



Orange & Rockland

LOW INCOME IMPLEMENTATION PLAN

Case No. 14-M-0565 – Proceeding on Motion of the
Commission to Examine Programs to address Energy
Affordability for Low Income Utility Customers

September 16, 2016

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EXECUTIVE SUMMARY

In January 2015, the New York Public Service Commission (“PSC”) initiated a proceeding to examine low income programs offered by the major electric and gas utilities in New York.¹ On June 1, 2015, Staff of the Department of Public Service (“Staff”) issued a Straw Proposal for a new statewide approach to low income programs. On May 20, 2016, the PSC issued its Order Adopting Low Income Program Modifications and Directing Utility Filings (“Low Income Order”), which approves a final policy framework for addressing the needs of New York low income customers. Appendix C of the Low Income Order proposes that Orange and Rockland Utilities, Inc. (“O&R” or “the Company”) increase its current annual low income program spending level to provide benefits that will set an energy burden for low income customers that will not exceed six percent of income. Staff proposed that, in order to achieve this goal, the Company’s annual spend would increase from \$4.5 million to approximately \$20.3 million. Analysis of the Low Income Order’s proposed spending level indicates the data used for natural gas customers was captured during a period when the northeast experienced the polar vortex in early 2014, and as a result customers experienced higher usage and higher gas commodity prices. The Company has reviewed the latest twelve month period ended May 2016 in order to reflect a more recent and more appropriate time frame to establish a new average bill amount. The Company plans to review low income customer bills annually and reset credit amounts for upcoming heating seasons so that any bill fluctuations resulting from weather or commodity prices will be reflected in credit amounts provided for the next year. Using this annual reconciliation approach, customer credits will be \$8.7 million beginning with the November 2017 heating season, instead of the \$20.3 million proposed in the Low Income Order.

The Home Energy Assistance Program (“HEAP”) is a federally funded program that assists low income customers with the cost of heating their homes either through a regular or emergency benefit. The program administrator, the Office of Temporary and Disability Assistance (“OTDA”), provides funding at the County level to distribute benefits. Currently, O&R’s low income program procedure identifies participants through the receipt of files containing HEAP payments that will be applied to customer bills, and an automatic process enrolls them into O&R’s low income credit program. The Low Income Order requires that utility low income programs also include customers that heat with alternate fuels (*i.e.*, oil, propane, kerosene). According to OTDA, there are approximately 2,700 customers in Orange and Rockland counties that heat with alternate fuels and have historically received HEAP benefits. OTDA is unable to provide the number of customers receiving HEAP benefits that heat with alternate fuels in Sullivan County and are served by O&R. Because these customers receive HEAP benefits paid to their alternate fuel provider, O&R is usually unaware of these HEAP benefits. Therefore, O&R is coordinating with OTDA to identify these alternate fuel electric customers so that they can be enrolled into the low income credit program.

The Company firmly believes that only providing customers with subsidies to meet their six percent energy burden is not a sustainable paradigm, as it presupposes a single, one size fits all solution without consideration for other more economical longer-term or sustainable solutions. The Company proposes

¹ Case 14-M-0565 – *Proceeding on Motion of the Commission to Examine Programs to Address Energy Affordability for Low Income Utility Customers*, Order Instituting Proceeding (issued January 9, 2015).

to reduce low income customers' energy bills in the near term with an energy efficiency solution that results in a more sustainable model that will result in lower bills and subsequently the need for lower credits to be funded by ratepayers in future years. This approach will not only enable customers to lower their energy bills and provide them with the education and tools to maintain lower bills, but it also supports the State's Reforming the Energy Vision ("REV") goals by enhancing customer knowledge and use of tools, developing robust sustainable markets and benefiting ratepayers, and reducing energy consumption and greenhouse gas emissions in the low income sector.

Therefore, in addition to the bill credit, a more holistic approach to providing for an affordable low income customer energy burden includes 1) an energy efficiency program to reduce energy consumption; 2) a behavioral education component with individual targeted messaging tailored to meet customer needs; and 3) an outreach plan that engages community leaders and community based organizations to increase program awareness and facilitate participation in the energy efficiency and behavioral programs.

The Company refers its residential low income population that currently receives subsidies to the New York State Energy Research and Development Authority's ("NYSERDA") EmPower Program, to provide free energy efficiency upgrades in their homes. Limited funding provides assistance under this program to approximately 15,000 customers annually statewide. With O&R's low income population currently exceeding 10,000 and approaching 14,000 with the addition of approximately 2,700 alternate fuel HEAP recipients, the EmPower Program will not meet O&R customer needs. Therefore, the Company proposes to collaborate with NYSERDA to implement a direct install energy efficiency program that includes a behavioral education component. The behavioral education component will be implemented with NYSERDA and Simple Energy. Simple Energy is O&R's partner in implementing the Company's Customer Engagement Marketplace Platform ("CEMP") REV demonstration project which includes a behavioral and educational component. Inclusion of a behavioral education component will introduce targeted messaging unique to each customer based on their usage, and is designed to empower low income customers to become more efficient consumers. Aligning program synergies among the Company, NYSERDA and Simple Energy will maximize the resources available to low income customers so that they receive benefits of both the Company and NYSERDA programs.

