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Division of Public Utilities
JUDITH JOHNSON
Interim Director

Memorandum

TO: Public Service Commission

FROM: Division of Public Utilities
Judith Johnson, Interim Director
Energy Section
Ronald Burrup, Utility Consultant
William Powell, Utility Economist
Abdinasir Abdulle, Utility Analyst

DATE: September 11, 2003

SUBJECT: Home Electric Lifeline Program, Year 2 Report

In accordance with the Commission's order in Docket No. 99-035-10 and the subsequent Joint Stipulation developed by various interested parties and adopted by the Commission in Docket No. 00-035-T07, the Division of Public Utilities hereby submits its Year 2 report of the Home Electric Lifeline Program (HELP). It contains the Division's Year 2 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

HOME ELECTRIC Lifeline PROGRAM

YEAR 2 ANNUAL REPORT

TO THE

UTAH PUBLIC SERVICE COMMISSION

FROM THE

UTAH DIVISION OF PUBLIC UTILITIES

September 11, 2003

HELP
YEAR 2 REPORT

EXCECUTIVE SUMMARY

This report constitutes the Division's evaluation of Year 2 of the Home Electric Lifeline Program, HELP. 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 (Program Cap, Administrative Costs, Process of Granting Credit, Process of Collecting Surcharge, Penetration Rate, and Recoveries Per Customer). Four measures failed to meet their associated standards (Ending Account Balance, Write-Offs, Balance in Arrears, and Accounts sent to Collection Agencies). The remaining measure (Terminations) was inconclusive in relation to determining the effectiveness and success of the HELP program.

Because the ending account balance was increasing both in Year 1 and Year 2, the Division recommends that the Commission adjust the surcharge. In the Division's first annual report to the Commission, the Division recommended that the Commission reduce collections by one-third. If the Commission were to adopt this recommendation then, starting at the ending account balance of $1,049,903, the ending account balance would decline to approximately $550,000 after twelve months.

INTRODUCTION

In Docket No. 97-035-01, the Salt Lake Community Action Program (SLCAP) and the Cross Roads Urban Center (CUC) proposed an electric lifeline program. However, the Commission did not adopt the proposal but set up and Low-Income Task Force to study concerns surrounding the program.

On December 17, 1999, the task force submitted a report containing their findings to the Commission. Subsequently, in Docket No. 99-035-10, SLCAP and CUC filed a second proposal for electric lifeline program, which the Commission adopted. In this Docket the

Commission ordered the implementation of the electric lifeline program. The program consists of a lifeline tariff, Schedule 3, which provides qualifying customers a maximum of $8 per month credit and a lifeline tariff rider, Schedule 91, which charges non-recipient customers a surcharge of up to $6.25 per month per customer. This tariff rider is designed, by Commission order, to collect not more than $1,850,000 annually.

In a subsequent order, the Commission adopted a "Joint Stipulation on PacifiCorp's Lifeline Rate" which detailed the implementation of the program. The Joint Stipulation charged the Division of Public Utilities 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 with a comprehensive review after the end of Year 3.

This report constitutes the Division's evaluation of Year 2 of HELP. The Division plans to complete the third year comprehensive evaluation and submit its report to the commission in early 2004.

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

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.

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, 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]. The following table depicts the 26 measures and their respective categories.

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

Measure	Category
Process Granting Credit to Recipients	Useful
Administrative Costs	Useful
Process Collecting Surcharge from Ratepayers	Useful
Ending Account Balance	Useful
Program Cap	Useful
Balance in Arrears	Limited Value
Terminations per Customer	Limited Value

[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.

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.

The Division submitted the first annual report which contained the evaluation findings for Year 1 of the program, October 2000 to September 2001. The current annual report will cover the evaluation findings of Year 2, October 2001 to September 2002, of the HELP program. The evaluation of Year 2 of the program is based on the same measures and standards that the Division identified and used for the evaluation of Year 1 of the program.

