The HELP Report

Home Electric Lifeline Program

ANNUAL REPORT

TO THE

UTAH PUBLIC SERVICE COMMISSION

FROM THE

UTAH DIVISION OF PUBLIC UTILITIES

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Introduction

In Docket 99-035-10 the Public Service Commission of Utah ("Commission") ordered, with a ninety-day deadline, the implementation of an electric lifeline program. Subsequently, in Docket 00-035-T07, the Commission adopted a joint stipulation developed by various interested parties specifying certain details of implementation. The program, referred to commonly as **H**ome **E**lectric **L**ifeline **P**rogram, or HELP, began in September 2000.

Among other things, the joint stipulation specifies three tasks to be performed by the Utah Division of Public Utilities ("Division"): the Division is charged with,

1. Developing a set of standards and measures against which to evaluate the lifeline program;
2. Evaluating the effectiveness and success of the program against the determined measures and standards; and
3. Monitoring and Auditing the program, and submitting, at a minimum, annual reports to the Commission and other interested parties

This report details the Divisions efforts in fulfilling these assigned tasks. The Division has attempted to be exhaustive in its analysis. Specifically, we provide both an overview of HELP as it is now constituted and a summary of activities ~~to date~~ for the first year. We then discuss a set of proposed standards and measures against which to evaluate the HELP program. Using these measures and standards, the Division presents its evaluation of HELP. The final section of the report contains the Division's conclusions and recommendations.

Definitions

Before beginning our report on PacifiCorp's Lifeline program, it will be helpful to define a few terms that are frequently used throughout the report.

General Definitions

HELP: An acronym adopted by the Electric Lifeline Working Group intended to describe the lifeline program adopted by the Public Service Commission. The acronym stands for Home Electric Lifeline Program.

Recipient: A qualifying low-income PacifiCorp customer on Schedule 3 receiving a monthly credit to offset their electric utility bill.

Credit: A dollar amount received under Schedule 3. For qualifying customers, the maximum credit is $8 per month or $96 per year.

Schedule 3: A PacifiCorp rate schedule designed to provide monetary assistance to qualifying low-income PacifiCorp customers.

Non-recipient: PacifiCorp customers not on Schedule 3 who pay into HELP through Schedule 91. Non-recipient includes all PacifiCorp electric customers other than those on Schedule 3 and special contracts.

Schedule 91: A PacifiCorp rate schedule designed to collect the funds for HELP, which results in a line item on non-recipient PacifiCorp customers' bills indicating the surcharge.

Definitions of Report Years

Due to the PacifiCorp data being collected and available by calendar quarter and due to September 2000 being just a partial month (billing cycles, ramp-ups, etc.), the following definitions of years apply in this report.

Base Year: October 1999 through September 2000

Year One: October 2000 through September 2001

Year Two: October 2001 through September 2002

Definitions Relative to Benefits

Benefit: The positive quantifiable impact left after all debits and credits have been considered. For example, if PacifiCorp incurs costs of $45,000 and receives revenues totaling $46,000, then the benefit is $1,000.

Detriment: The negative quantifiable impact left after all debits and credits have been considered. For example, if PacifiCorp incurs costs of $45,000 and receives revenues totaling $44,000, then the detriment would be $1,000.

Neutral: The benefit or detriment is zero. In other words, the debits and credits are equal. For example, if PacifiCorp incurs costs of $45,000 and receives revenues totaling $45,000, then there are no benefits or detriments.

Definitions Relative to Measures:

Measure (noun): A factor or item considered in the evaluation of the HELP program. Claimed benefits or detriments to an affected party or parties automatically become potential measures. The units for all measures in this document are dollars. It is this "measure" (noun) being used with "standard" in this document, i.e. "Measures and Standards."

Measure (verb): To determine the amount, size, etc. of a factor or item. An effort has been made to avoid using the word measure as a verb in this document. Instead we use synonyms such as evaluate, gauge, weigh, rank, etc.

Standard: The level or target which, when reached, determines success of the program relative to the particular Measure under consideration. A standard may be a "floor' or a "ceiling" or an absolute level. A ceiling implies that success is achieved when the Measure is equal to or less than the standard, while a floor implies that success is achieved when the Measure is equal to or greater than the standard. An absolute level implies that success is achieved only if the Measure is equal to the standard.

- An example would be using the "Cost-to-PacifiCorp" as a Measure. Assume the standards are that the actual costs be reimbursed and that they stay under the authorized level. If an audit found that the standards were met, then the Program would be considered successful relative to the Measure, Cost-to-PacifiCorp.

Success: Where the measure is evaluated and found to meet or better its standard.

Failure: Where the measure is evaluated and found not to meet its standard.

Help Program Overview and Summary of Activities

The Salt Lake Community Action Program ("SLCAP") and Crossroads Urban Center ("CUC") originally proposed an electric lifeline program in Docket 97-035-01. The Commission, due to significant concerns, declined to adopt the proposal at that time. Instead, the Commission established a task force and requested that they investigate these concerns and report their findings.

The Low-Income Task Force completed its study and filed a report with the Commission on December 17, 1999. In Docket 99-035-10, SLCAP and CUC filed another proposal for an electric lifeline program. The Commission adopted the proposal and ordered its implementation within 90 days of the effective date of the order. In a subsequent order, Docket 00-035-T07, the Commission adopted the "Joint Stipulation on PacifiCorp's Lifeline Rate," a stipulation which detailed, among other factors, the implementation of the lifeline program.

Program Overview

The major aspects of the lifeline program include,

1. A lifeline tariff – Schedule 3: For qualifying residential customers, the lifeline tariff provides a maximum $8 per month credit.
2. A lifeline tariff rider – Schedule 91: The rider appears as a separate line item or surcharge on customer's bills, and is used to collect the monies necessary to fund the program.
3. Tariff rider cap: The tariff rider, which is based on usage, is capped at $6.25 per customer per month.
4. Program cap: The tariff rider is to be designed to collect no more than $1,850,000 annually.

Experience in Other States

Approximately half of the states have low-income assistance programs determined by a combination of legislatures, commissions and/or energy companies. However, most appear to be broad-based programs, which include both energy efficiency and direct assistance components,[1] or energy efficiency only. Other general conclusions include:

- **Direct assistance** programs, or broader programs with direct assistance components appear to exist in less than half of the states (21 or 22 of 50 states).
- **Legislatures** appear to have determined the programs in 8 to 12 of 50 states.
- **Commissions** appear to have determined the programs in 8 to 10 of 50 states (in two of these states there may also be Legislative involvement)
- **Energy Companies** appear to have determined programs on their own in 3 to 10 of 50 states (in seven of these states there may also be legislative or commission involvement).

Nearly all the data supporting these conclusions has been extracted from various reports provided by the Committee of Consumer Services, which were prepared by Jerrold Oppenheim and his co-authors. Oppenheim did not design his data or presentations to show separate government agency involvement. Nor did he consciously try to separate direct assistance from efficiency measures.

