Exhibit No. 207

OPC – Exhibit 207
Geoff Marke
Rebuttal Testimony
File No. GR-2021-0108

Exhibit No.: ________________
Issue(s): Subsidized Natural Gas Expansion/ Multi-Family Pilot/Energy Efficiency/ Rate Design/Low Income Programs
Witness/Type of Exhibit: Marke/Rebuttal
Sponsoring Party: Public Counsel
Case No.: GR-2021-0108

REBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

SPIRE MISSOURI, INC.

CASE NO. GR-2021-0108

June 17, 2021

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Spire Missouri Inc.'s	)	
d/b/a Spire Request for Authority to	)	
Implement a General Rate Increase for	)	Case No. GR-2021-0108
Natural Gas Service Provided in the	)	
Company's Missouri Service Areas	)	

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Geoff Marke
Chief Economist

Subscribed and sworn to me this 17th day of June 2021.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121

Tiffany Hildebrand
Notary Public

My commission expires August 8, 2023.

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REBUTTAL TESTIMONY

OF

GEOFF MARKE

SPIRE MISSOURI, INC.

CASE NO. GR-2021-0108

I. INTRODUCTION

Q. Please state your name, title, and business address.

A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel), P.O. Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same Dr. Marke that filed direct testimony revenue requirement in GR-2021-0108?

A. I am.

Q. What is the purpose of your rebuttal testimony?

I am responding to the direct testimony of other parties' witnesses on select topics. The following is a list of those topics and the witnesses:

- Subsidized Natural Gas Expansion
  - Spire Inc. ("Spire") witnesses Scott A. Weitzel, Wesley E. Selinger and Michelle Antrainer
- Multi-Family
  - Spire witness Wesley E. Selinger
- Energy Efficiency
  - Spire witness Shaylyn Dean
- Rate Design
  - Spire witness Wesley E. Selinger
  - Consumer Council of Missouri ("CCM") witness Jacqueline A. Hutchinson
  - Missouri Public Service Commission Staff ("Staff") witnesses Sarah L.K. Lange and Robin Kliethermes.

- Low Income Programs
    - Spire witness Trisha E. Lavin
    - National Housing Trust ("NHT") witness Roger Colton
    - CCM witness Jacqueline A. Hutchinson
    - Legal Services of Eastern Missouri ("LSEM") witness Jennifer Heggemann

My silence regarding any issue should not be construed as an endorsement of, agreement with, or consent to any other party's filed position.

II. SUBSIDIZED NATURAL GAS EXPANSION

Q. Is a request for increased subsidized natural gas expansion a consistent theme throughout Spire's rate case?

A. Yes. Requests for risk allocated ratepayer-funded subsidies include:

- Technology (combined heat and power);
- Subsidized commercial expansion (Grow Missouri);
- Subsidized residential expansion (Multi-Family Construction and tariff line extension);
- Incentive compensation (premised, in part, on successful implementation of subsidized expansion); and even
- Increased energy efficiency incentives (especially to new construction)

These requests can all be seen as a means to a path dependent ends: that is, increasing customers, expanding service territory, and escalating rate base.

Q. Why is Spire proposing so many subsidized natural gas expansion programs?

A. Spire argues that increasing its customer base and distribution investment will ultimately result in cost savings for all customers (i.e., more customers to share the costs) and "economic development."

Q. Is that a bad thing?

A. As tempting as it may be for the Commission to support proposals that purport to lower customer bills and improve Missouri's economic development as the Company's cursory proposals claim, a healthy degree of skepticism is warranted in considering the totality of these asks. It also helps to consider who bears the risks and rewards inherent in these transactions. Additionally, it is important to note that calling something "economic development" does not make it so.

Q. Let's start with the rewards. Who benefits from Spire's proposal?

A. Clearly, it would be a good thing for the participants, Spire shareholders, and Spire management (especially if Spire's incentive compensation proposal is approved). Importantly, these rewards are also realized quickly and with no, or minimal, risk. The participant immediately benefits from the subsidy in the form of discounted service, shareholders benefit from increased revenue certainty and increased rate base, and management profits if their proposed incentive compensation is tied to the promotion of these subsidies being adopted.

Ideally, the proposed subsidies designed to increase natural gas consumption will result in benefits for non-participants *if* the various proposals culminate in increased revenues to offset the up-front subsidies; thus resulting in a downward pressure on rates that could effectively benefit all customers (including non-participants). This is what is known as "load building." Additionally, non-participants benefits are neither realized quickly nor guaranteed to materialize at all.

Q. How about the risks? Who bears the risks in these proposals?

A. Although not explicitly stated, Spire's implied recommendation is that captive ratepayers should bear all of the risks for these transactions and that management, investors, and subsidized participants refrain from being forced to have any "skin-in-the-game." [1]

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[1] Mathematical statistician and risk analyst Nassim Taleb would characterize Spire's position in this proposal as a "Robert Rubin Trade." That is a payoff in a skewed domain where the benefits are visible (and rewarded with compensation) and the detriment is rare (and/or unpunished owing to absence of skin in the game). Such a trade has been generalized to any outcome where the penalty is weak and the victims are abstract and distributed (say taxpayers or ratepayers). Taleb is highly critical of such an asymmetric outcome as the premise of his 2018 book *Skin in the Game: Hidden Asymmetries in Daily Life* and is quoted as follows:

> "If you have no skin in the game, you shouldn't be in the game."

Contrast this with how the free market is supposed to operate:

If a propane retailer wanted to expand its customer base it would need to have "skin-in-the-game" in the form of up-front capital (for advertising, storage and transportation) and real-world risk that its expansion may not materialize in actual financial gain due to demands of a competitive market. Both the risks and the rewards accompanying that expansion are borne by the propane retailer and its investors. Just like every other competitive business, the profit-and-loss incentives of the market guide capital investments and production onto the proper paths.

Not so for a natural monopoly who merely needs to gain Commission approval to shift risk onto nonparticipating ratepayers. Because of ratepayers' default captive status, they will absorb the cost increase through raised rates in this case by first deviating from the regulatory principles of cost-causation and second by unnecessarily increasing build-out of rate base (greater return on profit). Whether or not the subsidized participants cover their costs is a secondary concern for Spire when it gets the immediate reward of expanding service, increasing customer numbers, and further solidifying natural gas's role into the future.

Q. What about economic development?

A. By Spire's own admission, their expansion programs are not "economic" and need Commission approval to deviate from accepted norms.

Q. Are there other actors to consider in terms of "risk"?

A. Yes. Spire is a natural monopoly but it is also a competitive fuel. Consider for a moment the three primary regulated utility types the PSC regulates and their respective "competition" in providing service:

As referenced in this footnote, Robert Rubin was the former Secretary of the Treasury and former Director of Citigroup. He "collected more than $120 million in compensation from Citibank in the decade preceding the banking crash of 2008. When the bank, literally insolvent, was rescued by the taxpayer, he didn't write any check—he invoked uncertainty as an excuse. Heads he wins, tails he shouts 'Black Swan'."

Taleb, N. N. (2018).*Skin in the game: Hidden asymmetries in daily life:* New York*: Random House.*

Regulated Utility	Legitimate competition least (top) to greatest (bottom)
Water	Bottled water
Electricity	Distributed generation (rooftop solar)
Natural Gas	Electricity, propane, fuel oil, kerosene, fire wood

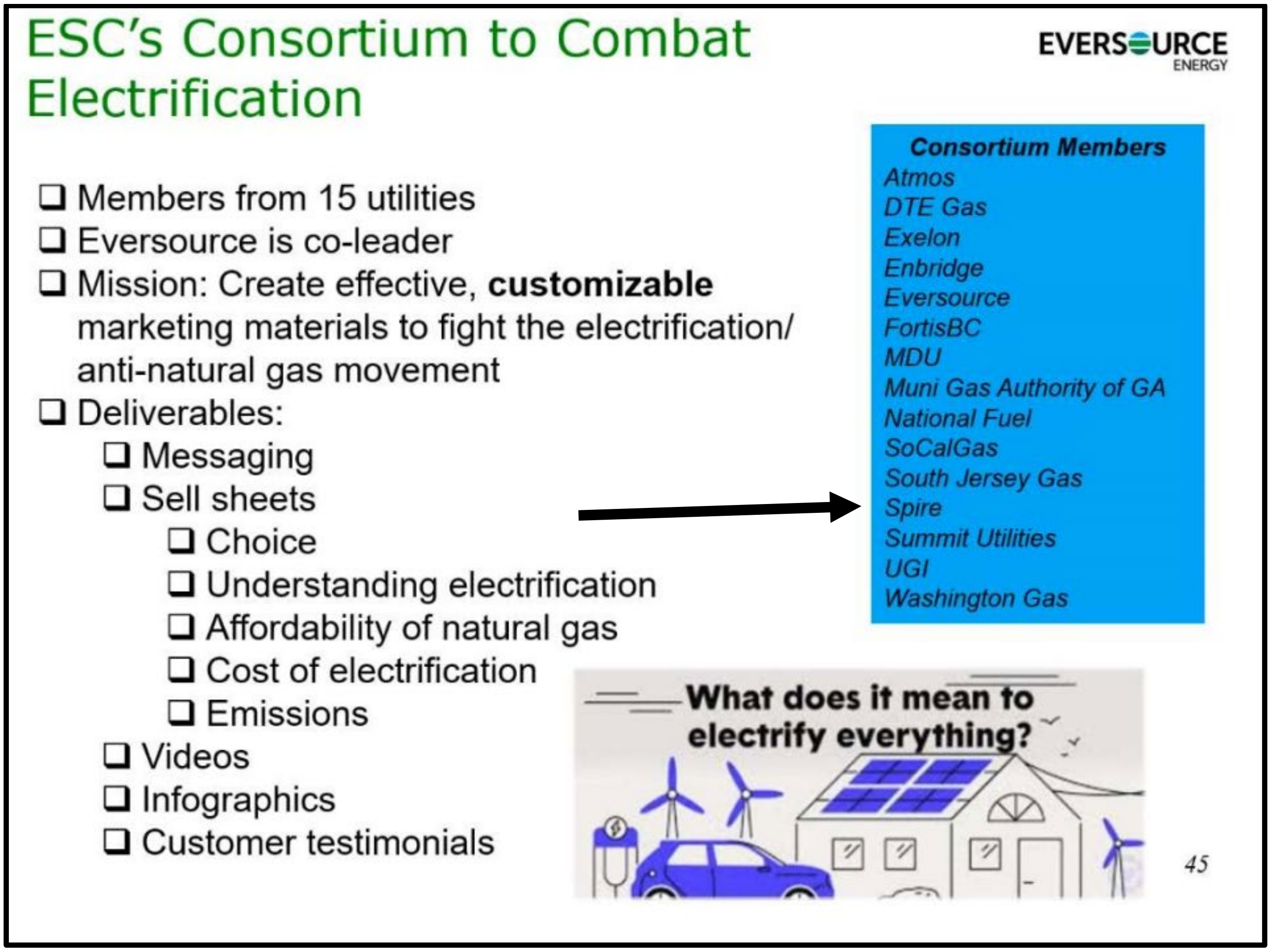
Each utility technically has a *degree* of competition from an unregulated or quasi-regulated actor; however, regulated utilities have the competitive advantage of serving captive customers. That is, they effectively have a considerable buffer to legitimate competition.

The competition listed above, with one notable exception in electricity (more on this later), bears the risk that their expansion and discounts will not cover the costs. Approving Spire's various uneconomic subsidized natural gas expansion proposals in the manner proposed (i.e., risk borne by *captive* ratepayers and not *voluntary* investors) would be distorting the free market and effectively penalizing those non-regulated industries.

Q. Are there other reasons Spire wants to double-down on subsidized distribution investment?

A. There has been a considerable amount of press and trade literature devoted to the electrification of services based on environmental concerns. In May, *E&E News* published an article titled: "Leaked docs: Gas industry secretly fights electrification". The article speaks about a "Consortium to Combat Electrification" run by the Energy Solutions Center, a trade group based in Washington. Figure 1 contains an overview of the members, including Spire, and messages from one slide discussed in the article.

Figure 1: Energy Solutions Center "Consortium to Combat Electrification" Members (emphasis added)[2]



Q. Did you issue discovery on this consortium to Spire?

A. Yes. Per Spire's response, the Company is effectively paying dues to the Electrification Consortium and the Energy Solutions Center as shown in Figures 2 and 3:

[2] Storrow, B. (2021) Leaked docs: Gas industry secretly fights electrification. E&E News. ENERGY TRANSITIONS: Leaked docs: Gas industry secretly fights electrification -- Monday, May 3, 2021 -- www.eenews.net

Figure 2: Spire Electrification Consortium costs:

Operating Unit	Date	Invoice #	Amount	Project	Task	Cost Center	Description
Spire Missouri	17-Aug-20	31005	7,500.00	9498	949801	10405 Business Development	Electrification Consortium (one time fee)

PO #	Operating Unit	Trading Partner	Supplier Site Name	Supplier #	Invoice Date	Invoice #	Invoice Amount	Type	Terms Date
120014291	Spire Missouri Inc.	ENERGY SOLUTIONS CENTER	400 N CAPITOL S	2525	17-AUG-2020	31005	7,500.00	Standard	17-AUG-2020

Figure 3: Spire Energy Solutions Center costs (10/1/19 – 5/31/21):

Operating Unit	Date	Invoice #	Amount	Project	Task	Cost Center	Description
Spire Missouri	17-Aug-20	31005	7,500.00	9498	949801	10405 Business Development	Electrification Consortium (one time fee)
Spire Missouri	18-Jul-20	30979	2,500.00	9498	949801	10406 Business Development	GFEN/National Accounts Consortium (2020)
Spire Missouri Inc.	30-Jan-20	30683	26,910.00	9498	949801	10405 Business Development	2020 Corporate Membership Dues
Spire Missouri Inc.	1-Jan-21	31058	13,455.00	9498	949801	10405 Business Development	2021 Corporate Membership Dues

Q. Is this a concern?

A. It is not entirely clear if these costs are being charged above or below the line. If the former, I would recommend a disallowance of these membership costs as they are unrelated to the cost of service. I may update this recommendation based on Spire's response to discovery in surrebuttal testimony.

The accounting treatment of membership costs aside, the fact that Spire is anxious about its long-term viability is not my immediate concern (the existential threat of the stranded costs of its distribution system not withstanding). Spire is behaving like a rational actor and the natural gas industry is reacting accordingly. However, it is imperative that captive customers be held harmless in this potential fight absent explicit statutory directive suggesting otherwise.

I am aware of no Missouri statute that favors one fuel mix over the other and no policy directive to double-down on natural gas distribution expansion investment or statutory edict to electrify everything to meet carbon goals. Moreover, regulating as if these utilities are operating in a vacuum and incentivizing build-out of both services (gas and electric) would be an exercise in madness for captive customers (especially those using both services—e.g., Kansas City and St. Louis respectively) with each utility subsidy effectively canceling the other out. These actions would also unfairly put non-regulated heating fuels at a competitive disadvantage.

Q. Have there not been electrification cases before this Commission?

A. There have and my position in those cases is the same as it is in this. I have advocated for encouraging competition, argued against regressive subsidies and recommended skin-in-the-game from shareholders for value-added services. To my knowledge, Spire Missouri (and the propane industry) has also been an intervener in many of those cases and has neither filed testimony nor objected to any agreed-to stipulations the OPC may have entered into.

Q. Have there not been economic development subsidy cases before this Commission?

A. There have and my position has been premised on the economic feasibility or statutory directive for a given subsidy. Neither of which are present in the proposals Spire has put forward in this docket.

Q. What do you recommend?

A. The Commission is the <u>economic</u> regulator of the investor-owned utilities in Missouri. As such, the Commission is charged with ensuring the rules of the regulatory game are played correctly and fairly. Otherwise, market distortions can/will occur and result in suboptimal outcomes (expensive utility bills) and inhibit economic growth. Unmitigated expansion of a regulated service needs to be viewed holistically, in accordance with codified rules (specifically, the promotional practice rules), and not in a regulatory vacuum. As such, the Commission should not pick winners and losers. It should strive to emulate the free market in setting rates and tariffed offerings for the captive customers the PSC is charged with protecting.

Regulation was never intended to provide utilities with guaranteed or risk-free returns on their investments or safety from market competition. If it were then the cost of utility debt should approach the yield on Treasury bonds or the utilities should operate as state-run enterprises.

If Spire wants to offer uneconomic subsidies for expansive build-out in the hope of greater profits, then let them do so by requiring them to have skin-in-the-game by using the profits they earn. Just like every other corporation does.

The Commission should reject the following ratepayer subsidized proposals:

- Growing Missouri Tariff Program[3]
- 5-Year Multi-family Pilot Program[4]
- Incentive Compensation[5]
- Combined Heat and Power[6]
- Expanded natural gas line extension tariff[7]

Q. To be clear, are you categorical against any natural gas tariff programs that encourage line extension or economic development?

A. No. I support the tariffs that are currently in place.

III. MULTI-FAMILY PILOT

Q. What does Spire's proposed multi-family pilot subsidy consist of?

A. Spire proposes a five-year multi-family developer "pilot" with a budget of $10 million dollars in venting and piping incentives that will be rate-based. The program will be targeted at developments that consist of at least four attached multi-family units with costs capped at the unit level of $1,500 each. Spire proposes to cap costs at $2 million a year with the ability to rollover any unspent funds into the next year.

Q. What is Spire's rationale for this proposal?

A. Spire justifies its proposal by pointing out that any of the expenditures would pay for itself in six years' time assuming Spire's proposed residential customer charge of $22 is approved by the Commission (72 months x $22 = $1,584). The additional customers and subsequent

[3] See also the rebuttal testimony of OPC witness John A. Robinett
[4] To be discussed in greater detail in the next subsection.
[5] See also the rebuttal testimony of OPC witness Robert E. Schallenberg
[6] It is not entirely clear whether subsidized CHP is still a live issue in this case. The Company provided very little testimony on the topic, which amounted to adopting the previously rejected position of the Missouri Division of Energy from Spire's last rate case, but raising the previous proposed budget an additional $1.1 million without explanation. The Company's response to OPC DR-2026 (see GM-1) indicates the proposal has been withdrawn based on discussions with Staff; however, Spire witness Weitzel's supplemental direct testimony (which appears to be filed after said discussion) references CHP and the discussion with Staff but makes no positive affirmation that the CHP proposal has been withdrawn.
[7] The Company's proposed tariffs include language for an expanded line extension tariff; however, there is no supporting testimony for this change. As such, it should be dismissed out-of-hand by the Commission for that reason alone. See also the rebuttal testimony of OPC witness Lena M. Mantle

revenues would provide greater revenue requirement certainty for the Company and the possibility for overall downward pressure in rates.

Q. Do you support this proposal?

A. No. For many of the same reasons I articulated above. Ratepayers should not be in the business of deviating from the promotional practice rules. Furthermore, Mr. Selinger's cost-benefit analysis does not account for any free ridership assumptions nor does the proposed tariff include any provisions to minimize such a likely outcome. In fact, Mr. Selinger's argument that natural gas "benefits" to customers are realized through both costs and environmental emission reductions further supports the likely free ridership outcome at play (i.e., ratepayers would be funding projects that would occur regardless of the subsidy). Additionally, comparing the costs for a $2,100 residential line extension to a $1,500 per unit (minimum of four units total ($6,000)), multi-family subsidy or utilizing existing pre-subsidy cost-effective projects as the basis for analysis will result in "apples to oranges" comparisons.

It is also unclear what happens to the unused funds after year five. The tariff allows for "roll-over" year-over-year but is silent on what happens to the funds after the termination of the pilot in year five.

Q. Are there any other concerns worth pointing out to the Commission?

A. Yes. Three additional items are worth flagging. <u>First</u>, as a sound principle regarding any future Spire pilot, I would recommend the terms be set at three-years in length to coincide with their current ISRS requirements and for administrative ease. <u>Second</u>, Spire's proposed "pilot" is void of any learning elements beyond the implied "is the subsidy big enough." As such, I fail to see how this tariff offering can be characterized as a "pilot." <u>Third</u>, I have serious concerns that the $1,500 per unit piping and venting subsidy will also be supplemented with generous energy efficiency subsidies for new gas appliances. On a related note, I have this same concern with residential new construction. The Company's energy efficiency program should not be a conduit to circumvent the Commission's promotional practice rules.

IV. ENERGY EFFICIENCY

Q. What changes is Spire proposing to its energy efficiency programs?

A. Spire witness Shaylyn Dean proposes the following incentive increases:

	Current	Proposed	% Increase
Gas Furnaces	$200 (92-95% AFUE) $300 (96% < AFUE)	$400 (92-95% AFUE) $500 (96% < AFUE)	+ 100% + 66.6%
Smart Thermostats	$25	$75	+ 200%
C&I Custom Payback	Two-Year Payback	One-Year Payback	
C&I Audit + measure incentive(s)	75% of audit costs up to $600-$750 50% of audit costs up to $375-$500	75% of audit costs up to $900 (no square footage) 50% of Audit cost up to $750	+ 50% +100%

Additionally, in Spire witness Scott Weitzel's supplemental direct testimony he proposes that any unspent annual low-income multi-family funds be redirected to the overall energy efficiency budget moving forward.

