

Energy Payment Assistance Programs

National Energy and Utility Affordability Conference

Denver, Colorado

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Energy Payment Assistance Programs

- Recognition of the need.
- Programs implemented by state government, utility companies, public utility commissions.
- Purpose:
 - Make energy more affordable for low-income households
 - Resolve problems associated with unaffordable bills

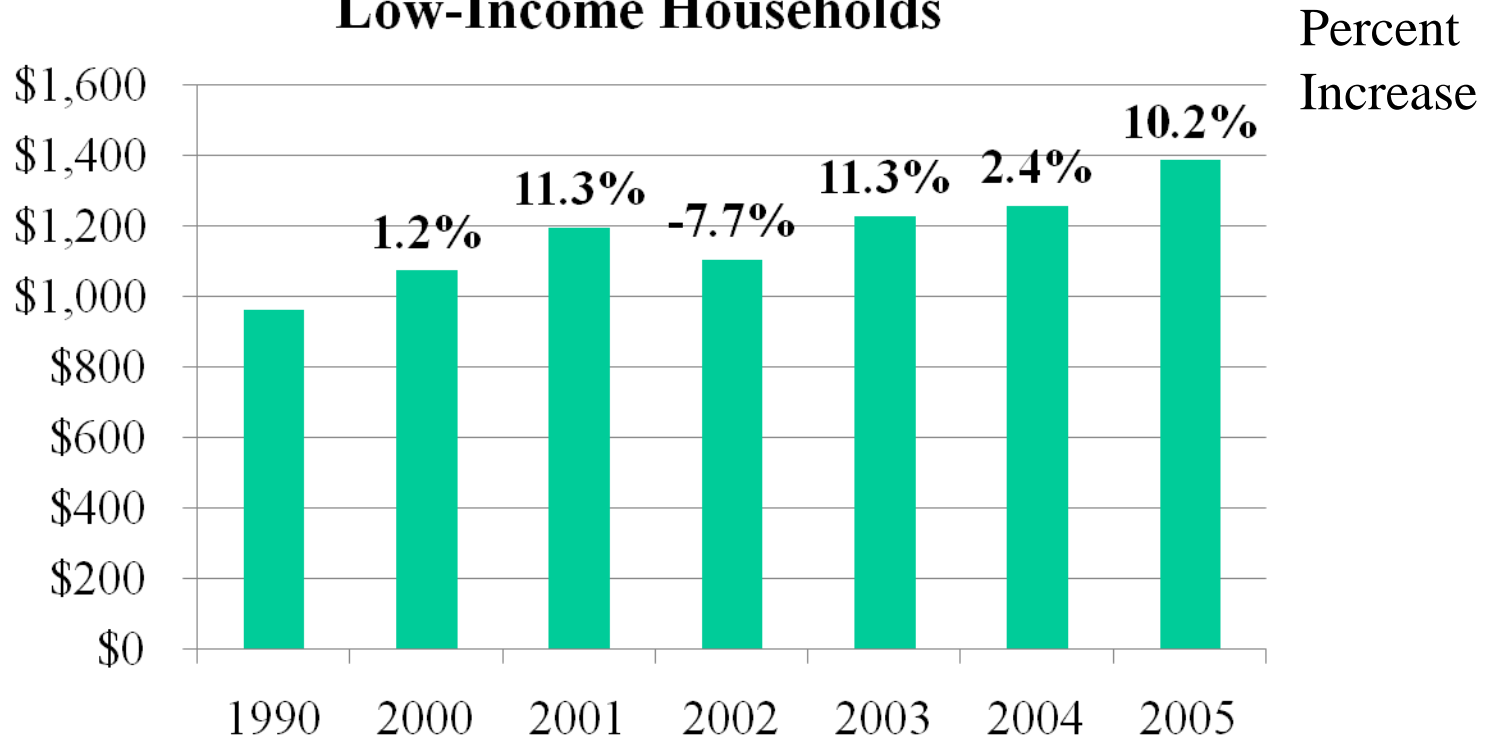
Presentation Outline

- Need for energy assistance
- Energy assistance program design options
- PA Customer Assistance Programs and Outcomes
- NJ Universal Service Fund Program and Outcomes
- Summary
- Discussion

