

Illinois Commerce Commission  
Low-Income Discount Rate Study Report  
to the  
Illinois General Assembly



Submitted Pursuant to Section 5/9-241  
of the Illinois Public Utilities Act

Illinois Commerce Commission  
Bureau of Public Utilities  
December 2022



STATE OF ILLINOIS

## ILLINOIS COMMERCE COMMISSION

527 East Capitol Avenue  
Springfield, Illinois 62701

160 North LaSalle  
Chicago, Illinois 60601

December 15, 2022

The Honorable Members of the Illinois General Assembly  
State Capitol  
Springfield, Illinois

Dear Honorable Members of the Illinois General Assembly:

The Illinois Commerce Commission submits the attached report to the General Assembly in accordance with 220 ILCS 5/9-241 of the Illinois Public Utilities Act. Section 5/9-241 requires that on or before January 1, 2023, the Commission shall conduct a comprehensive study to assess whether low-income discount rates for electric and natural gas residential customers are appropriate and the potential design and implementation of any such rates. The Commission shall include its findings, together with the appropriate recommendations, in a report to be provided to the General Assembly. Upon completion of the study, the Commission shall have the authority to permit or require electric and natural gas utilities to file a tariff establishing low-income discount rates. The Commission at its regular open meeting today directed large electric and gas utilities to file such low-income discount rate tariffs as part of the utilities' next rate design filing and encouraged small electric and gas utilities to do the same.

Should you have questions regarding the attached report, please contact Sarah Ryan, Director of Governmental Affairs, at (312) 965-5454, or by email at [sarah.ryan@illinois.gov](mailto:sarah.ryan@illinois.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Carrie Zalewski".

Carrie Zalewski  
Chairman



## **Acronyms**

ACEEE – American Council for an Energy Efficient Economy  
AMI – Area Median Income  
ARP – Arrearage Reduction Program  
ARES – Alternative Retail Electric Supplier  
BGS – Ameren’s Basic Generation Service  
BPA or BPAP – Bill Payment Assistance Program  
CARE – California’s Alternate Rates for Energy  
CEJA – Clean and Equitable Jobs Act (Public Act 102-0662)  
DCEO – Department of Commerce and Economic Opportunity  
DPA – Deferred Payment Arrangements  
DVP – Direct Vendor Payment  
EAA – Energy Assistance Act  
EAC – Energy Assistance Charge  
EIMA – Energy Infrastructure Modernization Act  
FEJA – Future Energy Jobs Act  
FERA – California’s Family Electric Rate Assistance program  
FPL – Federal Poverty Level  
HH – Households  
HUD – U.S. Office of Housing and Urban Development  
I-CARE – MidAmerican’s own energy assistance program  
IDHS – Illinois Department of Human Services  
LPC – Late Payment Charge  
IPA – Illinois Power Agency  
LAA – Local Administering Agencies  
LIHEAP – Low-Income Home Energy Assistance Program  
MYRP – Multi-Year Rate Plan  
PIPP – Percentage of Income Payment Plan  
R3 – Restore. Reinvest. Renew.  
Rider QIP – Rider Qualified Infrastructure Plant  
SARP – Supplemental Arrearage Reduction Program  
SLIHEAF – Supplemental Low-Income Heat Energy Assistance Fund  
SMI – State Median Income  
SNAP – Supplemental Nutrition Assistance Program  
SSI – Supplemental Security Income  
TANF – Temporary Assistance for Needy Families  
UDAP – Utility Disconnection Avoidance Program

## **I. Introduction**

Public Act 102-0662, commonly referred to as the “Climate and Equitable Jobs Act” (“CEJA”), which was enacted by the General Assembly with an effective date of September 15, 2021, amends various sections of the Public Utilities Act (“PUA” or “Act”), 220 ILCS 5, including 220 ILCS 5/9-241 (“Section 9-241”). As amended, Section 9-241 directs the Illinois Commerce Commission (“ICC” or “Commission”) to conduct a comprehensive study to assess whether low-income discount rates for electric and natural gas residential customers are appropriate and the potential design and implementation of any such rates, on or before January 1, 2023 (the “Study”).

Amended Section 9-241 of the Act states:

On or before January 1, 2023, the Commission shall conduct a comprehensive study to assess whether low-income discount rates for electric and natural gas residential customers are appropriate and the potential design and implementation of any such rates. The Commission shall include its findings, together with the appropriate recommendations, in a report to be provided to the General Assembly. Upon completion of the study, the Commission shall have the authority to permit or require electric and natural gas utilities to file a tariff establishing low-income discount rates. Such study shall assess, at a minimum, the following:

- (1) customer eligibility requirements, including income-based eligibility and eligibility based on participation in or eligibility for certain public assistance programs;
- (2) appropriate rate structures, including consideration of tiered discounts for different income levels;
- (3) appropriate recovery mechanisms, including the consideration of volumetric charges and customer charges;
- (4) appropriate verification mechanisms;
- (5) measures to ensure customer confidentiality and data safeguards;
- (6) outreach and consumer education procedures; and
- (7) the impact that a low-income discount rate would have on the affordability of delivery service to low-income customers and customers overall.

The Commission shall adopt rules requiring utility companies to produce information, in the form of a mailing, and other approved methods of distribution, to its consumers, to inform the consumers of available rebates, discounts, credits, and other cost-saving mechanisms that can help them lower their monthly utility

bills, and send out such information semi-annually, unless otherwise provided by this Article. 220 ILCS 5/9-241.

## **II. Summary of Recommendations**

As a threshold manner, Section 9-241 requires that the Commission “assess whether low-income discount rates for electric and natural gas residential customers are appropriate in Illinois.” 220 ILCS 5/9-241. This report summarizes recommendations from stakeholders and then offers the Commission’s recommendations based on this Study.

Comments submitted by the two largest electric utilities in Illinois, Ameren and ComEd, emphasized the importance of affordable and reliable utility service for their customers.

Ameren states that it supports innovative policies and flexible regulation for the challenges facing low-income customers and Ameren is open-minded to policy solutions that address affordability challenges facing Illinois energy consumers. Ameren expresses concern that static and broadly applicable low-income discount rates raise the risk of unintended negative consequences for customers and state policy goals if low-income rates are layered on top of other existing rate relief and low-income programs, including the possibility of muting price signals to customers in a way that prevents customers from making responsible energy consumption choices. Ameren believes Illinois already has in place an effective PIPP that provides meaningful bill relief. (Ameren Comments, 1-2.)

ComEd states that it prioritizes seeking innovative and meaningful solutions to assist and improve as it emerges from the pandemic and looks forward towards a clean energy future. ComEd believes all potential options to improve affordability should be considered and offers comments that highlight Illinois’ many existing utility assistance programs, including bill credits (i.e., Utility Disconnection Avoidance Program (“UDAP”), Illinois’ gold-standard wallet share PIPP), arrearage forgiveness (i.e., Supplemental Arrearage Reduction Program (“SARP”)), and Bill Payment Assistance (“BPA”) programs. (ComEd Comments, 1.)

ComEd and Ameren offer specific recommendations aimed at expanding and improving existing programs.

ComEd states it is the first and only Illinois utility with a SARP, which eases customers’ financial stress of paying for electricity by providing a monthly arrearage credit while also encouraging energy efficiency. ComEd encourages other utilities to establish their own SARP program, especially since SARP already has established funding through the Illinois Energy Assistance Act (“EAA”). (ComEd Comments, 18.) ComEd also made specific recommendations for enhancing and expanding PIPP. (ComEd Comments, 15-17.) These recommendations are described in detail later in this Study.

Ameren recommends the Commission seek further guidance in the form of legislation with respect to low-income discount programs. Ameren acknowledges that the Commission is empowered to implement low-income discounts and cautions against

sudden shifts in cost responsibility among customer segments. Ameren believes that bolstering existing programs and exploring innovative solutions should be considered first to assist low-income customers while also addressing environmental and other state policy objectives. (Ameren Comments, 4.)

Ameren prefers direction from the General Assembly with respect to leveraging existing programs to unlock their full potential, rather than focusing on the establishment of low-income rates or additional utility income-based programs. Ameren recommends the Commission seek further legislative direction concerning special rates and other services offered to assist customers of limited financial means. (Ameren Comments, 12-13.)

Like ComEd, Ameren provides specific recommendations to enhance existing energy assistance programs, as discussed later in this Study. (Ameren Comments, 19-21.) Ameren states [the Commission] should consider utility involvement in the current administration of PIPP, as it may identify areas that could enhance the customer experience, making the program even more effective. (Ameren Comments, 9.) Ameren recommends following the same eligibility for assistance as the existing LIHEAP assistance program. Ameren favors leveraging existing LIHEAP administrative processes, limiting applicability of any low-income rate or program to the eligible customer's primary residence, and annual recertification of eligibility. (Ameren Comments, 14-15.)

Elevate and the City of Chicago ("City") recommend the Commission consider the following to take action to enhance energy affordability for households with lower incomes and to make sure that action taken does not inadvertently increase the difficulty or cost of transitioning to clean, electric energy for those households:

1. Eligibility – this topic is an area where feedback from those already implementing utility assistance programs could be particularly helpful;
2. Easy Enrollment – aligning eligibility criteria with other assistance programs and accepting enrollment into these programs as proof of eligibility whenever possible is ideal;
3. Resource enrollment and outreach – low-income rate relief does not work when residents do not know about it or when those responsible for enrollment do not have the knowledge or time to help customers through it;
4. Eliminate arrearages – any low-income rate relief program should incorporate an element that allows customers to reduce and ultimately eliminate any arrearage;
5. Support customers in lowering bills – integrate connections into low-income energy efficiency and solar programs already offered.

Elevate and City request that the Commission consider how any potential low-income discount rate and/or other low-income rate relief considered would interact with alternate rate structures intended to facilitate electrification. (Elevate and City Comments, 2.)

CUB recommends the Commission seek information from the Illinois Department of Human Services (“IDHS”) and/or other agencies on the number of households receiving Supplemental Nutrition Assistance Program (“SNAP”) and other assistance programs by zip code. CUB states this information will be essential for predicting program costs in the event it is decided to enroll public assistance program participants in utility assistance programs automatically. (CUB Comments, 4-5.)

COFI and the AG describe rate design proposals relating to low-income discount rates for electric and gas utilities, as described in detail throughout this Study. COFI urges the Commission to advise the General Assembly that discount rates across the state are needed for electric and gas customers. (COFI Comments, 4.)

COFI states that through the redesign of delivery rates and approval of tiered discount rates for Illinois’ electric and gas utilities the Commission has tools available to lessen the burden on under-funded existing energy assistance program funding and help ensure that more customers remain connected to the utility network. First, given the CEJA directives designed to reduce peak load and reduce energy usage, the Commission should take action to reduce all electric and gas fixed customer charges, and establish inclining block rates as the first necessary step in establishing discount rates for customers. (COFI Comments, 24.)

Second, COFI recommends the Commission order each of the utilities to file tiered discount rate proposals that provide the highest discounts for the lowest income customers, and lesser discounts for customers with higher incomes, that are ineligible for existing energy assistance programs but still struggling to afford monthly utility bills. COFI asserts certification of income eligibility should be streamlined using proxy program enrollment procedures or self-certification with regular auditing of a small but meaningful sample size of discount rate participants to keep administrative costs low. When combined with an arrearage reduction component that rewards customers with a 1/12<sup>th</sup> debt forgiveness for every on-time monthly payment made, approval of discount rates will go a long way to increasing energy affordability and equity in the State. (COFI Comments, 24-25.)

The AG recommends that the Commission and the utilities address affordability issues through a combination of the following:

1. Adoption of Lifeline Rates (i.e., described in detail hereafter and generally refers to a tiered-block rate structure, where a customer’s per unit distribution cost would increase as their usage increases above a threshold amount) and redesign of residential rates to eliminate large fixed monthly charges and higher effective per unit charges for low usage;



2. Support efforts to facilitate and expand customer eligibility for existing LIHEAP, PIPP, and energy efficiency programs;
3. Establish shareholder-funded and voluntary customer-provided assistance opportunities; and
4. Approve and encourage flexible credit and collection practices. (AG Comments, 8 and 17.)

Mr. Bodmer, a ratepayer representing himself, submitted comments expressing support for Lifeline rates. (Bodmer Comments, 3.)

BIG recommends including in the Study analysis of past practices and current outcomes of utility services and benefits provided to black/brown communities compared to predominantly white communities, using City of Chicago as a Case Study, and evaluation of utility services provided to low-income and/or black/brown communities compared to white communities in the Chicagoland area. BIG recommends the Commission consider historical rate increases and current utility bill affordability. (BIG Comments, 3-4.)

With respect to rate design, BIG recommends:

1. Creating and adequately funding a low-income discount rate open to all income eligible customers modeled on California's Alternate Rates for Energy ("CARE") and Family Electric Rate Assistance ("FERA") programs (these programs are described in detail later in this Study);<sup>1</sup>
2. Significantly reducing the mandatory customer charge and considering implementing income-tiered customer or fixed charges;
3. Considering inclining block rates; and
4. Including discounted, affordable rates and/or other rate assistance for small and medium-sized businesses in under-resourced communities. (BIG Comments, 5-6.)

BIG also requests that any deliberations about discounted rates and associated issues be conducted through an open and transparent process, with sufficient engagement and meaningful, informed input from community-based organizations and community action agencies that work directly with low-income customers. (BIG Comments, 6.)

Small electric and natural gas utilities suggest their customers would benefit more from energy efficiency and weatherization than a discounted tariff and their smaller customer

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<sup>1</sup> California's CARE program provides a 30-35% reduction on electric bills and 20% reduction on gas bills for income-qualifying customers. BIG states customer paperwork and recertification requirements are manageable and efficient. FERA provides rate discounts for low-moderate income customers of 18% on electric bills. (BIG Comments, 5.)

base could result in discounted tariffs being costly for their customers overall and may have adverse effects on their financial condition to the extent cost recovery for discounts delays their cash flows.

MidAmerican does not see a need for a new program to implement low-income discount rates for residential customers, given the existing programs and the fact that reducing rates to one group of customers necessarily distributes those costs to other customers. (MidAmerican Comments, 1.)

For example, MidAmerican notes that, in July 2022, using LIHEAP status as a proxy for low-income, MidAmerican identified approximately 5,000 active customer accounts as low-income, which represents less than 7% of MidAmerican's residential customers in Illinois, and only six LIHEAP accounts were disconnected for non-payment. At that time, approximately 1,000 of these active accounts had arrearage balances that were over thirty days outstanding, with an average balance of approximately \$305; approximately 3,200 accounts had either no arrearage balance or an excess credit balance associated with the account, with an average excess credit balance of approximately \$353; and the remaining 800 accounts had arrearage balances that were less than thirty days outstanding. For the entire low-income customer population, the average over-thirty-day arrearage balance was approximately \$62, and the average excess credit balance was nearly \$231. Although the two types of balances are mutually exclusive, this example suggests that the representative low-income MidAmerican customer in Illinois carries an excess credit balance that is nearly four times their over-thirty-day arrearage balance. (MidAmerican Comments, 2-3.)

MidAmerican's low-income customers currently have access to an array of energy assistance programs, including LIHEAP, MidAmerican's own I-CARE program,<sup>2</sup> and several assistance programs established in response to the COVID-19 pandemic, including the UDAP and BPAP. The existing assistance programs adequately address the current need. In fact, the BPAP balance remains at approximately 75% of the total amount reserved for COVID-related customer assistance over two years ago. Similarly, the abundance of energy assistance funds has resulted in the accrual of customer donations to I-CARE, of which MidAmerican matches 25%, at a rate that outstrips the disposition of these dollars over the prior years. (MidAmerican Comments, 3.)

MidAmerican states home energy consumption is more than a function of price. For example, one of the biggest drivers of home energy consumption is space conditioning, specifically the efficiency of heating and/or cooling appliances and the overall insulative properties of the building. Reducing consumption by energy efficiency improvements will permanently reduce a customer's energy burden in a meaningful and lasting manner, which the Company contends is a better approach to assisting low-income customers, as well as a more prudent use of its customers' dollars. Pursuant to 220 ILCS 5/8-408, MidAmerican elects to make available energy efficiency programs to its Illinois customers.

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<sup>2</sup> The I-CARE program is a way for anyone to make a one-time or monthly donation through MidAmerican to a community action agency in the donor's area. For every \$1 donated, MidAmerican contributes an additional \$0.25. ([midamericanenergy.com/payment-assistance](https://midamericanenergy.com/payment-assistance).)

These programs include a residential low-income program that is composed of a Federally funded Weatherization Assistance Program and a multifamily weatherization partnership. (MidAmerican Comments, 4.)

Similarly, Mt. Carmel states the effort to help low-income customers would be better served to incent landlords to improve affordable housing to be more energy efficient. A high percentage of Mt. Carmel's customers need state assistance not because of energy rates, but rather because of inadequate energy efficient rental properties causing higher usage. State assistance aimed at supporting more efficient rental properties that lower customers' usage could have a greater impact on the unfair cost-shifting of low-income discounts and create jobs by requiring more installers of insulation, energy efficient windows, and energy efficient appliances. Id.

Mt. Carmel states, in general, any discounted rate would unfairly affect the overall customer base regardless of whether the discounts were recovered in a rider or by spreading the revenue shortfall across the customers that are not eligible for a discount. In addition, the latter recovery mechanism could result in regulatory lag or limit cash flow. (Mt. Carmel Comments, 1.)

The Commission notes that Section 9-241 of the Public Utilities Act requires this Study to conduct a comprehensive review to assess whether low-income discount rates for electric and natural gas residential customers are appropriate and the potential design and implementation of any such rates. Having considered information and comments gathered both independently and from interested parties towards that end, the Commission tentatively concludes as follows:

- (1) Electric Utilities with more than 3,000,000 residential delivery services customers in Illinois, Combination Electric and Gas Utilities with more than 500,000 residential delivery service customers in Illinois, and Gas utilities with more than 100,000 residential delivery services customers in Illinois should offer a tariffed low-income discount rate. Further, all other electric and natural gas utilities in Illinois should be encouraged (but not required) to propose a tariffed low-income discount rate.**
- (2) All such utility low-income discount rate proposals should include tiered discounts for different income levels, which are applicable only to the delivery services charges.**
- (3) All such utility low-income discount rate proposals should include a cost recovery mechanism that is consistent with Illinois law and Commission practice.**
- (4) All such utility low-income discount rate proposals should support the clean energy goals and policies of Illinois and should not include rate designs that undermine or are counterproductive to achieving the State's clean energy goals and policies.**

**(5) All Utilities should leverage existing programs and processes to streamline administrative processes and minimize costs relating to eligibility requirements, verification mechanisms, and outreach/customer education procedures while maintaining the confidentiality of sensitive customer data.**

In order to act upon these tentative conclusions, the Commission will, either based upon filings of utilities or stakeholders or upon its own motion, open a docketed proceeding or proceedings. Opening a formal proceeding or proceedings will permit the Commission to address the tentative conclusions above and issues relating to tariffed low-income discount rates based on a full evidentiary record. The Commission may also conduct related workshops or rulemakings, as appropriate. These actions will ensure and clarify that the following issues are addressed to the extent necessary:<sup>3</sup>

- A. Whether income is a legally sound basis for differentiating rates among customers within the same delivery class via a discounted tariff for electric or gas delivery services, or would some other characteristic(s) relating to affordability of utility service be a legally sound basis for establishing a discounted tariff;
- B. A suitable definition of “low-income” to use in discounted tariffs for residential gas and electric customers in Illinois;
- C. Whether additional legislative authority is necessary for the Commission to approve electric and natural gas utility cost recovery proposals associated with discounted tariffs, including those that would require creating regulatory assets, deferred accounting mechanisms, riders, or other cost recovery mechanisms, especially within the context of regulatory reform initiatives such as Integrated Resource Planning and Multi-year Rate Plan filings;
- D. Whether costs associated with discounted tariffs be recovered before they are incurred or after costs are incurred, and if such costs are recovered before they are incurred, whether the Commission should require a reconciliation mechanism to ensure dollar for dollar cost recovery of program costs;
- E. Whether residential customers (or subsets of residential customers) should be responsible for any revenue deficit resulting from low-income discount rates, or should those revenue deficits be socialized among all customers, including commercial and industrial customers; and

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<sup>3</sup> Ameren expresses concern that, absent legislative action, ambiguity in Section 9-241 could present obstacles to the Commission in implementing low-income discount rates given utilities have historically been restricted from providing differentiation in rates between similarly situated customers. (Ameren Comments, 9-13.) ComEd states any low-income rate considered under Section 9-241 should include a review of whether the potential rate is consistent with the new and existing provisions of the Act and other application law. (ComEd Comments, 3-4.)

- F. Whether amendments or enhancements to existing energy assistance programs should be employed in effort to help compliment assistance provided through low-income discount rate tariffs.

### **III. Process Overview**

On June 24, 2022, the Staff of the Illinois Commerce Commission (“Staff”) requested feedback from various stakeholders on the potential adoption of discount rates under Section 9-241 and, specifically, how the study should incorporate the considerations specified in Section 9-241, and any other relevant considerations. In that request for stakeholder feedback, Staff also explained that it may identify additional areas where stakeholder feedback can inform the study and may issue additional information requests.

In response, Staff received comments from the following entities:

- Ameren Illinois Company (“Ameren”);
- Blacks in Green (“BIG”) – an organization that envisions, leads, promotes and implements several initiatives central to ensuring and security a vibrant and robust Clean Energy Future for Illinois’ under-resourced communities with a focus on Black communities;
- Mr. Edward Bodmer (“Mr. Bodmer”) – a ratepayer representing himself;
- Citizens Utility Board (“CUB”);
- Commonwealth Edison Company (“ComEd”);
- Community Organizing and Family Issues (“COFI”), represented by the National Consumer Law Center (“NCLC”) – a community-based not-for-profit center and resource for family-focused organizing, leadership development and community building focused on the well-being of children, youth and families in low-income and working families;
- Elevate – a non-profit founded and headquartered in Illinois that works to ensure everyone has access to clean and affordable heat, power, and water in their homes and communities and the City of Chicago (“City”, collectively, “Elevate and City”);
- MidAmerican Energy Company (“MidAmerican”);
- Mt. Carmel Public Utility Company (“Mt. Carmel”);
- Nicor Gas Company (“Nicor”);
- North Shore Gas Company (“North Shore”) and The Peoples Gas Light and Coke Company (“Peoples Gas”, collectively “NSG-PGL”); and
- Office of the Attorney General (“AG”).