Q. Do you agree that incentives should be increased for the aforementioned residential measures?

A. No. Three immediate objections come to mind in looking at Mr. Dean's proposal. First, there is no cost-benefit ratio or analysis included to justify this increase. Second, the net result of this action would be that fewer customers would participate in the programs, as there is a finite amount of money in the budget from which to operate. With more money going out per measure—there will be fewer measures overall, even if the 20% variance in the budget is sought and granted in a given year. Third, these are very large increases. Spire's energy efficiency team has produced impressive results year-over-year since the last rate case. I question the logic of doubling the incentive amount when the current levels appear to be effective in accomplishing the intended outcomes.

Q. Do you agree that incentives should be increased for the aforementioned commercial measures and audit?

A. At this point no. I am more sympathetic to Mr. Dean's rationale for this increase, which essentially amounts to "Ameren does it." However, there is still no cost benefit justification to support this recommendation and I suspect no such agreed-to, transparent calculation could be produced. Therein lies the problem for ratepayer funded energy efficiency measures on the gas-side. The avoided cost component will always be smaller than on the electric side because of the difference in the two utilities' operations, deliveries, and usage.

Q. Do you agree that unspent low-income multi-family funds be redirected to the overall energy efficiency budget moving forward?

A. No. I would recommend directing those funds out to the Community Action Agencies operating in Spire's service territory for weatherization or to the Company's low-income bill assistance programs. The intent behind the low-income multi-family budget was to provide additional support for customers who are otherwise struggling. I recognize there is a very real hurdle in spending down the low-income multi-family funds for a variety of reasons (COVID-19, co-delivery with electric utility, split-incentive problem, etc…). As such, if there are unspent funds meant for low-income households, I believe it is most appropriate to redirect them to similarly targeted services that Spire supports.

V. RATE DESIGN

Q. Does OPC support any interclass revenue shifts?

A. OPC is still examining the class cost of services studies submitted in this case, along with the various proposed revenue requirements. As such, I am not offering any position as it pertains to inter or intra-class revenue allocation/shifts. As a default recommendation related to any revenue increase, OPC would support an equal percentage increase (or decrease) to each customer class; however, we reserve the right to amend this recommendation in surrebuttal based on rebuttal testimony.

Q. Does OPC support any changes to the residential charge?

A. I will provide a recommendation based on further examination of the class cost of service studies and stakeholder comments from rebuttal in surrebuttal testimony. As a default answer, I recommend that Spire West retain its customer charge at $20.00 and decrease Spire East's charge $2.00 to match Spire West. This default recommendation is based on considerations of customer impacts and Staff's CCOS-produced customer charge calculation. As a general policy position, I have advocated for more customer control when it comes to managing utility bills. A lower customer charge provides the opportunity for that increased control.

Residential Summer Inclining Block Rates

Q. Do you support the continued use of the summer inclining block rate schedule?

A. No. My concern surrounding low-incomers customers dropping off Spire's system on a seasonal basis outweighs any purported benefits attributable to price-induced conservation. Given the cost-prohibitive adjustments proposed by Spire for reconnection charges ($95), I fear that a small segment of customers would be more inclined to drop off Spire in the summer for immediate bill relief only to be surprised with a much larger reconnection fee in the fall. Furthermore, there is no empirical cost-basis support for this rate design.

Residential Retention Optional Schedule

Q. Does OPC support Staff's proposed residential retention optional rate?

A. Yes. As a general rule I am in favor of giving customers more options in how they would like to be priced for their service. Staff's design is well thought-out and should appeal to a number of customers who would otherwise likely drop off and find themselves with a cost prohibitive reconnection fee ($95 as proposed by Spire in this case).

VI. LOW-INCOME PROGRAMS

Q. Can you please summarize the number of low-income recommendations?

A. Yes. Parties and their respective recommendations are as follows:

Spire

- Change the name of "Low-Income Energy Affordability Program" to "Payment Partner Program";
- Allocate a portion of the administrative fees to the Community Action Agencies for enhanced website enrollment/marketing;
- Expand eligibility from 185% Federal Poverty Level ("FPL") to 200% FPL;
- Combine Spire East ($900K) and Spire West ($750K) Programs into one Spire Missouri at a total amount of $1.7M; and
- Increase the Fixed Charge Assistance Program ("FCAP") monthly bill credit to $35 (currently at $20 for customer 185% FPL or $30 for customers 135% FPL)

National Housing Trust

- Continue Customer Arrearage Program, remove funding cap through the end of calendar year 2022, and offer long-term deferred payment plans of at *least* 12 months;
- Enhance the Fixed Charge Assistance Program ("FCAP") by targeting extremely poor, using an Express Lane Eligibility criteria, engaging in grassroots outreach and removing funding caps through the end of calendar year 2022;
- Continue energy efficiency expenditures and target customers in arrears for weatherization upgrades; and
- Build on data collection by including census tract/zip code inputs that can be reported publically in a transparent manner.

Consumer Council:

- Elimination of reconnection, collection trip, and late fee charges;
- Increased funding of Spire's Affordability Program; and
- Medical Registry Program

LSEM:

- Spire should adopt a pilot program modeled after Maryland's Critical Medical Needs Program

All parties that filed direct testimony on this subject (minus the Company) agree that a rate increase is unwarranted given the current economic condition for many households.

Spire

Q. What is your response to Spire's low income recommendations?

A. I support Spire's requests with four modifications:

The first modification is that Spire should be required to meet with interested stakeholders from this case on its low income program twice a year to report on progress to date concerning enrollment, historic participation, and current and projected budget levels.

The second modification would be to set the FCAB at $35 for households at or below 135% FPL and $25 for households at or below 200%. This is consistent with Spire's overall request to increase the amount and expand the eligibility threshold but my demarcation still maintains an emphasis on helping those households most in need.

The third modification would be to increase the budget by $350K to $2M in total.

The fourth modification would be for Spire shareholders to contribute half of the total funds for the Payment Partner Program. This would result in a reduced overall revenue requirement (-$650K) with annual funding shared equally between ratepayer and shareholder at $1M each. This recommendation would be in line with shareholder contributions from the other large investor-owned utilities in the State of Missouri including Evergy, Ameren Missouri and Missouri American Water.

National Housing Trust

Q. What is your response to National Housing Trust's low-income recommendations?

A. I am in support of the general spirit of Mr. Colton's recommendations; however, we defer on the overall scope and size of modifications.

Q. What were the three regulatory principles Mr. Colton identified as it pertains to low-income programs as it relates to the current COVID-19 economic recession?

A. Mr. Colton articulated the following principles:

1. Spire has an obligation to provide service within a least-cost framework
2. Spire should take reasonable actions to mitigate the costs of customers impacted by the COVID-19 pandemic
3. Spire should operate in an efficient manner measured by how much money is collected *and* how much effort is spent collecting said revenue

Q. Do you agree?

A. Yes.

Q. Mr. Colton spends a considerable amount of time discussing the strong correlation between a customer's inability-to-pay and the utility's inability-to-collect. Do you agree?

A. Yes.

Q. Mr. Colton argues that too often this correlation is treated as self-evident and dismissed as a social problem beyond the scope of the utility. Do you agree?

A. I do.

Q. Do you agree that Michigan, Maryland and Pennsylvania utility data represent reasonable proxies for Spire customers' payment difficulties?

A. They are reasonable substitutes in the absence of Spire specific data.

Q. Do you agree with Mr. Colton's recommendation to suspend late payment fees until the end of 2022?

A. I do. The argument against late fees is as follows:

- Do not recover actual costs incurred by the utility (not cost based);
- Are punitive in nature; and
- Disproportionately affects those customers already struggling financially

Q. Are there any benefits to late fees?

A. The two arguments supporting the continued use of late fees include: 1.) greater revenue assurance (late fees offset the revenue requirement assuming the Company is not over-earning); and 2.) late fees should (theoretically) encourage timely payments.

Q. Do you believe late fees work as intended?

A. No. I have not seen any evidence to support that late payment fees are an appropriate deterrent to non-payment and believe that any additional fee added to an already struggling customer balance will increase the likelihood of disconnection. I believe the threat of disconnection is the primary deterrent to incentivize timely payments and that Spire should be doing everything in its power to provide an *affordable* service not increasing additional punitive charges that make it easier for customers to fall off.

Q. Do you know of any Commissions that ordered the discontinuance of late fees?

A. The Kentucky Public Service Commission ruled against their continued use in Case No. 2020-00141.[8] I am also aware that many State Commissions ordered suspending late fees throughout the COVID-19 pandemic.

Q. What do you recommend?

A. Spire has spent a considerable amount of energy examining its cost of service for a future that is seemingly going to be operating at a more competitive level. As such, it is incumbent upon Spire to provide the most affordable service to differentiate itself from its competitors. The elimination of late fees would be a step in the right direction on that front.

Given the current economic uncertainty (especially as it pertains to renters) I support suspending late fees through the end of April 2022 at which point I would recommend that the late fees be lowered to match the short term debt recommendation made by OPC witness Dave Murray, which is 0.2% annual. Such an amount would more accurately reflect the cost of service, minimize the punitive amount and still incentivize timely payments.

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[8] See GM-2.

Q. Do you support Mr. Colton's recommendation to remove Spire's Customer Arrearage Payment Plan cost cap through the end of calendar year 2022?

A. No. Mr. Colton may not be aware of the existence of Spire's COVID-19 payment arrearage plan that was created in direct response to the COVID-19 challenges his testimony speaks to. The combination of these two programs as well as increased federal funding to address utility bad debt should be enough to address arrearage concerns in the near future.

Q. Do you support Mr. Colton's recommendation to extend payment plans indefinitely?

A. No. In Case No. GU-2020-0376 all parties stipulated to an 18-month payment plan to account for the effects of COVID-19. Given the current improved economic conditions and decreased infection rates, I do not believe an indefinite extension of a payment plan is warranted.

Q. Do you support Mr. Colton's recommendation to remove the funding caps for the Fixed Charge Assistance Program ("FCAP")?

A. No. Consistent with my earlier recommendation I recommend a modest increase to $2M total shared 50/50 between ratepayers and shareholders. Removing the funding caps in its entirety would effectively result in a flat percentage discount for low-income customers and be considerably more than $2 million. Mr. Colton does not provide any estimated dollar amount for this subsidy. Absent an estimated amount and better-articulated rationale for such a large discount, I cannot support his position.

Q. Do you support Mr. Colton's recommendation to create an "Express Lane Eligibility" for income-eligible customers to minimize paperwork and grassroots outreach to increase enrollment?

A. In part. I support the recommendation put forward by Legal Services of Eastern Missouri who recommended that Spire adopt the Maryland model as a pilot program. I will be speaking on that topic at length later in this testimony.

Q. Do you support Mr. Colton's recommendations to continue funding Spire's energy efficiency programs and target households in arrearages?

A. I do. The current framework surrounding Spire's energy efficiency budget should remain as is. As to targeting weatherization activities at households currently in arrearage, I would recommend the following no-cost action:

When Spire's customer service representatives ("CSR") receive calls from customers struggling to pay bills, the CSR will ask for consent from that customer to forward their contact information to the relevant Community Action Agency ("CAA") so that a representative from a CAA may contact them about weatherizing their home free of charge if eligible.

Multiple CAA's in two separate utility sponsored weatherization meetings (Evergy and Liberty) have articulated this simple request this past year to relevant stakeholders. I believe adoption of this simple action will result in considerably more homes being weatherized and is in line with Mr. Colton's more general recommendation.

Q. Do you support Mr. Colton's recommendations regarding data collection and reporting?

A. In part. Mr. Colton recommends that the data recording recommendations from Case No. GU-2020-0376 be maintained, updated on a monthly basis, include zip code or census tracking information and be made public. I believe Case No. AW-2020-0148 is the proper venue for this recommendation.

However, I do believe data collection and reporting should be explored in greater detail in conjunction with Spire's low income programs. This key element is absent from Spire's current programs. In fact, I would argue that not only do we not have a good barometer for success, we have not even articulated what our goals for these programs are. Traditionally in a rate case, we identify/negotiate a pool of money, throw it out to overworked non-profit resources, and pull back if we believe we are close to overspending. Based on the volume of direct testimony on low-income program(s) one can reasonably conclude that no one is satisfied with the current model. To that end, I recommend that Spire contract for an independent third party feasibility study that effectively examines the business case for scaling up energy assistance programs. A neutral third-party consultant could help facilitate discussion, receive feedback, articulate goals, utilize and rely on existing customer and external data, and design a program(s) to achieve agreed to outcomes in a cost-effective manner. The study would also include an evaluation of the current energy assistance programs against the Company's primary and other appropriate secondary data. Additionally, the study could identify reasonable objectives to measure success as well as whether we are targeting the right customers in order to produce clear, measurable societal benefits that could be a framework for future program design.

I would recommend the costs of the study and facilitation not exceed $150K annually (with a rollover provision if necessary), include input from interested stakeholders regarding Key Performance Indicators and include a final presentation of the findings and recommendations to the Commission at an Agenda meeting at the conclusion of the report.[9]

Consumer Council

Q. Ms. Hutchinson recommends eliminating the reconnection, collection trip and late fee charges. Do you agree?

A. In part. I have already opined on late fee adjustments and those recommendations move close to Ms. Hutchinson's proposal. As it pertains to reconnection and collection trips, there is a much stronger argument that such fees need to be maintained to reflect the realized costs caused by those customers. That being said, my recommendation is to keep these fees at their current cost level. Spire's tariff sheets support combining reconnection and disconnection fees together for a total cost of $95 (previously $62.00) but provide no support in testimony to substantiate this increase.

Q. Ms. Hutchinson recommends increasing Spire's low income affordability program ($1,650,000) at least 50% ($2,475,000), expanding eligibility to 250% FPL and incorporating a 50% shareholder contribution. Do you agree?

A. In part. My recommendations on the budget level were smaller ($2 million) but I would not be opposed to a slightly larger amount dependent on 50% shareholder matching. However, I

[9] See also GM-3 for a white paper that articulates many of the suggestions I briefly summarized here.

do not believe the program should extend to 250% FPL. At 250% that would extend bill assistance to families of four making up to $65,500. That seems excessive. In all honesty, I have reservations about increasing the eligibility level to 200% but given the current uncertainty surrounding the economic climate I am willing to support Spire's request.

Q. Ms. Hutchinson recommends the creation of a transparent, easily accessible medical registry for Spire customers. Do you agree?

A. Based on OPC discovery such a registry already appears to exist. However, I believe many of the concerns Ms. Hutchinson raises can be alleviated with adoption of LSEM's proposed pilot program based on the Maryland Critical Needs Program to be discussed next.

Legal Services of Eastern Missouri

Q. What is the Maryland Critical Needs Program?

A. This program was originally created as a pilot by Baltimore Gas & Electric ("BG&E") known as the BGE Critical Needs Pilot Program. It recognizes that there are vulnerable customers who may not have the capacity to research and apply for assistance, negotiate reasonable payment plans, or properly navigate the application process. Yet their circumstances make them particularly vulnerable to harm if they become disconnected. In response, the Critical Needs Program ("CNP") streamlines and expedites the processes to help customers stay connected.

The pilot's initial goal was to implement immediate access to existing resource assistance (bill payment, repair, consumer protections, etc…) to customers that seek assistance in non-traditional utility CSR venues (e.g., hospitals, public and private assistance agencies, shelters, etc…). The CNP is a voluntary program that trains customer "navigators," who work in non-traditional utility CSR venues. The navigators utilize a simple form under a "fast-track" protocol that provides an expedited process that should:

- Maintain or restore utility services
- Avoid negative impacts on residents with serious medical conditions

- Address build-up of utility bill arrears
- Provide a streamlined process to complementary services

Q. Is this still a pilot program for BG&E?

A. No. The program's success lead it to becoming a statutory requirement for utilities in Maryland and the service is now largely administered by the State's Social Service Department with additional funding through the Maryland's Fuel Fund program.

Q. Wouldn't those elements (Department of Social Service and an independent funding stream) be beyond the scope of the Commission's power in this case?

A. They would; however, I am not suggesting anything more than supporting LSEM's recommendation to model the initial pilot program that BG&E produced.

Q. Do you have any additional information to share on this topic?

A. I have had a chance to speak with BG&E representatives and they have expressed a willingness to help Spire and interested stakeholders with the mechanics behind such a program. I have also included attachments GM-4A through GM-4D, which provide more detail about the Maryland program as well as sample customer consent forms (both paper and internet). I would recommend up to $650K annually for the three-year pilot program with regular meetings from interested stakeholders to see if equivalent success can be achieved for Spire's customers as produced under the BG&E pilot.

Spire's outreach and community engagement is already one of the best in the state. Given their existing resources, and utilizing the BG&E model framework, I believe the recommendations put forward from multiple parties in direct testimony would be realized.

Q. Can you please summarize your recommendations as it pertains to the low-income testimony of the various parties?

A. My testimony supported the following positions:

- Changing the name of Spire's "Low-Income Energy Affordability Program" to "Payment Partner Program";

- Allocating a portion of the administrative fees to the Community Action Agencies for enhanced website enrollment/marketing;
- Require Spire to hold bi-annual meetings with stakeholders on progress to date and forecasts on need;
- Expand eligibility from 185% Federal Poverty Level ("FPL") to 200% FPL;
- Combining Spire East and Spire West into one Spire Missouri program;
- Increasing the funding level from \$1.65M to \$2M;
- Agree that shareholders and ratepayers share cost allocation at \$1M each (consistent with the other large Missouri IOUs);
- Setting the FCAB at \$35 for households at or below 135% FPL and \$25 for households at or below 200%;
- Remove late fees;
- Direct Spire's CSR's who receive calls from customers struggling to pay bills, for consent from that customer to forward their contact information to the relevant Community Action Agency ("CAA") so that a representative from a CAA may contact them about weatherizing their home free of charge and other assistance if eligible;
- Employing the use of an independent 3rd party consultant (up to \$150K) to assess the current low income programs, analyze primary and secondary data and make recommendations for programs moving forward; and

- Conduct a three-year pilot program (up to $650K annually[10]) consistent with the framework originally designed by BG&E (known currently as the Maryland Critical Needs Program).

Q. Does that conclude your testimony?

A. Yes.

[10] My recommendation to split funding of Spire's low-income program between ratepayers and shareholders resulted in a net decrease of $650K. With these further recommendations, I have effectively reallocated that amount between the 3rd party study (1 to 3 year(s)) and the piloted Critical Needs Program (3-years). Any excess funds in a given year should be carried over to the next year and/or redirected to Spire's Payment Partner Program.

Spire Missouri
GR-2021-0108

Response to Office of Public Counsel Data Request 2026

Request: Regarding Spire's proposed CHP program. Please identify any and all ways Spire's proposal is different than the Missouri Division of Energy's proposal from its last rate case above and beyond the change in total budget from $5.1 million to $4 million?

Requested by Geoff Marke (geoff.marke@opc.mo.gov)

Response:

Spire's request for a CHP program in this case was similar to the proposal the Missouri Division of Energy made in Spire's last general rate case. As part of discussions with Staff in this case, Spire intends to withdraw its proposed CHP program.

Signed by: Scott Weitzel

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ORDER APPROVING THE ESTABLISHMENT OF A REGULATORY ASSET	))))	CASE NO. 2020-00257

ORDER

On July 29, 2020, Kentucky-American Water Company (Kentucky-American) filed an application, pursuant to KRS 278.220, seeking approval to establish a regulatory asset for certain expenses related to the COVID-19 emergency. On October 28, 2020, Kentucky-American supplemented its application with the monetary amounts for which it sought a regulatory asset, with expenses totaling $1,055,890 as of September 30, 2020. Kentucky-American filed an additional supplement on December 4, 2020, with an updated total of $1,196,603 through October 30, 2020.

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) is the only intervenor in this proceeding. Pursuant to a procedural schedule, Kentucky-American responded to one round of data requests. On December 4, 2020, the Commission granted Kentucky-American and the Attorney General's joint request to file briefs and submit this matter for a decision based on the written record. On December 9, 2020, the parties filed their respective briefs. This matter now stands submitted for a decision.

LEGAL STANDARD

A utility must obtain Commission approval for accounting adjustments before establishing any expense as a new regulatory asset. A regulatory asset is created when a utility is authorized to capitalize an expenditure that would be recorded as a current expense under traditional accounting rules. A utility may request recovery of the capitalized amount in future rates, but recovery is subject to Commission review and approval. The authority to establish regulatory assets arises out of the Commission's plenary authority to regulate utilities under KRS 278.040 and its authority to establish a system of accounts for utilities under KRS 278.220.

The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, which was codified as Accounting Standards Codification (ASC) 980, Regulated Operations, provides the criteria for recognition of a regulatory asset.[1] Supplemental to generally accepted accounting principles (GAAP), long-standing Commission precedent provides

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[1] ASC 980-340-25-1 provides, in full, as follows:

> 25-1 Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:
>
> a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
>
> b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.
>
> A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

that regulatory assets may be established when a utility incurs (1) an extraordinary, nonrecurring expense that could not have been reasonably anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry-sponsored initiative; or (4) an extraordinary or nonrecurring expense that, over time, will result in a savings that fully offsets the cost.[2]

COVID-19 EMERGENCY

In response to the COVID-19 pandemic and state of emergency declared by Governor Andy Beshear, the Commission initiated an administrative case, Case No. 2020-00085, that, among other things, ordered utilities to suspend disconnections due to nonpayment and waive the assessment of all late payment fees, noting that customers still had the obligation to pay for service received.[3] By Order entered September 21, 2020, the Commission terminated the moratorium on residential disconnections for nonpayment as of October 20, 2020, but found good cause to continue the moratorium on the assessment of late payment fees for residential customers until December 31, 2020.[4] The Commission prohibited utilities from assessing late fees on any past-due residential amounts accrued between March 16, 2020, and December 31, 2020, directing that such residential customer accounts should be considered "on time" for all purposes as long as the customers timely pay their bill for current service and any amount required

[2] *See* Case No. 2008-00436, *The Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008).

