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Memorandum

TO: Public Service Commission

FROM: Division of Public Utilities
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DATE: March 24, 2005

SUBJECT: Quantec's Utah HELP Program Evaluation Final Report

BACKGROUND

In Docket No. 99-035-10, the Utah Public Services Commission (Commission) ordered the implementation of the Home Electric Lifeline Program (HELP, or the Program). In a subsequent order, the Commission adopted the "Joint Stipulation on PacifiCorp's Lifeline Rate" which detailed the implementation of the Program. The Joint Stipulation charged the Division of Public Utilities (Division) 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 those standards and measures; and
3. monitoring and auditing the Program, and submitting, at a minimum, annual reports to the Commission and other interested parties with a comprehensive review after the end of Year 3.

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In accordance with the Commission's order in Docket No. 99-035-10 and the subsequent Joint Stipulation entered by various interested parties and adopted by the Commission in Docket No. 00-035-T07, the Division outlined the measurable program standards, which included, among other things, benefits to low-income recipients; benefits to ratepayers in general; and benefits to the utility. Having received no other feedback from the Commission or the other interested parties on specific program goals, the Division set about to measure the program against its stated goals. The Division submitted its Years 1, 2, and 3 HELP evaluation reports. In all three reports, the Division stated that its attempts to evaluate the effectiveness of the Program yielded inconclusive results due to the difficulty in separately identifying the impacts of HELP from other economic impacts. In its Year 3 report, the Division requested (and received) approval to engage Quantec to establish a protocol that would potentially allow attribution of the changes in the performance measures to HELP. Quantec submitted its final report to the Division on January 27, 2005. This memorandum is the Division's comments on Quantec's final report. Quantec's report is attached to this memo.

MAJOR ISSUES AND CONCLUSIONS

1. The Quantec Report concluded that there is confusion or disagreement about the Program's goals or purpose. The Division agrees with Quantec that clarity about the Program's goals is crucial to designing the Program to deliver its services in a way that satisfies the intent of the Program. However, having reviewed the Commission's prior orders, the Division believes the Programs goals have been clearly articulated by the Commission. If other parties disagree with the Division's interpretation of Commission orders, then we would encourage them to bring these disagreements before the Commission.

2. The Quantec Report describes weaknesses in the administration of the Program. The report indicates that it has been difficult to accurately track the continued

eligibility of recipients and suggests that some eligible ratepayers may not be receiving benefit from this Program. However, further review by the Division indicates that an error in the data that Quantec relied upon has been detected and corrected. Finding no other evidence of administrative weakness, the Division is satisfied that the Program is properly administered.

3. Although the Quantec report indicates that HELP is cost effective, the Division has the same concerns with Quantec's analysis that it had with the Division's own attempts to quantify performance standards: the analysis fails to satisfactorily isolate HELP impacts from other relevant economic variables. Therefore, the Division believes it is difficult to say with confidence whether or not changes in the performance measures are attributable to the Program.

4. As an aside to Quantec's report, annual collections and the account balance continue to be primary concerns of the Division. Collections from non-participants exceed the Commission's prescribed annual cap of $1.85 million. Additionally, the HELP account balance, which is currently in excess of $2 million, has increased in each of the last four years and is projected to continue to increase. The interest earned on the account balance is now nearly four times the Program's administrative cost.

RECOMMENDATIONS

1. The Commission should clarify the purpose and goals of HELP so Program design and performance measures can be refined.

2. Given the difficulty in definitively attributing changes in performance measures to HELP, the Division believes that the expense of any ongoing cost/benefit analysis is not justified. The Division, therefore, recommends that an annual compliance

and financial audit is sufficient to monitor the Program's account balances and performance.

