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Division of Public Utilities

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Memorandum

TO: Public Service Commission

FROM: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Brenda Salter, Utility Technical Consultant
Abdinasir Abdulle, Utility Analyst

DATE: June 30, 2017

SUBJECT: Home Electric Lifeline Program, Calendar Year 2016 Report

In accordance with the Commission's order in Docket No. 99-035-10, the subsequent Joint Stipulation developed by various interested parties and adopted by the Commission in Docket No. 00-035-T07, and the Order in Docket Nos. 03-035-01 and 04-035-21, the Division of Public Utilities hereby submits its Calendar Year 2016 report of the Home Electric Lifeline Program (HELP). It contains the Division's Calendar Year 2016 audit of the program, evaluation of the measures adopted by the Division, and the Division's conclusions and recommendations.

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The HELP Report

<u>H</u>OME <u>E</u>LECTRIC <u>L</u>ifeline <u>P</u>ROGRAM

2016 ANNUAL REPORT

TO THE

UTAH PUBLIC SERVICE COMMISSION

FROM THE

UTAH DIVISION OF PUBLIC UTILITIES

June 30, 2017

HELP
2016 ANNUAL REPORT

EXCECUTIVE SUMMARY

This report constitutes the Division's evaluation of the Home Electric Lifeline Program, HELP, for Calendar Year 2016. The results of the evaluation show that of the eleven measures adopted by the Division to evaluate HELP, six have met or exceeded their associated standards (Administrative Costs, Process of Granting Credit, Process of Collecting Surcharge, Penetration Rate, Recoveries per Customer, and Terminations per Customer). Among these measures that meet their respective standards were three of the measures considered as being useful and three of the measures that were considered as having limited value in determining the success of HELP. Five measures failed to meet their associated standards (Write-Offs, Balance in Arrears, Program Cap, Ending Account Balance, and Accounts sent to Collection Agencies). Of these five measures three are among the group of measures the Division considers as having limited value whereas the other two are among those measures considered as being useful in determining the success of HELP.

Regarding the attainment of the goals the program was designed to attain, the results are mixed. The program met four of the seven goals. These include: 1) Complying with Ordered Procedures, 2) Providing Benefits to Low-Income Recipients, 3) Administratively Simple and Easy to Administer, and 4) Not Overly Burdening Other Customers. The program did not meet the remaining goals, which include providing benefits to PacifiCorp, providing benefits to ratepayers in general, and positive impacts outweighing negative impacts.

In summary, based on its evaluation and audit of the HELP program, the Division concludes eligibility of applicants and the funds collected and disbursed appear to be in accordance with Utah Public Service Commission order in Docket No. 00-035-T07 and that the program is being administered in a reasonable fashion. The Division further concludes that recipients are benefiting without overly burdening either the ratepayers or the Company. However, since some of the goals and measures failed to meet their respective standards, the Division concludes that the program evaluation is inclusive in terms of the success and effectiveness of the program: Despite this, the Division recommends no further action.

BACKGROUND

The Salt Lake Community Action Program (SLCAP) and the Cross Roads Urban Center (CUC) initially proposed the Home Electric Lifeline Program (HELP) in Docket No. 97-035-01. In this Docket the Commission set up a Low-Income Task Force to further study the program. On December 17, 1999, the Task force submitted its report containing its findings to the Commission.

In Docket No. 99-035-10, the Commission ordered the implementation of the electric lifeline program, which consisted of a lifeline tariff, Schedule No. 3, and a lifeline tariff rider, Schedule No. 91. The mechanics of the program were established by a stipulation in 2000, which was approved by the Commission in its August 30, 2000 Report and Order in Docket No. 00-035-T07.

In its Report and Order (Docket Nos. 03-035-01 and 04-035-21) dated November 23, 2005, the Commission directed the Division "…to report annually to the Commission on its review, financial audit, cost-benefit analysis and recommendations regarding HELP."

On January 25, 2017, the Commission issued an Action Request with due date February 24, 2017, which was later extended to June 30, 2017, to the Utah Division of Public Utilities ("Division") requesting the Division to review the Company's filings and make recommendations. This report constitutes the Division's response to the Commission's Action Request and contains the evaluation of Calendar Year 2016 of HELP and the Division's audit report Calendar Year 2016.

Program Goals

To help establish 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. Not overly burden other customers;

D. Provide benefits that offset negative impacts;

E. Be administratively simple and inexpensive to administer;

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

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

The Division, with the help of R.W. Beck and the HELP work group, identified 26 potential measures and defined their standards. In the first annual report to the Commission, filed on December 7, 2003, the Division placed these measures into three categories: measures that are useful, measures that have a limited value and measures that are not useful in evaluating the success and effectiveness of the HELP program[1]. However, in its Report and Order in Docket Nos. 03-035-01 and 04-035-21, issued on November 23, 2005, the Commission eliminated one of these measures, program annual collection cap. The following table depicts the remaining 25 measures and their respective categories.

[1] For a more detailed discussion of the measure classification see the Division's first annual HELP report to the Commission, December 2003. Pages 17-30.

Table 1. Categories of the Measures Adopted by the Division.

