age 65 or over who own their homes and who have household income of less than \$14,355 per year. Utilities such as Atlanta Gas Light and Georgia Power waive the monthly service charge for eligible customers as follows:

\$10.50 per month for gas service and \$14.00 per month for electric service. At least 55,000 senior citizens receive the electric discount each year, and about 35,000 seniors receive the natural gas discount. Total rate assistance provided by utilities under this waiver program was \$15 million in 2006. This program is funded through an assessment on other ratepayers of Georgia utilities.

Example – Reduction in rates based on commodity usage

Arizona requires utilities to offer rate assistance to low income customers in the form of a variable discount based on the amount of electricity used each month. Specifically, low-income consumers are eligible to receive a 30 percent discount on the first 400 kWh of electricity they use, 20 percent off usage between 401 and 800 kWh, 10 percent off usage between 801 and 1200 kWh, and a \$10 credit for any usage above this amount. Arizona's largest utility, Arizona Public Service, offers a discount of up to 40 percent off the cost of electricity through its Energy Support Program. Additionally, through the Energy Support Program, customers may also be exempt from paying Power Supply Adjustor surcharges, which accounts for the company's purchased power costs. Eligibility for these low-income assistance programs is based on the federal poverty guidelines; generally, customers at or below 150% of the federal poverty guidelines will be eligible to participate in the programs.

B. Rate Design

Description and Policy Considerations

Rather than offering a waiver or reduction of the fixed monthly charge or the commodity charge, some low-income energy assistance programs address the issue through rate design. That is, low-income energy customers are charged a different rate for electricity or natural gas service based on assumptions regarding the correlation between income and usage levels. This rate design approach is distinguished from the establishment of a separate rate class for low-income energy consumers. Rate design involves some rate structure that is charged to everyone but is designed in a way that is intended to produce lower average rates for lower income people. The rate design approach depends on a high correlation between income and usage levels, but does not require anyone to prove that they are poor. Rate discounts also involve a rate structure that is available to everyone, but are not necessarily designed

using any assumptions about a relationship between income and usage. Rate discounts then provide exceptions to the posted rate that is available to everyone. To get a discount, a person would need to show they are poor. Alternatively, rate discounts can involve a separate rate class that offers lower rates for eligible low-income people. The design of that rate, however, does not necessarily make assumptions about a relationship between income and usage level. To summarize the difference between the rate design approach and rate discounts: rate design places all customers in the same rate class based on differences in the cost to serve those customers, while rate discounts specifically introduce price discrimination that is unrelated to the cost of service, but instead is based explicitly on the income levels of customers. As stated previously, Concentric has found no evidence that any jurisdiction has approved a separate rate class for low-income energy consumers.

While the rate design approach may be successful at addressing the needs of low-income consumers, it violates the rate making principle of cost causation. The customer who causes the cost is generally expected to pay for that portion of the cost. However, by charging a different rate to low-income energy customers, the program shifts costs onto the general body of ratepayers, thereby creating an implicit subsidy. Some regulators have questioned whether this subsidization is consistent with the concept of “just and reasonable rates” or whether it represents discriminatory pricing. The problem is exacerbated during times when energy prices are increasing rapidly, because residential customers are feeling squeezed by higher costs at the same time they are expected to subsidize their fellow low-income consumer who is less able to absorb the impact of higher energy costs. The primary counter argument is that electric and natural gas services are considered by many regulatory authorities to be essential for the public convenience and necessity. In other words, the public interest is served by providing access to affordable electric and natural gas service. Considerations include public safety, public health, and service to customers with young children, or those who are elderly, disabled, or have a medical condition.

In some instances, an “inverted” block rate structure has been adopted as a low-income assistance measure. This rate design provides a low rate for the first units, or first block, of consumption and higher rates for units of consumption that go beyond a threshold level. Under the assumption that low-income customers are likely to also be the customers who do

not consume much energy, an inverted-block rate structure would reduce the monthly bills of low-income customers because most of their consumption would fall in the less-expensive first block. If higher income customers generally consume more energy, they would pay the low, first-block rate for some of their energy, but generally they would pay the higher, second-block rate per unit for the majority of the energy units that they consume.

The inverted-block rate structure tends to be an imperfect method for delivering energy assistance to low-income customers because income often has only a weak correlation with consumption, and in some instances a negative correlation between income and energy use has been found. For example, some low-income consumers live in older, poorly-insulated houses that consume more gas for heating than the homes of higher income consumers. In addition, in comparison with working people, older people living on retirement incomes, or the unemployed, often spend more hours in their homes with lighting and appliances running. Vacation homes owned by high-income people also can reduce the correlation between income and usage to the extent that the second homes generally have low energy usage most of the time when they are unoccupied. Consumption levels also can depend on the type of energy used for heating and cooking in a home. Whether electricity or gas is used for cooking and water heating, and sometimes even for space heating, often depends on the vintage of the housing. If there is no correlation, or even a negative correlation, between income and gas usage, a significant number of poor people will be worse off under inverted-block rates.

Several variations on the inverted block rate concept have been proposed or adopted in various jurisdictions in the past. As a class these proposals are often referred to as “lifeline” rates. Some of the most common lifeline rate proposals include: a) inverted block rates, b) freezing the first block against future rate increases, or c) elimination of the customer charge. In many cases, elimination of the customer charge will provide something close to free connection and billing services for wealthy customers with second homes. One further problem with trying to achieve low-income assistance goals through rates is that there is no way to ensure that benefits will be passed through to needy customers whose utility bills are covered in their monthly rental payments. Proponents of inverted lifeline rates rarely know how these rates will actually affect the poor.

One of the tradeoffs that occurs with a lifeline rate is that it results in improper price signals and discourages efficient uses of electricity or gas by both those customers who are receiving a discount and those customers who are providing a subsidy. There is a great deal of confusion about which rate designs promote overall economic efficiency, and inverted rates are frequently proposed as both lifeline rates and conservation rates. The conservation argument presumes that customers with above-average levels of use will respond to higher rates by reducing their consumption more than customers with below-average use will increase their consumption in response to reduced rates. The conservation argument also implies, for example, that a customer who uses gas for cooking and space heating is more wasteful than a customer who just uses gas for cooking.

A lifeline rate which is properly designed must be targeted to ensure that the poor are receiving the intended benefits. This requires defining and identifying the poor. Some of the more difficult questions which might arise in deciding who should be eligible for a lifeline rate include what is the minimum amount of utility service required to maintain a decent standard of living, and do sources of supplemental income assistance count in the determination. Usually a targeted lifeline proposal will adopt an existing governmental definition of poverty and avoid these questions altogether. Identifying who is eligible for the rate can also be a difficult aspect of a targeted lifeline rate. Utilities and regulatory commissions are not equipped with the administrative apparatus required to run a targeted program. One successful approach to targeting lifeline rates was tried by Duke Power Company which offered a reduced rate for customers receiving Supplemental Security Income. This was a well-defined, easily identifiable group. Most lifeline rate proposals are not targeted, however. Instead, they involve “scattershot” rate designs which only hope that more poor people are helped by the proposal than are harmed by it.

Determining what constitutes essential service is another relevant question for any lifeline proposal. If some utility services are not “essential,” then there is weak justification for lifeline rates. Although there are substitutes for almost every economic good, lifeline rates, if they are at all successful, reduce the need or incentive to do things like wear sweaters, weather-strip windows, or take shorter showers.