As Staff received feedback from interested stakeholders, the responses were added to the Commission’s website on the [CEJA Implementation page](#) and titled *Request for*

*Feedback on [Low-Income Discount Rates for Electric and Natural Gas Residential Customers](#).*<sup>4</sup>

On September 23, 2022, Staff issued a request for additional information to Illinois gas and electric utilities only and noted that while the additional information would not be posted to the ICC webpage, it may appear in the Study.

In response to this inquiry, Staff received the requested data from each of the following Illinois public utilities: Ameren, ComEd, MidAmerican, Mt. Carmel, Nicor, and NS-PGL.

The data request and a summary of utility data is provided below. The data provided by the stakeholders, including the Illinois gas and electric utilities, and Staff’s research of low-income discount rates in other states informed the recommendations set forth in this Study.

Staff requested the following information from the Illinois gas and electric utilities:

- I. Total number of residential gas and electric delivery services customers currently served by the company.

| Utility – Utility Service    | Number of Residential Customers |
|------------------------------|---------------------------------|
| Ameren – Gas                 | 744,730                         |
| Ameren – Electric            | 1,060,337                       |
| ComEd – Electric             | 3,743,307                       |
| MidAmerican – Electric & Gas | 58,530                          |
| MidAmerican – Electric Only  | 14,670                          |
| MidAmerican – Gas Only       | 1,360                           |
| Mt. Carmel – Electric        | 4,381                           |
| Mt. Carmel – Gas             | 3,031                           |
| Nicor Gas                    | 2,058,149                       |
| North Shore – Gas            | 149,757                         |
| Peoples Gas                  | 796,934                         |
| Total Residential Customers  | 8,635,186                       |

- II. Total number of residential gas and electric delivery services customers currently served by the company that participate in each of the following programs:
  - a. Low-Income Home Energy Assistance Program (“LIHEAP”) only;
  - b. Percentage of Income Payment Plan (“PIPP”) only;
  - c. Income-qualified energy efficiency (“EE”) programs only; and

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<sup>4</sup> The Commission’s CEJA implementation page is located at <https://www.icc.illinois.gov/programs/climate-and-equitable-jobs-act-implementation>. Stakeholder feedback is located at <https://www.icc.illinois.gov/informal-processes/Low-Income-Discount-Rates-for-Electric-and-Natural-Gas-Residential-Customers>.

d. Income-qualified EE programs and LIHEAP or PIPP.

| Utility – Utility Service    | LIHEAP<br>Only | PIPP Only     | Income-<br>Qualified EE<br>Only | EE &<br>LIHEAP or<br>PIPP |
|------------------------------|----------------|---------------|---------------------------------|---------------------------|
| Ameren – Combination         | 43,083         | 8,674         | 31,483                          | n.a.                      |
| Ameren – Gas                 | 4,964          | 59            | n.a.                            | n.a.                      |
| Ameren – Electric            | 28,512         | 3,618         | n.a.                            | n.a.                      |
| ComEd – Electric*            | 152,568        | 29,997        | 77,120                          | 14,358                    |
| MidAmerican – Electric & Gas | 4,299          | n.a.          | 14                              | 4,302                     |
| MidAmerican – Electric Only  | 1,101          | n.a.          | 0                               | 1,101                     |
| MidAmerican – Gas Only       | 52             | n.a.          | 0                               | 52                        |
| Mt. Carmel – Gas             | 271            | n.a.          | n.a.                            | n.a.                      |
| Mt. Carmel – Electric        | 357            | n.a.          | n.a.                            | n.a.                      |
| Nicor Gas                    | 54,404         | 7,451         | 5,296                           | 3,335                     |
| North Shore – Gas            | 2,176          | 209           | 818                             | 1,077                     |
| Peoples Gas                  | 40,282         | 11,307        | 9,848                           | 16,572                    |
| <b>Total</b>                 | <b>332,069</b> | <b>61,315</b> | <b>124,579</b>                  | <b>40,797</b>             |

*\*ComEd also has 13,102 customers participating in Supplemental ARP, or “SARP.”  
n.a. – Not applicable and/or data not provided by the utility.*

III. Total dollars of assistance provided by each of the programs listed in subparts (A) through (C), individually, related to delivery services, as well as the total unused dollars available under each of the programs listed in subparts (A) through (C).

| Utility – Utility Service    | LIHEAP Only          | PIPP Only           | Income-Qualified EE<br>Only |
|------------------------------|----------------------|---------------------|-----------------------------|
| Ameren – Combination         | \$60,499,557         | \$9,201,657         | n.a.                        |
| Ameren – Electric            | \$22,294,077         | \$2,349,236         | \$9,873,105                 |
| Ameren – Gas                 | \$4,000,820          | \$24,127            | \$3,248,736                 |
| ComEd – Electric*            | \$82,856,853         | \$14,764,614        | \$53,308,457                |
| MidAmerican – Electric & Gas | \$48,300             | n.a.                | \$62,303                    |
| MidAmerican – Electric Only  | \$5,668,029          | n.a.                | \$29,498                    |
| MidAmerican – Gas Only       | \$777,844            | n.a.                | \$32,805                    |
| Mt. Carmel – Electric        | \$153,739            | n.a.                | n.a.                        |
| Mt. Carmel – Gas             | \$181,706            | n.a.                | n.a.                        |
| Nicor Gas                    | \$43,995,993         | \$4,716,744         | \$11,368,487                |
| North Shore – Gas            | \$5,707,578          | \$100,019           | \$83,480                    |
| Peoples Gas                  | \$50,991,985         | \$11,826,340        | \$13,179,460                |
| <b>Total</b>                 | <b>\$277,176,481</b> | <b>\$42,982,737</b> | <b>\$91,186,331</b>         |

*\*ComEd also provided assistance totaling \$1,979,330 for SARP.  
n.a. – Not applicable and/or data not provided by the utility.*

- IV. Monthly usage and the estimated reduction in a typical residential customer bill at the following discount levels for each month of the year, individually, as applied to base rates only (i.e., the customer charge, plus volumetric or usage charge):
- a. 10%
  - b. 25%
  - c. 30%
  - d. 40%
  - e. 50%

ComEd estimates the average monthly savings for residential customers receiving discounts of 10%, 30%, and 50% would be \$3.81, \$11.42, and \$19.04, respectively. Ameren estimates the average monthly savings for residential electric customers receiving discounts of 10%, 30%, and 50% would be \$4.62, \$13.85, and \$23.08, respectively. As expected, ComEd and Ameren estimate higher savings during July and August and lower savings the remaining months of the year.

Nicor Gas estimates the average monthly savings for residential customers receiving discounts of 10%, 30%, and 50% would be \$3.25, \$9.74, and \$16.23, respectively. Peoples Gas estimates the average monthly savings for residential customers receiving discounts of 10%, 30%, and 50% would be \$4.78, \$14.34, and \$23.91, respectively. Ameren estimates the average monthly savings for residential gas customers receiving discounts of 10%, 30%, and 50% would be \$3.89, \$11.66, and \$19.43, respectively. As expected, Nicor Gas, Peoples Gas and Ameren Gas estimate higher savings during the winter months (November through March) and lower savings during the summer months. North Shore estimates the average monthly savings for residential customers receiving discounts of 10%, 30%, and 50% would be \$3.86, \$11.57, and \$19.28, respectively.

- V. For each of the discount levels specified above, the annual revenue deficiency for the utility and the estimated annual increase for non-low-income residential customers assuming the following participation levels in a low-income discount rate for residential customers:
- a. 5%
  - b. 10%
  - c. 25%
  - d. 30%
  - e. 50%

ComEd estimates a total revenue deficiency of approximately \$17 million if 10% of residential customers receive a 10% discount; the annual revenue deficiency rises to approximately \$42 million if 10% of residential customers receive a 25% discount. ComEd estimates at a 10% participation level, discounts of 10% and 25% would cause non-low-income customers' monthly bills to increase, on average, by \$0.42 and \$1.06.

Ameren estimates a total revenue deficiency of approximately \$6 million if 10% of residential electric customers receive a 10% discount; the annual revenue deficiency rises to approximately \$15 million if 10% of residential customers receive a 25% discount.



Ameren estimates at a 10% participation level, discounts of 10% and 25% would cause non-low-income electric customers' monthly bills to increase, on average, by \$0.51 and \$1.28.

Nicor Gas estimates a total revenue deficiency of approximately \$8 million if 10% of residential customers receive a 10% discount; the annual revenue deficiency rises to approximately \$20 million if 10% of residential customers receive a 25% discount. Nicor Gas estimates at a 10% participation level, discounts of 10% and 25% would cause non-low-income customers' monthly bills to increase, on average, by \$0.90 and \$1.08.

Peoples Gas estimates a total revenue deficiency of approximately \$4.6 million if 10% of residential customers receive a 10% discount; the annual revenue deficiency rises to approximately \$14 million if 10% of residential customers receive a 30% discount. Peoples Gas estimates at a 10% participation level, discounts of 10% and 30% would cause non-low-income customers' monthly bills to increase, on average, by \$0.53 and \$1.59.

North Shore estimates a total revenue deficiency of approximately \$693 thousand if 10% of residential customers receive a 10% discount; the annual revenue deficiency rises to approximately \$2 million if 10% of residential customers receive a 30% discount. North Shore estimates at a 10% participation level, discounts of 10% and 30% would cause non-low-income customers' monthly bills to increase, on average, by \$0.43 and \$1.29.

Ameren estimates a total revenue deficiency of approximately \$3.5 million if 10% of residential gas customers receive a 10% discount; the annual revenue deficiency rises to approximately \$9 million if 10% of residential customers receive a 25% discount. Ameren estimates at a 10% participation level, discounts of 10% and 25% would cause non-low-income customers' monthly bills to increase, on average, by \$0.43 and \$1.08.

The data provided by the stakeholders, including the Illinois gas and electric utilities, and Staff's research of low-income discount rates in other states informed the recommendations set forth in this Study.

#### **IV. Affordability**

Stakeholders agree that affordability of utility service for Illinois residents is critical.

ComEd is committed to ensuring all customers have access to safe, reliable, and affordable electric service and encourages considering all options to improve affordability. (ComEd Comments, 1.) NSG-PGL believe that reductions in low-income customers' total energy bills and offering additional support to those low-income customers are important to ensure safe, reliable and affordable service. NSG-PGL states that energy assistance programs for low-income customers are an important part of providing affordable service. (NSG-PGL Comments, 2.)

Ameren directs focus to the primary objective of ensuring effective, appropriate, and robust mechanisms are in place to maintain and improve customer affordability. Ameren notes a solid assistance framework alleviates the financial burden for residential gas and electric customers that need it the most, especially during the aggressive energy transition that is expected over the coming years in Illinois. (Ameren Comments, 15.)

CUB supports CEJA because it focuses on equity and affordability and applauds the Commission on its commitment to energy affordability in an increasingly complex energy environment. CUB anticipates a robust discussion that considers external events that can have a large impact on utility costs. CUB notes the bipartisan Infrastructure Investment and Jobs Act and the Inflation Reduction Act can benefit low-income utility consumers and CUB urges the utilities and stakeholders to seek ways to maximize these benefits. (CUB Comments, 8-9.)

Nicor Gas notes that, from a policy perspective, there are a variety of programs that provide financial assistance for utility bill payments for qualifying low-income customers, and not all funds from such programs have been disbursed. For example, entities such as the Salvation Army, United Way, and even Nicor Gas have programs in place to provide bill payment assistance to customers. (Nicor Gas Comments, 1.)

This report summarizes stakeholder feedback regarding existing assistance programs for utility service, including eligibility criteria, verification processes, keeping customer data confidential, and customer outreach and education. This information is provided to inform the Commission and assist the utilities in identifying features of existing assistance programs that can be leveraged or incorporated into utility proposals for low-income discount rates to streamline administrative processes for utilities and customers and maximize participation by eligible customers while minimizing costs stemming from duplication of existing processes.

With respect to utility rate design and utility-based funding for additional programs to assist with energy bills, the AG recommends addressing affordability issues through a combination of rate design and utility-based funding programs. (AG Comments, 17.)

Ameren provides a report titled, "Utility Rate Discounts for Low-Income Customers in Other States," published on February 1, 2018 by Connecticut's Office of Legislative Research (2018-R-0051), which describes the eligibility requirements and utility rate discount programs for low-income customers in the following eleven (11) states: Arizona, California, Georgia, Maine, Massachusetts, Minnesota, New Hampshire, New York, Pennsylvania, Rhode Island, and Vermont. Ameren provides this report for consideration of how various states and utilities address residential customer affordability and support their low-income customers: LIHEAP, PIPP, and discounted rates. Ameren agrees that any of these options could possibly be appropriate and would help lessen the energy burden for our most vulnerable customers. (Ameren Comments, 15.) This report is attached to the Study as Appendix A. The Rate Design section of this Study also provides detailed information on various low-income discount rate programs in other States.

## ***A. Cost Recovery and Affordability of Delivery Service for All Customers***

Cost recovery affects the impact that a low-income discount rate would have on the affordability of delivery services to low-income customers and customers overall. Moreover, recovery of costs associated with low-income discount rates is critical to the success of any low-income discount program because it directly affects the affordability of delivery service to customers that are not eligible for discounted rates.

ComEd identifies two primary components of program costs: 1) direct costs of any discounts or credits and 2) administration costs. The total cost of any discount or credit depends on the eligibility criteria and the size of the discount or credit per customer. Program designs are sensitive to economic conditions and energy market conditions. Program administration costs depend on the administering agency, how much of the administrator's existing infrastructure can be leveraged, program eligibility and recertification verification requirements, and any new investment required to implement the program. (ComEd Comments, 25.) ComEd states the magnitude of total program costs (i.e., actual costs or costs up to a certain cap) and accounting of program costs affect cost recovery. (ComEd Comments, 19.)

Ameren states a discount in a rate to one group of customers must be offset by a premium collected from other customers pursuant to long standing precedent, the 5th amendment takings clause, and associated legal precedent, which dictate that public utilities must be afforded a reasonable opportunity to recover the cost of providing utility service. (Ameren Comments, 21.)

ComEd notes offering a program that includes a discounted rate (i.e., one that does not recover the full cost of service from each customer) requires consideration of which delivery class(es) should be responsible for funding the program costs (i.e., residential only or all classes) and whether the low-income customers receiving the program benefits also contribute to the program cost recovery. (ComEd Comments, 18-19.)

Similarly, Nicor states the revenue deficiency resulting from a discounted rate would need to be recovered from customers not otherwise eligible for the discount. The Commission would need to determine which customers would be responsible to bear the burden to make up the revenue deficit resulting from any discounted rate. (Nicor Comments, 1.)

COFI contends that costs should be spread across all rate classes, including commercial and industrial classes, to minimize the impact of socializing the cost of discount rates. Beyond minimizing rate increases for non-participating residential customers, requiring all customer classes to contribute to the goal of universal utility service is appropriate for several reasons. COFI asserts that society benefits from people retaining uninterrupted access to essential utility service. There are quantifiable and non-quantifiable benefits that inure to all utility customers, not just residential customers, including health benefits and cost savings from lower fire protection costs, collections costs, assistance program

funding. COFI states ComEd has testified that ensuring access to essential utility service has quantifiable value to the utility company – i.e., in Docket No. 22-0067, ComEd witnesses testified that the COFI/ComEd-proposed Affordability metric will, at a minimum, provide net benefits of \$475,878 annually, not including non-quantifiable benefits, to customers that are able to retain essential utility service as a result of the Company's actions to achieve the reduced disconnections, and are likely to bring benefits to customers as a whole through reduced credit and collections costs. (COFI Comments, 20.) In addition, COFI observes that the costs of clean energy and energy usage reduction programs are currently socialized in rates. Finally, COFI recommends giving little weight to utility assertions that the cost of discount rates would be too expensive for their customers, given a utility may also disconnect customers that are financially struggling and make rate increase filings to support ever-increasing infrastructure investments that translate into increased profits for the utility. (COFI Comments, 29.)

ComEd states when the costs are recovered (i.e., before or after costs are incurred) affects whether recovery is made for actual program costs, forecasted program costs or a hybrid approach (forecasted costs with a reconciliation). ComEd states further the chosen recovery mechanism depends on if cost recovery occurs before or after the funds are distributed. ComEd opines that collecting the funds first, to control budget, could be a more appropriate approach to ensure future reconciliations do not cause unexpected increases if spending is not in-line with the amounts collected for programs. (ComEd Comments, 19.)

Ameren states cost recovery ultimately depends on the discount program structure. Ameren sees value in leveraging existing programs already in place with cost recovery methods already established. (Ameren Comments, 21.)

MidAmerican prefers a fixed surcharge that is set annually and applicable to all noneligible customers because this approach reduces rate volatility, as it is easier to forecast the billing determinants upon which the revenues are collected. (MEC Comments, 5.)

Nicor states utilities may recover any revenue deficiency by either (1) including the estimated revenue deficiency in base rates along with an annual true-up rider mechanism to ensure recovery of only the actual deficiency; or (2) collect 100% of the revenue deficiency through a rider. (Nicor Comments, 1.)

ComEd states consideration of which portion of the bill will be discounted (e.g., supply, delivery, total bill) and how those costs will be recovered is necessary in addition to the cost recovery rate mechanism (i.e., delivery service charges or separate rider).

ComEd states that using delivery service charges would require including a reasonable estimate of the total amount in the Company's forecasted revenue and then reconciled in future rates. ComEd asserts that a rider provides more flexibility to revise the charge as circumstances evolve. Towards that end, the calculation methodology selected for the amount recovered per customer (i.e., fixed amount, or based upon a customer's kWh or

kW usage) will have different impacts on different types of customers' and the charge could change as circumstances evolve.

ComEd opines if the program requires funding that has significant impacts on customer bills, the funding could be put into a regulatory asset to have more leveled bills over time.

Ameren questions whether additional enabling authority is warranted to give legal clarity on the Commission's ability to approve utility proposals that require creating regulatory assets, deferred accounting mechanisms, riders, and other ratemaking mechanisms to implement low-income discount rate programs, especially within the context of regulatory reform initiatives such as Integrated Resource Planning and Multi-year Rate Plan ("MYRP") filings. Ameren states that within the context of an MYRP, programs could be designed to achieve specific outcomes based on community grid planning input and made to complement other initiatives in the utility's approved grid plan.

Ameren states that future conditions may warrant innovative programs to assist gas customers. Recent increases in natural gas prices due to international issues is an example of where a limited purpose regulatory asset or rider in the context of a rate filing may be warranted to fund something that permits the Commission to respond to the needs of vulnerable customers while allowing for sustained investment in safe, reliable, and environmentally sound utility operations. While the Commission has considerable authority today to implement flexible mechanisms, the interplay between recently enacted laws and older legal precedent could be clarified in explicit legislative terms. (Ameren Comments, 22.)

The AG also recommends that the Commission support utilities to establish and offer shareholder-funded customer assistance. Until recently, ComEd and Ameren shareholders were statutorily required to provide \$10 million and \$1 million respectively in bill assistance funds each year to help struggling ratepayers. 220 ILCS 5/16-108.5(b-10). This program was designed to help "military families, veterans, senior citizens and customers that may have experienced job loss, illness or disability and need help paying their electric bills... [as well as] non-profit organizations that [experienced] financial hardship." This program is no longer mandated by law, even though utility affordability remains an exigent concern. Reestablishing programs such as this and creating other new shareholder-funded programs would assist struggling ratepayers that may be ineligible for LIHEAP or PIPP. (AG Comments, 14.)

The AG notes shareholder-funded assistance programs could be complemented by a voluntary round-up or fixed donation customer assistance program, where residential, commercial, and industrial ratepayers can opt-in to round their bills up to the nearest dollar amount, or offer a higher voluntary contribution, to assist low-income customers. The AG points to the Peoples Gas "Share the Warmth" program that allows customers to include a recurring donation on their bills and notes this is similar to the statutorily created Universal Telephone Assistance Program, which permits telephone customers to voluntarily contribute fixed monthly amounts to assist low-income customers on their

landline telephone bills, pursuant to 220 ILCS 5/13-301.1. Ratepayers would be incentivized to contribute to voluntarily round-up and fixed contribution assistance funds if utilities offer additional shareholder dollars matching those funds. (AG Comments, 15.)

### **B. Illinois Utility Service**

COFI states that changes in Illinois law and increased energy prices have left utility customers struggling to afford essential utility service. Through passage of the Energy Infrastructure Modernization Act (“EIMA”) in 2011, and to set and achieve clean energy goals through the Future Energy Jobs Act (“FEJA”) in 2016, and CEJA in 2021, Illinois General Assembly took steps to achieve improved electric utility service reliability. Illinois utility customers have experienced significant increases in ComEd and Ameren delivery service rates to support these reliability, clean energy and efficiency goals over these many years, the effect of which, until recently, had been moderated by relatively low electric and gas supply charges. (COFI Comments, 4.)

COFI provides the following data to illustrate how seemingly unprecedented increases in electricity and supply rates have more recently contributed to the unaffordability problem. (COFI Comments, 4.)

Table 1: Electric and Gas Energy Supply Prices

|   |
|---|
| <b>June-September 2022 electricity supply prices:<sup>5</sup></b>       |
| Ameren Illinois – 10.628 cents per kWh (120% increase from last June)   |
| ComEd – 11.041 cents per kWh (63% increase from last June) <sup>6</sup> |
|   |
| <b>August 2022 gas supply prices (change monthly):</b>                  |
| Ameren Illinois – 85.94 cents per therm (up 30% from last August)       |
| Consumers Gas – 98.32 cents per therm (up 50% from last August)         |
| Illinois Gas – 62.63 cents per therm (up 84% from last August)          |
| Liberty Utilities – 1.15 dollars per therm (up 131% from last August)   |
| MidAmerican Energy – 1.07 dollars per therm (up 39% from last August)   |
| Mt. Carmel – 89.85 cents per therm (up 68% from last August)            |
| Nicor Gas – 1.24 dollars per therm (up 134% from last August)           |
| North Shore Gas – 95.31 cents per therm (up 84% from last August)       |
| Peoples Gas – 1.12 dollars per therm (up 72% from last August)          |

COFI states upward pressure on utility rates increased with enactment of 220 ILCS 5/9-220.3, which permits Ameren, Nicor and Peoples Gas to impose surcharges on monthly customer bills for modernizing the gas delivery system. The surcharges fund the

<sup>5</sup> See Citizens Utility Board webpage, Warning: High Energy Prices, <https://www.citizensutilityboard.org/welcome-cubs-help-center>.