Measure	Category
Process Granting Credit to Recipients	Useful
Process Collecting Surcharge from Ratepayers	Useful
Ending Account Balance	Useful
Balance in Arrears	Limited Value
Terminations per Customer	Limited Value
Accounts Sent to Collection Agencies	Limited Value
Write-offs per Customer	Limited Value
Recoveries per Customer	Limited Value
Penetration	Limited Value
Benefit to Recipients	Not Useful
Benefit to PacifiCorp	Not Useful
Cost to Ratepayers in General	Not Useful
Cost to Other Parties	Not Useful
Reconnections	Not Useful
Energy Consumption Trend	Not Useful
Donor's Missed Investment Opportunities	Not Useful
Donor's After Tax Contribution Compared to Pre-tax	Not Useful
Constitutional Measures	Not Useful
Broad-Based Macroeconomic Benefits	Not Useful
Accrued Interest	Not Useful
Recipient and Donor Perspectives and Attitudes	Not Useful
Program Stability	Not Useful
Returned Checks	Not Useful
Average Electricity Energy Burden	Not Useful

For the purpose of evaluating the effectiveness of the HELP program, the Division decided to use only those measures that are in the categories of measures that are useful and measures that have a limited value.

DIVISION AUDIT[2] REPORT OF HELP

The Division, through a series of data requests and meetings with Rocky Mountain Power and the Program Administrators of the Home Energy Assistance Target (HEAT) Program located in the Department of Workforce Services (DWS), has reviewed the HELP Program along with its policies and procedures and has determined that it appears to be in compliance with Public Service Commission (Commission) requirements.

The Division's procedures and findings in connection with its audit of the HELP Program are as follows:

- Review of applicable orders, tariffs and stipulations establishing the program.
- Review the HELP application process administered by Salt Lake Community Action Program (SLCAP). SLCAP notifies past applicants that they must recertify each year to continue to receive the HELP benefit. SLCAP accepts HELP applications throughout the year.
- Review the HEAT application process administered by DWS. Households eligible for the HEAT Program also qualify for the HELP Program. DWS has approximately 41 offices under contract that handle HEAT applications statewide. The HELP Program is available year round whereas HEAT applications are accepted beginning November 1 and the program closes April 31 of the following year. All applications approved for the HEAT program are input into the SEALWorks Program by an intake worker and then approved by an editor who verifies the supporting documentation.
- Review a random sample of HEAT approved applications submitted for both the HEAT and HELP Programs for the 2016 program period. The purpose of the review was to determine if applicants satisfied the eligibility requirements as ordered by the

[2] In using the term "Audit" the Division notes that it did not conduct an independent audit as defined and conducted under Generally Accepted Auditing Standards as promulgated under the Auditing Standards Board of the American Institute of Certified Public Accountants. In this instance "Audit" means compliance review.

Commission. The Division's review confirmed, on the basis of the information provided, that applicants were approved in accordance with Commission eligibility requirements.

- DWS provides the Company with a weekly updated list of eligible HEAT/HELP participants.
- Determine, on the basis of discussions that the Company 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.
- Review a random sample of customer billing records selected from a list of eligible Utah customers to verify that the Low Income Lifeline Credit (Schedule 3) of $12.60 appears as a credit on the bills of eligible customers as a separate line item. The Division also verified that the Low Income Funding Surcharge (Schedule 91) was properly excluded from the bills of eligible customers for the lifeline rate. No exceptions were noted.
- Review a random sample of customer billing records selected from all Utah customers (excluding HELP eligible customers) to verify that the Low Income Funding Surcharge (Schedule 91) was appropriately included on power bills. No exceptions were noted.
- Review Rocky Mountain Power's HELP report for the quarter ended December 31, 2016, which shows the monthly activity for the program from its inception (September, 2000 through December 31, 2016). The current monthly HELP credit amount of $12.60 was approved by the Commission in Docket No. 13-035-184. Credits granted in 2015 and 2016 totaled $3,968,609 and $3,649,288 respectively. Program participation has seen a continual decline in the last five years. The HELP Program account beginning balance on January 1, 2017 was $1,581,730. On February 24, 2017 in Docket 17-035-T03, the Company asked the Commission to reduce the HELP surcharge rate[3] because of the continuing over collected balance in the account. Based on the Company's estimates the account balance will be reduced to approximately $600,000 by mid-2019. Because the

[3] On customers not subject to the $50 per month cap.

surcharge rate is set to reduce the account balance, Schedule 91 will need to be evaluated based on current collections and customer participation to determine if a change to the collection rate is appropriate.

- Review the HELP program's administrative costs charged by the Company and DWS for the year 2016. The charges from the Company and DWS were $3,624 and $21,905 respectively, well below the maximum annual amounts allowed by the Commission ($10,000 for the Company and $40,000 for DWS). Included in the administrative cost category are the expired net metering credits for the annual year ending March 2016. The credit amount of $39,850.53 was included in the 2016 Customer Owned Generation and Net Metering Annual Report in Docket No. 16-035-28.
- Review and verify the carrying charge on the HELP account balance to ensure that it meets Commission orders. The Division's review of the carrying charge noted the Company had inadvertently used the interest rate of 7.57 percent for the October 2014 through February 2016 period. It was also noted in Docket No. 17-035-T03, RMPs Proposed Tariff Revisions to Electric Service Schedule No. 91, Surcharge to Fund Low Income Residential Lifeline Program, that the interest rate was incorrect for the above period. The Company provided a revised version of the interest calculation in Docket No. 17-035-T03. The impact of the correction resulted in a decline in the account balance of approximately $54,000 at the end of December 2016. The Company has since filed the 2017 1st Quarter Report of the Low Income Life Line in Docket No. 17-035-24 that includes the corrected interest rate of 5.20 percent for the above period.

Audit Conclusion

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

DATA COLLECTION

All of the data used by the Division to develop this report was provided by PacifiCorp.