SUMMARY OF LIFELINE ACTIVITIES

The amount of money collected during Year 2 of the program followed a similar trend as that of Year 1 (Figure 1). The average amount of money collected per month in Year 2 (from October 2001 to September 2002) was $160,058 and ranged from $145,714 to $167,389. The total amount of money collected during this year under Schedule 91 was $1,920,691. This represents a slight increase of $33,458 from Year 1 ($1,887,233). Over Year 2, the total amount paid out to recipients was $1,782,585 and the administrative cost and interest accrual were $21,694 and $71,254, respectively. This resulted in an increase in the ending account balance of $187,666, which is considerably smaller than the increase in the ending balance of year one, $820,294. However, the overall ending balance (Sum of the ending balances of the base year, Year 1 and Year 2) has increased from $862,237 at the end of Year 1 to $1,049,903 at the end Year 2.

In Year 2, the number of recipients per month slightly declined initially from 14,926 recipients in October 2001 to 14,770 recipients in December 2001 after which it ramped-up sharply until it peaked at 23,603 recipients in May 2002 and then declined sharply to 17,240 recipients in September 2002. (See Figure 2). Ignoring the ramp up period (September 2000 to March 2001), the number of recipients is greater in Year 2 than in Year 1. This is likely due to the recession. The total monthly credit granted followed a similar trend as that of the recipients. It initially declined until December 2001 after which it increased sharply to a peak of $214,367 in May 2002. (See Figure 3).

Figure 1. Monthly Collections

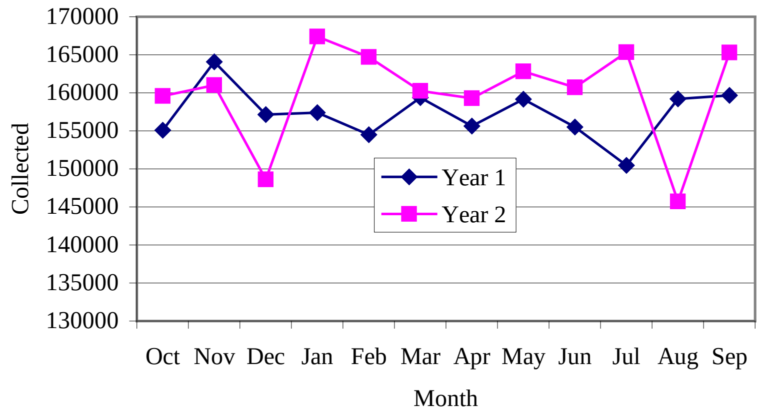


Figure 2. HELP Recipients by Month

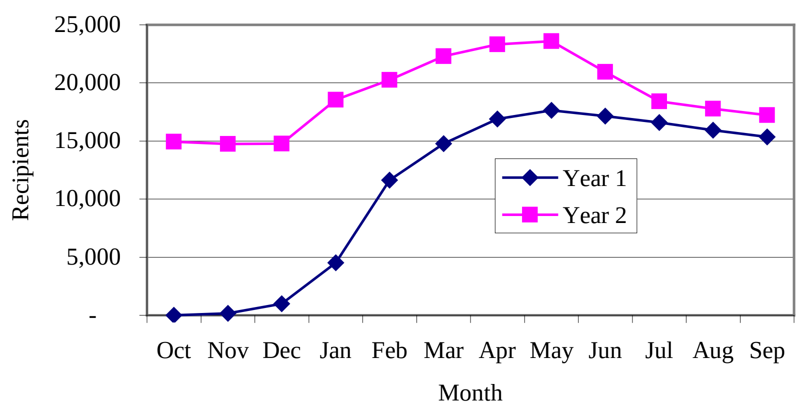
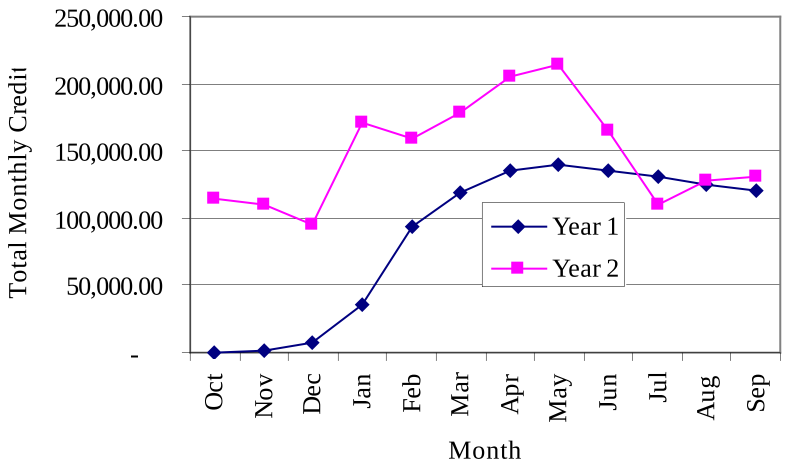