<sup>6</sup> This increase, however, has been offset by ComEd’s Informational Sheet No. 36.1, filed in accordance with Rider CFRA-Carbon-Free Resource Adjustments. The calculated value of the CFR Adjustment is a credit of 4.306 cents per kWh in summer months and 3.573 cents per kWh in non-summer months. See ICC Docket No. 22-0330.

replacement of cast iron/ductile iron mains and gas line services, meters and other infrastructure through Rider Qualified Infrastructure Plant (“Rider QIP”) tariffs. COFI points out that, for example, Peoples Gas reported that the average monthly Rider QIP surcharge for its customers was \$15.14 in May and \$14.52 in June. With a monthly, flat customer charge of \$30.84 for Heating customers (Non-Heating Customers, \$16.37/month), the ever-increasing QIP assessment and other surcharges, Peoples Gas customers are paying more than \$50 before they even turn the heat, stove or hot water on. (COFI Comments, 6.)

COFI states the aforementioned changes in law have contributed to significant increases in the delivery portion of customers’ monthly bills over the last several years. (COFI Comments, 5.) ComEd’s rates have increased 37.41% since 2012, when formula rates began; Ameren’s rates have increased some 26.09% over that same time period. Ameren gas rates have increased about 25.6% since 2018. Nicor rates have increased 63% since 2017. While Peoples Gas has not filed a rate case since 2014, delivery service rates have increased substantially through the Rider QIP surcharge, as noted above. (COFI Comments, 6.)

Finally, COFI points out that the approved rate design for all three of Illinois’ large gas utilities loads revenue requirement cost recovery in the flat monthly customer charges and fails to authorize inclining block per therm charges (so that higher usage customers pay more). COFI asserts this has resulted in lower usage customers subsidizing higher usage customers. COFI continues stating rate designs that front-load revenue recovery in the fixed charge and rider surcharges as policies that run counter to the efficiency goals that CEJA is supposed to encourage. (COFI Comments, 6.)

COFI concludes the result of the factors that have increased energy insecurity is clear. When the shockingly high 2021-2022 increases in energy supply costs for both gas and electricity customers are added into the monthly utility delivery service cost increases documented above, hundreds of thousands of Illinois customers face the threat of disconnection each month and also face difficult decisions as to which life essentials – food, medicine and other monthly budget items – they must forego. Redesigning rates and establishing discount rates for financially eligible customers can help reduce this phenomenon and relieve the financial stress that so many Illinoisans currently face each month as they struggle to afford essential utility service. (COFI Comments, 7.)

### ***C. Energy Burden***

“Energy burden” is a common measure of affordability and refers to the percentage of household income spent on home energy bills. According to American Council for an Energy Efficient Economy (“ACEEE”), the median household energy burden in the United States is 3.1%. A household that spends more than 6% of its income on home energy bills has a “high energy burden.” A household that spends more than 10% of its income on home energy bills has a “severe energy burden.” (AG Comments, 4.)

Elevate and City state Illinois families living at or below 150% of the Federal Poverty Level (“FPL”) spend roughly 12% of their income on energy, which is double the level of a household that is considered energy burdened. (Elevate and City Comments, 1.)

The AG notes that across the U.S., more than 25% of households experience high energy burdens, approximately half of which experience severe energy burdens. 67% of low-income households experience high energy burdens, more than half of which experience severe energy burdens. On average, low-income households in the U.S. spend 8.1% of their income on home energy bills, while median-to-high income households only spend 2.3%. Households that experience high and severe energy burdens are disproportionately low-income, renters, ages 65 and older, Black, Latiné, and Native American. (AG Comments, 4.) The AG presents the following data regarding household energy burdens for low-income customers in Illinois.

Table 2: 2021 Household Energy Burdens in Illinois<sup>7</sup>

| <b>Percentage of Federal Poverty Level</b> | <b>Number of Households</b> | <b>Percentage of Income Spent on Home Energy Bills</b> |
|--|-----------------------------|--|
| Below 50%                                  | 281,688                     | 30%  |
| 50 – 100%                                  | 331,350                     | 16%  |
| 100 – 125%                                 | 193,436                     | 11%  |
| 125 – 150%                                 | 190,470                     | 9%   |
| 150 – 185%                                 | 277,672                     | 7%   |
| 185 – 200%                                 | 118,817                     | 6%   |

## **V. Energy Assistance Act**

In the Energy Assistance Act (“EAA”), the Illinois General Assembly recognized that society benefits from having affordable utility services with minimal disconnections and arrearages (305 ILCS 20/2(a)(1), (a)(5)), and it further emphasized affordability, equity, and cost-effectiveness in the Act and recently through CEJA. See, e.g., 220 ILCS 5/1-102; 5/16-108.8. (AG Comments, 5.)

The General Assembly granted DCEO the right to oversee the state’s Energy Assistance Programs but made clear that the EAA does not strip the Commission of any of its powers of utility regulation. 305 ILCS 20/4(a)–(b). The Commission, thus, has the authority to regulate utilities’ rates and rate design, payment practices, disconnection procedures, and treatment of deposits and arrearages to protect affordability. (AG Comments, 5-6.)

The EAA authorizes gas and electric utilities to include a Supplemental Low-Income Heat Energy Assistance Fund (“SLIHEAF”) surcharge on monthly utility bills, which funds three programs authorized under the EAA: LIHEAP, PIPP, and weatherization.

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<sup>7</sup> AG Comments, 4, citing *The Home Energy Affordability Gap 2021*, Illinois, Fisher, Sheehan & Colton (April 2022).



### Low-Income Home Energy Assistance Program (“LIHEAP”)

LIHEAP helps low-income households pay for heat, gas, and electric utilities. Illinois households that earn up to 200% of the federal poverty guidelines may participate in LIHEAP by contacting a community action agency in their county. LIHEAP provides eligible households rate relief by limiting deposits, lowering the maximum deposit payment, providing more time to pay deposits, eliminating late payment fees, reducing the maximum down payment amount for payment arrangements, and increasing the minimum number of months for payment arrangements. One-time payments are made directly to the energy service providers on behalf of qualifying households between September 1 – May 31, or until funds run out. Funds are limited and payments are given on a first-come, first-served basis. (illinoislegalaid.org.)

In addition, LIHEAP provides reconnection assistance in the form of an additional grant up to \$1,200 for customers in danger of disconnection or disconnected from utility service. (Ameren Comments, 9.)

PIPP and weatherization are other forms of assistance that LIHEAP offers to income-eligible households.<sup>8</sup>

### Percentage of Income Payment Plan (PIPP)

PIPP is available to LIHEAP households and allows eligible customers to pay no more than six percent of their income towards their energy costs. First, customers pay 6% of gross income towards utility bills. Second, customers receive a monthly LIHEAP benefit to cover the rest of the bill. Third, if clients pay their portion of the bill on time, then some previous overdue payments are forgiven.

### Home Weatherization Program

This program helps low-income residents and households conserve fuel and reduce energy costs by making homes and apartments more energy efficient.

Each year, DCEO allocates the SLIHEAF monies to the three programs based on perceived need for each program and capacity within the community action agency network that helps deliver the programs. The LIHEAP and weatherization program (but not PIPP<sup>9</sup>) receive most of their funding from appropriations from the federal government (U.S. Department of Health and Human Services and the Department of Energy) each year as well. (COFI Comments, 11.)

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<sup>8</sup> LIHEAP offers a direct vendor payment (“DVP”), which makes a one-time payment to the utility company, as well as an Emergency Service (applies to weather-related natural disaster and provides payments to reconnect utilities, to the extent funds are available), reconnection assistance (helps in three situations: reconnect heating, fuel suppliers refusing delivery, and if a customer is disconnected or received notice of disconnect), furnace assistance (helps eligible customers that do not have an operating furnace or heater restore their heat source via tune-up, repair, or replacement), and a low-income household water assistance program (provides eligible households with up to \$400 for water/wastewater services based on poverty level and possibly a benefit up to \$1,500 if disconnected or facing threat of disconnection). (illinoislegalaid.org)

<sup>9</sup> PIPP is funded exclusively by state funds.

In the 2021-22 heating season, 265,695 households received a total of \$366,974,000 in assistance under LIHEAP while 36,791 households participated in PIPP, receiving an average of \$1,252 per month at a total program cost of \$46,055,117. (AG Comments, 1.)

The EAA allows utilities to use funds collected from customers through the SLIEAF fund to support additional energy assistance offerings, including ComEd's unique SARP.<sup>10</sup> The SARP program was implemented in late 2019 and provides a monthly arrearage credit while also encouraging energy efficiency. (ComEd Comments. 18.)

The SLIHEAF surcharge appears on Illinois utilities' electric and natural gas bills via an Energy Assistance Charge ("EAC"). The provision applies to utilities serving more than 100,000 customers in Illinois. 305 ILCS 20/13(b).

Section 13 of the EAA permits the level of the EAC to increase provided no less than 80% of the previous State fiscal year's available SLIHEAF funding was exhausted. 305 ILCS 20/13(b). The current Base Assistance Charge is \$0.48/month and is allowed to increase in \$0.16/month annual increments provided the percentage goal is met, up to a limit of \$0.96/month. Ameren notes that less than 80% of the previous State fiscal year's available funding was used in the most recent year, thus the Base Assistance Charge will remain \$0.48/month through 2023. (Ameren Comments, 8.)

COFI notes that the following amendments to the EAA (Senate Bill 265) were signed into law in July 2021 to improve program delivery and expand customer participation in PIPP and LIHEAP:

1. Removing the service territory restriction that had triggered trapped and unused energy assistance funds and "sweeps" of the funds by the State of Illinois;
2. Increasing the ratepayer surcharge with a goal of doubling funding available for the SLIHEAF programs (LIHEAP, PIPP, and weatherization) over a 3-year period, when 80% of the funds collected are distributed annually;
3. Adding anti-sweeps language to the EAA;
4. Adding households with children under 6 to the enrollment priority period;
5. Increasing administrative payments to community action agencies to cover the increased costs associated with enrolling clients in PIPP (which is a more time-consuming process than enrolling a client in LIHEAP);
6. Adding new language to ensure no person could be denied LIHEAP or PIPP benefits based on their immigration status;
7. Changing the client benefit allocation from 66% gas/34% electric to a 50%/50% split, based on DCEO's analysis of customer need data;
8. Removing the statutory benefit cap language to allow for benefits to fit available dollars; and

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<sup>10</sup> ComEd Comments, 18, citing 305 ILCS 20/18(a), 5.5.

9. Increasing eligibility threshold from 150% FPL to 60% State Median Income (which, COFI notes, DCEO has interpreted as increasing eligibility to 200% FPL. (COFI Comments, 12.)

ComEd notes that, prior to 2021, ComEd remitted the majority of the collected SLIHEAP funds to the State. While some of the funding was returned to customers through monthly PIPP benefits, State-funded LIHEAP, and other programs, most funds went unused by customers and then were swept by the State. From 2015-2020, approximately \$217 million of PIPP funds were swept from the SLIHEAP fund. (ComEd Comments, 14.)

In 2021 and 2022, during the COVID-19 pandemic, DCEO was better able to ensure that SLIHEAP funds were used by customers by creating one-time grant programs to exhaust available funding. Through additional funds provided by the American Rescue Plan Act of 2021 (H.R. 1319), § 4001, enacted on March 11, 2021, and returned funds from the State, DCEO was able to provide more assistance dollars through monthly PIPP benefits, State and Supplemental LIHEAP, and the UDAP. At this time, Supplemental LIHEAP and UDAP are not permanent financial assistance programs, and it is unclear whether DCEO will use them in future years to distribute any unused SLIHEAP funds. (ComEd Comments, 14.)

COFI states the reality that available energy assistance is not enough to meet the need became all too clear when, on August 12, 2022, DCEO directed LIHEAP administering agencies to accept no new enrollees in Illinois' PIPP after September 1, 2022, due to increasing bills and corresponding increased customer budget billing calculations. This unfortunate restriction certainly points to the need for additional financial assistance at both the federal and state levels. But, until that assistance arrives, more must be done by the utilities and the Commission to ensure monthly utility service bills are affordable. (COFI Comments, 11.)

### ***A. Leveraging Existing Programs***

Ameren contends the most effective way to support the most vulnerable residential customers with their energy needs is to continue to enhance the energy assistance programs that are already in place. (Ameren Comments, 15.)

Elevate and City urge the Commission to proactively seek feedback from implementers of current low-income utility programs. At minimum, this should include relevant staff from the DCEO and Community Action Agencies. The City would also be interested and available to the Commission to provide feedback and learnings from implementation of their rate and debt relief program, City of Chicago's Utility Billing Relief Program. (Elevate and City Comments, 1.) This program operates in partnership with the Community and Economic Development Association of Cook County, which operates the LIHEAP, and

utilizes their expertise and extensive network of partner organizations to conduct outreach and enroll homeowners.<sup>11</sup>

ComEd notes the Illinois PIPP<sup>12</sup> is an innovative program designed to bring gas and electric bills into a reasonable range of affordability, by: 1) setting the customer's share of their monthly utility bills at 6% of their household income; 2) offering an arrearage reduction incentive that allows participants to receive a 1/12th reduction in their arrearages for every on-time regular monthly payment; and 3) providing program participants opportunities to reduce usage and lower their bills by prioritizing households with the highest bills and lowest incomes for home weatherization. (ComEd Comments, 13.)

ComEd and Ameren note that PIPP enrollees are automatically enrolled in Budget Billing, which is used to set a predictable and fixed monthly expense for household budgets. (Ameren Comments 25; ComEd Comments, 13.) ComEd explains that the PIPP monthly benefit is capped at \$150 a month, per household, to reduce the out-of-pocket payment to the targeted wallet share amount. The customer is required to pay the difference of the Budget Billing amount and the PIPP benefit, on time and in full, to receive an arrearage reduction credit. Thus, PIPP promotes positive payment behavior by incentivizing monthly bill payments by providing an arrearage reduction credit, when applicable. (ComEd Comments, 13.)

CUB notes PIPP participants are entered into levelized, budget billing and then required to pay just 6% of their income toward their gas and electric bills combined. The PIPP design matches assistance levels to customers' needs and is characterized by year-round utility affordability and predictability for customers. CUB views PIPP as a model energy assistance program and strong arguments can be made for simply expanding and improving it. (CUB Comments, 2.)

ComEd states PIPP is a best-in-class program throughout the country and notes there are potential areas of programmatic improvements. For example, PIPP requires a long-term commitment from customers, which means customers with higher financial instability, facing imminent disconnection, generally decline PIPP and enroll in LIHEAP instead, which only affords a one-time payment. PIPP participants are more successful staying current on their ComEd bills than those customers that opt for the one-time LIHEAP payment. PIPP customers make consistent payments through this program, which increases PIPP's relative attractiveness compared to LIHEAP. PIPP customers better manage and stabilize their electric and gas bills. (ComEd Comments, 13.)

ComEd notes the aspects of PIPP that make it a premier low-income wallet share program in the U.S. also make it complex and time consuming to administer. For

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<sup>11</sup> City of Chicago's Utility Billing Relief Program provides low-income City residents a reduced rate on water, sewer, and water-sewer tax, no late payment penalties or debt collection activity, and debt forgiveness after successfully completing one year with no past due balance.

([Chicago.gov/city/en/depts/fin/provdrs/utility\\_billing/svcs/utility-bill-relief-program](http://Chicago.gov/city/en/depts/fin/provdrs/utility_billing/svcs/utility-bill-relief-program))

<sup>12</sup> PIPP was created in 2009 by state statute, 305 ILCS 20/18, *et seq.* (ComEd Comments, 13.)

example, each customer's individual utility (gas and electric) wallet share must be determined and verified. It is also a long-term program where many of the program benefits are not realized until the end of the program, which requires PIPP administrators to act more like case managers throughout the program year. This is not to say that the hands-on administrative approach for PIPP should change; rather, PIPP could be improved to create more efficiencies. ComEd has offered a few discrete recommendations to streamline PIPP administration below. (ComEd Comments, 13-14.)

ComEd also believes it is essential to determine ways to increase enrollment and unlock additional funding for established programs like PIPP, and ComEd provides suggestions for enhancing and expanding PIPP. (ComEd Comments, 1.) ComEd suggests the following PIPP enhancements to reach more eligible customers. These approaches should be coordinated among both program administrators and customers so that parties do not take isolated actions that inadvertently compound existing obstacles for customers. Simplifying the application process would increase adoption among eligible customers – e.g., automatically qualifying customers already receiving other state assistance. This could reduce the burden on the customer and reduce the time for processing customer applications. Improved efficiency in this area would reduce application backlogs and speed up distribution of the assistance. (ComEd Comments, 14-15.)

ComEd offered seven recommendations to help enhance and expand the PIPP program.

1. Year-Round Program Enrollment

PIPP was originally envisioned to be a year-round energy assistance program but PIPP enrollment is seasonal – typically Fall through Spring – because PIPP administrators do not have the capacity to support year-round enrollments. Eliminating enrollment black-out periods would help ensure that customers are not denied access to the PIPP program and its benefits simply because they missed an arbitrary enrollment deadline.

2. Consistent Program Eligibility

PIPP eligibility is currently up to 200% FPL or 60% State Area Median Income (“AMI”). Other low-income assistance programs, such as some programs within ComEd's energy efficiency portfolio, use 80% AMI. ComEd recommends that modifications to PIPP eligibility should be made to conform to the traditional Part 280 eligibility requirements (i.e., EAA). Modifying for consistency across programs will minimize confusion about the programs for which the customers are eligible and streamline eligibility verification processes.

3. Improve Program Re-Enrollment Process

PIPP requires annual recertification, which requires submitting income documentation every year. ComEd recommends that the re-enrollment process for existing PIPP customers be simplified for recertifying categorical eligible customers – e.g., confirm eligibility through a single form (vs. multiple forms).

4. Leverage Similar Programs

ComEd recommends that PIPP leverage existing programs that customers are participating in to identify eligibility, such as the SNAP or Temporary Assistance for Needy Families (“TANF”). A customer’s enrollment in these programs could constitute either a pre-approval or an automatic approval for purposes of the PIPP application or reenrollment process. This effort would require alignment in program eligibility (see recommendation #2 above) as well as technology enhancements to support secure customer information among Local Administering Agencies (“LAA”), the utilities, and other program administrators or agencies.

5. Maximize Available Funding and Unlock Additional Funding

The increased funding resulting from recent updates to the EAA (SB 265) is only unlocked if 80% or more of the annual assistance funding is used. Therefore, ComEd recommends prioritizing connecting customers with the available assistance funds so that the 80% fund exhaustion goal can be met, and the additional assistance funds can be unlocked. Furthermore, given this established statutory funding mechanism and increased available funding, ComEd recommends that any proposed new low-income programs that relies on increased customer contributions as the funding source be critically analyzed.

6. Performance Metrics for LAAs.

To inform stakeholders whether efforts to enhance and expand PIPP are working, possible performance metrics could be adopted to track participation and LAA performance, including: (1) number of and percentage of eligible customers that are participating in these programs; (2) productivity metrics, such as application and recertification backlogs, appointment wait times, and time taken to process applications; (3) percentage of allocated funding applied to customer bills; and (4) survey responses of those seeking to receive assistance.

7. Index of Need Realignment

The Index of Need that DCEO relies on to allocate state and federal funding to serve PIPP customers is inherently flawed. For example, a college town with a high percentage of income eligible residents (i.e., college students) would receive a large allocation from DCEO under this approach but the funding may not be used if college students will not or cannot enroll in the assistance programs. Reevaluating the Index of Need might allow for DCEO to better disburse dollars where they are most needed and will be used. (ComEd Comments, 15-17.)

Finally, Ameren states [the Commission] should consider the following enhancements to existing energy assistance programs:

1. Incorporate SARP for traditional LIHEAP recipients. (This is like a PIPP customer’s Arrearage Reduction Program, or “ARP”.)

Ameren states customers that enroll on PIPP with a balance owed can also earn an incentive through the ARP. The balance is set aside in an ARP and when

monthly payments are made on time and in full, a credit is applied to the ARP to pay off the balance. LIHEAP customers only receive a one-time grant through direct vendor payments and/or reconnection assistance. However, if a SARP can be implemented for traditional LIHEAP recipients, then the balance owed after approval of LIHEAP can be set aside. Similar to PIPP where the state provides a monthly pledge towards the budget billing, the LIHEAP total benefit amount will be divided into 12 payments and applied to the customer's monthly budget billing over a year. The customer would be responsible for the difference to cover the budget bill amount. As long as monthly payments are made in time and in full going forward, a credit can be applied to the ARP balance to essentially forgive the debt. This way all recipients of the LIHEAP or PIPP can have an added bonus of a SARP or ARP that help reduce arrears and change payment behavior.

2. Year-round LIHEAP assistance.

During the summer season, LIHEAP closes, and income-eligible customers do not have the opportunity to apply for assistance during the cooling months. A year-round program can better serve eligible customers and help prevent interruption in service.

3. Utility programs that allow the customer to choose to apply LIHEAP benefits monthly rather than in one lump sum (payments split into 12-month installments).

As explained above, if a LIHEAP recipient could also participate in a SARP, then the LIHEAP benefit would be applied to the monthly budget bill over 12-months (vs. one lump sum). A 1/12 credit would be applied to the balance owed in the SARP when timely, in full payments are made. This program would work like PIPP and ARP.

4. A more robust automated process could address process/policy problems that create bottlenecks at agencies and simplify the application process as much as possible to make enrollment for eligible customers easier.

A bottleneck occurs at the time of disconnection when customers are seeking assistance when in danger of losing service. Ameren sees this at the beginning of the LIHEAP season (September/October) and then towards the end of the season (April/May/June) when utilities are disconnecting service. During the winter months with no threat of disconnection, customers are not seeking assistance and utilities and agencies are trying to find ways to encourage customers to act.

The AG recommends increasing the eligible income threshold for PIPP, increasing LIHEAP and PIPP assistance payments, increasing state funding for LIHEAP, PIPP, and energy efficiency upgrades, allowing customers to receive both LIHEAP and PIPP benefits, allowing customers to self-certify for LIHEAP and PIPP, and providing year-round LIHEAP assistance to supplement the Lifeline Rates. These changes to LIHEAP, PIPP, and energy efficiency programs would complement each other to advance

affordability because “bill assistance provides critical service to low-income households in crisis situations [while weatherization] reduces energy usage and thereby decreases energy costs over the long term.” (AG Comments, 13.)