Example – BC Hydro

In February 2008, BC Hydro filed an application with the British Columbia Utilities Commission (“BCUC”) seeking authority to implement a Residential Inclining Block (“RIB”) rate structure for its residential electric customers. Under the two-step RIB proposal, customers pay a lower per-unit rate for electricity consumption below a certain kWh threshold, and a higher per unit rate for consumption above the kWh threshold. The proposed threshold is 1600 kWh on a bi-monthly basis, meaning that usage below 1600 kWh would be billed at \$0.0628 per kWh and consumption above 1600 kWh would be billed at \$0.0698 per kWh. The currently effective flat rate is \$0.0655 per kWh. In the application, BC Hydro states that its proposed rate structure performs well against industry standard rate design criteria, improves on the efficiency of the rate’s price signal, and results in acceptable bill impacts for customers. BC Hydro expects that its proposed RIB rate structure will achieve more conservation than the flat rate structure. Appendix F to the application refers to BC Hydro’s interaction with the Rates Working Group (“RWG”), which is a subcommittee of the Electricity Conservation and Efficiency Advisory Committee. In meetings with RWG, it was suggested that although BC Hydro needs to be sensitive to the needs of low-income customers, the role of providing financial assistance, if any, lies with government rather than the utility. There were no other references to the impact of this proposal on low-income customers in the BC Hydro application. This application was approved by the BCUC in August 2008, and the new inverted block rate structure will take effect in April 2009.

Example – Inverted Block Rates in California

California defined essential levels of service for various uses and established 26 therms per month as the minimum amount of gas needed for residential cooking and water heating. It also established different minimum levels of usage for heating during the winter months, depending on which climate zone the customer lives within the state. For example, Pacific Gas and Electric Company provided two rate schedules: one which applied to customers without gas space heating and one which applied to customers with gas space heating. Both rate schedules involved steeply inverted rates which the CPUC hoped would provide a conservation incentive. It is interesting to note that the California plan did not attempt to identify the poor or target its “lifeline” rates solely for poor users.

C. Alternative Billing Methods

Description and Policy Considerations

Many public utilities in the United Kingdom offer customers an alternative payment option known as prepayment meters. A prepayment meter is a device that allows customers to pay for their energy upfront. Customers credit their prepayment meters via a top-up card or token to receive energy into their homes. These meters have been well-received among students and low-income customers because they allow customers with past due accounts to avoid disconnection and customers with poor credit histories to access an essential service. However, prepayment meters have been criticized by consumer advocates because they frequently require the customer to pay a premium rate, which ranges between three percent and seven percent above the standard rate offered to customers who pay for their energy after they have received a bill.⁶

OFGEM, which regulates gas and electric suppliers in the UK, has acknowledged that prepayment meters are not the best alternative for many low-income customers because of the rate premium and because the customer does not have the market information necessary to switch suppliers. Utilities have responded to this criticism by proposing social tariffs that charge the same rate for customers using prepayment meters as for customers billed under standard billing arrangements.

Following the 2008 budget, energy suppliers in the U.K. agreed to increase their collective expenditure on social programs by £225 million between 2008 and 2011. OFGEM's new guidelines provide more clarity and certainty on what will be counted toward this increased social expenditure and set a tighter definition for social tariffs. The regulator has specified that for a supplier's social tariff to count as such against their spending commitments it must be as good as the lowest tariff rate the supplier offers to customers in that area, including online deals. This means that vulnerable and fuel poor customers will be assured of being offered the best energy rates their supplier offers in their geographic territory. However, some low-income consumers might still be able to obtain a less expensive rate by switching to a different energy supplier. The new social tariff guidelines do not appear to establish a

⁶ Based on Energywatch figures as of August 5, 2008.

separate rate class for low-income customers; rather, the guidelines simply require that all low-income customers, including those on alternative billing arrangements such as prepayment meters, receive the same rates as those available to other customers on traditional standard billing terms.

Example – Social Tariffs

As of December 2007, four of six major utilities in the UK had social tariffs that provided eligible consumers a discount from offers available to the broader market. British Gas has historically charged its prepayment meter customers approximately 5 percent more for gas and electricity.⁷ In February 2007 British Gas introduced its Essentials Tariff, which is the U.K.'s largest social energy tariff, aimed at reducing gas and electricity bills for 750,000 of the company's most vulnerable low-income customers. The Essentials Tariff offers British Gas's lowest standard gas and electricity prices to eligible consumers regardless of whether they are supplied on standard credit and billing terms or prepayment terms. EDF Energy's Energy Assist arrangement offers 15 percent off the applicable rates to eligible consumers based on their existing payment terms. Scottish and Southern Energy's EnergyPlusCare tariff offers 20 percent off applicable rates to eligible consumers based on their existing payment terms.

D. Customer Rebates – Conservation and Energy Efficiency

Description

Many utilities offer customer rebates for programs that are designed to enhance energy efficiency or reduce energy consumption. Although these rebate programs might benefit low-income energy customers, they are not intended exclusively for that purpose. Rather, the genesis of rebate programs was the desire to reduce energy consumption, not necessarily to make prices more affordable for low-income consumers. Examples include customer rebates for: (a) purchasing appliances that use less electricity or natural gas, such as refrigerators, hot water heaters, and furnaces; (b) insulating or weatherizing homes to

⁷ British Gas addressed this disparate rate treatment through the introduction of the "Essentials Tariff" in February 2007, which standardized the rates charged to customers on prepayment meters and those on standard rate tariffs based on monthly usage.

improve energy efficiency; (c) installing a programmable thermostat to reduce energy consumption by controlling the temperature at different levels throughout the day; and (d) installing low-flow toilets and front loading washers that reduce consumption of both energy and water. These programs are funded through grants from federal and state agencies that wish to encourage energy consumers to conserve energy and use it more efficiently, or by charitable organizations that wish to help low-income elderly or disabled customers survive through extreme weather conditions either during winter or summer, or through rates in the case of some programs (e.g., Ontario gas distribution rates). The success of these programs depends on the funding available, but most indications are that the programs have been successful in terms of reducing consumption of electricity and natural gas by raising public awareness of ways in which to use energy more efficiently and responsibly.

Concentric's research indicates that many European countries place greater emphasis on the importance of energy efficiency programs in combating fuel poverty. This policy appears to be influenced by two primary factors: 1) energy conservation objectives are a higher priority for some European governments; and 2) the housing stock in European countries is older and less energy efficient than in North America, so more benefit is derived from spending to modernize, insulate and weatherize residential dwellings.

Example – Enbridge Gas Energy Efficiency Programs

Enbridge Gas Distribution offers two energy efficiency programs designed to benefit low-income customers and encourage conservation. The first program, known as Enbridge Home Weatherization Retrofit, provides income eligible participants with a free home energy assessment and weatherization upgrades at no cost to improve the energy efficiency of their homes. Approximately 300 Enbridge Gas customers will benefit from this pilot program, which runs through December 31, 2008. The second program, known as Enhanced Thermostat, Aerator, Pipewrap, and Showerhead is available at no cost to qualifying low-income families and individuals through December 31, 2008. The following energy efficiency measures are supplied and installed: programmable thermostat, low-flow showerhead, and hot and cold water pipe wraps. Kitchen and bathroom aerators are provided for recipients to install themselves. To ensure the program targets low-income

consumers, applications are available through United Way agencies participating in the Winter Warmth program.

Example – Ontario Power Authority

In 2008, the OPA issued a series of RFPs for program managers to deliver several additional new programs intended to benefit low income energy consumers through conservation and energy efficiency initiatives. One program will target multi-family buildings and is designed to enhance the energy efficiency of buildings with six or more residential units. The MFBP is a single program but because of market segment variations, it is anticipated that the Program will be delivered by three program managers: Assisted Social Housing Sector outside of Toronto; Private Buildings Sector outside of Toronto; City of Toronto; Overall MFBP Targets. Objectives of the new Multi-Family Building Program include:

- Reduce summer peak demand by 100 MW and overall electricity consumption by 385 GWh/yr in the Multifamily Buildings Sector.
- Reduce the energy burden imposed notably on low income residents and their housing providers and/or building owners, managers, and operators.
- Integrate multi-family building conservation projects with other OPA initiatives such as OPA demand response, distributed generation, and renewable energy.

A second program will target low income homeowners and residents of single family houses.

Objectives of the new Energy Efficiency Program for Houses include:

- Achieve energy consumption and demand savings in low-income single family homes to support the 100 MW Low Income and Social Housing Directive.
- Create awareness among low-income households and their support networks about the benefits of energy conservation.
- Establish effective channels for the delivery and implementation of Conservation Demand Management programs sensitive to the needs of the low-income community.

