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Ohio's Low-Income Programs

Tamara S. Turkenton
Public Utilities Commission of Ohio
Chief of Accounting and Electricity Division, Utilities Department
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**Public Utilities
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History of Electric Restructuring in Ohio

Senate Bill 3

A 1999 law effective January 2001 restructured Ohio's electric industry allowed customers to shop for electricity provided a five-year market development period

Turn of the Century System

- Unbundling of vertically integrated system
- Customers served by generator of choice
- Transmission and distribution remain regulated
- For generation, the rate of return system of regulation replaced by competition

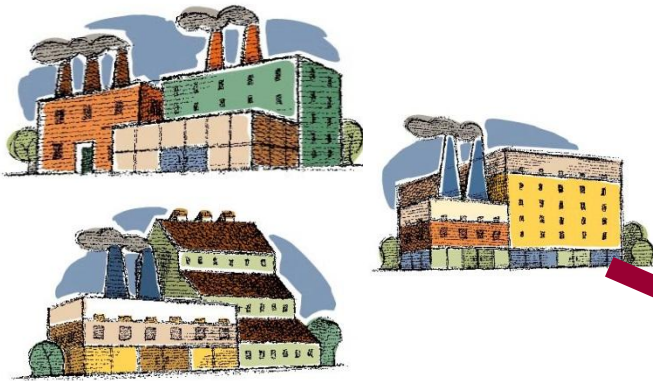
Issues Under Restructuring

- **Unbundling**
- **Market Power**
- **Transitional Issues**
- **Independent System Operation**
- **Social Issues**
- **Environmental Issues**
- **Taxes**

FERC Order 888 (1996) and Order 2000 (1999)

- Determined the public interest would be best served by a competitive wholesale market
- Provided for non-discriminatory and open-access on the transmission system
- Required transmission owners to join an Independent System Operator

Unbundling



Generation (“or supply”) Shop for this



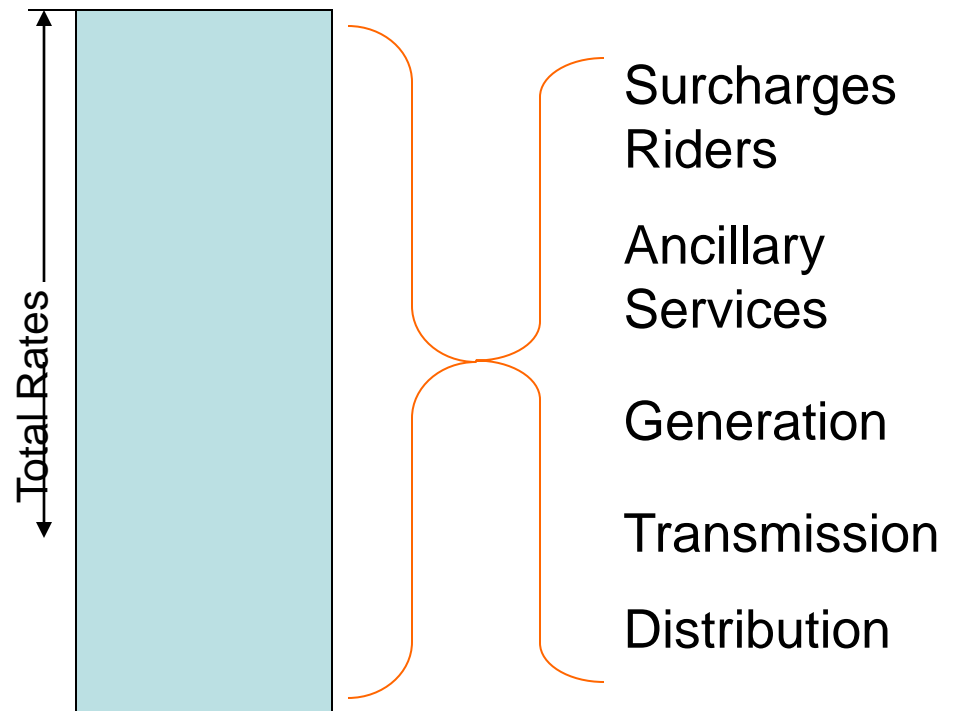
Transmission
Remains regulated
by FERC

Distribution
Remains regulated
by PUCO and
provided by your
local utility.