EVALUATION OF HELP

The evaluation of the HELP program for Calendar Year 2016 is exclusively based on those measures that were categorized as either useful or having a limited value in evaluating the performance of the HELP program. However, given the HELP program's small size relative to the state and national economy, the impact that the HELP program may have on these measures are dwarfed by the general macroeconomic conditions of the state and the nation. Therefore, any changes in these measures cannot be easily attributed to the HELP program. Hence the Division will evaluate the impact of the HELP program on these measures based on the agreed upon standards.

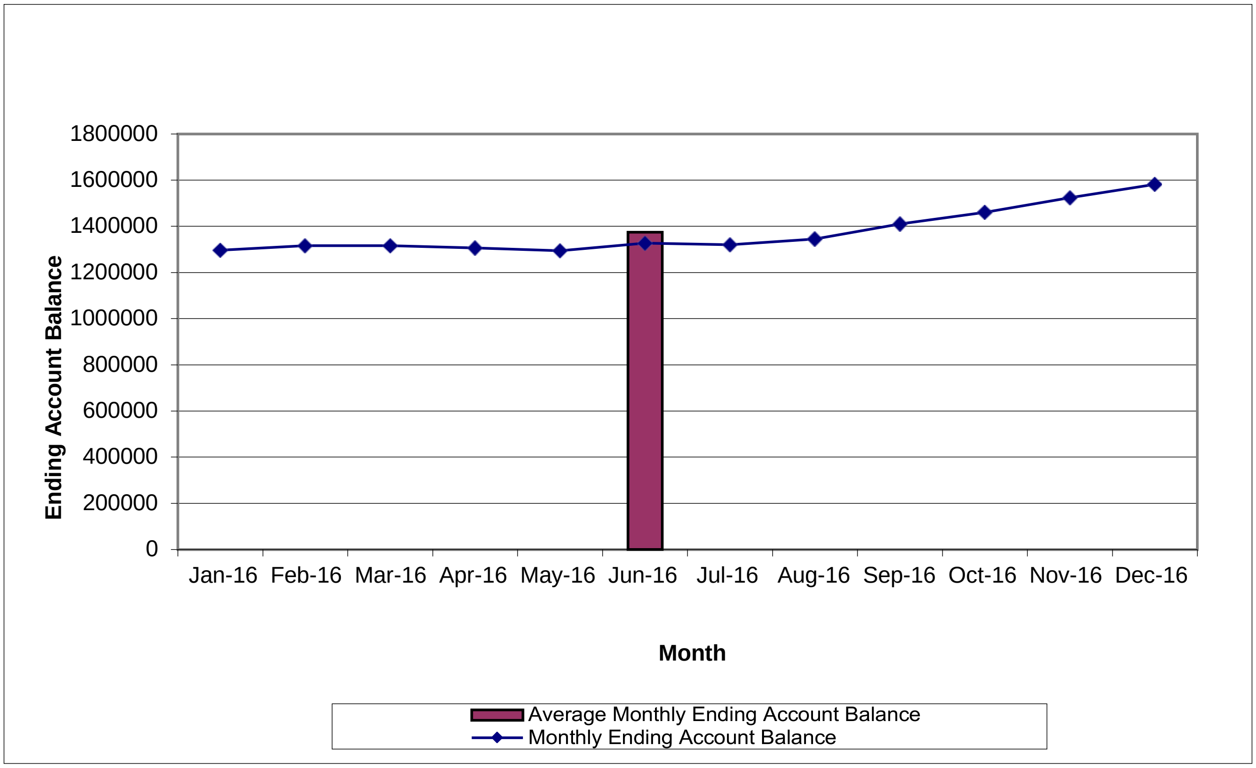
1. Administrative Costs

The Commission allowed DECD (now DWS) and PacifiCorp to charge their ongoing direct administrative costs of up to $40,000 and $10,000, respectively. The Division Audit Report shows that PacifiCorp has charged $21,905 and DWS has charged $3,624 for the Calendar Year 2016. Both charges are well below the amount authorized by the Commission for administrative cost. Therefore, we conclude that this measure meets its standard.

2. Ending Account Balance

The measure is the amount in the account at the end of the annual period under consideration – in this case December 2016. The standard for this measure was set by the Commission in its November 23, 2005 Report and Order in Docket Nos. 03-035-01 and 04-035-21 as approximately three months-worth of surcharge collections, which was estimated at the time of the Order as $450,000. The ending account balance for Calendar Year 2016 was $1,581,731. Therefore, this measure does not meet its standard. However, the monthly account balance for the Calendar Year 2016 was continuously increasing for the last five months of the year (Figure 1). The Division does not know what accounts for this increase. However, the reduction in HELP surcharge approved by the Commission in Docket No. 17-035-T03, is expected to reduce the ending account balance to a value consistent with standard. The Division will keep monitoring the monthly ending account balance for consistence with the standard.

Figure 1. Monthly Ending Account Balance for Calendar Year 2016.



3. Process Granting Credit

The Division's auditor determined that PacifiCorp gives HELP recipients the appropriate monthly credit on a timely basis and that participants who are not re-certified are promptly removed from the HELP program. The auditor also determined that the Low Income Lifeline Credit (Schedule 3) of $12.60 appears on the bills of eligible customers as a separate line item. Therefore, we conclude that this measure meets its standard.

The Division also verified that the Low Income Funding Surcharge (Schedule 91) was properly excluded from the bills of eligible customers for the lifeline rate. No exceptions were noted.