The Company proposes a spending plan that initially allocates \$8.7 million to bill credits to meet the policy objective that customers pay no more than six percent of their income on energy bills, and \$4.5 million for the direct install energy efficiency and behavioral education program. The Company will provide outreach and education to all low income customers and proposes to spend \$4.5 million annually for three years (for a total of \$13.6 million) in order to reach out to all low income customers to install energy efficiency measures in approximately 60 percent of the low income population, which is will reduce their corresponding bills by 20 percent. This will result in an overall reduction of 12 percent across the entire low income population by the end of the three-year program. As a result, required low income credit levels are projected to decrease annually to \$8.1 million, \$7.0 million and \$5.8 million in Year 2, Year 3 and Year 4, respectively. At the end of each year, the Company will evaluate the program and recalculate the low-income customer average bills based on the most recent October through September period to determine the credit level needed to maintain the six percent

energy burden. Credit amounts will be adjusted accordingly. Notwithstanding weather and pricing changes, bills for customers treated by the program will be reduced so that lower credit levels can be established to meet the six percent energy burden. Bill reductions across the majority of the low income population will correspond to a reduction of the initial \$8.7 million annual credit expense. Annual credits amounts may increase as a result of weather and pricing changes, however, the resulting credits will still be less than they would have been in the absence of the energy efficiency program. In Year 4, spending for the energy efficiency program will be reduced to \$975,000 to serve any remaining untreated or new low income customers. This spending level will be evaluated and reset on an annual basis. The Company estimates that in 2022 the resulting reduction in bill credits will equal or exceed the proposed energy efficiency spending of \$13.6 million. The Company proposes that costs associated with the energy efficiency and customer behavioral education program be recovered through the Energy Cost Adjustment (“ECA”) charge and Monthly Gas Adjustment (“MGA”) charge for the electric and gas spending respectively. The low income credits and costs for implementing any system changes resulting from the Low Income Order will be recovered through base rates, as are current low income credit costs.

The benefits of implementing a low income direct installation and behavioral education engagement program extend beyond direct bill and energy savings. Improving energy efficiency in this customer segment drives positive outcomes for the customer and the system as a whole as it decreases customer energy burdens, delivers sustainable bill reductions, achieves cost savings by reducing bad debt, lowers arrearage amounts, reduces the costs and impacts of collection and service terminations, minimizes bill impacts to ratepayers, and reduces demand on the grid.

O&R submits this Low Income Implementation Plan (“Plan”), which explains in detail how the Company intends to meet the PSC’s new low income policy objectives. The Plan describes the following:

- Coordination of the Company’s efforts with OTDA;
- A new proposed energy efficiency program with a behavioral education component in collaboration with NYSERDA and Simple Energy;
- Budget billing and automated budget billing enrollment;
- A customer engagement and outreach plan; and
- An established timeline for the reporting requirements.

I. COORDINATION WITH OTDA

TABLE 1-1 LOW INCOME PROGRAM HEATING ASSISTANCE AMOUNTS	
HEAP AMOUNTS	
Direct Heating	
TIER 1	\$350*
TIER 2	\$375*
TIER 3	\$400*
TIER 4	PAID BY DSS
OIL, KEROSENE, PROPANE	\$575
WOOD, PELLETS, COAL, OTHER FUELS	\$525
*Households with a vulnerable member receive an additional \$25 in the regular benefit calculation.	
Tier I households receive an additional \$26 in the regular benefit calculation.	

Beginning with the 2015-2016 HEAP program year, OTDA is required to report data for the prior year's HEAP recipients to respective utilities, regardless of fuel type, using the Performance Measures Report required by the U.S. Department of Health and Human Services ("HSS"), a federal oversight agency. The Company has developed a file match procedure with OTDA whereby O&R will identify HEAP participants that are customers located in its service territory and provide customer information to OTDA.² Testing for the file match procedure is scheduled to begin in September 2016 in preparation for a file transfer in October 2016.

Currently, O&R's low income program qualifies its participants through receipt of a HEAP benefit credited to their bill. Once the benefit is received, the customer is automatically enrolled in O&R's low income credit program. As such, customers receiving credits for other deliverable fuels may not be identified through the current process. OTDA should identify for O&R, those customers heating with alternate fuels (i.e., oil, propane, kerosene) receiving benefits paid to alternate fuel providers. According to OTDA, there are approximately 2,700 customers that heat with alternate fuels in Orange and Rockland counties that have received HEAP benefits. OTDA is unable to provide the specific number of customers served by O&R in Sullivan county receiving benefits for alternate fuel sources. O&R is requesting that OTDA provide more frequent file transfers to capture current information along with any changes that may occur to low income customers status during the year. For instance, HEAP customers may have a change in income level that affects eligibility or credit amounts.

Based on HEAP benefit amounts, utilities will need to infer the customer tier or credit level, which will require additional enhancements to customer billing systems. Federal poverty levels vary by family size and income, and determining credits solely based on HEAP benefits could result in an incorrect determination of the customer's tier. Identifying a customer's tier based on the amount of credit received could also lead to overpayment or underpayment of credit amounts. To help minimize errors and internal programming costs, O&R is requesting that, commencing in November 2017, OTDA identify customers by tier. O&R looks forward to working with the Interagency Task Force in accomplishing a standardized tier identification process for all utilities. The specific time frame has not been corroborated by OTDA; therefore, logic will need to be added to the O&R Customer

² The Company anticipates that customers included on this list will have received HEAP payments from the previous year. The file match procedure includes criteria to identify qualifying customers for the OTDA file match. There are additional accounts included for non-gas heating customers where electric usage information will need to be reported. (i.e., customers that receive HEAP payments for oil, propane or kerosene).

Information Management System (“CIMS”) billing system in the short term in order to place customers in the correct credit tier.

II. NYSERDA’s EMPOWER PROGRAM

NYSERDA’s EmPower program is a statewide initiative to provide energy efficiency measures to low income customers free of charge. An energy audit is performed to determine which measure upgrades would benefit each customer and may include air sealing to plug leaks and reduce drafts, insulation to make the home more comfortable, replacement of inefficient refrigerators, new energy-efficient lighting, and free health and safety checks. Last year approximately 1,200 O&R customers were referred to the Empower program but only 400 customers were treated. O&R has approximately 11,000 customers enrolled in its low income program, and anticipates the addition of 2,700 alternate heating customers whose HEAP payments are made directly to alternate fuel providers. Since NYSERDA’s EmPower Program has not been able to reach a majority of O&R’s low-income customer segment, additional efforts are necessary to provide much needed energy efficiency assistance to these customers.