Example – Saskatchewan Initiative

In Saskatchewan, the Provincial government is offering the Saskatchewan EnerGuide for Houses program, which provides households with financial incentives to retrofit their dwellings with certain energy efficient improvements including heating and ventilation

system upgrades, insulation, draft protection, and upgrading water heaters. The Government of Saskatchewan is matching the financial incentive offered the Canadian federal government. That is, customers are eligible to receive up to \$10,000 in total rebates for participating in this program, which remains in effect through March 31, 2011.

Example – United Kingdom

In the UK, for example, the Warm Front Scheme provides grants to improve heating and energy efficiency of private sector housing in England. The grant provides energy-efficiency advice, energy-efficient light bulbs, and insulation measures such as cavity wall insulation, loft insulation, hot water thermal jackets, and heating improvements. The scheme is aimed at vulnerable households in receipt of eligible benefits. Warm Front also provides a Benefit Entitlement Check to maximize income. The Warm Front Grant provides a package of insulation and heating improvements up to the value of £2,700 (or £4,000 if oil central heating is recommended). Funding for Warm Front, which is provided through government grants, is currently authorized at £800 million between 2008 and 2011.

Example – U.S. Weatherization Assistance Program

Established in 1976, the U.S. Department of Energy Weatherization Assistance Program (“WAP”) is a formula grant program designed to improve energy efficiency in the homes of eligible low-income consumers thereby reducing their energy consumption lowering their heating and cooling costs, and ensuring their health and safety. Through WAP, the federal government distributes funds to states, which then allocates these funds through state weatherization agencies, to training community action agencies, other non-profit organizations, and tribal organizations to install weatherization measures. The U.S. Congress appropriated \$242.5 million for WAP in fiscal year 2006. A state could spend an average of \$2,826 per DOE unit in 2006. Since inception, the Department of Energy estimates that it has weatherized approximately 5.6 million homes.

Example - California

In 2006, the State of California spent more than \$115 million to support energy efficiency programs. In the past ten years, the Low Income Energy Efficiency (LIEE) program has provided about 1.6 million low income customers a varying array of energy related services

including home weatherization, refrigerator replacement, repair and replacement of heating and air conditioning equipment, and CFL distribution. Operating under a legislative mandate these programs seek to provide the benefits of energy efficiency at no cost to qualified low-income customers who otherwise would be unable to obtain these benefits. Approximately 3.8 million households, or 30% of the residential customers served by California's investor-owned utilities, are qualified to receive assistance.⁸

California has recently announced its further commitment to energy efficiency programs. In October 2007, the Commission initiated a rulemaking proceeding in which it directed investor-owned utilities and interested stakeholders to draft a strategic plan that would advance the State's ambitious energy efficiency goals. That strategic plan was released on June 2, 2008. It outlines California's ongoing statewide planning effort that it hopes will define visions, goals, and strategies for aggressively delivering energy efficiency to homes, offices, factories, and farms and to significantly contribute to the state's goal of having a reasonably priced, stable, reliable and clean portfolio of energy resources. The plan was prepared by California's four investor-owned utilities (i.e., Pacific Gas and Electric; San Diego Gas and Electric Company; Southern California Edison; and Southern California Gas Company) under the direction and guidance of the Commission. The strategic plan establishes three program initiatives: 1) all new residential construction will be zero net energy by 2020; 2) all new commercial construction will be zero net energy by 2030; and 3) heating, ventilation and air conditioning will be transformed to ensure that its energy performance is optimal for California's climate. The Commission added a fourth program initiative intended to benefit low-income consumers: "to provide all eligible consumers the opportunity to participate in the Low Income Energy Efficiency programs and to offer those who wish to participate all cost effective energy efficiency measures in their residences by 2020."

E. Demand Side Management Programs

Description

⁸ "California Energy Efficiency Strategic Plan", California Public Utilities Commission, Rulemaking 06-04-010, June 2, 2008, at Section 2.4.

Demand Side Management (“DSM”) Programs are similar in many respects to the customer rebate programs discussed above. However, many DSM programs are made possible by sophisticated advances in information technology. Unlike customer rebate programs, which are primarily targeted at the residential class of customers, DSM programs also benefit the commercial and industrial customer class. For example, a steel factory can receive reduced electricity rates by agreeing to temporary service interruptions during times when customer demand exceeds system peak capacity. Similarly, commercial customers can receive low electric rates by shifting their demand to periods during the night when overall demand is lower. Time of use pricing and seasonal pricing provide customers with an opportunity to reduce their total electric bill by following price signals from the market. If customers have the flexibility to consume electricity or natural gas during off-peak times, then the DSM programs help to alleviate the strains on system capacity and reliability. This benefits not only the customer, but the utility as well, because it forestalls the need to invest significant amounts of capital to build facilities for the production or transportation of energy. Some have criticized DSM programs as ineffective because there is little evidence of an appreciable reduction in energy demand, partially because the financial incentives have not been sufficient to cause customers to alter their established usage patterns.

Example – Toronto Hydro-Electric peaksaver

Toronto Hydro-Electric offers a DSM program known as peaksaver, which offers residential and business customers the ability to reduce their electricity bill by agreeing to have a peaksaver switch installed on their air conditioner. During critical times (typically on hot summer days when the electricity system is under significant stress), a signal will be sent to cycle down the air conditioning system in order to reduce the amount of electricity it uses. The activation period will not exceed four hours and the customer will not notice any change in temperature. Participating customers will receive a \$50 bill credit within two billing cycles after installation of the peaksaver switch.

F. Coordinating Payment Assistance with Public Assistance Agencies and Charities

Description and Policy Considerations

Coordination with public assistance agencies and charitable organizations is important to the success of low-income energy assistance programs for two primary reasons. First, public assistance agencies and charitable organizations frequently are involved in setting eligibility requirements upon which utilities and regulatory agencies might rely for purposes of determining whether a customer qualifies for low-income energy assistance. Second, many customers who require assistance with their energy bills are in contact with social service agencies and charities to receive other forms of public assistance, such as housing services, health care services, and employment services. The utility can benefit by establishing a coordinated working relationship with social service agencies and charitable organizations because those caseworkers are better able to identify clients who might become unable to meet their financial obligations for energy services. If the utility is aware of this information in advance, it can better work with the vulnerable client to establish a reasonable payment arrangement before the customer incurs significant past due balances that cannot be paid.

Many European countries, such as France and Finland, discuss programs to address fuel poverty as part of a more comprehensive effort to improve living standards, income and employment levels, education levels, and the quality of housing. Fuel poverty, in those instances, is viewed as a symptom of some deeper social problem that has contributed to the impoverishment of an entire segment of the population. Those countries have designed low-income energy assistance programs that are coordinated with other social welfare activities, including programs that attempt to address chronic unemployment, homelessness, inadequate housing conditions, and insufficient household income levels. In contrast, North American countries are more concerned with designing programs that specifically target the needs of low-income energy consumers through direct rate assistance or rebates for energy efficiency efforts. There has been ongoing debate concerning whether those who receive assistance from other social welfare programs should also be eligible for low-income energy programs, and whether those living in subsidized housing should be eligible for low-income energy programs. In the U.S., many state and local governments supplement LIHEAP support through programs that offer additional benefits to those who may not qualify for assistance under that federal government initiative. Non-profit organizations and charities typically administer the LIHEAP block grant program, directing funds to eligible customers according to some established criteria.

Example - Michigan

PeopleCare is a partnership between Consumers Energy and the Salvation Army to help Michigan households who may not qualify for other assistance yet are struggling to make ends meet. Charitable donations from Consumers Energy customers and employees allow the Salvation Army to extend material assistance to families, ranging from food to transportation to medical needs. Consumers Energy also donates PeopleCare bill credits for its low-income gas and electric customers, which are applied directly to a customer's bill based on the Salvation Army caseworker assessment and authorization. Since 1983, PeopleCare has helped over 300,000 Michigan households. Consumers Energy employees and customers have donated nearly \$12.4 million to support PeopleCare, and the utility has contributed \$25.3 million in energy bill credits.