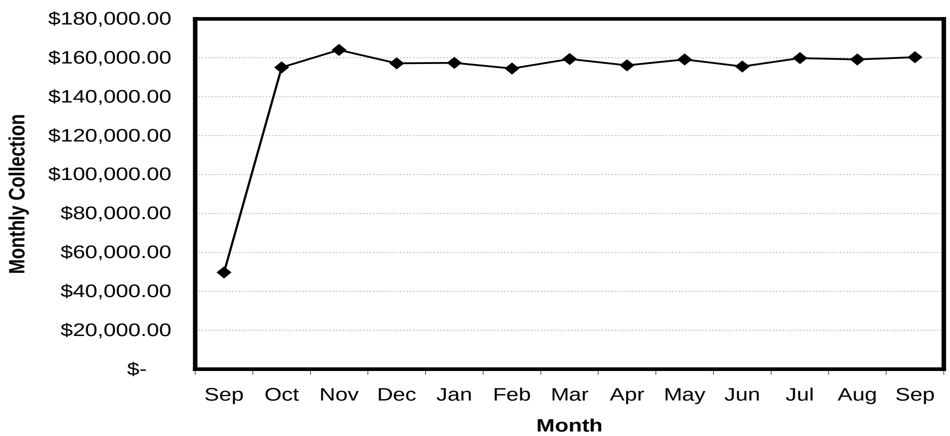
Summary of Lifeline Activities

Due to PacifiCorp's billing cycle, September 2000 was a "short" month: there were no lifeline recipients and collections were far below the monthly average. In September 2000, total collections were $49,747; in October 2000, however, the amount collected jumped to $155,091. This later amount is more typical of the monthly amount collected under schedule 91. (See Figure 1) For example,

[1] "Energy efficiency" refers to programs aimed at reducing electric consumption. For example, heater wraps, enhanced insulation, etc. "Direct assistance" refers to programs such as HELP, were monetary assistance is provided directly to qualifying ratepayers.

over the twelve months between October 2000 and September 2001, what we define as Year One, average monthly collections were approximately **$158,138** and range from a high of $164,085 to a low of $154,513. The total amount collected in Year One under schedule 91 was **$1,897,652**. Over the same period, the total paid out to recipients came to **$1,044,260**. Taking into account the administrative and start-up cost of PacifiCorp and DCED, and interest accrual, at the end of September 2001 the program fund had a positive balance of **$872,814**.

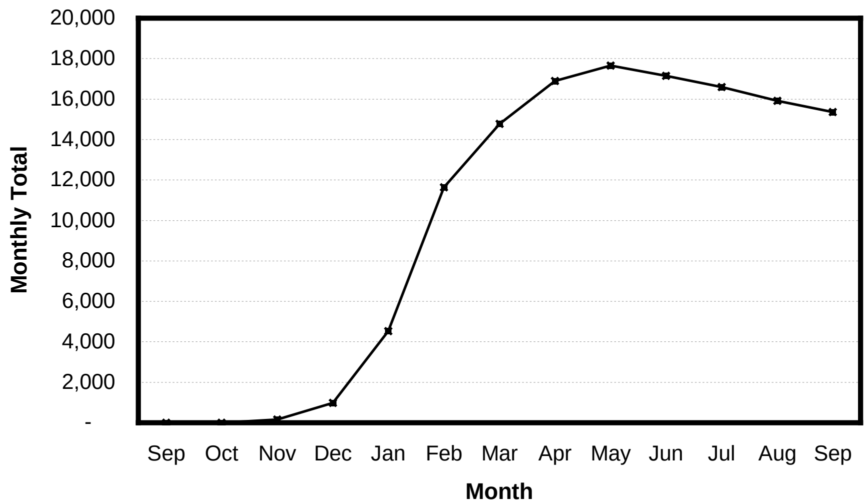
Figure 1: Monthly Collections



The number of recipients per month, and thus the total monthly credit amount, "ramped-up" slower than collections. In the first month of the program there were no recipients or ratepayers on schedule 3. In the second, third, and fourth months, there were 4, 165, and 980 recipients[2] respectively. The number of recipients peaked in May 2001 at 17,652 and then declined slightly to 15,359 in September 2001. (See Figure 2)

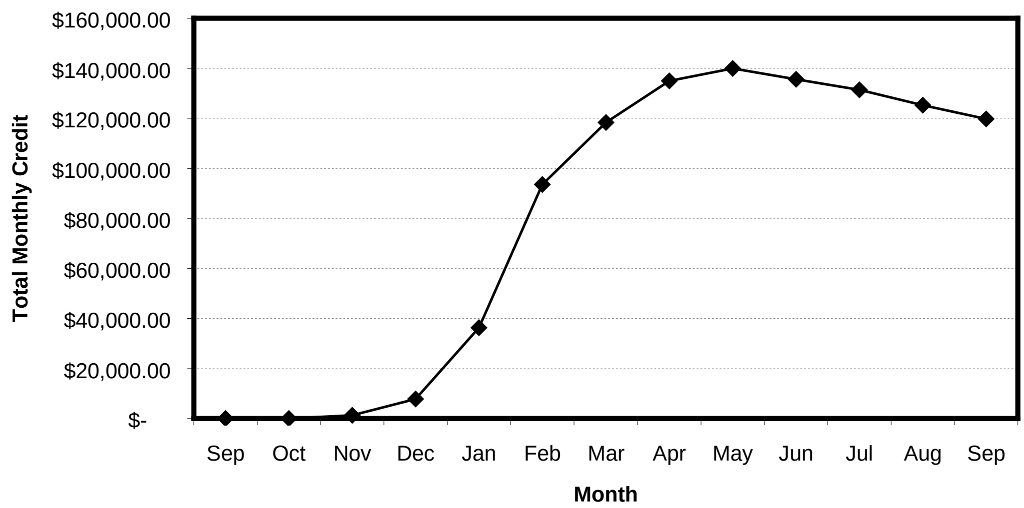
[2] Due to timing differences, the number of recipients and ratepayers on schedule 3 in any given month will not be the same.

Figure 2: HELP Recipients by Month



Similarly, the total credit granted to recipients grew from a low of $32 in October 2000 to $139,914 in May 2001, and then declined to $119,799 in September 2001. (See Figure 3) The total credit granted to recipients over year one was $1,044,260. Thus, over Year One, collections exceeded credits by $853,393.

Figure 3: Total Credit Granted to Recipients by Month



Division's Audit Report of HELP

On April 15, 2002, auditors of the Division of Public Utilities (Division), met with Mr. Sherm Roquiero of the Department of Community and Economic Development (DCED) to discuss the overall administration of the Home Electric Lifeline Program (HELP) program. Applicants who qualify for the Home Energy Assistance Target (HEAT) program automatically qualify for the HELP $8.00 monthly credit on Utah Power bills. Later that day, Division auditors met with Betsy Wolf and Alyce Miller, of the Salt Lake Area Community Action Program (CAP), to discuss and review case files pertaining to "stand alone" HELP applicants (non-HEAT) to determine if the applicants met the eligibility requirements as ordered by the Utah Public Service Commission in Docket No. 00-035-T07.

