

A yellow geometric graphic consisting of a square with a diagonal line from the top-left to the bottom-right, and a smaller square nested inside it, also with a diagonal line. The text 'transformative issues' is written in a bold, yellow, sans-serif font across the center of the graphic.

# transformative issues

symposium



American Water Works  
Association



Water Environment  
Federation  
the water quality people

washington, dc  
august 6-7, 2018

# affordability



7 August 2018

# Customer Affordability Assistance Funding Across the Energy Industry

Russell A. Feingold

Vice President  
Black & Veatch Management Consulting, LLC

BUILDING A WORLD OF DIFFERENCE®



**BLACK & VEATCH**

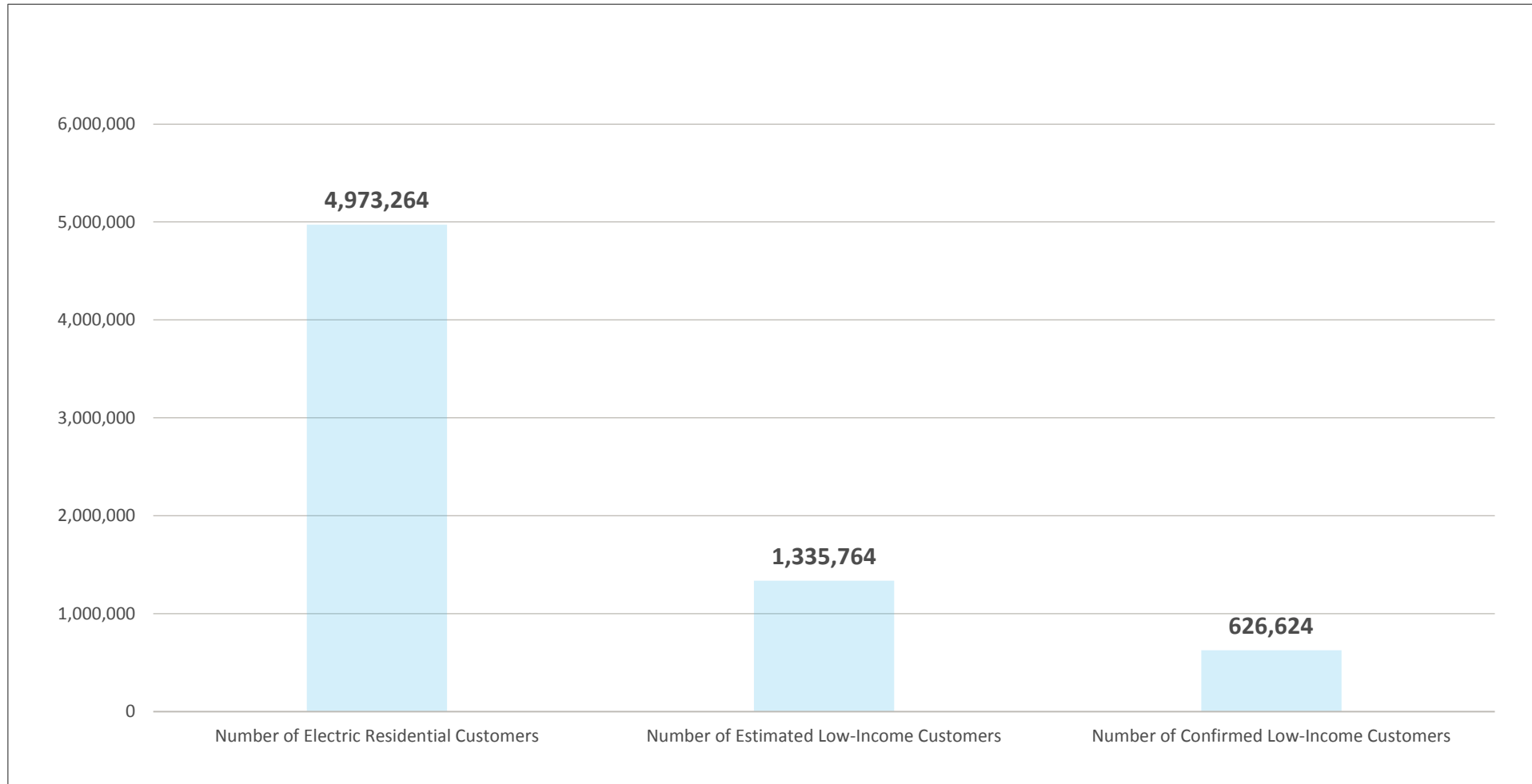
# The Nature of the Challenge

- Ensure that electric and natural gas services are universally available to all customers.
- Maintain the protections, policies, and services that assist customers who are low income to afford electric and gas service.
- Ensure that universal service and energy conservation policies are appropriately funded and available in each electric and natural gas distribution service territory.
- In general, state utility regulators are responsible for fulfilling these requirements.