Low-Income Energy Needs

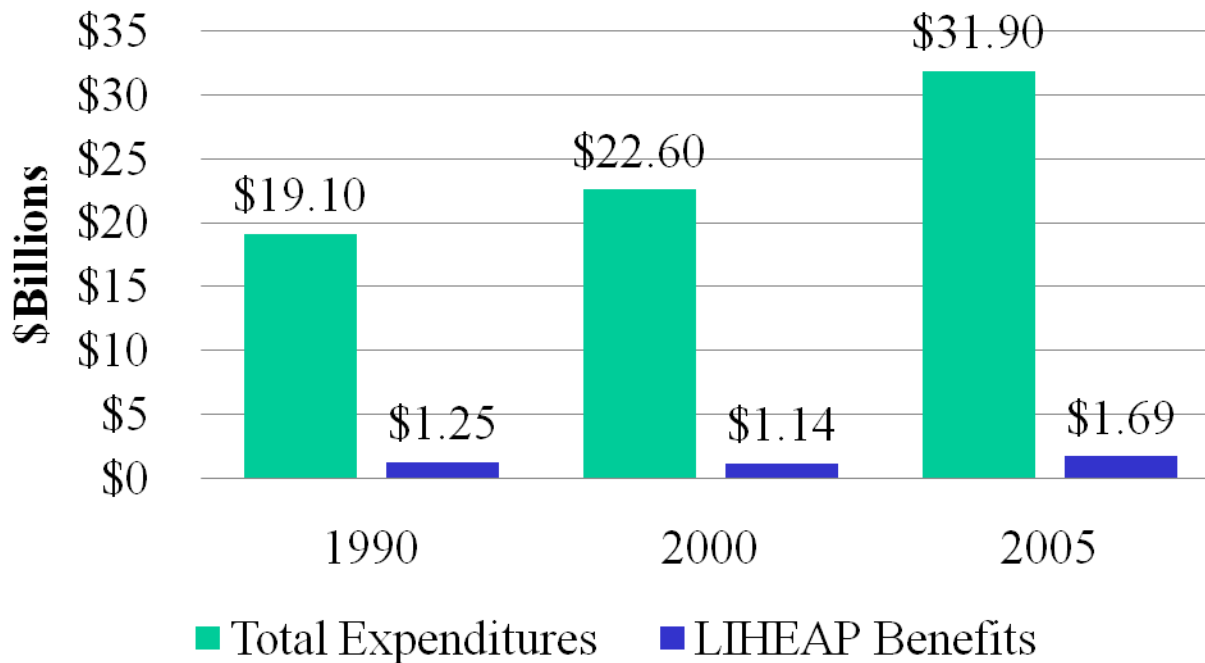
Low-Income Energy Needs

Average Energy Expenditures for Low-Income Households



Low-Income Energy Needs

**Total Low-Income Energy Expenditures
And Total LIHEAP Benefits**



Low-Income Energy Needs

Roger Colton: Moderate Shelter Burden

- 30% of Income

Median Low-Income Energy Costs

- 20% of Shelter Costs

Affordable Residential Energy Burden

- $30\% * 20\% = 6\%$ of Income

Low-Income Energy Needs

APPRISE: Severe Shelter Burden

- 50% of Income

Median Low-Income Energy Costs

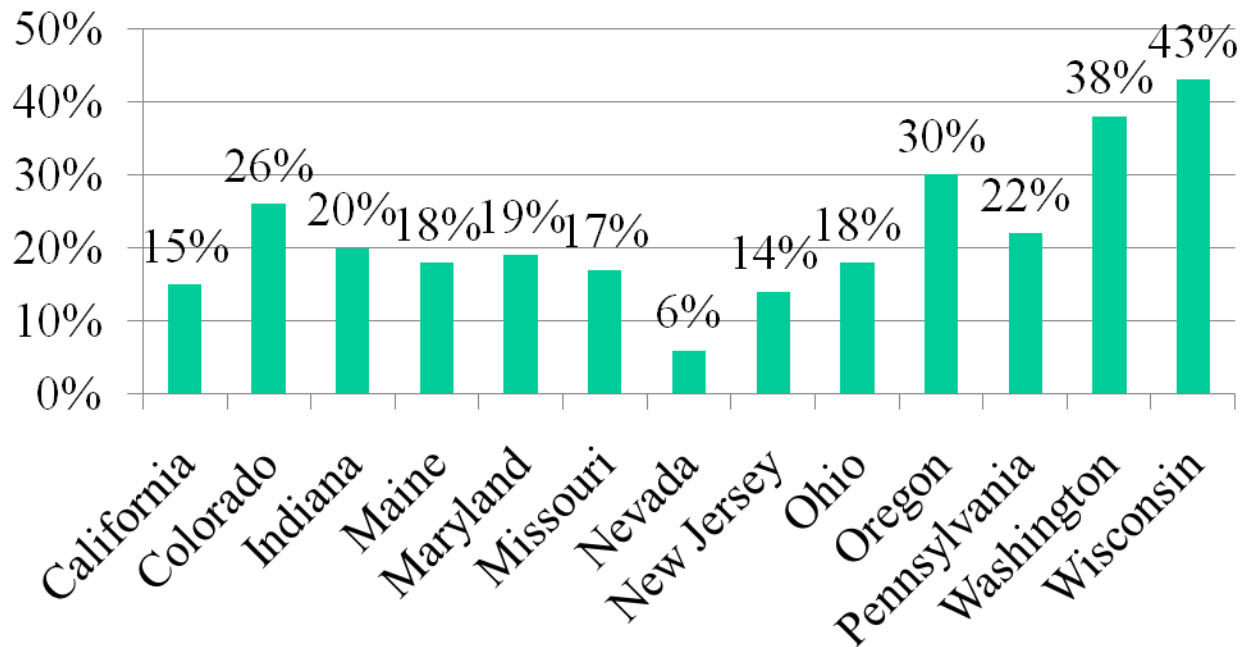
- 22% of Shelter Costs

High Residential Energy Burden

- $50\% * 22\% = 11\%$ of Income

Low-Income Energy Needs

2005 LIHEAP Coverage of 15% Burden Standard



Payment Program Design

Program Design Options

- Coordination
- Benefit design
- Benefit payment
- LIHEAP crediting
- Arrearage forgiveness

Program Coordination

- Energy Efficiency Programs Linkage
 - Refer
 - Target
 - Requirement for participation
- Linkage Advantages and Disadvantages
 - Advantage: reduce ratepayer subsidy
 - Disadvantage: may not all be the highest users

Program Coordination

- LIHEAP Level of Linkage
 - Full integration – ratepayer funds transferred to LIHEAP for delivery (WI)
 - Coordination – benefit calculation (NJ)
 - Presumptive eligibility/automatic enrollment (IN, MD, ME, OH, OR)