Alternatively, if the Commission is interested in ongoing analysis, the Commission should refine the Program's primary goals and establish measurable performance standards. As explained in this report, the Division drew conclusions about the Commission's expectations of this program and has attempted to measure the Program against these administrative and performance goals. Unfortunately, the Division finds that some of the performance goals are not amenable to clear analysis. To the extent that the Program is intended to benefit low-income recipients and stabilize recipients' payment behaviors, Quantec's analysis of the data on arrearages, terminations, collection actions, etc. tends to show that HELP contributes to progress toward these goals. However, as discussed in detail below the HELP data was confounded with HEAT data for most of the analyses and there turns out to be problems and questions with the underlying data. It is much more problematic to measure with any kind of precision the actual value of the benefit conferred on recipients, whether there is measurable benefit to non-recipients, whether Program benefits outweigh its costs, or whether the Program places an undue burden on non-recipients.[1] Attempts to reach supportable positions on these factors have been costly and, by and large, unsuccessful. The Division recommends that the Commission either clarify measurable Program goals or discontinue this type of ongoing analysis altogether.

3. The Division recommends that the Commission review and, if appropriate, adjust the prescribed account balance cap. The Division also recommends that the Commission adopt adjustments or program refinements to ensure that ratepayer

[1] Given that the collections currently exceed Program costs, one could argue that the Program places an unnecessary burden on non-recipients. Whether the amount being collected is overly burdensome to non-recipient ratepayers is another question.

funding does not exceed the needs of the Program and to address the accumulated account balance by (1) decreasing the amount of the surcharge; (2) increasing the amount of the allowed credit; (3) increasing the outreach effort to broaden participation in the Program; or (4) some combination of these.

PROGRAM GOALS AND BENCHMARKS

Having reviewed the Commission's orders in Docket Nos. 97-035-01, 99-035-10, and 00-035-T07, the Division concludes that the Commission's intended administrative and performance goals are as follows:

Administrative goals:

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

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

C. Be administratively simple and inexpensive.

Performance goals:

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

B. Provide benefits to non-recipient utility customers in general;

C. Do not overly burden non-recipient customers;

D. Provide benefits that offset negative impacts; and

E. Provide benefits to PacifiCorp in the form of lower overhead costs:

To date, no party has formally challenged the Division's interpretation or characterization of the Commission's orders with regards to these goals. Although Quantec reports that during its interviews of various parties, some parties expressed confusion over the programs goals or objectives. The Division encourages these parties to bring their disagreements before the Commission. In the absence of further clarification, however, the Division will continue to evaluate the Program relative to the goals as specified above.

The Division submitted its Years 1, 2, and 3 evaluation reports to the Commission on December 7, 2002, September 11, 2003, and March 31, 2004, respectively. In the first two reports, the Division concluded that the Program met its administrative goals. In the Year 3 report the Division reported that the Program's annual collections exceeded the Commission's ordered annual cap of $1.85 million and thus failed this administrative goal.

In regards to the performance goals, given the Program's small size relative to the state and national economies, the Division could not distinguish the economic impacts of the HELP Program from the impacts of the general macroeconomic conditions of the state and the nation. Because the Division could not state with confidence that a change in any performance measure was attributable solely to the Program, it could not draw a definitive conclusion about whether the Program achieved its intended performance goals.

In response to the Division's expressed quandary over attribution, the Division asked that Quantec, an energy efficiency-consulting firm that performs economic evaluations for PacifiCorp, be retained to provide a study to quantify the benefits accruing to participants, non-participants, and the utility by establishing a protocol that would allow attribution of the changes in the performance measures to HELP. Quantec has reviewed programs in other states similar to HELP and claimed that, by establishing a comparison group, it could identify and attribute the benefits of HELP to non-participants and utility (See Attachment A of the Division's Year 3 Report). The Commission verbally approved the engagement of Quantec on or around June 10, 2004, with the understanding that the cost would be paid from the HELP fund. The cost of the Quantec study was expected to be approximately $50,000.

On June 22, 2004, Quantec submitted a research proposal to the Division and other interested parties for comments specifying its methodological approach including the establishment of a comparison group that would potentially allow attribution of changes in the performance measures to HELP. Quantec's proposal indicated that it would take approximately 71 days beginning September 1, 2004 to complete the study.