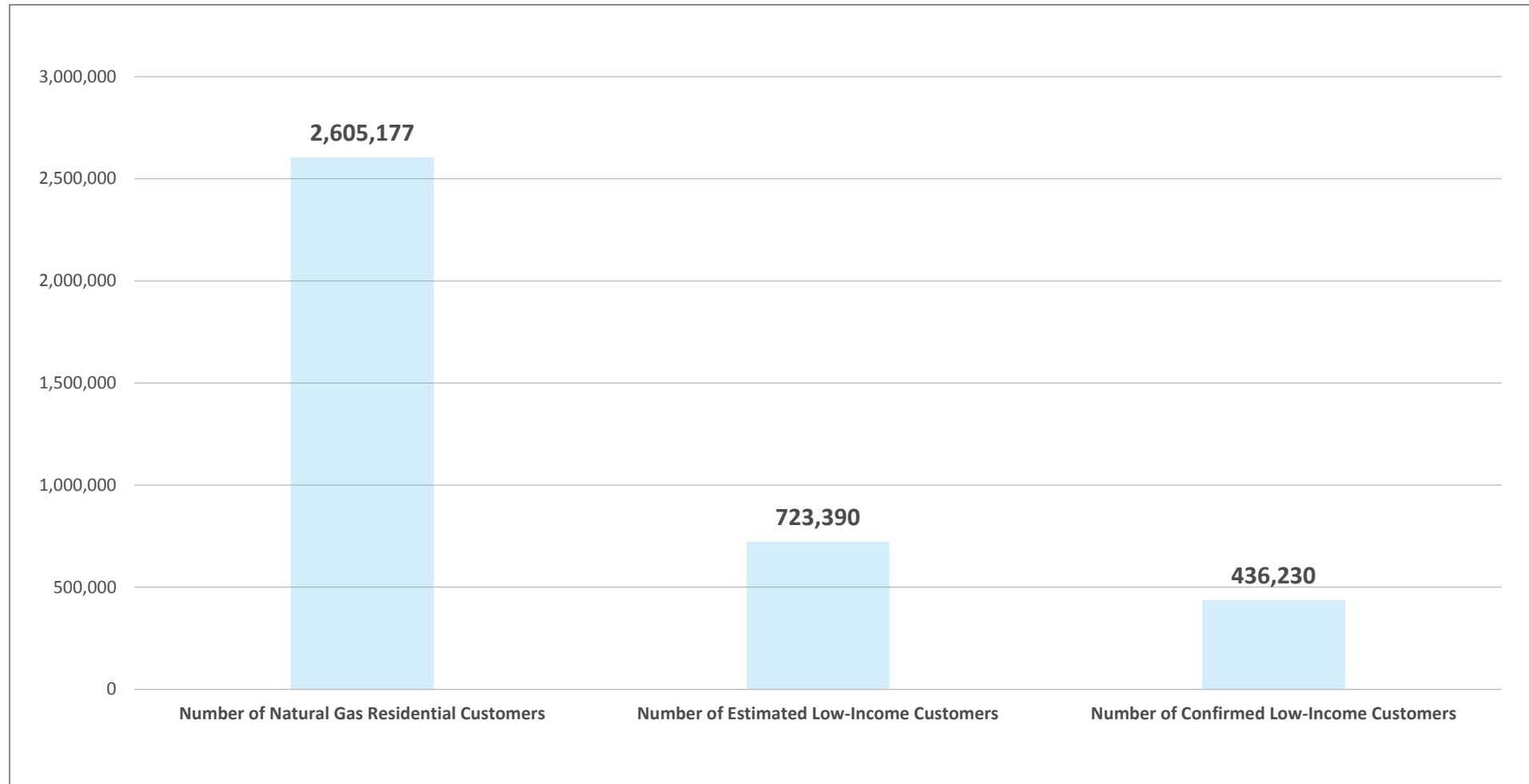
# The Size of the Challenge for an Electric Utility