Figure 3. Total Monthly Credit Granted to Recipients by Month



DIVISION AUDIT REPORT OF HELP

On April 17, 2003, Tom Peel of the Division of Public Utilities (Division) met with Sherm Roquiero of the Department of Community and Economic Development (DCED) to discuss the overall administration of the Home Electric Lifeline Program (HELP). Applicants who qualify for the Home Energy Assistance Target (HEAT) program automatically qualify for the HELP monthly credit of $8.00 on Utah Power bills. The Division auditor also met with Alice Miller, of the Salt Lake Area Community Action Program (CAP), to discuss and review case files pertaining to households that (1) applied for both HEAT and HELP assistance and (2) "stand alone" HELP applicants (non-HEAT participants) to determine if the applicants satisfied the eligibility requirements as ordered by the Utah Public Service Commission (Commission) in Docket No. 00-035-T07.

On June 16, 2003, Tom Peel and Ron Burrup of the Division met with W. Ben Ho and Michael Zimmerman of PacifiCorp, in Portland, Oregon, to discuss Lifeline account balances, funds collected, program costs, interest, etc., associated with the administration of the HELP program.

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

- Reviewed the applicable orders, tariffs and stipulations establishing the program.
- Discussed the HEAT audits conducted by DCED with Mr. Sherm Roquiero. Households eligible for HEAT also qualify for HELP. DCED has approximately 31 offices, under contract, that handle HEAT applications statewide. Approximately 200 - 300 case files (generally about one percent of total case load) are audited each year by DCED. All offices are audited once a year by selecting a sample of case files for review. The audits generally find minor errors that must be corrected and each office is required to submit a letter to DCED describing the actions taken to correct errors. It was indicated that the DCED audits rarely detect a recipient that does not qualify for HEAT and HELP assistance. The Division auditor reviewed a few of the DCED audit letters and responses. In 2002, approximately 67% of households state-wide and 99% of households in the Salt Lake area which qualify for HEAT are also receiving assistance under the HELP program. The state-wide percentage is lower because many households receiving HEAT assistance live outside the Utah Power service area where HELP assistance is not available.
- Reviewed a total of 80 applications submitted to SLCAP of which 70 represented households which applied for both HEAT and HELP assistance and 10 represented households which applied only for HELP assistance. The purpose of the review was to determine if applicants satisfied the eligibility requirements as ordered by the Commission. For households that do not reapply for HEAT, SLCAP and the other offices, send out re-certification letters for HELP assistance

to those households. In the Salt Lake area there were approximately 400 households receiving HELP on a “stand alone” (non-HEAT) basis as a result of the re-certification process that took place during the spring of 2002. The Division auditor reviewed the 80 applications at the SLCAP offices (which serves the Salt Lake area) and confirmed, on the basis of information provided, that applicants were approved in accordance with Commission eligibility requirements. In reviewing the applications, however, the Division’s only concern was the validity of the reported number of household members and the reported income. But according to SLCAP, due to a lack of resources, it is impossible to authenticate the validity of the information provided on the application.

