



Department
of Public Service

Public Service Commission Affordability

Proceeding – Case 14-M-0565

LIFE Conference

Albany, New York

May 25, 2016

Agenda

- Background/Process
- The Commission's Order
- Next Steps

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

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

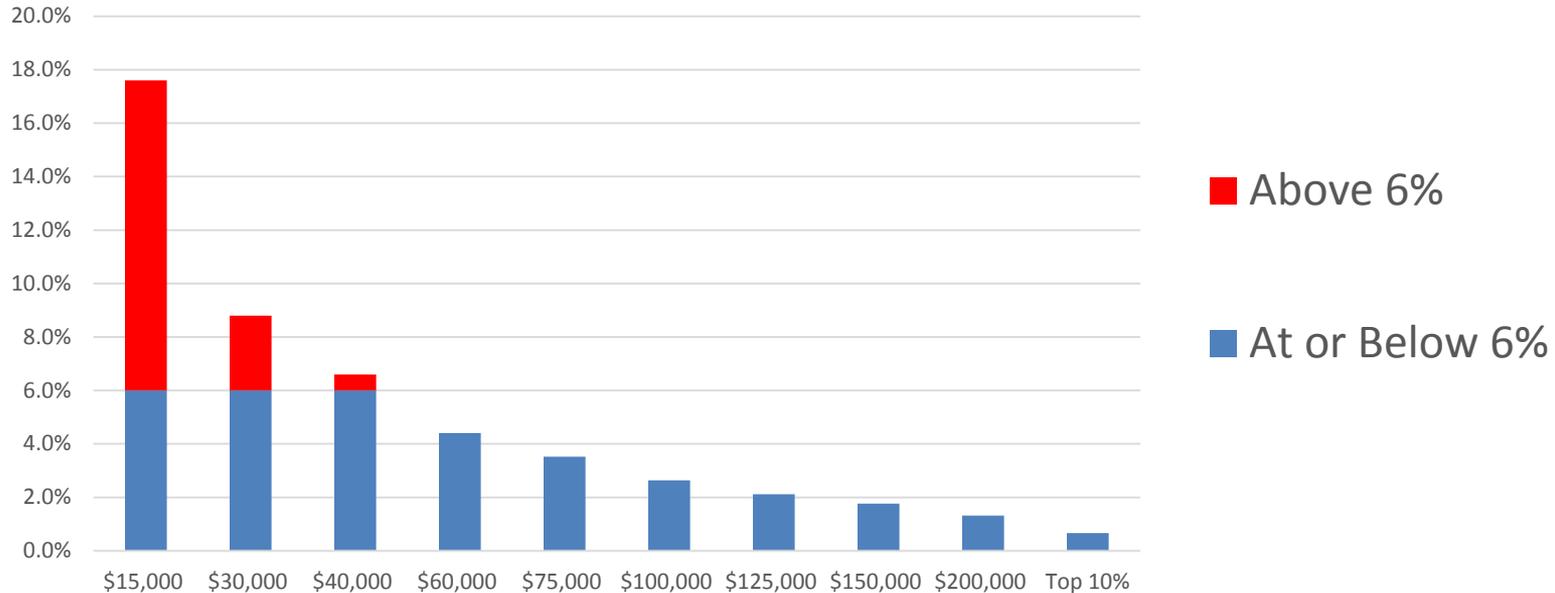
- How to achieve the maximum benefit at minimum cost
 - Eligibility/enrollment
 - Benefits-per-participant
 - Budget levels
 - General program type/structure
- How do we measure effectiveness of utility low income programs?
 - What goals or objectives should form the benchmark?
 - How should utility benefits (*i.e.*, reduced arrears, collection costs, write-offs, etc) be weighed against participant benefits (increased affordability, reduced energy burden)?

