

National Fuel Gas Distribution Corporation

Low Income Customer Affordability Assistance Program (LICAAP)

2012 – 2013

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LICAAP – History

A negotiated settlement between National Fuel Gas Distribution Corporation (National Fuel), the New York Public Service Commission (PSC) and other Signatory parties in Case 04-G-1047 resulted in the creation of the Low Income Customer Affordability Assistance Program (LICAAP). Prior to the current LICAAP program, the Company had developed over a number of years its Expanded Low-Income Residential Assistance (“ELIRA”) rate. Early ELIRA rates included a small monthly (\$8.33) discount. Later enhancements to the ELIRA program increased the annual discount to a level of \$170 per eligible customer (\$14.17 per month). It was anticipated that LICAAP would continue to expand over time and eventually replace the ELIRA program. The funding for both programs was originally set at \$5 million. If after discounts and expenses the \$5 million expense cap had not been reached, then the remaining money would be deferred and used to cover future costs associated with the ELIRA program.

In anticipation of available monies for the LICAAP program, National Fuel collaboratively met with interested parties to continue the design and implementation of the program. A newly designed program was submitted to the Public Service Commission in October 2005, with a proposed implementation date of May 1, 2006 to allow for the program infrastructure to be developed. National Fuel’s LICAAP program is intended to create an affordable bill for the low-income participants in order to encourage them to pay a greater amount toward their utility bill and reduce collection related expenses. This program offers a reduced gas rate based on the customer’s household income and size along with the opportunity for arrearage forgiveness with timely payments.

During the program design period, meetings were held to design the LICAAP database for New York and to discuss and work on forms and procedures to implement the program. Much of the New York LICAAP design was based upon National Fuel’s Pennsylvania LIRA program. Required changes were made during the design process to fashion the program to the requirements needed for New York State. This included the inclusion of language set forth in the LICAAP application to make applicants aware that this was the best available arrangement under HEFPA, requiring the customer to pay the current bill only and upon doing so the arrears would be forgiven on a one-twenty-fourth per month basis.

This program was initially designed to run for a two-year period with any future continuation to be determined by the Commission. Enrollments began in July 2006 and by December 2006 there were almost 2,000 customers enrolled into the LICAAP program. In Case 07-G-0141, National Fuel proposed a surcharge to fund the additional costs that would be incurred for LICAPP expansion and to remove the cap on the number of customers that can participate in LICAAP. This proposal was rejected. Instead funding for ELIRA and LICAAP was increased to \$6 million and is to be collected from all customers in rates. As of September 30, 2013, there were over 11,600 customers participating in LICAAP and enrollments are ongoing. If gas costs were to increase

significantly, the Company may need to suspend additional enrollments into the program since annual funding limitations would likely be exceeded. However at this time, due to the relatively stable market price of gas associated with the emergence of significant shale gas supplies, the Company does not anticipate reaching this limit within the next year.

The overall program costs are directly related to gas costs because increases in gas costs will increase required discounts. The recent decline in gas costs has effectively provided a reprieve in reaching the maximum funding levels and allowed the program to effectively continue uninterrupted. The Company expresses its continued interest in exploring with Department of Public Service Staff (“Staff”) a means of expanding its LICAAP program if adequate funding can be provided. Toward that end, on December 21, 2011, the Company filed notice with the Commission on the Company’s plan to repopulate the ELIRA roll of customers¹. As the information that follows in this report will identify, the LICAAP program is succeeding in meeting the goal of encouraging low-income customers to make timely payments of their bill.

- The plan is to continue to increase awareness of the LICAAP program and to explain the benefits to customers.
- LICAAP information will be included with print, bus shelters and radio ads for HEAP as the income eligibility requirements are the same.
- Customers can complete a LICAAP application at a National Fuel business office and, when the HEAP grants are being accepted, at the Erie County HEAP office where National Fuel provides staffing.
- A report has been prepared providing a list of HEAP recipients currently on a Deferred Payment Agreement (DPA) who may benefit from LICAAP. A phone call will be made to these customers educating them on the benefits of LICAAP and as well as to encouraging them to enroll in the (LICAAP) program.
- HEAP and LICAAP information, along with other payment assistance program information, is provided on the Company’s web site at <http://www.nationalfuelgas.com/forhome/NY/PaymentAssistance.aspx>.
- The Company will continue to move any residential Service Class 1 customer who receives an Emergency HEAP benefit into ELIRA service.
- Educate representatives from human service agencies about LICAAP during Outreach events.