G. Budget / Equal Billing

Description

Budget or equal billing programs allow residential customers the opportunity to pay the same amount for utility service each month, while their actual cost is managed through some type of tracking mechanism. This program might be attractive to low-income customers or senior citizens who are on fixed incomes because it grants them some degree of certainty about budgeting for their energy bills. The monthly bill normally is divided into twelve equal payments based on the customer's historical energy usage patterns for electric and natural gas service. Although budget or equal billing programs are useful for purposes of smoothing out energy costs, they do not fully address the needs of low-income energy consumers because the programs do not make utility service more affordable, per se. There are no fee reductions or waivers associated with budget billing programs, and customer participation rates generally do not exceed 20 percent.

Example – Hydro One Networks, Inc.

Hydro One Networks (“Hydro One”) offers a budget billing program as an alternative to the standard billing option, under which a customer pays for energy service based on their actual

usage during the prior month. Hydro One's budget billing option is based on the customer's established usage patterns or consumption history. Payments are spread equally throughout the year, which allows the customer to avoid the monthly fluctuations that occur with standard billing. For those customers billed monthly, the customer will receive eleven monthly bills from Hydro One based on the monthly service charge plus 1/12 of the estimated annual energy use. The twelfth bill reconciles the customer's actual and estimated electricity usage and the customer is either credited for any overpayment or charged for the balance owed.

Example – Dominion Virginia Power

Dominion Virginia Power offers essentially the same budget billing program. However, its program description provides some additional information about the utility's billing practices and notes several restrictions on the availability of the program. Dominion continues to read meters for customers who are enrolled in budget billing. The customer's monthly bill will show actual usage, what it costs, and the actual account balance along with the budget amount due. Dominion periodically reviews customer usage and may adjust the budget amount if the customer's usage deviates significantly from historical patterns. To be eligible for budget billing, customers cannot owe more than the amount charged on their most recent monthly bill. If they are current in their payments, they may sign up for budget billing immediately. No extensions or payment arrangements are granted for customers on budget billing. Customers can receive budget bills online and can use Dominion's automated payment plan system.

H. Plans for Payment of Past Due Accounts

Description

Many utilities offer payment plans for past due accounts. These payment plans allow customers to avoid service disconnection, while working out a reasonable plan to pay their past due accounts over some agreed upon period of time. The payment plans also allow the utility to avoid writing off the customer account as uncollectible bad debt expense. Based on our experience, low-income programs can reduce the operating costs of the utility for customer care. It can be very costly and time consuming for a utility to provide customer

service for customers who do not pay their bills on a timely basis. By negotiating a payment plan with the customer, the utility can avoid or reduce certain costs associated with mailing customer bills, initiating collection efforts, disconnecting and re-connecting service, and writing off accounts as bad debt expense. For more information on the potential cost savings for utilities, please refer to a discussion of the Oregon Energy Assistance Program which is contained in Section VII of this report.

Example – Nova Scotia Power

In September 2007, the Nova Scotia Utility and Review Board issued an Order approving the application of Nova Scotia Power Incorporated (“NSPI”) to modify its credit and collections policies. Specifically, the regulator granted NSPI’s request to implement a pilot budget billing program that allowed customers the option to choose a preferred due date to assist them in meeting their payment obligations in a timely manner and to allow customers with outstanding balances to participate in the Automatic Payment Plan, under which the utility electronically withdraws funds from the customer’s designated account based on the due date to cover the billed amount. NSPI reported that the pilot program was successful in reducing arrears. Previously, customer with past due accounts could not apply for a budget billing plan. Namely, 88% of the participating customers kept their payment commitments and past due amounts were reduced by 25%. The customer participation rate for this program was 15% during the pilot period.

I. Late Payment Charges

Description and Policy Considerations

Many utilities impose late payment charges on customers who pay their bills more than a certain number of days after the due date. These late payment charges typically represent some percentage of the customer bill, such as 1% of the total energy bill for every 30 days past due. Some U.S. utilities waive the late payment charge for low-income energy consumers, especially in conjunction with the customer arranging a payment plan for past due amounts. However, late payment charge waivers do not appear to be common in Canada. Since late payment charges were intended to allow the utility to recover costs associated with customers who have poor credit histories or slow payment histories, it could

be viewed as counter-productive to waive such charges for low income customers, many of whom have trouble paying their bill in a timely manner.

Example – New Brunswick Power

Intervenors in a recent New Brunswick Power proceeding requested a reduction in late interest charges applicable upon certain economically vulnerable customers. In its January 2007 decision, the provincial regulator ruled: “The Board is an economic regulator and its role is to establish classes of service and rates for each class that are appropriate having regard to the costs that each classes imposes on DISCO . . . The Board is aware of jurisdictions where the relevant legislation establishes policies that are clearly designed to assist certain customers. The Board considers this is the appropriate way for such policies to be established.”

Example – Empire District Electric

Although not explicitly related to low-income eligibility, Empire District Electric waives the late payment charge for customers in Missouri and Arkansas who are over age 60 or disabled. Several investor-owned and municipally-owned utilities in the State of Washington, including Seattle City Light, also waive late payment charges for low-income customers.

J. Customer Deposit Requirements

Description and Policy Considerations

Utilities normally impose customer deposit requirements, equal to one or two months expected utility bills, on new customers without established credit histories or on existing customers with poor payment histories. However, utilities frequently waive those deposit requirements for low-income customers in order to improve affordability. The OEB recently addressed the security deposit question in Regulatory Proceeding RP-2002-0146, when it adopted new rules for customer deposits.⁹ Although waiving the security deposit is beneficial for low-income customers, it goes against the intended purpose of imposing customer deposit requirements. Namely, these security deposits are designed to protect the

⁹ The OEB later adopted rules concerning customer deposit requirements for bulk-metered residential condominiums in docket EB-2006-0030.

utility in case customers default on their monthly bill. By definition, low-income customers are more likely to have trouble paying their utility bill, especially during extreme weather conditions or when energy costs are rapidly increasing. By waiving the customer deposit requirement, the utility is foregoing the ability to recover revenue for service provided in the event the customer defaults. This is another example of a program that shifts the cost burden or payment risk from low-income energy customers to the general body of ratepayers. Therefore, the social benefits derived from waiving customer deposit requirements should be weighed against the equity of asking customers to subsidize the low-income energy consumer. The question of how to balance the needs of low-income energy consumers for affordable service against the regulatory principle (or statutory mandate) for just and reasonable rates will be integral to every regulatory authority's decision when it is considering whether to implement programs that benefit a relatively small segment of customers.

Example – Waiver of security deposit

Utilities in 11 U.S. states waive or reduce security deposits. Empire District Electric waives the security deposit and late payment charge for customers in Missouri and Arkansas who are over age 60 or disabled. Four major utilities in Virginia waive security deposits for LIHEAP eligible customers. Consolidated Edison exempts New York customers from paying a security deposit if they are 62 or over, unless their service was turned off for non-payment in the past six months.

K. Disconnection Rules and Charges

Description and Policy Considerations

Many U.S. states have adopted rules that prohibit utilities from disconnecting customers under certain circumstances: (a) at certain times of year such as November 1 through March 31; (b) when temperatures reach certain extreme levels; (c) before the weekend when the utility's customer service office will not be open; and (d) before recognized holidays such as Christmas. Utilities have contended that both disconnection and reconnection rules require the utilities to determine whether customers are not paying for service because they cannot afford to pay or because they do not wish to pay. This issue highlights the importance of

communication between utilities and social service agencies or charitable organizations, which can provide some information regarding the customer’s ability to pay. A disconnection policy is necessary because the utility needs the ability to remove a customer from its system for non-payment. However, some discretion is necessary when the utility determines that a customer cannot pay the bill, but may wish to establish a reasonable payment plan for past due amounts.