III. LOW INCOME IMPLEMENTATION PLAN

The primary goal of the Plan is to further assist low income customers by reducing energy consumption, increasing program credits to meet the six percent affordability metric, and minimizing the ongoing impact to ratepayers. The Company has determined that future low income credits can be reduced by investing in program strategies to immediately lower customer bills, and educate low income customers. The Company proposes to work in collaboration with NYSERDA and Simple Energy to implement a comprehensive energy efficiency direct installation program in conjunction with a customer behavioral and education program that will reduce low income customer consumption over an initial three-year period and beyond. This approach provides the opportunity to 1) minimize customer bill impacts over an extended period of time; 2) continue to explore alternate cost-effective ways to decrease program participant energy burdens; and 3) establish a robust and customer-centric low income program.

Appendix C of the Low Income Order proposes a supplemental increase of approximately \$15.5 million to O&R’s current Low Income Program spending level of \$4.5 million. This would effectively increase the program spending level by 351% to a total of approximately \$20.3 million. To put this increase in proper perspective, the entire rate increase in Rate Year 1 of the Company’s current electric rate plan was \$9.3 million.³ According to Table 3-1, the customer bill impact analysis provided by Staff indicates that immediate implementation of the proposed spending level would result in an average residential combination customer bill increase of \$4.43.

³ Case 14-E-0493, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Electric Service*, Order Adopting Terms of Joint Proposal and Establishing Electric Rate Plan (issued October 16, 2015)(p. 10).

TABLE 3-1: STAFF PROPOSED O&R LOW INCOME BUDGET TO MEET THE 6% REVENUE CAP				
	Current	Proposed	% of Revenue	Average Bill Impact
ELECTRIC	\$2,600,000	\$14,834,000	1.96%	\$2.65
GAS	\$1,900,000	\$5,461,920	1.84%	\$1.78
TOTAL	\$4,500,000	\$20,296,140	1.93%	\$4.43

The Company proposes a revised spending level that more accurately reflects the appropriate credit amounts to be distributed in each tier based on an annual average bill calculation. The Company used the default methodology proposed by Staff where Tier 1 income is based on 60 percent of NY State Median Income (“SMI”) and Tier 3 is based on 130 percent of the federal poverty level. Tier 2 income is the average between Tier 1 and Tier 3. Then the six percent annual burden is divided into a monthly affordability amount with the HEAP credit added back to determine the total affordable bill amount by tier. Since O&R is a combination utility, the total bill amount was then allocated to electric and gas based on their respective 61 percent and 39 percent average annual bill allocation. Table 3-2 demonstrates the affordability bill calculation methodology.

TABLE 3-2: AFFORDABLE BILL CALCULATION METHODOLOGY			
	Tier 1	Tier 2	Tier 3
NYS Median Income/Federal Poverty Level	\$58,878		\$15,930
60% Median Income/130% Federal Poverty	\$35,327	\$28,018	\$20,709
6% Annual Affordability Amount	\$2,120	\$1,681	\$1,243
6% Monthly Affordability Amount	\$177	\$140	\$104
Annual HEAP Credit	\$350	\$375	\$400
Monthly Affordable Bill Amount	\$177	\$140	\$104
Monthly HEAP Credit	\$29	\$31	\$33
Total Affordable Bill Amount	\$206	\$171	\$137
Affordable Electric Bill Allocation @ 61%	\$125	\$104	\$83
Affordable Gas Bill Allocation @ 39%	\$81	\$68	\$54
Total Affordable Bill Amount	\$206	\$171	\$137

One year of low income customer bill data for the period ended May 2016 was reviewed to determine an average annual usage and bill amount. Table 3-3 details the latest usage and bill amount for the year ended May 2016. O&R did not increase the customer’s average bill amount by ten percent, as in the methodology utilized by Staff, since the Company plans to recalculate low income customer bills on an annual basis in order to reflect changes to credit amounts. In addition, no further reduction in credits will be implemented for those customers who receive emergency HEAP as less than 25 percent of O&R’s HEAP recipients received an additional emergency benefit in the 2015-2016 heating year. Those customers may have their energy burden amounts reduced to below six percent as result of future additional emergency HEAP benefits. The Company also requests that emergency HEAP benefits not be provided solely as a result of a utility termination notice. By enforcing this requirement, OTDA places customers in a position that in essence requires them to break the commitments they

made when they entered into payment agreements and to cease the payment of utility bills if they need additional assistance. The termination notice requirement for emergency HEAP benefits should be eliminated. In addition to the individual and behavioral impacts of this policy, its continuation will impact the use of budget billing for low income customers that is part of the Low Income Order.

TABLE 3-3: LOW INCOME HISTORICAL BILLS				
	Year Ended May 2016			
	Electric		Gas Space Heating	
	KWH	Service Amount	CCF	Service Amount
Jun	744	\$160	37	\$56
Jul	883	\$190	32	\$49
Aug	977	\$203	28	\$43
Sep	948	\$193	30	\$44
Oct	678	\$144	39	\$52
Nov	510	\$112	63	\$81
Dec	521	\$114	91	\$119
Jan	575	\$123	128	\$158
Feb	537	\$113	149	\$168
Mar	490	\$103	120	\$140
Apr	489	\$102	87	\$101
May	471	\$103	59	\$69
Average	652	\$138	72	\$90

As shown above, the average bill for an electric and gas space heating bill is \$138 and \$90, respectively for a total combination bill of \$228. Table 3-4, details the average bill calculation and the credits needed to meet the six percent affordability bill by commodity for Tier 1, Tier 2 and Tier 3 income levels. A combination customer will receive a \$23 monthly credit in Tier 1, \$57 credit in Tier 2, and \$91 credit in Tier 3.