Program Coordination

- LIHEAP Linkage Advantages
 - Lower administrative costs
 - Equity (by accounting for LIHEAP)
 - Simplified design (use existing LIHEAP procedures)
- LIHEAP Linkage Disadvantages
 - Different goals (focus on home heating and cooling)
 - Utility information on energy burden and payment problems

Benefit Design

- Percentage of Income
 - Many PA utilities, NJ, NV, OH
 - Advantage: targets benefits to a level of need
 - Disadvantage: may be difficult to implement

Benefit Design

- Rate Discount
 - CA, PECO, Vectren
 - Advantage: administrative simplicity
 - Disadvantage: higher benefits to higher income customers, benefits to low income burden customers

Benefit Design



- Benefit Matrix
 - MD, NIPSCO, Laclede
 - Advantage: accounts for different factors that influence need
 - Disadvantage: difficult to understand the relationship between any one factor and the benefit

Benefit Payment

- Fixed Payment
 - Customer has a fixed monthly bill
- Fixed Credit
 - Customer receives a fixed monthly subsidy
- Discount
 - Customer receives a % discount on the bill


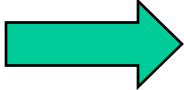
Benefit Payment

- Fixed Payment

- Annual income: \$10,000
- Payment set at 9% of income
- Annual payment: \$900
- Monthly payment: $\$900/12 = \75
- Winter bill: \$300  subsidy = $\$300 - \$75 = \$225$
- Summer bill: \$25  subsidy = $\$25 - \$75 = -\$50$