Concentric reviewed the disconnection policies of all 50 states and the District of Columbia, which are summarized on the LIHEAP web site. Based on that review, it appears that 48 jurisdictions have implemented policies or adopted rules to protect consumers from disconnections during extreme weather conditions or when the disconnection would be detrimental to the medical condition of the individual customer or a member of the household. Most weather related policies involve temperatures dropping below a specified level during the next 24 hours, although several states (including Minnesota) have policies against disconnection when temperatures or heat indices rise above certain thresholds. Three states, however, do not have any stated policies or rules regarding prohibitions on disconnections. These are: Florida, Hawaii, and Virginia. Table 1 summarizes Concentric’s general findings concerning disconnection policies in the United States:

**Table 1
Disconnection Policies in the U.S.**

Description of Policy or Rule	# of States
Date based prohibition on disconnection	38
Temperature based prohibition on disconnection	20
Seasonal policy	42
Deferred Payment (customer has entered payment plan)	35
Other (primarily related to medical condition)	44

In Ontario, the ability of a utility to disconnect service is governed by the *Electricity Act*. Specifically, Section 31 of the *Electricity Act* grants an electricity distributor the power to disconnect service for non-payment of a customer account. Section 4.2.5.1 of the Board's Distribution System Code provides that "the physical process by which a distributor disconnects or reconnects shall reflect good utility practice and consider safety as a primary requirement." Section 50 of the *Public Utilities Act* allows Ontario gas utilities to disconnect for non-payment after providing a minimum of 48 hours notice.

As an alternative to disconnection, some jurisdictions have approved installation of load limiters, which restrict the amount of electricity that may be used. The load limiter policy allows customers to avoid absolute service disconnection, while they establish a payment plan with the utility for past due amounts or resolve disputed amounts. The load limiter policy represents an attempt to find some middle ground between jurisdictions that have prohibited electric disconnection during certain times of year and those that have no such restrictions in place.

Example – Centra Gas Manitoba Inc.

The Manitoba Public Utilities Board ("PUB") recently approved the request of Centra Gas Manitoba Inc. to revise its disconnection and reconnection policies and procedures which apply to both gas and electric customers.¹⁰ According to the Commission-approved policy, disconnection for non-payment can only occur from May 15 to September 30 on gas and combined gas/electric services in arrears, unless the premises is confirmed as vacant. The company may install a load limiter at any time except where there is no access or for safety or technical reasons. By September 30, where gas is the heat source, gas and combined gas/electric service that had been disconnected for non-payment will be re-connected and the electric service shall be load limited. The policy applies to arrears in both the gas and electric accounts as reflected in a single bill. Customers have the right to appeal to the PUB the disconnection and reconnection of service, including installation of the load limiter.

Example – Fortis Alberta Inc.

¹⁰ *Centra Gas Manitoba Inc – An Order Approving Gas and Combined Gas/Electric Disconnection and Reconnection Policies and Procedures*", Manitoba Public Utilities Board, Order No. 14/08, issued February 29, 2008.

According to Fortis Alberta Inc.'s electric distribution tariff effective January 1, 2008, the company may disconnect a customer after providing 48 hours advance notice except under the following circumstances: the company will not disconnect a residential or farm service customer at any time between October 15 and April 15 or at any other time when the temperature is forecast to be below 0 degrees Celsius in the 24-hour period immediately following the disconnection. Fortis Alberta also declines to disconnect customers on weekends. This example is generally consistent with the terms and conditions of many U.S. utilities, which are prohibited by state commissions from disconnecting service during specified periods of time or during times of severe weather when the temperature drops below a certain threshold.

Example – UK Retail Association

In 2004, the Energy Retail Association (“ERA”) set up the Safety Net for Vulnerable Customers, which ensures that no vulnerable customer is disconnected from its energy supply. Since 2004, no vulnerable customer has been knowingly disconnected. ERA has defined a vulnerable customer as follows: “A customer is vulnerable, if for reasons of age, health, disability, or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of their household.” ERA indicates that all suppliers offer a wide range of payment options (including prepayment meters) to enable customers to budget for energy costs. Disconnection is aimed at people who will not pay – not those struggling to pay their energy bills.

L. Re-connection Rules and Charges

Description

Many utilities waive the reconnection fee for low-income customers who enter into an installment payment arrangement. The incentive for the utility to waive this charge is to reduce uncollectible accounts and bad debt expense and to maximize the number of customers who are paying for energy service. Where applicable, this policy is presented in the “terms and conditions of service” section of the utility’s tariff for regulated services.

Example – Consolidated Edison

According to Consolidated Edison's electric tariff effective December 1, 2003, the company waives the reconnection fee for customers who demonstrate that they were a recipient of Supplemental Security Income at the time of the reconnection, or received benefits under the Home Energy Assistance Program in the twelve month period prior to the reconnection request, or for whom the Social Services Department agrees to pay electric bills in full directly to the company subsequent to the service discontinuance but prior to the reconnection.

M. Low-Income Energy Programs Offered by Gas Utilities

During the spring of 2006, the American Gas Association ("AGA") surveyed its membership regarding its programs to assist low-income customers. Responses were received from utilities in more than 100 jurisdictions. The AGA survey generated the following results:¹¹

- 45% offer rate discounts
- 35% forgive all or part of past arrearages
- 38% participate in fuel funds
- 50% have shareholder contributions to assist low income customers
- 10% offer a discount on the re-connection fee
- 35% have other programs

The AGA report also found that in 2006 utility programs generated \$1.8 billion in low-income customer assistance. Based on 2004 information, the AGA reports that utility assistance programs offered the following types of support to low-income customers:

- 78% Rate Discounts
- 11% Weatherization Programs
- 8% Waiver of Customer Charges, Disconnection Fees, Late Payment Charges, Reconnection Fees, etc.
- 3% Arrearage Forgiveness

¹¹ "The Increasing Burden of Energy Costs on Low-Income Consumers," American Gas Association, Policy Analysis Group, September 26, 2007, at 5-6.

VI. FUNDING LOW INCOME ENERGY PROGRAMS

One of the most important considerations of any low-income energy assistance program is how the program or measure is funded. Unfortunately, detailed funding information regarding specific LIEP programs is not easily accessible. However, Concentric’s research has shown that there are five primary sources of funding for low-income energy assistance programs:

- Federal government grants;
- Provincial or state grants or program funding;
- System Benefit Charge (i.e., dedicated state fund)
- Utility surcharges or assessments on customer bills; and
- Charitable or religious donations.

This section of the report summarizes the funding sources and levels in the United States, the United Kingdom, and Australia. Table 2 summarizes the total funding for low-income energy assistance programs in the aforementioned countries. These are approximate figures, based on what Concentric believes are reliable sources.¹² However, these figures should not be construed as definitive funding levels for the given country.

Table 2
Funding Sources and Levels for LIEPs¹³

Country	Total Funding	Govt Funding	Utility Funding	Charity/Other Funding
United States	\$5.2 billion	\$3.2 billion (61.5%)	\$1.8 billion (34.6%)	\$180 million (3.8%)
United Kingdom	£3.7 billion	£2.3 billion (62.2%)	£1.4 billion (37.8%)	N/A
Australia	\$817.2 million	\$812.3 million (99.4%)	N/A	\$4.9 million (0.6%)

¹² Sources include the LIHEAP Clearinghouse web site, the annual report for the UK fuel poverty program, and Concentric’s research of individual low-income programs in the UK and Australia.

¹³ Percentages have been rounded.

Table 3 summarizes how funds are allocated between rate assistance programs and energy efficiency programs in these same countries. Once again, these are approximate figures, based on what Concentric believes are reliable sources. However, these figures should not be construed as definitive figures for rate assistance or energy efficiency programs for the given country.

