

NYS Low-Income Utility Programs: Design and Overview

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Summary

- Background/Justification for Programs
- Overview of NY Utility Low Income Programs
- Issues in Low Income Program Design
- Questions for Discussion

“The aid, care and support of the needy are public concerns and shall be provided by the state and by such of its subdivisions, and in such manner and by such means, as the legislature may from time to time determine.”

New York State Constitution, Article XVII, §1

- The New York PSC has a distinguished history of ensuring protection for those who may face financial difficulties, and has approved low-income affordability programs for every major gas and electric utility in the State

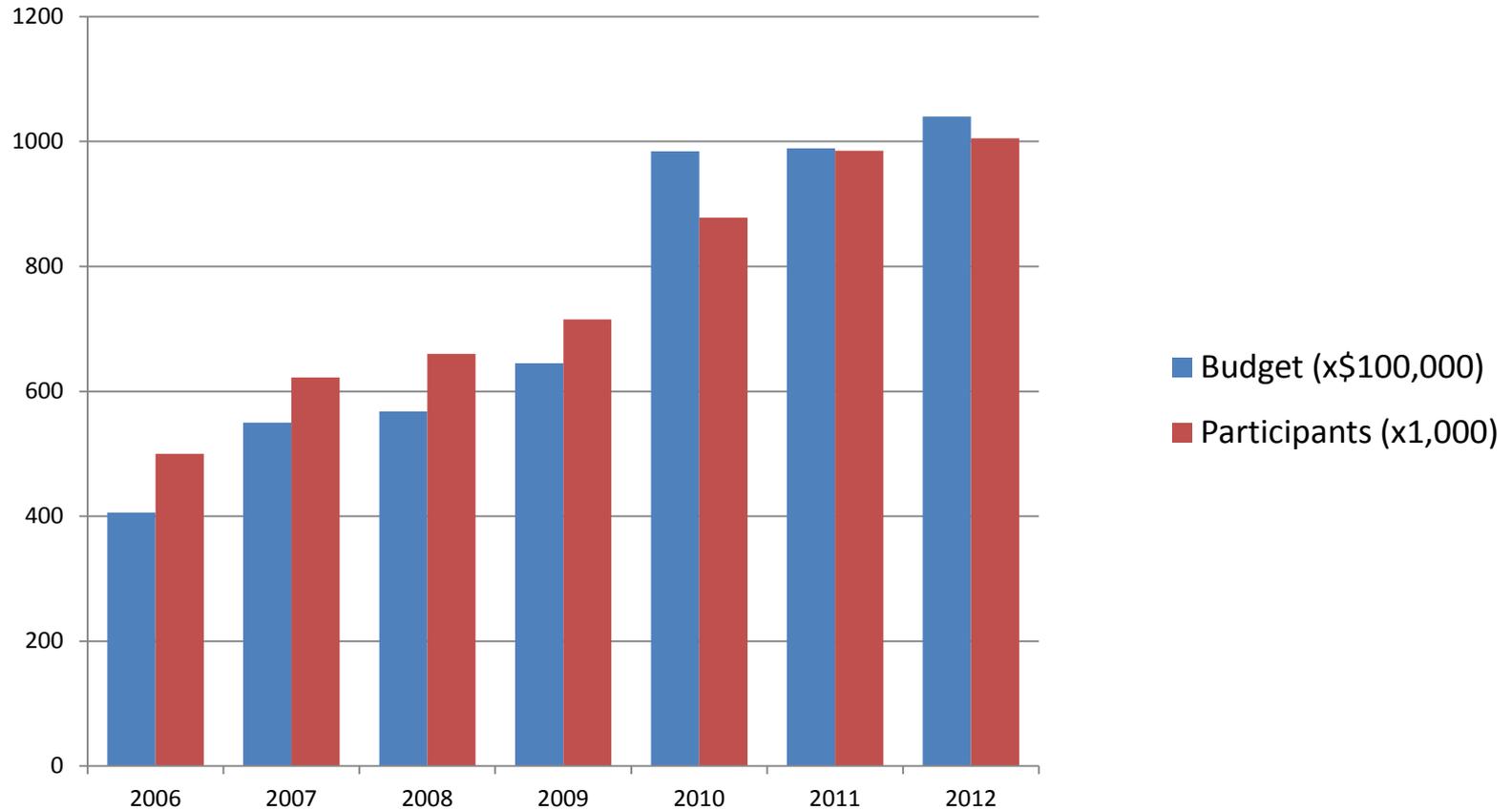
Programs To Address The Needs Of Low Income Utility Customers Are Essential

- 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
 - current weak economic conditions have put additional pressures on low income households