Benefit Payment

- Fixed Payment

- Ratepayers bear all the risk because when bill changes, customer payment is fixed
- Every month the customer is charged \$75
- Winter bill: \$300  subsidy = $\$300 - \$75 = \$225$
- Prices increase by 20%
- Winter bill: \$360  subsidy = $\$360 - \$75 = \$285$
- Ratepayer subsidy increases by $\$285 - \$225 = \$60$
- No bill increase for the customer

Benefit Payment

- Fixed Credit
 - Annual income: \$10,000
 - Burden targeted at 9% of income
 - Annual payment: \$900
 - Estimated bill: \$1400
 - Annual subsidy: $\$1400 - \$900 = \$500$
 - Monthly credit: $\$500/12 = \42

Benefit Payment

- Fixed Credit

- Customer bears all of the risk, because when bill changes the subsidy is fixed

- Every month the customer is credited \$42

- Winter bill: \$300

 Customer responsibility = $\$300 - \$42 = \$258$

- Prices increase by 20%

- Winter bill: \$360

 Customer responsibility = $\$360 - \$42 = \$318$

- Ratepayer subsidy is unchanged

- Customer's responsibility increases by $\$318 - \$258 = \$60$

Benefit Payment

- Discount

- Rate discount of 60%

- Winter bill: \$300

- customer pays $\$300 * 40\% = \120

- subsidy $\$300 * 60\% = \180

- Summer bill: \$25

- customer pays $\$25 * 40\% = \10

- subsidy $\$25 * 60\% = \15

Benefit Payment

- Discount

- Ratepayers and customers share the risk because when bills increase both the subsidy and the customer bill increase

- Winter bill: \$300

- customer pays $\$300 * 40\% = \120

- subsidy $\$300 * 60\% = \180

- Prices increase by 20%

- Winter bill: \$360

- customer pays $\$360 * 40\% = \144

- subsidy $\$360 * 60\% = \216

- Ratepayer subsidy increases by $\$216 - \$180 = \$36$

- Customer responsibility increases by $\$144 - \$120 = \$24$

Affordability Program Types

	Gross Bill	Fixed Payment		Fixed Credit		Discount	
		$\$10,000 \text{ income}$ $9\% = \$900/12 = \75		$\$10,000 \text{ income}$ $9\% = \$900$ $\$1400 \text{ estimated bill}$ $\$1400 - \$900 = \$500$ $\$500/12 = \42		60% discount	
		Bill	Subsidy	Bill	Subsidy	Bill	Subsidy
Initial	\$300	\$75	\$225	\$258	\$42	\$120	\$180
Rate Increase	\$360	\$75	\$285	\$318	\$42	\$144	\$216
Usage Reduction	\$240	\$75	\$165	\$198	\$42	\$96	\$144

LIHEAP Crediting

- Program Options
 - Customer bill credit
 - Advantage: encourage application, increase affordability
 - Disadvantage: impact on budgeting
 - Offset program cost
 - Advantage: reduce program cost, increase payment regularity
 - Disadvantage: reduce applications
 - Penalty for not applying for LIHEAP
 - Advantage: encourage application
 - Disadvantage: barriers for some customers

Arrearage Forgiveness

- Complete – at start of program or with customer payments
 - Advantage: increase affordability, set customer off with fresh start
 - Disadvantage: expectations
- Matching – forgive part of arrears with each customer payment
 - Advantage: increase affordability, educate customer
 - Disadvantage: customer understanding

Arrearage Forgiveness

- Payment plan – customer pays arrearages over period of time
 - Advantage: customer responsibility and expectations
 - Disadvantage: affordability, incentive

PA Customer Assistance Program Design

PA Utility Programs

	Utility 1	Utility 2	Utility 3	Utility 4
Fuel	Gas	Gas	Gas	Gas/Electric
Program Participants	814	2,346	58,143	104,599
Income Eligibility	150%	150%	150%	150%
Other Eligibility	\$200 in arrears	Broken payment arrangement (not enforced). Must have balance.	None	Payment troubled, defined broadly.