4. Process Collecting Surcharge from Ratepayers

The Division's Auditor has verified that the Low Income Funding Surcharge (Schedule 91) was appropriately included on power bills. Therefore, we conclude that this measure meets its standard.

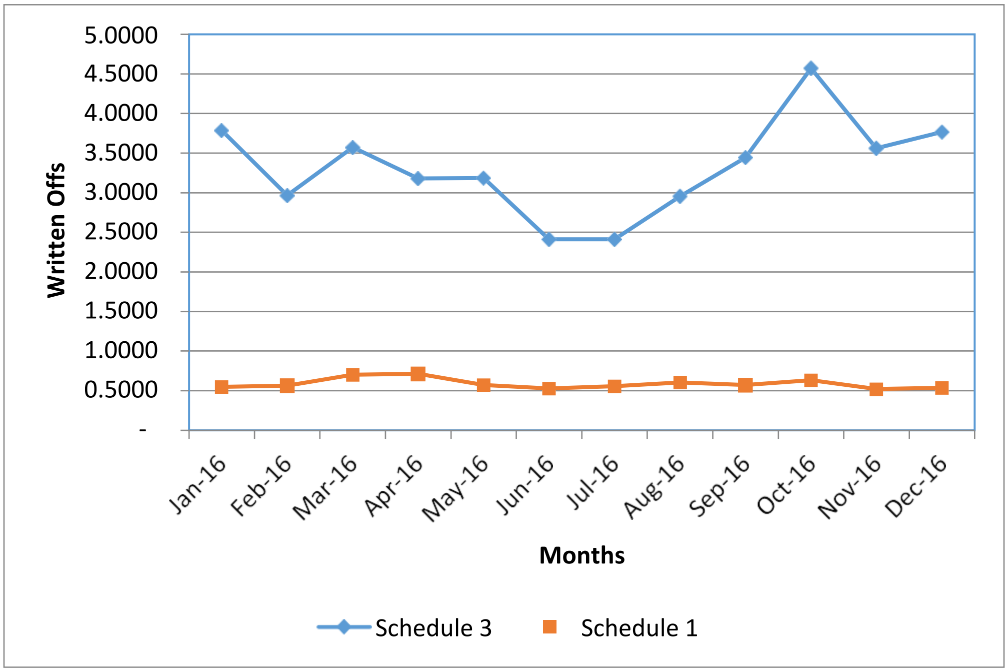
5. Penetration Rate

The measure is the proportion of eligible households receiving a credit under HELP. The standard for this measure is 42% of the eligible households. The average number of households participating in this program was 24,390 per month. If there were 45,000 eligible households in Utah, a figure estimated by Salt Lake CAP, then the penetration rate would be approximately 60.57%. If we assume that the number of eligible households in Utah estimated by the SLCAP is correct, then, based on the available data, we conclude that this measure meets its standard.

6. Write-Offs

The measure is the number of recipient accounts written-off and the associated dollar per customer amount. While the standard is a reduction in these two figures, for Schedule 3, write-offs per customer initially trended down to a low of $2.41 in July 2016. Beginning in August 2016, write-offs per customer ramped up to a high of $4.57 in October 2016 (Figure 2). This is high compared to the dollar amounts of write-offs per customer for the Schedule 1 customers which was stable throughout the year and averaged $0.59. Though the dollar amount of write-offs per customer is generally increasing for Schedule 3 customers, it is difficult to tell how much of this increase is due to the general macro-economic conditions. However, since Schedule 1 customers have seen little or no change in the dollar amount of write-offs per customer, we cannot find evidence that the HELP program has helped to reduce the dollar amount of write-offs per customer. Therefore we conclude that this measure fails to meet its standard.

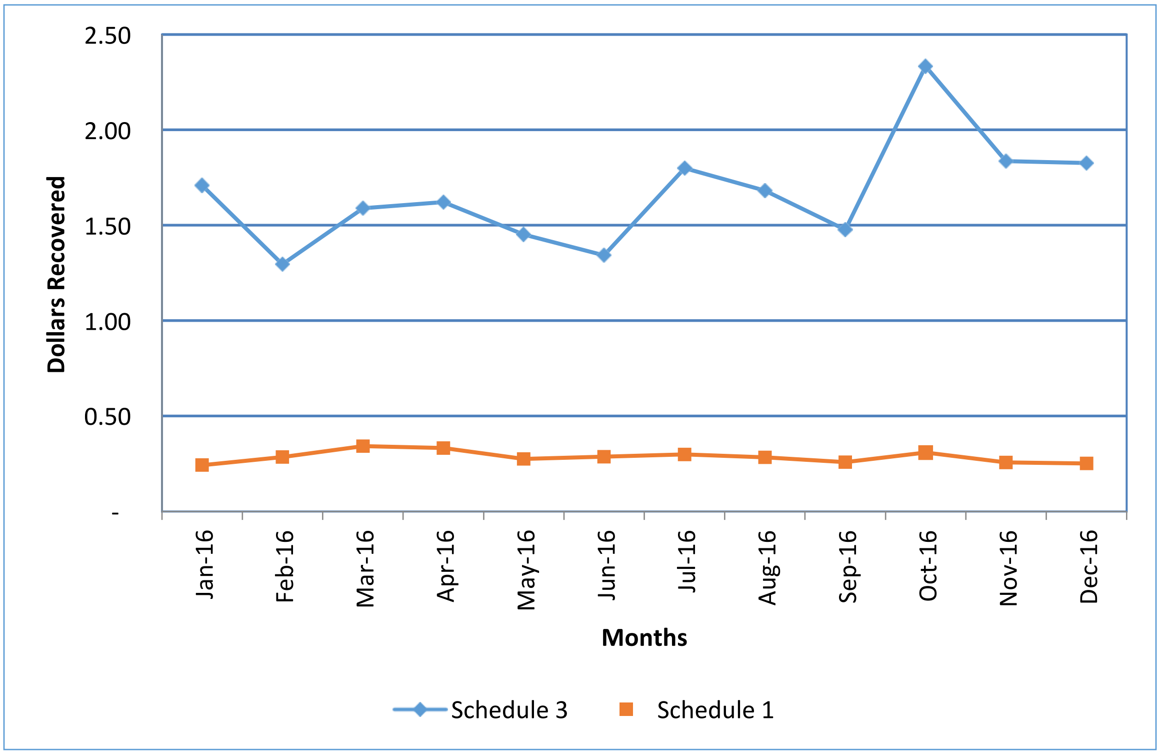
Figure 2. Dollar Write Offs per Customer