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

Recent History of Utility Low Income Programs in New York State



2012 Low Income Programs by Utility

Utility	Participants		Annual Budget	
	Electric	Gas	Electric	Gas
Central Hudson - Electric	9,450		\$2,077,700	
Central Hudson - Gas		2,150		\$643,700
Con Edison - Electric	375,000		\$38,750,000	
Con Edison - Gas		165,000		\$6,400,000
Corning		2,100		\$125,000
KeySpan-NY		62,400		\$7,400,000
KeySpan-LI		30,400		\$4,800,000
National Fuel Gas		29,084		\$6,400,000
National Grid - Electric	125,000		\$11,850,000	
National Grid - Gas		50,000		\$4,500,000
NYSEG - Electric	52,500		\$9,368,425	
NYSEG - Gas		15,000		\$2,961,097
O & R - Electric	12,000		\$1,000,000	
O & R - Gas		6,700		\$823,000
RG&E - Electric	36,800		\$4,179,916	
RG&E - Gas		31,400		\$2,724,619
Total	610,750	394,234	\$67,226,041	\$36,777,416

Issues for Low Income Program Design

- How to achieve the goal of affordability most effectively, and at minimum cost
 - General program type/structure
 - Determining eligibility/enrollment
 - Benefits-per-participant

Targeted vs. Broad-based Discounts

- Program designers must allocate a fixed amount of dollars for assistance
- Funding will always be inadequate to meet the total needs of all low-income households
 - Maximize the number of eligible households receiving assistance?
 - Direct more assistance to fewer households to maximize benefits for those most in need?
 - Direct funds to households with highest bills, largest arrears, most at risk of termination?
 - Disburse funds on a first-come, first-served basis?

How Should Benefits be Provided?

- Fixed Discount
- Volumetric discount
 - Where to “cap” volumetric discounts?
- Percentage of Income Payment (PIPP) Plan
- Arrears Forgiveness
- Reconnection Fee Waivers
- Energy Management/Financial Management Education/Information
- Energy Efficiency/Weatherization

Broad-Based Programs

- Provided to all customers identified as low-income
- Currently offered by all major energy utilities in the State
- Generally provided as discount on monthly fixed (customer) charge. Customer charge discounts range from \$2/month to \$24/month
- For some gas heating customers, discounts may be provided on consumption up to a specified level

Targeted Programs

- **Eligibility**
 - Offered to a subset of customers identified by the utility based on payment history, income level and/or arrears
 - Enrollment managed by utility subject to overall program budget
- **Percentage of Income Payment Plan (PIPP) Discounts (NFG, CH)**
 - Provide greater assistance to customers with lower family income
 - Discounts range up to 40% depending on family size and income
 - Relatively high administrative costs
- **Arrears Forgiveness Programs (NFG, CH, National Grid, NYSEG, RG&E)**
 - Targeted to customers who are chronically payment-troubled
 - Designed to keep customers on the system
 - Encourage customers to pay arrears by matching such payments
 - Participants repay arrears over 1 – 3 years
- **Other Services**
 - E.g., referrals for weatherization, budget counseling, etc.

Eligibility/Enrollment

- Eligibility Criteria for Broad Based Programs
 - Customers on whose behalf the utility received a HEAP payment
 - Income criteria for HEAP is 60% of State Median Income
 - Single person household - \$24,360
 - Family of 4 - \$46,836
 - Some utilities expand eligibility to include recipients of other income-based programs (e.g., Food Stamps)
- Enrollment Principles
 - Broad-based programs: Generally automatic enrollment
 - Targeted programs – Utilities select qualified participants

Benefits Per Participant

- Average annual benefit of \$100 per customer
- Benefit maximums under broad-based programs
 - RG&E electric - \$288 (\$24/month)
 - Con Edison gas - \$199 (~50% discount on first 90 Therms)
- Targeted programs provide a wider range of benefits
 - CH -- income-based credit up to \$1800 per year
 - NFG -- up to 40% total bill discount
- Portfolio of Programs
 - All NY utilities, except Con Edison and O&R, employ both broad-based and targeted approaches
 - Vast majority of funding (84%) is provided for broad-based programs

Questions for Discussion

- Are utility low income programs effective?
 - 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)?
 - How should we determine the appropriate “energy burden” or level of “affordability”?
- How best to determine eligibility for utility low income program benefits?
- How can we better maximize the benefits, within budget constraints?
 - Can utility programs be better coordinated with HEAP, fuel funds, other forms of charitable assistance?
 - Can we further reduce administrative costs, find better ways to reach more of the eligible population?

For Further Information...

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