¹ The Company’s transmittal letter can be found on the NY PSC’s website at <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={39872B8A-A903-40E0-97F8-9ADC0A0471E6}>

NATIONAL FUEL'S LICAAP PROGRAM FEATURES

National Fuel's Low-Income Customer Affordability Assistance Program is designed to offer an eligible household discounted natural gas rates and allow monthly forgiveness of past arrears. Customer eligibility is dependent on HEAP eligibility and being considered payment troubled (past canceled National Fuel payment agreement or past arrearage).

In order to achieve the maximum benefit in the program, a customer must make their (discounted) monthly Budget Plan payments on time and in full each month. Once a payment is made on time and in full, one-twenty fourth (1/24th) of the arrears will be forgiven. If a customer conforms to this schedule, they will have all of their current arrears forgiven over that 24-month period. At the same time, a customer is able to experience a discounted monthly Budget Plan. Since program inception, the largest discount received by certain customers was 70%. With decreased gas commodity costs, the maximum discount for the twelve months ended September 2013 was 40% and the maximum discount for September 2013 was also 40%.

The following is additional information about the Low Income Customer Affordability Assistance Program (LICAAP) offered by National Fuel:

LOWER RATES

As a LICAAP customer, the gas use will be billed at a reduced rate. The amount of the reduction depends on household income and the number of people living in the household.

RESPONSIBILITY FOR ACCOUNT

An adult who is the customer of record and living at this address must agree to accept responsibility for the gas account. (This does not include children who are dependents and dependents over age 65 as defined by federal tax rules). Responsibility is for all amounts billed under the LICAAP rate. The customer of record must sign and date the application to show they understand and agree with this rule.

IDENTIFICATION, PROOF OF INCOME

Everyone living at this address must provide his or her social security number (adults and children). All adults must prove their income. Copies of income documents for the last 30 days are acceptable proof of income. Changes in household income should be reported to the Company as soon as possible. Also, LICAAP participants must provide proof of income when requested.

BUDGET PLAN

The LICAAP customer's gas account will be placed on our Budget Plan. This plan allows the customer to pay

the same amount each month. The amount paid each month is reviewed from time to time in order to make sure that the customer is not paying too much or too little. As a result of these reviews, **the monthly payment amount may change.**

LICAAP REINSTATEMENT

If the LICAAP customer does not pay their bill on time, they will be sent a final disconnection notice. The notice amount must be paid in full or service will be turned off. No extensions or payment arrangements will be offered. If gas service is turned off for non-payment, the customer must do the following to be reinstated into the LICAAP program:

- ❑ Pay the amount shown as “Notice Amount” on the disconnection notice and all unpaid charges since program enrollment.
- ❑ Pay the turn-on fee.

HEAP BENEFITS

When the Federal Home Energy Assistance Program (HEAP) is available; the customer must apply for a grant and name National Fuel as the recipient of the funds. If the customer receives regular HEAP, the grant is used to lower the monthly Budget Plan payment amount. It is **not** applied to the account balance.

LICAAP REFERRALS

Referrals to the Low Income Customer Affordability Assistance Program may be made by calling **1-800-365-3234**. If the customer meets the LICAAP program eligibility guidelines, a representative will refer the account to the program and an application packet will be sent to the customer’s home. The application and all necessary verification information must be returned in the postage paid return envelope to begin the enrollment process. Enrollment in the LICAAP program is limited and participants are added to the program on a first-come first-serve basis.

LICAAP Tariff Provisions

A summary of the LICAAP tariff is provided in Appendix I.

Based on the discount provisions of the LICAAP tariff the Company's billing system uses the following service classes and associated discounts on top of ELIRA rates for the LICAAP rates:

0% Discount	Service Class 70
10% Discount	Service Class 71
20% Discount	Service Class 72
30% Discount	Service Class 73
40% Discount	Service Class 74
50% Discount	Service Class 75
60% Discount	Service Class 76
70% Discount	Service Class 77
80% Discount	Service Class 78
90% Discount	Service Class 79

Account Maintenance

Once the LICAAP account is established, maintenance is critical to the success of the program. A number of functions, some one-time and others continuous, need to be performed.