On January 6, 2005, Quantec presented its preliminary findings to the Division and other interested parties and solicited comments. On January 27, 2005, Quantec submitted its final report to the Division. The remainder of this memo represent the Division's comments on Quantec's final report.[2]

COMMENTS ON QUANTEC'S REPORT

Quantec's evaluation methodology consists of two components: a process evaluation and an impact evaluation. The process evaluation considered (1) inferences about poverty levels drawn from the 2000 United States Census; (2) a review of all filed tariffs and the Division's previous evaluation reports of HELP; and (3) an interview of key stakeholders including advocates, regulators, and other interested parties and a small sample of program participants.[3] Quantec's impact evaluation assessed the penetration level, length of stay in the Program, energy consumption, arrearages, shutoffs, mobility, and collections.[4] Additionally, Quantec performed cost-effectiveness analyses.

QUANTEC'S PROCESS EVALUATION

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[2] The Division solicited feedback on a draft of its comments from Quantec and other parties. Quantec's feedback is provided as an attachment to this memo.

[3] A complete list of the people who were interviewed can be found in the Quantec's Utah HELP Program Evaluation Final Report. Page I-2.

[4] Of the performance measures used and evaluated by Quantec, three were not addressed in the Division's annual HELP reports: length of stay in the Program, mobility, and energy consumption.

In its process evaluation, Quantec reviewed the 2000 United States Census (Census), all filed tariffs, the Division's previous evaluation reports of HELP, and interviewed key stakeholders including advocates, regulators, and other interested parties and a small sample of program participants and. Quantec's Census review indicates that, while the State of Utah ranked 39th with regard to the percentage of its households living in poverty, it is one of 12 states that exhibited an increase in the level of poverty since 1990. The Census data indicate that there are approximately 75,000 households within PacifiCorp's Utah service territory that are at or below 125% of the Federal Poverty Guidelines,[5] which is the qualifying criteria for participating in the HELP.[6] Quantec estimated the electricity burden for these low-income families to be 4.6% of household income, compared to only 1.8% for a median-income family. Quantec observed that it would take assistance in the amount of $378 per year per low-income household to level the electricity burden on residential customers. HELP, with some exceptions, provides a maximum of $8 per month, or $96 per year, to participating ratepayers.

Quantec analyzed U.S. Census Bureau data and determined that the average low-income household in Utah spent $613 annually on their electric utility. Quantec also determined that it would take $378 to make level the electric utility burden of low-income Utahns with the state average.[7] National data compiled by the U.S. Department of Labor supports Quantec's numbers.[8] If HELP is combined with the total funds available from HEAT, then this approximates the $378 figure, although HEAT can be used for natural gas utility and electric utility costs.[9]

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[5] The 2004 Federal Poverty Guideline for a one-person family was $9,310; it was $12,490 for two people and increased by approximately $3,200 for each additional person. See, U.S. Department of Health & Human Services, "2004 Poverty Guideline Computations" at http://aspe.hhs.gov/poverty/04computations.shtml.

[6] Participation in the HELP averages approximately 204,772 participants per year.
[7] Quantec Report, pp. 20-21
[8] See Appendix, under Item 6.
[9] HEAT total funds are typically in the $250 to $300 range.

HELP'S PRIMARY GOALS

Having verified that a significant number of Utah households could benefit from the assistance, Quantec attempted to determine whether the Program met the goal of providing a discount to eligible low-income households without creating a burden for non-recipient customers. Quantec concluded that there is no clear consensus among stakeholders as to how the Program's cost effectiveness should be measured. Quantec suggests that clarity about the Program's purpose and goal is crucial to designing meaningful performance measures.

The Division, in its Year 1 HELP evaluation report, clearly stated the goals of the Program as it understood them based on its review of the Commission's orders in Dockets 97-035-01, 99-035-10, and 00-035-T07.[10] These goals are as indicated above, under Program Goals and Benchmarks. In this same report, the Division also identified the measures and standards against which the achievements of these goals are evaluated. Therefore, the Division would like the Commission to clarify whether the primary goals are as listed above. If the primary goals are not as listed above, the Division would like the Commission to clarify what the primary goals of the Program are and refine the design of the Program accordingly. If the Commission determines that redesigning the Program is warranted, the Commission may want to consider Quantec's recommendation of engaging an independent entity to perform the task.