PA Program Benefits

	Utility 1	Utility 2	Utility 3	Utility 4
Program Length	3 years	Removed when balance reaches \$0	Indefinite	Indefinite
Benefit	Discount: 75%, 50%, 0%	7%, 8%, 9% of income.	8%, 9%, 10% of income.	Discount: 85%, 75%, 50%, 25% (electric)
Benefit Payment	Discount	Fixed Payment	Fixed Payment	Discount
Max Credit	None	\$840	None	None

PA Arrearage Forgiveness

	Utility 1	Utility 2	Utility 3	Utility 4
Arrearage Forgiveness	1/36 each month over 36 months, up to maximum of \$600.	\$5/month Match of additional payments up to \$400.	1/36 each month. No limit.	Forgiven in entirety after 6 full monthly payments.

PA LIHEAP Crediting

	Utility 1	Utility 2	Utility 3	Utility 4
LIHEAP Crediting	Applied to the customer's bill over a one-year period.	Applied to the program credit. \$100 penalty for failure to apply.	Applied to the program credit.	Applied to the customer's bill at the time of credit.

PA Enrollment

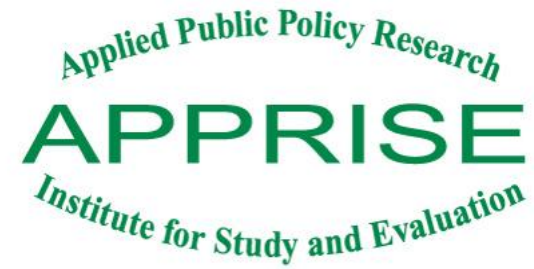
	Utility 1	Utility 2	Utility 3	Utility 4
Enrollment	Utility, phone, and mail.	Utility phone for fixed income, LIHEAP, and CAP. Agency enrollment for others.	Visit one of utility's local centers, or by mail.	Utility, phone, and mail in

PA Customer Assistance Program Evaluation

Evaluation Components

- Background Research
- On-Site Observation
- Customer Survey
- Billing Analysis
- Recommendations

Background Research



- Objectives
 - Understand program goals, procedures, and implementation
 - Assess potential participation barriers
 - Identify potential design and implementation improvements
 - Document program procedures

Background Research

- Process
 - Review program documentation
 - Review program statistics
 - Interview program actors

On-Site Observation

- Objectives
 - Customer issues
 - Enrollment challenges
 - Compare procedures and implementation
- Process
 - Observe different agencies/staff members
 - Quantify implementation

On-Site Observation

- Sample Findings
 - Representatives explained the arrearage reduction portion of the bill in *less than one-third* of the enrollments.
 - Representatives discussed the amount of arrearage forgiveness the customer would receive each month, and explained that the customer must pay his/her bill on time and in full to receive this arrearage forgiveness in *over three quarters* of the observations.
 - Representatives notified the customer that his/her utility service could be shut off if he/she missed one payment in less than one third of the observations.
 - Representatives explained the re-certification requirement in just over half of the cases observed and told the customer how to re-certify in one-third of the cases.

Customer Survey

- Objectives
 - Participant program understanding
 - Participant energy affordability
 - Program impact
- Process
 - Survey current participants, past participants, and non participants

Customer Survey

“What do you feel are the benefits of the program?”

	Utility 1	Utility 2	Utility 3	Utility 4
Lower energy bills	48%	33%	30%	50%
Even payments	29%	22%	41%	14%
Maintaining service	9%	20%	16%	11%
Reduced arrearages	14%	15%	16%	7%
Don't know	9%	2%	9%	10%

Customer Survey

“How difficult is it to pay your monthly utility bills?”

	Utility 1		Utility 2		Utility 3		Utility 4	
	Prior	In	Prior	In	Prior	In	Prior	In
Very difficult	64%	10%	83%	9%	63%	15%	56%	9%
Somewhat difficult	24%	41%	9%	41%	20%	34%	31%	28%
Not too difficult	9%	24%	4%	19%	5%	29%	6%	35%
Not at all difficult	3%	24%	2%	30%	10%	1%	5%	27%

Customer Survey

Do you feel you need additional assistance to pay your utility bill?