- Determined, on the basis of discussions, 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 a random sample of 20 bills, selected from a list of eligible Utah customers, to verify that the Low Income Lifeline Credit (Schedule 3) of $8.00 appears 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.
- Reviewed a random sample of 20 bills, selected from all Utah customers (excluding HELP eligible customers), to verify that the Low Income Funding Surcharge (Schedule 91) was appropriately included on Utah Power bills. No exceptions were noted.

- Reviewed PacifiCorp's report for the quarter ended March 31, 2003 which shows the monthly activity for the HELP program from its inception (September, 2000 through March 31, 2003). The Commission's order states that the Company should design the Low Income Funding Surcharge to collect no more than $1,850,000 annually for the Lifeline Account. Based on PacifiCorp's report, the amount collected for the 12 months ending December 31, 2001 was $1,880,075 and the amount collected for the 12 months ending December 31, 2002 was $1,942,996. It should be noted, however, that the credits ($8.00) recently granted have increased significantly. Credits granted in 2001 were $1,354,569 and $1,833,373 in 2002. Although it is difficult to design a tariff that will collect a specific amount, if the results of 2002 continue, where the credits granted nearly equal the surcharge collections, it may be necessary to consider adjusting the Commission's limit on annual collections and adjusting the surcharge accordingly.
- Reviewed the HELP program's administrative costs charged by PacifiCorp and DCED for the year 2002. The charges from PacifiCorp and DCED were $2,830 and $19,120 respectively, well below the maximum annual amounts allowed by the Commission ($10,000 for PacifiCorp and $40,000 for DCED).
- Reviewed and checked the interest calculation on the Lifeline Account balance to ensure that it meets Commission requirements. In accordance with the Commission's order, PacifiCorp's weighted cost of capital (7.231 percent), is still being applied to the account balance. As a result of test checking the interest calculations on monthly balances, the Division determined that the recorded interest is reasonable.

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

This Year 2 evaluation of the HELP program is exclusively based on those measure 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 (recession). Therefore, any changes in these measures cannot be easily attributed to the HELP program.

1. Program Cap

The measure is simply the total annual amount collected under Schedule 91. The standard developed for this measure was that actual collections should be within five percent of the program's cap, $1,850,000. The actual amount of money collected under Schedule 91 in Year two (October 2001 to September 2002) was $1,920,691, which is within the five percent standard. Therefore, we conclude that this measure meets its standard.

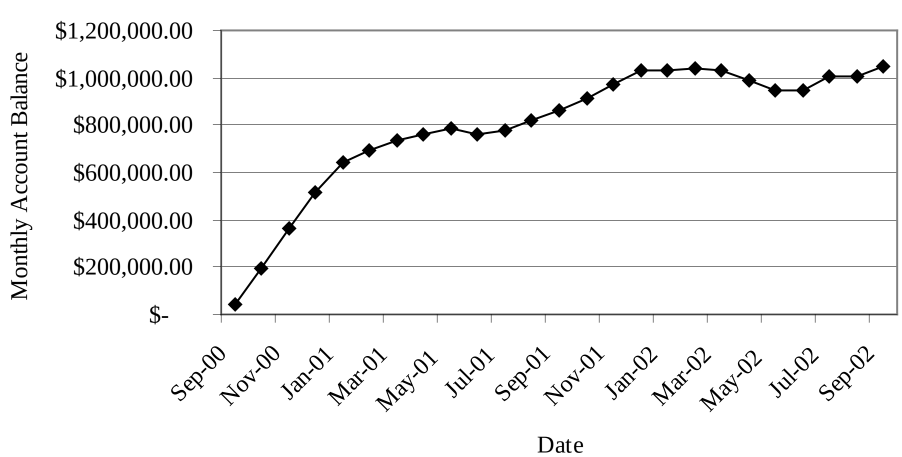
2. Administrative Costs

The Commission allowed DECD and PacifiCorp to charge their ongoing direct administrative costs of up to $40,000 and $10,000, respectively. The Department of Economic and Community Development has charged $19,120 and PacifiCorp has charged $2,573.39. Both Charges are well below the amount authorized by the Commission for administrative cost. Therefore, we conclude that this measure meets its standard.