HELP'S ADMINISTRATIVE AND QUALITY CONTROL PROCEDURES

In its report, Quantec raised concerns about the Program's quality control. Quantec pointed to anecdotal evidence that SLCAP and CUC might have caused a few participants to be accidentally dropped from HELP. On further review, the Division verified that this conclusion resulted from a data entry problem that has since been resolved. In its review, Quantec also found that nearly 15% of the participants received

[10] Division's Year 1 HELP evaluation report. Pages 15 to 16.

no HEAT assistance and 13% of the comparison group received HEAT. The Quantec report pointed to this mismatch as a weakness in the Program's administration. In response, DCED explained that some participants used their HEAT money to pay for their gas bill and that some people who received HEAT did not apply for HELP because they felt that the HEAT money would be sufficient for paying their electric bills. Therefore, a perfect match of HEAT and HELP recipients is not expected. The Division is satisfied that the quality controls in place are generally sufficient and an annual compliance audit would provide sufficient quality control oversight.

Quantec, while recommending improvement in the quality control of the Program, agrees with the Division's conclusion that the Program has been properly administered.

QUANTEC'S IMPACT EVALUATION

In its annual reports, the Division was unable to reliably attribute changes in the performance measures to HELP because these measures are impacted not only by HELP, but also other factors including the condition of the national and state economies. Quantec's methodological design is intended to capture (or isolate) the impact of HELP on some of the measures used to evaluate the performance goals of the Program. These measures include participants' arrears, shutoffs, collection notices, and mobility.[11]

To isolate the impact of HELP on these performance measures from other influences, Quantec used a quasi-experimental design in which the behavior of a participant group was compared to the behavior of a comparison group. Obviously, obtaining a relevant comparison group is key to this endeavor. The subjects for both groups are similar in that their payment histories indicated arrearages for at least a 12-month period (the pre-program period). For the purpose of this study, the "participant group" consisted of ratepayers who, at the end of the pre-program period, applied for and received HELP. This group's subjects remained on HELP for the next 12 months (the post-program

[11] Mobility is proposed by Quantec in its evaluation report but was not included in the set of measures used by the Division in its annual reports.

period). The "comparison group" did not receive any HELP credit at any time during the pre- or post-program periods, but applied for and received HELP credit after the post-program period.

The study compares the changes in the performance measures between the pre- and post-program periods for the participants with those of the comparison group. The Quantec report attributes improvements in payment behaviors and other indicators to the impact of HELP alone, leading Quantec to conclude that the Program is cost effective. Although the study indicates an improvement in payment behaviors of the participant group members and some other indicators once they received HELP, the Division is not satisfied that the changes are attributable solely to HELP, as opposed to an accumulation of HELP and HEAT.

Quantec assumed that, because participants can apply for HELP in conjunction with HEAT,[12] participants who receive HELP also receive HEAT. However, participants may use their HEAT money to pay their gas bills or electric bills. Since the study did not consider a comparison group who received HEAT but not HELP, the Division is not satisfied that this study adequately separates the impact of HELP from that of HEAT for some of the performance measures (energy consumption, shutoffs, mobility, and collection notices). Furthermore, Quantec did not have access to records that would indicate the amounts of HEAT money that may have been used toward gas bills. Consequently, Quantec could not capture the total impact of the combination of HELP and HEAT. HELP certainly contributes benefit to its recipients, but it is difficult to say with confidence that HELP makes a significant impact on the performance measures used in this study.

[12] As is indicated in the Division's Years 1 and 2 reports, there are some participants who are receiving HELP on a stand-alone basis. These are participants who did not reapply for HEAT, but received a HELP re-certification letter from SLCAP and other offices. There were 30-40 participants in Year 1 and about 400 participants in Year 2 of the Program that are in this category.

To evaluate the impact of the combination of the HELP and HEAT on energy consumption, shutoffs, mobility, and collection notices, Quantec used a two-sample z-test. Quantec's results of these analyses are summarized below.