[3] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 3.

[4] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Sept. 21, 2020), Order at 6–7.

under the default or an agreed-upon payment plan.[5] The Commission terminated the moratorium on disconnection and the assessment of late payment fees for nonresidential accounts as of October 20, 2020, finding that commercial and industrial customers had access to forgivable federal loans and other financing options not available to residential customers.[6]

Utilities were expressly permitted to apply and defer carrying charges to past due amounts paid pursuant to a payment plan in order to finance the payment plans for arrearages accumulated between March 16, 2020, and October 1, 2020.[7] The Commission approved such financing costs for deferral accounting, with recovery in a subsequent proceeding either through rate base or as part of capitalization in later proceedings.[8]

PROPOSED REGULATORY ASSET

In its July 29, 2020 application, Kentucky-American requested to defer the following COVID-19 related "lost revenue" and expenses: Reconnection Fees; Forgone Late Payment Fees; Incremental Operating expenses; Uncollectible expense; Term-Loan Interest expense; and Travel/Conference Savings. Kentucky-American also requested to defer "lost revenues" that occurred due to the lower volumetric sales to customers in the various customer classes. However, in subsequent filings and in its brief, Kentucky-American requested to defer only "lost revenue" for reconnection fees and late fees.

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[5] *Id.* at 8.

[6] *Id.* at 12.

[7] *Id.* at 10.

[8] *Id.* at 10–11.

In the application, Kentucky-American requested approval to establish a regulatory asset, but did not provide the amounts that it planned to defer until its October 28, 2020 supplemental filing. In that filing, Kentucky-American requested regulatory asset treatment for $1,055,890 in "lost revenue" and expenses, noting these amounts were current as of September 30, 2020, and that Kentucky-American expected that the amounts that it identified would grow going forward.

On December 4, 2020, Kentucky-American filed an updated accounting summary, that increased its purported lost revenue and expenses to $1,196,603 as of October 30, 2020. The following table compares the requested COVID-19 costs incurred up to September 30, 2020, to the amounts updated to October 30, 2020.

Regulatory Asset Category	Balances as of 09/30/20	Cost Increases	Balances as of 10/30/20
Reconnection Fees	$ 616	$ -	$ 616
Foregone Late Payment Fees	628,277	104,375	732,652
Incremental Operating Expenses	220,044	11,282	231,326
Uncollectible Expense	173,551	35,600	209,151
Term Loan Interest Expense	170,529	16,091	186,620
Travel/Conference Savings	(137,127)	(26,635)	(163,762)
Totals	$ 1,055,890	$ 140,713	$ 1,196,603

PARTIES' ARGUMENTS

The following is a brief description of each individual category in Kentucky-American's requested COVID-19 regulatory asset and each party's position.

Lower Volumetric Sales.

As noted above, Kentucky-American indicated in its application that it would seek to defer "lost revenues" that have resulted from lower volumetric sales to customers in various customer classes,[9] but Kentucky-American did not quantify lost water sale revenues in its supplemental filings or reference the issue in its brief.

The Attorney General argued that the Commission should deny recovery for "lost revenue" due to reduced sales and business closings. The Attorney General maintained that approving recovery for lost sales is equivalent to retroactive ratemaking.[10] The Attorney General further maintained that the record does not support Kentucky-American's claim that it incurred any losses due to changes in volumetric usage.[11] Finally, the Attorney General asserted that businesses closings do not represent "lost revenues" because the costs and revenues associated with the demand were avoided.[12]

Reconnection Fees.

Kentucky-American also requested to defer "lost revenue" from foregone fees resulting from reconnecting service that was disconnected for late payment. On March 13, 2020, when it voluntarily stopped collecting late fees and disconnecting customers for nonpayment, Kentucky-American also voluntarily reconnected customers currently disconnected for nonpayment and waived the reconnection fee.[13] Kentucky-American calculated the "lost revenue" associated with the COVID-19 moratorium on reconnect fees by taking the number of reconnects performed during the moratorium period times

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[9] Application at 3.

[10] Attorney General Brief at 8.

[11] *Id.* at 8–9.

[12] *Id.* at 9.

[13] Application at 2. *See* Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020) Order at 2. Kentucky-American's moratorium on collecting reconnection fees was directed by its parent company, American Water Works Company, Inc.

the associated reconnect fee.[14] Kentucky-American reported that, during the moratorium period, it reconnected 11 customers, waiving the $56 dollar reconnection fee for a total of $616.[15]

The Attorney General did not expressly address reconnection fees in its brief, but did object to Kentucky-American being compensated for fees similar to late fees that should have been waived pursuant to the Commission's March 16, 2020 Order.

Late Fees.

Kentucky-American requested to defer foregone late fees as a "lost revenue."[16] Kentucky-American explained that it discontinued collecting late fees in compliance with the Commission's March 16, 2020 Order in Case No. 2020-00085.[17] Pursuant to a subsequent Order in Case No. 2020-00085, Kentucky-American tracked the "lost revenue" that would have otherwise been collected from late fees. Kentucky-American explained that it tracked late fees based on its assumption that the Commission would authorize deferred accounting to recover "lost revenue."[18] Kentucky-American argued that it complied with the Commission's administrative directive to waive late fees, and thus should be approved to defer the financial impact pursuant to Commission precedent and consistent with other states' utility regulatory agencies.[19]

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[14] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19,* Kentucky-American's Response to Commission Staff's First Request for Information (Case No. 2020-00085 Staff's First Request), Item 7.a.

[15] Kentucky-American Water Company's Notice of Filing of Updated Information (filed Dec. 4, 2020), Excel Workbook: KAW_N_ATT_120420, Tab: Reconnection Fees.

[16] Kentucky-American Brief at 7 and 9.

[17] *Id.* at 9.

[18] *Id.*

[19] *Id.* at 5–6.

Kentucky-American disputed that it had to address rate recovery for late fees in this proceeding, arguing that any decision regarding recovery of late fees should occur in a general rate case, and not in this proceeding, in which the only issue is whether a regulatory asset should be established for foregone late fees.[20] However, in light of a recent Commission decision in another proceeding that disallowed late fees,[21] Kentucky-American felt compelled to address future recovery of late fees. Kentucky-American distinguished the facts under which it charges late fees and the other proceeding. Kentucky-American argued that, as the Commission found in Case No. 2012-00155,[22] Kentucky-American's late fees are directly related to costs that Kentucky-American incurs as a result of customers making late payments in accordance with the requirements of 807 KAR 5:006, Section 9(2), unlike the Commission's denial of fees that are designed to be punitive.[23] Kentucky-American disagreed with the Commission's statement in the September 21, 2020 Order in Case No. 2020-00085 that late fees apparently do not encourage customers to make timely payments, contending that even when late fees are suspended, most of Kentucky-American's customers routinely pay their bills on time.[24]

The Attorney General interpreted the Commission's statement in the March 16, 2020 Order in Case No. 2020-00085 that a utility's customers are not relieved of the

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[20] *Id.* at 8.

[21] Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

[22] Case No. 2012-00155, *Tariff Filing of Kentucky-American Water Company to Establish a Late-Payment Fee* (Ky. PSC Nov. 1, 2012).

[23] Kentucky-American Brief at 10.

[24] *Id.* at 11.

obligation to pay for services rendered to apply only to the fixed and variable rates charged for the provision of service.[25] The Attorney General argued that Kentucky-American should not be compensated for late payment fees and other ancillary charges that do not represent payment for the provision of service.[26] The Attorney General further argued that the March 16, 2020 Order required utilities to waive late fees, noting that the Order directed utilities with concerns that the waiver of fees was in conflict of approved tariffs to request an amendment of their tariffs.[27]

The Attorney General challenged Kentucky-American's argument that foregoing late fees inhibits the opportunity for Kentucky-American to earn its allowed rate of return, arguing that Kentucky-American's revenue requirement was calculated based on a lower percentage of customers paying late fees than actually occurred during the COVID-19 emergency.[28] The Attorney General asserted that a detailed analysis was needed to determine whether recovery of foregone late fees fairly compensates Kentucky-American for its costs.[29]

Incremental Operating Expenses.

Kentucky-American tracked Kentucky-American's and the American Water Service Company's (Service Company) incremental operating expense related to COVID-19, including facility preparedness, customer communications, personal

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[25] Attorney General Brief at 2.

[26] *Id.* at 4.

[27] *Id.*

[28] *Id.* at 5.

[29] *Id.* at 6.

protective equipment, temporary housing, emergency water supplies, signage, rental equipment, and remote employee work, including a work from home stipend.[30] The Service Company determined that employees of American Water and its subsidiaries should be paid a $50 stipend as reimbursement for reasonable expenses incurred by employees related to working remotely.[31] The Service Company allocated 4.19 percent of its work from home stipend to Kentucky-American.[32] The incremental operating costs that Kentucky-American tracked as of October 30, 2020, total $231,326.[33]

The Attorney General alleged that Kentucky-American did not implement appropriate measures to control costs during the COVID 19 pandemic.[34] According to the Attorney General, Kentucky-American should have implemented cost control measures such as employee wage freezes, reductions to capital investment, and reductions to charitable contributions or sponsorships.[35] However, the only incremental operating expenses that the Attorney General proposed to deny deferred regulatory asset treatment was the work from home stipend.[36] The Attorney General asserted that Kentucky-American had not provided sufficient evidence to substantiate the necessity of

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30 Kentucky-American Water Company's Notice of Filing of Updated Information (filed Dec. 4, 2020), Excel Workbook: KAW_N_ATT_120420, Tab: Incremental Operating Expense.

31 Kentucky-American Response to Commission Staff's First Request (Staff's First Request)(filed Nov. 12, 2020), Item 6.

32 *Id.*

33 *Id.*

34 Attorney General Brief at 7.

35 *Id.* 7–8.

36 *Id.* at 6.

the work from home stipend, and therefore the Commission should deny recovery of the work from home stipend.[37]

Term-Loan Interest Expense

Citing the impact the COVID-19 pandemic had on the financial market, specifically the market for corporate commercial paper, American Water Capital Corporation (AWCC) entered into a $750 million, 364-day term loan credit facility.[38] AWCC executed a $500 million draw to ensure adequate liquidity for its regulated operating utilities and allocated $19.6 million of the 364-day term loan credit facility to Kentucky American.[39] Kentucky-American explained that there are no prepayment penalties associated with this loan and the term of the loan ends on March 19, 2021.[40] Kentucky-American confirmed that it has not used any of its allocated share of the term loan proceeds.[41]

The Attorney General did not address the Term-Loan Interest expense in his brief.

Uncollectible Expense

Kentucky-American requested to defer $209,151 in Uncollectible expense in the regulatory asset. In response to a data request filed in Case No. 2020-00085, Kentucky-American explained that, if a customer's payment is not received within 90 days of the final bill due date, then Kentucky-American's Customer Relationship & Billing system

[37] *Id.*

[38] Kentucky-American's Responses to the Staff's First Request (filed Nov. 12, 2020), Item 1.a.

[39] *Id.*

[40] *Id.,* Item 1.c.

[41] *Id.,* Item 9.b.

automatically writes-off the accounts with balances under $50,000.[42] In this proceeding, Kentucky-American contradicted that response, stating that 100 percent of Uncollectible expenses are recorded for those customer balances that are aged beyond 150 days.[43] The Uncollectible expense amount for which Kentucky-American requests to defer includes customer balances greater than 150 days old that are subject to a default payment plan; Kentucky-American stated that if a customer makes a payment against their balance, the payment is recorded as an offset to expense in the subsequent months' Uncollectible expense.[44] Uncollectible expense also includes customer balances for services rendered prior to the current state of emergency, if those balances were greater than 150 days old.[45]

The Attorney General did not address the Uncollectible expense in his brief.

Travel/Conference Savings.

Kentucky-American identified cost savings related to travel and conferences for both Kentucky-American and Service Company costs that have occurred since COVID-19 travel restrictions went into effect.[46] To determine the cost savings related to travel and conferences, Kentucky-American compared the actual costs for travel and conferences for the period of the COVID-19 state of emergency to the same period of the

[42] Kentucky-American's Responses to Case No. 2020-00085 Staff's First Request (filed July 21, 2020), Item 7.a.

[43] Kentucky-American's Responses to the Staff's First Request (filed Nov. 12, 2020), Item 8.a.

[44] *Id.*

[45] *Id.,* Item 8.a.

[46] Kentucky-American Water Company's Notice of Filing of Updated Information (filed Dec. 4, 2020), Excel Workbook: KAW_N_ATT_120420, Tab: TravelConference Savings.

prior year.[47] Kentucky-American's cost comparison resulted cost savings offset to the requested regulatory of ($163,762) as of October 2020.[48]

The Attorney General did not address travel and conference savings in his brief.

DISCUSSION AND FINDINGS

Lower Volumetric Sales.

A regulatory asset is created when a rate-regulated business is authorized by its regulatory authority to capitalize an expenditure that, under traditional accounting rules, would be recorded as a current expense. "Lost revenues" are not incurred costs that would otherwise be charged as an expense, and therefore do not meet the criteria under ASC 980-340-25-1 for recognition of a regulatory asset.[49] To meet the recognition criteria, these amounts would need to qualify as alternative revenue program, for which there are specific requirements under ASC 980-605 related to accounting recognition as revenues and a regulatory asset. ASC 980-605-25-1 and 25-2 segregate the major alternative revenue programs into two categories, Type A and Type B. As ASC 980-605-25-2 explains:

- "Type A programs adjust billings for the effects of weather abnormalities or broad external factors or to compensate the [rate-regulated] utility for demand-side management initiatives." Examples include no-growth plans and similar conservation efforts.

- "Type B programs provide for additional billings (incentive awards) if the [rate-regulated] utility achieves

[47] *Id.*

[48] *Id*.

[49] https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/pur-covid-update-september2020.pdf

> certain objectives, such as reducing costs, reaching specified milestones, or demonstratively improving customer service."[50]

The Commission concludes that Kentucky-American's claimed "lost revenues" do not met the requirements that would allow for GAAP recognition as a regulatory asset;therefore, Kentucky-American's request to establish its claimed "lost revenues" as a regulatory asset should be denied.

Reconnection Fees.

Kentucky-American voluntarily waived reconnection fees for those customers disconnected for late payment when the state of emergency began. While Kentucky-American argued that the moratorium on the collection of reconnection fees represents "lost revenue" to Kentucky-American, because the reconnection fees are cost based, the more appropriate request would be to defer the expenses related to the reconnections. As discussed above, "lost revenues" do not met the requirements that would allow for GAAP recognition as a regulatory asset, and therefore Kentucky-American's request to establish a regulatory asset to defer waived reconnection fees should be denied. Additionally, assuming that Kentucky-American's reconnection fee accurately reflects the expenses associated with reconnections, the amount of the expense is $616, an obviously immaterial amount to Kentucky-American.

Late Fees.

The Uniform System of Accounts for Water Companies Class A and B requires late fees to be recorded as Other Water revenue in Account No. 470- Forfeited Discounts. Kentucky-American argued that the late fees for which it requests deferral represent "lost

[50] https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/us-er-power-utilities-accounting-financial-reporting-and-tax-research-guide.pdf

revenue.” As discussed above, Kentucky-American’s claimed “lost revenues” do not met the requirements that would allow for GAAP recognition as a regulatory asset, and therefore Kentucky-American’s request to establish a regulatory asset for the recovery of its “lost revenues” from forfeited late fees should be denied.

Kentucky-American argued that by the Commission directing utilities to track “lost revenue” associated with uncollected late fees the Commission somehow established a program or mechanism by which Kentucky-American could subsequently recover the “lost revenue” from uncollected late fees. To the extent that Kentucky-American believes that this was the Commission’s intent, the Commission hereby clarifies that it was not. The Commission’s direction in its September 21, 2020 Order in Case No. 2020-00085 to continue to track this “lost revenue” was to ensure that the utilities could respond to subsequent requests for information regarding “lost revenue” due to forfeited late fees. Kentucky-American’s proposed regulatory asset, therefore, cannot meet the condition necessary to collect “lost revenues” in ASC 980-605-25-4(a) that: “The program is established by an order of the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic.” The Commission neither (1) established such a program; (2) nor provided for any automatic adjustment of rates. Notwithstanding the findings above that Kentucky Power’s regulatory asset should be denied pursuant to GAAP principles, the Commission finds it should also be denied because it does not meet the criteria of ASC 980-605-25-4.

Even if Kentucky-American could defer the waived late fees as a regulatory asset, the Commission would not approve recovery for late fees under the facts presented. In the September 21, 2020 Order in Case No. 2020-00085, the Commission ordered that utilities consider residential customer accounts with arrearages subject to a payment plan as current for all purposes so long as those customers timely pay their bill for current service and the amount required under the default or alternative, agreed-upon payment plan.[51] Here, there is no evidence that Kentucky-American excluded from its late fee calculation those customer accounts that are deemed current pursuant to the Commission Order.

Additionally, in the September 21, 2020 Order, the Commission allowed utilities to apply and defer carrying charges to past-due amounts paid pursuant to a payment plan in order to finance the payment plans for arrearages accumulated between March 16, 2020, and October 1, 2020.[52] The Commission approved such financing costs for deferral accounting, with recovery in a subsequent proceeding either through rate base or as part of capitalization in later proceedings. Insofar as a utility incurred expenses to finance the late payment or arrearage of utility service, that cost will be appropriately reflected in the financing costs in the deferral accounting previously approved by the Commission. Each utility, including Kentucky-American, was offered the opportunity to apply those financing costs.

Finally, the Commission carefully chose its language when it directed utilities to "waive"[53] late payment fees for residential customers. In directing that late payment fees

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[51] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Sept. 21, 2020), Order at ordering paragraph 5.

[52] *Id.* at 10.

[53] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at ordering paragraph 2.

be waived, the Commission was directing utilities to forego collecting late payment fees because such fees were not in effect for past-due residential amounts accrued between March 16, 2020, and December 31, 2020, and for past-due nonresidential amounts accrued between March 16, 2020, and October 1, 2020.

The Commission's authority to waive late payment fees arises from its plenary authority pursuant to KRS Chapter 278, exclusive jurisdiction over utility rates and services pursuant to KRS 278.040(2), and the legislative intent to provide economic relief during extraordinary times. As the Kentucky Supreme Court has explained,[54] the General Assembly granted the Commission general powers and plenary authority arising from the Commission's exclusive jurisdiction to regulate utility rates and service under KRS 278.030 and KRS 278.040. In codifying KRS 278.170(2), the General Assembly recognized that utilities may be allowed to provide service at free or reduced rate service "for the purpose of providing relief in case of flood, epidemic, pestilence, or other calamity." Thus, in directing utilities to waive late fees, the Commission's intent was to provide relief to utility customers impacted by the calamitous nature of the COVID-19 pandemic.

Although the Commission utilized its generalized and specific authority to direct that late payment fees be waived, the Commission also expressly stated that customers were not relieved "from the obligation to pay for service rendered," such as monthly billing for electric, gas, water, or sewer service usage.[55] The Commission also permitted utilities

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[54] *Public Serv. Comm'n v. Commonwealth ex rel. Conway*, 324 S.W.3d 373, 380-383 (Ky. 2010).

[55] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5.

to apply and defer carry charges arising from the expense of financing payment plans for arrearages accumulated during the COVID-19 emergency, with recovery in a subsequent proceeding.[56] Thus, the Commission balanced the interests of utilities and consumers in actions taken in response to the COVID-19 pandemic,

Incremental Operating Expenses.

Historically the Commission has denied regulatory asset treatment for expenses deemed immaterial.[57] As discussed above, Commission precedent has established categories of expenses appropriate for regulatory asset treatment, including "extraordinary, non-recurring expenses." The Commission previously determined that immaterial expenses cannot be considered extraordinary based on our finding that

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[56] Case No. 2020, 00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Sept. 21, 2020), Order at 10.

[57] *See* Case No. 2000-00120, *Application of Kentucky-American Water Company to Increase Its Rates* (Ky. PSC Nov. 27, 2000), final Order at 20–22 and Case No. 2008-00440, *Request of Kentucky-American Water Company for Approval to Defer Certain Expenses as Regulatory Assets* (Ky. PSC Aug. 26, 2009). Case No. 2006-00472, *General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.* (Ky. PSC July 7, 2007); Case No. 2008-00456, *Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Dec. 22, 2008); Case No. 2008-00457, *Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Dec. 22, 2008); Case No. 2009-00168, *Application of Columbia Gas of Kentucky, Inc. to Establish a Regulatory Asset Related to Pension and Other Post-Retirement Benefit Expenses* (Ky. PSC Dec. 23, 2009); Case No. 2009-00174, *Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Sept. 30, 2009); Case No. 2009-00175, *Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Sept. 30, 2009); Case No. 2009-00352, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Three Major Event Storms in 2009* (Ky. PSC Dec. 22, 2009); Case No. 2011-00380, *Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Dec. 27, 2011); Case No. 2012-00445, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Four 2012 Major Storm Events* (Ky. PSC Jan. 7, 2013); Case No. 2016-00180, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with the Two 2015 Major Storm Events* (Ky. PSC Dec. 12, 2016); Case No. 2018-00304, *Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets* (Ky. PSC Dec. 20, 2018); and Case No. 2018-00416, *Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Mar. 25. 2019).

materiality is synonymous with the term extraordinary, and, pursuant to precedent, if an expense is not extraordinary, then it cannot be material.