## Low-Income Electric Customers in Pennsylvania



# The Size of the Challenge for an Natural Gas Utility

## Low-Income Natural Gas Customers in Pennsylvania



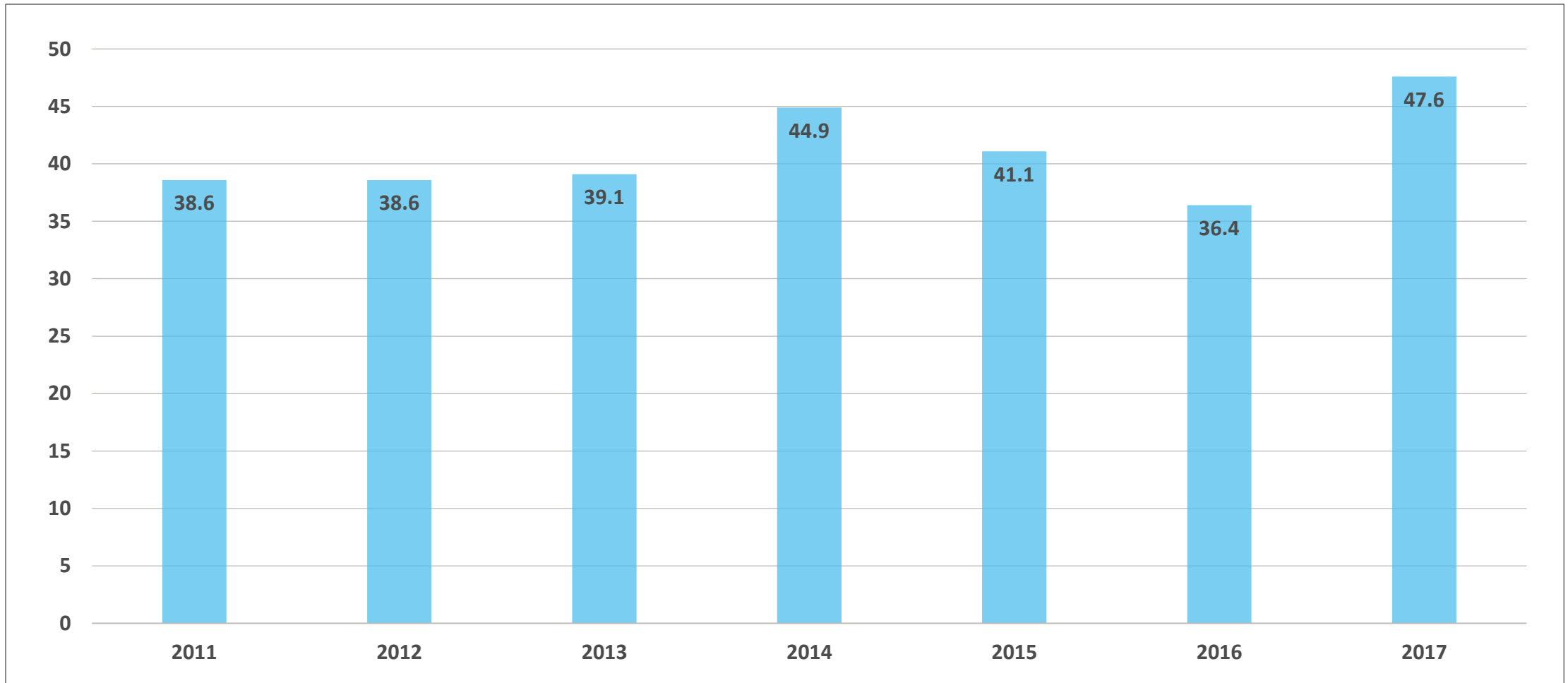
# The Home Energy Affordability Gap

| Component                             | Defining Characteristics  |
|---------------------------------------|---|
| Actual Home Energy Bills              | Energy use intensities, tenure of household, housing unit size, household size, heating fuel mix, heating and cooling degree days |
| Less: Affordable Home Energy Bills    | The “affordability burden” for home energy bills is established at 6% of gross household income                                   |
| Equals: Home Energy Affordability Gap | The “excess” energy burden facing households  |



# The Changing Affordability Gap Over Time

Home Energy Affordability Gap (in \$ billions)