TABLE 3-4: YEAR 1 BILL CREDIT			
2017	Tier 1	Tier 2	Tier 3
LI Average Electric Bill (Jun 15-May 16)	\$138	\$138	\$138
LI Average Gas Space Heat Bill (Jun 15-May 16)	\$90	\$90	\$90
Affordable Electric Bill Allocation @ 61%	\$125	\$104	\$83
Affordable Gas Bill Allocation @ 39%	\$81	\$68	\$54
Total Affordable Bill Amount	\$206	\$171	\$137
Electric LI Credit	\$14	\$35	\$55
Gas LI Credit	\$9	\$22	\$36
Total Credit Combination Customer	\$23	\$57	\$91

An analysis of historical HEAP benefit amounts of O&R’s low income population reveals that approximately ten percent of all customers fall into Tier 1, 22 percent fall into Tier 2, 59 percent fall into Tier 3, with the remaining nine percent in Tier 4. Tier 4 customers will no longer receive credits as their bill is paid in full by the Department of Social Services (“DSS”), however, they will be enrolled in the program to ensure that they receive program outreach and education messaging. Based on this allocation, O&R’s estimated credit spending level in 2017 using the credit amounts shown above in Table 3-4 is \$8.7 million instead of Staff’s proposed \$20.3 million. The new credit spending level includes approximately 2,700 alternate fuel customers that will now be receiving electric credits. This credit expense would continue at that level assuming customers maintain the same tier and average bills.

In order to continue to reduce ratepayer contributions below \$8.7 million annually to meet the six percent affordability metric, the Company proposes to implement a direct install energy efficiency and behavioral education program to address the majority of low income customer needs and reduce their energy usage and resulting energy bills. The Company proposes to spend an additional \$4.5 million on this energy efficiency effort annually for each of the three years. An additional one-time \$500,000 system expense will be incurred for logic that must be added to the CIMS billing system in order to facilitate identification of each customer’s tier based on the value of HEAP benefits, as well as enhancements for budget billing and data reporting requirements. As a result, the new combined spending level for the first year of the program will be \$13.8 million (comprised of the \$ 8.7 million bill credits, the \$ 4.5 million energy efficiency and behavioral education program spend and the \$ 500,000 system upgrade). The three-year total of \$13.6 million for the energy efficiency program, assumes that 60 percent of low income customers who participate in the direct install program are projected to have an associated bills savings of 20 percent. Details of this energy efficiency initiative are discussed below. Table 3-5, displays O&R’s new proposed three-year spending approach. Notwithstanding weather and pricing changes, resulting bills for customers treated by the direct install energy efficiency program will be reduced so that lower credit levels will be required to meet the six percent energy burden across the low income population. Annual credits amounts may increase as a result of weather and pricing changes, however, the resulting bills for those treated by the direct installation energy efficiency program will still be less than they would have been in the absence of the energy efficiency program.

TABLE 3-5: DIRECT INSTALL AND CREDIT PROGRAM COST

Direct Install Program	RY 2017	RY 2018	RY 2019	2017-2019 Total	RY 2020	Annual Ongoing
Administration	\$200,000	\$200,000	\$200,000	\$600,000	\$200,000	\$200,000
Marketing	\$100,000	\$100,000	\$100,000	\$300,000	\$25,000	\$25,000
Incentives (Direct Install)	\$3,771,400	\$3,771,400	\$3,771,400	\$11,314,200	\$600,000	\$600,000
Implementation	\$250,000	\$250,000	\$250,000	\$750,000	\$100,000	\$100,000
Evaluation	\$216,100	\$216,100	\$216,100	\$648,300	\$50,000	\$50,000
Total DI Program	\$4,537,500	\$4,537,500	\$4,537,500	\$13,612,500	\$975,000	\$975,000
Credit Program	\$8,730,000	\$8,140,000	\$6,960,000	\$26,325,000	\$5,790,000	\$5,300,000
One Time Billing Upgrade	\$500,000					
Total DI & Credit Program	\$13,767,500	\$12,677,500	\$11,497,500	\$39,937,500	\$6,765,000	\$6,275,000

In October 2018, the Company will evaluate the program to determine its impact on the six percent affordability metric and establish new credit levels for the upcoming heating season based on October 2017-September 2018 historical billing and income data. As a result of energy efficiency measure installations, low income credit levels are expected to decrease annually to \$8.1 million, \$7.0 million, and \$5.8 million in 2018, 2019, and 2020, respectively. In 2020, the energy efficiency program spending is lowered to \$975,000 to serve untreated or new low income customers and will be evaluated and reset on an annual basis. During the initial three-year energy efficiency program, the Company estimates that it will reach 60 percent of the low income segment with energy efficiency measures and the customer behavioral and education program. The Company estimates that in 2022 the resulting reduction in bill credits will equal or exceed the initial three year energy efficiency spending of \$13.6 million. Exhibit A demonstrates the impact of the energy efficiency program on the current and future bills and corresponding credit amounts.

IV. COST ALLOCATION AND BILL IMPACTS

The Company currently collects the costs of its low income credit program through base rates. The Company proposes to collect any additional incremental costs associated with the expansion of its low income credit program through base rates. These incremental costs will be allocated to service classifications in proportion to the relative contribution made by each class to rate year delivery revenues, adjusted by surplus and deficiency indications from the embedded cost of service study. The Company proposes to collect the incremental costs of its low income energy efficiency program through the Energy Efficiency Tracker Mechanisms (“EE Tracker”) component of the base ECA charge for electric and the MGA charge for gas. A uniform cents per kWh and cents per ccf rate will be determined for electric and gas, respectively. As demonstrated in Exhibit B, the resulting impact of the increased credit and energy efficiency program spending is estimated to be 0.9% and 1.5% for a typical residential electric and gas, respectively in the first year of the program.

V. PROGRAM IMPLEMENTATION

The low income program will include components to reduce customer energy bills through the implementation of a direct installation program and a behavioral based education component. The combination of these two critical components will provide customers with a better understanding of how and where energy is consumed and what specific actions can be taken to control energy consumption. The installation of energy efficiency measures in conjunction with behavioral changes will reduce overall consumption, thereby lowering energy bills.

As shown in Table 5-1, the low income population has not had significant growth over the past four years. There are approximately five percent new program entrants annually and 95 percent returning year after year.

TABLE 5-1: O&R LOW INCOME POPULATION		
	ELECTRIC	GAS
YEAR	AVG NO. OF CUSTOMERS	AVG NO. OF CUSTOMERS
2012	10,794	9,187
2013	10,037	8,953
2014	10,599	9,476
2015	10,616	9,444

A. DIRECT INSTALLATION PROGRAM

Free energy audits will be conducted to determine which measures would benefit the low income customers. Recommended measures may include air sealing and thermal barriers, energy efficient lighting, smart thermostats, insulation, hot water conservation measures, tank temperature turn-down, room air conditioners, refrigerator replacements and free health and safety checks.