Kentucky-American argues that these incremental expenses are extraordinary nonrecurring expenses. However, the requested incremental operating expenses of $231,326 represents only 0.65 percent of the Kentucky-American reported operating expenses for the calendar year ending December 31, 2019, of $35,857,247.

For the reasons discussed above, the Commission finds that Kentucky-American has failed to establish that the incremental operating expenses are material to Kentucky-American's financial position, and therefore, Kentucky-American's request to establish a regulatory asset for the recovery of its incremental operating expenses should be denied.

Term-Loan Interest Expense.

Given the uncertainty of the financial markets at the onset of the COVID-19 pandemic, the Commission notes that AWCC's decision to obtain a $500 million draw on its 364-day term loan credit facility might have been a reasonable action. However, as the pandemic progressed, the $19.6 million dollars allocated to Kentucky-American were not used and remain in Kentucky-American's cash reserves. Kentucky-American did not adequately explain why the $19.6 million debt allocation was not returned to AWCC within the first few months once Kentucky-American realized that the pandemic's impact on the financial markets had not materialized, particularly as there is no prepayment penalty.

For the reasons discussed above regarding materiality, Kentucky-American failed to establish that the Term-Loan Interest expense is material to its financial position and warrants deferral accounting. Kentucky-American's requested Term-Loan Interest expense of $186,620 represents only 1.42 percent of the Interest expense Kentucky-

American reported in the calendar year ending December 31, 2019, of $13,165,898. Additionally, Kentucky-American did not demonstrate that the allocation of the AWCC loan was necessary given that the loan proceeds remain in a cash reserve account untouched and that the associated interest expense is not material. For these reasons the Commission finds that Kentucky-American's request to establish a regulatory asset for the recovery of its Term-Loan Interest expense should be denied.

Uncollectible Expense.

Given that customer balances are not written off as uncollectible until they reach 150 days past due, the Commission believes that the balances written off between March and July are predominately for services rendered before the COVID-19 state of emergency was declared. In responding to data requests, Kentucky-American failed to identify the amount of its uncollectibles that were for customer balances for services that were provided prior to March 2020. Further, the September 21, 2020 Order in Case No. 2020-00085 required that residential accounts be deemed "on time" if the customer remained current and made payments towards the payment plan. Kentucky-American failed to identify or eliminate the uncollectible accounts that are or will be subject to the customer default payment plans and thus these accounts should be excluded.

After eliminating the accounts outside the disconnect moratorium and those balances deemed "on time" pursuant to Case No. 2020-00085, Kentucky-American has failed to establish that the remaining Uncollectible expense is material to its financial position and therefore warrants deferral accounting. The Commission finds that Kentucky-American's request to establish a regulatory asset for the recovery of its Uncollectible expense should be denied.

Travel/Conference Savings.

Because the Commission has found that Kentucky-American's requested regulatory asset should likewise be denied, we find that Kentucky-American's proposed expense offset should be denied as well.

CONCLUSION

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that Kentucky-American's request to establish a regulatory asset should be denied.

IT IS THEREFORE ORDERED that:

1. Kentucky-American's application to establish a regulatory asset for expenses related to COVID-19 is denied.

2. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED

DEC 30 2020

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SERVICE COMMISSION

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Quantitative Energy Equity

How utilities can create cost-effective, adaptive and targeted energy equity programs

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The Essence

▶ There is a significant equity gap in customer energy bills but many utilities have incomplete data on the scale and extent of the problem

▶ Energy equity metrics quantify performance and progress of energy assistance programs

▶ Utilities can meet greater energy assistance need without increasing program budgets through data-driven program delivery

▶ Relying on a quantitative framework for delivering energy assistance programs gets the right assistance to the right customers

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empower dataworks

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EMPOWER DATAWORKS LLC is a boutique consulting firm that specializes in data and engineering analytical services. We help utilities achieve their clean energy and equity goals.

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EXECUTIVE SUMMARY

For low-income customers, energy bills as a portion of income are three times higher than for the average customer. The shift to customer energy solutions like solar and batteries, smart homes and high-efficiency equipment is an exciting trend. But it is also expanding this equity gap because low-income customers cannot afford the capital expenses of these technologies so they cannot realize the benefits.

Utilities have been running various forms of energy assistance and low-income programs for decades, but the need is outpacing the current program capacity. Utilities can optimize the impact of their programs, without massive budget increases, by using data-driven strategies for program planning, design and delivery.

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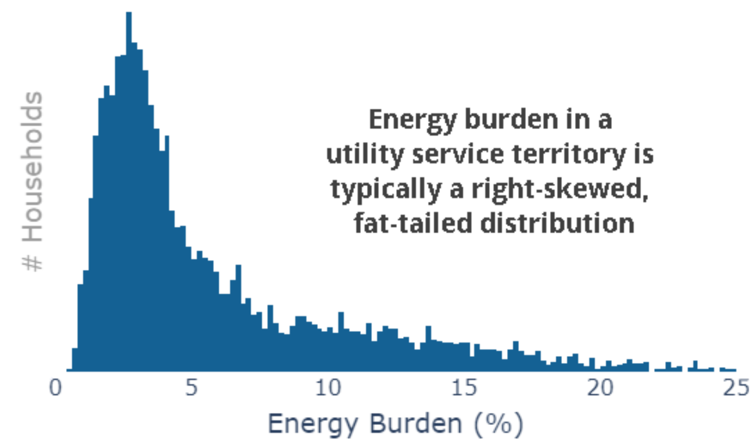
Six Key
Energy Equity Concepts

Energy equity is more complicated than it first sounds. And just to keep things interesting, it can also mean very different things to different people.

In general, a high level of energy equity means that customers across a utility service territory *share the costs and benefits* of the grid relative to their usage and have access to affordable energy. Let's unpack this by looking at some of the key concepts and definitions surrounding energy equity.

Energy Burden: Energy burden is the ratio between annual energy expenses and gross annual income for a household. It is a percentage that typically ranges from close to zero to over 15%. In a given service territory, the distribution of energy burden among customers is usually heavily weighted towards the left (low energy burden) and has a long tail consisting of the lowest-income, highest burden households.

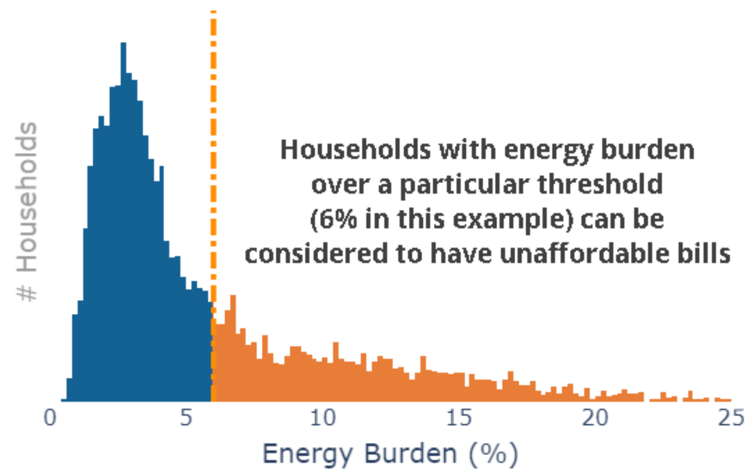


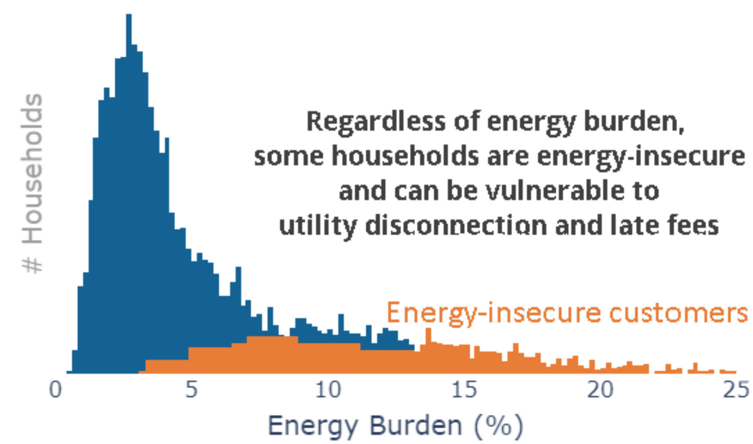
Energy Affordability: Energy affordability is an indicator of whether energy costs are low enough to allow a household to pay for other basic needs (food, shelter, clothing and medical care). Two households in different parts of the country can have identical incomes and energy costs, but one of them could consider their energy costs unaffordable if the cost of living is relatively higher in their area.

A quantitative way to capture energy affordability is by setting an energy burden threshold that is specific to a particular area. If the energy burden for a household exceeds this threshold, then their energy costs are considered unaffordable. In essence, this serves as a quantitative proxy for energy affordability.

Energy Insecurity: Energy insecurity is related to the vulnerability of a household to making delayed bill payments, having late payment fees and being disconnected from utility services.

In general, we can expect energy insecurity to be highly correlated with energy burden. But this correlation is not perfect; households with low energy burden can have high energy insecurity due to external factors (job loss, high medical bills etc.), while households with a high energy burden can have a low level of energy insecurity if they have access to energy assistance programs. Energy insecurity can be much more subjective than energy affordability and burden, so it is more difficult to quantify.





Energy Poverty: Energy poverty is defined by the U.N. Development Program as the *"inability to cook with modern cooking fuels and the lack of a bare minimum of electric lighting to read or for other household and productive activities at sunset."* The Energy Information Administration has estimated that half a million Americans, mostly in U.S. territories or on American Indian reservations, live without access to basic electricity services.

Energy Assistance: Energy assistance is a blanket term that encompasses initiatives and programs aimed at reducing energy insecurity and burden, and increasing energy affordability. These typically take the form of *direct cash assistance* (bill discounts, low income rates, donation programs, crisis assistance), *conservation* (low income energy efficiency, weatherization) or *arrearage management* (payment plans that assist customers with repayment of overdue energy bills).

Energy Assistance Need: The total dollar amount of unaffordable customer energy bills. In other words, it's the portion of customer energy bills that exceed a set energy burden threshold on an annual basis. If you could cut a check and bring all customer energy bills to an affordable level for each customer, how big would that check need to be?

Each utility's energy equity and needs landscape is different, and its energy assistance strategy should be optimized for its unique situation. Step one is to **decide where to focus**: energy poverty, affordability, insecurity or overall energy burden. Then, utilities can build a business case for specific energy assistance programs and judge their feasibility and ROI.

The Business Case

for Utility Investments in Energy Assistance Programs

Energy utilities are businesses. Their core mission is to maintain grid infrastructure to supply safe, reliable power services to their customers.

Implementing energy assistance programs can be viewed as straying from their core technical competencies and mission.

However, many utilities run energy assistance programs for a variety of reasons. Some utilities have regulatory mandates to run energy assistance programs. Others provide additional funds to community organizations that implement federal or state programs. Still others voluntarily run in-house programs because they see the value.

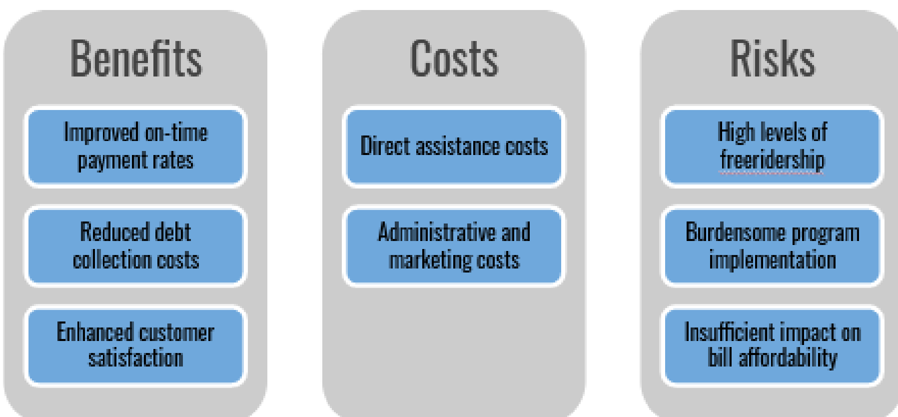
Mandates or otherwise, what is the business case for utilities to launch or redesign an energy assistance programs?

Energy assistance programs have ***two concrete value propositions****: improved payment rates and enhanced customer satisfaction*

Energy assistance programs are aimed at making energy bills more affordable for customers who experience a high energy burden with the ultimate goal of reducing late payments and disconnections.

Utility disconnections can be damaging to a utility's public image especially if they occur during periods of crisis or severe weather or if they affect a large number of disadvantaged customers. Disconnections also come with direct and indirect costs related to lost revenues, collections and administrative burden. Energy assistance programs help mitigate these issues with two concrete value propositions: improved payment rates and enhanced customer satisfaction.

Business Case for Energy Assistance Programs



VALUE PROPOSITION #1
IMPROVED PAYMENT RATES

Well-run energy assistance programs are not simply social justice projects that distribute financial benefits to low-income customers; they are a utility investment that allows low-income customers to make consistent payments for utility service, by reducing their energy burden.

The most direct financial benefit of energy assistance programs to the utility is to minimize arrearage write-offs and collection costs. Of course, the costs and resources associated with administering these programs should be in line with the magnitude of its benefits to the utility.

Reducing Late Energy Bill Payments through Prevention

Generally, prevention is better than the cure. Providing support to high-burden customers before they are late on payments is often more cost-effective in the long run than disconnections and debt collection.

Preemptive bill payment support need not be expensive. Light touch approaches like **targeted marketing** could help inform customers of available assistance programs and provide a needed buffer in their cash flow. Enrolling customers in **conservation programs** can also reduce their energy burden and reduce the size of large seasonal bills. Even simple, no-cost approaches like **equal payment plans or adjustable bill due dates** can go a long way to avoid late payments.

*Both prevention and intervention assistance measures can be **more cost-effective** for utilities than the status quo*

Mitigating Late Energy Bill Payments through Customer Interventions

For customers who are late on their bills, it is important to understand their unique situation and help them with the right kind of assistance.

For many customers, the inability to pay utility bills on time stems from temporary hardship (job loss, unexpected expenses etc.). This is a cash flow problem that can be addressed with **bill deferrals or arrearage management plans**.

Other customers experience a more sustained energy burden due to low incomes or inability to work. These can be assisted with **direct cash discounts or rate adjustments**.

Programs that are not targeted to specific customers can serve “free-riders”—customers who may be low income, but whose energy costs are not a significant portion of their expenses (that is, they do not have a high energy burden). Free-riders can meet their bill obligations without assistance and the resources devoted to them can be better utilized for the customers who are most in need.

Both prevention and intervention assistance measures can be more successful and cost-effective than moving down a path of late fees, service disconnections and collections, with a positive financial return for utilities.

VALUE PROPOSITION #2

ENHANCED CUSTOMER SATISFACTION

Customer satisfaction has become a key focal point for most utilities, driven by competition from customer energy solutions like solar and storage, as well as the presence of a competitive retail energy landscape in some jurisdictions. Happy customers trust their utility and are loyal to it over the long term.

Looking ahead, many challenges in the grid of the future require cooperation between utilities and their customers. Large industrial and commercial customers are more likely to positively engage with utilities that demonstrate high levels of corporate responsibility and customer care.

As a model for utilities, high customer satisfaction has been linked to trust in leadership, higher stock prices and higher credit quality for companies in many industries. This would translate to higher shareholder value for investor-owned utilities and long-term confidence in leadership for publicly-owned utilities and coops.

Energy assistance programs serve utility customer satisfaction goals

*Utility assistance programs **drive higher customer satisfaction** – not only for program participants but for all customers*

First, low-income customers who experience these programs first hand show strong appreciation for the assistance from their utility. Customers have long memories when it comes to customer service, good and bad.

A customer who remembers a seamless experience through their utility's energy assistance program has a very different experience than one going through the collections process or a service disconnection. These customers also tend to spread the word and enhance the reputation of the utility, while serving as free marketing for the assistance programs.

Secondly, utility customers in general look upon their utility more favorably when it leads energy assistance initiatives that have a societal benefit, as long as they are run efficiently and do not waste ratepayer funds. Even better, customers are happy to support these initiatives when given the chance, as evidenced by the success of assistance programs based on customer donations in many utilities across the country.

So, what's the business case for a utility considering launching or revamping its energy assistance programs in a nutshell?

When the programs have clear objectives and when they are targeted at the right customers, they result in clear societal benefits. This makes **customers across the board happier and more loyal to their utility**, while reducing costs to the utility associated with bill delinquencies.

If your existing programs are struggling to achieve these goals in a concrete way or you cannot measure their effectiveness and reach, then your programs would benefit from an evaluation and redesign to meet your goals cost-effectively.

An Energy Burden Framework

for Quantifying Energy Equity

One major challenge with improving energy assistance programs is with defining what a "good" program is, whether it's for discount programs, low-income weatherization or arrearage management.

Some metrics are easy to calculate but don't actually tell you anything about the quality of the program.

- *We serve 5000 customers a year*. Participation is the quintessential vanity metric. How much of these customers' energy burden is actually reduced? Are those the right customers to be serving?
- *100% of participants are satisfied with our program*. Who doesn't like free, whether in the form of home upgrades or money? Is the high customer satisfaction being translated to an improved image of the utility more widely? Do customers even know the utility's role in the program?
- *Our annual energy assistance budget is $XX million*. Bigger isn't always better—are these funds being used cost-effectively? Could these funds be used in different ways for more persistent benefits?

Before developing metrics or KPIs, utilities should be crystal clear on the goals of their programs – steering clear from vague, unmeasurable benefits and vanity metrics.

The two main value propositions for energy assistance programs are improved on-time payment rates for low-income customers and enhanced customer satisfaction. These assume that the programs manage to improve energy affordability for program participants and that this impact is communicated to the utility's customers.

Realizing the benefits of energy assistance programs starts with ***demonstrating a reduction of energy burden*** *for high-burden customers*

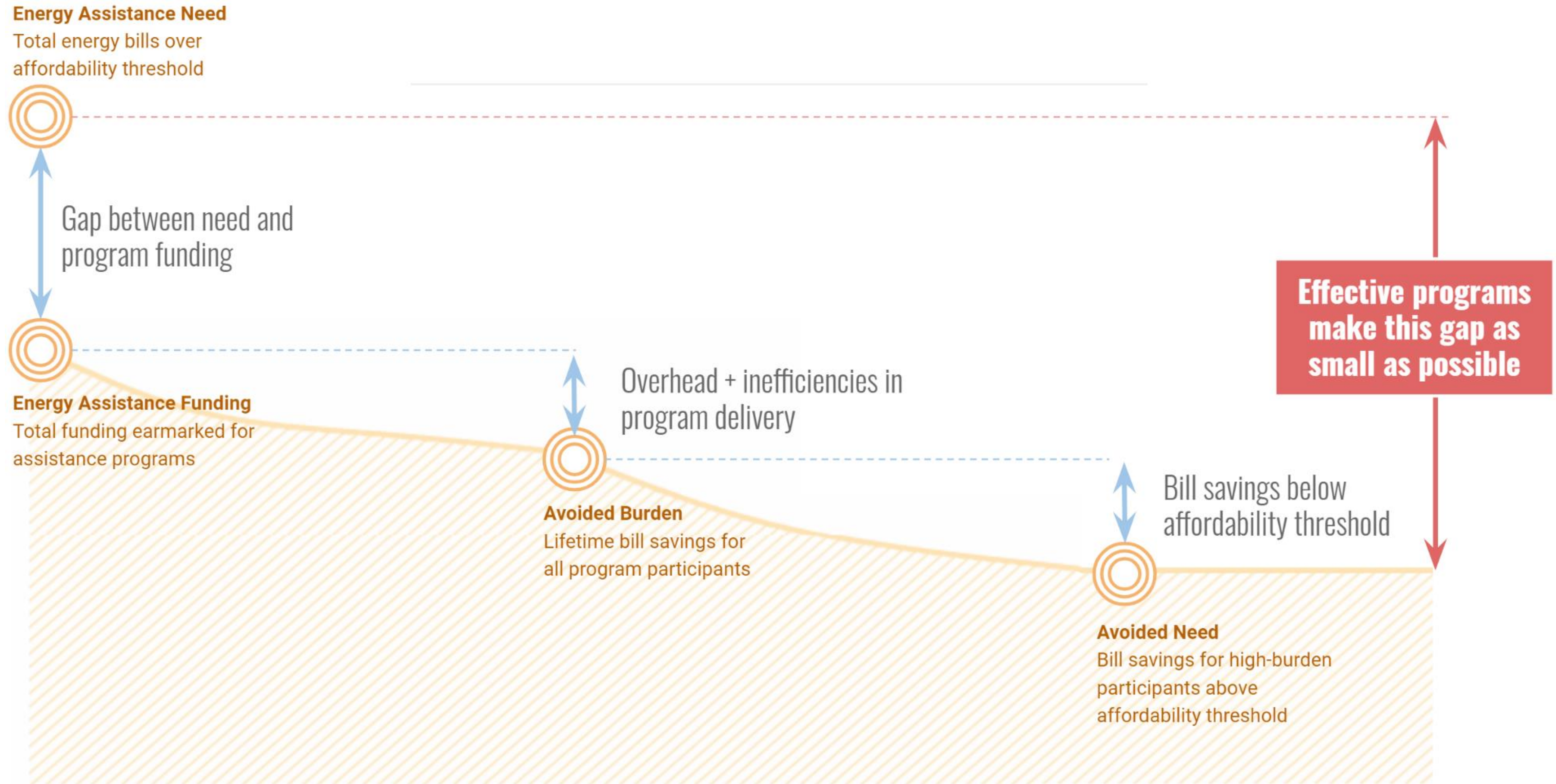
Utilities should use **simple metrics tied to energy burden reductions** that can be quantified and tracked to drive concrete improvements to programs.