Arrearage Forgiveness

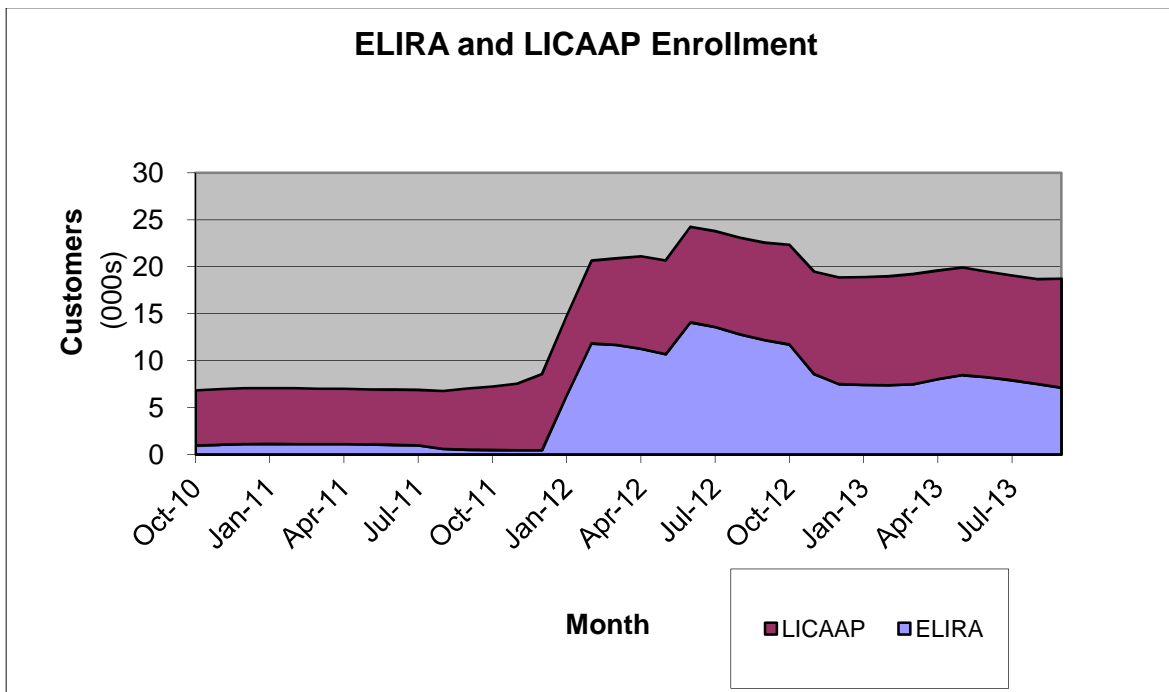
The LICAAP customer has the potential to receive complete forgiveness of the balance owing when he or she was accepted into the LICAAP Program. The balance is forgiven over 24 equal installments when the customer makes sufficient payment in a timely manner. Currently the LICAPP customer has 36 months in which to achieve full debt forgiveness. The Company is interested in discussing modifications with Staff to allow these customers, which are on the most advantageous rate and are maintaining service, to achieve full forgiveness.

LICAAP & ELIRA Performance

As of September 30, 2013 the Company had 11,632 customers enrolled in its LICAAP program and 7,094 customers enrolled in its ELIRA program. The net increase to the LICAAP enrollment for the period October 2012 – September 2013 was 1,265 accounts or 12.2%. The addition of new customers into the LICAAP program was impacted by the income re-verification efforts during the past year with 3,900 accounts being removed from the program for no longer complying with the LICAAP program requirements or account closing.

National Fuel, after discussions with Department of Public Service Staff, re-opened the ELIRA class for qualifying Service Class 1 (residential sales service) customers that received an Emergency Home Energy Assistance Program (HEAP) grant during the 2011 or 2012 HEAP Plan Year. An automated process was implemented to enroll sales customers that received an Emergency HEAP grant into ELIRA. In addition, existing ELIRA accounts are reviewed prior to the start of the HEAP Plan Year to verify that they did receive an Emergency HEAP grant during the previous Plan Year. The ELIRA enrollment decreased by 5,099 accounts from September 2012 with 7,094 ELIRA customers at the end of September 2013.