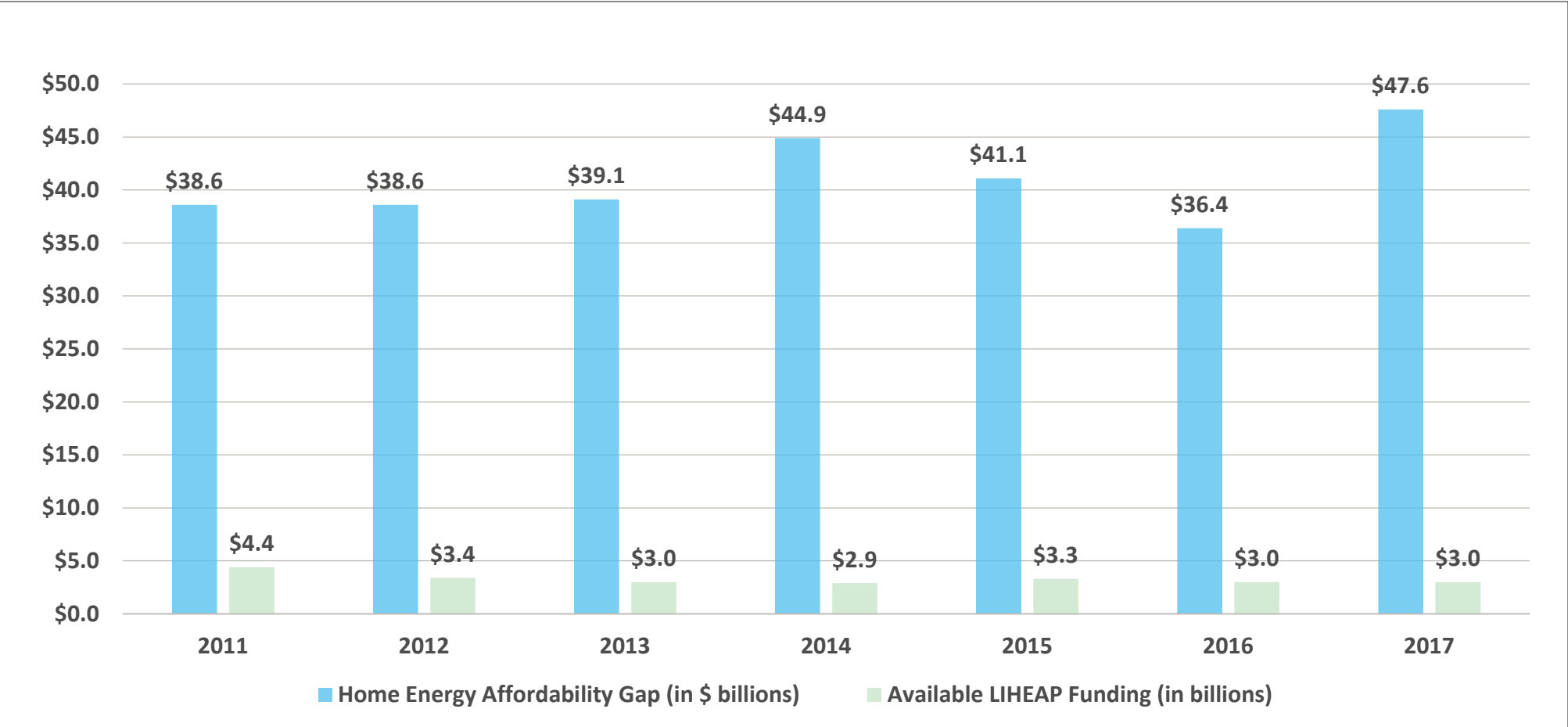


Source: Fisher, Sheehan & Colton



# But Federal Funding Only Goes So Far

## Home Energy Affordability Gap and LIHEAP Funding





# And the Net Energy Burden is Growing

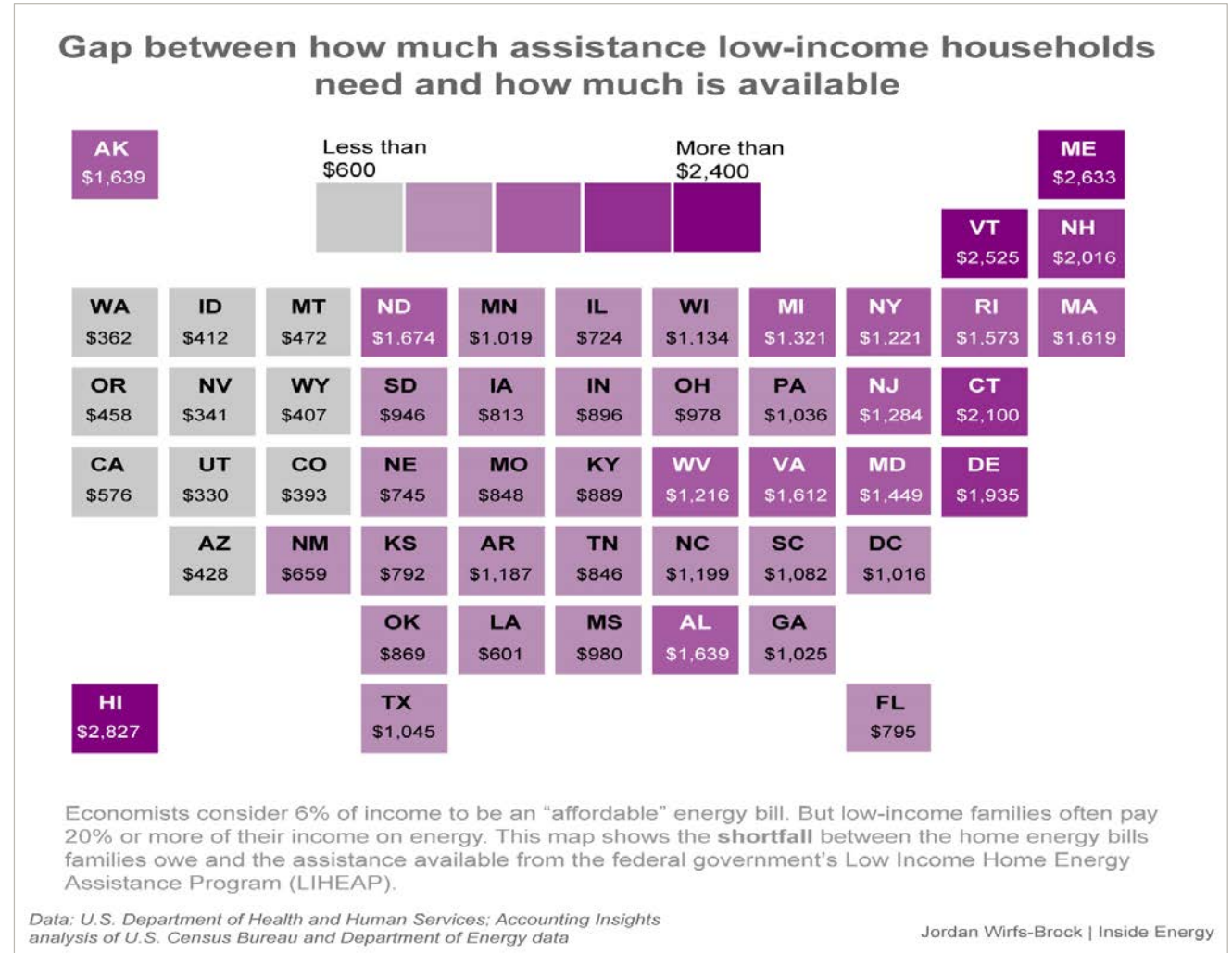
| Year | Available LIHEAP Funding<br>(in billions) | Number of Households<br>( $< 150\%$ FPL) | Number of Energy Bills<br>Covered by LIHEAP | Percent<br>Covered |
|------|---|--|---|--------------------|
| 2011 | \$4.4                                     | 26,118,607                               | 4,934,612                                   | 18.9%              |
| 2012 | \$3.4                                     | 26,989,071                               | 3,813,034                                   | 14.1%              |
| 2013 | \$3.0                                     | 27,999,931                               | 3,477,881                                   | 12.4%              |
| 2014 | \$2.9                                     | 28,780,463                               | 2,985,747                                   | 10.4%              |
| 2015 | \$3.3                                     | 29,264,032                               | 3,803,982                                   | 13.0%              |
| 2016 | \$3.0                                     | 29,189,463                               | 3,814,393                                   | 13.1%              |
| 2017 | \$3.0                                     | 28,761,009                               | 3,224,511                                   | 11.2%              |

Source: Fisher, Sheehan & Colton



# Furthermore, Averages Can Be Misleading...

- The “shortfall” between energy bills and LIHEAP funding varies greatly by state.
- Low income families can pay upwards of 20% or more of their annual income on energy



# Annual Electric Burden - Pennsylvania



| Company                       | Annual Average Income for CAP Participants | Estimated Annual Residential Electric Bill | Estimated Energy Burden for CAP Participants |
|-------------------------------|--|--|--|
| Duquesne Light                | \$12,380                                   | \$1,272                                    | 10.3%  |
| Metropolitan Edison           | \$14,832                                   | \$1,464                                    | 9.9%   |
| PECO – Electric               | \$13,332                                   | \$2,000                                    | 15.0%  |
| Pennsylvania Electric         | \$13,945                                   | \$1,368                                    | 9.8%   |
| Penn Power                    | \$13,818                                   | \$1,872                                    | 13.5%  |
| Pennsylvania Power & Light    | \$17,241                                   | \$1,999                                    | 11.6%  |
| West Penn Power               | \$14,538                                   | \$1,392                                    | 9.6%   |
| <b>Total/Industry Average</b> | <b>\$14,298</b>                            | <b>\$1,624</b>                             | <b>11.4%</b>                                 |