7. Recoveries per Customer

The measure is the dollar amount per customer being recovered from Schedule 3 customers whose arrearages have been sent to a collection agency. The associated standard is an increase in the amount recovered per customer. For Schedule 3 customers, monthly recoveries per customer have generally increased over the year from a low of $1.30 per customer in February 2016 to a high of $2.33 per customer in October 2016. In contrast, the monthly recoveries per customer for Schedule 1 customer has been relatively steady throughout the year (Figure 3). Thus recoveries appear to be improving and therefore, we conclude that this measure meets its standard.

Figure 3. Recoveries ($ per Customer)



8. Terminations

The standard for this measure is a reduction in the number of monthly termination notices and service terminations per customer. The number of termination notices per customer for Schedule 3 declined from a high of 0.20 in January to a low of 0.11 in July 2016 (Figure 4). Then it increased and remained high from August to October after which it declined to a low of $0.14 in December. Hence we conclude that this part of this measure meets its standard.

The number of actual terminations per customer for Schedule 3 customers in Calendar Year 2016, though fluctuating, experienced a slightly declining trend. In contrast the termination notices for the customers in Schedule 1, though trending downward, were relatively stable and much lower than those of Schedule 3 over the Calendar Year 2016 (Figure 5). Hence, we conclude that this part of this measure meets its standard.

Figure 4. Number of Termination Notices

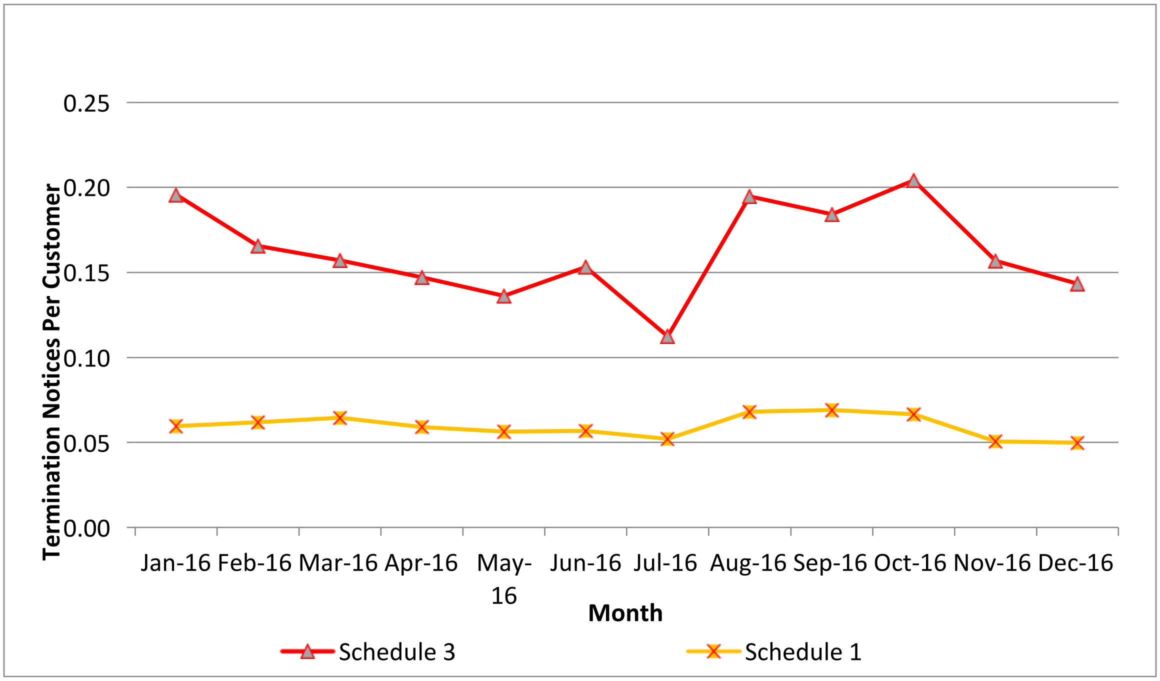
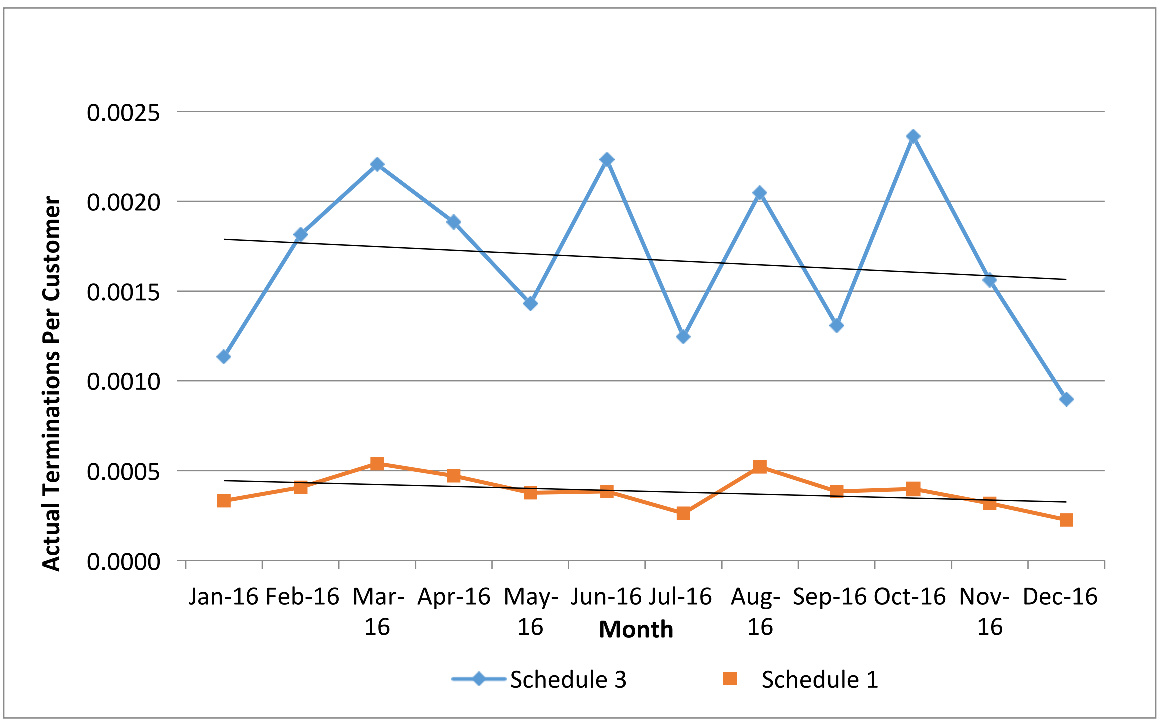