Table 3
Rate Assistance vs. Energy Efficiency

Country	Total Funding	Rate Assistance	Energy Efficiency
United States	\$5.2 billion	\$4.12 billion (79.2%)	\$321 million (6.2%)
United Kingdom	£3.7 billion	£2.3 billion (62.2%)	£1.4 billion (37.8%)
Australia	\$817.2 million	\$812.3 million (99.4%)	\$4.9 million (0.6%)

Table 4 summarizes customer participation in low-income energy assistance programs in the referenced countries. Once again, these figures are approximate, based on what Concentric believes are reliable sources. However, these figures should not be construed as definitive participation levels for the given country.

Table 4
Customer Participation

Country	Total Funding	Participant Households	Funding/Participant
United States	\$5.2 billion	5.7 million	\$912
United Kingdom	£3.7 billion	4.5 million	£822
Australia	\$817.2 million	N/A	N/A

As previously discussed in Section IV of this report, funding support for low-income energy programs and measures has been inconsistent at times. Several LIEPs have been discontinued or eliminated because the parliament or legislature allocated money to different priorities. Specifically, the Canadian federal government elected not to provide

\$1.065 billion in funding for two newly created programs that would have provided \$565 million in direct rate assistance and \$500 million in energy efficiency programs. Similarly, the Texas legislature eliminated funding for its low-income program because of severe budget constraints. Finally, the New Jersey Universal Service Fund was historically funded through casino tax revenues. However, in 2004, the Governor's budget shifted funding for these low-income programs to a surcharge on utility customer's bills.

As electricity and natural gas costs continue to increase, Concentric anticipates the demand for low-income energy assistance programs will also rise. There is evidence that public utilities and charities have stepped forward with their own low-income proposals to assist customers when government funding has not been adequate. For example, utilities in Great Britain recently agreed to increase funding for low-income energy programs through social tariffs, which are subsidized through slightly higher rates on the general body of ratepayers. In February 2007 British Gas introduced its Essentials Tariff, which is the U.K.'s largest social energy tariff, aimed at reducing gas and electricity bills for 750,000 of the company's most vulnerable low-income customers. The Essentials Tariff offers British Gas's lowest standard gas and electricity prices, which have been otherwise inaccessible to customers who don't have a bank account. National Energy Association ("NEA"), which is the leading fuel poverty charity in the U.K., has applauded the introduction of this new social tariff. William Gillis, NEA chief executive, is quoted as saying: "A new social tariff aimed at cutting gas and electricity bills for up to 750,000 of British Gas's most vulnerable customers will see their energy bills drop by around 30% per annum."¹⁴

Likewise, shortly after the \$200 million rate discount program in Texas was eliminated in September 2005, TXU Energy and CenterPoint Energy Houston Electric announced new low-income discount programs totaling \$35 million. The TXU Energy program offers automatic summer rate discounts (i.e., June through October) to electric customers currently receiving Food Stamps or Medicaid, while those households whose income is

¹⁴ See www.britishgas.co.uk/about-british-gas/what's-important-to-us/customer-commitment/essential

less than 125% of federal poverty guidelines may apply for rate assistance. These utility initiated programs in Texas are funded through a combination of shareholder money and a surcharge or assessment on customer bills.

VII. MEASURING THE EFFECTIVENESS OF LOW INCOME ENERGY PROGRAMS

The following section of the report summarizes four independent program audits that evaluated the effectiveness of four low income energy assistance programs in the United States, as well as an annual report that reviews the accomplishments achieved in Great Britain. In general, the low-income programs were found to be effective in terms of making energy costs more affordable for low-income energy consumers and reducing the number of households considered to be living in fuel poverty or for whom energy service was unaffordable. However, many of the programs were criticized for not targeting the poorest of the poor, so that those customers who most needed assistance would receive benefits.

A. LIHEAP Energy Burden Evaluation Study

LIHEAP is a mandatory block grant program whose mission is to assist low-income households, particularly those with the lowest incomes that pay a high proportion of household income for home energy, primarily in meeting their immediate home energy needs. States, territories, and Indian tribes that wish to assist low-income households in meeting the costs of home energy may apply for a LIHEAP block grant.

The first study, entitled “LIHEAP Energy Burden Evaluation Study,” was performed in July 2005 by the Applied Public Policy Research Institute for Study and Evaluation (“APPRISE”). The purpose of this evaluation study was to assess to what extent the LIHEAP program was serving the lowest income households that have the highest energy burdens. The study used data from the 2001 Residential Energy Consumption Survey (RECS) to examine the distribution of income and energy burden for low income households and to identify those that have the lowest incomes and highest energy burdens (i.e., high burden households). The study uses the 2001 RECS LIHEAP Supplement to measure the effectiveness of the FY 2001 LIHEAP program in serving high burden households. The study quantifies program effectiveness using targeting performance measures, and identifies procedures for updating energy burden targeting performance statistics in the future.

The findings from this study show that grantees target LIHEAP benefits, but that targeting could be further improved. However, such improvements would require changes in LIHEAP intake and benefit determination procedures.

Reciprocity Targeting: The program has successfully targeted the two groups that have been identified as having the highest home energy needs. However, the program could attempt to increase targeting so that a greater percentage of recipients are both vulnerable and have high energy burden by placing a greater emphasis on identifying and serving high burden households. However, many grantees do not have procedures in place that allow them to measure energy burden for LIHEAP recipients.

Benefit Targeting: The program does not give significantly higher benefits to high burden households. The best way to increase targeting would be to measure energy burden for LIHEAP recipients and give higher benefits to households that have higher energy burden. However, many grantees do not have procedures in place that allow them to measure energy burden for LIHEAP recipients.

Burden Reduction Targeting: The program does not target the highest burden households with the greatest level of burden reduction. The best way to increase targeting would be to measure energy burden for LIHEAP recipients and give higher benefits to households that have higher energy burden. However, many grantees do not have procedures in place that allow them to measure energy burden for LIHEAP recipients.

With limits on LIHEAP administrative funds, it is not clear that grantees have the resources to make the changes that are required to improve recipient and benefit targeting.

B. Evaluation of NJ USF Program

New Jersey's low income energy assistance program, which began in October 2003, is a fixed credit percentage of income payment plan ("PIPP") under which participants are required to pay no more than six percent of their annual income toward electric and gas bill. In 2006, the New Jersey program was evaluated to analyze the operations and results from October 2003 through FY 2005. The independent research institute, APPRISE, reported the following information concerning the success of the New Jersey program. First, the impact of the USF program is significant for those who receive it – it covers about 40 percent of the total energy bill for eligible clients. Second, the program's standard of energy affordability (i.e., six percent of income) is one of the most aggressive in the country. Similar programs in Ohio and Pennsylvania require low income customers to pay up to 17 percent of their

income on energy bills. Third, about 41 percent of participants had incomes at or below \$10,000, and 37 percent of households had an elderly member. Fourth, the majority of USF customers, 67 percent, were able to pay 100 percent of their annual utility bills. Fifth, the USF program eliminated about 90 percent of pre-program arrears for USF customers. Sixth, compared to LIHEAP recipients in other northeastern states, USF participants had a lower rate of utility shutoffs. Seventh, although the program targets the lowest-income households, it does not necessarily reach the most vulnerable groups such as the young, the elderly, groups with language barriers, or those households with the highest energy burden.

C. Evaluation of Cost Effectiveness of Oregon Energy Assistance Program

The Oregon Energy Assistance Program is designed to provide cash-assistance to low-income households to offset the cost of electric energy. The program is funded through a meter charge¹⁵ to PacifiCorp and Portland General Electric customers in Oregon and is administered by Oregon Housing and Community Services. On January 10, 2003, a study was published by Quantec LLC for purposes of evaluating the cost effectiveness of the program. Quantec performed a cost/benefit analysis to measure whether the Oregon program provided societal benefits that exceeded program costs, and whether the utilities realized cost savings as a direct result of the program. Quantec's study found that the societal benefits derived from the program slightly exceeded the costs, while the benefits to the utilities as measured through cost savings were slightly less than the program costs. Specifically, the study indicated that utility costs were reduced as follows: 1) reductions in past due amounts of \$340 per customer; 2) savings of \$11 per participant due to the time value of money and reduced need to acquire capital; 3) reduction of \$190,000 in costs related to efforts to collect bad debt (including phone calls, letters, customer visits, and collection agency costs); 4) reduction in customer mobility caused by need to move due to high energy costs resulted in estimated cost savings to utility of \$22,000 related to reading meter prior to assigning new account; and 5) possible increase in federal assistance from LIHEAP attributable to state-sponsored program. Finally, Quantec observes that certain benefits of the Oregon program could not be quantified, and

¹⁵ The meter charge is currently set at \$0.35 per month for residential customers and \$0.035 per kWh for commercial customers and capped by the legislature at \$500 per month.

concludes that if those factors were taken into consideration, the program's cost effectiveness would have increased significantly.

