NEW YORK STATE OF OPPORTUNITY. | Department of Public Service

Case 14-M-0565 – Utility Low Income Programs
Public Statement Hearing
Informational Sessions
September - October, 2015

Glens Falls/Poughkeepsie/Buffalo/NYC/Syracuse/Albany

Agenda

- Information Session (One Hour)
    - Review of Staff Report
    - Questions and Answers

- Public Statement Hearing

Background

- The New York State Public Service Commission (Commission) has a long history of protecting access to service for customers facing financial difficulties
  - low income affordability programs in place at every major gas and electric utility in the state
  - annual budgets of more $128 million
  - more than one million customers participating

- January 2015 -- the Commission opened this proceeding to examine low-income programs
  - standardize utility low-income programs to reflect best practices where appropriate
  - streamline regulatory processes to conserve administrative resources
  - ensure consistency with the Commission’s statutory and policy objectives

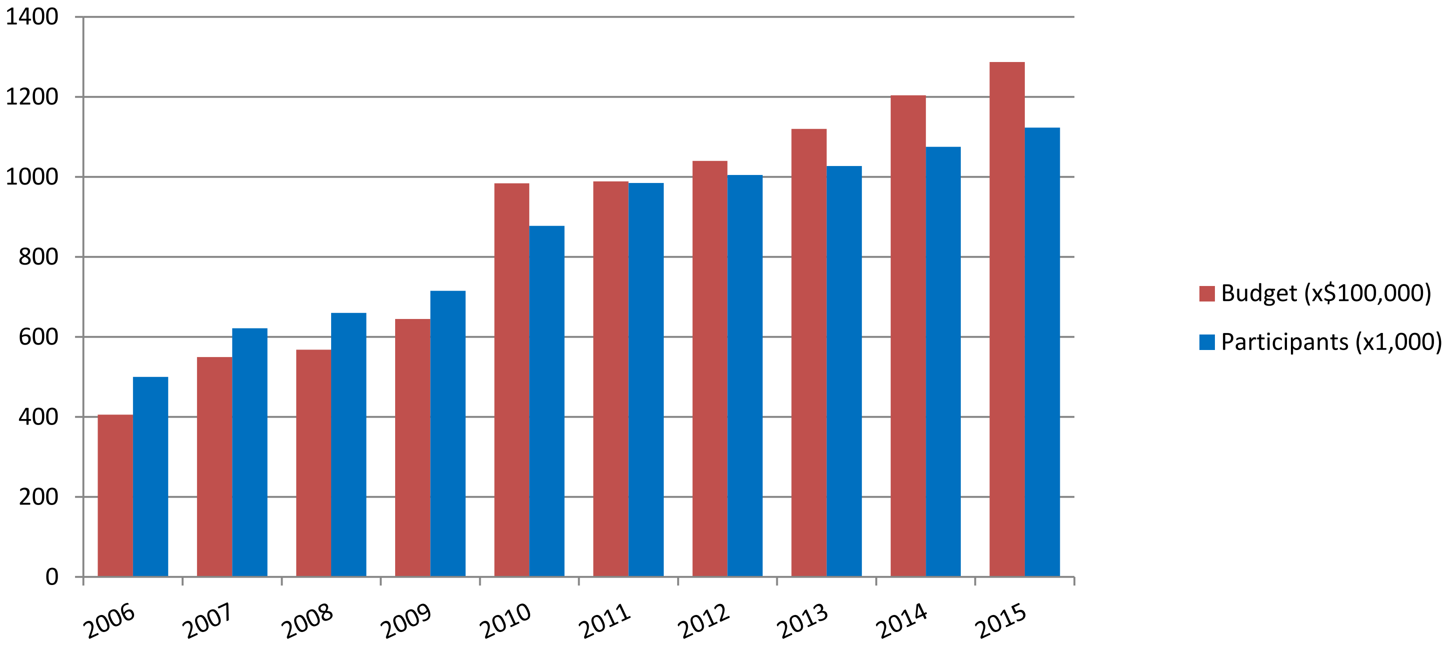
- Part of the Commission’s Reforming the Energy Vision (REV) initiative
  - one of the overall goals of REV is to keep energy costs affordable for all consumers
  - this case is focused on improving energy affordability for low-income customers