In order to maximize energy savings and minimize costs, O&R will issue a Request for Proposal and seek a pay-for-performance contract for the installation of program measures. Pay-for-performance cost models are structured to compensate a program vendor for the installation of actual energy efficiency savings achieved by each project. This type of model encourages vendors to identify and achieve maximum savings at minimal cost, and pays them for the installation of measures as opposed to conducting fixed price audits with minimal savings. Pay-for-performance contracts have proven successful in the hard to reach small business sector and so O&R will explore the potential of a pay-for-performance contract. O&R expects to spend \$4.5 million annually to implement this energy efficiency program.

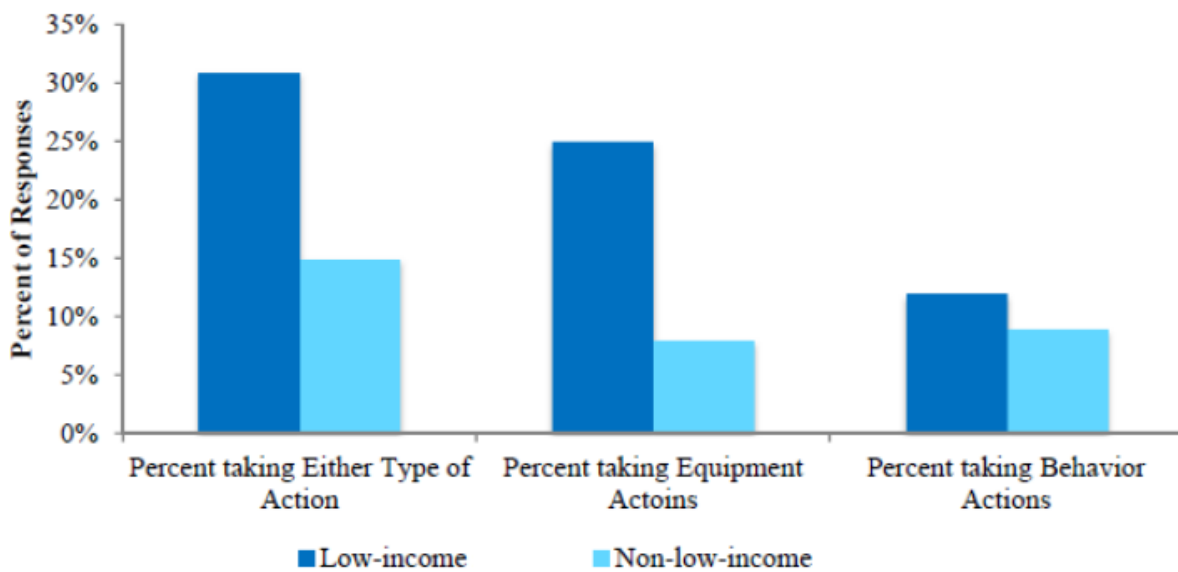
B. BEHAVIORAL EDUCATION AND OUTREACH

An additional component of the energy efficiency program will include a behavioral education and outreach program. The behavioral component will educate customers on the importance of energy conservation and how they can play an active role in lowering their energy bill. The CEMP, O&R's REV demonstration project implemented February 2016, consists of two program elements; the "MY ORU STORE" and "MY ORU ADVISOR". The ORU Store platform provides customers with the ability to purchase energy efficient products and services, apply energy rebates at the point of purchase, sign-up for in home services and enroll in demand response. The ORU Advisor platform includes a behavioral based education component, and provides customers with useful information about how energy is consumed throughout the home, how their energy usage compares to similar sized homes and neighbors, specific actions that can be taken to reduce energy consumption, monthly messaging designed to help customers take action to reduce energy usage, and gamification for actions taken.

MY ORU ADVISOR will be modified to include a unique experience designed specifically for low income customers. Marketing content will be developed along with tips and messaging to focus on the low income customer segment. The process will incorporate both paper and digital engagement materials to educate and motivate customers to take action. Customers will be rewarded for taking action by earning points that can be used to redeem energy efficient products such as LED lighting, low flow devices and other energy saving measures.

The behavioral based component of this program is a first step in educating low income customers in the importance of home energy management. Coupled with the implementation of energy efficient measures, an additional energy savings of one to two percent can be achieved throughout the low income customer base, further reducing the amount of household income spent on energy costs. Driving awareness of efficiency programs for this customer segment is difficult. Some market barriers include insufficient information, misunderstanding and the lack of acceptance of efficiency measures however; there is evidence to suggest that low income customers are eager to participate in programs once engaged. Navigant’s evaluation of Progress Energy Carolinas’ Residential Energy Benchmarking Program indicates that low income customers are more likely to undertake efficiency actions in the form of installed-measure upgrades once educated on efficiency opportunities as shown in Figure 5-1. For this study, installed-measure upgrades were defined as installation of fans, heat pumps, or light bulbs, as well as insulating doors and attics. Behavioral actions were defined as adjusting thermostat settings, lowering water heater temperature, and turning off lights.⁴

FIGURE 5-1: LOW INCOME POPULATIONS ARE LIKELY TO MAKE INSTALLED MEASURE UPGRADES



Designing and employing the direct installation program with an educational and behavioral component provides the opportunity to leverage O&R’s CEMP as a useful forum to engage with low income customers to increase customer awareness and education of energy consumption issues; motivate customers to participate in O&R’s portfolio of energy efficiency programs; and increase distribution and adoption of distributed energy resources.

The Company will continue to collaborate with NYSERDA and Simple Energy to maximize customer benefits by leveraging existing programs in conjunction with enhanced energy efficiency offerings. Collaborating with NYSERDA will maximize the resources available to low income customers to achieve the most savings. O&R and NYSERDA are discussing solutions to leverage existing resources

⁴ Berelson, Serg; Opower. “Myths of Low-Income Energy Efficiency Programs: Implications for Outreach.”, pg. 7

to increase customer energy savings. The Company proposes a spending level for the direct install energy efficiency and behavioral education program of \$4.5 million annually for three years. O&R, NYSERDA and Simple Energy are discussing solutions that can effectively be implemented by the second quarter of 2017.