In addition to recommending the Commission support changes that would expand eligibility for LIHEAP and PIPP, the AG recommends that the Commission support changes that would allocate greater energy efficiency spending to upgrade low-income housing and expand eligibility for income-qualified weatherization. Low-to-moderate income customers may have high usage as a result of inefficient housing, old appliances, or high energy charges from enrolling with alternative retail energy suppliers. Utility customers with high energy burdens often “live in older, inefficient, and unhealthy housing,” which not only affects their energy bills, but also their “physical and mental health, nutrition, and low economic development.” (AG Comments, 13.)

Ameren notes that the PIPP and ARP featured in Section 18 of the EAA fulfill many objectives of this low-income rate investigation. This already funded and established framework should be scrutinized and leveraged to maximize the benefits before new, alternative sources of relief are adopted that would require a broader customer base to increase their energy burden to fund. (Ameren Comments, 7.)

In Ameren’s view, the existing framework of PIPP and ARP, including the mechanism to increase funding to reach additional low-income customers, can be further leveraged, and Illinois stakeholders should consider more collaborative efforts between utilities and state agencies to promote, educate, and further automate processes to increase successful enrollment for customers. Conversely, [the Commission] should consider utility involvement in the current administration of PIPP, as it may identify areas that could enhance the customer experience, that is, make the program even more effective. (Ameren Comments, 9.)

Ameren believes the appropriate rate structure and energy assistance framework is already established through existing LIHEAP/PIPP programs, although the Company recognizes that the framework needs some focused evaluation and adjustment to address access and implementation challenges. Not hitting 80% use of available funds last year demonstrates there is still room for improvement for getting help to those most in need. The estimated available State funds for the next program year (2023) are \$260M; however, the appropriation authority is currently set at \$200M which is not 80% of the total available. (Ameren Comments, 18.)

COFI states that the increased funding from these amendments will not arrive for several years (assuming the 80%-distribution-of-funds benchmark is achieved each year) and will likely be insufficient to address bill unaffordability and 1.3 million eligible Illinois households living at or below 200% FPL. The establishment of discount rates for the state’s investor-owned electric and gas utilities will help ease the strain on existing energy assistance and affordability program budgets and should be ordered by the Commission. (COFI Comments, 12.)



## ***B. Eligibility Criteria***

ComEd views eligibility criteria as an essential consideration for designing a low-income program. The eligibility criteria for any assistance program are crucial in determining the benefit, size, impact and cost of the program. Eligibility criteria clarifies for whom the program is designed to assist (i.e., eligible customers), as well as who will likely shoulder the costs of the program, which can impact rates of non-eligible customers. (ComEd Comments, 2.)

ComEd also points out that the Act provides many options, but little clarity, for determining who is eligible for low-income program participation. There are many possible definitions of “low-income customer”, and the appropriateness and merits of any potential definition might vary by context or proposal. (ComEd Comments, 2.) ComEd notes CEJA uses seven different definitions (of which six are new) of “low-income” (four definitions), “low-income community”, “low-income households”, and “low-income residential customer or applicant.”

- CEJA’s new definition of “Low-income residential customer or applicant” appears (twice) in the Act (§§ 8-201.7, 8-201.8) (SB2408 Enrolled, pp. 659, 660).
- CEJA also includes five other new definitions: “low-income” in the Energy Community Reinvestment Act (§ 10-10), “low-income” and “low-income community” in the Illinois Clean Jobs and Justice Fund Act (§ 20-10), “low-income” in the Electric Vehicle Act (§ 45), and “low-income” in the Electric Vehicles Rebate Act (§ 10) (SB2408 Enrolled, pp. 114, 142, 198, 660, 943).
- CEJA includes the existing definition of “low-income households” in the Illinois Power Agency Act (§ 1-56(b)) (SB2408 Enrolled, p. 303).

In addition, the Act contains two other different definitions of “low-income household[s]” (§§ 8-103B(c) and 21-201(p), the latter being a telecom provision), while 83 Ill. Admin Code § 280.20 has a different definition of a “low-income customer”. (ComEd Comments, 3.)

The main categories that are used to determine low-income eligibility criteria are income, location-based criteria, and secondary measures (e.g., existing enrollment in or eligibility for existing federal assistance programs). Each type of eligibility measure has different impacts and considerations for overall program design. (ComEd Comments, 2.)

### Income Based Eligibility

Under CEJA, residential customers identified as meeting the requirements of low-income residential customer or applicant (and eligible) under one of the five eligibility prongs of 220 ILCS 5/8-201.7 and 220 ILCS 5/8-201.8 have had deposits and late payment charges waived. ComEd notes four of the five eligibility prongs focus on income, and all those income-based prongs fall under the umbrella of household incomes up to 80% AMI. (ComEd Comments, 7.)

More generally, low-income eligibility is commonly determined using income-based criteria such as the FPL, AMI or SMI.

Percentage of FPL is a poverty threshold standard issued annually every January by the U.S. Department of Health & Human Services and the 100% FPL threshold represents the minimum level of resources adequate to meet basic needs of the household. FPL threshold varies by family size to reflect the scaling needs of different family sizes. (ComEd Comments, 3-4.)

Another measure of income-based low-income eligibility is AMI or SMI. ComEd states that if you line up households in an area from the poorest to the wealthiest, the income of the household in the middle will be the AMI for that area. Under this approach, AMI for specific counties, cities, and zip codes may vary depending on the area being considered. (ComEd Comments, 5.)

ComEd explains AMI is based on data collected annually by the U.S. Census Bureau and includes the income of the householder and all individuals 15 years old and over within the household. AMI is used to determine eligibility for affordable housing programs, such as housing vouchers, inclusionary zoning, low-income housing tax credits, and public housing. (ComEd Comments, 5.)

ComEd notes that 83 Ill. Adm. Code 280 defines low-income by referring to the EAA, which permits DCEO to modify LIHEAP and PIPP income eligibility requirements every program year. (ComEd Comments, 8.)

COFI states energy assistance offices throughout the state base income eligibility on a client's gross household income from the coming or previous 30 days. (COFI Comments, 13.) Currently, eligible PIPP customers are those at or below 200% of the FPL. DCEO has announced the following sliding eligibility scale for the 2022/2023 program year: Households (HH) with 1-6 individuals are up to 200% FPL; HH with 7-10 individuals are 60% SMI; and HH with 11+ Individuals are up to 150% FPL. (ComEd Comments, 13.) Customers whose income falls at or below 80% of AMI qualify for electric and gas low-income energy efficiency programs. (COFI Comments, 13-14.)

ComEd estimates that 30% of its residential customers, or about 1.1 million residential customers, fall within 60% State AMI, and 40% of its residential customers, or about 1.5 million residential customers, fall within 80% State AMI in its service territory. In general, 80% AMI roughly aligns with 300% FPL. (ComEd Comments, 6.)

The AG states the Commission should support increasing the eligible income threshold for PIPP. (AG Comments, 13.) Eligibility requirements and application processes for LIHEAP and PIPP exclude many ratepayers that are also struggling to make utility payments, which results in continuing energy insecurity for certain low- to moderate-income households. (AG Comments, 3.)

Nicor finds the following requirements to be reasonable for determining income eligibility for residential customers: (1) LIHEAP & PIPP – Up to 200% of the FPL; (2) Deposit and Late Payment Charge (“LPC”) – Self-certification waivers for customers with 80% or less of AMI by county; and (3) Sharing program – 201%-250% of FPL. (Nicor Gas Comments, 1.)

#### Location Based Eligibility

ComEd notes the location-based criteria for low-income discounts include Restore. Reinvest. Renew (“R3”) or equity investment communities. ComEd has experience with the use of location-based eligibility criteria in its Waiver of Deposit and LPC Program. (ComEd Comments, 2.) ComEd is not aware of a state or a utility that solely uses location-based eligibility criteria for a low-income program. (ComEd Comments, 7.)

As a result of CEJA, the Act includes definitions for low-income customers that require tracking communities by census block to address specific burdens faced by customers located in environmental justice and equity investment eligible communities. To streamline the customer identification process, ComEd allows those customers residing in 40 high-density low-income zip codes that apply for the waiver to self-certify (i.e., submit a signed application), rather than requiring additional income documentation. A “high density” low-income zip code is defined as 60% or more of households between 0-80% of AMI per the 2020 U.S. Census Bureau data. ComEd considered but did not expand this geographic self-certification to all residential customers because of the financial impact on other customer bills. (ComEd Comments, 7.)

ComEd notes location-based eligibility criteria for low-income programs is both under- and over-inclusive. Customers that live in a certain geographic area despite having a high household income would automatically qualify for the program (over-inclusive). However, those customers that do not live in these geographic areas would not be considered eligible for a program despite experiencing financial hardships (underinclusive). Additionally, in Illinois’ situation, where third parties (like R3) determine the qualifying census blocks, it is unclear to ComEd how often or when location-based eligibility driven by zip code location will be updated, which makes multi-year program design, planning, execution, and assessment more difficult. (ComEd Comments, 7.)

Ameren does not believe that zip codes alone should be used to determine eligibility, as doing so takes the emphasis away from helping those most in need based on income, given that within most zip codes there is significant income variance. Ameren believes that any low-income rate or program can only be applied to the eligible customer's primary residence, and participating customers should be re-certified at least annually as customers' financial situations may change. (Ameren Comments, 14.)

COFI states that, in March of 2020, when the COVID lockdown first occurred, the Commission ordered a moratorium on utility disconnections and a revisiting of credit and collections policies. In June 2020, a negotiated settlement was reached with consumer advocates, including COFI, the Commission Staff and the state’s regulated utilities. As part of that settlement, COFI successfully advocated for the filing by the large, investor-

owned utilities of monthly zip code-level disconnection and other credit and collections data. The requirement that all investor-owned utilities report disconnection and other credit and collections information was codified in CEJA. Today, Illinois is one of a few if not only states in the country that requires its regulated electric, gas and water utilities, by statute, to file zip code level credit and collections data each month. (COFI Comments, 7.)

#### Leveraging Eligibility Determinations from Other Programs

Several of the Act's existing low-income definitions rely on enrollment in or eligibility determinations previously made for purposes of another federal or state assistance program. For example, 83 Ill. Adm. Code 280 defines low-income by referring to the EAA, which permits the DCEO to modify LIHEAP and PIPP income eligibility requirements every program year. Section 8-201.7 of the Act, regarding utility Waiver of Deposit and LPC Programs, includes income eligibility criteria to be household eligible to receive Lifeline service as defined in the Universal Service Telephone Service Protection Act of 1985. (ComEd Comments, 8.)

ComEd emphasizes that Illinois utilities do not gather and retain customers' income information, for customer privacy and data security reasons. ComEd relies on other parties, such as LAAs, to conduct the customer's income-based eligibility verification. The only current exception is ComEd's Waiver of Deposits and LPC Program. (ComEd Comments, 8.)

ComEd states it is important that the low-income program administrator has access to the original eligibility determination. For example, ComEd's customer information management system receives electronic notification from the DCEO systems regarding LIHEAP and PIPP applicants so that it receives instant notifications from LAAs when customers are approved for the programs. This quick and transparent system enables ComEd to efficiently identify the customer and provide the customer with the available benefits. (ComEd Comments, 8.)

ComEd warns that without access or transparent communication between entities, the enrolling customer will encounter inefficiencies and may need to provide eligibility/enrollment information multiple times (for example: with the original state or federal program administrator and again with the utility program administrator). For each program, the customer would have to navigate different processes and procedures and different program administrators, which could create a burdensome and frustrating customer experience. ComEd uses the Waiver of Deposit and LPC process, where one of the eligibility criteria is eligibility in the federal Lifeline service as defined in the Universal Service Telephone Service Protection Law of 1985, as an example of this. ComEd does not have access to the eligibility determinations of the federal Lifeline program, and therefore, ComEd must request that a customer provide proof of Lifeline eligibility and/or program enrollment to qualify for the electric-related waiver. If the customer's gas company offered the same waiver program, the same customer would have to navigate what is surely a different process and procedure with the gas company to qualify for the gas-related waiver. (ComEd Comments, 8-9.)

Ameren recommends following the same eligibility for assistance through LIHEAP used by the State of Illinois and defined in the EAA. That definition is as follows: (1) resident of the State of Illinois; (2) household income not greater than the amount determined annually by DCEO in consultation with the Policy Advisory Council; (3) may not exceed 150% of the FPL; (4) may not exceed 80% of the State AMI; and (5) FPL can be adjusted annually in accordance with federal guidelines & based on funding availability. (Ameren Comments, 13-14.)

Ameren also recommends considering timing of the certification process and recertification, verification methodology, geographic considerations, and which premises to apply the discount to. Ameren views the appropriate amount/timing of recertification for any program, and how detailed/complex that process should be based on the offering as important considerations. Ameren states the process should be administratively efficient and ensure there is balance between effort for application and benefit received. Ameren believes that administrative efficiency, privacy, and cost considerations favor leveraging existing LIHEAP administrative processes for eligibility. (Ameren Comments, 14.)

MidAmerican states that, given the administrative burden of implementing and maintaining a low-income discount rate program relative to the small number of customers in MidAmerican's Illinois service territory, the Company's preference would be that a state agency, for example DCEO, handle all matters relating to customers' eligibility for such program. MidAmerican notes further, for ease of administration, eligibility requirements should mirror those of existing low-income programs (e.g., LIHEAP or PIPP) and/or consumer protections (e.g., 220 ILCS 5/8- 201.7 and 220 ILCS 5/8-208.1). (MEC Comments, 5.)

Regarding eligibility, Elevate and City state eligibility criteria is one area where feedback from those already implementing utility assistance programs could be particularly helpful. Who needs assistance may look different in some corners of the state from others and so input from those with direct experience is valuable. (Elevate and City Comments, 1.)

COFI states when evaluating which income eligibility requirements should apply under a discount rate structure, the Commission should consider authorizing discounts for all customers whose income falls under that larger umbrella of "low income" definition represented by the 80% AMI threshold. Expanding eligibility for discount rates beyond the benchmarks now used for LIHEAP and PIPP is appropriate because monthly disconnection and arrearage data suggests that customers that are not LIHEAP and PIPP customers are also clearly struggling to afford essential utility service, as detailed in the credit and collections monthly data. (COFI Comments, 14.)

ComEd identifies the following low-income assistance programs for which eligibility relies on the customer's enrollment in other federal or state assistance programs, like LIHEAP. The BPA provided onetime grants of up to \$500 grant to LIHEAP and PIPP recipients in 2020 and 2021. The UDAP provided arrearage forgiveness credits up to \$5,000 to

LIHEAP and PIPP recipients in 2021 and 2022. ComEd's SARP qualifies customers if they are LIHEAP and PIPP recipients. (ComEd Comments, 8.)

### ***C. Verification Systems***

Stakeholders observe there is an inherent tension for verification systems that must balance the program's goal to serve the maximum amount of eligible customers and ensuring available funds used to serve eligible customers and not diverted to ineligible customers. Several factors should be considered when determining the manner and vigor of eligibility verification needed, including the customer's time and level of effort to apply and the administrator's cost and level of effort to administer the program.

Regarding effort for customers and administrators, verification systems range from low effort (no customer action or application required) to high effort (customer application and income documentation required). ComEd submitted a chart listing the primary eligibility verification types from highest to lowest level of effort for customers. (ComEd Comments, 19.)

Verification can be performed by the LAAs, a third-party administrator or the utility. If necessary, ComEd is considering using a third-party administrator to manage eligibility and income verification since income-based program verification is not a core function of an electric utility. If northern Illinois gas utilities also use a third-party administrator, it could be a "one stop shop" verification process to promote customer and utility efficiencies and create a better customer experience. (ComEd Comments, 20.)

The AG recommends more flexible utility credit and collection practices, which would benefit all ratepayers – particularly those facing the greatest affordability challenges. (AG Comments, 15.)

COFI states Illinois' existing LIHEAP and PIPP programs, as currently funded, are insufficient to meet the need. COFI estimates 3.4 million, or 27.3% of the Illinois population lives below 200% FPL, which translates into an estimated 1,296,000 Illinois households eligible for LIHEAP and PIPP. Given the combined 2022 DCEO LIHEAP/PIPP enrollment numbers of 302,486, it can be estimated that only 23% of the eligible Illinois households are enrolled in the LIHEAP/PIPP programs. The low percentage of enrollees is not surprising given challenging documentation requirements and difficulties experienced by LIHEAP/PIPP-eligible customers in submitting that documentation. (COFI Comments, 11.)

COFI leaders indicate that, for LIHEAP/PIPP-eligible customers, the required submission of social security numbers and other documentation for household members is particularly burdensome. Enrollment can take weeks, when successful, but, meanwhile, arrearages (and the threat of disconnection) continue to grow. (COFI Comments, 11.)

In COFI's view, statewide changes are needed in the eligibility verification process to enable easier enrollment in the LIHEAP/PIPP programs. That mantra should apply in any

design of a discount rate program. At a minimum, use of proxy program verification should be maximized. If a customer has proof of enrollment in another assistance program, further income verification should not be required. In addition, recertification requirements should be less frequent. (COFI Comments, 21.)

COFI urges the Commission to talk to community members throughout the state, community action agency leaders, and DCEO representatives, all of whom can provide important insight into the need for discount rates, improved eligibility verification processes, and improved affordability of utility service. (COFI Comments, 23.)

ComEd described its experience with verification systems. Recently, ComEd has helped administer several low-income programs, all of which had different verification processes. Two such programs are UDAP and SARP. (ComEd Comments, 20.)

In 2021 and 2022, UDAP provided an arrearage forgiveness grant between \$250 to \$5,000 to customers receiving LIHEAP and PIPP benefits from July 2018 to May 2021. ComEd helped DCEO administer the program by providing account numbers and arrearage amounts for eligible customers, through a secure site. In 2021, over 51,500 ComEd customers received \$43.6 million in UDAP arrearage forgiveness grants. In 2022, over 16,000 ComEd customers received \$10.3 million in UDAP arrearage forgiveness grants. No customer action was required to receive the UDAP grants. (ComEd Comments, 20.)

Currently, ComEd customers that are receiving LIHEAP benefits and have an arrearage of \$100 or more are eligible for SARP. ComEd administers SARP and confirms a customer's eligibility by verifying that the customer is receiving LIHEAP benefits and has an arrearage of \$100 or more. Customers must apply for SARP and are not required to provide any additional documentation. (ComEd Comments, 20-21.)

ComEd also administered its BPA program in 2020 and 2021, including the eligibility verification, which differed by year. In 2020, ComEd automatically applied the BPA up to \$500 for customers that were receiving LIHEAP/PIPP benefits and had an arrearage. Residential customers that had an arrearage on their ComEd account, at or below 200% FPL and were unable to qualify for LIHEAP assistance were also eligible to apply for BPA online at [comed.com](http://comed.com). (ComEd Comments, 21.)

In 2021, ComEd completed BPA program enrollment and verification through a self-verification process. To enroll, customers could call the customer contact center, which leveraged ComEd's low-income tool to determine eligibility and establish a deferred payment agreement, if applicable. No additional documents were required. (ComEd Comments, 21.)

ComEd notes that while not technically a low-income program in the traditional sense of a rate discount or bill credit, the Waiver of Deposits and LPCs program uses a unique 3-pronged verification process. As required by 220 ILCS 5/8-201.1, ComEd created a process to identify customers eligible for a waiver of deposits and late payment fees. The

three different verification methods are each tailored to a specific type of customer to reduce administrative efforts on both customers and ComEd. (ComEd Comments, 21.)

First, there is automatic enrollment for LIHEAP, PIPP, SARP and qualified Energy Efficiency customers with no customer action required. Second, there is pre-approval for customers living in 'qualified census tracts' representing areas designated by zip codes with 60% or more residents at 80% AMI or less. Customers must apply for the waiver and agree to the terms and conditions. No income documentation is required. Third, other customers must apply and demonstrate eligibility based on household income or proof of enrollment in another program. This documentation may include, but is not limited to: (1) current income documents; (2) previous year state, federal, or Tribal tax return; (3) Social Security statement of benefits; (4) Veterans Administration statement of benefits; (5) retirement or pension statement of benefits; (6) unemployment or Worker's Compensation statement of benefits; (7) Lifeline program enrollment; (8) SNAP; (9) Supplemental Security Income (SSI); or (10) Medicaid. If a customer does not have any income or proof of income, ComEd allows a customer to submit a signed "no income" form. (ComEd Comments, 21-22.)

Ameren prefers [the Commission] consider using current methods used for State LIHEAP eligibility be used to verify income qualifications or use third-party vendor verification for two reasons. First, collecting and verifying income information would require additional costs and time to implement. It would be more efficient to continue leveraging the existing capabilities of third-party community partners with respect to LIHEAP. Second, there would need to be a new process since the low-volume income verification processes associated with participation in Ameren's energy efficiency programs would not currently be usable for any larger-scale program. (Ameren Comments, 22-23.)

Ameren strongly prefers not to verify and store substantial amounts of customer income data. As a matter of public policy, it is less intrusive of consumer privacy if the customer has control of their private information. To qualify for low-income programs administered by third-party community-based agencies, the consumer must take the affirmative step of disclosing their income-related information. The interaction with the agency also could assist in linking that customer with other programs and benefits. (Ameren Comments, 23.)

Ameren states customer self-certification is not desirable since it could lead to abuse and greater costs, or if funds are limited, early program closure could prevent assisting the customers with the greatest need. Over-enrollment in a low-income program would adversely affect moderate-income customers as cost responsibility is shifted to them. Though the argument could be made that audit and claw-back or penalty provisions, as well as several consequences for making false claims can deter that behavior, in Ameren's view, it is not in the best interest of the Company or the Commission to have utilities enforcing penalties, nor would it be advantageous for the State or other parties to take on an audit and enforcement role with respect to rates for an essential service. (Ameren Comments, 23.)



Nicor states verification could be conducted by the local community action agencies and Salvation Army offices through (i) LIHEAP/PIPP enrollment by LAAs, (2) sharing enrollment by Salvation Army, or (iii) approved self-certification waivers currently used for deposits & LPCs for those customers in counties with 80% or less AMI and/or income verification by a third party for future consideration. (Nicor Gas Comments, 2.)