D. Evaluation of Program's Effectiveness in Great Britain

In 2007, the Department for Business Enterprise and Regulatory Reform and the Department for Environment, Food and Rural Affairs jointly published their fifth annual progress report concerning the United Kingdom's efforts to tackle fuel poverty. According to the report, in November 2001, the Government published an ambitious UK Fuel Poverty Strategy with the goal of eradicating fuel poverty by 2016 in England, Northern Ireland, and Scotland, and by 2018 in Wales. However, during 2005, the UK-wide figures rose by around 500,000 households, with around 2.5 million households in fuel poverty overall, of which two million of those are vulnerable. This is down from 6.5 million and 5 million in 1996 respectively, across the UK.

Fuel poverty remains a priority for the Government. However, according to the report, fuel poverty is not something that the UK Government can tackle alone. It depends upon close cooperation with energy suppliers, local authorities, social landlords, delivery bodies, and third sector organizations. The report notes the following program achievements to date:

- UK is the first country in the world to recognize the issue of fuel poverty and to put in place measures to tackle the issue, including spending £20 billion on benefits and programs since 2000;
- Substantial reductions in fuel poverty since 1996 with over four million households removed from fuel poverty in the UK;
- Assisted over two million households in the UK through Fuel Poverty Schemes. The range of schemes offered are now far more flexible, so that those receiving help can get the full benefit whatever their circumstances;
- Initiatives across the UK to improve the quality of social housing have resulted in substantial investment. In England, for example, the Decent Homes Standard has halved the number of homes in social housing that provide inadequate thermal comfort;
- The Energy Efficiency Commission has enabled a large number of low income households to benefit from a range of energy efficiency measures

delivering cost effective carbon savings and reducing their costs to keep warm; and

- Winter Fuel Payment helped keep 11.7 million people warm in the winter of 2006/2007. If counted against fuel bills this is estimated to have removed around a further one million households from fuel poverty in the UK.

The annual report indicates that the government's framework provides a strong safety net for vulnerable people, and was successful in reducing fuel poverty between 1996 and 2005 by three million households across the UK in this vulnerable category. But they admit that new challenges from rising energy prices since 2003 have inevitably had an impact, and 2005 was the first year in which the number of households in the UK in fuel poverty actually rose. They estimate that there may still be 1.2 million vulnerable households in fuel poverty in England by 2010.

The annual report states that the U.K.'s commitment to fuel poverty has seen investment of over £2 billion on Fuel Poverty Schemes, and £2 billion on Winter Fuel Payments. Local Authorities in England have also invested £5 billion on the Decent Homes Standard, and social landlords across the rest of the UK have invested huge sums to improve the standard of social housing. Energy suppliers have continued their significant activity through the Energy Efficiency Commitment I and Energy Efficiency Commitment 2 which is expected to have generated £1.6 billion in energy efficiency measures, and all suppliers now provide significant social programs to their vulnerable customers.

Finally, the report discusses the U.K.'s ongoing commitment to eradicate fuel poverty, while simultaneously reducing carbon emissions. The 2007 Comprehensive Spending Review has allocated resources to continue the Warm Front Scheme in England. The combination of Warm Front funding of just over £800 million over the period and the focus on low-income and elderly customers through the priority group obligation in the Carbon Emissions Reduction Target mean that spending on energy efficiency and other measures in low income, elderly and disabled households is expected to rise, by £680 million to around £2.3 billion compared to the previous spending level.

VIII. ISSUES TO CONSIDER IN DESIGNING AND IMPLEMENTING LOW-INCOME ENERGY PROGRAMS

There are a number of relevant questions that a jurisdiction must answer when it is considering how to design and implement a policy or program to address the needs of low-income energy consumers. This section of the report is intended to raise awareness of the important issues that should be addressed in a low-income energy assistance program, based on the experience of jurisdictions that have adopted a formal policy or program. These questions include, but are not limited to, the following:

A. How is low income defined?

Regulatory authorities have established various definitions of low-income energy customers, including those who are considered to be in fuel poverty, those considered as vulnerable, those who spend a certain percentage of income on home energy needs, those whose income represents a certain percentage of some benchmark level, and those who indicate that electricity service is not affordable for their household. Regardless of what definition the regulator adopts, it is important to develop some common definition of the term low-income energy customer before designing and implementing a policy or program to address the needs of that group.

B. How is the program funded?

Based on Concentric's research in preparing this report, the most common forms of funding for low-income energy programs include: federal government grants; state or provincial government grants; system benefit charges; voluntary or mandatory customer charges assessed on utility customers; and charitable contributions.

C. What are the eligibility criteria?

Some jurisdictions link eligibility to income levels (e.g., percent of federal poverty guidelines or state median income), while other jurisdictions consider the percentage of household income spent on expenses for purchasing energy used for heating and cooling purposes, while still others determine eligibility based on qualifying for another social assistance program (e.g., government pension plans or child welfare support.)

D. Who determines customer eligibility requirements?

Most jurisdictions in North America leave this determination to a social service agency, who has established income and household size guidelines for the purposes of its own public assistance programs. Customer eligibility requirements in many European countries appear to be dependent more on the percentage of household income spent on energy than on absolute income levels. For energy efficiency programs, there appears to be less emphasis placed on the customer's income level, and more emphasis on offering financial incentives to all customers to weatherize their dwellings and purchase appliances that consume less energy. Most jurisdictions attempt to avoid assuming the role of determining which customers are eligible for energy assistance because this is the purview of social service agencies, not of public utilities, consumer advocates, or utility commissions. An alternative approach would result in significant commitments of staff resources in terms of developing, administering, and monitoring customer eligibility requirements.

E. Who administers the logistical aspects of the program?

There is little information concerning who administers the logistical aspects of the various programs that have been implemented by the regulatory jurisdictions that were reviewed for this research report. Questions to be answered include the following: (a) how is the level of rate assistance determined; (b) how frequently is the level of rate assistance modified; (c) how do eligible recipients receive the financial benefits to which they are entitled; (d) how is the program monitored or audited to ensure compliance with all applicable statutes, rules, and directives from the regulatory authority; (e) who arbitrates any disputes between low-income customers and the utility regarding disconnection policies, reconnection fees, late payment charges, etc.; and (f) is the regulatory authority actively involved in the day-to-day operation of the program, or does it serve as a conduit between the utility and the low-income consumer?

F. How are customers notified of program availability?

Enhancing customer awareness through education is one of the more important aspects of any program that is designed to provide benefits to a targeted group. The OFGEM identified this critical aspect of its low-income policy when it observed that many low-

income customers were not benefiting from electric competition because they were not aware of their supplier alternatives, and did not recognize that they could reduce their rates for electric service by moving away from prepayment meters to an alternative payment method. Similarly, some jurisdictions have found that eligible customers do not request any form of rate assistance or do not apply for energy efficiency rebates or tax credits because they feel that such programs have a social stigma. It appears that the regulatory authority must be prepared to offer a customer education program to eligible recipients in order to increase public awareness of the low-income energy assistance programs that are available, and to explain the potential benefits that can be obtained through participation in such programs.