Energy consumption: The average bill amount for participant and control groups increased by 6%, and 8%, respectively. This difference was not statistically significant. That is, there is no evidence to suggest that the combination of HELP and HEAT impacted the energy consumption of the participants.

Shut-offs: Both the participants and the comparison group experienced a 0.03% decrease in shutoffs. This reduction in shutoffs was not statistically different between the two groups. That is, the combination of HELP and HEAT had no impact on participants' shutoffs.

Mobility: Participants experienced a significantly lower increase in mobility, 0.07, than the comparison group, 0.10 moves per client. This suggests that the combination of HELP and HEAT may have played a role in slowing the increase in participants' mobility. The Division does not disagree with the methodology used by Quantec to evaluate the mobility data. The Division, however, analyzed the underlying data on mobility and found serious problems in the data. In a subsequent telephone conversation with Quantec, Quantec agreed that the data was at least highly anomalous and indicated that they were willing to exclude mobility from the Benefit/Cost analysis.[13]

Collection Notices: Participants experienced a 0.03 reduction in collection notices per participant, whereas the comparison group experienced a 1.16 increase in collection notices per household. The difference between the two groups was found to be statistically significant. Therefore, evidence suggests that the combination of HELP and HEAT helped reduce the number of collection notices for participants.

[13] See the Appendix under Item 6 for details.

The conclusion that can be drawn from the above results is that the combination of HELP and HEAT did not have significant impact on most of the above performance measures.

Analysis of Arrearages

In an attempt to separate the impact of HELP on arrearages from that of HEAT, Quantec used a regression analysis involving a dummy variable representing customer participation in the Program. This dummy variable takes a value of one if the customer is participating in the Program and zero if the customer is in the comparison group. In this model, the amount of post-program arrears is assumed to depend on the amount of pre-program arrears, the amount of HELP credit received, the amount of HEAT money received, and an interaction between participation (dummy variable) and the amount of HEAT money received. The results of this regression analysis show that HELP reduces post-arrears by approximately $75. This reduction was found to be statistically significant. This reduction is the direct impact only of HELP on post arrears. Quantec's model includes additional indirect impact through HEAT, which was also found to be significant.

Using Quantec's arrearage data and a slightly different model specification the Division verified Quantec's regression results.[14] For the telephone conference the Division had with Quantec, Quantec supplied results of regressions on subsets of the arrears data that indicated the overall results remained fairly robust, that is the results were in line with the original Quantec analysis. However, the Division believes that there may be problems with the underlying data, and thus the results while supporting HELP may not be useful or valid.

As mentioned above, a critical element of the impact evaluation is the assumption that the participant and comparison groups are sufficiently similar and, taken as a whole, that the only significant difference between the groups is HELP. If this assumption holds true,

[14] See Appendix A of Quantec's final report and the Appendix to this memo for a more detailed discussion of the regression specifications and results.

then Quantec's regression analysis has merit. Quantec indicated to the Division in our conference call that they believed the two groups were sufficiently similar to each other. Their reasoning was that even if the absolute values between the two groups were different, the difference of the various group attributes would be the same from one year to the next, because we knew we were dealing with low-income households, making similarity sufficient for the need at hand. Quantec has not offered empirical support for this reasoning beyond the data set forth in their report.

Using the data available, the Division tested for similarities that might weigh on this question. Quantec supplied data to the Division regarding the pre-program arrears for both the participant and comparison groups. The data were the average annual invoices and the average annual payments of the two groups. For each of the 40 months, the Division was given the sample size for each month along with the average invoice and the average payment for each of the two groups. The overall average comparison group invoice was $585.24, which is 15.9 percent higher than the matching participant invoice average of $504.82. The comparison group's overall average payment amounted to $504.30, which is 18.3 percent higher than the participant group's average payment of $426.17.[15] In this pre-period Quantec compared a participant group that is one year away from participation in HELP with a comparison group that is two years away from participation in HELP. For the post-period, the participant group's invoices *declined* $64 to $440.58, but their payments increased to $474.17, indicating a pay down in the arrearages. The comparison group's invoice average amount *increased* nearly 8 percent to $631.28, but the payments increased faster at 12 percent to $565.05. The upshot of this is that, presumably without HELP or HEAT, the comparison group paid more of the invoice in the "post" year than the "pre" year (89.5 percent vs. 86.2 percent).