The graph below provides a summary of customer enrollment for LICAAP and ELIRA from October 2009 through September 2012. As demonstrated on the graph, both ELIRA and LICAAP grew dramatically over the past twelve months as discussed previously.



The table below summarizes the total costs of the LIRA/LICAAP program from October 2012 through September 2013.

Summary of Low Income Program Costs	
ELIRA Discounts	\$1,298,424
LICAAP Discounts	\$2,251,469
Arrearage Forgiveness (Write-Off)	\$2,882,989
Administration	\$133,091
Total	\$6,565,973

Experience has shown LICAAP to be the preferred customer assistance program for low-income customers. The success of LICAAP is proven in that there is much less delinquency experienced by customers as compared to those receiving the more modest ELIRA discount. The LICAAP customer is rewarded for making monthly payments on time and in full, and has the ability to achieve full debt forgiveness. The program has helped to promote good payment practices and has empowered many participants to gain control over their natural gas bills.

The percentage of LICAAP customers paying on time is 53.8% compared to last year's rate of 61.4%. This is likely due to the continued difficult economic conditions and the payment history of some of the new accounts being enrolled into LICAAP. In comparison, the number of ELIRA customers paying on time and in full is much less at 41.2%. In other words, the percent of ELIRA customers whose accounts are overdue is approximately 58.8%. The Company believes a successful low income rate program should not only provide discounted rates to customers solely for the purpose of providing lower rates, but that, in return for such discounts the payment practices of such customers should be improved. Such a program provides benefits for participating as well as nonparticipating customers.

In addition to the program benefits, current LICAAP customers last year received almost \$4.0 million in Regular HEAP benefits. Regular (Basic) HEAP grants are rolled into the customer's budget billing to make the monthly payments that much more affordable. LICAAP customers also received over \$901,000 in Emergency HEAP grants as well as almost \$31,000 through National Fuel's sponsored Neighbor-for-Neighbor Heat Fund.

National Fuel will adjust the LICAAP and ELIRA programs based upon ongoing discussions with Staff regarding services to low income customers.

APPENDIX I – LICAAP Tariff Summary

PSC NO: 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 12/28/07
ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 07-G-0141 DATED 12/21/07.

LEAF: 156.5
REVISION: 5
SUPERSEDING REVISION: 3

SERVICE CLASSIFICATION No. 2B

LOW INCOME CUSTOMER AFFORDABILITY ASSISTANCE PROGRAM (LICAAP)

AVAILABILITY OF SERVICE

Service under this rate schedule shall be available to qualified residential Customers. Qualified residential Customers shall be the residential heating Customers who have a gross household income less than or equal to 60% of the New York State median income, are payment troubled and execute a LICAAP Service Agreement with the Company. The Customer must apply for HEAP and designate the Company as the recipient. In its processing of applications, the Company will attempt to achieve a geographic and demographic diversity. The Customer must provide satisfactory verification to prove income eligibility with the initial application. In addition, the Customer must provide an estimation of his or her essential expenses. The Customer must also agree to have his or her income verified every 12 months and advise the Company if his or her income changes. Subject to the limitation that the annual LICAAP program expenditures will not exceed the annual \$6 million program funding limitation approved by the Commission in Case 07-G-0141, the Company will make reasonable efforts to enroll on to this rate schedule on average, 120 incremental customers per month.

MONTHLY RATE

The Customer shall be charged the SC 2 LIRA rates less any additional discounts for which the Customer may qualify for based on the Customer's income and household size. Additional discounts by income and household size will be filed monthly in the Statement of LICAAP Discounts. The basis of the discount percentage shall be as provided in the Company's description of the Additional LICAAP Discount Calculation filed with the Commission pursuant to the Joint Proposal in Case 04-G-1047.