WHAT PROBLEM ARE WE SOLVING?

Our goal is to reduce **energy assistance need**. In other words, we don't want high-burden, low-income customers to spend more than a certain percent of their incomes on energy (this threshold can be anywhere from 4% to 10%). To get a clear picture of program performance, we need to calculate four values (see image below):

Energy assistance need is a single dollar value that can be calculated for a service territory and tracked year-over-year. Some approaches to calculating this number are discussed in a later section.

In most areas, the total **energy assistance funding** that is available to customers is some fraction of the energy assistance need. But funding levels by themselves do not capture the success of a program. You could theoretically dump millions of dollars in a program and not affect energy assistance need by a single dollar, because the funds aren't reducing energy burden for high-burden customers. This takes us to the concept of avoided burden.



Energy assistance programs should consider four main quantitative metrics to identify areas of improvement

Avoided burden is the *actual* dollar reduction in customer energy bills resulting from energy assistance programs. This can be lower than the total energy assistance funding due to overhead expenses or the installation of non-cost-effective conservation measures. This number is an output of program impact evaluations. Ideally, it would be calculated annually or every couple of years, but, unfortunately, many assistance programs rarely, if ever, get evaluated.

This is not the end of the story. Remember, as utilities, we're trying to help payment-troubled, high-burden customers, not simply offer free cash and home upgrades to low-income customers. So the final value we need to calculate is the **avoided need**. This is the avoided burden specifically for high-burden customers and can easily be calculated from program data. It's usually much smaller than avoided burden because most low-income programs do not target high-burden customers.

PROGRAM EFFECTIVENESS METRICS

Using this energy burden framework, effective energy assistance programs have a high level of avoided need and demonstrate continuous progress by shrinking the gap between avoided need and total energy assistance need.

We can express this energy assistance to avoided need gap with three ratios. Each ratio represents a lever we can use to improve our energy assistance program effectiveness.

Funding Ratio: the ratio between energy assistance funding and energy assistance need

Operational Effectiveness: the ratio between avoided burden and energy assistance funding

Targeting Effectiveness: the ratio between the avoided burden and avoided need

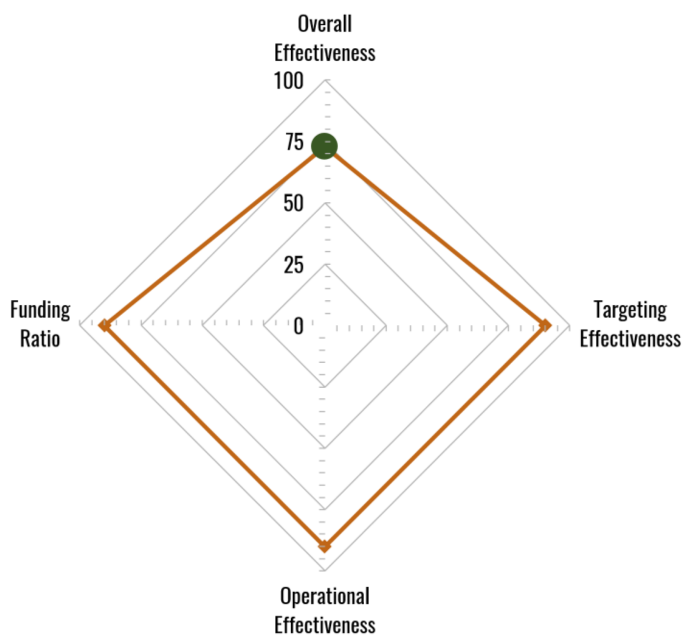
Three Levers of Effectiveness

$$\text{Avoided Need} = \text{Total Need} \times \underbrace{\underbrace{\left(\frac{\text{Assistance Funding}}{\text{Total Need}}\right)}_{\text{Funding Ratio}} \times \underbrace{\left(\frac{\text{Avoided Burden}}{\text{Assistance Funding}}\right)}_{\text{Operational Effectiveness}} \times \underbrace{\left(\frac{\text{Avoided Need}}{\text{Avoided Burden}}\right)}_{\text{Targeting Effectiveness}}}_{\text{Overall Effectiveness}}$$

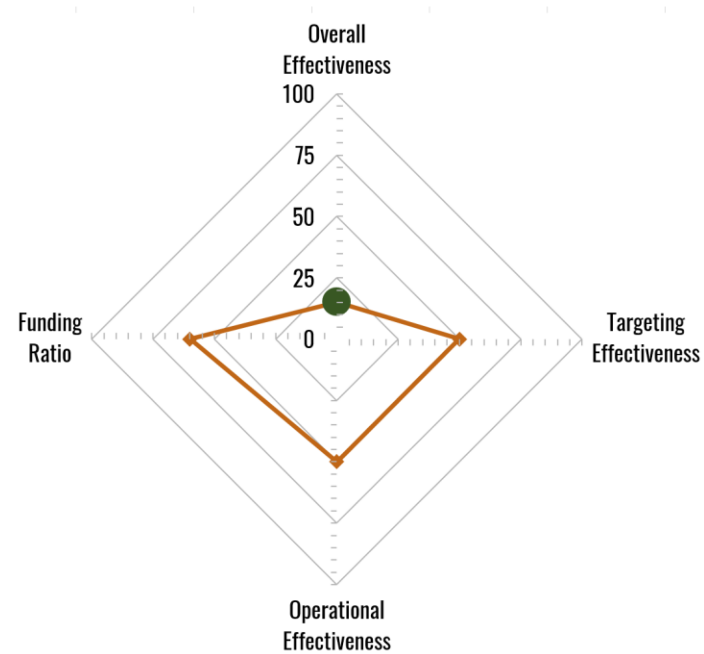
These three ratios multiplied by each other yield the **Overall Program Effectiveness** at reducing the energy burden of high-burden customers.

So, we have three levers to create a great energy assistance program: *increase funding, improve efficiency of operations and effectively target high-burden customers.*

A great program has enough funding, streamlined operations and is designed to target high-burden customers. It looks like the following (with the height of the green circle indicating overall effectiveness):



Most programs, however, have insufficient funding and aren't particularly intentional about targeting or operational effectiveness. Three small ratios multiplied by each other result in a much smaller overall effectiveness.



HOW DO WE GET TO THE GOLD STANDARD OF EFFECTIVE ASSISTANCE PROGRAMS?

By influencing the three levers: funding, operations and targeting.

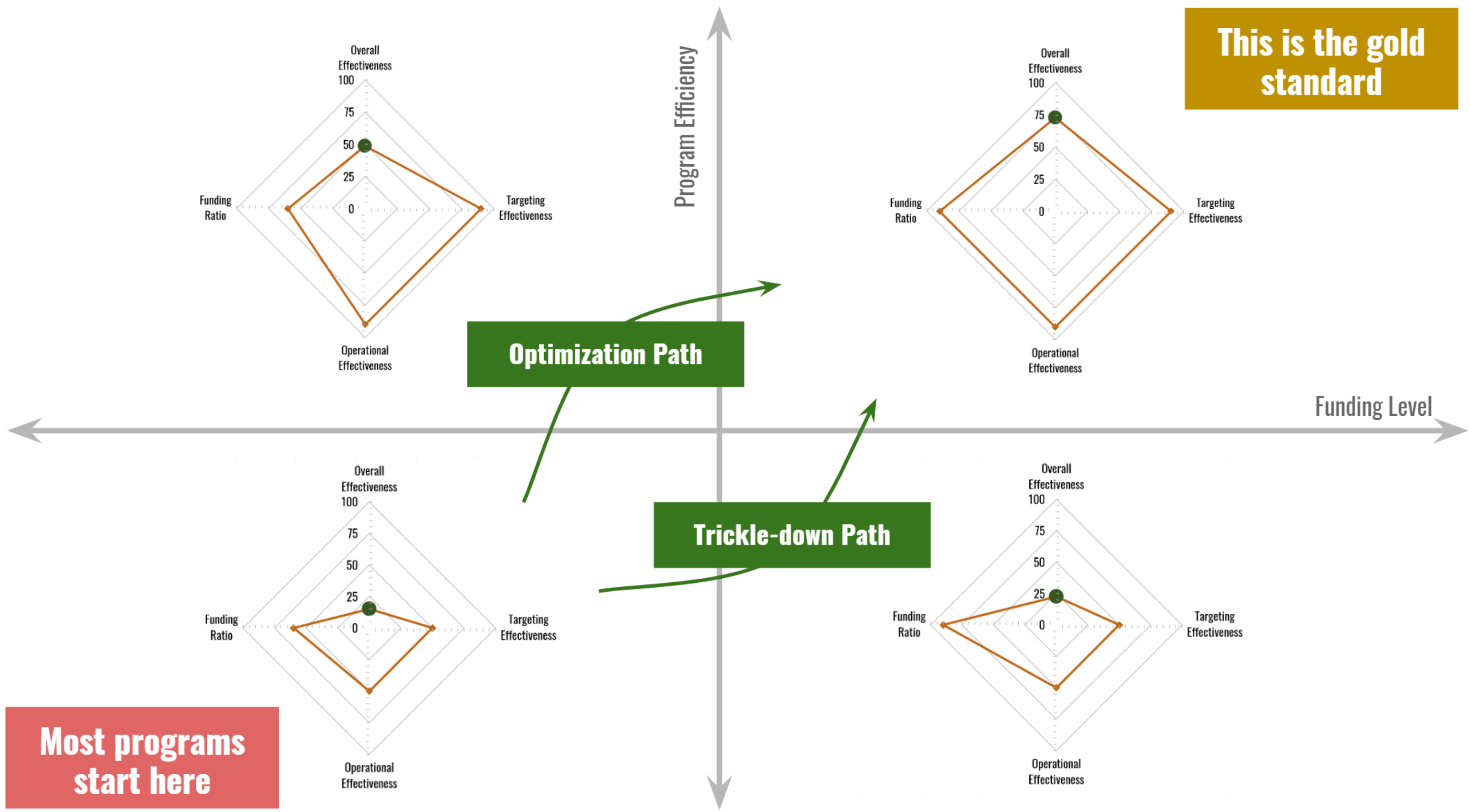
Unfortunately, **the default reaction is to use the funding lever** by pumping more money into program budgets whenever a utility or program administrator considers doing more for low-income customers.

If the programs are inefficient, when we rely on this option, we are hoping for a *"trickle-down"* effect. Funds are injected in the program budget. Some of it will be spent on program administration, operations and customers who don't need the assistance. Only a portion of the additional funding will eventually make its way to the right customers. Most of these funds aren't actually addressing program goals.

Another alternative is to leave program budgets unchanged and instead divert some of the funds to doing things smarter by optimizing operations or targeting high-burden customers.

Operational effectiveness encompasses things like program workflows, marketing, customer service, choice of incentive levels and measures, performance tracking and KPIs, among others. **Program evaluations**, when well-executed, can yield valuable insight and actionable recommendations for improving operational effectiveness or even guiding a full program (re)design.

Improving targeting effectiveness requires a comprehensive understanding of the demographic and geographic characteristics of high-burden customers to guide targeted marketing and outreach approaches. This can be accomplished through **low-income needs assessments**. Program designs can also support the purpose of targeting by designing incentive or discount structures that are better aligned with energy burden. **Integrated marketing** that intentionally focuses on key customer segments is also vital to improving overall program targeting effectiveness.



Energy assistance programs have two paths to reducing customers' energy burden: spend more money or optimize current programs

HOW DO WE CALCULATE PROGRAM EFFECTIVENESS METRICS?

Metric #1. Energy Burden

The calculation of energy burden requires data on the annual energy bills and gross income for a group of customers or an entire service territory. These can be obtained from census microdata (for example from the American Community Survey), from customer surveys administered by the utility or by using a combination of utility billing data and customer-level demographics (from customer data aggregators).

In most cases, some level of modeling will be required to fill in data gaps, but the degree of modeling will vary based on the extent of available data. For example, census microdata covers less than 5% of customers in a service territory and requires extensive modeling, while utility data requires minimal modeling.

Metric #2. Affordability Threshold

Once energy burden has been calculated, you need to determine a threshold value above which a customer would be considered to have "high energy burden" for your service territory. Sometimes, this value is set by regulators. Or a program/utility could set its own threshold—usually varying from 4-10%, with 6% being a very common threshold.

Alternatively, utilities can deploy a well-designed survey that identifies this threshold for their service territory. This type of survey would tie the level of customer energy burden with their ability to afford other basic necessities, their likelihood of being late on their bill payment and the practice of keeping homes at unhealthy temperatures to save on bills. The advantage of this approach is that it takes into account specific needs and perceptions of a utility's customers, along with competing expenses for other essentials and the general standard of living in the area.

Metric #3. Low-Income Threshold

The low income threshold is more of a program design question revolving around eligibility rules for programs than a metric for program effectiveness. However, it is useful to incorporate various low income thresholds when evaluating programs or performing needs assessments to understand the repercussions of this choice. Low income thresholds are typically set as a percent of the federal poverty limit or the area median income.

Metric #4. Energy Assistance Need

The total energy assistance need in a service territory depends on several factors:

- Household energy use and efficiency
- Household income levels and, by extension, unemployment rates
- Weather, especially the severity of winters in northern climates and summers in southern climates

The energy assistance need can be calculated in several ways, as described below, depending on data availability and intended use of the analysis.

Approach #1. Econometric Modeling of Sampled Data

The first "econometric" method of estimating energy assistance need relies on sampled survey data along with extrapolation models that yield metrics across a county or service territory. One excellent example of this approach is the Low-Income Energy Affordability (LEAD) tool published by the Office of Energy Efficiency and Renewable Energy at the Department of Energy. Note that the LEAD tool only provides estimated averages of energy burden, not the actual energy assistance need - some additional analysis would be required to arrive at the latter.

Pros: This class of methods can be very useful for policy purposes, as it offers consistent calculations that can be applied across an entire state or even the whole country for comparative analysis.

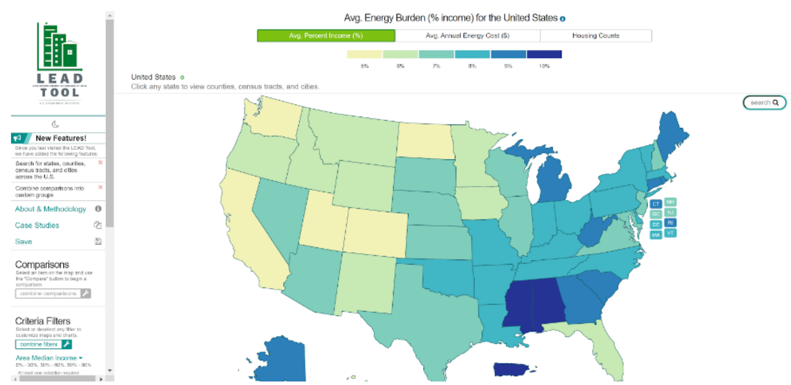
Cons: However, these methods can suffer from drawbacks that limit their applicability in energy assistance programs, specifically:

Timeline: Most of these approaches (including the LEAD tool) are based on 5-year American Community Survey microdata. So, the results are based on data that may be outdated and also too smoothed out to detect year-over-year changes in the future.

Sampling accuracy: The data used in these methods is sampled from a small portion of the population (under 10%) and extrapolated across a service territory. When using the American Community Survey, the energy use data is self-reported and for a single month. The accuracy of extrapolating energy use from one month to a full year will depend on when the survey was answered and the level of seasonal variability for a service territory, calling into question the reliability of energy burden estimates.

Granularity: Even if we were to overlook potential questions of timing or accuracy, these approaches do not tie data to utility customer accounts and often only go down to the census tract level. This means that results can be affected by "outlier" meters that do not represent most customer accounts (for example, vacation homes, garages, commercial uses, etc.). This also means that the results are too broad to use for specific program design and marketing strategies because the geographical units are too broad.

These drawbacks mean that the approaches can fall short of providing actionable data for driving program design and informing targeted outreach for specific utility programs. However, they could still be useful for comparative analysis in academic or high-level policy contexts.



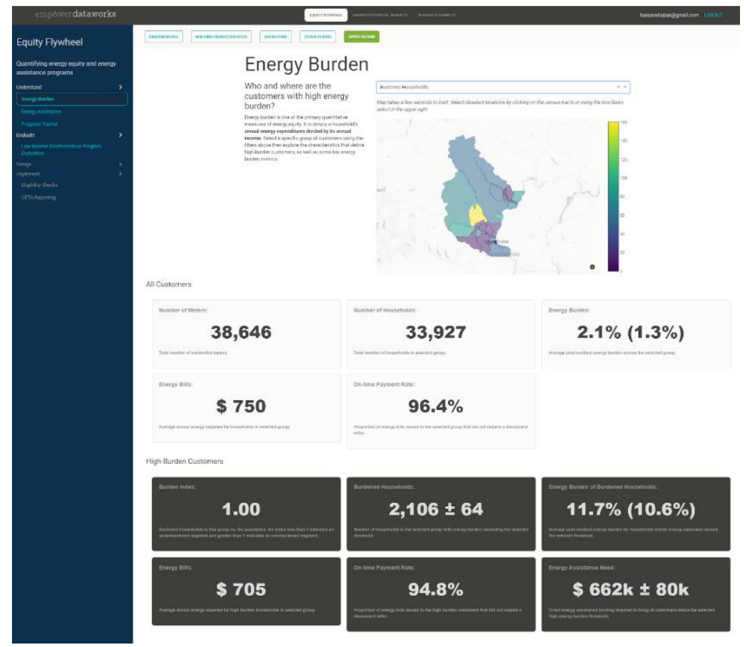
LEAD tool

Approach #2. Bottom Up Aggregation of Customer Data

A second, “data-science” approach to estimating energy assistance need relies on gathering as much real data as possible from the service territory, with minimal modeling to fill in data gaps. For example, the utility has energy use data for 100% of its customers. Income data can be purchased from credit bureaus. One example of this approach is delivered through the Empower Dataworks Equity Dashboard, which allows utility program managers to slice and dice their data and develop customized program delivery strategies for their service territory.

Pros: The advantage of working with customer or meter-level data is the ability to control the quality of data that goes into the energy assistance need estimates. For example, meters that are not tied to households can be identified and eliminated. Meters that show minimal energy consumption can be flagged as potentially unoccupied. If a utility wishes to monitor its energy equity progress, it can always use the most recent data available. Finally, performing the analysis at the household level means that insights can be extracted at various levels of granularity.

Cons: One drawback with this type of approach is the level of effort required to gather the disparate datasets and perform the analysis, but it is more than balanced by the quality of insight that can be gained - the accuracy and granularity of the approach makes it appropriate to designing specific assistance programs.



Empower Dataworks Equity dashboard

Approach #3. Hybrid Approach

A third approach combines elements of econometric modeling with data science. One such method leverages a modeling approach with a statistical procedure called “iterative proportional fitting” as the backbone, but uses real data wherever possible for calibration.

For example, actual energy consumption data can be easily obtained from utilities and used in place of surveyed estimates and actual building data can be obtained from county assessors. Demographic data like income, ethnicity and homeownership is harder to obtain and more sensitive. With this approach, you could rely on American Community Survey estimates of these attributes.

Pros: This approach would enhance the reliability and data relevance of energy assistance estimates while avoiding sensitive data. It also requires a lower level of effort than a pure data science approach, making it suitable for assisting policy makers or setting energy equity targets for utilities.

Cons: This approach would have low granularity, so it may or may not be useful for in-depth program design.

Metric #5. Energy Assistance Funding

This is the total dollar amount of funding flowing through energy assistance programs, including discount, donation, arrearage management and weatherization programs. This is typically well-known to program administrators and can be retrieved from the program accounting systems. One minor tweak to program accounting practices is to attribute funding to specific customers, so that service gaps can be identified for various customer segments.

Metric #6. Avoided Burden

Avoided burden can be determined through program impact evaluations, which identify the actual bill reductions for program participants. Program evaluations rely on data collected from program tracking databases and accounting systems. For conservation programs, program impact is determined by performing an analysis of customer energy consumption prior to and after the installation of efficiency measures.

Metric #7. Avoided Need

Avoided need is calculated by identifying which program participants would qualify as "high energy burden" based on the affordability threshold. The total bill reductions actually experienced by this customer group is the avoided need. The data required for this calculation (income and energy use) is usually stored in program tracking databases as it is required for checking customer program eligibility.

HOW DO WE SEGMENT CUSTOMERS WHEN QUANTIFYING EQUITY?