	Utility 1	Utility 2	Utility 3	Utility 4
Current Participants	43%	52%	57%	60%
Past Participants	84%	63%	84%	62%
Non Participants	56%	82%	74%	79%

Billing Analysis

	Utility 1		Utility 2		Utility 3		Utility 4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Energy Bill	\$96*	-\$86*	-\$127*	-\$273*	-\$304*	-\$441*	-\$312*	-\$315
Cash Payments	\$182*	\$65*	\$249*	\$97*	\$88*	-\$55*	-\$232*	-\$254*
Assistance Payments	\$44*	\$43*	-\$145*	-\$231*	-\$139*	-\$151*	\$5*	\$9
Total Payments	\$226*	\$108*	\$104*	-\$133*	-\$51*	-\$206*	-\$226*	-\$244*

Program Characteristics

Benefit	Discount: 75%, 50%, 0%	7%, 8%, 9% of income	8%, 9%, 10% of income	Discount: 25%-85% (electric)
Max Credit	None	\$840	None	None

Billing Analysis

	Utility 1		Utility 2		Utility 3		Utility 4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Total Coverage Rate	15%*	22%*	18%*	11%*	13%*	11%*	4%*	2%
Arrearage Forgiveness	\$60*	\$60*	\$42*	\$42*	\$87*	\$87*	\$392*	\$392*
Balance	\$11	-\$35*	--	--	\$72*	\$42	-\$248*	-\$262*
Program Characteristics								
Benefit	Discount: 75%, 50%, 0%		7%, 8%, 9% of income		8%, 9%, 10% of income		Discount: 25%-85% (electric)	
Max Credit	None		\$840		None		None	

Billing Analysis

Service Terminations

	Utility 1	Utility 2	Utility 3	Utility 4
Pre	5%	14%	15%	4%
Post	7%	8%	4%	2%
Gross Change	1%	-6% **	-10% **	-3% **
Net Change	-1%	-6% **	-10% **	0%

Billing Analysis

Weather Normalized Energy Usage					
	Utility 2	Utility 3	Utility 4		
	Gas (ccf)	Gas (ccf)	Gas (ccf)	Electric Heat (kWh)	Electric Baseload (kWh)
Pre	1,489	1,184	933	12,840	7,258
Post	1,485	1,199	909	12,949	7,309
Gross Change	-4	15**	-24**	109	51**

Findings & Recommendations

Program Administration				
	Utility 1	Utility 2	Utility 3	Utility 4
Program Administration	Thorough and accurate program and customer data.	Efficient system for program and customer data.	Difficulty providing customer data.	Difficulty providing customer data
Program Eligibility	Balance requirement	Balance requirement	Unrestrictive	Unrestrictive

Findings & Recommendations

Program Impacts

	Utility 1	Utility 2	Utility 3	Utility 4
Payment Impacts	Significant improvements.	Significant improvements.	Significant increase in cash payments.	Significant reductions in cash payments.
Energy Assistance	Increase in energy assistance. Substantial outreach by program analyst.	Statistically significant net decline in grants received despite LIHEAP penalty.	Statistically significant net decline in grants received.	Insignificant change in grants received.
Bill Coverage Rates	Increased from 84% to 99%.	Increased from 75% to 93%.	Increased from 71% to 84%	Increased from 85% to 89%.

Conclusions from PA Evaluations

Program Components that May Improve Outcomes

- Providing benefits to customers that are related to the amount of assistance that they need.
- Allowing customers to continue to participate in the program, even after they have paid off their full arrearage.
- Providing an arrearage forgiveness component that is tied to bill payment compliance, and educating customers about this requirement.

Conclusions from PA Evaluations

Program Components that May Improve Outcomes

- Providing customers with an incentive to apply for LIHEAP assistance.
- Charging the customers an amount that is at least as much as they paid in the year prior to enrollment. (note exceptions)
- Providing the customers (even those who do not participate in the program) with a fixed monthly payment.