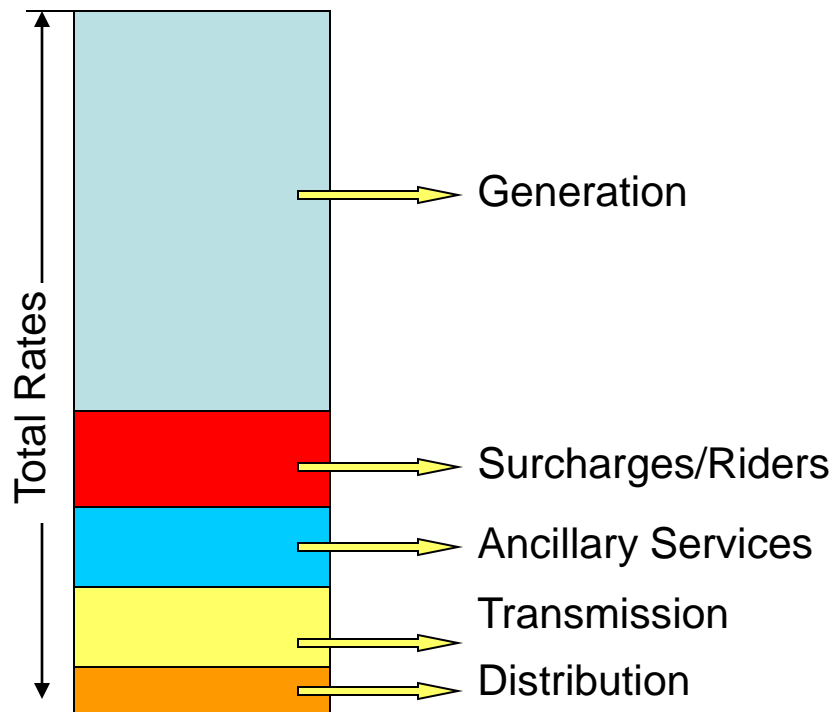


“Bundled” Rates

- Rates were previously a “bundle” of costs for different services.
 - Generation
 - Transmission
 - Distribution
 - Ancillary Services
 - Specific Surcharges/Rider



“Unbundled” Rates



Electric Restructuring would “unbundle” the rates so the generation component could be shopped for, and priced at “market.” The bill anticipated that market rates would be lower than regulated rates.

Transitional Issues

Temporary issues pertaining only to the period of transition from a regulated to a competitive industry.

- ***Timing***
 - How soon full competition can begin
- ***Stranded Costs***
 - Production
 - Regulatory

Social Issues

- Universal Service
- Provider of Last Resort
- Low Income Programs
- Consumer Education
- Metering & Billing
- Unfair & Deceptive Practices
 - Price Disclosure
 - Slamming
 - Cramming

Suppliers must be certified for consumer protection

PUCO certifies all electric suppliers

Suppliers are reviewed for:

- Technical capabilities
- Financial capabilities
- Managerial capabilities

Ensures these companies are qualified to do business in Ohio

What happened during the Market Development Period?

- Initial results early during the period showed significant “switching” in some service territories primarily due to high costs in the northern part of Ohio.
- Governmental aggregation was the success story in Ohio.
- The moderate-to-low priced utilities experienced little, if any, customer switching.
- The success of government aggregation aside, it was apparent that a fully competitive market had not developed as quickly as envisioned by lawmakers in Senate Bill 3.

PLUS...

Many other things happened during the 5-year Market Development Period

- The California crisis and Enron scandals
- Extreme volatility and upward movement of market prices (due to rising gas prices, rising coal prices, and construction facilities not matching the projected increases in demand)
- And the slower than expected development of Independent System Operators for the transmission systems

Ohio Electric Choice - Rate Stabilization Plans

- As the end of the market development period neared, there were a limited number of competitive electric suppliers and low degree of market activity. Therefore, there was concern that an immediate shift to market-based rates in 2006 would not be in the best interest of customers .
- To avoid rate “sticker shock” and gradually transition customers to market-based rates, the PUCO worked with Ohio’s electric utilities and stakeholders to develop Rate Stabilization Plans (RSPs).
- Most Rate Stabilization Plans lasted through 2008.

Energy, Jobs and Progress Plan

September 2007

- The plan was a comprehensive, long-term approach to the challenges of supplying reliable and affordable power.
- It also had to address the approaching expiration of the Rate Stabilization Plans.
- Attract energy jobs of the future through an Ohio advanced energy portfolio standard.
- Ensure affordable and stable energy prices to protect Ohio consumers and existing Ohio jobs.