Procedural History

- 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 \$132 million
 - more than one million customers participating
- Up to this point, low income rate assistance programs were developed in utility rate cases
 - substantial differences among these programs
 - amounts of the discounts offered, in dollar and percentage terms, provided to participating customers
 - the customers to whom those discounts are offered
 - the extent of funding for arrears forgiveness or other targeted approaches
- 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
- Staff conducted a review of utility low income programs, in consultation with many interested parties, including low income organizations

Energy Bill As a Percentage of Income

Annual Bill of \$2,640



Public Comment Process

- 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 from 19 parties
 - Reply comments received from 9 parties
 - Over 80 written public (non-party) comments
- 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
 - 12 PSHs/over 100 witnesses made statements on the record (600 pages of transcript)

Commission's Vision/Goals for Low Income Policy

- Order issued May 20, 2016
- Part of the Reforming the Energy Vision (REV) initiative
 - one of the overall goals of REV is to keep energy costs affordable for all consumers
- Adopts a policy that an energy burden at or below 6% of household income to be the target level for all 2.3 million low income households in New York
 - a widely accepted principle is that total shelter costs should not exceed 30% of income.
 - often used by lenders to determine affordability of mortgage payments.
 - utility costs should not exceed 20% of shelter costs
 - an affordable energy burden should be at or below 6% of household income (20% x 30% = 6%).
 - A 6% energy burden target used for affordability programs in several states (e.g., New Jersey and Ohio)
 - corresponds to what U.S. EIA data reflects is the upper end of middle and upper income customer household energy burdens
- Reducing the energy burden of low income households to the 6% level cannot be accomplished through rate discounts alone, and will require a range of initiatives
 - Success can only be achieved through a holistic approach that coordinates and leverages all available resources
 - Order directs Staff to work with sister agencies to create an inter-agency task force, to achieve greater program coordination
 - will involve establishing new partnerships and new ways for utilities to identify and enroll eligible customers
 - Also will require a phased approach

Reforming the Energy Vision (REV)

- The best solution for all customers (incl. low income) is to invest in distributed energy resources (DER)
 - Access to DER is the best way to narrow the affordability gap that needs to be filled with direct financial assistance
 - Can empower those for whom these savings may have the greatest value
- The Commission is promoting opportunities for low income customers to participate in DER
 - NY Sun photovoltaic program allocated up to \$13 million to support PV in low and moderate income markets
 - Up to \$19 million of uncommitted System Benefit Charge (SBC) funds reallocated to the EmPower-NY
 - Community distributed generation (DG) projects prioritized to low income projects during Phase One
 - Clean Energy Fund (CEF) framework designed to meet four primary objectives
 - greenhouse gas emission reductions
 - affordability, as measured by reductions in customer energy bills
 - statewide penetration and scale of energy efficiency and clean energy generation
 - growth in the clean energy economy
- As these new markets and tools continue to develop, a greater portion of the burden for ensuring affordability will shift from direct financial assistance to more innovative approaches
- Low income rate assistance programs will continue to be funded where market solutions are not yet a viable option

Eligibility/Enrollment

- Reaching 2.3 million households will involve establishing new partnerships and new ways for utilities to identify and enroll eligible customers
 - The current utility programs reach about 1.1 million customers
 - households can be both gas and electric customers
 - 1.1 million customers equates to approximately 700,000 households
- As an initial step, utilities must open their low income discount programs to all households that currently receive HEAP, regardless of fuel or benefit type
 - To comply with new federal requirements, OTDA will begin providing lists of all HEAP recipients to the utilities
 - Adds ~150,000 new participants
- Con Edison is allowed to continue its file match approach which extends the low income discount program to customers receiving other income based benefits in addition to HEAP (incl. Medicaid)
 - National Grid NY is authorized to pursue such an approach
 - The unique challenges presented by the NYC metro area for identifying the low income population and estimating the level of need justify allowing the existing eligibility criteria and discount levels of utilities serving NYC to be grandfathered
 - Adds ~400,000 new participants
- Statewide, the enhanced low income discount program will serve approximately 1.65 million customers (~1.05 million households)