3. Ending Account Balance

The measure is the amount in the account at the end of the annual period – in this case September 2002. The standard for this measure is five percent of the program cap. That is, the ending account balance should not exceed $92,500. The ending account balance was $41,943, $862,237, and $1,049,903 for the Base Year, Year 1, and Year 2, respectively (Figure 4). This shows that the ending account balance has been increasing overtime. We do not believe that the Commission intended for the ending account balance to be growing over time. The standard for this measure was exceeded both in Year 1 and Year 2. Therefore, This measure does not meet its standard.

Figure 4. Ending Account Balance



4. 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 $8.00 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.

5. Process Collecting Surcharge from Ratepayers

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

6. Penetration Rate

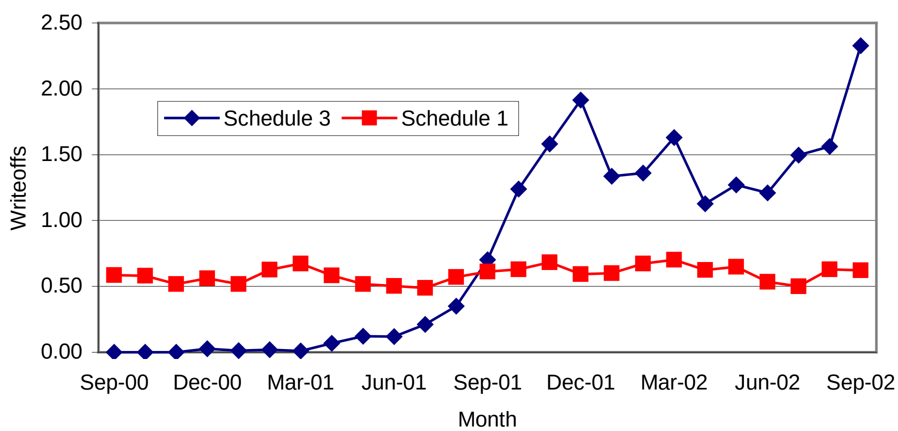
The measure is the proportion of eligible households receiving a credit under HELP. The standard for this measure is 42% of the eligible households. The average number of households participating in this program was 18,903 per month. If there were 45,000 eligible households in Utah, a figure estimated by Salt Lake CAP, then the penetration rate would be approximately 42.01%. If we assume that the number eligible households in Utah estimated by the SLCAP is correct, then, based on the available data, we conclude that this measure meets its standard.

7. 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 increased initially from $1.24 in October 2001 to $1.92 in

December 2001 after which it started declining and continued to decline until June 2002. In July 2002, write-offs per customer ramped up to a high of $2.33 in September 2002 (Figure 5). 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 $0.62. 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 (i.e., the recession). 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 5. Write Offs ($ per Customer)