Middle-Ground Approach to Electricity Regulation

- Evidence demonstrated few competitive options existed at the retail level.
- Did not close the door on market pricing, but required a demonstration that competition is effective.
- Action was necessary to secure Ohio's energy future.
- PUCO can set rates and allow utilities to recoup the cost for new generation and modernization of the electric system.

S.B. 221 Policy Principles

- Availability of adequate, reliable, safe, efficient, nondiscriminatory and reasonably priced retail electric service
 - Diversity of electricity supplies and suppliers
 - Encourage innovation and market access for cost-effective supply- and demand-side retail electric service
 - Transmission and distribution availability
 - Recognize continuing emergence of competitive electricity market through development and implementation of flexible regulatory treatment
 - Provide coherent, transparent means of giving appropriate incentives to technologies that can adapt successfully to potential environmental mandates

Reasonable Arrangements

Section 4905.31

To facilitate the state's effectiveness in the global economy, promote job growth and retention in the state, ensure the availability of reasonably priced electric service, promote energy efficiency and provide a means of giving appropriate incentives to technologies that can adapt successfully to environmental mandates.

Filed by:

- company, OR
- mercantile customer

Provides Flexibility

Cost recovery for:

- economic development/job retention
- revenue foregone from peak demand reduction/energy efficiency programs
- advanced metering/meter replacement

Infrastructure Investment

- Independent power producer can build
- ORC Section 4928.143 -- Allows distribution utility to get rate recovery for building/owning generation dedicated to Ohio consumers

Agenda

- Background
 - Standard Service, Disconnection, Riders
- Programs for Low-Income Customers
- Statistics for Low-Income Program
 - Percentage of Income Payment Plan Plus (PIPP Plus)
- Riders for PIPP Arrearages
 - Example of Rider

Standard Service

- Establish service
 - Credit check and deposit required-Process established in Ohio Administrative (OAC) Rules
 - See OAC 4901:1-17
- Payment plans
 - Available for all customers having problems paying bills
- Customer disconnection and reconnection
 - See OAC 4901:1-18
- Unpaid balances collected by Utility
 - Paid for by all rate payers
 - Collected in “uncollectible” rider or rate base

Payment Plans

- Payment plans help customers make affordable payments and maintain service (OAC 4901:1-18-05)
 - One-Third Plan (Winter Heating Season Plan)
 - Offered November 1 to April 15
 - Customer pays 1/3 of total account balance each month
 - One-Sixth Plan
 - Customer pays six equal monthly payments on past due amount plus monthly budget payment
 - One-Ninth Plan
 - Customer pays nine equal monthly payments on past due amount plus monthly budget payment

Disconnection

- If the customer does not pay the bill by the due date, the company will send a 14-day notice before disconnecting service (OAC 4901:1-18-06)
- To prevent disconnection, the customer must pay the amount owed by the disconnection date listed on the notice
- Medical certification available for households with health concerns, to retain or restore service

Disconnection

- The utility can disconnect service for nonpayment year-round, including during the winter months.
- From Nov. 1 through April 15, the utility must give the customer an additional 10-day notice before disconnecting service.

Riders

- Riders are a separate collection mechanism as a result of Senate Bill 221
 - Above and beyond the normal rate-making process
 - Recover specific costs
 - Uncollectibles, Vegetation Management, Storm Recovery, Low Income Programs
- Riders related to low-income programs are separate from “uncollectibles”
- Gas and Electric low-income riders are handled in different ways due to various legislative initiatives

Riders

- Gas Utility – PIPP Rider
 - Designated as a “Percentage of Income Payment Rider”
 - Administered by the Utility
 - Annual PIPP status report filed at PUCO
 - Adjustment filed when increase/decrease of 10% justified
- Electric Utility – USF (PIPP) Rider
 - Designated as “Universal Service Fund Rider”
 - Administered by Ohio Development Services Agency
 - Annual true-up filed at ODSA
 - PUCO approves filings

Low-Income Programs

- Goals and Overview
- Federal Poverty Guidelines
- HEAP
- Other Programs
- PIPP Plus

Low-Income Programs

- Program Goals
 - Contain escalating costs of the low-income energy program
 - Create more affordable payments for participants
 - Improve payment patterns and encourage responsible behavior
 - Interrupt the seasonal cycle of disconnection
 - Improve credit records and break the cycle of poverty by rewarding good payment history with arrearage crediting
 - Improve data collection and company reporting techniques

Federal Poverty Guidelines: 200%

- Income eligibility often based on federal poverty guidelines.