The Division performed the following audit steps in its review of the HELP program:

- Reviewed the applicable orders, tariffs and stipulations establishing the program.
- Reviewed a sample of customer bills to verify that the Utah Tariff Schedule 3 Lifeline rate ($8 HELP Credit) appears on the bills of eligible customers, as a separate line item. No exceptions were noted.
- Reviewed a sample of customer bills to verify that the Lifeline Tariff Rider (Schedule 91) surcharge was appropriately included on Utah Power bills and that the surcharge was properly excluded from the bills of eligible customers for the lifeline rate. No exceptions were noted.
- Investigated a billing problem that occurred in late 2001. The bills of approximately 5000 customers displayed a HELP deficiency charge, which either partially or wholly offset the $8.00 lifeline rate credit. CAP became aware of the problem from customer complaints and quickly contacted PacifiCorp. The Company admitted that the charge resulted from some kind of billing error and action was quickly taken to remove the charge and correct bills for past overcharges.
- Reviewed PacifiCorp's report for the quarter ended December 31, 2001 which shows the monthly activity for the HELP program from its inception (September, 2000) through December 31, 2001. The Commission's order states that the Company should design the Lifeline tariff rider to collect no more that $1,850,000 annually for the Lifeline Account. Based on PacifiCorp's report, the amount collected for the 12 months ending September 30, 2001 was $1,897,652. The amount collected for the 12 months ending December 31, 2001 was $1,890,497. Although it is difficult to design a tariff that will collect a specific amount, the Lifeline tariff credit should be reviewed and perhaps adjusted.

- PacifiCorp reported that startup and annual administrative costs for the program, from September 30, 2000 through December 31, 2001, of $11,362 are well below the maximum amounts allowed by the Commission for startup costs of $25,000 and annual costs of $10,000. The Division reviewed these costs and noted no exceptions. We also reviewed the invoices from the DCED for its startup and annual administrative costs. The invoices sent to PacifiCorp totaled $79,548. PacifiCorp only allowed reimbursement of $65,000, which is in accordance with the Commission's order, which allows $25,000 for startup costs and a maximum annual charge of $40,000. According to Sherm Roquiero of DCED, the difference of $14,548, for computer related costs, was covered by other HEAT funds.
- Reviewed and checked the interest calculation on the Lifeline Account balance to ensure that it meets Commission requirements. In accordance with Commission order, PacifiCorp's weighted cost of capital, 7.231 percent, is being applied to the account balance. Test checked interest calculations on monthly balances; no exceptions were noted.
- Discussed the HEAT audits conducted by DCED. Households eligible for HEAT also qualify for HELP. DCED has approximately 31 offices statewide that handle HEAT applications. Approximately 1,000 case files (about three percent of the total case load) are audited each year. All offices are audited once a year by selecting a sample of case files for review. The audits generally find errors that must be corrected and each office is required to submit a letter to DCED describing the actions taken. It was indicated that the DCED audits to date generally uncover about one recipient every other year that does not qualify for the HEAT and HELP programs. We reviewed a few of the DCED audit letters. We did not consider it necessary to audit HEAT

applications, in order to determine eligibility for the HELP program, since DCED already conducts its own audits. To-date approximately 97% of households receiving the lifeline rate are also receiving assistance under the HEAT program.

- Reviewed a sample of non-HEAT applicants for HELP to determine that Commission eligibility requirements are met. Currently there are only approximately 30 - 40 households receiving HELP on a "stand alone" basis (non-Heat applicants). We reviewed a sample of applications at CAP offices and concluded that Commission eligibility requirements are being satisfied. There are approximately 8,800 households that did not reapply for HEAT this past winter. CAP is sending out re-certification letters for HELP to those households. How many will apply for HELP as a non-HEAT applicant is unknown. If a substantial amount do apply, then the non-heat HELP applicants will significantly increase from the present level.
- Based on discussions and review of documentation, it appears that PacifiCorp gives applicants the appropriate monthly credit on a timely basis and that participants who are not re-certified are promptly removed from the HELP program.
- Reviewed the administrative process of the HELP program and determined that it is being administrated in a reasonable fashion. It is nearly impossible to know for certain if all household income is being accurately reported when applications are filed for assistance.

Audit Conclusion

Based on its audit of the HELP program, the Division concludes that the program is being administered in a reasonable fashion and the funds collected and disbursed appear to be in accordance with Utah Public Service Commission order (Docket No. 00-035-T07).

HELP Program Evaluation

Ideally, a program is implemented to accomplish a specified set of goals. Preferably, before implementing a program, a set of Measures and Standards are defined, which can be employed to mark progress towards a program's goals. In the present case, the Commission implemented HELP based on a minimum set of measures and standards[3] and charged the Division with the task of developing a full set of Measures and Standards by which HELP could be evaluated. To discharge this task, we first outline what we believe are the program's goals. Secondly, we define a set of measures and standards that can be used to evaluate the progress of HELP toward fulfilling these goals.

Program Goals

To help in establishing a set of Measures and Standards, the Division reviewed the Commission's orders in Dockets 97-035-01, 99-035-10, and 00-035-T07. Based upon this review, the Division concludes that the Commission's intended goals are as follows: To be successful, the HELP program will

A. Provide benefits to utility customers in general;

B. Provide benefits to the low-income program recipients;

C. Cap collections at or near $1,850,000 per year;

[3] The Commission indicated that there were sufficient benefits to the intended beneficiaries, to the utility, and to utility customers in general through reduced cost to the utility of collections, terminations, reconnections, and arrearages. The Commission also indicated that a real need existed that was not being met by then currently available programs. The Commission further indicated that they believed the program would not overly burden non-recipients.

D. Not overly burden other customers;

E. Provide benefits that offset negative impacts;

F. Be administratively simple and inexpensive to administer;

G. Provide benefits to PacifiCorp in the form of lower overhead costs;

H. Comply with ordered procedures on Tariffs, Certification and Administrative charges.

Measures and Standards

Procedural History

In the joint stipulation adopted by the Commission in Docket 00-035-T07, the Division was tasked to develop a set of Measures and Standards against which to evaluate the effectiveness of the HELP program. To assist with this task, the Division engaged the services of the consulting firm R. W. Beck.

The Division provided Beck with various relevant documents including, orders from Dockets 99-035-10 and 00-035-T07, the Low-income Task Force Report, and data from HELP. Additionally, as part of the Division's contract with Beck, members of the Low-Income Working Group[4] ("Working Group") were given an opportunity to submit any measures and standards they deemed appropriate for Beck's consideration. After a thorough review of all this material, R. W. Beck provided the Division with a draft report detailing a set of potential Measures and Standards. This draft was circulated among members of the Working Group for comments. After reviewing these comments, representatives from Beck met with the Working Group to discuss the draft report. In this meeting, R. W. Beck again offered the Working Group the opportunity to suggest additional measures and standards. Subsequently, R. W. Beck issued a final report to the Division, a copy of which is included as Attachment C with this report.

In its final report R.W. Beck made several recommendations including a list of potential measures and standards that could be used to evaluate HELP. Beck also recommended that, "a comprehensive evaluation be delayed" for another year "to help ensure that an appropriate level of data for each measure is available for analysis."[5]

Evaluation Delay and Attributability Issues

In their report R. W. Beck states, "There is currently insufficient data to conduct an adequate evaluation" of HELP and "even the most concrete measures will best be employed as 'red flags'." Beck suggests that these red flag measures may be useful in identifying areas that "may merit deeper investigation," but recommends delaying "to allow two years of data to accrue"[6] before undertaking a full evaluation.

