Low Income Program Implementation Plan

September 16, 2016

Con Edison Low Income Program Implementation Plan

I. Introduction

In its *Order Adopting Low Income Program Modifications and Directing Utility Filings* ("Order"), issued on May 20, 2016 in Case 14-M-0565,[1] the New York State Public Service Commission ("PSC" or "the Commission") adopted new requirements for utility service to low income customers, and directed utilities to submit plans to implement all applicable requirements specified in the Order. These requirements involve substantial changes to the terms of Consolidated Edison Company of New York, Inc.'s ("Con Edison" or "the Company") Electric and Gas Low Income Programs ("the Programs"), which in turn necessitate various operational changes. The Company submits the following Implementation Plan as required by the Order.

In general, the Company's plan is driven by the complexity of system changes necessary to implement the Order and is comprised of two phases. Relatively simple adjustments, such as adding Medicaid as a qualifying program for the Electric Low Income Program ("Electric Program"), can be made by January 1, 2017. More complex changes, such as the new tiered system of bill discounts and opt-out budget billing process, will require additional time, and as such will be implemented by January 1, 2018.

This Implementation Plan includes information on action items related to utility bill discounts and associated timelines, changes to the existing reconnection fee waiver component of the Company's Programs, education for low income customers, cost recovery methods, and reporting requirements. The Company notes that the Implementation Plan is generally consistent with the proposals described in the Customer Operations Panel testimony in the Company's current base rate filing in Cases 16-E-0060 and 16-G-0061. Finally, the Company recognizes that certain aspects of the Order are the subject of

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

several petitions seeking rehearing. To the extent any aspects of the Order are modified as a result of those petitions, the Company will revise this plan accordingly.

II. Action Items and Timelines

The Company plans to implement the Order in two phases. The following section describes action items associated with each phase.

A. Phase One – Changes Effective January 1, 2017

i. Program Eligibility Modifications

Under the Company's current Low Income Programs, customers are eligible for utility bill discounts if they participate in one or more qualifying public assistance programs. Qualifying programs for both electric and gas customers include the Home Energy Assistance Program ("HEAP"), Safety Net Assistance, Supplemental Nutrition Assistance Program ("SNAP"), Supplemental Security Income "SSI"), and the Temporary Assistance to Needy Persons/Families ("TANP') program. Discounts are also provided to customers receiving assistance for the payment of utility bills under Direct Vendor ("DV") or Utility Guarantee programs ("UG"). Additionally, gas customers are eligible for discounts if they receive Medicaid benefits.

The Order directed the Company to implement two changes with respect to the eligibility criteria for its Low Income Programs. First, all utilities were ordered to work with the New York State Office of Temporary and Disability Assistance ("OTDA") to begin sharing data on all HEAP recipients – including customers who receive HEAP grants for non-utility services (oil, wood, etc.) – and to use that data to enroll customers in utility discount programs.[2] As described in the Order, Con Edison has established a semi-annual file matching procedure with the New York City Human Resources Administration ("HRA") and the Westchester Department of Social Services ("DSS") (the "Agencies") to identify customers who are participating in qualifying public assistance programs, and automatically

[2] Order, Ordering Clause 3, p. 47.

enroll them in the utility's discount programs. The Agencies' file matching processes already capture all customers who have received a HEAP benefit in the past 12 months, regardless of energy type. Given that the Company already receives data on non-utility HEAP recipients and enrolls those customers in its Programs, the directive to work directly with OTDA to identify these customers is not necessary.

Second, the Company was ordered to expand the eligibility criteria for its Electric Low Income Program to include Medicaid customers. The Company estimates that this will add an incremental 93,000 customers to the program.[3] To implement this change, the Company plans to coordinate with the Agencies to include Medicaid as a qualifying program in the next file matching process, which will take place in the fourth quarter of 2016. Effective January 1, 2017, the Company plans to automatically enroll electric customers who receive Medicaid benefits in the Electric Low Income Program. This change does not require any Company system modifications. Customers will be informed of their eligibility for low income discounts via correspondence from the Agencies. Customers new to the Low Income Program also receive welcome correspondence from the Company. The Company will also update its website and scripts for Customer Service Representatives ("CSRs") to include Medicaid as a qualifying program.

ii. Increase Electric and Gas Non-Heating Discounts

In the Order, the Commission adopted a default approach to setting low income discount levels that varies the discounts based on the Commission's determination of the level of need.[4] As described in detail below, the Company plans to adopt the PSC's default approach, but will not be able to fully implement it until Phase 2 due to necessary system changes. However, the Company is able to make certain changes effective January 1, 2017. Specifically, effective January 1, 2017, the Company plans to increase the monthly discount for electric customers and gas non-heating customers to $10.00 and

[3] The number of incremental customers reflects estimates provided by HRA on June 28, 2016 and DSS on June 30, 2016. When the eligibility change is implemented, the actual number of customers added to the Electric Low Income Program may be different.
[4] Order, pp. 19-20.