Size of Household	2013 Poverty Guidelines	200% Yearly Income Limit	UAH *
1	\$11,490	\$22,980	UAH 186,145
2	\$15,510	\$31,020	UAH 251,271
3	\$19,530	\$39,060	UAH 316,398
4	\$23,550	\$47,100	UAH 381,524
5	\$27,570	\$55,140	UAH 446,651
6	\$31,590	\$63,180	UAH 511,777

* \$1 US = UAH 8.1003

Federal Poverty Guidelines: 150%

- Income eligibility often based on federal poverty guidelines.

Size of Household	2013 Poverty Guidelines	150% Yearly Income Limit	UAH *
1	\$11,490	\$17,235	UAH 139,609
2	\$15,510	\$23,265	UAH 188,453
3	\$19,530	\$29,295	UAH 237,298
4	\$23,550	\$35,325	UAH 286,143
5	\$27,570	\$41,355	UAH 334,988
6	\$31,590	\$47,385	UAH 383,833

* \$1 US = UAH 8.1003

Types of Low-Income Programs

- Home Energy Assistance Program (HEAP)
 - One-time bill payment assistance
 - Winter/Summer Crisis bill payment assistance
 - Weatherization assistance
- Other Assistance Programs
 - Winter Reconnection, Heat Share, Military Assistance
- Percentage of Income Payment Plan Plus (PIPP Plus)
 - Payment plan for high energy bills
 - Graduated payment plans

Home Energy Assistance Program (HEAP)

- Funded by the Federal Government to each State through annual grants
- Administered by State Agency (Ohio Development Services Agency, with PUCO coordination)
- Funding Agency is the U.S. Department of Health and Human Services

Home Energy Assistance Program (HEAP)

- Purpose is to help low-income customers with one-time payment of heating bills and energy efficiency (both gas and electric)
- Amount of payment reflects usage for winter season
- Income eligible 200% of federal poverty guidelines

Home Energy Assistance Program (HEAP)

- Winter Crisis
 - One-time bill payment assistance for low-income customers in disconnect status
 - \$175 (UAH 1,418) to help reconnect or prevent imminent disconnection
- Summer Crisis
 - Funded with leftover monies from Winter Crisis program
 - \$175 (UAH 1,418) one-time payment for electric bill, air conditioning unit, or purchase of a fan
 - For elderly, those with medical conditions, disconnection notice

\$1 US = UAH 8.1003

Home Weatherization Assistance Program (HWAP)

- Energy efficiency program part of HEAP
- Goal is to reduce low-income households' energy use, creating more affordable housing for those in need
- Free home energy audit

Home Weatherization Assistance Program (HWAP)

- Services include:
 - Insulation for attic, wall and basement
 - Air leakage reduction
 - Heating system repairs/replacements
 - Health and safety testing and inspections

Home Weatherization Assistance Program (HWAP)

- Income eligibility
 - 200% of federal poverty guidelines
 - Enrolled in or eligible for PIPP
- No cost to participants
- Program results
 - 13% reduction in usage
 - 50% reduction in rate of disconnection

Other Assistance Programs

- Winter Reconnection (WRO)
 - Issued by the PUCO on an annual basis.
 - Allows residential customers who are disconnected or being threatened with disconnection the opportunity to pay a designated amount to have their service restored or maintained
 - May be used once during each heating season, which runs from mid-October through mid-April.
 - Customers pay no more than \$175 (UAH 1,418) to maintain service

\$1 US = UAH 8.1003

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Other Assistance Programs

- Winter Reconnection
 - If the customer's service has already been disconnected, the customer must pay the \$175 (UAH 1,418) and possibly a reconnection fee of no more than \$36 (UAH 292) to restore service.
 - There is no income eligibility requirement to use the Winter Reconnect Order (WRO)

\$1 US = UAH 8.1003

Other Assistance Programs

- HeatShare
 - Administered by a national non-profit charitable organization called the *Salvation Army* (private donations)
 - Helps qualifying households pay for their natural gas bills
 - Program runs from January to May, or until funds are depleted
 - Each regulated utility has different criteria
 - One-time assistance ranging from \$250 to \$500 (UAH 2,2025 – 4,050)
 - Income eligibility based on 150% federal poverty guidelines
 - Some pay for security deposits, others not
 - Some require disconnection notice

\$1 US = UAH 8.1003

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Other Assistance Programs

- Military Assistance (*Patriot Plan*)
 - Provides protections and benefits to military personnel and their families
 - For military reservist or National Guardsman deployed
 - Not for career active-duty military personnel
 - Utilities cannot disconnect residential service of those deployed on active duty for nonpayment
 - Utilities must offer customer time to pay arrearages equal to time of deployment
 - Utility cannot charge late payment fees or interest during deployment for qualifying customers
 - Additional time for payment may be requested