The basis of Beck's recommendation appears to be two fold. First, as Beck states, "The first months of data for these measures do not reflect an accurate picture, because the program's recipient participation had not stabilized."[7] In other words, as we noted earlier, in Year One the program was going through a ramp-up stage. For example, HELP grew from just a few recipients in the first months to almost 18,000 recipients in May 2001. Second, Beck argues that what data is currently available can not be directly attributed to HELP.

[4] The Low-Income Working Group is essentially a continuation of the Low-Income Task Force formed by the Commission in Docket 97-035-01 to investigate issues surrounding an electric lifeline program.

[5] R. W. Beck Report, p. 5-2.

[6] R. W. Beck Report, p. 5-2.

[7] R. W. Beck Report, p. 5-2.

While Beck's recommendation has merit, the Commission has ordered the Division to undertake annual reviews and evaluations of HELP. This initial report is the Division's first annual review and evaluation. In keeping with the Commission's order, and in the spirit of Beck's recommendation, the Division plans to evaluate the program again at the end of the second year, and also plans a major or comprehensive review no later than three years after implementing HELP.

However, a comprehensive evaluation utilizing more data will not necessarily overcome the problem of attributing effects to HELP. Referring to the relatively small number of recipients under Schedule 3, Beck states, "recent adjustments in the local and national economy have produced challenges within all customer groups that obscure the impact of such a relatively small population."[8] Beck cautions against "spending too much energy on broad assertions of benefits and costs, in light of how insignificant this program and numbers are in relation to the state or national economy."[9]

The Division agrees with Beck's assessment: given its relatively small size, attributing effects to HELP will be difficult. For example, HELP's total annual budget is approximately $2 million, which is less than one-quarter of one percent of Utah's annual revenue requirement.[10] Furthermore, HELP is less than .004 percent of Utah's annual average household income[11] and is less than .000025 percent of the nation's gross domestic product.[12] Any effects that HELP may have on PacifiCorp's overall expenses or revenues will most likely be swamped by either PacifiCorp's own management practices, or the general macro-economic conditions and trends in Utah's and the nation's economies.

[8] R. W. Beck Report, p. 5-2.

[9] R. W. Beck Report, p. 5-3.

[10] PacifiCorp's annual Utah revenue requirement is more than $800 million.

[11] "Utah Economic and Business Review," *Bureau of Economic and Business Research,* University of Utah, November/December 2001.

[12] National gross domestic product is approximately $8 trillion.

Potential Measures and Standards

According to R. W. Beck, "Measurement systems are an important aspect of any program because they measure . . . a program's progress towards success."[13] Success of course, is measured against a standard: if a measure meets or exceeds its predetermined standard, then the program is considered a success relative to that standard.

The following potential Measures and Standards are based largely on R. W. Beck's report. The list below identifies each potential Measure, its definition, and its related Standard. Each measure was discussed with the working group and with Beck representatives. However, because of data or other problems, not all of the measures are useful in evaluating HELP. Thus, we include a short discussion concerning each measure's data requirements, the data's availability and its quality, and the measure's usefulness in evaluating the HELP program after each standard.

1. **Process Granting Credit to Recipients**

   Definition: Authorization, tariffs and billing procedures within DCED and PacifiCorp.

   Standard: Certification of and credit granted to recipients should be done in accordance with policies ordered by the Commission.

   Discussion: To ensure that the procedures outlined by the Commission are being followed, it will be necessary to audit the actual applications for assistance under HELP, the credit granted to recipients, and the amount being collected from non-recipients. This data is readily available from

[13] R. W. Beck report, p. 4-1.

either DCED or PacifiCorp and can be accessed via an accounting audit. The measure should be helpful in evaluating HELP.

2. Benefit to Recipients

Definition: Credit granted to recipients under schedule 3.

Standard: HELP should benefit low-income customers; thus, the standard is the amount of money going to recipients.

Discussion: In their final report R. W. Beck observed, "Based on the documentation, the decision to target $8 as the level of subsidy is one of the least well-defined elements of this program's design."[14] While the Division agrees with this observation, the credit granted to recipients should aid low-income customers in meeting a need that is not currently being met by other programs. However, while the dollar amount going to recipients is readily available from PacifiCorp, the measure appears superfluous in evaluating HELP: the amount going to recipients is embedded in several other measures including the Ending Account Balance. Therefore, this measure does not appear to be useful in evaluating HELP.

3. Administrative Costs

Definition: Administrative costs

Standard: Administrative (and startup) costs are no more than those authorized by the Commission.

Discussion: In establishing HELP, the Commission limited or capped the annual administrative costs DECD and PacifiCorp could charge to the program. According to Commission order, both DECD and PacifiCorp are allowed to charge program startup costs on a one-time basis of up to

[14] R. W. Beck report, Paragraph 2.3.1.C.

$25,000 against the balance of the lifeline account. Additionally, PacifiCorp is allowed to charge its ongoing direct administrative costs of up to $10,000 on an annual basis against the program's account balance; DECD is allowed to charge up to $40,000. PacifiCorp provides quarterly reports on HELP from which the necessary data can be gathered to evaluate this measure.[15] The measure should be useful in evaluating HELP.

4. Benefits to PacifiCorp

Definition: Benefits to PacifiCorp arising from HELP.

Standard: Lower O&M costs and increased revenues due to HELP.

Discussion: As part of the of the justification for HELP, various parties argued that PacifiCorp's O&M expenses associated with factors such as, arrearages and bad debt, would decline. Although PacifiCorp's expenses before and after the implementation of HELP are available, the size of HELP relative to other factors makes it difficult, if not impossible, to attribute changes in PacifiCorp's O&M expenses or revenues to HELP. (For more details, see the discussion under section, "Evaluation Delay and Attributability Issues"). Therefore, this measure does not appear to be useful in evaluating HELP.

5. Process Collecting Surcharge from Ratepayers

Definition: The process of collecting surcharges under schedule 91.

Standard: Collections under schedule 91 should be done in accordance with policies and tariffs ordered by the Commission.

[15] During the first year of the lifeline program, PacifiCorp submitted quarterly reports to the Commission and Division. Starting in the second year, by mutual consent, PacifiCorp will provide updates on HELP as part of their semi-annual report.

Discussion: This data is readily available from PacifiCorp and can be accessed via an accounting audit. The measure should be helpful in evaluating HELP.

6. Cost to Ratepayers in General

Definition: The amount collected from ratepayers under Schedule 91.

Standard: The amount of money collected from non-recipients under Schedule 91.

Discussion: The amount charged under Schedule 91, which is readily available from PacifiCorp, represents a quantifiable direct cost to ratepayers in general. As is the case with "Benefit to Recipients," the amount collected is captured in other measures – specifically, the measure Program Cap – and, therefore, does not appear to be useful in evaluating HELP.

7. Cost to Other Parties

Definition: The cost incurred by various parties (other than DCED and PacifiCorp) in administering and monitoring HELP.

Standard: No standard appears appropriate other than noting the cost.