MidAmerican asserts verification should be conducted by a state agency and defers to the current practices of DCEO and the local action agencies regarding the equivalent verifications for LIHEAP and/or PIPP. (MidAmerican Comments, 6.)

Elevate and City recommend making enrollment easy to foster success. Multiple overlapping programs can be confusing and submitting multiple rounds of information or extensive and/or sensitive information makes enrollment harder. To that end, aligning eligibility criteria with other assistance programs and accepting enrollment into those programs as proof of eligibility whenever possible is ideal. (Elevate and City Comments, 2)

#### ***D. Customer Confidentiality and Data Safeguards***

ComEd notes Illinois law considers a variety of customer-specific information to be confidential including social security numbers, banking and credit card information, and medical conditions. The Act also provides several utility-specific protections for customer information (e.g., 220 ILCS 5/16-108.6(d)). The Act generally protects electric “customer specific billing, usage, or load shape data.” The Commission has defined “customer specific information” as “information about the customer’s use of or payment for electric utility [service] that is either expressly linked with a customer’s identity or could, with reasonable effort, be linked to the customer’s identity,” and has prohibited the disclosure of such information. (ComEd Comments, 22.)

ComEd notes there are two points at which customer information is generated or gathered in the context of a low-income discount rate program. First, customers may be asked to provide confidential customer information (such as income, social security numbers and billing information) during the program application and re-certification stages. Second, a customer’s energy usage information or past due balances will be generated and compiled by the utility throughout the program since that information may be required to report as part of Commission-required periodic program reporting requirements. (ComEd Comments, 23.)

ComEd notes program eligibility requirements dictate what types of customer information will be collected, retained, and reviewed by the program administrator and/or utility. During the program design phase, eligibility requirements should be thoughtfully designed to clearly identify what the eligibility requirement factors are (i.e., income) as well as what customer information is needed to satisfy eligibility determination (i.e., proof of income). (ComEd Comments, 23.)

Another important design consideration is the identification of the program administrator and eligibility verifier. LAAs have already collected customer information as part of other

program eligibility determinations (i.e., LIHEAP). Identifying LAAs as the program administrator would leverage existing efficiencies and data safeguards. In contrast, requiring a utility to administer the program and conduct the eligibility verification would require the utility to gather the information anew and establish data collection, retention and protection processes and procedures, which would likely be expensive. (ComEd Comments, 23.)

ComEd notes eligibility verification must be a balance of conducting sufficient eligibility verifications to ensure that the program is subscribed by those customers it was designed to assist, while not collecting and retaining more confidential information than necessary. ComEd identified the following measures that can be used to safeguard confidential information during the verification process: (1) robust cybersecurity processes and protections; (2) records retention policies and procedures; (3) third-party verification vendors (which would keep the data, rather than the utility); and (4) audit procedures. (ComEd Comments, 23.)

If the utility or its vendor performs the eligibility verification, there will be incremental costs incurred. Additionally, if there are dual utilities involved in the program administration, any eligibility verification and re-verification process should be done jointly or consistently across the dual utilities. If customers are required to periodically re-certify their program eligibility, all these considerations also apply. (ComEd Comments, 24.)

ComEd takes stewardship of income data seriously and securely stores electronic data in the cloud while locking printed documents in an on-site location prior to securely shredding and recycling after 90 days. (ComEd Comments, 24.)

ComEd notes once confidential customer information has been created, there are various mechanisms to ensure that the information is not disclosed during periodic program reporting. For example, Commission-approved protective orders govern the exchange of confidential customer information during Commission proceedings. When reporting on customer usage, parties must abide by the 15/15 Rule in Illinois, which requires a party to anonymize that information. Alternatively, if such anonymization is not reasonably possible, a party can redact the customer-specific and private personnel information and clearly label the page(s) that contain such information as “Customer-Specific,” or “Private Personnel Information”. (ComEd Comments, 24.)

Ameren notes any process used to collect, transmit, or house individual customer data should be designed and/or undertaken in a way that it is compliant with all state and federal requirements for data collection, security, and privacy. Confidentiality of customer data is of utmost importance to Ameren Illinois. Any newly created portal(s), vendor(s) processes, or system(s) connection(s) established must meet and/or exceed all Federal and State requirements for data collection, storage, security, and privacy. (Ameren Comments, 24.)

Ameren believes it is advisable to limit, and not duplicate, the collection of private customer information by utilities as much as possible, and hence believes that leveraging

existing processes associated with LIHEAP eligibility is preferable. (Ameren Comments, 24.)

Nicor notes that customer data and confidentially is handled by LAAs. Nicor Gas also notes that Salvation Army handles customer data and confidentiality for Sharing and keeps records for two years. (Nicor Comments, 2.)

COFI states if community action agencies that currently enroll customers in LIHEAP and PIPP are engaged to enroll customers in discount rates programs, then customer confidentiality measures are already in place through the existing STARS.illinois.gov (PIPP) and LIHEAP.net systems. Adopting a self-certification process through an online utility portal would require the Commission to ensure there are robust customer information protocols to minimize the number of eyes on the confidential customer financial information and to ensure cyber security protocols for safe storage of the information are followed. (COFI Comments, 23.)

### ***E. Outreach and Consumer Education***

Ameren and ComEd each offered specific examples of outreach and consumer education tactics to increase awareness of low-income discounts and programs.

ComEd notes that ensuring that eligible customers are aware of low-income programs increases enrollment and helps maximize the available assistance dollars and benefits. (ComEd Comments, 24.) ComEd provides recent examples of outreach tactics that it has used to increase awareness of low-income programs and encourage customer enrollment in the programs.

1. Proactive outreach across various communications channels such as bill inserts, social media posts, and advertising campaigns. Broad outreach can maximize customer awareness and can be targeted to communities where the average income aligned with program eligibility criteria.
2. Hyper-targeted marketing and outreach using high-and low-tech solutions (i.e., geo-targeting, mailed letters, digital/social media, community newsletters, in-person events, radio spots, advertising such as on public transit facilities, etc.).
3. Community ambassadors through partnerships with community agencies.
4. ComEd Smart Assistance Manager, an online tool that allows customers to receive tailored program recommendations based on customers reported information and customer account data points.
5. Include program information within customers' bills, such as customer newsletters as bill inserts that provide information about financial assistance options and flexible payment arrangements.
6. Provided ComEd's website address ([www.comed.com](http://www.comed.com)) and the Call Center toll-free phone number (1-800-Edison1), within/on customer bills, which connect customers to financial assistance information.

7. Provide information about financial assistance options and how to apply for them within disconnection notices for those customers that meet the threshold for service disruption. (ComEd Comments, 25.)

ComEd states DCEO, LAAs and ComEd promote PIPP through online websites, social media, customer letters and email. Customers must apply for PIPP at their LAA. Customer information and application details are communicated securely and electronically from LAAs to utilities. Once approved, ComEd automatically enrolls customers into the program and flags them in ComEd's records system. (ComEd Comments, 13.)

Ameren would approach customer outreach and education of any created low-income rate just as the Company does for LIHEAP and PIPP. Ameren identifies the following three primary means by which to educate customers: (1) internet-based methods, such as social media and internet-based advertising; (2) training customer service center employees; and (3) community partners. Ameren notes paper bill inserts may be overlooked and may not reach the target audience as effectively. Additionally, specific, low-income-targeted public education events can be used. (Ameren Comments, 24.)

Ameren offers to outline a customer education plan that would involve a multi-media education campaign to inform customers. Ameren suggests that customer education would not be a one size fits all proposition as each utility would likely have a different type of education program based upon the service involved and the communities served. (Ameren Comments, 24-25.)

Ameren states, if low-income rate program were established and approved, it would:

1. As applicable: provide education on the tariff on the Ameren energy assistance website and include information in the new customer packet, brochures, and/or other customer correspondence (i.e., deposit letters, disconnect notices), etc.
2. Use customer data to create targeted messages via email, text, bill messages, bill inserts, and voice calls.
3. Press releases and other messaging covering financial assistance, summer preparedness, customer affordability, etc.
4. Discuss energy/customer assistance programs or offerings at public events, especially those held for or targeted towards low-income customers. (Ameren Comments, 25.)

Nicor states partnering a corporate credit team with corporate communications would allow a utility to develop and execute a multi-channel customer communications awareness campaign that includes digital communication (i.e., an energy assistance webpage and email), print messages in bills and through mail, and agent to customer verbal communications by telephone. (Nicor Comments, 2.)

MidAmerican would prefer to emulate the approach used for a comparable existing program, such as LIHEAP. (MidAmerican Comments, 6.)

COFI states outreach and customer education should include the assistance of trusted community-based organizations and other partners, including houses of worship, DCEO and community action agencies. COFI states the Commission website could prominently display information about available discount rates along with other energy assistance programs. (COFI Comments, 23.)

COFI states any discount rate programs should be actively marketed by the utilities, DCEO, community action agencies, IACAA and stakeholders. If utilities rely on CBOs to promote a program, the CBOs should be paid for their time, with those expenses recovered in rates as operational expenses. COFI states the utilities could contribute shareholder dollars to the effort and the discount rate subsidy itself. (COFI Comments, 23.)

## **VI. Other Considerations for Low-Income Discount Rates**

### ***A. Year-Round Rate Relief for Low-Income Customers***

The AG states the Commission should support providing year-round LIHEAP assistance to supplement the Lifeline Rates. (AG Comments, 13.) Ameren also states year-round LIHEAP assistance would better serve eligible customers and help prevent interruption in service. (Ameren Comments, 19.)

COFI states Illinois lacks a LIHEAP summer cooling program, leaving vulnerable customers at risk. (COFI Comments, 12.) Other factors point to the need for additional assistance to financially struggling customers. As currently structured, energy assistance through LIHEAP and PIPP in Illinois is offered between September 1st and May 31st each year, with the programs shut down during the summer months, mainly due to information technology and accounting requirements, according to statements from the Department of Commerce and Economic Opportunity (“DCEO”) at quarterly Policy Advisory Committee meetings. According to the LIHEAP Clearinghouse, a website dedicated to providing information about LIHEAP programs across the U.S., 25 of the 50 states run summer cooling programs – 26 if Washington D.C. is included in the count. Illinois, like other parts of the country and the world, is experiencing extreme summer weather, highlighting the need for a summer cooling program here. (COFI Comments, 12.)

COFI states, until Illinois establishes its own summer cooling program or makes permanent a program like the UDAP, wherein significant, automatic credits to accumulated arrearages for existing LIHEAP customers were reflected in customer bills at the end of the LIHEAP/PIPP 2021 and 2022 fiscal years, additional relief is needed from high summer bills. COFI states customers in need of financial assistance during the summer currently have no options, except the very limited and insufficient funding for

some utility-sponsored assistance programs, to address growing arrearages using LIHEAP payments. Discount rates would help ease the strain on existing LIHEAP/PIPP resources and enable the provision of some form of relief from increased summer electricity usage and the higher bills associated with that usage due to the warming climate. (COFI Comments, 13.)

### ***B. Discounted Rates and the Competitive Energy Supply Market***

Ameren Illinois is an independent distribution company and is generally restricted from offering services that influence the choice of supply. Subsidizing one supplier's rates to the detriment of another; or influencing customers to take Illinois Power Agency ("IPA")-procured bundled power service would violate competitive neutrality principles. Ameren is mindful of the impact a low-income rate could have on the competitive energy supply market in Illinois. Discounting Ameren supply rates could hinder maintaining competitive neutrality relative to a customer's choice of supplier. (Ameren Comments, 16.)

Ameren notes PIPP is structured to avoid this issue by requiring participants to be either on IPA-procured supply (Ameren's Basic Generation Service or "BGS" rates) or a municipal aggregation program. This provides customers with the opportunity to benefit from the program while reducing any risk that supply costs are higher than normal due to a non-competitive supply contract. Since PIPP is designed to cap a customer's bill at 6% of income, permitting a PIPP customer to sign a non-municipal Alternative Retail Electric Supplier ("ARES") contract could lead to undesirable marketing practices that reduce or eliminate impact of the PIPP month-to-month bill reduction. (Ameren Comments, 16-17.)

Setting aside the legal and regulatory issues concerning competitive neutrality, discounted BGS rates would increase BGS prices for non-low-income customers, making it easier to find a better deal with an ARES. One could simply avoid paying the subsidy by switching to a competitive supplier. As non-low-income customers migrate to ARES, fewer non-low-income BGS customers remain, any low-income discounts must be funded from a smaller group of customers, which creates more incentive for non-low-income customers to leave BGS, and the cycle continues until potentially no non-low-income BGS customers remain. (Ameren Comments, 17.)

Finally, Ameren notes direct subsidies applied to supply rates would also create price inefficiencies and create incentives for ARES to avoid serving low-income customers, even if they use the Purchase of Receivables option Ameren currently provides. There are times when an ARES can beat the IPA price, and it would be undesirable to see a situation where the low-income customers cannot take advantage of meaningful opportunities to reduce their supply charges. It would also be problematic if low-income customers were outright avoided by competitive suppliers that could offer reduced price services to higher-income customers. Prohibiting low-income customers from choice altogether may result in a difficult situation where high-income customers pay less than the discounted price during periods where market prices are lower than IPA procured power prices. (Ameren Comments, 17.)

## **VII. Rate Design**

Rate design refers, generally, to developing charges for residential, commercial and industrial customer classes that reflect similar usage characteristics. Typical rate design includes balancing multiple objectives, including fully collecting the annual revenue requirement, properly reflecting costs in the prices charged, fairness, simplicity to ensure charges are easily understood, resource conservation, revenue stability, rate gradualism, and social goals (e.g., rate designs that advance the welfare of a particular group in society, such as customers on fixed incomes).

There are various charges addressed through rate design and, for residential customers, the primary charges include:

- **Customer Charge:** a flat monthly charge that should recover the fixed costs incurred by the utility to provide service to the customer. Utilities find fixed charges to be beneficial because they reduce risk of revenue shortfalls if sales are low.
- **Meter Charge:** a flat monthly charge for the cost of a meter and meter reading.
- **Usage Charge** (also called an energy charge, a delivery charge, or a distribution charge): a charge per unit that is multiplied by the customer's usage volume and is typically assessed on a per kilowatt hour or per therm basis, for electric and gas delivery services respectively. Usage charges may vary by season. In Illinois, rate structures are generally regressive in nature, meaning the price per unit decreases as usage increases.
- **Uncollectible Charge:** Included in base rates and allow utilities to recover costs from customers that have been disconnected from utility service due to non-payment.

In addition, rate design commonly involves addressing the following common issues, which would be important considerations for any rate design involving a low-income discount rate:

1. The extent to which rates are based on a Straight Fixed Variable ("SFV") rate design, meaning one that recovers all the fixed costs through a fixed monthly charge and recovers only variable costs through a volumetric charge based on customer usage.
2. Addressing inter-class subsidies, which arise when it may not be feasible for one customer class to fully pay its cost of service, meaning other customer classes must pay more to make up the difference and ensure the utility recovers its cost to provide utility service.

No stakeholders suggested adding a low-income rate class to a Cost-of-Service Study.

ComEd is not aware of low-income rates being used that calculate a reallocation of costs based upon usage characteristics of low-income customers and identifies the following challenges for cost-based cost allocations for a low-income rate class. First, new low-income delivery classes would have to be created. Using ComEd's existing Embedded Cost of Service Study, any potential lower cost allocation would rely on impacts from the coincident peak and non-coincident peak kilowatt demand allocators and billing kilowatt hours for the new delivery classes as compared to the existing residential delivery classes. In addition to the current four delivery classes for ComEd residential customers, ComEd would have to create four new, additional residential delivery classes to carve out a class for low-income customers under each delivery class (i.e., single family low income, multi-family low income, single family with electric space heating low income and multi-family with electric space heating low income). (ComEd Comments, 9.)

ComEd states it would be difficult to identify and track who should be considered part of these new classes. Traditionally customers are categorized into rate classes based on easy-to-identify characteristics, such as type of entity served (i.e., residential housing or railroads) and average load. Identifying customers to be part of a low-income rate class would present unique challenges if the eligibility criteria were not based upon pre-existing customer enrollment in certain utility financial assistance programs, such as LIHEAP since ComEd does not collect or retain customers' sensitive income information. There is also the legal question of whether a rate that would provide service for a price less than the cost to serve would be unlawful and discriminatory in violation of the Act since the cost to serve is the same for customers on low-income programs and those that are not. Eligible and ineligible customers are located throughout ComEd's service territory and served by the same distribution wires and transformers as their neighboring non-low-income program participants. The actual physical cost to construct distribution facilities is the same for all customers proximate to one another. (ComEd Comments, 9.)

NSG-PGL believe that any new rates put into place that provides a discount or rate reduction for a subset of a customer class (i.e., low-income customers as residential customers), must be reviewed in the context of all existing energy assistance programs, including LIHEAP and PIPP and with an assessment of any unmet needs of said subset of a customer class. As to low-income customers the following factors should be evaluated: (1) the needs of the low income customers are currently served under existing low income energy programs, (2) the definition of "low income" customers across the various statutory and administrative classifications, (3) the needs of low income customers beyond those currently being served, (4) feasibility and implementation of expanding existing low-income energy programs, (5) feasibility, implementation, and administration of new low-income energy programs, and (6) the cost impacts of these programs on customers generally and including those customers not receiving the benefits of the low-income programs. (NSG-PGL Comments, 3.)

CUB recommends examining utility rate design to improve service to residential customers, which supports other stakeholder's recommendation to consider changing the current rate structures in Illinois. CUB notes the analysis of what, if any, discount rate would be appropriate and most beneficial begins with an examination of what programs



currently exist, the efficacy of those programs, and how any new rate would interact with existing programs. CUB generally supports a deeper examination of utility rate design and how it can be improved to serve residential customers more fairly in the long-term. (CUB Comments, 2.) CUB encourages the Commission to in this process to examine potential demand-response rates for low-income customers. Such rates could incorporate more predictable Time-of-Use structure and/or include a savings guarantee but with higher savings granted to customers that use less energy at peak times. (CUB Comments, 7.)

Elevate and City state the low-income rate relief the state pursues should complement, rather than clash with other aspects of utilities' rate structures as they relate to beneficial electrification, which generally means switching from fossil fuels to electricity in ways that reduce emissions and total energy costs. (See 20 ILCS 627/45(b).) Alternate rate designs are a common tool to both support customers and balance supply and demand on the grid with greater electricity use. For instance, ComEd currently charges different, slightly lower distribution rates to customers using electric space heat. Further, time-varying rates may be an appropriate tool to help balance the timing of energy supply and demand to the grid in some cases. Given this, it is important that any low-income rate-relief considered can mesh with these other alternate rate designs. (Elevate and City Comments, 2.)

COFI states measuring the financial impact a low-income discount rate would have on the affordability of delivery service to low-income customers and customers overall depends on several factors: the size of the discount (tiered or straight percentage) and the number of forecasted participants for the discount rate. (COFI Comments, 23-24.)

Ameren recommends carefully considering the burden that any additional discounted rates or programs would have on all customers, including the moderate-income customers that face significant energy burden, even if they are not eligible for low-income discounts, including the ability of those customers to understand additional charges on their bill. Additionally, Ameren may be impacted by any socialized charges, for example the impact to customer satisfaction due to increased bill amounts. (Ameren Comments, 21.)

Ameren notes current energy assistance charges cost residential customers \$5.76 a year with the possibility of increasing to \$11.52 annually if certain conditions are met. Assuming current delivery service rates for Ameren residential customers and assuming 15% of residential accounts would be eligible for discounts, for every 10% reduction to low-income customers delivery service charges it would increase for all other residential customers approximately \$0.90 a month or \$10.80 a year. (Ameren Comments, 26.)

Ameren notes that while existing programs reduce energy cost impacts on low-income customers or assist with arrearage reduction, a discount is a tariffed rate known to the consumer prior to consumption and applied at the point of sale. It is also a subsidy additive to other subsidies. Imposing costs on non-low-income customers will rise as the level of any low-income subsidy increases, and that will affect moderate-income

customers' ability to afford electric and gas service. Additionally, it could have a greater impact if energy price inflationary pressures remain prevalent in the market. While we do not know what the tipping point may be for affordability for the middle-income consumer, we know that there are limited resources in that demographic as well. (Ameren Comments, 27.)

Ameren recommends considering consumer acceptance of rates and rate subsidies. Customers are facing inflation and experiencing changes in the means and billing of energy services due to the energy infrastructure transition, which is a significant departure from historical energy policy. A departure from cost-based rates and the establishment of large cross-consumer subsidies could exacerbate energy price volatility for a large demographic of moderate-income consumers. Consideration of large rate impacts is more important than ever given considerable changes in the energy sector. Consumers may associate bill increases with energy transition to renewables, which could shape viewpoints on the topic. Dramatic changes in kitchen table issues, like utility costs, should be carefully considered within the context of other rising costs. A modest subsidy for low-income customers might not have a high magnitude impact on other customers' bills in isolation, but as additive to other upward rate pressures could give rise to a significant impact. (Ameren Comments, 27.)

ComEd notes there are several utility-focused low-income assistance programs in the U.S., and they vary widely when it comes to balancing tradeoffs between simplicity, income- and usage-based sliding scales, inclusion of non-income hardships, and pairing with energy efficiency programs and incentives. Generally, these programs fall into four general program design buckets: a low-income rate, bill credits (percentage of and fixed), targeted share of wallet, and arrearage forgiveness. (ComEd Comments, 9.) Various stakeholders weighed in on the benefits and drawbacks of various program designs, as discussed below. The programs are not mutually exclusive. That is, low-income discount programs may be layered, and discounts may be tiered for different income levels. (ComEd Comments, 9.)

On behalf of the AG, Kenneth Costello suggests six criteria to assess utility bill assistance programs – noting that, “No single initiative comes out favorably in meeting all criteria,” but that regulators “should also be wary of initiatives that fail to meet most of the criteria.” The criteria are comprised of the following:

1. The recipients of special utility assistance should receive the maximum benefits relative to the dollars funded by utility customers.
2. Customer education should make eligible households aware of available assistance and how to reduce their energy bills.
3. Special utility assistance programs should avoid large efficiency losses or cross-subsidization.
4. Special utility assistance should have reasonable administrative costs.

5. Funding should have a tolerable financial effect on customers whose rates fund the assistance.
6. Special utility assistance should result in lower collection costs, service disconnections, arrearages, and debt write-offs.