Issued by R. J. Tanski, President, 6363 Main Street, Williamsville NY 14221

(Name of Officer, Title, Address)

Received: 12/27/2007 Status: EFFECTIVE
Effective Date: 12/28/2007

PSC NO: 8 GAS

LEAF: 156.6

NATIONAL FUEL GAS DISTRIBUTION CORPORATION

REVISION: 0

INITIAL EFFECTIVE DATE: 5/01/06

SUPERSEDING REVISION:

ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 04-G-1047 DATED 4/26/06.

SERVICE CLASSIFICATION No. 2B

**LOW INCOME CUSTOMER AFFORDABILITY ASSISTANCE PROGRAM (LICAAP) –
Continued**

ARREARAGE FORGIVENESS

When the Customer enters the program and is placed on this rate, any arrearage of that Customer is suspended and placed in a hold account. These arrearages will be forgiven at a rate of 1/24 per month for each month the bill is paid in full and on time, during the first two years on this rate.

DISCONNECTION FOR NONPAYMENT

If a LICAAP Customer is delinquent, to avoid disconnection of service the LICAAP Customer must pay the specified notice amount prior to any scheduled disconnection date. Once a LICAAP Customer is disconnected for non-payment, the LICAAP participant may obtain reinstatement to LICAAP if the applicant meets the following requirements:

- (1) Pay the entire arrearage that occurred while a LICAAP program participant;
- (2) Pay a reconnection charge; and
- (3) If the applicant had a pre-program arrearage in his or her name, the applicant must agree to:
 - (a) pay a down payment towards arrearages equal to one month's budget amount plus the monthly arrangement amount;
 - (b) negotiate a payment arrangement including the budget amount plus a monthly amount sufficient to amortize any remaining unforgiven pre-LICAAP arrearage;
 - (c) the duration of the arrangement will consider the size of the unpaid LICAAP balance, the ability of the ratepayer to pay, the payment history of the ratepayer, and the length of time over which the balance accumulated. Absent extraordinary circumstances, arrangement duration will not exceed the following guidelines:

Income Level	Maximum Time Period
Tier #1 (0 - 20% of State median)	48 Months
Tier #2 (21% - 40% of State median)	36 Months
Tier #3 (41% - 60% of State median)	24 Months

Issued by R. J. Tanski, President, 6363 Main Street, Williamsville NY 14221

(Name of Officer, Title, Address)

Received: 04/28/2006 Status: EFFECTIVE
Effective Date: 05/01/2006

PSC NO: 8 GAS

LEAF: 156.7

NATIONAL FUEL GAS DISTRIBUTION CORPORATION

REVISION: 0

INITIAL EFFECTIVE DATE: 5/01/06

SUPERSEDING REVISION:

ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 04-G-1047 DATED 4/26/06.

SERVICE CLASSIFICATION No. 2B

**LOW INCOME CUSTOMER AFFORDABILITY ASSISTANCE PROGRAM (LICAAP) –
Continued**

DISCONNECTION FOR NONPAYMENT – Continued

Failure to make monthly arrangement payments after service is restored will result in disconnection proceedings as authorized under the Home Energy Fair Practices Act (HEFPA). All arrangement amounts past due under the LICAAP program must be paid to avoid disconnection. There will be no limit on the number of times a customer can reapply for LICAAP following disconnection unless the program is filled.

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, gas service under this rate schedule.

Issued by R J. Tanski, President, 6363 Main Street, Williamsville NY 14221

(Name of Officer, Title, Address)

Received: 04/28/2006 Status: EFFECTIVE

Effective Date: 05/01/2006

The LICAAP Program includes separate discounted rates. Eligibility for each rate is based upon the aggregate income level of the household and the number of people in the household. The following table shows how the discounts are applied:

Household Matrix Table as of September 2013

Sep 2013														
Annual Income	Household Size													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Less Than														
\$ 1,000	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$ 2,000	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$ 3,000	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$ 4,000	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$ 5,000	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$ 6,000	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$ 7,000	10.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$ 8,000	10.0%	20.0%	20.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$ 9,000	0.0%	0.0%	10.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
\$10,000	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
\$11,000	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$12,000	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$13,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$14,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$15,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$16,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$17,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$18,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$19,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$20,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$21,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$22,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$23,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$24,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$25,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$26,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$27,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$28,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$29,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$30,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%