Should collaboration with NYSERDA not be possible, O&R proposes to implement an energy efficiency and behavioral program solution independent of NYSERDA. The Cost Summary proposal assumes no supplemental funding from NYSERDA.

C. SIMILAR PROGRAMS AND OUTCOMES

For the past six years, Rockland Electric Company (“RECO”), a New Jersey utility subsidiary of O&R, has implemented its own residential low income direct install program. This program has been successful in installing efficient measures to its target population, reducing energy consumption by approximately 1,600 kWh per customer annually, representing 19% of their annual usage, and increasing customer satisfaction.

Energy efficiency programs lower energy bills for all utility customers, not just program participants. In California, targeted low income efficiency programs have reduced costs by \$1 billion annually, the amount ratepayers spend to fund direct bill payment assistance programs. This was done by cutting utility costs through lower collection costs and avoided service shut off costs and enabled more customers to pay their bills in full. This cost savings is more than three times the annual investment on low income energy efficiency.⁵

D. PROGRAM OBJECTIVES

The proposed O&R energy efficiency and behavioral education program will assist low income customers that either own or rent their home by installing recommended cost effective energy measures and educating customers about energy conservation. The Program is designed to meet specific objectives, all emphasizing the need to:

1. Implement a low income program that will assist customers with reducing their energy usage;
2. Inform customers through outreach and education programs to provide low income customers with the tools needed to make informed energy decisions; and
3. Continue to explore cost effective methods to further assist low income customers in reducing energy consumption.

The program will target the participation of approximately 2,200 eligible customers annually during its first three years, which is approximately 60 percent of the low income population served by the Company. Participating customers will receive a no cost energy audit, which may include health and safety testing, blower door testing, identification of cost effective measure replacement and upgrades, and information to encourage the customer to accept the measures offered by the program, as well as,

⁵ “*The Benefits of Energy Efficiency for California’s Low Income Households.*” Natural Resources Defense Council, pg 2.

to proceed with other actions to facilitate reduction of their energy use. The Plan outlines a number of strategies to achieve expanded enrollment and energy savings:

1. Strengthen outreach using Community Based Organizations (“CBOs”), community leaders and social marketing tools to drive program awareness;
2. Coordinate communications between the Company, OTDA and NYSERDA to provide service offerings that are seamless for the customer;
3. Increase collaboration, leveraging other low income programs such as federal Weatherization Assistance Program (“WAP”) agencies and services;
4. Develop a reputable and trustworthy brand for the Low Income Direct Installation program; and
5. Improve program deliverables and provide low income customers with measures that provide the maximum level of energy savings.

VI. BUDGET BILLING

Budget billing allows residential customers to pay a level bill amount for a twelve month period. The budget is based on historical billing and consumption during the previous twelve months. Beginning in November 2017, customers enrolled in the low income credit program will be enrolled automatically in budget billing. Customers will receive a letter upon enrollment in the low income program notifying them of their automatic enrollment in budget billing, along with information relating to the opt-out process, with a second letter sent 15 days later to remind customers of their ability to opt-out. Both letters will inform customers on how budget billing works including information on periodic reviews and the annual settlement process. Customers will be provided with the O&R customer service number with instructions on how to opt-out of budget billing and as well as how to access the O&R website to enroll in budget billing. Customers receiving voucher payments will not be enrolled in budget billing. DSS provides bill payment in full as opposed to an average budget amount which may be higher or lower than the customer’s actual bill.

O&R’s CIMS billing system calculates and maintains a monthly budget bill amount for each electric and gas service at a premise level. The budget amount remains with the account’s premise location information.

A. BUDGET BILL METHODOLOGY

ELECTRIC BILLS:

O&R’s CIMS billing system calculates a budget bill using the customer’s last twelve months of historical usage and bills and then applies any forecast increase or decrease in delivery and commodity prices for the next twelve months. If a twelve month history does not exist for that customer, the prior customer’s history will be used. If that does not exist, then a default profile is used based on a similar customers rate classification.

GAS BILLS:

Similar to the electric bill methodology, O&R’s CIMS billing system calculates a budget bill using the customer’s last twelve months of historical heating and non-heating bill amounts, however, the heating

bills are weather normalized using 10 years of historical weather data. Heating bills are weather normalized using a degree day factor to adjust customers' future bills to a normal winter and exclude any non-heating or base use. For example, if the prior winter was colder than normal, budget bills will be decreased. If the winter was warmer than normal, budget bills will be increased. The normal monthly heating degree days are divided by the actual heating degree days (a heating degree day is the number of degrees that a day's average temperature is below 65 degrees) to develop the degree day factor. Base usage is the consumption associated with non-weather related or non-heating use and is determined to be the average monthly usage for the period of June through September. Any forecast increase or decrease in delivery and commodity prices for the next twelve months is then applied. If a twelve month history does not exist for that customer, the prior customer's history will be used. If that does not exist, then a default profile is used based on similar customers in that customer's rate classification.

Enrolling customers in budget billing may be counter to behavioral cooling and heating energy conservation efforts. Customers on budget billing will no longer experience the receipt of a high bill and the need to respond to that price signal. Instead the cost of increased usage will be spread over the next twelve months and may only be realized in part every six months when the budget bill amount is reviewed. To address the absence of these pricing signals and encourage conservation efforts, all low income budget billing customers will receive a quarterly update comparing their budget bill amount to their actual bill. The update will include messaging that identifies changes in usage from last month, same time last year, and identifies the effects of weather.

VII. CUSTOMER ENGAGEMENT & EDUCATION

O&R's marketing approach for all of its programs relies on both traditional and innovative strategies. O&R will use a wide range of marketing channels to promote the Program. The Company will employ a multi-faceted approach to engage the use of best-practices from similar programs in other states. These include the use of broad media outlets such as radio and print media, bill inserts, and web presence, as well as, capitalizing on customer interactions including service calls, customer newsletters, speaking engagements, conferences and community events.