Discussion: Various parties, including the Committee of Consumer Services, Salt Community Action Program, Crossroads, and the Division have spent countless hours monitoring HELP. While these costs are directly attributable to HELP, it is doubtful that the various agencies have kept an accurate record of their time allotted to HELP. Additionally, the Division hired a consultant to assist in the evaluation of the program. While the Division does not expect to be reimbursed for these costs, they are directly attributable (albeit on a one-time basis) to HELP. Without accurate information about the labor costs, and given the one-time nature of the Division's consultant cost, this measure does not appear to be useful in evaluating HELP.

8. Balance in Arrears

Definition: Outstanding account balances for HELP recipients more than 30 days past due.

Standard: A reduction in arrearages.

Discussion: Arrearage data is tracked by PacifiCorp and is reported along with other information concerning HELP. Unfortunately, data on arrearages is not available for every month. These gaps in the data make it difficult to evaluate this measure. For example, should balances in arrears following a non-reported month be attributed all to the month it is reported in or divided between two or more months? While it may be possible to track the trend in arrearages, despite the gaps in the data, because of the relatively small size of the program, attributing any changes in arrearages to HELP would be difficult. Therefore, this measure appears to have limited value in evaluating HELP.

9. Terminations Per Customer

Definition: For HELP recipients, the number of monthly termination notices per customer and service terminations per customer for non-payment.

Standard: A reduction in terminations per customer.

Discussion: While available, termination data is not directly attributable to the HELP program. (See discussion under section, "Evaluation Delay and Attributability Issues"). Therefore, this measure appears to have limited value in evaluating HELP.

10. Reconnections

Definition: The number of reconnections per month for HELP recipients.

Standard: A reduction in reconnections.

Discussion: Reconnection data is not directly attributable to the HELP program. (See discussion for measure four, "Benefits to PacifiCorp") Furthermore, since reconnections result from terminations, tracking terminations should be sufficient.

11. Accounts Sent to Collection Agencies

Definition: The monthly number of recipient accounts and account balances sent to collection agencies.

Standard: A reduction in accounts sent to collection agencies.

Discussion: Collection data is not directly attributable to the HELP program. Therefore, this measure may have limited value in evaluating HELP.

12. Write-offs Per Customer

Definition: The monthly number of recipient account write-offs and their dollar per customer amounts.

Standard: A reduction in write-offs.

Discussion: Write-off data is not directly attributable to the HELP program. Therefore, this measure may have limited value in evaluating HELP.

13. Recoveries Per Customer

Definition: For HELP recipients, the monthly number of recoveries and the dollar amount per customer of recoveries.

Standard: An increase in recoveries per-customer.

Discussion: Recovery data is not directly attributable to the HELP program. Therefore, this measure may have limited value in evaluating HELP.

14. Ending Account Balance

Definition: The program's account balance net of the credit disbursements to recipients and the program's administrative costs.

Standard: R.W. Beck recommended a standard of 5% of $1.85M or $92,500.

Discussion: HELP's account balance is tracked and reported to the Division and Commission on a regular basis. The annual ending balance is an indication of effectively balancing the receipts and credits for the HELP program. Therefore, this measure should be useful in evaluating HELP.

15. Program Cap

Definition: The amount collected under Schedule 91 is capped at $1.85 million.

Standard: The actual amount collected under Schedule 91 should be within five percent of the cap.

Discussion: In Docket 00-035-T07 the order states, "the Commission expects the Company to keep its collections at or near the $1,850,000 cap over a Program year." And in the stipulation attached to this order, it states, "PacifiCorp will use its best efforts to design a Lifeline tariff rider to collect no more than $1,850,000 annually for the Lifeline account." Thus, this measure and its associated standard, flow directly from the Commission's order. The actual amount collected is tracked and reported by PacifiCorp on a regular basis. This measure, therefore, should be helpful in evaluating HELP.

16. Penetration

Definition: The program's penetration into PacifiCorp's qualified low-income customer base.

Standard: Beck recommended 42% of eligible households in PacifiCorp's service territory.

Discussion:In proposing the lifeline program, it was estimated that approximately 19,000 low-income households would participate in HELP. This participation level was predicated on several postulates. First, it was estimated that there are 45,000 eligible low-income households in PacifiCorp's Utah service territory. Second, participation in federal assistance programs, such as food stamps, is approximately 42% of eligible households. Finally, it was assumed that HELP would have a similar participation rate. Thus, the standard reflects what was assumed in establishing HELP's funding level. PacifiCorp tracks the number of ratepayers on Schedule 3 and reports this to the Division on a regular basis. However, the actual total number of eligible households within PacifiCorp's service territory is unknown and, therefore, the penetration level is an estimate only. Thus, while this measure may be of some use in evaluating HELP, caution should be exercised in its interpretation.

17. Energy Consumption Trend

Definition: The average monthly kWh consumption for program recipients and other residential customers.

Standard: R. W. Beck proposed this measure but stated, "Standards are not appropriate for this measure, since it tracks consumption rather than impact on recipients and donors." [16]

[16] R. W. Beck report, paragraph 4.2.10

Discussion: While the data may be available to track this measure, it is for informational purposes only and is not meaningful in evaluating the effectiveness of HELP. Therefore, this measure does not appear useful in evaluating HELP.

18. Donors' missed investment opportunity

Definition: The taking of Donor's money, denying them the opportunity of investing it.

Standard: To not deny donors the opportunity to invest their own money.

Discussion: Money taken from donors for the HELP program would not be available to them to use or invest in other ways. The Commission consistently recognizes this factor in addressing utility costs. The base amount collected from ratepayers is easily quantified and attributable to HELP. However, the measure "Benefits to Utility Customers in General," addresses this amount. The lost return on investment is also attributable to HELP, but does not appear to be easily quantified because the amount will depend on the rate of return experienced by each individual. Therefore, this measure does not appear useful in evaluating HELP.

19. Donors' After-Tax Contribution compared to Pre-Tax

Definition: Actual After-Tax amounts exceed pre-tax amounts depending upon individual tax brackets.

Standard: The amount charged to donors should not exceed their pre-tax amount.

Discussion: Money charged to donors comes from after tax dollars. In calculating the actual cost to donors, the charges should be factored up by the rate of their tax bracket. If a donor were in the 15% tax bracket, she would have to earn $1.15 before taxes in order to cover a charge of $1.00 after taxes. Had she made a qualified charitable contribution of $1.00

before taxes, her actual cost would have been just $1.00. The charges to donors for the HELP program are not qualified charitable contributions. The additional cost to donors is attributable to the HELP program but quantifying this additional cost for each donor would require knowing each of their tax brackets. Therefore, it does not appear that this measure will be useful in evaluating HELP.

20. Constitutional Measures

Definition: HELP should be consistent with the Constitutions and laws of Utah and the United States.

Standard: The program should be consistent with the Constitutions of Utah and the United States and with the Welfare Reform Act of 1996.

Discussion: The Beck Report stated, "The suggestion was made to develop measures to determine if the program was consistent with the Constitution of the United States, the Utah State Constitution and the Federal Welfare Reform Act of 1996. Developing these measures would require a legal assessment of the program that is beyond the scope of this project and therefore will not be addressed in this report."[17] The Division is taking no position on this issue and will not use this measure in evaluating the HELP program.