$3.00, respectively (an increase of $0.50 and $1.50). The following table reflects low income discounts that the Company plans to provide in calendar year 2017.

2017 Con Edison Low Income Discount Levels			
Electric Non-heating	**Electric Heating**	**Gas Non-heating**	**Gas Heating**
$10.00	**$10.00**	**$3.00**	**$7.25 flat discount; $0.4880 per-therm discount for usage in the 4-90 therm block**

B. Phase 2 – Changes Effective January 1, 2018

In Phase 2, the Company will implement the Commission's new default methodology for applying low income discounts, and begin enrolling low income customers in its Level Payment Plan on an opt-out basis. Both of these initiatives require significant programming changes in the Company's customer service system ("CSS").

i. Tiered Discounts

The Company plans to implement the PSC's default approach for low income program discounts, which calls for benefit levels that vary based on a customer's level of need. To effectuate this, the PSC suggests that utilities use a tier-based system wherein each tier represents a different level of need, with lowest-tier customers receiving minimum benefit levels, and higher-tier customers receiving increased benefit levels as appropriate. (In the remainder of this document the Company refers to this methodology as "the tiering system.") Based on the Order, the tiering system will have the following eligibility criteria:

- Tier 1 - Customers who are participating in one or more qualifying public assistance programs – including Medicaid, Safety Net Assistance, SNAP, SSI, and TANP – and/or have received a regular HEAP benefit in the preceding 12 months.
- Tier 2 – Customers who have received one HEAP 'add-on' benefit.

- Tier 3 – Customers who have received two HEAP 'add-on' benefits.
- Tier 4 – Customers who are receiving utility bill payment assistance as part of DV/UG programs.[5] Note that when Tier 4 customers are no longer receiving bill payment assistance, their eligibility for the Company's Low Income Programs will be re-evaluated and if warranted they will be assigned to a different tier.

Each tier will be further segmented into the four categories that reflect the types of service received by participating customers (*i.e.*, electric non-heating, electric heating, gas non-heating, gas heating).

Discount values will be assigned to each tier based on the results of a standardized formula developed by Department of Public Service Staff and reflected in the Order. This formula uses average low income customer bills and publicly-available household income benchmarks to determine the level of discount that will result in customers' energy bills representing on average 6% of the customer's total monthly income ("energy burden"). Additional information on the default methodology, target energy burden, and calculation of discount levels can be found on pp. 14-26 of the Order.

Under the Commission's methodology, low income benefits are provided in the form of flat monthly discounts on customer bills. This is consistent with the terms of the Company's existing Low Income Programs with the exception of discounts for gas heating customers, which traditionally have combined a flat discount on the monthly minimum charge and a volumetric discount on usage in the 4-90 therm block. To be consistent with the PSC's default methodology, the Company plans to transition gas heating customers to straight flat discounts when it implements the new tiering system.

The Company plans to implement the tiering system as described in this report effective January 1, 2018. The following table shows the discount levels that will be applicable for low income customers in Con Edison's service territory at that time based on the Staff methodology and reflected in Appendix B of the Order.

[5] The Commission directed utilities to set discounts for Tier 4 customers at $0, but to keep Tier 4 customers enrolled in their low income programs for tracking purposes.

2018 Con Edison Low Income Discount Levels				
Income Level	**Electric Non-heating**	**Electric Heating**	**Gas Non-heating**	**Gas Heating**
Tier 1	**$10.00**	**$10.00**	**$3.00**	**$50.00**
Tier 2	**$10.00**	**$10.00**	**$3.00**	**$50.00**
Tier 3	**$14.00**	**$22.00**	**$3.00**	**$50.00**
Tier 4	**$0.00**	**$0.00**	**$0.00**	**$0.00**

Based on this tiering, the annual target discount amounts, or budgets, for the Electric and Gas Programs would be $54.7 million and $10.9 million, respectively.

In order to implement the tiering system, the Company must reconfigure how low income customer status is assigned and denoted in CSS, and how discounts are applied to bills. Given that the Company expects between 375,000 and 475,000 low income customers in its Programs at any given time, the tiering system must be fully automated.

ii. Enrollment in Level Payment Plan

In addition to the foregoing changes to the Company's low income discounts, the Commission also directed utilities to automatically enroll all low income program participants in their respective budget billing programs *on an opt-out basis*. In accordance with the Order, this plan provides a detailed description of the Company's Level Payment Plan ("LPP") and describes processes for participating customers to be notified of their option to opt-out of the LPP.

a. Overview of Level Payment Plans

As required by the Home Energy Fair Practices Act ("HEFPA"), the Company's LPP is a voluntary program that distributes a customer's payment amounts evenly over a 12-month period. The LPP is designed to reduce fluctuations in customer bills that are largely – though not exclusively – driven by seasonal patterns of energy consumption and fluctuations in supply prices. Customers participating in the LPP pay the 'level payment' amount shown on their bill rather than the actual charges for energy consumed during the bill period.