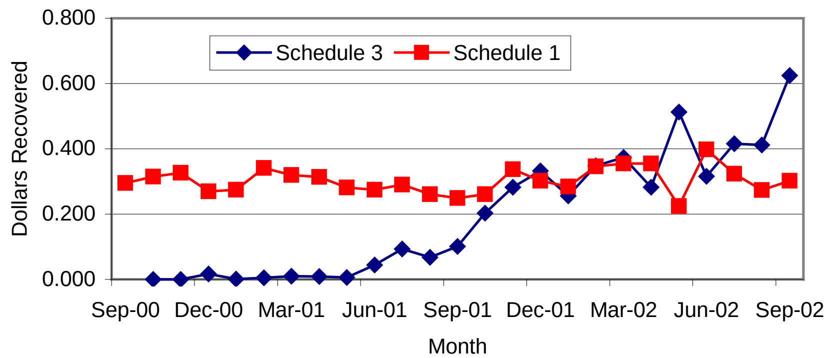


8. Recoveries Per Customer

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. Recoveries per customer have been increasing over the first year and continued to increase during the second year for Schedule 3 customers. In Year 2, Recoveries per Schedule 3 customer have increased from little over twenty cents to about sixty-three cents (Figure 6). Thus recoveries appear to be improving despite the economic recession.

For several reasons, this is a surprising result. First, if we assume that low-income customers are more vulnerable to economic swings, we would expect recoveries to be decreasing during the recession. Second, several measures – write-offs, terminations, balance in arrears, and accounts sent to collection agencies, as well as recoveries – are closely interrelated and, therefore, should reveal similar trends. However, this measure is improving while other measures indicate a decline in performance. Third, other explanations may explain the apparent improvement in recoveries over Year 2: PacifiCorp may have switched to a more aggressive collection agency or the collection agency could be more aggressive itself; the increase in recoveries could be evidence of a ramping up recoveries that will stabilize in Year 3 of the program. However, based on the available data, it appears that this measure meets its standard[2].

Figure 6. Recoveries ($ per Customer)



9. Terminations

The standard for this measure is a reduction in the number of monthly termination notices and service terminations per customer. The number of notices per customer for Schedule

[2] The Division will follow up this matter with PacifiCorp and try to determine the reason for the movement in recoveries per customer for Schedule 3.

3 customers in Year 2, while steadily declining throughout the year, were twice that of notices for Schedule 1, which have remained stable (despite the recession) over Year 2 (Figure 7). Hence, we conclude that this part of this measure met its standard.

The number of actual terminations per customer for Schedule 3 customers has increased ten fold over Year 2 of the program from a low of 0.0006 terminations per customer in January 2002 to a high of 0.0061 terminations per customer in September 2002 (Figure 8).

This result indicates a worsening position for Schedule 3 customers. Thus, this part of this measure failed to meet its standard. Therefore, since the results of the two parts of this measure (number of termination notices and number of service terminations per customer) were contradictory and we cannot determine the effect of which part of the measure outweighs which, we conclude that this measure is inconclusive.

Figure 7. Number of Termination Notices

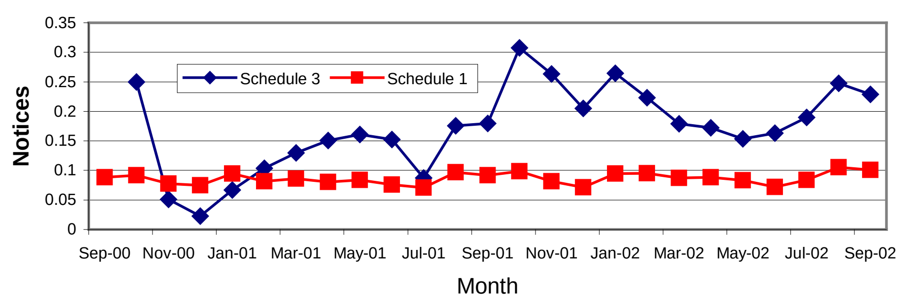
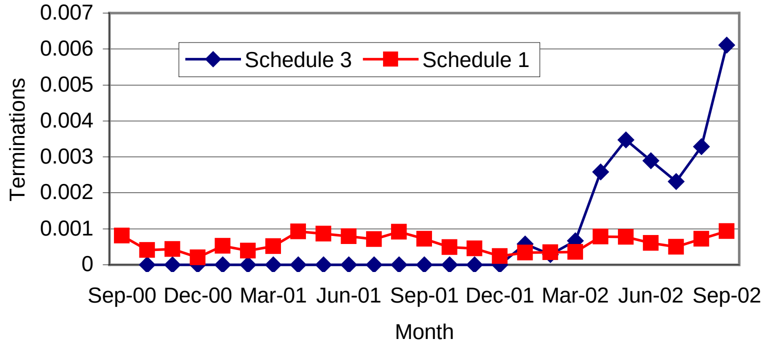