Reforming the Energy Vision (REV)

- A comprehensive regulatory reform to build a cleaner, more resilient and affordable energy system in New York
  - integrate clean energy into the core of the power grid
  - programs and strategies to leverage private capital
  - deploy innovative energy solutions across the State's own public facilities and operations
  - Enable a clean-energy economy at a scale that will create jobs, drive local economic growth, and protect the environment by reducing greenhouse gas emissions and other pollutants

- One element of a broader low- and moderate-income (LMI) consumer strategy under the 2015 State Energy Plan to improve energy affordability for low-income customers, and to expand access to the benefits of energy efficiency, solar and other clean resources
  - NYSERDA has included a major annual funding commitment to the low income sector in its proposed 10-year Clean Energy Fund (CEF) filing currently before the Commission.
  - Statewide LMI-energy working group, in consultation with various LMI stakeholders, has developed a broad work plan:
    - Coordinating and extending the reach of NYSERDA's Empower program, Weatherization Assistance Program (WAP), and Low Income Home Energy Assistance Program (HEAP)
    - Expanding opportunities for LMI households and communities to access solar energy through community-shared solar projects
    - Increasing the adoption of clean energy strategies and distributed energy resources in affordable housing development and preservation projects
    - Pursuing energy sector workforce development opportunities
    - Demonstrating the intersection of energy and health benefits through comprehensive home improvements in certain LMI communities
    - Helping LMI communities develop their own comprehensive clean energy plans

NYS Low Income Budgets/Participation, 2006 – 2015



Programs To Address The Needs Of Low Income Utility Customers Are Essential

- Energy costs represent a large burden for low income individuals and families
  - customers with middle and high incomes experience energy costs in the general area of 1% - 5% of their incomes
  - lower income customers experience energy costs in the range of 10% - 20+% percent of their incomes

- Many low income customers cannot afford essential services such as electricity/natural gas
  - These individuals and families typically must trade off among food, shelter, medicine and energy purchase decisions
  - for heating customers, loss of a household's primary heat source presents serious health and safety risks
  - low income families tend to live in poorly maintained and energy inefficient housing
  - economic recovery has been slow to extend to low income households

Energy Burden in New York State

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%

Utility Low Income Programs Can Be a Good Business Strategy

- Helping low income customers to pay their electric bills helps utilities and their customers
  - Uncollectible expenses, collection costs and working capital on the unpaid bills of low income customers impose additional costs that are paid for by all customers as a cost of doing business

- These costs can be reduced with the effective implementation of a low income program
  - Savings include reductions in costs associated with credit and collection, arrears and bad debt, deposit maintenance, regulatory expenses, repeated payment plan negotiations, credit agency fees and diversion of revenue from paying down arrears to reconnection fees

Issues for Low Income Program Design

- How to achieve the maximum benefit at minimum cost
  - Eligibility/enrollment
  - Benefits-per-participant
  - Budget levels
  - General program type/structure

- How do we measure effectiveness of utility low income programs?
  - What goals or objectives should form the benchmark?
  - How should utility benefits (*i.e.*, reduced arrears, collection costs, write-offs, etc) be weighed against participant benefits (increased affordability, reduced energy burden)?