Most of the discussion so far has revolved around aggregate metrics across a service territory. The true value of understanding energy burden within this framework is when these same metrics can be studied for specific customer segments. This *"slicing and dicing"* is especially valuable for designing specific marketing and outreach strategies, as well as for tweaking program application workflows and incentive levels for maximum impact.

*The true value within quant frameworks is when the metrics can be sliced and diced for **different customer segments***

Some of these relevant segmentation dimensions are:

Geographical Location: Where are the customers with high energy burden located? Where does the current energy assistance funding go?

Income: Is high burden concentrated in customers with the lowest incomes? Or is it a function of high energy costs?

Age: Do older customers on fixed incomes need the most assistance? How do we accommodate working-age families?

Building Type and Homeownership: How does energy burden compare in single family and multifamily properties? Do renters shoulder a higher burden than homeowners, and do they have equal access to energy assistance programs?

Race/Ethnicity/Language: Are there barriers in the existing programs that preclude certain demographics from learning about assistance programs or accessing assistance funds?

Urban/Rural: For larger utilities, are the energy burden and program participation rates markedly different across rural and metropolitan areas?

EQUITY INDICES FOR CUSTOMER SEGMENTS

The overall metrics discussed earlier should be supplemented with some key indices that are applicable to specific customer segments. These indices help quantify equity across customer segments and highlight segment gaps in program delivery.

Equity indices highlight equity gaps for different customer segments ***at a glance***

Burden Index: The ratio between a customer segment's proportion of burdened households and their proportion of the total population. For example, if a certain customer segment comprises 10% of burdened households and is 5% of the population, then the burden index is 2. An index of less than 1 indicates an under-burdened segment, while greater than 1 indicates an over-burdened segment.

Program Equity Index: The ratio between the percent of total energy assistance budget received by a given customer segment and their proportion of the total population. For example, if a certain customer segment receives 2.5% of total assistance funding and is 5% of the population, then their equity index is 0.5. An index less than 1 indicates an underserved segment and greater than 1 indicates an overserved segment.

Energy Cost Index: The ratio of the median annual energy bill for a given customer segment and the median annual energy bill for customers outside this segment. For example, if the median annual energy bill is $1500/year for a certain customer segment and $1000/year for everyone else, the energy cost index is 1.5. An index greater than 1 indicates higher than average energy use.

Late Payment Index: The ratio of the late bill payment rate for a given customer segment and the late bill payment rate for customers outside this segment. For example, if the late bill payment rate is 10% for a certain customer segment and 5% for everyone else, then the late payment index is 2. An index greater than 1 indicates a customer segment with more frequent late bill payments than average.

CLOSING THE ENERGY ASSISTANCE GAP

We've shared one framework for delivering more effective energy assistance programs. But as with most things in life, **it's all about execution**.

The easiest step that an energy assistance program administrator can take is to start laying the foundation for quantifying energy assistance programs. All of the data you'll need exists in one form or another, and it's usually just a matter of combining the data in a coherent manner. The metrics are also relatively easy to calculate and understand, and once they are placed in the context of a specific utility, it becomes easier to spot potential areas of improvement, underserved customer segments and funding needs.

Smart Strategies

for Optimizing Energy Assistance Programs

A utility's energy assistance portfolio encompasses a variety of programs and initiatives from weatherization programs to bill discounts and crisis assistance. How do you optimize a program portfolio?

We've already looked at the foundations for an effective energy assistance portfolio. In earlier sections, we defined **key energy equity concepts**, laid out **the business case** for utility assistance programs and discussed **an energy burden framework** for quantifying the effectiveness of energy assistance programs.

In essence, we have our **energy equity GPS** that tells us where we are and where we're going while giving us feedback on our speed and location.

But how do we actually get to our goal? Do we walk or bike or just take the rickshaw? Zoom on the freeway or meander along the scenic route?

In other words, now that you can calculate and monitor key metrics that tie directly to energy assistance program goals, **how do you use these metrics to optimize an energy assistance portfolio?**

Here we share three of the data-driven strategies we've developed over the years to inform our decisions, whether we're re-examining a whole energy assistance portfolio, launching a specific program or making concrete program design choices.

01 ▶ How should utilities organize their **energy assistance portfolio**? Which programs or initiatives should they run?

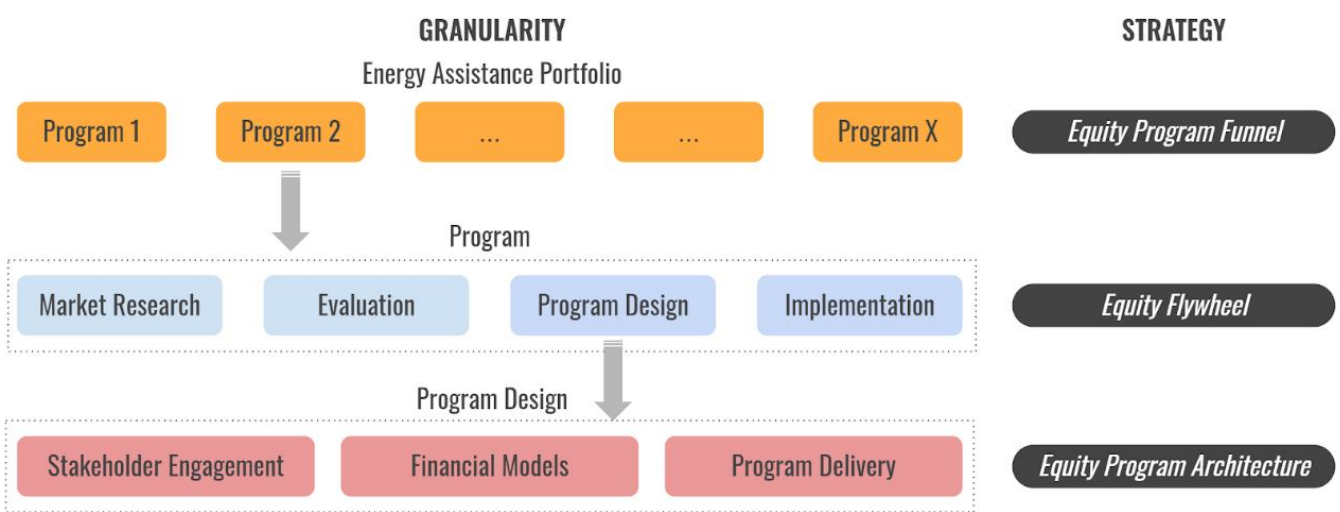
The Equity Program Funnel applies to a utility's energy assistance portfolio and advocates for comprehensive, linked program offerings that yield efficiencies in marketing and program delivery.

02 ▶ How can the energy burden framework be integrated deeply into **program delivery** to ensure continuous improvement?

The Energy Equity Flywheel is a data-driven approach to planning, designing and implementing individual energy assistance programs by relying on strong feedback loops that inform program delivery and improve results.

03 ▶ How do we **design intentional programs** that deliver value?

The Equity Program Architecture lays out a structured approach for designing energy assistance programs that are optimized for continuous evaluation and improvement.



Data-driven strategies can be applied at every level of an energy assistance portfolio

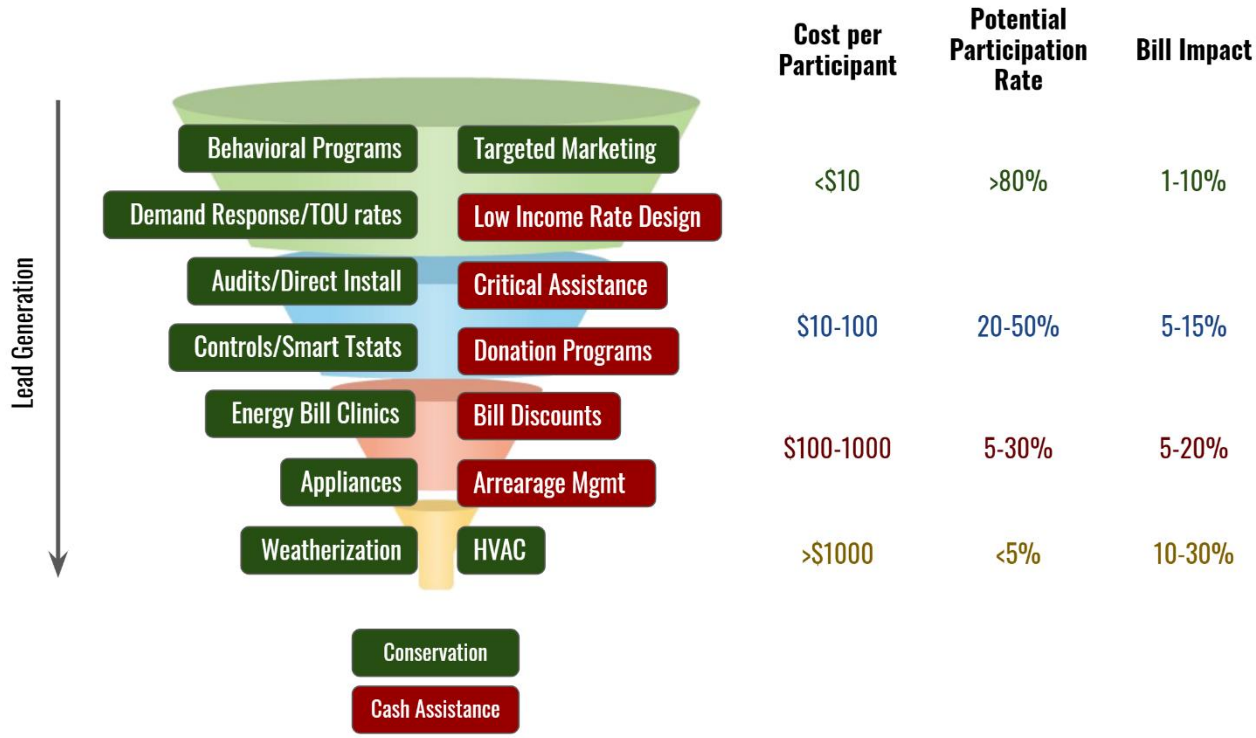
STRATEGY #1

EQUITY PROGRAM FUNNEL

When planning energy assistance programs, utilities have a choice between many program options. Do you target more **immediate bill relief** for customers or **more persistent savings** through energy efficiency? Should you focus on a few high-touch customers or should you build more mass-market programs?

The idea of the Equity Program Funnel is to build a **comprehensive suite of interconnected energy assistance offerings**. At the top of the funnel, we find programs and initiatives that can be rolled out at scale to most low-income customers at a relatively low cost per customer. These include behavioral programs, targeted marketing or rate designs. At a slightly higher level of investment, utilities can implement widget programs (e.g. smart thermostats) or offer free audits to identify low-cost conservation opportunities. They can also administer customer donation programs at a relatively low cost or offer critical bill assistance, which would apply only in certain situations.

Further down the funnel, we find strategies that require a larger investment and higher level of customer support, but are more personalized to



specific customers, including efficient appliance programs, cash assistance and arrearage management.

Finally, at the bottom of the funnel are the heavy hitters: the weatherization and HVAC programs that deliver significant levels of sustained burdened reduction, but at a very high cost per participant.

CRAFTING A CUSTOMER JOURNEY

The Equity Program Funnel doesn't mean running every kind of program out there, but instead focusing on building a *continuous* customer journey from light touch to more demanding interventions.

For example, a utility could leverage targeted bill inserts to low-income customers that include **conservation tips** and information about **critical assistance programs**. In these mailers, they can include information for how to sign up for a free energy audit.

Customers who opt for an **energy audit** can be pre-qualified for **bill discounts** if they meet certain energy burden criteria. And those with high energy savings potential can be directly signed up for the **weatherization program**.

If these same four programs were run separately, the customer would receive a bill insert without a clear call to action. Then, on their own, the customer would somehow have to *learn about and apply for three separate programs*, while navigating separate application forms and different eligibility criteria.

At first glance, crafting a customer journey sounds overwhelming... and expensive. But building a holistic energy assistance portfolio has several advantages:

Economies of scale. Building interconnected programs creates efficiencies in program delivery and technical infrastructure. Programs can share staff, application workflows, marketing assets and accounting systems to reduce overhead and administrative costs.

Single entry point to the energy assistance portfolio. Customers appreciate having a one-stop shop for their energy assistance needs, rather than a collection of disparate programs and processes.

Customer engagement. Maintaining strong ongoing relationships with low-income customers reduces barriers to participation in energy efficiency programs, which require a heavier investment of time (and sometimes money) from the customer.

“Automated” marketing. The different programs can more effectively serve as lead generation for each other, especially if they use the same participant databases and have consistent branding.

STRATEGY #2

ENERGY EQUITY FLYWHEEL

When launching or redesigning a specific program that fits in our Equity Program Funnel, how do you ensure that each program is aligned with your goals and with the needs of low-income customers? How big do these programs need to be anyway? And what steps do we take to make sure they are performing well?

Enter the **Energy Equity Flywheel**.

The Flywheel framework relies on **strong feedback loops** between the different components of an energy assistance program. There are four components: Understand, Evaluate, Design and Implement.

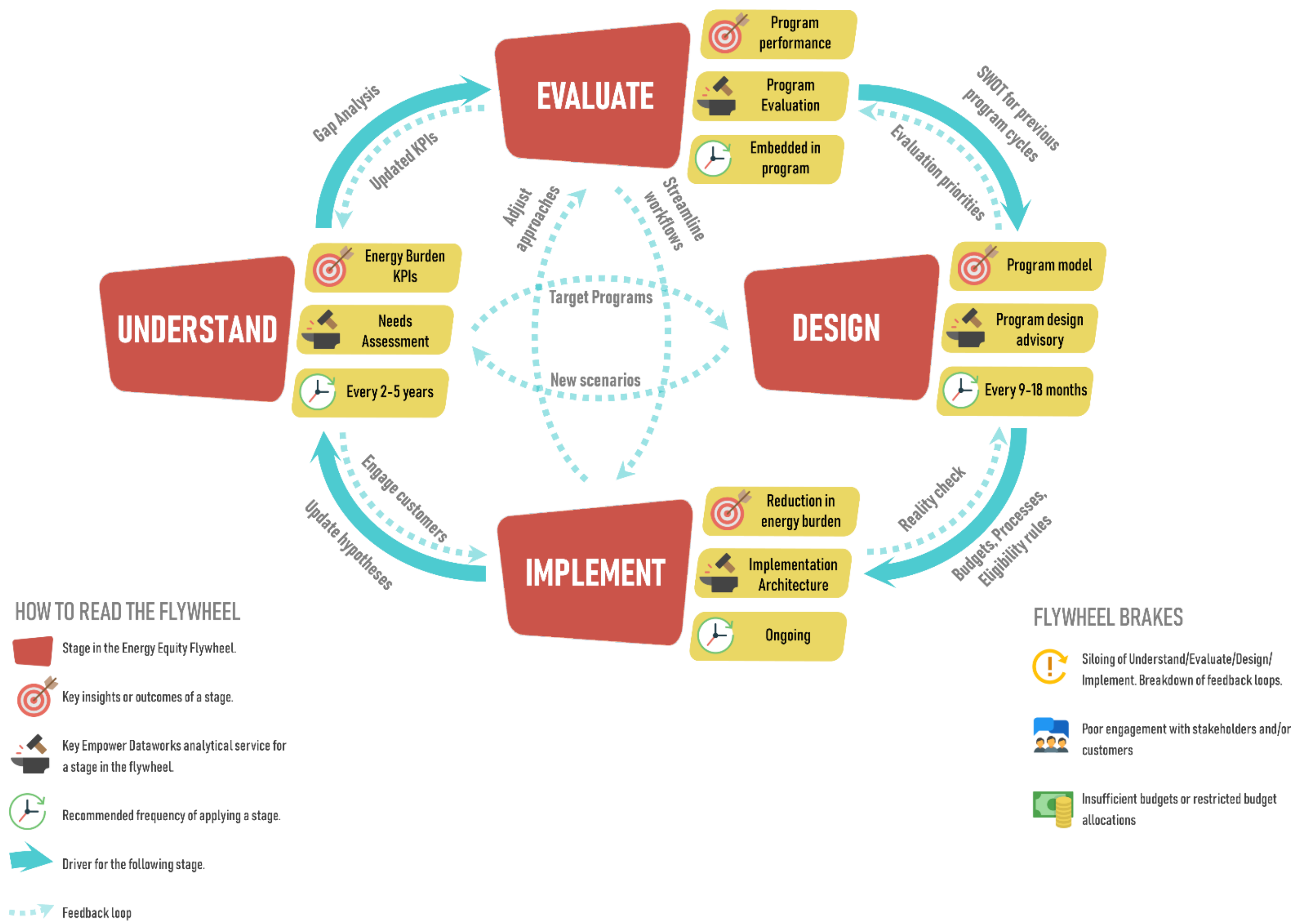
Each feedback loop tracks specific **data points used to drive decisions** in other components of the flywheel.

As the flywheel gains momentum and effective communication and reporting processes are put in place, the feedback loops become stronger. Program delivery becomes more **streamlined**, more customers are served, and program **cost-effectiveness improves**.

The flywheel is then able to keep rolling unless it meets significant resistance from any of the *"flywheel brakes"*, including low funding levels, poor stakeholder engagement or breakdown of feedback and accountability. Explore the different components of the Flywheel in this interactive image or read on for a description.

In the image below, keep in mind that the components in the Flywheel are nothing new. *It's the blue data connections that make the flywheel magic*, by making sure each component meaningfully informs every other one.

THE ENERGY EQUITY FLYWHEEL



UNDERSTAND

How many of my customers have a high energy burden? What's their geographic and demographic distribution? Which customer segments are under-served by current energy assistance programs? How much would it cost to meet the need in my service territory?

The first component of the Energy Equity Flywheel involves understanding low-income customers in your service territory. Understanding the need and program gaps drives better program design and also allows your program evaluations to focus on the metrics and processes that matter. Insight into the low-income segment is also critical to effectively engaging customers during program implementation.

The Understand phase is implemented using *low-income needs assessments* and *conservation potential assessments*, which help you understand energy burden based on geographic, demographic and building characteristics, energy efficiency potential, energy assistance need and the gap between need and energy assistance program performance.

EVALUATE

Do my existing programs deliver customer bill savings? Are they running efficiently? Do they have streamlined processes? How can program delivery be modified to improve performance?

The Evaluate component in the Energy Equity Flywheel is a deep dive into the performance of your existing energy assistance programs. The purpose of this stage is to identify points of improvement in the delivery and cost-effectiveness of existing programs. Also, when paired with the Understand component, we can identify potential gaps that can be filled with tweaks to program design or by deploying additional programs. Evaluation also informs workflow improvements for streamlined program implementation.

The Evaluate phase is implemented through *program process and impact evaluations*, which examine current program processes and workflows, identify customer bill impacts, assess program rules and eligibility criteria and compare with best practices.

DESIGN

Which customers should I target? What should my eligibility rules be? How does a customer apply to my programs? How much should I pay in incentives or discounts? How much should we budget?

The Design module in the Energy Equity flywheel involves crafting a comprehensive program architecture to ensure successful program delivery. The main purpose of this stage is to design cost-effective programs, in line with the insights from the Understand and Evaluate components. Once a program is launched, the architecture can be refined with insights from program implementation.

The Design phase is implemented through *program design architectures*, which include informed incentive/discount structure and economic analysis, recommended program workflows and processes, marketing and outreach strategy including segmentation, budgets and schedules.

IMPLEMENT

What kind of infrastructure do I need to run my programs? What about IT, marketing and finance? Which reports do I need to show compliance? Who should I hire? What should I outsource?

The Implement component in the Energy Equity Flywheel involves setting up the people, process and tools required for cost-effective success and the integrated monitoring KPIs.

The main purpose of this stage is to put the infrastructure in place to efficiently run and scale the program. This includes assessments and recommendations for specific tooling and marketing and IT infrastructure, workshops with trade allies and contractors, training for implementation staff, and everything else needed to begin implementation.

Practical insights in this stage are used to drive improvements in all the other components of the Flywheel.

STRATEGY #3

EQUITY PROGRAM ARCHITECTURE

The Equity Program Architecture is a series of discrete steps, shown on the next page, that use insights and data from other program activities to design energy assistance programs that are effective at reducing energy assistance need.

The design process ingests the results from prior program evaluations, conservation potential assessments and low-income needs assessments, in addition to participation data from existing programs.

The core components of this process are **stakeholder engagement**, **economic analysis** of the program, targeted **marketing strategy** and a **program delivery plan**. Within these steps are ongoing efforts to include best practices from other programs and ensure evaluability.

The design process is not linear but iterative. The goal is to validate or invalidate assumptions early in the process by soliciting constant stakeholder feedback.