21. Broad-based Macroeconomic Benefits

Definition: Indirect (secondary and tertiary) benefits and detriments arising from HELP.

Standard: No standard has been developed.

Discussion: Several macro-economic claims of indirect benefits and detriments have been made leading up to the implementation and

[17] R. W. Beck Report, paragraph 4.4.2

evaluation of the HELP program. For example, advocates claim that there will be secondary and tertiary benefits to the general economy of the state due to more money being in the hands of recipients. Conversely, ratepayer advocates claim detrimental effects on the general economy due to less money being in the hands of non-recipients. Some of these claims are summarized in Table 1 below.

The Division agrees with Beck's recommendation of excluding these macro-economic factors from the evaluation of the HELP program.[18] The effects are all secondary or tertiary (or much further removed) impacts, which cannot be reliably traced from the claimed cause to the claimed effect. As we explained in the discussion under "Evaluation Delay and Attributability Issues," the HELP program is so small relative to other macro-economic issues, what limited data that is available cannot be attributed specifically to the HELP program. Even attempting to compare the pros and cons within the macro-economic arguments appears fruitless in evaluating the HELP program. Therefore, the Division will not use these measures in evaluating HELP.

Table 1: Macro-Economic Claims

Claims of Indirect Benefits	Claims of Indirect Detriments
• Reduced cost to taxpayers by less strain on fire departments (reduced use of dangerous alternative sources like candles) • Reduced cost to taxpayers by less strain on medical care and Medicaid • Reduced cost to taxpayers by less	• Reduced employment due to lower investment • Reduced home improvement due to less personal funds • Reduced property values due to less money to maintain homes, • Lower retail sales due to less

[18] R. W. Beck report, p 2-15

strain on homeless shelters • Reduced utility carrying costs by helping maintain contribution to fixed costs • HELP funds in the hands of recipients multiply through the economy to three times their original level.	personal funds, • Reduced contributions to charity due to less personal funds, • A greater loss to the economy because of the propensity of donors to invest compared to the propensity of recipients to consume.

22. Accrued Interest

Definition: The amount of interest accrued to the HELP account.

Standard: No standard has been developed for this measure.

Discussion: The amount of interest accrued in the HELP account is reflected in the measure "Account Balance." Therefore, it does not appear that this measure will be useful in evaluating HELP.

23. Recipient and Donor Perspectives and Attitudes

Definition: Recipient and Donor attitudes concerning HELP.

Standard: No standard has been developed for this measure.

Discussion: Attitudes and perspectives could be collected through customer surveys. However, surveys would increase the administrative costs of the program. According to R. W. Beck, the cost of conducting a six to seven minute interview of 400 residential customers would be about $10,000; a similar survey of 300 commercial customers would be about $20,000.[19] The purpose of the surveys would be to identify recipient and donor attitudes, perceptions, needs, etc., concerning HELP. Donor and recipient perceptions are, logically, likely to be both positive and

[19] R. W. Beck report, p.4-18.

negative. However, as R. W. Beck points out, “negative perceptions towards the program do not necessarily determine the program’s effectiveness”[20]; and neither do positive perceptions. Thus, it does not appear that this measure will be useful in evaluating HELP.

24. Program Stability

Definition: Stability of program participation.

Standard: No standard has been developed.

Discussion: It was anticipated that as long as a ratepayer were eligible, they would continue to receive assistance under HELP. However, because HELP assistance is tied to the recipient’s account, and the account under PacifiCorp’s billing system is tied to an address, when a HELP recipient moves, they are automatically taken off of the eligibility rolls for HELP. To continue receiving assistance under HELP, the recipient must reapply through DCED. Some of these recipients may not be reenrolling even though they are still technically eligible to receive assistance. Other recipients will be legitimately removed from the eligibility rolls as their eligibility, for one reason or another, expires. To distinguish between these two groups would require understanding how many recipients join the program per month, how many leave the program, and the reasons for their departure. The number of recipients, entering and exiting the program, per month is readily available from PacifiCorp. However, neither DCED nor PacifiCorp currently track the reasons why recipients leave the program. Therefore, it does not appear that this measure will be useful in evaluating HELP.

25. Returned Checks

Definition: The number of checks per month returned from recipients.

[20] R. W. Beck report, p. 4-17, 18.

Standard: A reduction in the number of returned checks per recipient.

Discussion: The number of returned checks is similar to other measures such as Balance in Arrearages and Accounts Sent to Collection Agencies. As with the other measures, attributing changes in the number of returned checks to HELP would be difficult. Therefore, it does not appear that this measure will be useful in evaluating HELP.

26. Average Electricity Energy Burden

Definition: The average proportion of recipient's household income spent on electricity.

Standard: No standard has been developed.[21]

Discussion: One report, Low Income Consumer Utility Issues: A National Perspective, prepared by Jerold Oppenheim and Theo McGregor, places the actual energy burden of low-income households in Utah at about five times that of the median income household in Utah. The energy burden for a household with median income in Utah is about 1.6%.[22] If this information is accurate, the actual energy burden for eligible HELP recipients may currently be around eight percent. Assistance under HELP will, ceteris paribus, reduce the energy burden of recipients. However, without a clear standard, and given the small size of HELP, it would be difficult to attribute changes in this measure to HELP. Therefore, it does not appear that this measure will be useful in evaluating HELP.

[21] Beck did suggest a standard of between eight percent and the actual energy burden of recipients. However, the best available estimate of the actual energy burden is eight percent. (See discussion under Average Energy Burden).

[22] R. W. Beck report, p. 4-18.

Measures and Standards the Division will Use to Evaluate HELP

Of the twenty-six potential measures enumerated above, the Division proposes using the following eleven measures to evaluate HELP:

Measure[23]	**Standard**
Program Cap (15)	Within 5% of Cap
Administrative Costs (3)	Costs under cost cap
Ending Account Balance (14)	Less than $92,500
Process Granting Credit to Recipients (1)	Done per PSC order
Process Collecting Surcharge From Ratepayers (5)	Done per PSC Order
Penetration (16)	42% of those Eligible
Write-Offs (12)	Reduction
Recoveries (13)	Increase
Terminations (9)	Reduction
Balance in Arrears (8)	Reduction
Accounts Sent to Collection Agencies (11)	Reduction

Data Collection

The Division attempted to get all available applicable data. The majority of the data used by the Division and R. W. Beck came from PacifiCorp. PacifiCorp initially provided data based upon the Stipulation and Order of the Commission. The Division followed up with an amplified data request, including a request for data covering a "base year," the year prior to the start of the program. Charts were created of all of the PacifiCorp data over time. These charts are shown in Attachment D.

Evaluation of HELP

In this section we evaluate the effectiveness and success of the lifeline program HELP. We begin by evaluating each of our proposed measures – eleven in all – relative to their standards. If an individual measure meets or exceeds its standard, then the program is considered a success relative to that measure. To determine the overall effectiveness and success of the program, the measures are then interpreted relative to the program's goals as previously outlined. If HELP fulfills the program's goals, as determined by the eleven measures, the program would be considered a success.

Evaluation of Measures

1. **Program Cap**
   The standard defined for this measure is actual collections should be within five percent of the program's cap. Over Year 1, actual collections were $1,897,652, which is slightly greater than the cap, but within the five percent standard. Therefore, we conclude that this measure meets its standard.

