



**Date:** February 1, 2008  
**To:** Becky Eberle and Marisa DeCristoforo, PacifiCorp  
**From:** M. Sami Khawaja, Anne West and Doug Bruchs; Quantec, LLC  
**Re:** Low-Income Arrearage Addendum

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This memorandum compares recommendations offered in the *Executive Summary* of Quantec's Low-Income Arrearage Study (the Study) with the various program offerings identified in the study's *Summary of Industry Best Practices* chapter. At PacifiCorp's request, Quantec has created a table illustrating how best practices research undertaken for the study directly informed the offered recommendations. To review, Quantec offered five recommendations in the Study's *Executive Summary*:

- Identification of Low-Income Households
- Maximize Use of Energy Assistance
- Maximize Use of New Trends
- Rate Discounts
- Longer Term Solutions

The table below lists each of the specific programs, program designs, and/or key program elements listed in the *Summary of Industry Best Practices* chapter. For each industry best practice, the table notes whether one or more of Quantec's recommendations were based on that practice. If Quantec did not offer a recommendation related to the identified best practice, a brief explanation is provided regarding the rationale behind its exclusion.

Please note Table 16 of the Study (page 41) lists general program types often used by utilities and states, not specific, implemented programs identified by Quantec as Best Practices (such as those following the table on pages 42–46). As a result, information from Table 16 is not addressed in the table below. Table 16 was included in the Study to introduce the reader to the wide range of potential program designs, not to identify specific Best Practices to help inform the Study's recommendations.

Also, Quantec would like to briefly respond to an e-mail submitted by Betsy Wolf of Salt Lake Community Action Program to the Utah Public Service Commission on January 18, 2008, entitled *Docket No. 05-035-54, MEHC Acquisition of PacifiCorp and Docket No. 07-2035-02, PacifiCorp Low-Income Arrearage Study*. Quantec acknowledges time and budget limitations prevented the Study

from offering state-specific recommendations. Each state has unique characteristics in terms of poverty levels, numbers of households in need, locations of households in need (e.g., urban vs. rural), fuel mix, availability of assistance, rates, home type, proportion of owners versus renters, demographics, and weather. We strongly believe a study tackling all these issues in making recommendations of cost-effective offerings is significantly beyond the time and budget constraints of this report. That said, some recommendations undoubtedly apply to each and every state. For example, identification of low-income customers, better access to other state and federal programs, and rate discounts apply to all states. The exact form of such assistance, the delivery channel, outreach, cost-effectiveness, and cohorts of households to whom assistance should be applied will vary by state. Again, expecting Quantec to deliver such details by state is unrealistic.

Quantec agrees with Ms. Wolf that the Study should be considered a critical first step in assessing low-income arrears from utility and customer perspectives. Simply, Quantec believes the report's strong analytic approach would be complimented by further investigation into specific program designs, building upon the state-specific assessments offered in the report.

Utility/Source	Program/Report	Program Design/Key Element	Included in Recommendations	Recommendation(s)	Rationale for Exclusion
Pennsylvania Bureau of Consumer Services Study	Report concerning alternatives to utility service disconnections	Identify and track low-income households	Yes	Identification of Low-Income Households	
		Catalog low-income service providers within the utility service territory	Yes	Maximize Use of Energy Assistance	
		Inform consumers of available social service agencies	Yes	Maximize Use of Energy Assistance, Longer Term Solutions	
		Tailor referrals based on individual needs and geography	No		Although the need to tailor program designs by state is discussed and most data were analyzed by state, the report does not provide any state-specific recommendations due to time and budgetary constraints. We did recommend rate discount programs be tailored at least by poverty level, as in the current program in Washington.
		Conduct follow-up calls regarding active referrals	No		Not explicitly stated in the Study's recommendations. However, this activity could be facilitated by adopting the "Identification of Low-Income Households" in conjunction with an effort to follow the "Long Term Solutions" recommendation.
		Develop consumer energy education and budget counseling programs	No		Not explicitly stated in the Study's recommendations. However, Quantec firmly supports all forms of energy education and equal billing programs. Budget counseling is often offered, but we have no evidence of its cost-effectiveness from an arrearage management perspective. If total societal benefits are considered, it may be cost-effective.
		Increase the number of households paying on budget billing plans	No		Mentioned in Executive Summary as a good strategy, but not explicitly noted as a recommendation
		Actively promote the availability of LIHEAP and other energy assistance	Yes	Maximize Use of Energy Assistance	
		Support and expand available fuel funds initiatives	Yes	Maximize Use of Energy Assistance, Longer Term Solutions	