Percentage of Income Payment Plan Plus (PIPP Plus)

- Enacted in 1980's with updates in 1996 and 2010
- Program mandated for customers through restructuring legislation
- Companies recover short-fall through riders on all customer accounts
- Rider is charged per-kWh or per-MCF

PIPP Plus

- Incentives for customers who make payments on-time and in-full
- Customers receive a credit towards the current bill and previous arrearages
- Income eligibility 150% of federal poverty guidelines
- Customers must apply for all public energy assistance and weatherization programs available

PIPP Plus

- Gas and electric customers required to pay \$10 (UAH 81) or 6% of gross monthly household income, whichever is greater
- All-electric customer pay \$10 (UAH 81) or 10% of gross monthly household income, whichever is greater
- Payments made on-time and in-full result in arrearage crediting
- Programs are year-round

\$1 US = UAH 8.1003

PIPP Plus

- Two types of arrearage credit:
 - The balance of that month's current bill is credited
 - 1/24 credit toward past bill arrearage
- On-time and in-full PIPP Plus payments will enable customers to prevent arrearages from increasing and will pay down outstanding arrearages in 24 months
- All customers must re-verify income annually

PIPP Plus

- PIPP Plus payment amount is a percentage of customer income, called installment amount
- Installment amount is determined by Ohio Development Services Agency (ODSA) through HEAP income verification
- Electric program – administered by ODSA
- Gas program – administered by gas utility companies

PIPP Plus

- Customer enrollment
 - Local “Community Action Agency”
 - Local public assistance organizations, usually non-profit entities that use public funds to assist low-income families
 - Or an application can be mailed from the utility company
- Joint application form
 - Customers sign up for PIPP Plus and HEAP with one application form

PIPP Plus

- Customers must reverify annually. Usually administered by HEAP when a customer applies for HEAP benefits
- Gas PIPP Plus accounts must be current (on PIPP Plus installments) to remain on the program the next year
- Electric PIPP Plus customers who miss two consecutive PIPP Plus installments can be removed from the program

Graduate PIPP Plus

- Current PIPP Plus income-ineligible customers are placed on *Graduate PIPP Plus*
- 12-month transition plan to full payment of the monthly utility bill
- Customers pay an average of the most recent PIPP Plus amount and the budget billing amount
- On-time and in-full payments allow customers to receive current bill credits and 1/12 credit to any arrearage

PIPP Plus

- Key Points Summarized
 - Payment is based on customer's household income, not usage
 - Eligibility is determined by existing federal program (HEAP), no income determination needed to be done by the utility
 - Customers must make payments to remain on the program
 - Customers are responsible for arrears
 - Opportunity for arrearage forgiveness for on-time and in-full payments
- PIPP Plus customers can not participate in customer choice programs

Original PIPP, from 1983 to 2010

- Low-income families paid minimum amounts of their gas and electric bills to avoid disconnection
- Unpaid balances accumulated; consumers remained responsible for eventual pay-off
- The longer people participated, the higher their indebtedness became
- Summer electric services weren't discounted; many customers disconnected for failure to pay

PIPP Plus, since November 2010

- Participants pay fixed amounts
- Rewards for on-time, full payments
- Enrollment has increased
- On time payments have increased
- Disconnections have decreased

PIPP Plus Statistics

PIPP Plus Statistics*

PIPP Plus Participation

	Total Residential <u>Customer Accounts</u>	Total PIPP <u>Accounts</u>
Gas Accounts:	3,172,953	215,833
Electric Accounts:	<u>4,211,712</u>	<u>351,923</u>
Total:	7,384,665	567,756

Percentage of Customers on PIPP

Gas: 7%
Electric: 8%

*As of March 2013

PIPP Plus Statistics*

Average Monthly kWh Usage

- Non-PIPP Customers: 940.13
- PIPP Customers: 1,225.16

Average Monthly MCF Usage

- Non-PIPP Customers: 14.32
- PIPP Customers: 16.84

*As of March 2013



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PIPP Plus Statistics*

Electric	<u>\$ US</u>	<u>UAH*</u>
Total PIPP Billings	\$46,775,887	378,898,718
Total PIPP Payments Received	<u>\$19,436,152</u>	<u>157,438,662</u>
Total PIPP Unrecovered Amount	\$27,339,735	221,460,056