2. **Administrative Costs**
   Administrative costs are to be kept within the amount ordered by the Commission. Both DECD and PacifiCorp are allowed to charge program startup costs on a one-time basis of up to $25,000 against the balance of the lifeline account. Additionally, PacifiCorp is allowed to charge its ongoing direct administrative costs of up to $10,000 on an annual basis against the program's account balance; DECD is allowed to charge up to $40,000.

[23] Numbers in parenthesis indicate the order in the list of measures in the previous discussion.

From September 2000 through October 2001, PacifiCorp charged $10,931 against the HELP account, which is well below the amount authorized by the Commission for start-up and administrative costs. DCED's billed expenses, on the other hand, exceeded the authorized level. DCED submitted to PacifiCorp expenses totaling $79,548.[24] PacifiCorp, however, paid out only $65,000, keeping DCED's reimbursed expenses at the authorized level.

Thus, reimbursed administrative and start-up costs have been held below the authorized levels set by the Commission. However, we do not believe that it was the Commission's intention that DCED would bear un-reimbursed costs. Therefore, we must conclude that this measure has met with mixed results.[25]

3. Ending Account Balance

The standard as proposed herein, is that the ending account balance should be no more than $92,500, which is five percent of the authorized program cap of $1,850,000. At the end of year one (September 2001), the ending balance was $872,814 and as of the end of December 2001, the ending account balance was at $1,032,815 and growing, although slowly. (At the end of September 2002, the ending account balance was at $1,049,903). Although it may be reasonable to maintain a positive account balance, we do not believe that the Commission intended for the account balance to significantly exceed what could be considered a reasonable short-term contingency level (i.e., the defined standard of $92,500). Likewise, we do

[24] Members of the low-income working group are aware of and have discussed DCED's expenses. The working group decided that DCED should take the initiative and formulate a plan to recover their excess costs and present it to the Commission. One alternative discussed among the working group was to allow DCED to roll excess costs into the second year of the program. Whatever plan DCED proposes, each member of the working group, and any other interested party, would determine the extent of their support.

[25] It is the Division's understanding that, DCED has subsequently charged the excess expenses against its HEAT funds.

not believe the Commission intended for the account balance to grow indefinitely as time progressed. Therefore, it does not appear that this measure meets its standard.

4. Process Granting Credit to Recipients

Salt Lake Community Action Program (Betsy Wolf) brought some credit discrepancies to the attention of the Division's Audit team. Approximately 5000 Schedule 3 ratepayers (recipients under HELP) received a "HELP deficiency" charge instead of a credit. The audit team investigated these discrepancies and determined that PacifiCorp, once informed of the mistake, acted to correct the problem. The audit team also met with DCED representatives, reviewed samples of applications, and audited the HELP account. The audit team concluded that the program is being administered in a reasonable fashion and that the funds collected and disbursed appear to be in accordance with the Commission's order. Therefore, we conclude that this measure meets its standard.

5. Process Collecting Surcharge from Ratepayers

The Division's audit team reviewed a sample of bills to verify that the surcharge was appropriately included on Utah Power bills. The audit team found no discrepancies. Therefore, we conclude that this measure meets its standard.

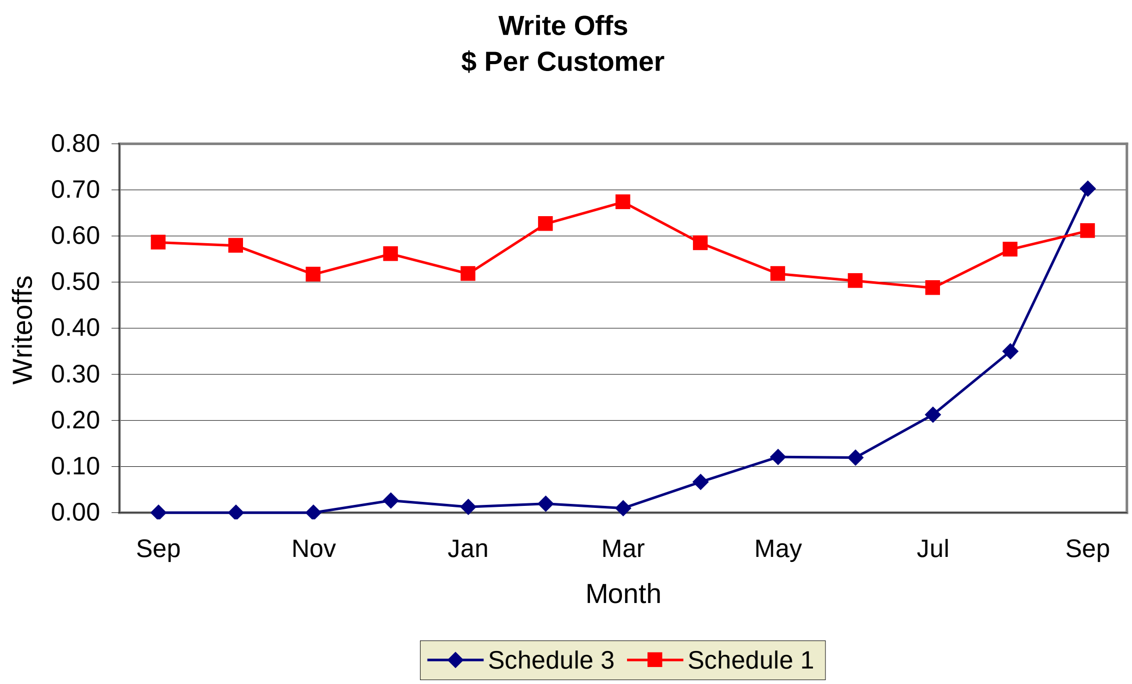
6. Penetration Rate

The standard for this measure was set at 42%. The monthly number of recipients ramped-up from zero, in September 2000, to 17,652 in May 2001, and leveled off to approximately 16,250 per month. If there are 45,000 eligible households in Utah, then the penetration rate would be approximately 36%. Without better data or information on the total number of eligible households, it is difficult to say whether the 36% is significantly different from the standard. Therefore, we conclude that this measure is inconclusive.

7. Write-Offs

The standard for this measure is a reduction in the number of write-offs. Over year one of the program, however, both the number of accounts written-off and the dollar amount per customer have risen. For example, the monthly dollar write-off per Schedule 3 customer has risen from a low of about three cents in December 2001 to a little over seventy cents in September 2001. From March 2001 through the end of year one, there is a steep increase in the dollar per customer write-off for Schedule 3 customers.

However, for several reasons, we do not believe that any strong conclusions can be drawn for this measure at this time. First, the program is going through a ramp-up period. That is to say, the per-customer write-off may be approaching an amount that will prove to be stable in the future. Second, the seventy cents per customer does not appear to be out of line with the write-offs per customer for Schedule 1, which is about sixty-one cents per customer. Finally, as we have explained before, the size of the program makes it difficult to separate HELP's impact or influence on this measure from general macro-economic conditions.