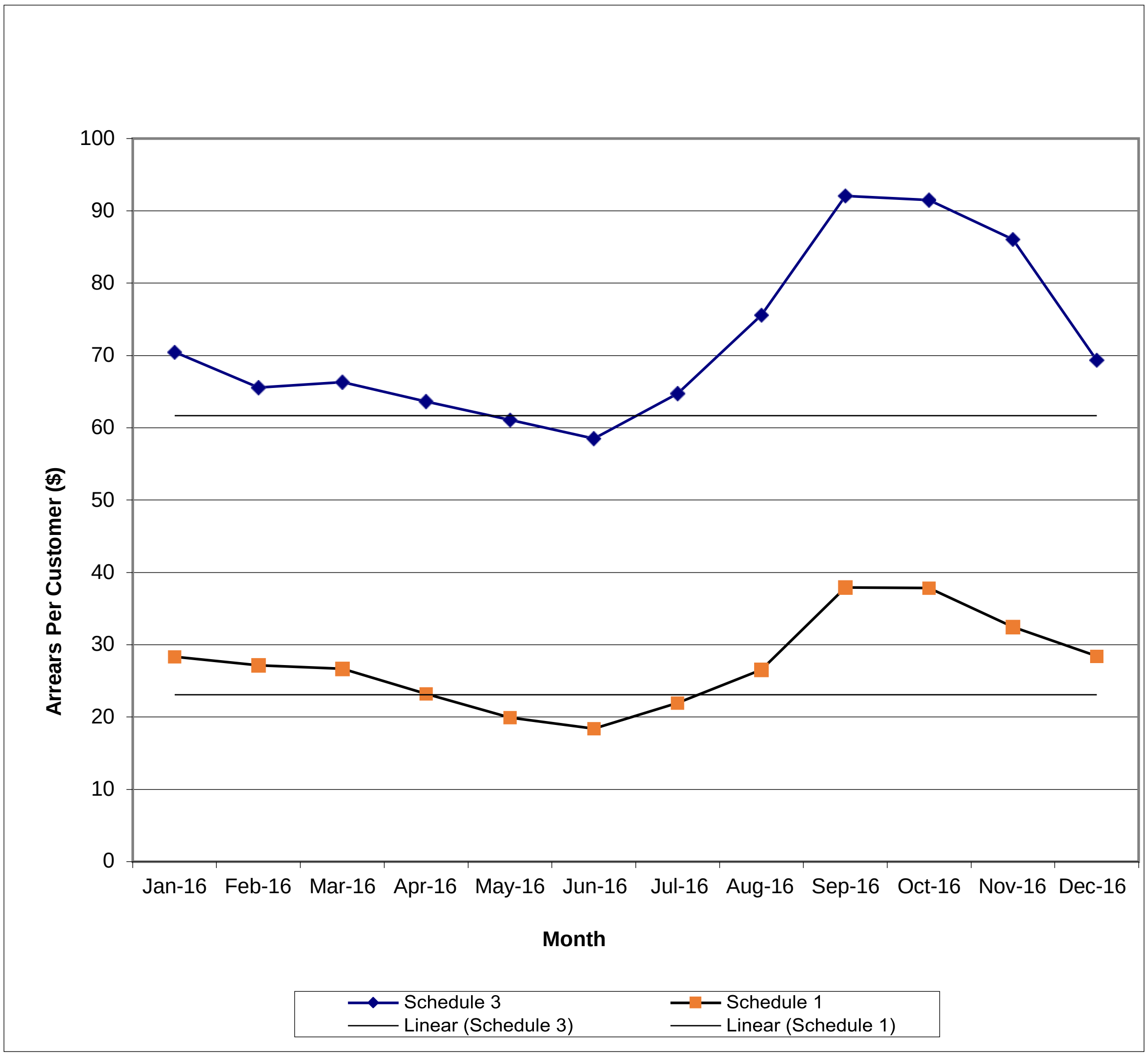
Figure 5. Actual Termination per Customer