*As of March 2013
** \$1 US = UAH 8.1003

PIPP Plus Statistics*

Gas	<u>\$ US</u>	<u>UAH*</u>
Total PIPP Billings	\$25,172,002	195,800,468
Total PIPP Payments Received	<u>\$12,178,942</u>	<u>98,653,084</u>
Total PIPP Unrecovered Amounts	\$12,993,061	105,247,692

*As of March 2013
** \$1 US = UAH 8.1003

PIPP Plus Statistics*

- By the end of the first year of the program, 75 percent of the electric and 67 percent of the natural gas PIPP Plus customers were making installment payments each month. The percentage of customers making consistent monthly payments has continued to increase in the second year of PIPP Plus
- In 2012, an average of 79 percent of electric PIPP Plus customers and 68 percent of the natural gas PIPP Plus customers paid their monthly installments”

PIPP Plus Statistics

Enrollment Statistics

	<u>Gas</u>	<u>Electric</u>
2008	210,338	220,880
2009	225,764	246,204
2010	200,292	269,106
2011	227,614	332,322
2012	220,310	339,938

Percent increase	4.7%	54%
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PIPP Plus Riders

Universal Service Rider Rates (Per tariffs on PUCO website
6/3/13- CEI example tariff provided later)

CEI	\$0.0016007	First 833,000 kwh
	\$0.0005680	Over 833,000 kwh
CSP	\$0.0046813	First 833,000 kwh
	\$0.0001830	Over 833,000 kwh
DP&L	\$0.0048579	First 833,000 kwh
	\$0.0005700	Over 833,000 kwh

PIPP Plus Riders

Universal Service Rider Rates (Per tariffs on PUCO website 6/3/13)

Duke	\$0.0007860	First 833,000 kwh
	\$0.0004690	Over 833,000 kwh
OE	\$0.0026872	First 833,000 kwh
	\$0.0010461	Over 833,000 kwh
OP	\$0.0056727	First 833,000 kwh
	\$0.0001681	Over 833,000 kwh

PIPP Plus Riders

- Rate Components:
 - + Cost of commodity + Known rate increases for coming year
 - + Administrative Expenses
 - + Projected account balance
 - + Undercollection estimate
 - = **Costs to be Recovered in Rider**

PIPP Plus Riders

- Rate Calculation Example

<i>All Electric Utilities</i>		<u>UAH*</u>
Cost (plus rate increases)	\$312,034,978	2,527,576,932
Administrative Expenses	54,676,994	442,900,055
Account Balance	(35,050,883)	(283,922,668)
<u>Undercollection</u>	<u>5,057,831</u>	<u>40,959,948</u>
= Total Rider Costs	\$336,718,920	2,727,524,268

* \$1 US = UAH 8.1003

PIPP Plus Riders

- Rate Calculation Example

<i>Cleveland Electric Illuminating Company (CEI)</i>		<u>UAH*</u>
Cost (plus rate increases)	\$35,071,747	284,091,672
Administrative Expenses	3,877,260	31,406,969
Account Balance	(13,230,917)	107,174,397)
<u>Undercollection</u>	<u>259,778</u>	<u>2,104,280</u>
= Total Rider Costs for CEI	\$25,977,825	210,428,176

* \$1 US = UAH 8.1003

PIPP Plus Riders

- Example calculation continued:

Total Costs for CEI	\$25,977,825	(UAH 210,428,176)
<u>Divided by kWh Sales</u>	<u>18,909,962,474</u>	
= Indicated Cost/kWh	\$0.0013738	(UAH 0.0111281)

\$1 US = UAH 8.1003

PIPP Plus Riders

- Example calculation continued:
 - By negotiated legal agreement among the parties to the rider, very large electricity users (above 833,000 kWh per month) are charged a lower rate
 - As a result, a declining block rate tariff calculation is performed where the usage above the 833,000 kWh per month is identified, assigned the lower rate, and removed from the revenue requirement calculation
 - The remaining revenue requirement is then divided by the remaining kWh sales to arrive at the first price block which is charged to all sales under 833,000 kWh per month.
 - The result is the tariff rider for CEI which is shown in the following slide:

PIPP Plus Riders

- Tariff Language Example for CEI:
 - A ... charge of 0.16007 cents per kWh for the first 833,000 kWh and 0.05680 cents per kWh for the kWh above 833,000 kWh shall be added to the energy charge of all applicable rate schedules for the exclusive purposes of providing funding for the low-income customer assistance programs ... under Section 4928.56 of the Ohio Revised Code...