# Annual Natural Gas Burden - Pennsylvania

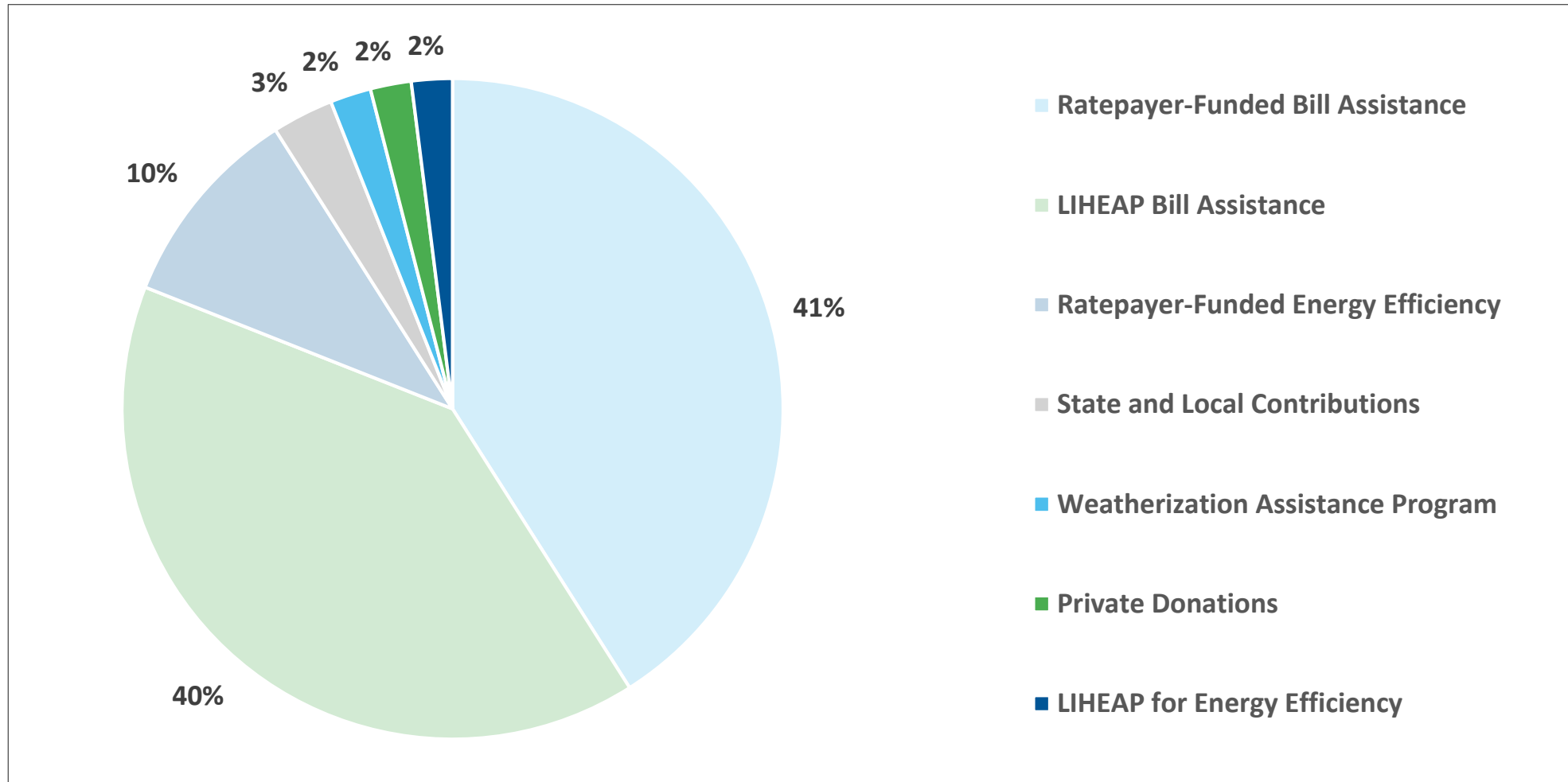


| Company                       | Annual Average Income for CAP Participants | Estimated Annual Residential Gas Bill | Estimated Energy Burden for CAP Participants |
|-------------------------------|--|---------------------------------------|--|
| Columbia Gas of Pa.           | \$14,418                                   | \$2,011                               | 13.9%  |
| National Fuel Gas             | \$15,089                                   | \$1,748                               | 11.6%  |
| PECO - Gas                    | \$15,017                                   | \$1,844                               | 12.3%  |
| Peoples Natural Gas           | \$14,929                                   | \$1,839                               | 12.3%  |
| Peoples – Equitable Gas       | \$12,790                                   | \$1,801                               | 14.1%  |
| Philadelphia Gas Works        | \$9,828                                    | \$2,080                               | 21.2%  |
| UGI – Gas                     | \$13,779                                   | \$1,770                               | 12.8%  |
| <b>Total/Industry Average</b> | <b>\$13,674</b>                            | <b>\$1,886</b>                        | <b>13.8%</b>                                 |



