

A LOW-INCOME ENERGY AFFORDABILITY PROGRAM FOR ONTARIO

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OVERALL "PHILOSOPHY" OF AFFORDABILITY PROGRAM

"We, in conjunction with utilities, and social service agencies, have all worked hard to devise ways to [e]nsure that low-income Pennsylvanians have utility services which really are necessities of life as the tragic fire deaths associated with the loss of utility service underlined.

..

"However, for the poorest households with income considerably below the poverty line, existing initiatives do not enable these customers to pay their bills in full and to keep their service. . .Consequently, to address realistically these customers' problems and to stop repeating a wasteful cycle of consecutive, unrealistic payment agreements that cannot be kept, despite the best of intentions, followed by service termination, then restoration, and then more unrealistic agreements, we believe that new approaches like PECO's CAP program and the OCA's proposed EAP program should be tried."

Pennsylvania Public Utility Commission

FOUR OBJECTIVES FOR TODAY

- Explain program components.
- Introduce estimate of total program costs.
- Introduce different approaches to cost recovery.
- Introduce program outcomes.

AFFORDABILITY PROGRAM: THREE COMPONENTS

- TOTAL bill must be affordable:
 - Establish affordable bill for current usage
 - Provide pre-program arrearage forgiveness
- Program administration

Energy efficiency is not excluded. It is separately funded.

TOTAL PROGRAM COST: SUMMARY

- Base Year
 - Total: \$64,136,921
 - Current usage credits (the "shortfall"): 83%
 - Arrearage credits: 5%
 - Administration: 12%
- Factors that affect:
 - Number of participants
 - Affordable burden
 - Price of Electricity

PROGRAM COST: CURRENT BILL CREDITS

- Cost estimation methodology:
 - Standard residential bill – affordable bill = “shortfall”
 - “Shortfall” x number of participants = program costs
- Cost offsets: 25%

COST ESTIMATES: CURRENT USAGE PARAMETERS

- Program eligibility:
 - Electric only
 - Eligibility limit: 100% of LICO
 - Benefits only to people who pay own electric bill (76%)
- Affordable burden:
 - Total home energy: 6% of income (has an empirical basis)
 - 4% for electric non-heating
 - 6% for electric heating
- Program participation: 40% (but no hard limit).
 - Some people choose not to participate.
 - Some have bills that are already affordable.
 - Some people are never reached with communication / outreach.

PROGRAM COST: ARREARAGE CREDITS

- Cost estimation methodology:
 - $(\text{Pre-program Arrears} - \text{Affordable Copayment}) / 3 \text{ years} = \text{Arrearage credit}$
 - $\text{"Arrearage credit"} \times \text{Number of participants with arrears} > \text{affordable copayment} = \text{program costs}$

PROGRAM COSTS: ARREARAGE CREDITS

- Program parameters:
 - Pre-program arrears subject to forgiveness (not in-program arrears)
 - When payments (including copayments) are made, one month of arrears forgiven
 - Arrears forgiven over 3 year period
- Copayment affordability parameters:
 - Copayment: electric baseload: 1% of annual income
 - Copayment: electric heating: 2% of annual income

COST RECOVERY: PER KWH VS. PER METERS

Per kWh: Total program cost / total customer consumption = cost per kWh

Base Year: \$64,136,921

- Cost per kWh: \$0.00055
- Residential average cost (7,200 kWh): \$3.93/year *** \$0.33/month
- Total revenue: \$64,606,823

Per Meter: Total program cost / total number of customers = cost per meter

Base Year: \$64,136,921

- Cost per meter:
 - Residential: \$0.50/month
 - General service (small): \$2.00/month
 - General service (large): \$45.00/month
- Total revenue: \$67,146,462

PROGRAM OUTCOMES

- Customer impacts:
 - Improved health outcomes
 - Improved housing stability
 - Decreased forced trade-off (e.g., nutrition)
- Utility outcomes:
 - Improved cash flow / collection of revenue
 - Decreased costs (collection, bad debt, working capital)
 - Improved collections efficiency / effectiveness
- Community outcomes:
 - Improved competitiveness
 - Improved worker productivity

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