Benefit Levels

- A default process of setting benefit levels is established which includes varies levels of discounts based on need
 - level of need demonstrated by receipt of one or more HEAP “add-on” benefits
 - Utilities will be allowed some flexibility in designing rate discounts
 - alternatives must be shown to accomplish the same results, and leave no class of participant underserved
 - Con Edison and National Grid NY discounts grandfathered
- Affordability block is preferred approach
 - straight discount favored by some parties discourages conservation
 - Use "high average" (110%) to address concerns that low income household usage may be higher than average
- Revised and simplified discount calculation methodology
 - Energy burden is divided 50% gas/50% electric for combo customers, 100% for electric heat
 - avoids gas utilities having to consider the level of the electric bill of the overlapping utility
 - “Minimum” discount of \$3/month
 - No discounts for public assistance/ §131-s recipients (DSS pays the bill)
- Participants will also be enrolled in budget (levelized) billing
 - will have the option to decline

Discount Levels

All values rounded to nearest whole dollar

Central Hudson								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$18	\$23	\$6	\$23	\$18	\$34	\$6	\$3
Tier 2	\$18	\$39	\$6	\$39	\$18	\$50	\$6	\$3
Tier 3	\$18	\$72	\$6	\$56	\$18	\$67	\$6	\$3
Tier 4	\$18	\$0	\$6	\$0	\$18	\$0	\$6	\$0
Niagara Mohawk								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$15	\$11	\$5	\$11	\$11	\$3	\$11	\$3
Tier 2	\$15	\$27	\$5	\$27	\$11	\$16	\$11	\$3
Tier 3	\$15	\$44	\$5	\$44	\$11	\$33	\$11	\$3
Tier 4	\$15	\$0	\$5	\$0	\$11	\$0	\$11	\$0

Discount Levels, cont'd.

New York State Electric and Gas								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
	Tier 1	\$19	\$3	\$10	\$3	\$13	\$3	\$7
Tier 2	\$19	\$11	\$10	\$11	\$13	\$18	\$7	\$3
Tier 3	\$19	\$28	\$10	\$28	\$13	\$34	\$7	\$3

Rochester Gas and Electric								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
	Tier 1	\$24	\$3	\$5	\$3	\$6	\$3	\$2
Tier 2	\$24	\$9	\$5	\$9	\$6	\$13	\$2	\$3
Tier 3	\$24	\$26	\$5	\$26	\$6	\$30	\$2	\$3
Tier 4	\$24	\$0	\$5	\$0	\$6	\$0	\$2	\$0

Discount Levels, cont'd.

Con Edison								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
	Tier 1	\$10	\$10	\$10	\$10	\$50	\$50	\$2
Tier 2	\$10	\$10	\$10	\$10	\$50	\$50	\$2	\$3
Tier 3	\$10	\$22	\$10	\$14	\$50	\$50	\$2	\$3
Orange and Rockland								
Income Level	Electric Heating		Electric Non-Heat		Gas Heating		Gas Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
	Tier 1	\$27	\$56	\$18	\$56	\$17	\$35	\$6
Tier 2	\$27	\$72	\$18	\$72	\$17	\$51	\$6	\$3
Tier 3	\$27	\$91	\$18	\$88	\$17	\$68	\$6	\$3
Tier 4	\$27	\$0	\$18	\$0	\$17	\$0	\$6	\$0