# So Where Does the Required Funding Come From?

Energy Assistance Funding by Source



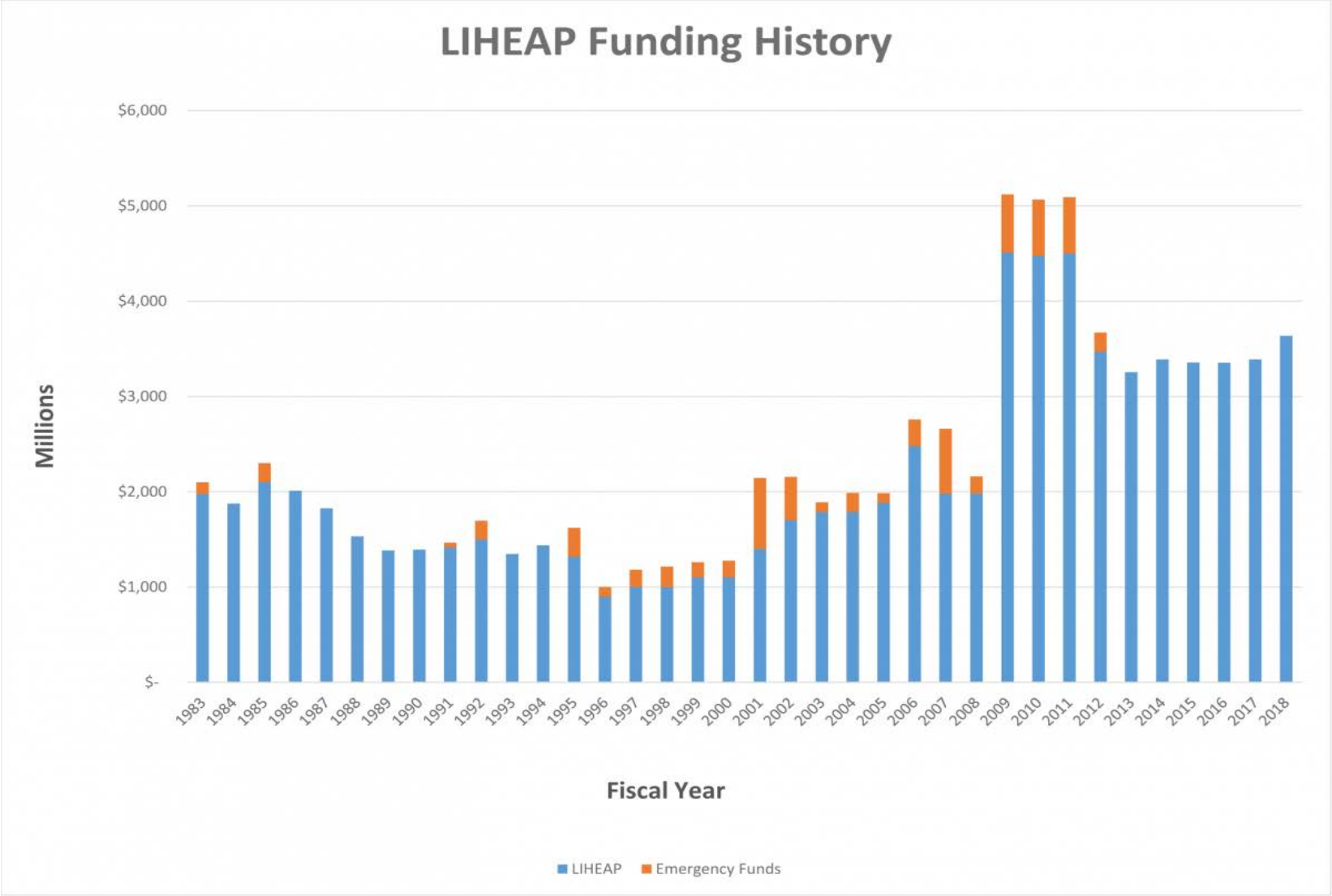
# Federal Funding Sources

## Low Income Home Energy Assistance Program (LIHEAP)



- In existence since 1980.
- Funding is distributed to each state through the U.S. Department of Health and Human Services – then each state administers the funds as it sees fit.
- Applicants must have an income less than 150% of federal poverty level or 60% of state median poverty level to be eligible.
- Payments are usually made directly to local utility companies or vendors.
- Only one out of five LIHEAP-eligible households actually receive energy assistance.

# LIHEAP Funding Levels Have Varied Over Time





# Other Federally-Funded Sources

- **HUD Support** – subsidizes utility costs for low-income public housing
- **Temporary Assistance to Needy Families (TANF)**
  - States can use TANF block grants to help recipients pay utility bills
- **Community Services Block Grant (CSBG)**
  - For emergency assistance – fuel and utility payments







## Ratepayer-Funded Sources

- Mandate for regulated utilities to impose a surcharge on their customers to fund ratepayer programs that provide discounts on low-income utility bills.
- Over 300 state-mandated and voluntary fuel funds in at least 47 states
  - Collected funds either go to the state to augment LIHEAP or the utility administers the utility bill subsidies directly.
  - Often characterized by utilities as either *Universal Service Programs* or *Customer Assistance Programs*.

# A Utility's Universal Service Program

**Universal Service** is a collective name applied to the regulatory policies, protections and services that help low-income customers maintain utility service.

- Payment assistance programs
- Termination of service protections
- Energy efficiency and conservation programs
- Consumer education



# Example of a Universal Service Program

- **Lower Fixed Monthly Payment**

- Income level determines the percent of bill paid by utility.
- The difference between the customer's electric bill and the *OnTrack* credit is the amount the customer pays each month.
- The maximum *OnTrack* credit ranges between \$1,300 and \$4,000.

- **Debt Forgiveness**

- For any overdue balance, PPL will also forgive a portion of it over 18 months.

- **Help Controlling Energy Use**

- WRAP Program – free home energy services (for homeowners and renters).

- **Referral to other Funding Programs**