Stakeholder Engagement

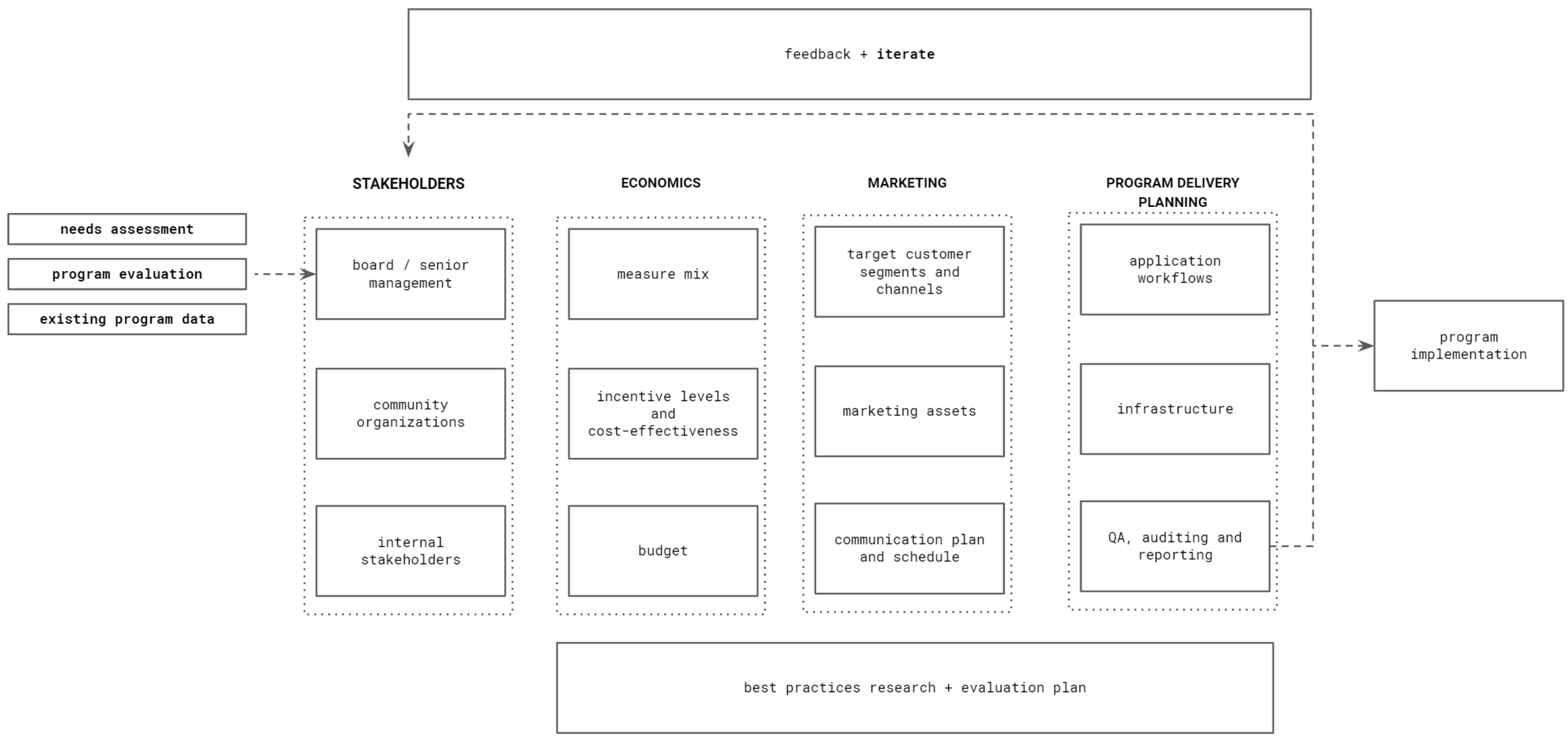
What are the utility's overarching goals with this program? Do initial hypotheses from assessments and evaluations agree with on-the-ground experience of community organizations or customers? How do we integrate feedback from different stakeholders to deliver an effective program?

The work involves working with senior management at the utility, community organizations and internal utility stakeholders to plan brainstorming sessions and agree on the goals of the program design.

Economic Analysis

Which measures or interventions should we offer customers? How should incentives or discounts be structured? How big should the program budget be each year?

This analysis revolves around cost effectiveness modeling by quantifying the potential costs and benefits of the program. These financial scenarios and budgets can be built around on different participation rate scenarios.



Marketing Plan

How do we reach high-burden customers effectively? What kinds of messaging and channels should we use? How do we work with our community partners to spread the word?

This step involves creating a targeted communication plan and schedule, along with the branding and theme for future marketing campaigns.

Program Delivery Plan

Is this a 100% in-house program or do we bring in contractors for support? What level of digital, website and database support do we need? What should our application and review workflows look like? How can we leverage existing program infrastructure to reduce overhead?

This step involves auditing existing program infrastructure and available resources and identifying gaps that need to be filled. This is also a good time to define QA and reporting procedures.

Best Practices Research + Evaluation Plan

How do we avoid recreating the wheel? Which strategies worked elsewhere and how do we adapt them to our territory? How do we build in regular evaluations to keep track of program performance?

This step includes researching energy assistance program strategies through academic and industry sources, as well as peer review of assistance programs in surrounding areas. It also includes developing an evaluation plan and schedule for the following 4-5 years.

Whether a utility is launching new energy assistance programs or revisiting existing ones, **being strategic about your energy assistance portfolio** can return dividends in terms of improved program performance and cost-effectiveness. The three strategies shared here leverage data-driven and quantitative frameworks discussed in earlier sections to orient energy assistance programs towards delivering on their core goal of **effectively reducing energy assistance need**.

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Critical Medical Needs Program

Navigator Training

Navigator Training Goals

- Understand the Office of Home Energy Programs (OHEP) Critical Medical Needs Program (CMNP)
- Understand how to complete an Office of Home Energy Programs (OHEP) application
- Understand types of benefits and how they help applicants

Training Overview

1. Overview
2. Application Process
3. Income Eligibility
4. Forms and Notices
5. Next Steps

OVERVIEW

OFFICE OF HOME ENERGY PROGRAMS

OHEP Mission

Provide bill assistance to low-income households in the State of Maryland to make energy costs more affordable and to help with the prevention of loss and the restoration of home energy service.

Purpose of CMNP

The purpose of the Critical Medical Needs Program is to:

1. Reduce the barriers to the energy assistance application process for critical medically vulnerable individuals and their households in obtaining state and federal financial assistance for their electric, gas, or other energy source bills;
2. Make referrals, as necessary, to other agencies and organizations when additional resources are necessary for the continuation or restoral of energy service; and
3. Coordinate with the Department of Housing and Community Development for energy efficiency programs, and heating and cooling system repair or replacement programs.

Program Components

	Maryland Energy Assistance Program (MEAP)	Electric Universal Service Program (EUSP)	Arrearage Retirement Assistance (ARA)	Gas Arrearage Retirement Assistance (GARA)
Frequency of Grant	Annual (State fiscal year)	Annual (State fiscal year)	Every 7 years (certain exceptions may apply)	Every 7 years (certain exceptions may apply)
Grant Requirement	Account does not have to be in the Applicant's name	• Account must be in the Applicant's name • Requires Budget Billing	• Applicant must receive EUSP grant to be eligible • Applicant must have a past-due electric balance of at least $300	• Applicant must receive MEAP grant to be eligible • Applicant must have a past-due gas balance of at least $300
How Benefit is Applied	One-time credit to the fuel supplier	• Pays a portion of customer's current electric bill • Grant is applied in monthly credits to electric supplier* See Chapter 1.1.2 for exceptions	• Assists customers with large past-due electric bills, up to $2,000 • Grant is applied as a one-time credit to electric supplier	• Assists customers with large past-due gas bills, up to $2,000 • Grant is applied as a one-time credit to gas supplier
Funding	Federal Low Income Home Energy Assistance Program	• Utility ratepayer fees • Regional Greenhouse Initiative via Maryland Strategic Energy Investment Fund	• Regional Greenhouse Gas Initiative via Maryland Strategic Energy Investment Fund	Federal Low Income Home Energy Assistance Program

Pop Quiz!

Q1. How often can an applicant receive a MEAP (heating) grant?

A. Once every 7 years
B. Once a year
C. Once in a lifetime
D. Whenever it is needed

Q2. How often can an applicant receive an arrearage grant?

A. Once every 7 years
B. Once a year
C. Once in a lifetime
D. Whenever it is needed

Benefit Determination

- EUSP and MEAP Benefits are determined by:
  - Household size
  - Total gross household income
  - Energy usage and heating source

➢ Electric and Gas Arrearage Benefits are determined by:
  - Amount past due, up to $2,000
  - Eligible arrearage amount is confirmed with the utility company

Application Period

- One application – 4 separate benefits plus referrals to energy efficiency (DHCD) and Universal Service Protection Program (USPP)
- May receive benefits once per program year
- Program Year runs July 1st – June 30th
  - Customer applied July 5, 2020 and received benefits and then reapplies February 7, 2021. Customer's second application will be denied because they already received benefits in the same program year.
  - Customer applied March 10, 2020 and received benefits and then reapplies July 7, 2020. Customer's second application is accepted because it is in a new program year.

Application Review

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Boxes must be marked for every program for which the customer wishes to apply.
- If boxes are not marked, OHEP will verify that the customer does not want that particular benefit, which will slow the process.
- If the boxes ARE checked, OHEP will verify eligibility for that benefit.
- OHEP cannot just opt customers in to a program.
- All applications must have a signature and date.

Point in Time Policy

- Customers must apply for all programs at a single point-in-time
  - EUSP (electric)
  - MEAP (heat)
  - Electric Arrearage
  - Gas Arrearage
- Arrearages are the ONLY exception (PIT Waiver)
  - Waiver criteria:
    - Customers must show a decrease in income (resulting in a lower benefit level); OR
    - Household meets OHEP's definition of the "**Vulnerable Population Waiver**"

Vulnerable Population Waiver

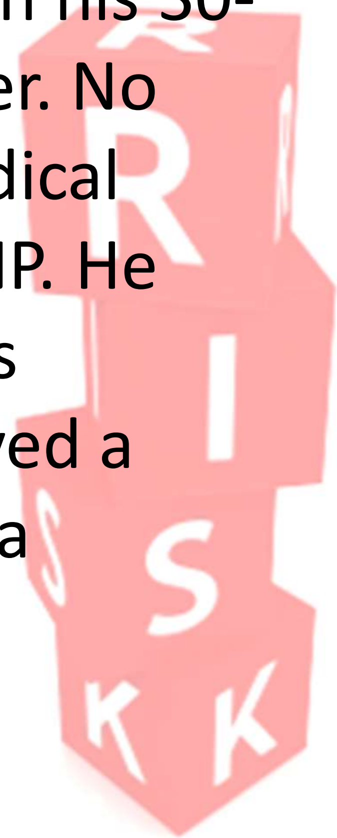
- Electric or Gas Arrearage Retirement Assistance may be received once every 7 years
- “Vulnerable households” who received <$800 within the previous 7 years may be eligible for additional funds.
- Vulnerable households are defined as having:
  – Household member over 65; or
  – Household member under 2; or
  – Household member who is medically fragile.
- The total 7 year benefit may not exceed the $2,000 maximum.

Pop Quiz!

MARYLAND DEPARTMENT OF HUMAN SERVICES

Q3

Mr. Philips is applying for Energy Assistance for his household of 3. He is 25 years old and lives with his 30-year-old girlfriend and their 1-year-old daughter. No one in Mr. Philip's household has a serious medical condition that would qualify them for the CMNP. He says he has a past-due balance of $2,500 on his electricity account and you learn that he received a $600 arrearage grant in 2015. Is he eligible for a Vulnerable Population Waiver?



Answer

Q3

Yes. Mr. Phillips' application is eligible for a PIT and VPW waiver because there is a household member under the age of 2.

Pop Quiz!

Q4

Mrs. Dorsey and her husband are applying for Energy Assistance. Both Dorseys are retired and receive Social Security benefits as their sole source of income. Two years ago, Mrs. Dorsey was diagnosed with breast cancer and the couple has been struggling to pay their bills ever since. They have received Energy Assistance for the last two years including a $400 arrearage grant last year and have applied this year through the CMNP. Are the Dorseys eligible for a Vulnerable Population Waiver?

Answer

Q4

Yes. By definition, a CMNP applicant is eligible for a VPW because they are medically fragile.

Who Should Apply?

- Any household member 18+ or emancipated may apply
- Maintains the primary residence at the service delivery address on the application
  - Or has met the requirements necessary to apply as proxy on behalf of a qualified Applicant.
- The electric bill must be in the applicant's name to qualify for EUSP and Arrearage grants
- Household members may not become applicants later in the same program year
  - Exception: the original applicant no longer lives in the household
    - Proof of other residence must be obtained

FY21 Income Eligibility Guidelines

(Based on 175% of the Federal Poverty Level)

HOUSEHOLD SIZE	MAXIMUM MONTHLY **GROSS** INCOME STANDARDS
1	$1,861
2	$2,515
3	$3,168
4	$3,821
5	$4,475
6	$5,128
7	$5,781
8	$6,435
For each additional person add	$654

APPLICATION PROCESS

Application Process

MARYLAND DEPARTMENT OF HUMAN SERVICES

1

Navigator sends a complete application to State OHEP via CMNP.OHEP@Maryland.gov

2

State OHEP reviews application; notifies Navigator of application completeness, and places eligible holds on account (30-day/55-day) within 24 hours.

3

State OHEP makes determination of eligibility and benefit amounts for **complete** applications within 48 hours.

4

State OHEP makes commitments to utility and makes arrangements for bulk fuel delivery (if applicable) upon determination of eligibility and benefit amounts.

5

State communicates back to the Navigator with the outcome of the case within 48 hours.

NOTE: Application completeness is important for timely processing. If an application is incomplete, a Request for Additional Information will be sent to the Navigator with 15 days to return the information.

Pre-Screening Process

- Provide customers background information on all OHEP programs
  - Use the application and brochure for reference
- Inform clients of required documents they need for application
  - Use application checklist for reference
- Ensure documents are there before completing the application
  - Use checklist on CMNP Cover Sheet as guide

CMNP Application Cover Sheet

MARYLAND DEPARTMENT OF HUMAN SERVICES

Office of Home Energy Programs
Your Home Energy Partner

OFFICE OF HOME ENERGY PROGRAMS
CRITICAL MEDICAL NEEDS PROGRAM APPLICATION COVER SHEET

Navigator's Contact Information

Organization: ______________________

Worker's Name: ______________________

Phone Number: ______________________

E-Mail Address: ______________________

Application Documents

Required Documents for CMNP

- ☐ Application (signed and dated)
- ☐ Applicant's Photo ID
- ☐ SS Cards for all Household Members
- ☐ Utility Bill
- ☐ Proof of Income for all Household Members
- ☐ Proof of Residence
- ☐ Physician's Certification Form

Optional Materials

- ☐ Declaration of Zero Income
- ☐ Household Worksheet
- ☐ Resource Provider Statement
- ☐ Wage Verification Form
- ☐ Landlord Agreement
- ☐ Proxy Authorization

Case Status

☐ Turn-Off Notice ☐ Service Disconnected ☐ Out of Heating Fuel ☐ Broken Heating/Cooling System

Does your organization have additional funds available if OHEP grants do not cover full bill? ☐ Yes ☐ No

Consent to Share Application Information

I confirm that the named client has provided permission for public utilities and social welfare agencies to release information in this form, including benefit amounts, to the organization stated on this Cover Sheet for the limited purpose of facilitating delivery of energy assistance benefits.

Navigator or Applicant's Signature: ______________________ Date: ____________

For Office Use Only

OHEP Agency Representative: ______________________

☐ Certified Grant Amounts: EUSP: ________ MEAP: ________ Arrearage: ________

☐ Denied Reason for Denial: ______________________

OHEP REF COV (REV 9/17)

Application Checklist

MARYLAND DEPARTMENT OF HUMAN SERVICES

Photo ID for the Applicant (Please submit one of the following)

- Driver's License or other government issued identification card

Proof of Residence (Please submit one of the following)

- Unexpired driver's license with current address listed
- Current Lease or housing letter (within last 12 months) or rent receipt from landlord with address listed
- Mortgage Statement within last 30 days
- Current Property tax bill or receipt

Proof of ALL Gross Income for All Household Members

- ❑ Wages (Employment)/ Tips/Commission
- ❑ Self-Employment
- ❑ Rental Income
- ❑ Social Security
- ❑ SSI/SSDI
- ❑ Dividends
- ❑ Interest from Savings or Checking Accounts
- ❑ Interest or Dividends received from the redemption of bonds
- ❑ Estate or Trust Fund Income
- ❑ Royalties
- ❑ Temporary Disability Assistance Program (TDAP)
- ❑ Pensions
- ❑ Money/Income from Annuities, IRAs, or other Retirement Accounts
- ❑ Child Support
- ❑ Alimony or Spousal Support
- ❑ Workman's Compensation Benefits
- ❑ Unemployment Insurance Benefits
- ❑ Veteran's Pension
- ❑ Mine Worker's Benefits
- ❑ Armed Forces Dependent Allowance
- ❑ Criminal Injuries Compensation Board Payments
- ❑ Monetary Gifts and Loans, excluding student loans
- ❑ Employee strike funds where there is no employee contribution
- ❑ Payments received by home care providers for adult care
- ❑ Railroad Retirement Benefits

*If any adult household member (18 years or older) has not received any income in the last 30 days, a Declaration of Zero Income form must be signed. If no one in your household has received any income in the last 30 days, a Household Worksheet must be completed. Forms may be found at http://www.dhr.state.md.us/energy or by calling 1-800-332-6347.

Social Security Number Verification for all Household Members

- Social Security Cards or other Federal government-issued documents with name and SSN

Energy Bill Verification

- Most recent electric and heating (if applicable) bills

Physician’s Certification

- Required for CMNP process

- Form must be signed (no stamps) by one of the following:
  - Doctor
  - Physician’s Assistant
  - Nurse practitioner

- Must be submitted with the Cover Sheet and OHEP application
- Verifies there is a household member with a critical medical need (critical household member must be listed on the application)

Placing Holds on Accounts

- Customers who submit an OHEP application and have a termination notice may receive a 55-day hold on their account if the application is received within 15 days of the issuance of the termination notice.
  - Only one 55-day hold may be received per program year
  - Customers should continue to pay what they can on their account, as the hold does not stop the charges from accruing
- State OHEP will request a 30-day medical hold if necessary

Pop Quiz!

Q5. True or False: Once someone has applied to OHEP and has received a 55 or 30 day extension on their utility account, they do not have to pay anything to their utility company because the utility cannot charge them for usage at that time.

Answer

False. While a 55- or 30-day hold will protect an account from termination, the utility will continue to charge the account for energy being used.

Winter Restrictions

- Between November 1 and March 31, a utility may not terminate a customer’s service because of nonpayment in a utility's designated weather station area for that customer in which the forecast temperature made at 6 a.m. is 32°F or below

Redetermination Process

The redetermination process is a streamlined application designed for certain vulnerable households.

Clients are eligible for the redetermination process if:

- They are 65+ or permanently disabled;
- Their income is fixed; and
- They received Energy Assistance last year

If you think your client fits these criteria but are not sure, feel free to ask state OHEP.

Countable Income and Documentation

INCOME AND OTHER ELIGIBILITY SCREENING

Household Members

- Who is counted in the household?
  - Any household member who is currently in the household the day the application is signed
  - All income received in the last 30 days is counted for all household members
- Children who move in/out of the household:
  - Custody order
  - School enrollment, child care, or medical records
  - Child listed on rental lease
  - CARES (State verification system)

Documentation

- Applications must include copies of:
  - Photo ID for the Applicant
  - Proof of Residence
  - Proof of Income for ALL Household Members
  - Social Security Cards for ALL Household Members
  - Copy of Electric/Heating Bill
  - Physician's Certification Form

Income Documentation

- Proof of ALL gross (pre-tax) income for ALL household members is required
  - Calculation is based off of all income received during the past 30 days prior to the date of application
- No expenses are excluded from income except:
  - Medicare payments
  - Medicare Prescription Drug Plan
  - Health insurance premiums deducted from pensions
  - Court-ordered garnishments

Income Inclusions/Exclusions

Inclusions

- Gross wages and tips
- Self-employment
- Social Security/SSI
- Dividend interest
- TCA/TDAP
- Alimony
- Child Support
- Pensions/Annuities

Exclusions

- Assets or the sale of assets
- In-kind contributions
- Employment income for children under the age of 18
- Assistance grants
- Training stipends
- Foster care subsidies
- Earned income tax credits

Wages

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Must have consecutive paystubs for the last 30 days prior to application
  - E.g. One monthly, two bi-weekly, four weekly paystubs
  - LAA may now use YTD to calculate a missing paystub

- Paystubs must show:
  - Employer/Company's Name
  - Employee's Name
  - Pay Period
  - Pay Date/Check Date
  - Gross Pay

- If proper paystubs are not available, the employer must complete a *Wage Verification Form*

Wage Verification Form

- Must be completed by the employer
- Must be signed by all:
  1. Employer
  2. Employee
  3. Applicant (can be same as employee)

Fixed & Temporary Income

- Customers who receive a fixed income, including:
  - Pension, Social Security, Temporary Disability (TDAP), SSI/SSDI, Unemployment, etc.
- Acceptable forms of documentation:
  - Recent award letter from state/federal government
  - Bank statement clearly delineating type and amount of income with a deposit in the last 30 days (excluding pensions)
    - NEW SSA/SSI/SSDI only: LAAs may now accept any bank statement in the current calendar year
- Must include personally identifiable information on document

Alimony/Child Support Form

- To be used when there is no formal agreement
  - Court order/decree, print out from DSS Child Support, etc.
- To be signed by the custodial parent **<u>and</u>** the individual paying the support
  - May be signed by custodial parent only if the one paying the support cannot sign

Self-Employment Policy

- IRS Schedule SE
- For applicants who have not filed taxes, but still consider themselves self-employed must provide the following for the last 30 days:
  - Weekly, monthly, and/or quarterly books/statements, ledgers, sales slips, cancelled checks, invoices, bank statements/deposits
- Income Verification of Self-Employment Form
  - This form is required in addition to the IRS tax forms

Zero Income

- Zero Income **Individual**
  - All household members 18 years and older who claim zero income:
    - *Declaration of Zero Income* form must be signed
    - All individuals claiming zero income must be screened for income and verified by the local OHEP agency
- Zero Income **Household**
  - In addition to the Declaration of Zero Income form:
    - *Household Worksheet* must be completed
    - *Resource Provider Statement* form to be completed for any persons or organizations that have provided assistance
      - Government assistance should be documented by award letters

Household Worksheet

- Must be completed by applicant if the **entire household** is reporting zero income in the past 30 days
- States how basic needs are being met for things like:
  - Shelter
  - Food
  - Utility
  - Transportation
  - Other Non-food items (clothes, personal items etc.)
  - Additional comments
- The first three basic needs (shelter, food, and utilities) must be documented and verified

Resource Provider Statement

- Must be completed if the entire household is reporting zero income in the past 30 days and a person or organization outside the household has provided financial support
  - E.g. Church, friend, non-profit organization
- Form is completed by the resource provider, not the applicant
  - E.g. if church gave a charitable donation, the form should be completed by the church

Missing Information

- Customers and Navigators will receive a formal Request for Additional Information for missing documentation
- Notices will indicate the date information must be sent in before application will be denied (15 days from notice date)

Proxy Authorization Form

- To be used if applicant is physically or mentally unable to complete the application
- Proxy must be 18+ years old
- Must be signed by the applicant, proxy and a witness
- Power of Attorney may also be used to submit an application on someone’s behalf

Eligibility Determination Notice

- Notification of eligibility for energy assistance
  - Approved
    - Notice is mailed to the applicant listing benefit amount(s) for electric (EUSP), heating (MEAP), and Arrearage assistance

  - Denied
    - Notice is mailed to the applicant listing reason for denial and customer appeal rights
      - Customer may reapply 30 days from the date of the denial notice
      - Customer may request a fair hearing within 30 days form the date of the denial notice

Pop Quiz!