Process to Date

- Staff conducted a review of utility low income programs, in consultation with many interested parties, including low income organizations

- Staff submitted its Low Income Report on June 1, 2015
  - Includes “Straw Proposal” for future low income program designs
  - Seeks to strike a balance between ensuring that the needs of the most vulnerable customers are met while not imposing too great a burden on other customers

- Notice inviting comments + Technical Conference (July 30)
  - Initial written comments received August 24
  - Reply comments received September 8

- Public Statement Hearings -- help ensure the approach that is selected reflects input of all concerned
  - Designing optimal programs to address low-income customer needs requires the input of all interested parties, including low-income customers themselves
  - These hearings provide the opportunity for customers and other interested parties to directly voice their interests and concerns about how utilities deliver these programs

Straw Proposal – Guiding Principles

- The programs should be simple - simple to understand, simple to explain, and simple to administer
  - helps customers understand the level of assistance available
  - 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
  - achieves virtually 100% enrollment of eligible customers at limited expense
- Programs must confer a meaningful bill decrease for participating customers
- The costs of the programs should be borne by all classes of customers

Eligibility/Enrollment

- Automatic for all utility HEAP recipients
  - Customers seeking a utility HEAP benefit self-select into a program that provides utility bill assistance, demonstrating need for the utility low income program
  - Existing programs with additional eligibility criteria (e.g.,Con Edison) may maintain existing eligibility criteria, subject to budget cap restrictions

- Is wider eligibility possible?
  - Other (non-utility HEAP) benefits could be revisited, with provision of an automatic enrollment process
  - balance must be struck between widening the scope of eligible customers, and the rate impacts that are borne by other customers

- Alternative means (e.g., manual enrollment) should be permitted, but not required

Benefit Levels

- Discount amounts set to achieve a 6% energy burden for the average participant

- The 6% calculation based on an affordability block equal to the levelized average total bill
  - for gas-only utilities, the average electric bills for electric utilities covering substantially the same territory are used in the calculation

- 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 the higher levels of benefit

- Participants automatically enrolled in the utility's budget billing program

Discount Levels

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

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

Discount Levels

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

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

Discount Levels

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

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

Discount Levels

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

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

Discount Levels

LIPA/PSEG 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	9%	$17	9%	$17				
Tier 3	27%	$50	27%	$50				
Tier 4	39%	$72	39%	$72				

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

Budget Levels

- If implemented statewide in 2015, program budgets would increase by about 32% overall
  - electric program increases (excepting PSEG) range from 1% to 73%
  - gas program increases (excepting Brooklyn Union Gas) range from a 6% decrease to a 106% increase

- Subject to full reconciliation to actual costs

- Funding limit -- 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 (lower limit trumps upper limit)

Arrearage Forgiveness

- Best practices for arrearage forgiveness programs are largely undefined -- further study is warranted
- The Straw Proposal recommends some basic principles
  - Customers should be evaluated upon low income program enrollment (usually November/December)
  - DPA payments are calculated per usual procedures
  - Maximum terms on a sliding scale: Tier 1=48 months, Tier 2=36 months, Tier 3=24 months, Tier 4=12 months
  - If bills are not timely paid, no arrearage forgiveness is provided
- Arrearage forgiveness costs not to exceed 10% of total program budget (and must fit within the budget limits)
- Amounts diverted to arrearage forgiveness may not reduce amounts available for discounts below energy burden of 10%
- No administrative expenses for arrearage forgiveness (administrative expenses of arrears forgiveness programs should be offset by collection cost savings)
- uncollectible expense allowances in rate cases to be fully or partially offset by amounts expended for arrearage forgiveness

Reconnection Fee Waivers

- Reconnection fees should not be charged to low income customers (*not* a waiver)
- No rate allowance
- Need to collect more data going forward ("Program Evaluation" recommendations):
  - begin tracking and reporting key collection activity data for low income customers
  - consider utility incentives for termination avoidance (O&R/CH)

Other Recommendations

- Recognize Emergency HEAP payments when calculating energy burden (optional)

- Continue Empower-NY referrals for energy efficiency
  - Better prioritization (high usage/high arrears)

- Leverage REV tools to narrow the “affordability gap” that needs to be filled with direct financial assistance

Questions?

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