9. Balance in Arrears

The standard for this measure is a reduction in the balance in arrears. Over the Calendar Year 2016 of the program, as the arrears for Schedule 1, the arrears per customer for Schedule 3 depicted an upward trend and were more than twice as high as those for Schedule 1 (Figure 6). Hence, we concludes that this measure failed to meet its standard.

Figure 6. Monthly Outstanding Arrears per Customer for Calendar Year 2016.



10. Accounts sent to Collection Agencies

The standard for this measure is a reduction in the number of the recipient accounts and account balances sent to collection agencies. In Calendar Year 2016, the number of recipient accounts (customers) sent to collection agencies initially increased from January to September 2016 after which it declined in October and November. Overall, this measure trended up (Figure 7). The account balance per customer sent to collection depicted a similar trend as that of the number of recipients sent collection agencies (Figure 8). The number of accounts sent to collection agencies for Schedule 1 and their balances per customer were relatively stable over the same period. We did not find evidence to suggest that HELP has reduced the number of accounts sent to collection agencies and their balances per customer for Schedule 3 customers. Therefore, we conclude that this measure fails to meet its standard.

Figure 7. Number of Customer Accounts Sent to Collection Agencies

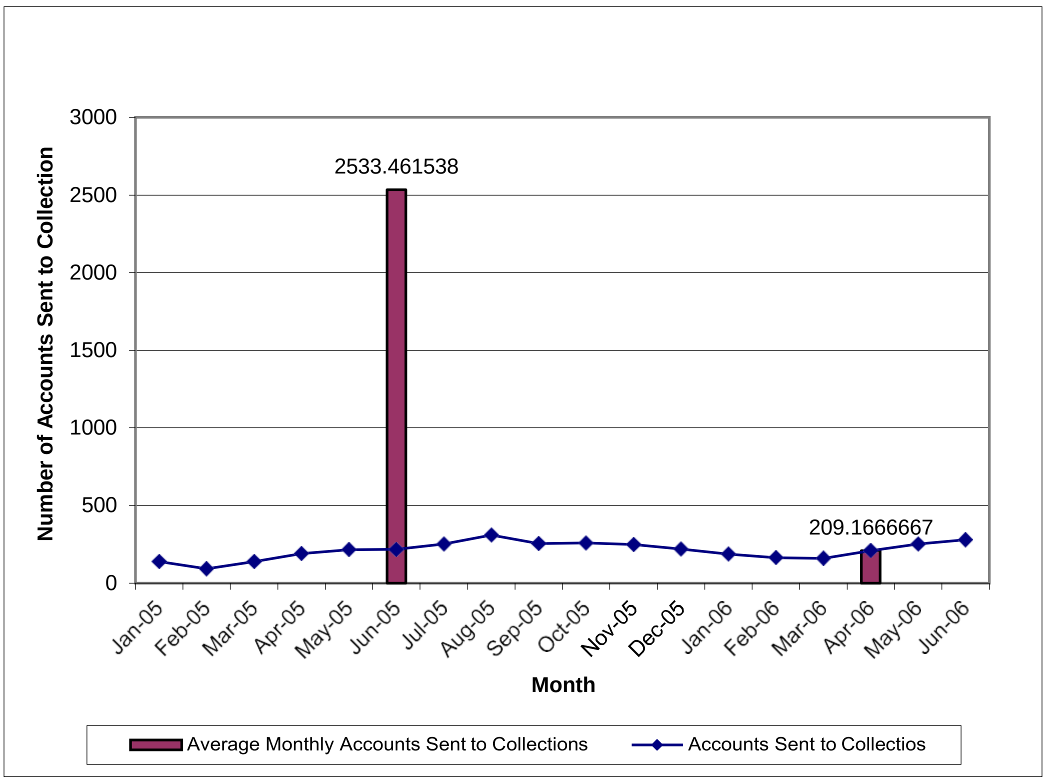
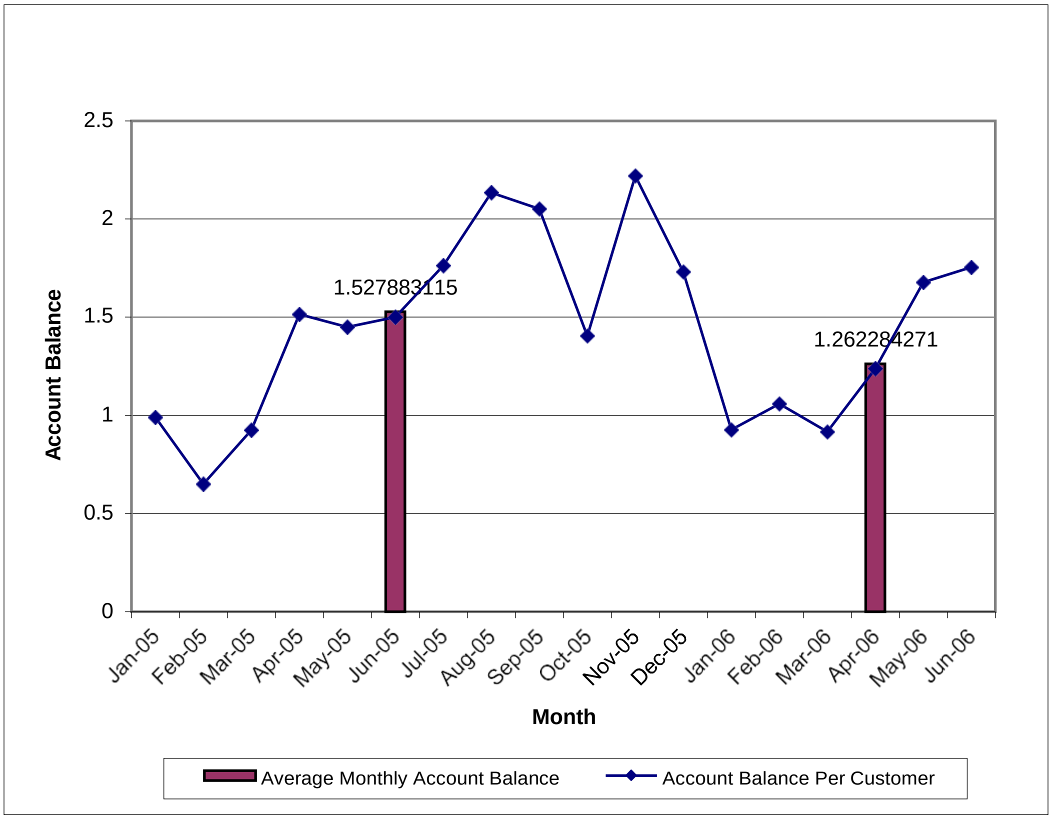