When a customer enrolls in LPP, their level payment amount is developed in a two-step process. First, the customer's consumption over the upcoming 12 month period is forecasted based on their usage over the preceding 12 months with a growth factor for usage. When 12 month's usage is unavailable for a given customer, the Company utilizes data from the previous customer of record on the account, or a similar customer's usage profile, to estimate 12 months of consumption. Second, the forecasted consumption is multiplied by the account's current delivery rate and projected supply charges. A level payment amount is then generated every month for the 12 month period.

Each bill indicates the monthly level payment amount, the actual monthly charge, and a comparison of the customer's total level payment amounts billed to date with the actual charges over the same time period. Customers who fail to pay the level payment amount receive notices and alerts, and are automatically de-enrolled from the plan after two missed payments. If a customer is removed from LPP for missed payments, they are sent a credit notice that explains the reason for removal and the balance due to the Company.

LPP accounts are automatically reviewed every four months for possible revision of the customer's level payment amount. The purpose of this periodic review is to prevent a large credit or debit balance from accumulating on a customer's account by the end of the 12 month period. If necessary, level payment amounts are revised after the four month review. When the twelfth bill is prepared, it shows the difference between the level payment amounts and the actual monthly charges billed over the 12 month period. If the bill for the actual monthly charges exceeds the level payment amounts, the customer must pay the difference. If the level payment amount exceeds the actual monthly charges, the customer receives a credit on their current bill. If a credit of $2.00 or more remains, a refund check is issued; credits of less than $2.00 are applied to the next bill.

Unless a LPP customer instructs the Company otherwise, at the end of the 12 month period the Company will automatically calculate and initiate the next 12 months' level payment amount. The customer is informed of this action, and their new level payment amount, on the 'Message Center' section of the bill.

b. Level Payment Plan Opt-Out Process

The Company plans to automatically enroll all Electric and Gas Low Income Program participants in LPP on an opt-out basis beginning January 1, 2018. All customers participating in the Low Income Programs at that time will be notified via letter of the new default LPP enrollment policy, what their estimated level payment amount will be if they do not take action, what actions they need to take to opt-out, and the date by which they need to contact the Company to prevent automatic enrollment. Based on the Company's projections for participation in its Low Income Programs, an estimated 464,000 letters will be sent as part of this process. Customers who enter the Low Income Program(s) after the initial letters are sent will be informed of their pending LPP enrollment, and their options to decline LPP, via the welcome communication sent to all new participants when they enter the Low Income Programs.

The Company's letter will inform customers that they have a certain number of days from the date of the letter to contact the Company about opting-out of LPP. Each customer will be given approximately 30 days to opt-out; however, there will be some variations depending on the timing of the customer's billing cycle and the date they are enrolled in the Low Income Program. A dedicated phone number will be provided that routes customers to a specialized menu in the Company's Interactive Voice Response ("IVR") system, where they can complete their opt-out request. Customers will also be able to complete the opt-out process when speaking with a CSR.

If a low income customer who is automatically enrolled in LPP misses two consecutive level payments they will be removed from LPP. As described above, if a customer is removed from LPP for missed payments, they are sent a credit notice that explains the reason for removal and the balance due to the Company. If the same low income customer is removed from the Low Income Program(s), and then re-enrolled back into the Low Income Program(s) at a later date, the Company intends to re-enroll them in LPP at that time, following the same opt-out process outlined above.

III. Reconnection Fee Waivers

The Order allows continuation of reconnection fee waivers but limits funding for reconnection fee waivers of no more than 1% of the low income program budget.[6] The Order also determined that "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."[7]

In light of this guidance, the Company plans to continue its Reconnection Fee Waiver program under the same terms and conditions outlined in its current rate plan with certain modifications.[8] The Company plans to allow customers to receive one waiver each rate year, as opposed to over the course of the entire rate plan. Additionally, if the Company forecasts that the yearly budget for waivers will be exceeded, it plans to make compliance filing to limit the waiver to 50% of the total reconnection fee for the remainder of the year.

IV. Outreach and Education for Low Income Customers

Outreach and education for low income customers stemming from the Order will be pursued on two parallel tracks, as described in the following section.