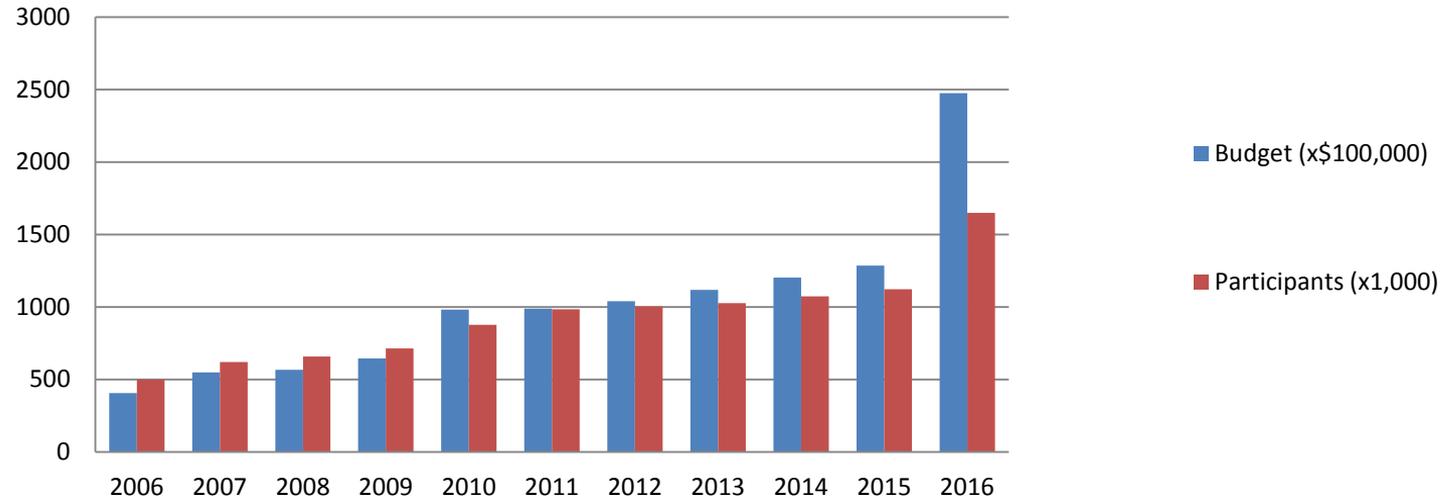
Discount Levels, cont'd.

National Fuel Gas								
Income Level					Gas Heating		Gas Non-Heat	
					Current	Revised	Current	Revised
Tier 1					\$5	\$3	\$5	\$3
Tier 2					\$5	\$12	\$5	\$3
Tier 3					\$5	\$31	\$5	\$3
Tier 4					\$5	\$0	\$5	\$0
Keyspan								
Income Level	NGNY Heating		NGNY Non-Heat		NGLI Heating		NGLI Non-Heat	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised
Tier 1	\$17	\$17	\$3	\$3	\$18	\$41	\$4	\$3
Tier 2	\$17	\$17	\$3	\$3	\$18	\$57	\$4	\$3
Tier 3	\$17	\$30	\$3	\$3	\$18	\$74	\$4	\$3
Tier 4	\$17	\$0	\$3	\$0	\$18	\$0	\$4	\$0

Budget Levels

- Statewide, the enhanced low income discount program will cost approximately \$248 million
 - an increase of approximately 87% to existing programs
- A funding limit is established such that the total budget for each utility may not exceed 2% of total electric or gas revenues for sales to end-use customers.
 - costs are allocated fairly evenly between electric and gas services, on a percentage of revenue basis (about 1.2% overall)
 - only National Fuel's program reaches the 2% budget cap
 - Order would require all customer classes to contribute
 - Specific cost recovery will otherwise be determined in rate cases, where the total impacts of all revenue requirement changes can be considered

NYS Low Income Budgets/Participation, 2006 – 2016



Arrearage Forgiveness/Reconnection Fee Waivers

- Arrears forgiveness programs may continue for utilities who see value
 - not required for other utilities
 - limits funding for arrears forgiveness programs to no more than 10% of the budget
- Reconnection fee waivers also continued as an optional, but not required feature
 - limits funding for reconnection fee waivers to no more than 1% of the budget

Other Matters

- New, expanded program reporting format
- Improve Empower-NY referrals for energy efficiency
 - Better prioritization (high usage/high arrears)
- Recognize Emergency HEAP payments when calculating energy burden (optional)
- Greater use of low income energy education to increase “energy literacy”

Next Steps

- Utilities directed to file implementation plans within 90 days
 - Utilize existing cost recovery methods, to the extent practicable
 - estimate cost allocations
 - Timetable for OTDA data sharing to begin
 - Explain any departure from “default” discount calculation
 - Propose a budget billing opt-out process
 - Customer education strategies
- Inter-agency task force already formed, meeting held

Questions?

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