Figure 8. Monthly Balances of the Accounts Sent to Collection



EVALUATION SUMMARY

The evaluation of the measures yielded mixed results. Of the eleven measures adopted by the Division, six met their standards (three measures in the category of the measures that are useful and three of the measures in the category of limited value in determining the effectiveness and success of the program) and five failed to meet their standards (two in the category of the measures that are useful and three were measures categorized as having a limited value in determining the effectiveness of the HELP program). Table 4 shows the measure evaluation summary.

Table 4. Measure Evaluation Summary.

Measure Number	Measure Description	Outcome of Evaluation Meets or Exceeds Standard
2	Administrative Costs	Yes
4	Process Granting Credit	Yes
5	Process Collecting Surcharge	Yes
6	Ending Account Balance	No
8	Penetration Rate	Yes
3	Terminations	Yes
7	Recoveries Per Customer	Yes
10	Write-Offs	No
11	Balance in Arrears	No
9	Accounts Sent to Collection Agencies	No

Achieving Commission Goals

The measures' outcomes discussed above indicate that of the eight goals below only five are achieved by the HELP program. The achievement of the remaining three goals of the HELP program was inconclusive. Table 5 shows the goals of the HELP program and their respective achievement status.

Table 5. Evaluation of HELP's Goals

Goal	Goal Achieved
Comply With Ordered Procedures	Yes
Provide Benefits to Low-Income Recipients	Yes
Administratively Simple and Easy to Administer	Yes
Not Overly Burden Other Customers	Yes
Provide Benefits to PacifiCorp	No
Provide Benefits to Ratepayers in General	No
Positive Impacts Outweigh Negative Impacts	No

CONCLUSION AND RECOMMENDATIONS

The HELP program was implemented to achieve certain goals, namely. First, to provide benefits to the low-income program recipients, PacifiCorp, and utility customers in general while not overly burdening non-recipient customers. Furthermore, the benefits that the HELP program provides should offset the negative impacts of the program. Second, to be administratively simple and comply with Commission ordered procedures on tariffs, certification and administrative charges.

Of the ten measures the Division used to evaluate the HELP program, six have met or exceeded their associated standards, four measures failed to meet their associated standards (Write-Offs, Balance in Arrears, and Accounts sent to Collection Agencies, and Ending Account Balance) three of the failing measures are among the group of measures categorized as having limited value and one is among the group of measures categorized as being useful in determining the effectiveness of the HELP program.

Over Calendar Year 2016 of the program, HELP provided benefits to the recipients in the amount of $3,649,288. However, the Division has been unable to find demonstrable benefits accruing to either PacifiCorp or ratepayers in general. Without stronger evidence, the Division must conclude that the evaluation of the above listed goals is inconclusive.

Though HELP collected $3,884,647 from non-recipients, the average monthly residential bill is $78.25 per month and the monthly residential customer charge under Schedule 91 is $0.20. This indicates that the non-recipient monthly customer charge represents 0.26% of the average monthly residential bill. Based on this it appears that the amount of money collected from the non-recipient customers under Schedule 91 is not overly burdensome. Finally, the ending account balance for Calendar Year 2016 was $3,884,647, which is more than three months-worth of surcharge collections. However, the HELP surcharge rate has been reduced and we are expecting that the ending account balance will decrease and meet its standard.

Therefore, the Division concludes that the program is administered well and the recipients are benefiting without overly burdening either the ratepayers or the Company. However, since some of the goals and measures failed to meet their respective standards, the Division concludes that the program evaluation is inclusive in terms of the success and effectiveness of the program. Despite this, the Division recommends no further action.