A. Program Change Communications

The Company has identified a number of outreach initiatives related to program changes resulting from the Order, which will run concurrent to the proposed two-phase implementation plan.

[6] Order, p. 38.
[7] *Ibid*.
[8] See Cases 15-E-0050 and 13-E-0030, *Consolidated Edison Company of New York, Inc. – Electric Rates*, Order Adopting Terms of Joint Proposal to Extend Electric Rate Plan (issued June 19, 2015).

i. Phase I Communications – To Commence on January 1, 2017

- Addition of Medicaid as a qualifying program – The primary notification to Medicaid recipients of their eligibility to receive a reduced electric rate will come from the Agencies. However, all eligible customers will continue to receive a standard notification upon their enrollment in Con Edison's Low Income Program(s).

- Increased discounts for SC1 customers – A bill message will be developed for existing low income customers taking electric or gas non-heating service, informing them of the increased discounts that will be applied to their accounts. This message will run for the first quarter of 2017, ending on March 31st, after which it will be included only on the first bill following a customer's enrollment in the Low Income Program(s).

ii. Phase II Communications – To Commence on January 1, 2018

- Tiered discounts – Prior to the implementation of the tiering system, the Company will develop a communication to be sent to all low income customers, which will include the amount of the new discounts and the eligibility parameters associated with each of the four tiers.

  This communication will be distributed electronically to low income customers with valid email addresses on file, and by standard mail to those for whom the Company does not have an email address. This will occur at least 30 days prior to the implementation of the tiering system.

- Opt-out Level Payment Plan – As described above, all low income customers will be notified in a communication of the Order's requirement that they be enrolled in the LPP on an opt-out basis and of the customer's ability to opt-out.

B. Targeted Outreach and Education Initiatives

In addition to program change communications, the Company also plans to increase its education efforts targeted towards low income customers. In the coming years, the tools and programs made available through the Company's Digital Customer Experience (or "DCX") Project will present new opportunities for promoting energy literacy among low-income customers – particularly when combined with Advanced Metering Infrastructure ("AMI") data.

Among other offerings, the Company intends to make available online energy calculators and customized home energy reports that will help illustrate when and how customers are using energy, and the impact that this has on their monthly bills. Low-income customers in particular will be targeted with communications designed to drive them to these tools and to participate in energy-saving programs.

Additionally, the Company will offer more proactive notifications, including high-bill alerts, which will give customers an opportunity to curtail their energy use mid-month and avoid high bills.

Using AMI data, the Company will also be able to segment customers according to energy-use patterns and other characteristics for the purpose of developing more personalized communications and targeting specific customers with information on time-of-use rates, energy-efficiency programs and other offerings from which they may benefit.

V. Developing Additional Programs That Benefit Low Income Customers

The Order requires the plan to "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."[9] In line with this requirement, the Company is preparing to initiate a REV Demonstration Project focusing on low to moderate income customers. Specifically, the Company is planning to release a Request for Information (RFI) in the fall of 2016 seeking to partner with organizations that can help offer new products and services to low and moderate income customers. Demonstration projects could incorporate energy efficiency, distributed energy resources, financing and billing innovations, education and outreach, and other opportunities that help customers better manage their energy usage and access clean energy. Response to the RFI will be due by late 2016 and selections will be made in early 2017. Additional information is available on the Company's website: www.coned.com/energyfuture/lmi.asp.

VI. Cost Recovery Methods

The total cost of the Electric and Gas Low Income Programs is comprised of the discounts provided on bills and the cost of reconnection fee waivers. The cost of discounts and reconnection fee

[9] Order, p. 46.

waivers varies annually based on program enrollment and service terminations for low income customers. The following table shows the target annual costs for these two components.

Annual Costs	**Discounts**	**Reconnection Fee Waivers**
Electric Low Income Program	$54,700,000	$547,000
Gas Low Income Program	$10,900,000	$75,000

The Order requires the Company to utilize existing cost recovery methods to the extent practical. For the Electric Low Income Program, any difference between the actual amount of low income discounts/credits provided to customers during any year and the target amounts in rates, as well as the cost of any reconnection fees waived, will be recovered from all customers through the Revenue Decoupling Mechanism (RDM).

For the Gas Low Income Program, the Company will recover from or credit to all firm customers, through the Monthly Rate Adjustment (MRA), any difference between the actual amount of discounts provided to customers during any Rate Year and the target amount of discounts assumed for purposes of designing gas rates. Any reconnection fees waived will be recovered through the MRA annually.

VII. Reporting Requirements

For 2017, the Company plans to continue to report on its Low Income Programs using the quarterly reporting templates filed in Cases 13-E-0030 and 13-G-0031. In 2018, the Company plan to begin using the ‘Quarterly Low Income Report’ outlined in Appendix D of the Order.