Large efficiency losses can result from either “(1) recipients over-consuming energy when the subsidized price lies below the utility’s marginal cost, and (2) an excessive gap between the actual benefits to targeted low-income households and the subsidy cost funded by the utility or other customers. Mr. Costello also notes that rate socialization raises questions about “(1) which utility customers should fund subsidies...and (2) at what point the ‘subsidy’ cost becomes excessive.” (AG Comments, 6-7.)

#### Discounted Rates (Low-Income Rates)

Discounted rates for low-income customers could take several forms, including different charges per kilowatt hour of electricity used, modified or eliminated customer charges, or excluding the low-income class from funding certain programs.

In considering low-income discount rates, Ameren and ComEd emphasize an important consideration is which part of the customer’s bill will be discounted. (ComEd Comments, 9.) Ameren notes delivery service utilities can only discount the delivery portion of the bill, which is only about 1/3 of the entire bill. (Ameren Comments, 16.) ComEd views this issue as fundamental to designing a percentage of bill credit program. In deregulated markets like Illinois, there may be challenges with discounting the entire bill. Due to legal and regulatory constraints, transmission, and the supply portions of the bill in Illinois may not lend themselves to discounting since these services may be billed by other parties. (ComEd Comments, 9.) Ameren notes the commodity portion of the bill is outside the control of utilities and Illinois stakeholders and reflects predominately fossil fuels. It would be inconsistent with established policies to subsidize fossil-fuel consumption, and energy conservation is generally reflected as policy priority in Illinois. (Ameren Comments, 27.)

COFI recommends the Commission take action to reduce all electric and gas fixed customer charges and to establish inclining block rates so that lower usage customers will not subsidize higher usage customers and to avoid reducing the benefits of energy efficiency programs. (COFI Comments, 6-7.)

COFI states the approved rate design for all three of Illinois’ large gas utilities, which loads revenue requirement cost recovery in the flat monthly customer charges and fails to authorize inclining block per therm charges (so that higher usage customers pay more), locks in a regressive form of revenue collection that results in lower usage customers (and low-income customers tend to be lower usage customers) subsidizing higher usage customers. In addition, by front-loading revenue recovery in the unavoidable monthly customer charges and rider surcharges, the benefits of engaging in energy efficiency programs are proportionally reduced. (COFI Comments, 6-7.)

COFI recommends that, given the clear CEJA directives designed to reduce peak load and emphasis on achieving statutory energy efficiency goals, the Commission should take action to reduce all electric and gas fixed customer charges and establish inclining block rates as the first necessary step in establishing discount rates for customers (in addition to establishing new discount rates, as discussed below.) (COFI Comments, 6-7.)

COFI continues, the existing front-loaded customer charge rate design makes little sense when the gas utilities enjoy zero-risk related to revenue collection under a decoupling statute that allows electric and gas utilities to file for a tariff that ensures, through annual reconciliations that their Commission-set revenue requirement in the last rate case is realized. (COFI Comments, 7.)

The AG recommends that the Commission direct utilities to address affordability concerns by modifying usage-based rate structures so that low-use customers do not pay more per unit than higher use customers. Usage-based rate design falls squarely within the Commission's and utilities' expertise, is consistent with rate design principles, and would achieve affordability benefits for customers outside of traditional definitions of low-income, but that are still struggling to pay their utility bills. The People hereinafter refer to their proposed usage-based rate design or discount rate structure as, "Lifeline Rates." (AG Comments, 8.) The AG notes Lifeline Rates often include a tiered-block rate structure, where a customer's per unit distribution cost would increase as their usage increases above a threshold amount. Customers would pay a base delivery charge for the first usage block (e.g. 350 kilowatt hours or 40 therms) and the per unit prices would increase in the higher-usage block(s). (AG Comments, 8.)

The AG offers several reasons to adopt Lifeline Rates. Lifeline Rates are fair, easily understood, advance affordability for the greatest number of ratepayers (220 ILCS 5/1-101(d)(viii)), complement – rather than duplicate – LIHEAP and PIPP (in contrast to a discount rate based solely on income, which would essentially duplicate the assistance provided by LIHEAP and PIPP), and are consistent with the state's interest in encouraging ratepayers to participate in the utilities' energy efficiency programs. Towards that end, the CEJA goal of reducing usage in a cost-effective manner, per 220 ILCS 5/19-108.18(a), (e)(2)), will be more easily achievable if ratepayers are not effectively charged less per unit the more they use. (AG Comments, 9-12.)

The AG recommends that, along with adopting Lifeline Rates, the Commission require utilities to eliminate or significantly reduce their fixed customer charges. The high fixed charges that many Illinois utilities currently use result in higher effective, or per unit, rates for low use customers, and lower per unit rates for high use customers. (AG Comments, 8, citing Attachment 2 to AG Comments.) Eliminating the disparate and higher per unit cost of utility service supports the goals of affordability and fairness because low-income customers usually are lower-use customers. Charging low-income, low-use customers a per unit price that can be several times higher than the rate for higher use customers unnecessarily puts an unfair burden on those customers that put the least burden on the system. (AG Comments, 8-9.)

Nicor states, generally, any discount for natural gas service should be limited to residential base rate charges. Further, to avoid business process and information technology issues with the implementation and operation of such a discount, the discount should be limited to one percentage discount applicable to all qualifying customers. (Nicor Comments, 1.)

Stakeholders have varying opinions on whether discounts should be applied to the fixed charge or volumetric components of a low-income customer's energy bill. MidAmerican prefers a credit applicable to the fixed charge components of the bill (e.g., basic service charge and meter charge) to preserve price signals associated with incremental volumetric usage. If a discount were applied on a volumetric basis, MidAmerican would support a usage cap. (MidAmerican Comments, 5.) CUB notes a straight percentage discount rate structure encourages more electric consumption, signaling to energy consumers, the higher your usage, the higher your benefit. CUB does not support usage caps because of the effect they have on low-income, high use customers. (CUB Comments, 8.)

Utilities expressed concern that discounting rates could mute price signals and encourage increased usage. MidAmerican states rates should communicate price signals to the customer to incent the efficient consumption of the service and warns that discount rates may undermine the efficacy of these price signals. Muting the salience of price signals also mutes incentives for efficient consumption. In the long-term, inefficient usage can necessitate otherwise avoidable investment and expense, resulting in upward cost pressures on rates. It is easy to imagine how such a circumstance could result in a feedback loop that perpetuates or aggravates the issue. (MidAmerican Comments, 4.)

ComEd notes a low-income rate design should include an element of energy conservation. Eliminating or muting a price signal (i.e., the bill) could result in customers increasing their usage. Therefore, a low-income rate program should include or require an energy management component. This would help prevent increased usage by customers that receive service under the low-income rate. (ComEd Comments, 9.)

Ameren suggests that a discounted utility rate may encourage more energy use since it is offered at a reduced cost, which conflicts with current energy efficiency initiatives and customer affordability efforts. PIPP is preferable in this regard, because the reduction in utilities bill is proportional to a customer's income, thereby preserving a measure of price signals to customers based on their individual income circumstances; in contrast, a flat or tiered discount placed on top of other rate relief programs could blunt price signals. Customer savings opportunities are a key marketing data point for customers considering energy efficiency measures. If those signals are offset or less impactful, a consumer may choose to spend disposable income elsewhere. The concept of a low-income discounted rate is an older policy, and new programs and policies such as PIPP, are tailored to assist customers. There will be additional opportunities to create innovative means of assisting customers while also advancing climate goals and related policies, particularly in the context of regulatory reforms such as Integrated Grid Planning and Multi-Year Rate Plans in the future. The word integrated is a reference to energy regulation being undertaken

with a holistic view of the provision of service that considers all relevant variables, rather than an ad hoc process of meeting customer energy needs. Ameren believes the same principles should apply with respect to low-income programs and recommends proceeding cautiously before overlaying low-income rates on top of other programs without consideration of what is already existing, available, and valuable to consumers. (Ameren Comments, 28-29.)

### Discount Rates in Other States

COFI contends straight percentage discounts are the most common among the states. Two of the most well-known discount rate programs are found in **Massachusetts** and **California**. When combined with an ARP, which removes a customer's arrearage from the bill and reduces it by 1/12th for every on-time monthly (discounted) payment, these programs provide effective aid (outside of a PIPP) to address bill unaffordability. (COFI Comments, 15.)

#### ***Massachusetts***

COFI views this as one of the strongest comprehensive plans to help low-income households maintain energy utility services. Both electric and gas utilities mandatorily provide discount rates to low-income households. (COFI Comments, 15.)

Electric utilities provide a significant discount to any household with income less than 200% of the FPL (60% of SMI), or that receives benefits through an extensive list of means-based programs, including Public Housing, Medicaid, Fuel Assistance, and National School Lunch Program. Actual discounts fluctuate as rates change because, by statute, electric utilities must charge low-income households the same rate that they charged in 1998. (COFI Comments, 15.)

Gas utilities may individually set their own discount rates and eligibility criteria. Discounts may range from 12% to 30% and are typically available to households with income below 200% of the FPL, 60% of SMI, or participation in other state means-based programs. (COFI Comments, 15.)

Massachusetts also provides an arrearage management program for all utilities. Individual utility companies set their own eligibility requirements. For example, National Grid requires that participating customers owe at least \$300 more than 60 days past due, receive the Low-Income Rate, and make monthly program payments in full and on time each month. For each timely, complete payment, the utility will reduce the customer's arrears by 1/12; the program is designed to permit participants to clear their entire debt in one year. The timeline can be extended if their arrearage exceeds the utility's annual forgiveness cap (\$1,200 to \$3,600, depending on the company) or if all payments are not completed and the customer must re-enroll in the program. In either case, a customer with utility arrearages may completely pay off their utility debt relatively quickly, while protected from utility shut-offs or debt collection actions. Arrearage management programs have been embraced by utility executives as a "win-win" for both customers and a utility's bottom-line. (COFI Comments, 16.)

Additional programs in Massachusetts protect customers from energy utility shut-offs. Regulated gas and electric utilities are prohibited from disconnecting households with infants that did not face disconnection prior to the infant's birth. State law requires the Department of Public Utilities to establish rules governing terminations of accounts serving elderly households. Those rules (220 C.M.R. 25.05) require that the company submit a request to the Department of Public Utilities and obtain the permission of the Department of Public Utilities before it can send a termination notice. In addition, households with infants, older adults, or other vulnerable individuals are given priority access to weatherization programs. (COFI Comments, 16.)

### **California**

COFI notes California has a robust set of programs legislatively created, and ordered through the California Public Utilities Commission, to guarantee discount rates to low-income households. (COFI Comments, 16.)

Large electric companies must provide a discount between 30% and 35%, and electric companies serving less than 100,000 households must provide a 20% discount to eligible households. Gas utilities provide a 20% discount, as well. (COFI Comments, 16.) This rate program, California Alternate Rates for Energy ("CARE"), is available to households with income under 200% of the FPL, or that receive benefits through programs like Medicaid, Women, Infants and Children, Supplemental Security Income ("SSI"), or LIHEAP. (COFI Comments, 16-17.)

California offers a second discount rate program, Family Electric Rate Assistance ("FERA") for households that do not meet the eligibility requirements for CARE and need assistance with energy bills. Through FERA, households with 3+ people are eligible to receive an 18% discount on their electric bills if their income level is below 250% of the FPL. Unlike CARE, FERA does not provide a discount on gas bills and does not consider participation in various other assistance programs for eligibility to participate. For both programs, participants must re-apply every two years, or every four for households on fixed incomes. (COFI Comments, 17.)

Low-income households in California also have access to programs for decarbonization, solar installation, appliance upgrade rebates, and general efficiency improvement. Some programs are only available to residents in disadvantaged communities – areas in California that uniquely suffer from burdens such as poverty, increased pollution, and high rates of asthma or heart disease. (COFI Comments, 17.)

California also offers an arrearage payment program, which is of limited duration and originally offered in response to the COVID-19 pandemic. Enrollment in this program is automatic; eligible participants need not apply. Households at risk of disconnection due to nonpayment are prioritized for participation in the program. While paying off arrears, program participants are not charged late fees and do not accrue interest. The program offers one-time benefits and does not guarantee forgiveness for future arrears. The California Public Utilities Commission is currently investigating the results of the program and whether it should be continued in a Phase II proceeding. Despite the limitations on

arrears management, California's scheme of providing subsidies to low-income households is comprehensive relative to most other states and addresses many variables to help Californians stay connected and current with their energy utilities. (COFI Comments, 17.)

Other states also offer straight percentage low-income discounts.

COFI notes **Vermont** utility Green Mountain Power provides a 25% discount on electric bills for families with income below 150% FPL and Vermont Gas provides a 20% discount on gas bills for families with income below 185% FPL. (COFI Comments, 17.)

Utilities in **Washington** and **Arizona** have discretion in setting discount rates, and most companies offer discounts such as 25% off for customers over 60 or with disabilities whose income is less than 150% FPL. Other states determine eligibility solely by participation in other financial assistance programs. **Montana** provides a discount in winter months to LIHEAP recipients, and **West Virginia** provides a winter discount for customers over 60 years of age that receive food stamps and all customers that receive SSI or Family Independence Program assistance. **Rhode Island** provides a 25% discount year-round for customers eligible for LIHEAP or receiving SSI and food stamps, or a 30% discount for customers with Medicaid, General Public Assistance, or Family Independence Program assistance. (COFI Comments, 18.)

COFI identifies five states – **Oklahoma, Texas, Mississippi, Georgia, and Alabama** – that provide straight dollar amount discounts in the form of charge waivers for qualifying customers. Eligibility for these dollar discounts is like percentage discounts. For example, utilities may give between \$4 and \$20 discounts each month for recipients of SSI and Medicaid, or for customers whose income is below 200% FPL. **New York** utilities provide automatic straight dollar discounts to various program participants, such as LIHEAP, SNAP, and SSI. The discounts can range from \$7 to over \$120, depending on income level and energy source. (COFI Comments, 18.)

Bill credits may be either percentage-based or fixed credits. Percentage of bill credits provide a percentage of a customer's utility bill as a credit. Fixed bill credits programs provide fixed dollar credits to offset a portion of a customer's utility bill, which can be applied monthly or annually. (ComEd Comments, 10.)

Generally, bill credits are provided to all eligible customers regardless of whether they have an account arrearage. (ComEd Comments, 10.) Ameren notes customers may find it easier to identify a clearly listed energy assistance credit than a discounted rate. (Ameren Comments, 15.) MidAmerican prefers a credit applicable to the fixed charge components of the bill (e.g., basic service charge and meter charge) to preserve price signals associated with incremental volumetric usage. (MidAmerican Comments, 4.)

ComEd notes that, in Illinois, the Supplemental LIHEAP grants disbursed in Summer 2021 and 2022 (also known as the Summer Supplemental Payment Program or "SSPP") was a fixed bill credit program that was funded by customer contribution dollars remitted



to the state and was administered by DCEO. Customers that were already receiving LIHEAP benefits received \$100 per electric and gas bill and \$200 per all-electric customers. (ComEd Comments, 11.)

ComEd also points to examples of discounted rate programs that rely on bill credits in **Arizona** and **California**. Arizona Public Service's Energy Support program provides a 25% discount on monthly bills for customers that fall under 150% of FPL. California's CARE and FERA programs provide percentage of bill credits to eligible customers, specifically CARE provides a 30-35% discount on electric bill for customers under 250% FPL and FERA provides a 12% discount on electric bill for customers between 200-250% FPL. (ComEd Comments, 10.)

Unisource Energy in Arizona provides a \$16 monthly credit for electric customers that fall under 200% FPL. Central Maine Power's Electricity Lifeline program provides an annual credit of \$900 for customers that are eligible for Home Energy Assistance Program. (ComEd Comments, 10.)

Pepco in **District of Columbia** offers monthly credits that cover distribution charges through its Residential Aid Discount program. Eligibility is based on LIHEAP criteria. Other customers are charged to cover costs of the program.<sup>13</sup>

#### Tiered Discounts for Different Income Levels

MidAmerican notes a tiered discount approach would help mitigate impacts on other customers, specifically residential customers whose incomes may put them slightly above the eligibility threshold and could alleviate perceptions of inequity for customers that are marginally ineligible. MidAmerican expresses concern with the potential administrative burden associated with the implementation of such a framework. (MidAmerican Comments, 5.)

CUB believes tiered discount rates based on income have the advantage over straight percentage off discounts. The benefit of tiered discount decreases as the customer's income increases. However, a straight percentage off structure encourages more electric consumption, signaling to energy consumers, the higher your usage, the higher your benefit. (CUB Comments, 6.)

Ameren states tiered pricing based on income levels raises the same concerns as a flat discount as a general proposition, while more nuanced, it still raises questions as to where the amounts discounted are made up elsewhere. It also raises the complexity of the rate-setting process, and further diminishes the cost-based rate-setting approach Illinois has long relied upon. It is possible that such an approach would tie a customer's energy delivery costs more to how much they earned last year (as reflected in their income tax return) than the costs to provide utility service. Associating a customer's energy

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<sup>13</sup> See tariff:

<https://www.pepco.com/SiteCollectionDocuments/MyAccount/MyBillUsage/TariffArchive/2022/Current%20Tariff%20-%201017%20R-PIV%20and%20SOS%20Transmission%20Rates%20eff%2010.1.22%20clean.pdf>

consumption characteristics with their delivery pricing ensures a fair cost-causer/cost-payer basis for ratemaking. When detached from costs, pricing can send inaccurate price signals and lead to externalities as the actual usage of energy is no longer the primary basis for that customer's energy bill. Moreover, if the objective is to provide low-income customers with a level of assistance that is proportional to their income, then Illinois has such a program; that is what PIPP accomplishes. (Ameren Comments, 16.)

Elevate and City state Illinois' existing PIPP can easily layer on top of alternate rate designs, allowing income-qualified customers to choose the rate design best suited for them while receiving rate relief. Other improvements to PIPP may be needed to facilitate full use of this tool, including improvements to intake processes, greater utility support of customer identification and education, relaxing the current "one strike and you're out" rule that ejects customers from the program after one missed payment, and an increase to the maximum benefit allowed. (Elevate and City Comments, 2.)

Elevate and City state further a discounted rate for customers with lower incomes could be meshed with alternate rate designs. Doing this would presumably require multiple low-income discount rates – i.e., space heat, hourly, etc. – or the discount would need to be applied on top of existing rate structures rather than as a separate rate structure. Either approach is theoretically possible. Elevate and City warn against any approach that would require customers to opt for either a low-income discount rate or another rate that may otherwise facilitate electrification. Elevate and City note that doing so could eliminate this subset of customers from the clean energy transition. (Elevate and City Comments, 2-3.)

COFI recommends the Commission consider authorizing discounts for all customers whose income falls under the 80% AMI threshold. COFI views expanding eligibility for discount rates beyond the benchmarks now used for LIHEAP and PIPP as appropriate for two reasons. First, disconnection and arrearage data suggest that customers that are not LIHEAP and PIPP customers are struggling to afford essential utility service. Second, customers whose income exceeds 200% FPL but falls below 80% AMI are considered low income under both U.S. Office of Housing and Urban Development ("HUD") guidelines and the Act's energy efficiency provisions. These individuals, however, do not qualify for LIHEAP and PIPP energy assistance. A tiered discount rate structure, that maximizes the discount for the lowest income customers, but also provides some level of discount for those whose income falls between 200% FPL and 80% AMI (up to around 300% FPL) and that nevertheless struggle to afford monthly utility bills would help ease energy burdens and provide needed assistance to those that currently do not qualify. (COFI Comments, 14.)

COFI states there are several approaches to implementing discount rates. Programs vary across the country, with some offering straight discounts, tiered discounts based on income, and other specific reductions tied to age, medical condition or other criteria. Some are better at achieving the goals of reducing low-income customers' energy burden than others. COFI recommends the adoption of a tiered discount rate structure. (COFI Comments, 15.)

CUB suggests an examination of utility rate design to improve service to residential customers, which supports other stakeholder's recommendation to consider changing the current rate structures in Illinois. (CUB Comments, 6.)

#### Tiered Discount Rates in Other States

COFI notes tiered discounts, which differentiate discount rates for customers of various income levels with households in the lower income tiers receiving greater discounts – are now under consideration in **North Carolina, Arizona, and Connecticut**. Tiered discounts consider energy burden in establishing discount levels and mirror the best aspects of PIPP programs by specifically targeting affordability based on income, energy usage and past bills. When adjusted regularly to account for energy supply and distribution charges changes, a tiered discount program is preferred over other forms. (COFI Comments, 18-19.)

**New Hampshire** provides a state-wide tiered-discount program. Its Electric Assistance Program has 5 tiers of discounts: 76%, 52%, 36%, 22%, and 8% off monthly bills. Eligibility for each tier is based on income and the number of people in each household. To receive the smallest discount, a four-person household's income must be less than \$74,941. To receive the greatest discount, the same household would have to make less than \$20,813. Each tier is designed to provide 4% to 6% of the consumer's income in energy bill relief. New Hampshire also offers a straight percentage discount of 45% on gas during winter months for households receiving LIHEAP or participating in the Electric Assistance Program and other means-tested programs. (COFI Comments, 19.)

**Indiana** gas utilities each have tiered discount programs for customers and each company sets their own eligibility requirements and discount amounts. The utilities may offer discounts through the state's Alternative Utility Regulation Act, which allows the state utility commission to "establish rates and charges that are in the public interest." NIPSCO provides 3 tiers of 11%, 20%, and 26% discounts, and Centerpoint Energy provides discounts between 15% and 36%. (COFI Comments, 19.)

COFI states that, in sum, a discount rate structure that considers the energy burden experienced by those with the least income and establishes a tiered discount, based on income, is a preferred way of helping to address energy unaffordability and reducing energy burdens. Well-designed tiered discount programs bring the targeting and bill reduction benefits of a PIPP at a lower administrative cost. To achieve those targeting benefits, there needs to be several tiers with "income bands." (COFI Comments, 19.)

In addition, to hold participants harmless from future rate increases, the discount rate associated with each tier must be adjusted each time energy supply and distribution charges change. This can be accomplished by basing the discount rate associated with each tier on a "target burden" level that is held constant over time (e.g., 3% electric only burden, or 6% total home energy burden). By adjusting the discounts as bills increase, these programs can mirror the best aspect of PIPPs – ensuring that bills reflect a

designated, affordable level of energy burden based on a customer's income. (COFI Comments, 19-20.)