G. Is there a procedure for reviewing the programs after some period of time?

As discussed in Section VII of this report, several jurisdictions have retained an independent auditor to evaluate the successes and shortcomings of their low-income energy assistance program. It is unclear whether this monitoring activity occurs on a routine and established schedule, or whether the regulatory jurisdiction requests an audit only when it wishes to be apprised of the effectiveness of the program it has implemented. In the case of the United Kingdom, it appears that an annual report provides detailed information concerning whether the programs are successful in combating and eradicating fuel poverty. The UK approach is clearly targeted at meeting specific objectives by a certain date, while other jurisdictions do not have such an aggressive goal, or have not made low-income assistance a major priority. Frequently, a LIEP is approved as a pilot program, and is evaluated by the regulatory authority after two or three years to determine whether it has been effective.

H. How do you measure the success of LIEPs?

It is important for the regulatory authority to consider how it will measure the effectiveness of any policy, program, or measure. This measurement normally involves an assessment of whether the policy or program has fulfilled its intended purpose. Therefore, in order to measure program success, it is imperative for the regulators to have a benchmark against which must they can measure the results of the policy or program. This requires industry information to be provided to the regulatory authority

through some type of report, survey, or independent audit or research study. For example, the United Kingdom prepares an annual report that explains the program objectives and whether the current low-income energy programs are helping the nation achieve its goal of eradicating fuel poverty. The UK measures the number of customers who have been removed from the ranks of those considered to be fuel poor, and it monitors the amount spent by utilities on social tariffs designed to reduce or eliminate fuel poverty through reduced rates or energy efficiency programs. Similarly, the Pennsylvania Public Utility Commission prepares an annual report to review the effectiveness of low-income programs in that state. In particular, it appears that successful low-income regimes measure whether the program has been successful in assisting those who are most at risk of detrimental consequences from the lack of adequate heating and cooling, such as families with young children, and vulnerable groups such as the elderly, disabled, and terminally ill. Concentric's research and experience indicate that it is beneficial for the regulatory authority to identify the type of information it wishes to collect and analyze at the time the LIEP is implemented. This approach will help to ensure that utilities are tracking the requisite information, and it provides the regulators with an opportunity to discuss with stakeholders the costs and benefits of providing reports concerning relevant measures such as customer participation levels, program costs, and the effectiveness of customer education materials.

I. Implementation issues

There are many implementation issues related to low-income energy assistance programs. Some of those are logistical to be addressed by the regulatory authority and were covered earlier in this section. However, the process of implementing low-impact programs also impacts the utility in certain ways. For example, the utility may need to dedicate employees and other resources to administering the program. The utility may need to coordinate with social service agencies or charitable organizations in order to determine which customers are eligible for assistance and what to do when a vulnerable customer faces disconnection. The utility may need to make changes to its customer accounting system for purposes of tracking low-income energy customers. The utility may need to collect confidential information from government agencies regarding customers who

apply for assistance under the program. Finally, the utility may need to submit additional reports to the regulatory authority concerning customer participation, so that the regulator can evaluate the effectiveness of the program.

IX. CONCLUDING OBSERVATIONS AND SUMMARY

Based on Concentric's research, it appears that low-income energy programs have been implemented in a number of different jurisdictions around the globe. As energy costs have continued to escalate during this decade, there has been renewed interest in addressing energy affordability, especially for low-income customers who are most vulnerable to price increases. Regulatory authorities are placed in the difficult position of trying to balance the mandate for just and reasonable rates with the social pressure to help those in need of rate assistance. Many jurisdictions have implemented policies that prohibit disconnection during certain times of the year or when the temperature falls below a specified level. Many have also implemented policies to protect senior citizens and those with medical conditions from disconnection, especially during extreme weather conditions.

In addition to rate discounts or waivers of the fixed monthly service charge, many jurisdictions have placed renewed emphasis on financial incentives for energy efficiency programs. These programs accomplish the dual purpose of encouraging conservation, while reducing carbon emissions and greenhouse gases. European countries have placed particular emphasis on designing comprehensive low-income energy programs that encourage upgrading the quality of the housing stock.

Electricity, natural gas, and heating oil are considered essential services in most jurisdictions. Concentric has found almost universal support for the concept of low-income energy programs. However, there is substantial debate concerning how the policy or program should be structured and the extent to which these programs should be funded, and by whom. Should the Board determine that it wishes to adopt low-income energy programs in Ontario, it will face the issue of how those programs should be funded.

Finally, it appears that the most effective low-income programs are the result of collaboration between the regulatory authority, regulated utilities, social service agencies, charitable organizations, and utility customers. The problem of energy affordability cannot be addressed without the cooperation and commitment of all interested parties.

LIST OF APPENDICES

- Appendix A: Country specific summaries of low income energy programs
- Appendix B: Eligibility requirements, funding levels, and customer participation levels for U.S. low income programs
- Appendix C: Table of low income programs in selected countries

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1 **16.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 11.0**

2 16.4 Have the authors reviewed any of the reports/decisions in the above
3 information requests 16.1-16.3, or any other policies with respect to
4 energy poverty in doing its jurisdictional review?

5 **RESPONSE:**

6 No, in Elenchus Rate Design Report, Elenchus chose jurisdictions reviewed in FEI's
7 Application to make the comparison consistent with the other topics addressed.

1 **16.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 11.0**

2 16.5 What study have the authors done with respect to low income utility
3 pricing, and specifically intra-class price discrimination, with an objective
4 of maximizing revenues from residential customers with different income
5 elasticities of demand?

6 **RESPONSE:**

7 Elenchus has done no study with respect to low income utility pricing, or specifically
8 intra-class price discrimination with the objective of maximizing revenues from
9 residential customers with different income elasticities of demand.

10 Elenchus is not aware of any practical method of categorizing customers in the
11 residential class based on their individual income elasticity of demand. Empirical studies
12 of income elasticity of demand examine groups of consumers; they do not attempt to
13 determine the income elasticity of demand of individual consumers.

1 **16.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 11.0**

2 16.6 Does FEI's cost allocation lead to average cost pricing? If yes, would there
3 be any benefits in having all or some customers' rates set to recover their
4 marginal cost, rather than the average cost?

5 **RESPONSE:**

6 FEI's cost allocation study is based on average costs, it is not based on marginal costs.
7 Therefore, the rate design proposed by FEI, that is based on the results of its cost
8 allocation study, is based on average costs.

9 There would have to be specific reasons, or objectives set in order to justify setting
10 rates for some customers based on marginal costs and deviate from setting rates based
11 on cost causality and average costs, as it is currently done. For example, bypass rates
12 deviate from the general principle of charging rates based on average costs because
13 doing so avoids uneconomic bypass.

14 Setting rates based on marginal costs may provide some benefits, for example, better
15 economic price signal to customers, but it introduces more complexity and potentially
16 more variability into the cost allocation and rate design process of a utility.

17 Furthermore, setting rates based on the marginal cost to serve specific customers within
18 a properly constituted class rather than average cost would violate the widely accepted
19 principle of postage stamp rates and introduce rates that are considered discriminatory.

1 **17.0 Reference: Exhibit A2-10, Elenchus Rate Design Report, Section 13, p. 46**

2 **Preamble:** The authors note that: “The treatment of commodity costs in a cost
3 of service study in AltaGas and FEI is different and is due to the
4 different method of regulating gas costs. For AltaGas, gas costs are
5 excluded from the cost of service study and are recovered by a
6 monthly rider applied to all sales service rates unless otherwise
7 specified to ensure that customers pay neither more nor less than
8 the actual costs. For FEI, the commodity component of the gas cost
9 is allocated to customers based on throughput while storage and
10 transport components are allocated using the load factor adjusted
11 volumetric basis.”

12 17.1 How does FEI’s methodology compare with Union Gas and Enbridge Gas
13 Distribution?

14 **RESPONSE:**

15 In Ontario, the commodity component of the gas cost is determined through the
16 Quarterly Rate Adjustment Mechanism, where the gas supply price is adjusted based
17 on the forecast market price for natural gas. The same gas supply price applies to all
18 rate classes within one gas utility.