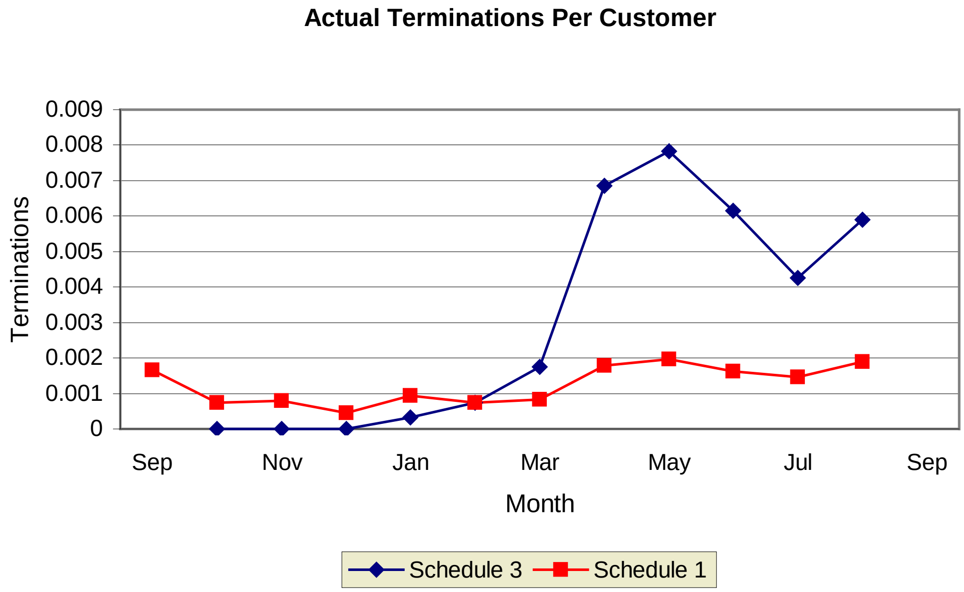


8. Recoveries Per Customer

Recoveries per customer for Schedule 3 have risen over year one from a low of two cents per customer in December 2001 to just over ten cents per customer in September 2001. However, for similar reasons discussed under write-offs, we do not believe that any strong conclusions for this measure can be drawn at this time. Thus, we must conclude that the effectiveness of HELP relative to this measure is inconclusive.

9. Terminations

On a month-by-month basis, over the last six months of year one, notices per customer for Schedule 3 have run approximately twice that of notices per customer for Schedule 1. Similarly, actual terminations per customer for Schedule 3 peaked at about 78 per 10,000 in May 2001, which was approximately four times that for Schedule 1. However, for reasons discussed under write-offs, we do not believe any strong conclusions can be drawn at this time. Thus, we must conclude that the effectiveness of HELP relative to this measure is inconclusive.



10. Balance in Arrears

According to the set standard, Balance in Arrears should decline. Over year one of the program, however, this measure has increased from $14 per customer to $44 per customer for Schedule 3. The same measure for Schedule 1 has remained relatively constant at about $18 per customer. Since January 2001, arrearages per customer for Schedule ~~1~~ 3 have been running about twice that for Schedule 1.

However, for reasons discussed under write-offs, we do not believe any strong conclusions can be drawn at this time. Thus, we must conclude that the effectiveness of HELP relative to this measure is inconclusive.

11. Accounts Sent to Collection Agencies

The number of accounts and, thus, the dollar amount sent to collection agencies from Schedule 3 has increased substantially over the course of year one.

However, for reasons discussed under write-offs, we do not believe any strong conclusions can be drawn at this time. Thus, we must conclude that the effectiveness of HELP relative to this measure is inconclusive.

Evaluation Summary

In summary, evaluation of the measures yields mixed results: of the eleven measures, four meet or exceed their standards; one fails to meet its standard; and six measures yield inconclusive results.

Table 2: Measure Evaluation Summary

Measure	Outcome of Evaluation Meets or Exceeds Standard
Program Cap	YES
Process Granting Credit	YES
Process Collecting Surcharge	YES
Penetration Rate	YES
Ending Account Balance	NO
Administrative Costs	Inconclusive
Write Offs	Inconclusive
Recoveries Per Customer	Inconclusive
Terminations	Inconclusive
Balance in Arrears	Inconclusive
Accounts Sent to Collection Agencies	Inconclusive

Achieving Commission Goals

A comparison of the Commission's goals (described on page fourteen) with the Measure's outcome above, indicates that of the eight goals only four are achieved or met by HELP. Whether HELP achieves the remaining four goals is inconclusive. (See Table 3)

Table 3: Evaluation of HELP's Goals

Goal Description	Goal Outcome
Comply With Ordered Procedures	Fulfilled
Cap Collections at or Near $1.85 Million	Fulfilled
Provide Benefits to Low-income Recipients	Fulfilled
Administratively Simple and Easy to Administer	Fulfilled
Provide Benefits to PacifiCorp	Inconclusive
Not Overly Burden Other Customers	Inconclusive
Provide Benefits to Ratepayers in General	Inconclusive
Positive Impacts Outweigh Negative Impacts	Inconclusive

Conclusions and Recommendations

The Commission implemented a lifeline rate for electricity, Home Electric Lifeline Program or HELP, based on several fundamental objectives including: (1) there would be benefits to the intended beneficiaries, to the utility, and to utility customers in general; (2) the program would not overly burden other ratepayers; and (3) the program would be administratively simple and inexpensive to administer. Furthermore, the Commission stated, "The benefits of the program should offset negative impacts on rate making objectives and should be sufficient to overcome the Commission's reluctance to effectuate social policy by means of altered electricity rates."[26]

The Division, with input from various interested parties, has developed a set of measures and standards to evaluate the effectiveness of HELP. While some of the measures meet or exceed the associated standard, most of the measures are inconclusive. Thus, while a few of the Commission's goals may be met by HELP, whether HELP meets most (or even a majority) of the Commission's goals is not clear. On the one hand, HELP does provide benefits to recipients: over Year One, low-income customers on Schedule 3 received $1,044,260. On the other hand, the Division has been unable to find demonstrable benefits to either PacifiCorp or ratepayers in general. Given the programs relatively small size, any effects or benefits HELP may have on other ratepayers or PacifiCorp are likely swamped by general macro-economic factors.

There are several detriments. Notably, HELP collected $1,947,399, a quantifiable detriment to non-recipients, but whether this amount is "overly" burdensome is debatable. Without stronger evidence than this however, and given the lack of beneficial evidence, the Division views the evaluation of the effectiveness of HELP as inconclusive. And, thus, the Division is unable to conclude that HELP meets the goals as outlined by the Commission.

We note, however, that at the end of year one, the account balance was slightly less than $1,000,000 and growing, although slowly. The large and growing account balance is of some concern. If the average monthly collections were reduced by one-half, the account balance would <u>decline</u> by approximately $700,000 over the next twelve months; over 24 months, the account balance would decline by approximately $1,500,000, and could result in a negative

[26] "Report and Order," docket 97-035-01, p. 95.

account balance. If monthly collections were reduced by one-third, the account balance would decline by approximately $400,000 and $860,000 over the ensuing twelve and twenty-four months respectively. Therefore, we recommend the Commission reduce monthly collections by one-third. This will allow the account balance to gradually to decline to a level the Division views as reasonable.