California's SoCalGas Energy Savings Assistance Program has an interactive website that lists program qualifications, weatherization programs and includes an online form to expedite enrollment. Employing similar strategies in this program should serve to increase customer participation. The Company proposes to employ the marketing strategies discussed below.

A. TARGETED MAILINGS

PROGRAM INFORMATION LETTER:

Informational letters will be sent introducing the Program to new low income participants along with brochures highlighting the benefits, energy and cost saving opportunities. The Company will have primary responsibility to develop content for marketing and advertising materials for the Program, and as such, will have final sign-off on all marketing materials used by any of its contractors.

CUSTOMERS WHO NO LONGER QUALIFY FOR THE LOW INCOME PROGRAM:

Each December, the Company will determine if customers receiving low income assistance in the previous year will continue to receive benefits in the current year. If a new HEAP payment is not received in December of the current year, the customer will be notified that they no longer qualify for the Program and a recommendation will be provided that the customer should contact the local DSS to reapply if assistance is still needed.

QUARTERLY BUDGET LETTER:

Customers enrolled in budget billing receive a review every six months to determine if their actual consumption is in line with their current budget. For this Program, customers will receive a quarterly letter providing the status of their budget as more frequent messaging provides the opportunity for the customer to adjust their energy use before the six month review period.

QUARTERLY NEWSLETTER:

The Company will provide a quarterly newsletter to Program participants informing them of health and safety issues, electrical safety and seasonal energy saving tips. The newsletter is intended to provide customers with additional information on how to control their energy consumption and save money. In addition, the newsletter will include the latest rebates and offers from other O&R energy efficiency programs.

B. ADVERTISING

ADVERTISING AT PAYMENT CENTERS:

O&R payment centers are equipped with flat screen televisions that advertise Company initiatives on a timed rotational basis. Information regarding the Program will be included in this rotation. In addition, informational materials will be provided including a Program brochure, how to obtain HEAP and emergency HEAP benefits, and a list other organizations that can provide supplemental aid to pay their bills.

CABLE AND RADIO ADVERTISING:

O&R advertises its energy efficiency programs to the general public on cable television and radio. This type of advertising touches a broad audience and has the ability to reach more customers in a market that is difficult to penetrate. These methods will be further explored to determine if low income information can be included to increase awareness of the Program.

C. WEB PLATFORM

WEBSITE:

A low income customer help page will be included on the O&R website that is interactive and allows the customer to learn about the Program. Access to resources will be available to assist with information related to bill payment, download income eligibility applications from DSS, informational brochures and frequently asked budget billing questions. Customers will have the ability to sign up for the direct installation Program and schedule a home energy audit.

MY ORU STORE AND MY ORU ADVISOR:

O&R's CEMP is an additional forum to engage with low income customers. This REV demonstration project's primary goals are to increase awareness and education about energy consumption; motivate customers to participate in O&R programs; and increase distribution and adoption of distributed energy resources. Energy efficiency kits will be offered specifically to low income customers as an incentive to encourage home audits and to entice participation in the Program. The Company will coordinate with NYSEERDA and Simple Energy to customize messaging on the platform to low income customers and to engage them in participation of the energy efficiency and behavioral and education components of the Program.

D. STRATEGIC PARTNERSHIPS

WEATHERIZATION ASSISTANCE PROGRAMS ("WAPs"):

Federal WAPs, administered by the Department of Energy, supplement their weatherization allocations with a portion of their annual federal Low Income HEAP block grants. O&R will work with these federal agencies to maximize energy savings potential and to reach as many eligible participants as possible.

COMMUNITY ORGANIZATIONS:

Low income households exhibit diversity beyond the categories of housing type and ownership. They may be urban, suburban, or rural; they may be large families, or a single elderly resident subsisting on limited Social Security Income. Given such a heterogeneous group, the Company must target and segment outreach initiatives to foster maximum engagement for efficiency opportunities. Through CBOs, a concerted effort will be made to increase consumer energy efficiency awareness and action, particularly in rural, hard to reach, and ethnic communities.

E. CORPORATE COMMUNICATION

In addition, as the Company continues to integrate energy efficiency into its overall corporate communication efforts, employees are made aware of efficiency programs through the internal intranet site, email communications, newsletters, monthly corporate update meetings, and through direct training efforts. Overall corporate communication efforts include: forums and shows to disseminate energy efficiency program information and other utility services; economic development efforts; corporate communications; public affairs contacts; and town hall meetings.

VIII. REPORTING REQUIREMENTS

The PSC has outlined new reporting requirements for the Low Income Program. The report will capture key project data including: 1) credit discount participants by tier, 2) energy efficiency program participant referrals, 3) participant reconnection fees waived, 4) reconnection fee waivers, 5) average heating bill, 6) average non-heating bill, 7) participant arrears, 8) termination notices sent to participants, 9) participants terminated, 10) participants reconnected, 11) active participant deferred payment agreements, 12) participant uncollectibles and 13) budget billing participants. O&R will implement the new quarterly reporting requirement as defined in the Low Income Order with its first quarterly report subsequent to November 2017. Numerous changes must be made to the O&R CIMS billing system to capture, store, and report this information.

CONCLUSION

Fostering awareness and generating participation in low income energy efficiency programs is a challenge, however, low income customers exhibit a propensity to participate in energy efficiency programs once engaged. Employing robust outreach to engage low income customers with targeted messaging based on their unique usage characteristics drives more effective programs. Targeted offerings that deliver efficient measures and behavioral education, tailored to customer individual needs is the next step in the development of effective low income energy efficiency and credit programs.

The benefits of driving a low income direct installation and behavioral engagement program extend beyond direct bill and energy savings. Improving energy efficiency in this customer segment drives positive outcomes for the customer and the system as a whole in four important ways:

1. Low income energy efficiency programs achieves cost savings for the utility by reducing bad debt, arrearages, and the administrative costs of collection and service termination.
2. Implementing a low income program with comprehensive outreach and education assists customers with reducing their energy burden, provides low income customers with the tools needed to make informed energy decisions and delivers long-term, sustainable bill relief to low income customers.
3. The efficiency and demand savings delivered by low income programs reduce demand on the grid, which is particularly valuable during system peaks.
4. Since low income rate subsidies are generally funded via tariff riders, high-performing efficiency programs reduce costs for all ratepayers.