Figure 8. Actual Termination Per Customer



10. Balance in Arrears

The standard for this measure is a reduction in the balance in arrears. Over Year 2 of the program, the arrears per customer for Schedule 3 have been increasing steadily and were about three times higher than those for Schedule 1, which were stable over the same period. However, even if we attribute part of the impact on Schedule 3 customers to the recession, the fact that arrearages for Schedule 1 customers have been stable over the same period, indicates that arrearages for Schedule 3 customers are increasing despite HELP. Finding no evidence to support a reduction in this measure we conclude that the measure fails to meet its standard.

11. 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 Year 2, both the number of recipient accounts (customers) and the account balance per customer initially declined from 227 customers and $2.71 per customer in October 2001 to 101 customers and $0.70 per customer in February 2002, respectively. They both then increased to a peak of 341 customers and $3.56 per customer in July 2002 after which they both slightly declined to 280 customers and $3.09 per customer in September 2002. Again, however, accounts sent to collection agencies for Schedule 1 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 for Schedule 3 customers. Therefore, we conclude that this measure fails to meet its standard.

EVALUATION SUMMARY

The evaluation of the measures yielded mixed results. Of the eleven measures adopted by the Division, six met their standards (all of them are among those in the category of the measures that are useful), four failed to meet their standards (all of them are among those measures categorized as having a limited value in determining the effectiveness of the HELP program) and one yielded inconclusive results. Table 2 shows the measure evaluation summary.

Table 2. Measure Evaluation Summary.

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

ACHIEVING COMMISSION GOALS

The measures' outcomes discussed above indicate that of the eight goals below only four are achieved by the HELP program. The achievement of the remaining four goals of the HELP program was inconclusive. Table 3 shows the goals of the HELP program and their respective achievement status.

Table 3. Evaluation of HELP's Goals

Goal	**Goal Achieved**
Comply With Ordered Procedures	Yes
Cap Collection at or Near $1.85 Million	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, 1) 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, 2) to be administratively simple and comply with Commission ordered procedures on tariffs, certification and administrative charges.

Of the eleven measures the Division used to evaluate the HELP program, six have met or exceeded their associated standards (Program Cap, Administrative Costs, Process of Granting Credit, Process of Collecting Surcharge, Penetration Rate, and Recoveries per Customer). Four measures failed to meet their associated standards (Ending Account Balance, Write-Offs, Balance in Arrears, and Accounts sent to Collection Agencies). The remaining measure (Terminations) was inconclusive in relation to determining the effectiveness and success of the HELP program.

Over Year 2 of the program, HELP provided benefits to the recipients in the amount of $1,782,585. 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 $1,920,691 from non-recipients, the average monthly residential bill is $47.7 per month and the monthly residential customer charge under Schedule 91 is $0.12. This indicates that the non-recipient monthly customer charge represents 0.25% 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.

The Ending Account Balance at the end of the Base year, Year 1, and Year 2 of the program were $41,943, $862,237, and $1,049,903, respectively. This shows that the ending account balance is increasing, though at a slow rate, as time progresses. This increasing Ending Account Balance is of concern. Hence the Division recommends that the Commission adjust the surcharge. In the Division's first annual report to the Commission, the Division recommended that the Commission reduce collections by one-third. If the Commission were to adopt this recommendation then, starting at the end balance of $1,049,903, the end account balance would decline to approximately $550,000 after twelve months.