Utility/Source	Program/Report	Program Design/Key Element	Included in Recommendations	Recommendation(s)	Rationale for Exclusion
Pennsylvania Public Utilities Commission	Low-Income Usage Reduction Program	Lower cost of utility service through weatherization	No		This is always a good strategy; all utilities need to offer weatherization. Most, including the Company, do.
	Customer Assistance Plan	Provided arrearage forgiveness to LI consumers making regular/timely payments	No		Quantec's 2003 evaluation of the Eugene Water and Electric Board's (EWEB), Universal Service Plan and REACH programs, which offered arrearage forgiveness, were not found to be cost-effective using societal, utility, and ratepayer tests. In other places, we, and others have conducted assessment of programs with arrearage forgiveness have failed to show evidence of cost-effectiveness. This may be due to most such programs offering arrearage forgiveness in a package of services. Most evaluators have failed to isolate its impacts. EWEB is an unregulated utility and therefore is not subject to cost-effective metrics.
	Customer Assistance and Referral Evaluation Service	Disseminated information regarding the availability of energy assistance options	Yes	Maximize Use of Energy Assistance	
Equitable Gas	Energy Assistance Program	Increase the amount and number of payments using percent of income (PIPP) and budget billing plans	No		Mentioned in Executive Summary as a good strategy, but not explicitly noted as a recommendation. In addition, Quantec believes rate discounts, such as the tiered approach currently offered in Washington, work like a PIPP but with less administrative costs.
National Fuel Gas Distribution Company	Low-Income Rate Assistance	Rate assistance increased payments and collections	Yes	Rate Discounts	
Niagara Mohawk Power Company	Rate Discount Program	Rate assistance doubled total number of participating customer payments	Yes	Rate Discounts	
Clark County (Washington State) Public Utility District	Guarantee of Service Program	Offers rate assistance by capping low-income customer bills, arrearage forgiveness with successful participation	Yes	Rate Discounts	We recommend the rate assistance but not arrearage forgiveness for same reason above.
France	Electricité de France	French right to electricity; no disconnection policy, min. provision, consumer advocates, etc.	No		This example was intended to expand readers' perceptions about the relationship of electricity providers and customers

Utility/Source	Program/Report	Program Design/Key Element	Included in Recommendations	Recommendation(s)	Rationale for Exclusion
Belgium	Belgian National Action Plan for Social Inclusion	Subsistence level of electricity at no charge, local committee rules before disconnections, use of prepay meters to avoid large lump sum reconnection payments	Yes	Maximize Use of New Trends	Similarly, this example was primarily intended to expand readers' perceptions about the relationship of electricity providers and customers.
New Jersey Universal Service Fund (USF)	Fresh Start Program	Provided arrearage forgiveness to LI consumers making regular/timely payments	No		We did not recommend arrearage forgiveness for the same reason provided above.
Northern Indiana Public Service Company (NIPSCO)	Winter Warmth Program	Up to \$400 per customer (per heating season) to help avoid disconnections	Yes	Maximize Use of Energy Assistance	
State of Nevada	Maximize Use of Energy Assistance	Lowers rates such that energy burden does not exceed state median	Yes	Identification of Low-Income Households, Rate Discounts	
Eugene Water and Electric Board	Energy Share	Max. \$300 per customer as needed over rolling 12-month period. Provided education as well	No		This option is not explicitly stated in the study's recommendations. However, Quantec firmly supports all forms of energy education and customer assistance programs. This program maximizes energy assistance, ratepayer, and utility funding for low-income customer programs. Also, please note EWEB is an unregulated utility and therefore is not subject to cost-effectiveness metrics.

Some low-income customers are unable to pay their bills due to the burden energy costs place on their incomes. Logically, if you wish to increase customers' ability to pay, you have to reduce their energy burdens. An energy burden is defined as:

$$\text{Energy Burden} = \frac{\text{Energy Consumption} * \text{Rate}}{\text{Income}}$$

To reduce an energy burden, you can:

1. **Reduce energy consumption.** This can be accomplished through weatherization (limited funding, which only a small fraction of eligible households receive) and comprehensive energy education (which, if designed properly in an interactive manner, can be a very cost-effective offering). We strongly recommend these two approaches. The company is currently or is scheduled to participate directly or indirectly in both components in all states. In terms of state-by-state recommendations, current offerings are "self regulating" in the sense the measures offered are at least partially determined by weather, home types, energy use, and rates. We did not see the need to elaborate greatly on this or explicitly recommend it as it is already taking place.
2. **Decrease rates.** This is accomplished by offering rate discounts. We strongly believe rate discounts are among the best tools for reducing energy burdens, and we believe they should be pursued. Among the best rate discount programs we have reviewed have been the Company's Washington Program. The HELP program in Utah is a step in the right direction, but we believe it is insufficient. In terms of state-by-state comparisons, we feel it is needed in all states. We recommend considering it in states where it is not. We also recommend consideration of the Washington program. Total energy costs can also be reduced through cash assistance. Most of this assistance comes from LIHEAP and already varies by state.
3. **Increase Income.** This is an area beyond Company control.

Budget billing, PIPP, arrearage forgiveness, etc., are all really innovative and strong ideas. In our experience, we simply have just not found evidence as to their cost-effectiveness. We certainly see the merit in using them in comprehensive low-income offerings. Our position remains that weatherization, energy education, and rate discounts are probably the best combination of tools to combat energy burdens. Rate discounts have the lowest administrative costs of any program.