This proposal allows O&R to achieve the PSC policy objective that meets the six percent energy burden through the issuance of \$8.7 million in energy credits while also delivering a sustainable solution to lower future ratepayer contributions by reducing low income customers overall energy burden and providing them with the tools to more effectively manage their energy usage. The energy efficiency and behavioral component, at an annual cost of \$4.5 million over a three-year period and \$ 975,000 thereafter, is projected to ultimately reduce customer bills and effectively lower ratepayer contributions so that the cost of the energy efficiency program is in essence recovered by lower credit expense over time.

Ultimately, a seamless stream-lined approach with a single program administrator enables a more productive and cost-effective program. Aligning program synergies among the Company, NYSERDA, and Simple Energy to provide service offerings is the ideal goal of this implementation plan. In addition, it makes for a more pleasant experience for the customers and builds trust in the Company resulting in strengthened community relationships. A comprehensive energy efficiency program inclusive of weatherization strategies, credit assistance and energy education initiatives can produce positive outcomes for low income stakeholders, customers, and utilities alike.

EXHIBITS

EXHIBIT A – Credit Discount Methodology

EXHIBIT A: CREDIT DISCOUNT METHODOLOGY			
	Tier 1	Tier 2	Tier 3
NYS Median Income/Federal Poverty Level	\$58,878		\$15,930
60% Median Income/130% Federal Poverty	\$35,327	\$28,018	\$20,709
6% Annual Affordability Amount	\$2,120	\$1,681	\$1,243
6% Monthly Affordability Amount	\$177	\$140	\$104
Annual HEAP Credit	\$350	\$375	\$400
Monthly Affordable Bill Amount	\$177	\$140	\$104
Monthly HEAP Credit	\$29	\$31	\$33
Total Affordable Bill Amount	\$206	\$171	\$137
Electric Bill Allocation @ 61%	\$125	\$104	\$83
Gas Bill Allocation @ 39%	\$81	\$68	\$54
Total Affordable Bill Amount	\$206	\$171	\$137
2017			
LI Average Electric Space Heat Bill (Jun 15-May 16)	\$138	\$138	\$138
LI Average Gas Space Heat Bill (June 15-May 16)	\$90	\$90	\$90
Electric LI Credit	\$14	\$35	\$55
Gas LI Credit	\$9	\$22	\$36
Total Credit Combination Customer	\$23	\$57	\$91
2018			
LI Average Electric Space Heat Bill (Jun 15-May 16)	\$136	\$136	\$136
LI Average Gas Space Heat Bill (June 15-May 16)	\$88	\$88	\$88
Electric Credit	\$11	\$32	\$53
Gas Credit	\$7	\$21	\$34
Total Credit Combination Customer	\$18	\$52	\$87
2019			
LI Average Electric Space Heat Bill (Jun 15-May 16)	\$130	\$130	\$130
LI Average Gas Space Heat Bill (June 15-May 16)	\$85	\$85	\$85
Electric Credit	\$5	\$26	\$47
Gas Credit	\$3	\$17	\$31
Total Credit Combination Customer	\$9	\$43	\$78
2020			
LI Average Electric Space Heat Bill (Jun 15-May 16)	\$124	\$124	\$124
LI Average Gas Space Heat Bill (June 15-May 16)	\$81	\$81	\$81
Electric Credit	\$0	\$21	\$42
Gas Credit	\$0	\$13	\$27
Total Credit Combination Customer	\$0	\$34	\$69
2021			
LI Average Electric Space Heat Bill (Jun 15-May 16)	\$122	\$122	\$122
LI Average Gas Space Heat Bill (June 15-May 16)	\$79	\$79	\$79
Electric Credit	\$0	\$18	\$39
Gas Credit	\$0	\$12	\$25
Total Credit Combination Customer	\$0	\$30	\$64

EXHIBIT B – Cost Allocation Bill Impact

Orange and Rockland Utilities, Inc.					
Preliminary Bill Impacts for Low Income Order Funding					
All Dollar Amounts are in Millions of Dollars					
Scenario 1					
	<u>Budget</u>	<u>Currently Collected in Base Rates</u>	<u>Incremental Collection</u>	<u>Impact to Customer</u>	
				<u>Overall</u>	<u>SC 1 Typical Bill</u>
Electric Recovered Through Revenue Requirement	\$5.7	\$2.6	\$3.1	0.5%	0.6%
Electric Recovered Through EE Surcharge	\$2.2	\$0.0	\$2.2	0.3%	0.3%
Total Impact	\$7.9	\$2.6	\$5.3	0.8%	0.9%
Scenario 2					
	<u>Budget</u>	<u>Currently Collected in Base Rates</u>	<u>Incremental Collection</u>	<u>Impact to Customer</u>	
				<u>Overall</u>	<u>SC 1 Typical Bill</u>
Gas Recovered Through Revenue Requirement	\$3.0	\$1.9	\$1.1	0.4%	0.6%
Gas Recovered Through EE Surcharge	\$2.3	\$0.0	\$2.3	1.0%	0.9%
Total Impact	\$5.3	\$1.9	\$3.4	1.4%	1.5%
Total Budget	\$13.2	\$4.5	\$8.7		
Assumptions					
1. Bill impacts Based on RY2 rate designs in Case Nos. 14-E-0408 and 14-G-0409 for both Electric and Gas, respectively.					
2. Bills based on typical electric customer usage = 600 kWh and typical gas customer usage = 100 Ccf					
3. Low Income only bill impacts in future electric and gas rate cases will change based on a number of factors including, but not limited to: embedded cost of service study surplus and deficiency indications, mitigation adjustments, revised revenue and sales forecasts, supply costs, assumed surcharges, and customer charge increases.					