NJ Universal Service Fund Program Design

Program History

- 1999 - Restructuring legislation (EDECA)
- 2002 – Interim benefits (100,000 households)
- October 2003 – Enrollment of LIHEAP/Lifeline
- April 2004 – Enrollment of LIHEAP
- September 2004 – Enrollment of LIHEAP
- January 2005 – Joint application with LIHEAP
- October 2005 – First cohort participation end

Coordination

- **LIHEAP/Utilities/BPU**
 - Program administered by LIHEAP office (DCA)
 - LIHEAP/USF application has income and heating fuel
 - DCA pays LIHEAP grant to utilities (annual credit)
 - Utilities furnish information on annual energy bill
 - DCA computes USF benefit and informs utilities
 - Utilities furnish USF benefit (monthly credit)
 - Utilities are reimbursed for USF from SBC fund
- **Usage Reduction**
 - WAP / Comfort Partners - Funding coordination
 - Comfort Partners / USF – Targeting coordination

Benefit Design

- Total Benefit = Customer Bill – 6% of Income
- Example:
 - Income = \$10,000; 6% = \$600; Bill = \$1,600
 - Total Benefit = \$1,600 - \$600 = \$1,000
- USF Benefit = Total Benefit – LIHEAP
- Example:
 - LIHEAP Benefit = \$400
 - USF Benefit = Total Benefit – LIHEAP Benefit
 - USF Benefit = \$1,000 - \$400 = \$600 (\$50 per month)

Benefit Payment

- LIHEAP – Annual Credit
- USF – Fixed Monthly Credit
- Example:
 - December LIHEAP application
 - LIHEAP Benefit = \$400
 - USF Benefit = \$600 (\$50 per month)
 - Payment Stream
 - Jan = \$450, Feb = \$50, Mar = \$50, ..., Dec = \$50

Arrearage Forgiveness

- Fresh Start Program
 - Monthly non-contributory forgiveness
 - 100% forgiveness in 12 months once 12 bills are paid
- Example:
 - Arrears at Program Start = \$1,200
 - Net energy bill for 12 months = \$600
 - If \$600 is paid within 15 months of program start – 100% of arrears are forgiven

NJ Universal Service Fund Program Evaluation

Evaluation Components

- Background Research
- On-Site Observation
- Customer Survey
- Billing Analysis
- Recommendations

Background Research

- Process
 - Review program documentation
 - Review program statistics
 - Interview program actors
- Output
 - Program History and Operations Report

On-Site Observations

- Findings
 - Computer interface was problematic
 - Some valuable reports were lost
 - Funding for agencies insufficient
 - Huge enrollment backlogs resulted

Customer Survey

- Findings
 - LIHEAP awareness was moderate (72%)
 - USF awareness was low (45%)
 - Fresh Start awareness was minimal (20%)
 - Clients vary in who they trust
 - 1/3 utility
 - 1/3 local agency
 - 1/3 state

Billing Analysis

- Findings - Benefits
 - Energy Burden – 19% to 6%
 - Payment Coverage
 - 65% paid 100% of net bill
 - 20% paid 90%-100% of net bill
 - 15% paid less than 90% of net bill
 - Eliminated 90% of preprogram arrears
 - No change in usage

Billing Analysis

- Findings – Barriers
 - Fresh Start Payment Coverage
 - 35% paid less than 90% of net bill
 - Program Retention
 - 36% failed to reapply
 - 18% had problems with application
 - 46% recertified
 - Arrears
 - 50% of Fresh Start built up new arrears

Achievements

- Automatic Enrollment
 - High participation rate
- Integration
 - Low administrative costs
 - Targeting / equity
- Benefits
 - Affordable energy burden

Issues

- Automatic Enrollment
 - Affects awareness and understanding
- Fixed Credit
 - Monthly payment is highly variable
- Serve All Households
 - Program cost
- Counseling
 - Limited resources to address other problems

Summary

Findings

- Need
 - Rapid growth in low-income energy bills
 - LIHEAP falls far short of needs
- Program Design Parameters
 - Coordination
 - Benefit Design
 - Benefit Payment
 - Arrearage Forgiveness

Findings

- Program Designs
 - PA: Utilities adapt BCS model
 - Discount
 - Fixed Payment
 - NJ: Statewide Model
 - Fixed Credit

Findings

- Evaluation Findings
 - Integration reduces administrative costs
 - Integration increases equity
 - All designs reduce energy burden
 - Designs can increase, maintain, or reduce payments levels
 - Problems remain for some households
 - No designs increase gas usage
 - Some designs increase electric heating usage

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