Economic theory suggests that the participant group subjects would use as much or more electricity when they are essentially given more money to do so, effectively reducing the

[15] Quantec Report, Table V.1, page 28.

price of electricity. The comparison group subjects would be expected to maintain or reduce their electric usage, as their financial situation, presumably, was deteriorating. Further, where are the comparison group's funds coming from to increase their payments faster than the increase in their invoices? This is a confusing pattern if the two groups are closely similar.

A casual review of these percentage differences alone suggests that there may be a substantial difference, other than HELP participation, between the two groups, at least at the points in time in which they are compared. However, a formal statistical test of the pre-period data was performed that showed, to a very high probability, that the two groups are different ($z = 140$). The post-period data likewise indicated a significant statistical difference ($z = 169$). It is not known what the source of this difference is. One possibility is that the comparison group has higher income. Federal government data[16] indicates that as income rises, so does expenditures for electricity, but the rate of increase in electricity costs is much less than the rate of increase in income. Thus, if income is the reason for the difference between the two groups, then the income difference could be noticeably greater than the 15.9 percent difference noted above.

If the characteristics of the two groups are not sufficiently similar, then the best that could be said of Quantec's various analyses is that Quantec has successfully measured that the two groups are different. Little or nothing could be said about HELP (or, a combination of HELP and HEAT).

Although the Division has questions about the underlying data and model specification used in the arrears regression analysis, the data presented by Quantec does support a significant benefit attributable to HELP alone.

COST-EFFECTIVENESS TEST

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[16] U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Expenditure Survey, 2003."

Quantec performed a cost-effectiveness test for the combined HEAT and HELP and for HELP alone. The analysis was performed from the perspective of the ratepayer and the total resource cost. With the removal of the mobility measure from the Benefit/Cost analysis, the total resource measure become identical to the ratepayer measure. The results of the analysis indicate that the combined HEAT and HELP passed the ratepayer test but HELP alone failed the ratepayer test. Without a more definitive attribution of changes to HELP, the cost-effectiveness results for HELP alone are questionable. Below Table 1 replicates Quantec's original Benefit/Cost analysis. Table 2 shows the results with mobility removed.

Table 1

	Ratepayers		Societal/TRC	
	HELP Only	HEAT & HELP	HELP Only	HEAT & HELP
Benefits				
Reduction in Arrears	$3,877,884	$4,987,986	$3,877,884	$4,987,986
Reduction in Notices	$44,538	$44,538	$44,538	$44,538
Reduction in Mobility	$44,912	$44,912	$2,185,708	$2,185,708
Total Benefits	$3,967,334	$5,077,435	$6,108,130	$7,218,231
Costs				
Administration	$37,676	$37,676	$37,676	$37,676
Surcharge	$4,790,592	$4,790,592	$4,790,592	$4,790,592
Total Costs	$4,828,268	$4,828,268	$4,828,268	$4,828,268
B/C Ratios	0.82	1.05	1.27	1.49
Net Value	$(860,934)	$249,167	$1,279,862	$2,389,963

Table 2

	Ratepayers		Societal/TRC	
	HELP Only	HEAT & HELP	HELP Only	HEAT & HELP
Benefits				
Reduction in Arrears	$3,877,884	$4,987,986	$3,877,884	$4,987,986
Reduction in Notices	$44,538	$44,538	$44,538	$44,538
Reduction in Mobility	$0	$0	$0	$0
Total Benefits	$3,922,422	$5,032,524	$3,922,422	$5,032,524
Costs				
Administration	$37,676	$37,676	$37,676	$37,676
Surcharge	$4,790,592	$4,790,592	$4,790,592	$4,790,592
Total Costs	$4,828,268	$4,828,268	$4,828,268	$4,828,268
B/C Ratios	0.81	1.04	0.81	1.04
Net Value	NA	NA	NA	NA

Furthermore, as explained below, the account balances currently exceed the Program costs, an imbalance between the collections burden on non-participants and the program costs.