### Targeted Share of Wallet

Wallet Share programs (also referred to as energy burden programs) provide a discount to customers to ensure that a utility bill will not exceed a determined percentage. Basically, a household's wallet share or energy burden is the gap between actual home energy bills compared to a household's income. The PIPP program in Illinois is an example of a targeted share of wallet program.

The percentage discount can target either a percentage of income or household expenditure. Targeting a share of expenditure incorporates income and non-income earnings of low-income customers. In 2019, ComEd electric bills are 2% and 5% of low-income customers expenditure and total income respectively. ComEd low-income customers (150% FPL) benefit from low electricity cost compared to other expenditure categories among major Metropolitan Statistical Areas. (ComEd Comments, 11.)

The discount provided in a wallet share program depends on both the customer's bill amount and income. Some programs consider gas and electric together when determining wallet share and some analyze them separately. Illinois' PIPP, for example, considers both gas and electric when determining the 6% wallet share amount. With the State's goal of removing barriers to the adoption of electric vehicles by low-income customers, it may be appropriate to set another wallet share target for Electric Vehicle low-income customers as well. (ComEd Comments, 12.)

Some wallet share programs tie enrollment to an energy efficiency program or usage limitation to encourage customers to reduce their usage, and thus their utility bill. For example, PIPP encourages customers to reduce usage, which reduces the customer's bill before the discount is calculated and applied. Other wallet share programs cap the bill at percentage income. For example, the **Pennsylvania** UGI Utilities' Customer Assistance Program, "CAP", caps bills at a percentage of household income depending on FPL percentage: for 0-50% FPL, utility bill capped at 7% of income; for 51-100% FPL, utility bill capped at 8% of income, and for 101-150% FPL, utility bill capped at 9% of income. (ComEd Comments, 12.)

### Arrearage Protection Program

Arrearage reduction programs provide variable dollar credits, based on program eligibility requirements, to offset a portion of customer bills that were previously unpaid. The credit can be applied monthly or annually. (ComEd Comments, 17.) ComEd notes PIPP is designed to bring gas and electric bills into a reasonable range of affordability by, among other things, offering an arrearage reduction incentive that allows participants to receive a 1/12th reduction in their arrearages for every on-time regular monthly payment. (ComEd Comments, 13.)

Eligible ComEd customers are afforded access to arrearage reduction programs administered by DCEO, the LAAs, and ComEd. These programs are funded from

customer contributions and are designed to forgive amounts owed on energy bills, provided current customer energy bill payments are made on-time and in-full each month.

**Utility Disconnection Avoidance Program (UDAP)** was administered in 2021 and 2022, thanks to additional state funding made available during the COVID-19 pandemic to prevent eligible customers from service disconnection after the winter moratorium ended. UDAP was automatically provided to all LIHEAP and PIPP customers with arrearages with the one-time UDAP amounts ranging from \$250 and \$5,000, based on the customer arrearage balance.

**Bill Payment Assistance (BPA)** was administered by ComEd in 2020 and 2021 and was authorized by ICC orders in ICC Docket No. 20-0309. BPA provided a safety net to residential customers when the extent of economic damage caused by COVID-19 was unknown. The BPA program provided eligible residential customers with relief from high arrearages incurred as a result of financial hardship caused by the COVID-19 pandemic. (ComEd Comments, 17.)

In 2020, BPA provided up to \$500 to customers that were LIHEAP/PIPP-qualified residential customers with an arrearage on their ComEd account. Those residential customers that had an arrearage on their ComEd account, at or below 200% FPL and are unable to qualify for LIHEAP assistance were also eligible to apply online at [comed.com](http://comed.com) and provide income documentation. The 2020 BPA program was launched in July 2020 until the \$18.2 million in program funds was exhausted in December 2020. (ComEd Comments, 17.)

In 2021, BPA provided up to \$500 per customer up to 300% FPL in the form of either (1) reconnection assistance or (2) arrearage relief. Enrollment and verification were completed by ComEd through a self-verification process, where the customers only had to call ComEd to express financial hardship, request the funds, and establish a deferred payment agreement, or DPA, (if applicable). Within 5 days of program launch, the \$7 million of arrearage forgiveness funds were exhausted, and the \$2.1 million in reconnection assistance was exhausted within 10 days. (ComEd Comments, 17-18.)

ComEd's SARP, which is supported using funds collected from customers through the SLIEAF fund, provides customers a monthly arrearage credit while also encouraging energy efficiency. (ComEd Comments, 18.)

As of August 1, 2022, over 9,000 ComEd customers are enrolled in SARP, which provides more than \$1 million total in arrearage credits to SARP participants annually. Historically, no more than \$3.4 million has been used between both PIPP and SARP programs for arrearage forgiveness credits within a calendar year, despite approximately \$7 million being available to disburse between both programs. There is a significant opportunity to expand both programs to assist more customers access the available funding. (ComEd Comments, 18.)

ComEd administers SARP by leveraging categorical eligibility for LIHEAP for those customers with an arrearage over \$100. ComEd solicits eligible customers for SARP enrollment through SARP Solicitation letters, proactive Customer Service Representatives recommendation and through the self-serve Smart Assistance Manager program recommendation tool. Customers contact the ComEd Call Center or SARP email address (ComEdSARP@exeloncorp.com) to apply for SARP. Once enrolled, customers are automatically placed on Budget Billing and arrearage forgiveness credits are provided for every monthly one time and in full payment. (ComEd Comments, 18.)

ComEd encourages other utilities to establish their own SARP program, especially since SARP already has established funding. In addition, ComEd is always working to improve its own SARP and expand enrollment. Many of the recommendations ComEd provided above related to PIPP improvements also pertain to SARP. In addition, in 2022, ComEd is enhancing Customer Service Representatives' tools to expand SARP enrollment to more LIHEAP eligible customers. ComEd is also assessing a way to expand SARP enrollment by performing income verification with a third-party contractor to expand SARP eligibility outside of the LIHEAP customer population. These actions will help streamline program administration, expand outreach to more eligible customers and use more of the available funding to serve customers in need. (ComEd Comments, 18.)

#### Arrearage Protection Programs in Other States

COFI notes **Vermont** utility Green Mountain Power provides a 25% discount on electric bills for families with income below 150% FPL and Vermont Gas provides a 20% discount on gas bills for families with income below 185% FPL. For any consumers that owe money on past electric bills, Green Mountain Power also offers a one-time arrearage forgiveness for new program participants. (COFI Comments, 17.)

#### Disconnections and Arrearages

Kenneth Costello, a former member of the Staff and regulatory consultant, notes utility bill assistance programs should result in lower collection costs, service disconnections, arrearages, and debt write-offs. (AG Comments, 6.) The AG notes more flexible utility credit and collection practices would benefit all ratepayers and particularly those facing the greatest affordability challenges. According to a 2019 survey of low-income households throughout 65 counties in downstate Illinois, 33% respondents reported an inability to pay utility bills on time as their most persistent debt issue and 19% reported utility shut off for nonpayment as the most common collection activity they experienced. Similarly, utility debt was found to be the second highest form of debt facing low-income families in Illinois. (AG Comments, 15-16.)

The AG states further utilities should work with ratepayers to reduce disconnections by offering ratepayers longer-term deferred payment arrangements ("DPAs"), offering flexible payment schedules, waiving reconnection fees, and forgiving certain arrearages and other fees when ratepayers make good faith efforts to pay an affordable amount toward their bills. (AG Comments, 16.) 83 Ill. Admin. Code 280(120(g), (c) requires utilities to offer DPAs from at least 4 to 12 months (6 to 12 months for low-income customers) and permits utilities to extend DPAs beyond 12 months at their discretion. In

Docket No. 20-0309, Commission Staff, the AG and other consumer advocates negotiated with the utilities to reach a stipulation that resulted in the utilities agreeing to suspend disconnections, waive late fees, deposits, and reconnection fees, offer customers 18–24-month DPAs, and provide additional reporting and communications. (Final Order, Docket No. 20-0309 (June 18, 2020), Appx. 1.) (AG Comments, 16.)

COFI notes DPAs are of limited value. COFI points to data that reveals the failure rate of DPAs highlight the difficulty of paying an already unaffordable bill along with an additional DPA-payment amount each month. At a minimum, this failure rates points to the need for much more flexible DPA terms and longer payback periods. (COFI Comments, 10.)

In addition, the AG states the Commission should direct utilities to establish and offer arrearage forgiveness programs that are sufficiently flexible so that ratepayers would only be required to pay an affordable portion of their bills to have their arrearages forgiven over time. Ultimately, supporting more flexible customer utility credit and collection practices benefits not only low-income ratepayers, but also all ratepayers by reducing the number of customers that are disconnected and the size of the utility's uncollectible expense. (AG Comments, 17.)

Ameren notes that when receiving LIHEAP and in imminent danger of disconnection, a direct vendor payment, based on household size and household income, is applied to the energy bill which immediately reduces the balance owed. When the DVP does not cover the entire balance, an additional grant up to \$1,200 is applied to keep customers connected to their energy service. (Ameren Comments, 20.)

Ameren states reducing bills would intuitively help low-income customer affordability, yet it is not known what level of discount or subsidization would prevent the likelihood of disconnection for non-payment in a statistically significant way. (Ameren Comments, 26-27.)

Elevate and City state it is not enough to lower customer bills if customers have arrearages that they cannot pay. Any low-income rate relief program should incorporate an element that allows customers to reduce and ultimately eliminate any arrearage. (Elevate and City Comments, 2.)

COFI states the impact of the delivery and supply rate increases is clear: Illinois customers are experiencing high arrearages and disconnections. (COFI Comments, 10.) Using arrearage, disconnection, late fee and DPA data for July of 2022 for ComEd, Ameren (Electric and Gas), Peoples Gas and Nicor indicate significant levels of arrearages per customer ratios, particularly for Peoples Gas. COFI states that disconnection policies have disproportionately impacted Black and Brown communities. COFI concludes the disconnection of tens of thousands of customers during extreme summer weather by the electric utilities and an abysmal success rate for DPAs point to the need for establishment of discount rates, as well as other credit and collections policy changes. (COFI Comments, 8.)

COFI notes recently reported data on utilities' credit and collections are understated because during 2021 and 2022, in response to the COVID pandemic, the following customer benefit and protection policies reduced disconnections and arrearages:

1. DCEO's Utility Disconnection Avoidance Program ("UDAP") which erased up to \$5,000 in arrearages owed to each electric and gas utility for LIHEAP customers during fiscal years 2021 and both LIHEAP and PIPP customers in 2022; and
2. a settlement among consumer advocates, including COFI, other consumer advocates, the Commission Staff and the utilities, that ensured that customers registered with the utilities as LIHEAP or PIPP customers would not be disconnected, through July 31, 2022 (and other more flexible credit and collection policies). (COFI Comments, 8.)

Ameren provides a 2018 document (2018-R-0051) from Connecticut's Office of Legislative Research for [the Commission's] consideration of how various states and utilities address residential customer affordability and support their low-income customers. This Study incorporates that report as Appendix A in order to show how utilities in other states have structured low-income discount rate programs to date. Importantly, Connecticut Public Utilities Regulatory Authority ("PURA") recently issued a Decision in Docket No. 17-12-03RE11, which directs electric utilities in the state to establish a tiered low-income discount rate in accordance with the parameters set forth in the decision and implement the program no later than January 1, 2024. The parameters are summarized below and the Decision is provided in Appendix B to this Study.

In Docket No. 17-12-03RE11, PURA Investigation into Distribution System Planning of the Electric Distribution Companies – New Rate Designs and Rates Review, PURA initiated a proceeding to consider new rate designs intended to assist the states lowest income utility customers. In this Decision PURA directed Connecticut's electric distribution companies ("EDCs") to establish a two-tiered low-income discount rate ("LIDR"). The LIDR's main objectives are: 1) achieving energy affordability, as defined by the allocation of no more than 6% of annual household income spent on building energy costs; and 2) reducing uncollectible expenses paid by all ratepayers, in part, by reducing the need for service disconnections and reconnections. The EDCs are directed to implement the LIDRs as soon as possible, and no later than January 1, 2024, and begin accepting proof of liability, for enrollment in the LIDR program, no later than August 1, 2023. (PURA Decision, Docket No. 17-12-03RE11, 1 (Oct. 19, 2022).)

PURA determined that the Tier 1 LIDR should provide eligible customers (i.e., those customers at or below 60% of SMI) a 10% discount on their total monthly bill and the Tier 2 LIDR should provide eligible customers (i.e., those at or below 160% of FPL) a 50% discount on their total monthly bill.



PURA determined that LIDR eligibility should align with existing state benefit programs, wherever possible, to ease the administrative and verification process and reduce enrollment burden on eligible customers. (Id. at 12.) PURA directed the EDCs to automatically enroll all customers designated as financial hardship and all electric customers receiving Connecticut Energy Assistance Program (“CEAP”) awards into the Tier 1 LIDR no later than August 1, 2023. Thereafter, any new and continuing customers shall be auto enrolled onto Tier 1 when a customer’s financial hardship designation or CEAP award is established or renewed. EDCs will also accept proof of verification documentation for Tier 1 LIDR and Tier 2 LIDR. Unless otherwise directed, LIDR eligibility will be required to be renewed annually. (Id. at 14-15, 17.)

PURA established monthly usage caps of 800 kilowatt hours for Tier 1 LIDR and 1200 kilowatt hours for Tier 2 LIDR, based on the EDC’s hardship customer usage data. (Id. at 26.) PURA concluded that allowing a customer on a LIDR to contract with a third-party electric supplier for an electric rate greater than standard service introduces inequities both for the LIDR customer and for ratepayers at large. PURA already required financial hardship customers to return to standard service in a prior docket. Since financial hardship customers are prevented from contracting with third-party electric suppliers and only financial hardship customers are eligible for LIDR, no customers receiving a LIDR will have a contract with a third-party electric supplier. (Id. At 37.)

Regarding cost recovery, PURA directed the EDCs to submit prudently incurred LIDR implementation costs annually in the subsequent year’s annual Revenue Adjustment Mechanism (“RAM”) proceeding. (Id. at 29.) PURA also directed the EDCs to propose at least two potential cost allocation methodologies of the LIDR among different rate classes in their next rate cases. (Id. at 30.)

EDCs have been directed to develop and file proposed communications plans with accompanying customer communications and bill samples for PURA review and approval no later than May 15, 2023. (Id. At 42.)

Importantly, this Decision by PURA is the most recent decision by a regulatory agency regarding low-income discount rates. It provides a model of how utilities in a deregulated state will implement a tiered low-income discount rate and should provide insight as to how regulators and utilities may consider addressing various aspects of low-income discount rates, particularly the objectives of achieving energy affordability and reducing uncollectibles.

## **VIII. Conclusions and Recommendations**

The Commission notes that Section 9-241 of the Public Utilities Act requires this Study to conduct a comprehensive review to assess whether low-income discount rates for electric and natural gas residential customers are appropriate and the potential design and implementation of any such rates. Having considered information and comments gathered both independently and from interested parties towards that end, the Commission tentatively concludes as follows:

- (1) Electric Utilities with more than 3,000,000 residential delivery services customers in Illinois, Combination Electric and Gas Utilities with more than 500,000 residential delivery service customers in Illinois, and Gas utilities with more than 100,000 residential delivery services customers in Illinois should offer a tariffed low-income discount rate. Further, all other electric and natural gas utilities in Illinois should be encouraged (but not required) to propose a tariffed low-income discount rate.**
- (2) All such utility low-income discount rate proposals should include tiered discounts for different income levels, which are applicable only to the delivery services charges.**
- (3) All such utility low-income discount rate proposals should include a cost recovery mechanism that is consistent with Illinois law and Commission practice.**
- (4) All such utility low-income discount rate proposals should support the clean energy goals and policies of Illinois and should not include rate designs that undermine or are counterproductive to achieving the State's clean energy goals and policies.**
- (5) All Utilities should leverage existing programs and processes to streamline administrative processes and minimize costs relating to eligibility requirements, verification mechanisms, and outreach/customer education procedures while maintaining the confidentiality of sensitive customer data.**

In order to act upon these tentative conclusions, the Commission will, either based upon filings of utilities or stakeholders or upon its own motion, open a docketed proceeding or proceedings. Opening a formal proceeding or proceedings, will permit the Commission to address the tentative conclusions above and issues relating to tariffed low-income discount rates, based on a full evidentiary record. The Commission may also conduct related workshops or rulemakings, as appropriate. These actions will ensure and clarify that the following issues are addressed to the extent necessary:

- A. Whether income a legally sound basis for differentiating rates among customers within the same delivery class via a discounted tariff for electric or gas delivery services, or would some other characteristic(s) relating to affordability of utility service be a legally sound basis for establishing a discounted tariff;
- B. A suitable definition of "low-income" to use in discounted tariffs for residential gas and electric customers in Illinois;
- C. Whether additional legislative authority is necessary for the Commission to approve electric and natural gas utility cost recovery proposals associated with discounted tariffs, including those that would require creating regulatory assets, deferred accounting mechanisms, riders, or other cost recovery mechanisms,

especially within the context of regulatory reform initiatives such as Integrated Resource Planning and Multi-year Rate Plan filings;

- D. Whether costs associated with discounted tariffs be recovered before they are incurred or after costs are incurred, and if such costs are recovered before they are incurred, whether the Commission should require a reconciliation mechanism to ensure dollar for dollar cost recovery of program costs;
- E. Whether residential customers (or subsets of residential customers) should be responsible for any revenue deficit resulting from low-income discount rates, or should those revenue deficits be socialized among all customers, including commercial and industrial customers; and
- F. Whether amendments or enhancements to existing energy assistance programs should be employed in effort to help compliment assistance provided through low-income discount rate tariffs.



## Utility Rate Discounts for Low-Income Customers in Other States

By: Lee Hansen, Associate Analyst  
February 1, 2018 | 2018-R-0051

### Issue

This report describes utility rate discount programs for low-income customers in other states.

### Summary

Many states require their regulated electric and gas utility companies to provide low-income customers with discounted electric or natural gas service rates. [PA 11-80](#), among other things, required Connecticut's Department of Energy and Environmental Protection (DEEP) to evaluate the benefits and costs of developing such rates. As part of its subsequent 2013 [final report](#), DEEP summarized the low-income discount rate programs offered in 11 other states: Arizona, California, Georgia, Maine, Massachusetts, Minnesota, New Hampshire, New York, Pennsylvania, Rhode Island, and Vermont.

This report describes the eligibility requirements and discounts currently available in those 11 states. The states, and often individual utility companies within each state, use a variety of means to determine customer eligibility and the type of discount customers will receive. Programs typically limit eligibility to households with an income below a certain threshold (e.g., a percentage of the federal poverty level or the state's median income) and may require additional criteria to be met, such as receiving benefits from other programs. The types of discounts provided include fixed billing credits, fixed percentage discounts, and billing caps based on a percentage of the customer's income. Several programs also feature "tiered" benefits that provide greater discounts to customers with lower incomes.



Additional information regarding other types of low-income energy assistance programs (e.g., weatherization and debt forgiveness programs) is available on the U.S. Department of Health and Human Service’s Low-income Home Energy Assistance Program (LIHEAP) Clearinghouse [website](#).

## Utility Rate Discounts for Low-Income Customers

Tables 1 through 11 show the eligibility requirements and discounts provided in the low-income discount rate programs in Arizona, California, Georgia, Maine, Massachusetts, Minnesota, New Hampshire, New York, Pennsylvania, Rhode Island, and Vermont.