# State Funding Sources

- **Percent-of-Income Payment Programs (PIPPs)**
  - 8 states have PIPPs – low-income customers agree to pay a set percentage of their incomes towards their utility bills in exchange for discounts on bills – typically 6% based on the adopted *energy affordability burden*.
- **Other general funds to supplement LIHEAP**
  - Most states cannot do this on a regular basis – the amounts tend to fluctuate based on prevailing energy prices and LIHEAP funding levels.



# Energy Efficiency Funding

- **Weatherization Assistance Program (WAP)**
  - DOE administered formula grant funds to improve EE for low-income households.
- **Utility-Funded Weatherization Assistance Programs**
  - Usually treated as an integral part of the utility's USP or CAP.



# Other Funding Sources

- **Private Donations**
  - A fuel fund is a program that raises private and/or corporate dollars to help low-income households meet their energy needs.
  - Most fuel funds involve a working relationship between one or more utilities and one or more social service or charitable organizations.
  - The utility partner is responsible for raising private donations for the fund through customer, shareholder, corporate or other contributions, and the social services partner administers the funds to provide energy assistance to low-income households.



# Fuel Fund of Maryland

- The Fuel Fund of Maryland provides assistance for one-third of the bill, the household pays one-third of the bill and the remaining one-third is covered by credits made available by Baltimore Gas & Electric customers.
  - Created in 1981.
  - The Fuel Fund of Maryland distributed about \$5.2 million through local agencies to 10,830 households in Fiscal 2016 (*about \$480 per household*).
  - There were approximately 17,000 donors in Fiscal 2016.



# Closing Thoughts

- **Utility energy assistance programs may provide the greatest opportunity in the future to reduce the Home *Energy Affordability Gap*.**
- **A successful utility CAP is characterized by:**
  - An ability to increase payment revenues available for funding;
  - Creation of increased access to valuable utility resources;
  - Greater assistance causing a decreased amount of delinquent customers; and
  - Development of an enhanced sense of community through greater stakeholder interactions.





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7 August 2018

## Russell A. Feingold

+1 724-935-3027

FeingoldRA@bv.com

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