ENDING ACCOUNT BALANCE

This measure is the amount of money in the account at the end of each year. The standard for this measure is that the ending account balance should be within five percent ($92,500) of the Program cap. The Program cap is $1,850,000. Table 3 shows the ending account balance and its components.

Table 3. Ending Account Balance Calculations

Component	**Base Year**	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Collections from Other Ratepayers	$49,746.62	$1,887,232.84	$1,920,690.58	$1,976,828.14	$2,027,875.68
Credits paid to Recipients		$1,044,259.63	$1,782,584.54	$1,783,671.38	$1,700,757.62
Administrative Cost	$7,930.16	$67,667.17	$21,693.59	$7,076.34	$28,374.30
Interest Income	$125.99	$44,988.09	$71,253.59	$86,584.84	$109,715.83
Ending Account Balance	$41,942.45	$862,236.58	$1,049,902.62	$1,322,567.88	$1,731,027.47

As can be seen in Table 3, the ending account balance has been increasing throughout the four years of the Program. This upward trend is expected to continue because the amount of money collected from other ratepayers exceeds the amount of money paid to the HELP recipients by an ever-increasing amount ($138,106.04 in Year 2, $193,156.76 in Year 3, and $327,118.06 in Year 4), the interest continues to accrue, and the administrative cost is more than covered by the interest payment. A surprising observation is that the amount of credit paid to the recipients declined in Year 4. If this trend continues, it will further increase the ending account balance (see Table 3 above: administrative cost for Year 2 and later is less than the interest income).

This ending account balance is of concern. In all three of its annual HELP evaluation reports, the Division recommended that the Commission decrease the surcharge by one-third. Alternatively, the amount of the HELP credit could be increased. If Quantec's analysis is correct, the average low-income household would have to receive an annual credit of $378 to put it on equal footing with other residential utility customers. Currently, HELP recipients receive no more than $96 per year.

If the Commission decides to continue the Program, then the Division recommends that Commission revisit the primary goal and the design of the Program and either reduce the surcharge, increase the amount of credit, broaden the reach of the program or some combination of these.

CONTINUED COST/BENEFIT STUDIES

The Division, the Commission, the Committee, PacifiCorp, other interested parties, and Quantec have dedicated substantial resources, both financial and the commitment of staff-hours, over the last four years to an ongoing review of this Program without a clear result. The Quantec study itself consumed $50,000 of Program funds. The Division suggests that these expended resources greatly exceed the benefits of the studies performed. If the Commission determines to continue the Program, the Division recommends that continued efforts to quantify the Program's costs and benefits be put aside; with the Division to continue to audit and report on Program results.

CONCLUSIONS

The primary goals, as stated in this report, do not lend themselves to easy analysis. It is hard to definitively determine whether HELP was successful or whether the Program was properly designed.   The Division recommends that the Commission clearly define the primary goal of the Program and design the Program accordingly.

The Division appreciates Quantec's analysis of HELP. However, the Division finds the same weaknesses in this study as in the Division's own evaluations in previous years. As explained in this report, the Division is of the opinion that it is difficult to separate the impacts of HELP and HEAT from other economic impacts that bear on performance measures and even harder to isolate HELP. Therefore, studies of this sort yield inconclusive results. Therefore, the Division recommends that these studies do not justify their cost.

The ending account balance has been increasing throughout the Program's four year in existence and is expected to continue. Additionally, the annual collections from non-participants exceed the Commission's approved amount. Therefore, the Division recommends that the Commission act to address annual collections and the account balance by adjusting the program cap, adjusting the surcharge amount, adjusting the credit amount or taking other action as appropriate to ensure that the amount collected and the account balance correspond with the Program's costs without unnecessarily burdening ratepayers.

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