MARYLAND DEPARTMENT OF HUMAN SERVICES

Q6

Mr. Smith and his wife are applying for Energy Assistance. Mr. Smith is unable to work due to his medical condition and receives SSI Disability Benefits while his wife works at Food Lion. The Smiths last received Energy Assistance in 2008 when they fell on hard times because Mrs. Smith was laid off from her job. Mr. Smith has provided his Navigator with copies of his and Mrs. Smith's IDs, copies of their social security cards, a copy of Mrs. Smith's 4 most recent pay stubs, a copy of their utility bill, a completed application, and a signed Physician's Certification form. Unfortunately, Mr. Smith is not able to find his most recent benefit award letter, instead he has provided a copy of his SSA-1099 tax form for last year. Is the application complete?

Answer

Yes. While the most recent SSI benefit award letter would give the OHEP worker his current monthly payment directly, the OHEP worker can use the 1099 form to calculate Mr. Smith's current monthly benefits.

Pop Quiz!

Q7

Mrs. Johnson is applying for Energy Assistance. She is 75 years old and lives alone in the home she's owned for 30 years. She receives Social Security retirement benefits as her sole source of income. This is her first time applying for Energy Assistance after being diagnosed with cancer earlier this year. Mrs. Johnson is working with a navigator to apply for Energy Assistance through the CMNP. She provided the navigator with her completed application form, her most recent Social Security benefit award letter, a copy of her ID, and a completed Physician's Certification form. Is Mrs. Johnson's application complete?

Answer

Maybe. While Mrs. Johnson has not provided a copy of her Social Security Card or her utility bill, this information may be available within her other documents. Mrs. Johnson's Social Security award letter may include her Social Security number which would allow OHEP to verify her Social Security Number without having the card itself. As for the utility bill, if the address on Mrs. Johnson's ID is the same as the address listed on her application, then no further verification is needed for her address. However, this also assumes that Mrs. Johnson has provided her correct utility account number on her application.

.

Pop Quiz!

Q8

Ms. Dorsey is applying for Energy Assistance through the CMNP. She rents an apartment with her adult son Clifton. Ms. Dorsey works full time as a teacher, and her son is currently unemployed but not receiving unemployment benefits. Ms. Dorsey has provided her CMNP Navigator with a copy of her ID, both Social Security Cards, a copy of the utility bill, her 2 most recent paystubs (she is paid biweekly), and a completed Energy Assistance Application form. She has not provided any income documents for Clifton, but she did indicate that he is not receiving any income on her application. Is this a complete application?

Answer

No. The OHEP worker will need Clifton to fill out a "Declaration of Zero Income" form in order to certify that he is not receiving any income at this time. Once Clifton signs this form and provides it to the Navigator, the application packet will be complete.

OHEP Processes

IMPACT OF COVID-19

COVID-19 Changes/ Updates

MARYLAND DEPARTMENT OF HUMAN SERVICES

- March 16- October 1: Moratorium on utility disconnections, late fees, and reconnection fees due to COVID-19 pandemic.
- Post moratorium protections from the Maryland Public Service Commission:
  - Turn off notices issued 45 days before disconnection (normally 15 days)
  - Utilities must offer payment plans with minimum terms of 12 months, or 24 months for Energy Assistance recipients. (normally payment plans range 3- 12 months regardless of income)
  - No down payments required for payment plans
  - No penalties for failed payment plan (typically a failed payment plan would preclude customers for 18 months)

What is OHEP Doing

- Early release of MEAP funds.
- Heavy reliance on redetermination process for FY 21.
- Improving forms mailout from the OHEP system.
- Prioritization of Energy Assistance in State DHS call Center.
- Suite of COVID specific informational documents and revised messaging on DHS website.
- LAAs performing outreach to their local communities through traditional and online channels.

What is next?

- OHEP will send you a Confidentiality Certification form in order to issue a Navigator Certificate, which is required to submit CMNP applications.
- OHEP will send you this presentation and important links for reference.
- Once notified, you can submit applications to CMNP.OHEP@Maryland.gov
- OHEP will send you applications and brochures electronically (you may request hard copies)

Additional Information:

dhs.maryland.gov/energy

To access application forms:

dhs.maryland.gov/energy-application

View status of applications at:

www.myohepstatus.org

1-800-332-6347

All CMNP applications and policy questions should be addressed to:

CMNP.OHEP@maryland.gov

DO NOT share this email address with customers

Critical Needs Client Utility Form (BGE)

Navigator fill in Client Intake and Service Status

Navigator: ______________________________
Date: _______________ Phone: _____________
Email: ___________________________________
Type of request (extension, restoration, other):
____

Client Intake

Client Name: ____ County/City: _________________________
Address: ____ Phone: _____________________________
Utility Acct #:_________________________ Name on Account if different from Client: ___________________________
Children (under 2)?: ☐ Yes ☐ No Seniors in the home (over 65)?: ☐ Yes ☐ No

Medical Condition
Describe: ____ Equipment Required?: ☐ Yes ☐ No

Service Status
Turn Off Notice Expiration Date: _____________________ Date Service Turned Off (if service is off): ______________
Amount owed to BGE, if known: $____________________ Service Used (Gas, Elec., both): ______________________
Power On?: ☐ Yes ☐ No

For BGE Personnel

Medical Certification requested on: ____________________________ Evidence of Fraud: ☐ Yes ☐ No
Evidence of Theft: ☐ Yes ☐ No Details: ____

History of grants and programs:
EUSP Bill Assistance: Date: _______ Amount: $_________ **EUSP Arrearage**: Date: _______ Amount: $__________
MEAP: Date: _______ Amount: $_________ **Fuel Fund**: Date: _______ Amount: $__________
USPP enrolled?: ☐ Yes ☐ No
Other: Source: ____ Date: _______ Amount: $__________

Amount owed (on all accounts): $____

Payment history (four most recent payments within 12 month period, excluding current payment of assistance):
Date(s): _________________________ Amount of Customer Payment $____________________________________
Date(s): _________________________ Amount of Customer Payment $____________________________________
Date(s): _________________________ Amount of Customer Payment $____________________________________
Date(s): _________________________ Amount of Customer Payment $____________________________________

OHEP

Need Appt?: ☐ Yes ☐ No
Arrearage Available?: ☐ Yes ☐ No
If No, Date received: _______________
Amount: ______________________
Fuel Fund applied
for/referred: ☐ Yes ☐ No
OHEP App Ineligible: ☐ Yes ☐ No
Reason Ineligible: ________________
OHEP Commitment Amounts:
EUSP Bill Assistance _________
Arrearage_________ MEAP________

DSS

Need Appt?: ☐ Yes ☐ No
Food Stamps
needed?: ☐ Yes ☐ No
EAFC: _______________________
Flex Funds: ___________________
Adult Services Grant: ___________
Comments: ___________________

Office of Aging

Grant?: ____________________
Care giver grant: ____________
Comments: _________________

Other Agency Funding

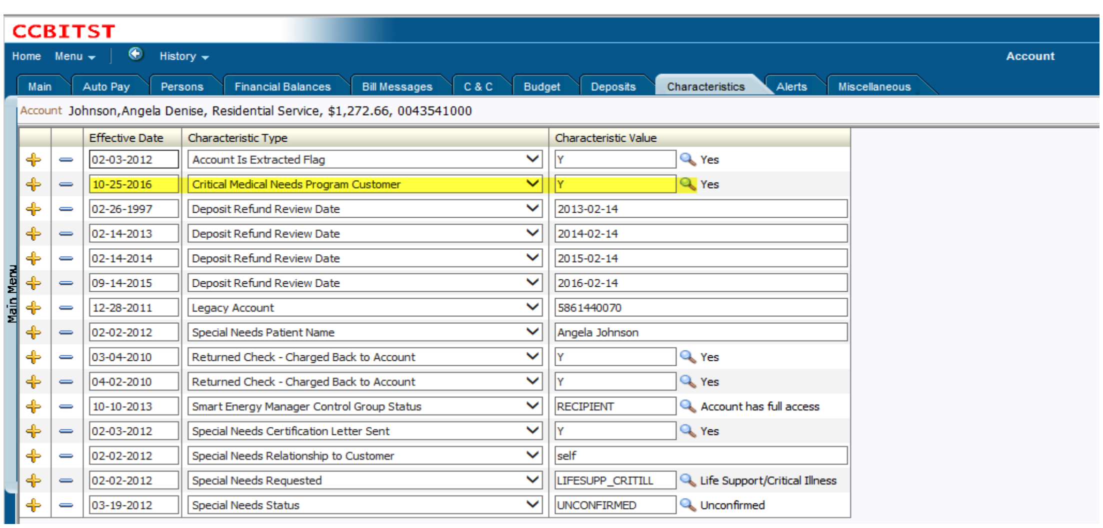
Agency: ____________________
Grant Amt: __________________

I confirm that the named client has provided permission for public utilities and social welfare agencies to release the information in this form to this Navigator for the limited purpose of facilitating utility bill payment assistance. **Signature:** ____

GM-4B

Emails arrive from Critical Medical Needs Navigators in agency@bge.com in box, seeking an extension or restoral for a customer with medical needs.

1. **Account is NOT currently in Severance and is not coded Special Needs**
   a. **Internet Team:**
      i. Review the account to determine if Special Needs forms have been sent out ***within the last 2 months***
      ii. If the Special Needs forms have never been sent:
         1. Follow the normal process to send Special Needs forms
         2. Reply by email to Navigator to advise of the 30-day hold and requirement to have the form signed by a qualified health care provider[1] and returned within 30 days
      iii. If more than 2 months have passed since forms have been sent
         1. Click the **Collection Process Active** in **Alerts**
         2. Click the **Cancel** button
         3. Click **OK** on warning message
         4. Navigate to the **Account page C&C** tab
         5. In the **Postpone Credit Review Until** field, enter the date 30 days out
         6. Click the **+ sign**. In the **Start Date** field enter today's date. In the **Stop Date** field enter the same date as **the Postpone Credit Review Until** date
         7. In the **Comments** field enter – ***30 day ext provided due to navigator request***
         8. Click **Save**
         9. Navigate to **Customer Contacts**
            a. Locate the **Special Needs Certification New Participant Letter**
         10. Place a checkmark in the **Reprint Letter** box
         11. Click **Save**
      iv. If less than 2 months have passed
         1. Advise the Navigator extension denied
      v. Add a Customer Contact
      vi. AFTER NOV. 12: Add Critical Medical Needs characteristic (characteristic type "CRITMED") in the Characteristics tab of the Account page ***(for tracking purposes)***:



Effective Date	Characteristic Type	Characteristic Value	
02-03-2012	Account Is Extracted Flag	Y	Yes
10-25-2016	Critical Medical Needs Program Customer	Y	Yes
02-26-1997	Deposit Refund Review Date	2013-02-14	
02-14-2013	Deposit Refund Review Date	2014-02-14	
02-14-2014	Deposit Refund Review Date	2015-02-14	
09-14-2015	Deposit Refund Review Date	2016-02-14	
12-28-2011	Legacy Account	5861440070	
02-02-2012	Special Needs Patient Name	Angela Johnson	
03-04-2010	Returned Check - Charged Back to Account	Y	Yes
04-02-2010	Returned Check - Charged Back to Account	Y	Yes
10-10-2013	Smart Energy Manager Control Group Status	RECIPIENT	Account has full access
02-03-2012	Special Needs Certification Letter Sent	Y	Yes
02-02-2012	Special Needs Relationship to Customer	self	
02-02-2012	Special Needs Requested	LIFESUPP_CRITILL	Life Support/Critical Illness
03-19-2012	Special Needs Status	UNCONFIRMED	Unconfirmed

[1] A licensed physician or certified nurse practitioner

2. **Account is NOT currently in Severance, however the account is already coded Special Needs**
    a. **Internet Team:**
        i. Review the account to determine if a medical extension has been granted within the last 2 months
        ii. If more than 2 months:
            1. Click the **Collection Process Active** in **Alerts**
            2. Click the **Cancel** button
            3. Click **OK** on warning message
            4. Navigate to the **Account page C&C** tab
            5. In the **Postpone Credit Review Until** field, enter the date 30 days out
            6. Click the **+ sign**. In the **Start Date** field enter today's date. In the **Stop Date** field enter the same date as **the Postpone Credit Review Until** date
            7. In the **Comments** field enter – ***30 day ext provided due to Navigator request***
            8. Click **Save**
            9. Advise Navigator of extension date
        iii. If less than 2 months:
            1. Advise the Navigator extension denied
        iv. Add a Customer Contact
        v. Add CRITMED Characteristic ***(tracking purposes)***
3. **Account is in Severance**
    a. **Internet Team:**
        i. Call 4032 to determine if **Severance** can be cancelled
        ii. If over 4 min wait, IM Marvin Guthrie, Kiesha Anyim or Felicia Pearce
    b. **Collections Team**
        i. Review the status of the field activity
        ii. If account is in **Received** or **Assigned** status
            1. Cancel the **Severance** process
            2. Advise the Internet rep the Severance has been called
        iii. If in **Accepted** or **En Route** status
            1. Contact dispatch to have job cancelled
            2. Ensure that the dispatcher has contacted the tech to have the job pulled before prior to ending the call and canceling the job (this will avoid a COIE)
            3. Advise the Internet rep of the status of **Severance**
    c. **Internet Team:**
        i. Reply by email to Navigator to advise of the status of **Severance**
        ii. Add a Customer Contact
        iii. Add CRITMED Characteristic ***(tracking purposes)***
4. **Service OFF**
    a. **Internet Team:**
        i. Review Navigator's request/proposal
        ii. If commitments sufficient for restoral:
            1. Issue order to restore service
            2. Add Customer Contact
            3. Add CRITMED Characteristic ***(tracking purposes)***

        iii. If commitments are insufficient
            1. Forward e-mail to NavigatorInquiryMailbox@exeloncorp.com
        iv. Add a Customer Contact
    b. **Collections Team**
        i. Review the account to determine if service can be restored
        ii. Respond/Contact Navigator directly to advise of decision or what is needed to have service restored
        iii. Add Customer Contact
        iv. Add CRITMED Characteristic ***(tracking purposes)***
5. **Service OFF due to Theft**
    a. **Internet Team**
        i. Advise Navigator service off due to Theft and that request will be forwarded to Revenue Protection to calculate charges due
        ii. Send an e-mail to TOERevenueProtecti@exeloncorp.com
            1. In the subject line include **"Medical Navigator"**
            2. Include in the body of the e-mail: Customer's full name, the address where they are trying to receive service, the Navigator's name and e-mail address
    b. **Revenue Protection**
        i. Calculate charges and respond by email directly to the Navigator within 24 hrs

Maryland Office of People's Counsel

Energy Services Pilot

Background

During the 2015 Maryland General Assembly session, Chairman Middleton and Senator Benson of the Senate Finance Committee requested that OPC, Cindy Carter (Cancer Support Foundation), the Public Service Commission and Maryland utilities[1] meet with Committee members to address concerns about assisting medically vulnerable customers with continuation and restoration of utility services, especially during the winter.

At the meeting, Ms. Carter presented her concerns about current utility practices. OPC provided its perspective, and requested that utilities consider automatic extensions and restorations of service for 30 days, to allow clients to seek assistance for their pending service terminations and service shut-offs.

While there was disagreement over the issue of service extensions and restorations, the utilities in attendance did offer to coordinate with OPC to arrive at a reasonable solution, and the Senators requested that the Companies cooperate with OPC to try to reach some common ground.

BGE Critical Needs Pilot Program

Subsequent to that meeting, OPC, in partnership with the Cancer Support Foundation (CSF), has focused its attention on the development of a pilot program in the BGE service territory. The purpose is to develop and test protocols for (1) the identification of medically vulnerable customers in danger of losing utility service, or who have lost service, (2) the maintenance or restoration of service to customers with critical medical needs, and (3) an efficient process for applying for and obtaining funds to ensure maintenance of service.

OPC and CSF have worked with BGE and other public and private agencies to develop a process to assist with these objectives. Over the past several months, we have worked together to establish a pilot program with navigators from medical services (primarily cancer centers) and hospitals, as well as OHEP and local energy assistance agency programs.

Energy assistance funding is provided through a number of resources: OHEP's EUSP and MEAP, Department of Social Services (DSS) emergency programs and Office on Aging programs. The assistance is offered through teams of agency management personnel, who expedite funding for the critical needs clients with serious medical problems. As of this date, navigators from medical services and hospitals include, but are not limited to. the following:

[1] BGE, Pepco, Delmarva Power, Potomac Edison Company and SMECO attended the meeting.

MD Oncology
Union MedStar
Montgomery Medstar
Mercy
St Joes
Anne Arundel Medical
Johns Hopkins Bayview
St Agnes
University of Md
GBMC
Meal on Wheels
Franklin Square
Franklin Square Breast Center
Northwest
Image Center
DHMH State Cancer Control Center
Upper Chesapeake
Bel Air
Johns Hopkins
BWMC
Union Hospital of Cecil County
University of Maryland's Evelyn Jordan Center
Sinai

Baltimore County, Baltimore City, Harford County , Carroll County, Howard, Anne Arundel and Montgomery County have management teams in place at their OHEP, DSS and Aging Offices to coordinate resources as well as appropriate application assistance.

On-Service Customers. BGE has been willing to provide 30 day extensions for on-service customers who simply notify the Company that they have a critical medical need. BGE then withdraws customers' accounts from termination status, sends customers a PSC Medical Certification Form and issues a new termination notice after the initial 30 day extension if customers' accounts are not addressed with a full payment or payment plan. This BGE protocol exceeds current COMAR regulations, which only require that certification forms be provided *before* an extension is issued. As a practical matter, the Pilot extension assistance results in customers receiving approximately an additional 60 days before actual service termination[2]. This voluntary process has been of assistance to a number of customers.

Off-service customers. BGE has also been willing to respond, through a navigator processing system, within twenty four (24) hours, to assist with immediate restoration of critically ill customers identified through the Pilot program. The service restorations, however, require presentation of a reasonable financial assistance plan, as well as a statement identifying the customer as being critically ill. The restoral assistance is helpful, in that the Company does not require verification of the funding before restoration. However, the availability of this option is constrained at present by the availability of agencies with the expertise and staffing to engage in emergency case management in a 24 hour period. Currently, OPC has been filling that niche, since OPC has a successful track record in providing comprehensive assistance to customers, especially those with critical needs. However, the process requires OPC to be largely available to navigators for guidance in their presentation of cases to the Company. That level of OPC involvement is not sustainable for a full BGE program or an expansion to other utility service territories.

Goals

OPC would like to continue to work with BGE and other utilities to do the following:

- Expand the pilot program to other service territories
- Expand the availability of the process to all customers who meet the medical certification requirements
- Expand training and participation to a wider circle of navigators and agency participants
- Extend the service restoration option to permit immediate restoral of service for customers with critical needs with a commitment to pursue funding assistance.

[2] The 55 day rule would also apply in the event the customer applies for EUSP/MEAP assistance.

Outstanding concerns

- Winter restrictions - Affidavit requirements to ensure that service termination does not constitute a threat to the life or health of the occupants (COMAR 20.31.03.03)

- Smart meter service disconnections – field visits

- Reasonable payment arrangements