**Table 1: Arizona Discounted Utility Rates for Low-Income Customers**

| <i>Utility</i>                             | <i>Eligibility Requirements</i>                                 | <i>Discount</i>   |
|--|---|---|
| <a href="#">Arizona Public Service Co.</a> | Maximum household income of 150% of federal poverty level (FPL) | Flat 25% discount on monthly bills  |
| <a href="#">Southwest Gas Corp.</a>        | Maximum household income of \$49,200 for a 4-person household   | Annual 30% reduction in monthly basic service charge<br>Per therm discount applied to first 150 therms of natural gas use each month from November through April (discount rate varies according to gross household income and the number of residents in the home)   |
| <a href="#">Tucson Electric Power Co.</a>  | Maximum household income of 150% FPL                            | Depending on the type of service, either a <a href="#">\$9 monthly discount</a> or a <a href="#">discount based on usage</a> (e.g., 25% on bills with 0-300 kWh usage; 20% on bills with 301-600 kWh; 15% on bills with 601-1000 kWh usage; no discount on bill with over 1000 kWh usage)<br><br>Discounts are not available to new customers or current customers who move |
| <a href="#">UniSource Energy Services</a>  | Maximum household income of 150% FPL                            | <a href="#">Electric service</a> : Flat \$16 per month discount<br><br><a href="#">Gas service</a> : \$3 discount on the standard basic service and meter charge; \$0.15 per therm discount for up to 100 therms of gas use each month from November through April  |

**Table 2: California Discounted Utility Rates for Low-Income Customers**

| <i>Utility</i>   | <i>Eligibility Requirements</i>      | <i>Discount</i>  |
|--|--------------------------------------|--|
| <a href="#">California Alternate Rates for Energy (CARE) Program</a><br>(applies to Alpine National Gas, Bear Valley Electric, Edison, Liberty Utilities, PacifiCorp, PG&E, SDG&E, SoCal Gas, Southwest Gas, and West Coast Gas) | Maximum household income of 200% FPL | 30-35% discount on electric bills<br><br>20% discount on natural gas bills |
| <a href="#">Family Electric Rate Assistance Program</a><br>(applies to Pacific Gas and Electric Co., San Diego Gas and Electric Co., and Southern California Edison)   | Household income of 200% -250% FPL   | 12% discount on electric bills   |

**Table 3: Georgia Discounted Utility Rates for Low-Income Customers**

| <b>Utility</b>                                    | <b>Eligibility Requirements</b>  | <b>Discount</b>   |
|---|--|---|
| <a href="#">SCANA Energy (Regulated Division)</a> | <a href="#">\$42,395</a> maximum household income for a 4-person household | \$0.05 per therm <a href="#">discount</a> for customers on the fixed price plan |

**Table 4: Maine Discounted Utility Rates for Low-Income Customers**

| <b>Utility</b>  | <b>Eligibility Requirements</b>  | <b>Discount</b>   |
|---|--|---|
| <a href="#">Emera Maine</a><br>(Bangor Hydro Electric Co. and Maine Public Service Co.) | <a href="#">\$36,900</a> maximum household income for a 4-person household (customers who receive housing subsidies are ineligible, unless a household member uses an oxygen pump/ventilator for at least eight hours per day) | One-time annual reduction   |
| <a href="#">Central Maine Power</a>   | Maximum household income of 150% FPL   | Annual lump sum billing credit based on household income and estimated electric usage |

**Table 5: Massachusetts Discounted Utility Rates for Low-Income Customers**

| <b>Utility</b>   | <b>Eligibility Requirements</b>   | <b>Discount</b>  |
|--|---|--|
| Berkshire Gas Co.  | Maximum household income of 60% of state median income and (1) receiving benefits from any means-tested public benefit program or (2) eligible for low-income heating assistance program (LIHEAP) | 20.47% discount for <a href="#">non-heating</a> service; 19.18% discount for <a href="#">heating</a> service   |
| <a href="#">Blackstone Gas Co.</a>                                 | Receiving benefits from any means-tested public benefit program   | 14% <a href="#">discount</a> for non-heating service; 15.8% discount for heating service   |
| <a href="#">Columbia Gas of Massachusetts</a><br>(pp. 167, 172)    | Maximum household income of 60% of state median income and (1) receiving benefits from any means-tested public benefit program or (2) eligible for LIHEAP   | 25% discount for non-heating and heating service   |
| Fitchburg Gas and Electric/ Unitil                                 | Maximum household income of 60% of state median income and (1) receiving benefits from any means-tested public benefit program or (2) eligible for LIHEAP   | Gas: 25% discount for <a href="#">non-heating</a> and <a href="#">heating</a> service<br><a href="#">Electric</a> : 25% discount   |
| National Grid  | Maximum household income of 60% of state median income and (1) receiving benefits from any means-tested public benefit program or (2) eligible for LIHEAP   | <a href="#">Gas</a> : 25% discount for non-heating and heating service<br><a href="#">Electric</a> : 29% discount  |
| <a href="#">New England Natural Gas Co.</a><br>(Liberty Utilities) | Maximum household income of 60% of state median income and (1) receiving benefits from any means-tested public benefit program or (2) eligible for LIHEAP   | 25% discount for non-heating and heating service   |
| NSTAR<br>(Eversource)  | Maximum household income of 60% of state median income and (1) receiving benefits from any means-tested public benefit program or (2) eligible for LIHEAP   | Gas: 25% discount for <a href="#">non-heating</a> and <a href="#">heating</a> service<br><a href="#">Electric (Greater Boston- MetroWest)</a> : 27% discount for non-heating and 25.7% for heating service |

Table 5 (continued)

| <i>Utility</i>                                  | <i>Eligibility Requirements</i>   | <i>Discount</i>  |
|---|---|--|
| Western Massachusetts Electric Co. (Eversource) | Maximum household income of 60% of state median income and (1) receiving benefits from any means-tested public benefit program or (2) eligible for LIHEAP | 32% discount for <a href="#">non-heating</a> and <a href="#">heating</a> service |

**Table 6: Minnesota Discounted Utility Rates for Low-Income Customers**

| <i>Utility</i>                             | <i>Eligibility Requirements</i>  | <i>Discount</i>   |
|--|--|---|
| <a href="#">CenterPoint Energy</a>         | Receiving LIHEAP assistance and agrees to be placed on a levelized payment plan and payment schedule<br><br>Participation is limited to first come first served, up to a \$5 million program cap | Customers receive a monthly bill credit determined as one-twelfth of the difference between an estimate of the customer's annual gas bill and 4% of the customer's household income   |
| <a href="#">Minnesota Energy Resources</a> | Receiving LIHEAP assistance<br><br>Participation is limited to first come first served, up to a \$750,000 program cap  | Customers receive a monthly bill credit determined as one-twelfth of the difference between an estimate of the customer's annual gas bill and 6% of the customer's household income   |
| <a href="#">Minnesota Power</a>            | LIHEAP qualified   | Discounts range from 22.2% to 27.8% depending on monthly electricity usage  |
| <a href="#">Xcel Energy</a> (p. 119)       | Receiving LIHEAP assistance ( <a href="#">50% state median income</a> ) and using more than 3% of annual household income for electric use   | The company offers customers with the lowest income and history of using more than 750 kWh per month an "affordable" monthly bill if they agree to "affordable" monthly payments (see also: <a href="http://energycents.org/affordability-programs/xcel-energy-customers/">http://energycents.org/affordability-programs/xcel-energy-customers/</a> ) |

**Table 7: New Hampshire Discounted Utility Rates for Low-Income Customers**

| <i>Utility</i>  | <i>Eligibility Requirements</i>   | <i>Discount</i>  |
|---|---|--|
| <a href="#">Electric Assistance Program</a> ( <a href="#">applies to</a> Eversource, Liberty Utilities, New Hampshire Electric Cooperative, and Unitil) | Maximum household income of <a href="#">200% FPL</a>  | Discount rate is based on household income:<br>151%-200% FPL: 8% discount<br>126%-150% FPL: 22% discount<br>101%-125% FPL: 36% discount<br>7%-100% FPL: 52% discount<br>0%-75% FPL: 76% discount<br><br>Discount applies to first 750 kWh used per month |
| <a href="#">Liberty Utilities</a> (p. 57)   | Eligible for LIHEAP benefits ( <a href="#">200% FPL</a> ) or benefits from certain other programs | 60% discount on gas delivery charges   |
| <a href="#">Northern Utilities</a> (p. 85)  | Eligible for LIHEAP benefits or benefits from certain other programs                              | 60% discount on gas delivery charges   |

**Table 8: New York Discounted Utility Rates for Low-Income Customers**

| <b>Utility</b>  | <b>Eligibility Requirements</b>   | <b>Discount</b>   |
|---|---|---|
| <a href="#">Central Hudson Gas &amp; Electric Corp.</a>           | Receiving Home Energy Assistance Program (HEAP) benefit (60% state median income level)   | Monthly discount varies depending on service type and amount of HEAP benefit:<br>\$30-\$67 on gas heating bills<br>\$3 on gas non-heating bills<br>\$19-\$72 on electric heating<br>\$19-\$56 on electric non-heating<br>\$3-\$22 on non-utility heating fuels  |
| Consolidated Edison Co.   | Tier 1- receiving benefits under HEAP or certain other benefit programs<br><br>Tier 2- received HEAP benefits with one add-on benefit in past 12 months<br><br>Tier 3- received HEAP benefits with two add-on benefits in past 12 months<br><br>Tier 4- enrolled in the Direct Vendor or Utility Guarantee Program  | Monthly <a href="#">electric</a> (p. 104) discounts vary by tier and service type<br>Tier 1: \$10 non-heating and heating<br>Tier 2: \$10 non-heating and heating<br>Tier 3: \$21 non-heating, \$26 heating<br>Tier 4: \$10 non-heating and heating<br><br>Monthly discount for <a href="#">gas</a> (p. 12) service is \$3 for non-heating service and \$50 for heating across all tiers  |
| <a href="#">National Grid</a>                                     | Tier 1- receiving benefits under HEAP<br><br>Tier 2- receiving HEAP and (a) household income within lowest income levels or (b) vulnerable household member<br><br>Tier 3- receiving HEAP, household income within lowest income levels, and vulnerable household member<br><br>Tier 4- enrolled in the Direct Voucher or Utility Guarantee Program<br><br>Tier 5- households identified by the state Office of Temporary Disability Assistance | Monthly electric discount<br>Tier 1 - \$11 heating and non-heating service<br>Tier 2 - \$29 heating and non-heating<br>Tier 3 - \$47 heating and non-heating<br>Tier 4 - \$31 heating and non-heating<br>Tier 5 (non-utility) - \$11 heating and non-heating<br><br>Monthly gas discount<br>Tier 1 - \$3 heating and non-heating<br>Tier 2 - \$10 heating and \$3 non-heating<br>Tier 3 - \$29 heating and \$3 non-heating<br>Tier 4 - \$12 heating and \$3 non-heating<br>Tier 5 (non-utility) - \$3 heating and non-heating |
| <a href="#">Long Island Power Authority</a><br>(pp. 24, 245, 249) | Receiving benefits for HEAP or certain other benefit programs   | 97.5% discount on daily service charge<br><br>25% discount on first 250 kWh of usage  |
| <a href="#">New York State Electricity and Gas</a>                | Receiving HEAP benefits   | Monthly bill credit   |



**Table 9: Pennsylvania Discounted Utility Rates for Low-Income Customers**

| Utility                                      | Eligibility Requirements  | Discount  |
|--|---|---|
| <a href="#">Columbia Gas of Pennsylvania</a> | Maximum household income of 150% FPL with termination notice or at least one failed payment in past 12 months or otherwise identified through cross utility referral and credit scoring | Offers three discount options:<br>(1) Caps bills based on income: 7% of income if 0%-110% FPL; 9% of income if 110%-150% FPL<br>(2) average payment of last 12 months prior to joining program<br>(3) flat 50% discount<br><br>Requires \$25 minimum payment  |
| <a href="#">Duquesne Light Company</a>       | Maximum household income of 150% FPL and demonstrated or expressed inability to pay electric service bill   | Discount varies by household income and service type:<br>0-50% FPL: 70% discount for non-heating; 55% discount for heating<br>51-100% FPL: 40% discount for non-heating; 35% discount for heating<br>101-150% FPL: 15% discount for non-heating; 20% discount for heating<br><br>Total annual discount is capped at \$700 for non-heating customers and \$1,800 for electric heating customers  |
| <a href="#">Metropolitan Edison Co.</a>      | Maximum household income of 150% FPL and total energy burden over 3% (for non-electric heat service) or 9% (for electric heat service) of total gross household income                  | Non-heating service: bills capped at 3% of income with a \$1,090 maximum annual subsidy and \$12 minimum monthly payment<br><br>Heating service: bills capped at 9% of income with a \$2,670 maximum annual subsidy and \$45 minimum monthly payment  |
| <a href="#">PECO Energy Co.</a>              | Maximum household income of 150% FPL  | Bills are capped at a percentage of household income, depending on income level and service type<br><br>Electric non-heating<br>0-50% FPL: bill capped at 5% of income with a \$2,048 maximum annual discount<br>51-100% FPL: bill capped at 6% of income with a \$1,389 maximum annual discount<br>101-150% FPL: bill capped at 7% of income with a \$1,241 maximum annual discount<br><br>Electric Heating<br>0-50% FPL: bill capped at 13% of income with a \$2,922 maximum annual discount<br>51-100% FPL: bill capped at 16% of income with a \$1,881 maximum annual discount<br>101-150% FPL: bill capped at 17% of income with a \$1,661 maximum annual discount |

Table 9 (continued)

| Utility                                      | Eligibility Requirements   | Discount   |
|--|--|--|
| <a href="#">Penelec</a>                      | Maximum household income of 150% FPL and total energy burden over 3% (non-electric heat) or 9% (electric heat) of total gross household income | <p>Non-heating: bills capped at 3% of income with a \$1,110 maximum annual subsidy and \$12 minimum monthly payment</p> <p>Heating: bills capped at 9% of income with a \$2,710 maximum annual subsidy and \$45 minimum monthly payment</p>  |
| <a href="#">Penn Power</a>                   | Maximum household income of 150% FPL and total energy burden over 3% (non-electric heat) or 9% (electric heat) of total gross household income | <p>Non-heating: bills capped at 3% of income with a \$1,090 maximum annual subsidy and \$12 minimum monthly payment</p> <p>Heating: bills capped at 9% of income with a \$2,700 maximum annual subsidy and \$45 minimum monthly payment</p>  |
| <a href="#">Peoples Natural Gas Co.</a>      | Maximum household income of 150% FPL and classified as "payment-troubled"  | <p>Bills are capped at a percentage of household income depending on income level</p> <p>0-50% FPL: bills capped at 8% of income</p> <p>51-100% FPL: bills capped at 9% of income</p> <p>101-150% FPL: bills capped at 10% of income</p> <p>\$1,000 maximum annual subsidy (with certain exceptions allowed) and \$25 minimum monthly payment applies to all caps</p>  |
| <a href="#">PPL Electric Utilities Corp.</a> | Maximum household income of 150% FPL and unable to pay electric bill in full   | <p>Percent of Bill option</p> <p>0-50% FPL: 50% discount</p> <p>51-100% FPL: 30% discount</p> <p>101-150% FPL: 20% discount</p> <p>Minimum Payment Plan option</p> <p>Customer receives fixed monthly billing credit based on income level (e.g., customers in the 101-150% FPL level receive a \$73 monthly credit)</p> <p>Agency Selected Payment option</p> <p>Allows caseworkers to determine a custom amount that is less than the percent of bill amount</p> <p>All options have a \$30 monthly minimum for electric heat service and \$12 monthly minimum for non-electric heat service</p> |
| <a href="#">UGI Utilities</a>                | Maximum household income of 150% FPL   | <p>Bills are capped at a percentage of household income depending on income level</p> <p>0-50% FPL: bills capped at 7% of income</p> <p>51-100% FPL: bills capped at 8% of income</p> <p>101-150% FPL: bills capped at 9% of income</p> <p>All levels require \$25 minimum monthly payment for heating service and \$15 minimum monthly payment for non-heating service</p>  |

**Table 10: Rhode Island Discounted Utility Rates for Low-Income Customers**

| Utility                       | Eligibility Requirements   | Discount  |
|-------------------------------|--|---|
| <a href="#">National Grid</a> | Head of the household or principal wage earner and (1) receiving Supplemental Security Income benefits or (2) eligible for benefits from LIHEAP or certain other public benefit programs | Customers do not have to pay the \$5 monthly customer charge and receive a 31% discount on their distribution charge (\$0.02953/ kWh rather than <a href="#">\$0.04300/ kWh</a> ) |

**Table 11: Vermont Discounted Utility Rates for Low-Income Customers**

| Utility                                    | Eligibility Requirements             | Discount                                 |
|--|--------------------------------------|--|
| <a href="#">Green Mountain Power Corp.</a> | Maximum household income of 150% FPL | 25% discount on monthly energy charges   |
| <a href="#">Vermont Gas</a>                | Maximum household income of 185% FPL | 20% discount on monthly natural gas bill |

LH:cmg



# STATE OF CONNECTICUT

**PUBLIC UTILITIES REGULATORY AUTHORITY  
TEN FRANKLIN SQUARE  
NEW BRITAIN, CT 06051**

**DOCKET NO. 17-12-03RE11 PURA INVESTIGATION INTO DISTRIBUTION  
SYSTEM PLANNING OF THE ELECTRIC  
DISTRIBUTION COMPANIES – NEW RATE  
DESIGNS AND RATES REVIEW**

October 19, 2022

By the following Commissioners:

Marissa P. Gillett  
John W. Betkoski, III  
Michael A. Caron

**DECISION**

## TABLE OF CONTENTS

|  |           |
|--|-----------|
| <b>I. INTRODUCTION .....</b>   | <b>2</b>  |
| <b>A. SUMMARY .....</b>  | <b>2</b>  |
| <b>B. BACKGROUND OF THE PROCEEDING.....</b>  | <b>2</b>  |
| <b>C. CONDUCT OF THE PROCEEDING .....</b>  | <b>4</b>  |
| <b>D. PARTIES AND INTERVENORS .....</b>  | <b>6</b>  |
| <b>E. PUBLIC COMMENT .....</b>   | <b>6</b>  |
| <b>II. STANDARD OF REVIEW.....</b>   | <b>7</b>  |
| <b>III. LIDR OBJECTIVES.....</b>   | <b>8</b>  |
| <b>IV. AUTHORITY ANALYSIS.....</b>   | <b>10</b> |
| <b>A. ESTABLISHMENT OF TWO-TIERED DISCOUNT RATE .....</b>  | <b>10</b> |
| <b>B. CUSTOMER IDENTIFICATION AND ELIGIBILITY VERIFICATION .....</b>                                   | <b>14</b> |
| <b>1. Data Sharing with DSS .....</b>  | <b>15</b> |
| <b>2. Automatic Enrollment of Financial Hardship Customers onto Tier 1 .</b>                           | <b>17</b> |
| <b>3. Customer Opt-In Enrollment onto Tier 2.....</b>  | <b>17</b> |
| <b>4. Additional Partnerships.....</b>   | <b>17</b> |
| <b>5. Eversource’s Experian Data.....</b>  | <b>18</b> |
| <b>6. Customer Communications and Outreach .....</b>   | <b>19</b> |
| <b>C. LIDR CALCULATION .....</b>   | <b>19</b> |
| <b>D. LIDR COSTS &amp; COST CONTROLS .....</b>   | <b>24</b> |
| <b>1. Monthly Usage Cap.....</b>   | <b>25</b> |
| <b>2. Budgetary Target .....</b>   | <b>26</b> |
| <b>E. LIDR IMPLEMENTATION COSTS AND TIMELINE .....</b>   | <b>27</b> |
| <b>1. Eversource .....</b>   | <b>28</b> |
| <b>2. UI .....</b>   | <b>29</b> |
| <b>F. COST RECOVERY.....</b>   | <b>29</b> |
| <b>G. INTERACTIONS WITH EXISTING PROGRAMS &amp; OFFERINGS .....</b>                                    | <b>30</b> |
| <b>1. CEAP .....</b>   | <b>31</b> |
| <b>2. MPP .....</b>  | <b>32</b> |
| <b>3. EDCs’ Voluntary Arrearage Forgiveness Program (New Start and Bill Forgiveness Program) .....</b> | <b>35</b> |
| <b>4. RRES Program .....</b>   | <b>36</b> |
| <b>5. Third-Party Electric Supply.....</b>   | <b>37</b> |
| <b>H. REPORTING REQUIREMENTS AND LIDR EVALUATION .....</b>   | <b>38</b> |
| <b>V. CONCLUSION AND ORDERS.....</b>   | <b>40</b> |
| <b>A. CONCLUSION.....</b>  | <b>40</b> |
| <b>B. ORDERS.....</b>  | <b>41</b> |

## **DECISION**

### **I. INTRODUCTION**

#### **A. SUMMARY**

In this Decision, the Public Utilities Regulatory Authority (Authority or PURA) directs The Connecticut Power and Light Company d/b/a Eversource Energy (Eversource) and The United Illuminating Company (UI; jointly, electric distribution companies (EDCs) or Companies) to establish a two-tiered low-income discount rate (LIDR) that proactively seeks to provide direct energy assistance to qualifying residential electric customers. As soon as possible, and no later than January 1, 2024, the EDCs shall each implement a LIDR with an overall eligibility cap at 60% State Median Income (i.e., Tier 1), and eligibility for Tier 2 aligned with existing State benefit programs (i.e., up to 160% FPG). Further, the EDCs shall implement a process, and begin accepting proof of eligibility, for enrollment in the LIDR program no later than August 1, 2023. The Authority's calculation of an appropriate level of discount for customers eligible for Tier 1 and Tier 2 is grounded in meeting the dual LIDR Objectives: (1) achieving energy affordability, as defined by the allocation of no more than 6% of annual household income spent on building energy costs; and (2) reducing uncollectible expenses paid by all ratepayers, in part, by reducing the need for service disconnections and reconnections. As a result, the Authority determines that customers eligible for the Tier 1 LIDR shall receive a 10% discount applied to their total monthly bill. In addition, customers eligible for the Tier 2 LIDR shall receive a 50% discount applied to their total monthly bill.

In the absence of an implemented data-sharing arrangement between the EDCs and the Department of Social Services (DSS), the EDCs shall conduct customer identification and eligibility verification processes as directed herein. Qualifying customers shall be able to receive a LIDR and participate in existing energy assistance, arrearage forgiveness, renewable energy, and energy efficiency programs. The Authority will re-evaluate the LIDR on a biennial cycle as part of the relevant energy affordability annual review proceeding, with the first review expected in 2025. The Authority provides additional direction to the EDCs regarding LIDR implementation discussed herein.

#### **B. BACKGROUND OF THE PROCEEDING**

In 2019, the Authority established a goal of advancing the energy affordability dialogue within the State, particularly for underserved communities.<sup>1</sup> Beginning in March 2020, the global COVID-19 pandemic significantly impacted the State of Connecticut and its residents. During this time, the Authority required the Public Service Utilities to cease water, electric, and gas shut-offs, and to create flexible payment plans for any customer

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<sup>1</sup> In the Interim Decision dated October 2, 2019, in Docket No. 17-12-03, PURA Investigation into Distribution System Planning of the Electric Distribution Companies (Equitable Modern Grid Decision), the Authority outlined the overarching objectives for establishing an equitable modern grid in Connecticut, which included energy affordability.

requesting financial assistance.<sup>2</sup> Connecticut residents were also eligible for increased energy assistance resulting from federal COVID-19 relief funding, specifically, one-time rental and electric utility assistance through UniteCT<sup>3</sup> and additional Connecticut Energy Assistance Program (CEAP) funds from increased federal block grant funding through the Low Income Home Energy Assistance Program. See, American Rescue Act of 2021, Pub. Act 117–2, § 2911, 135 STAT. 4, 51 (2021).

The Authority has pursued multiple initiatives to improve existing programs and offerings for residential customers seeking energy assistance. These initiatives include, among other things, expanding flexible payment arrangement offerings for residential customers and creating a comprehensive annual review proceeding regarding energy affordability matters of electric and gas utility customers in the State.<sup>4</sup> See, Decision dated April 22, 2022, in Docket No. 21-07-01, Application of The Connecticut Light and Power Company and Yankee Gas Services Company, each Individually d/b/a Eversource Energy, The United Illuminating Company, Connecticut Natural Gas Corporation, and The Southern Connecticut Gas Company for Approval of Arrearage Forgiveness Program 2021-2022 (April 2022 Energy Affordability Decision).

Despite the modifications designed to improve customers' access to and ability to successfully participate in utility programs in recent years, with the exception of CEAP, existing energy assistance offerings in Connecticut have historically been designed to assist customers with an existing arrearage. However, as the PURA Office of Education, Outreach, and Enforcement (EOE) and other Parties have noted, existing offerings are not designed to enable customers to improve the ability of customers to pay their utility bills *prior* to accruing an arrearage. See, e.g., EOE Written Comments, Jan. 27, 2021 (EOE 2021 Comments).

On October 2, 2020, the Connecticut General Assembly passed Public Act 20-5, An Act Concerning Emergency Response by Electric Distribution Companies, the Regulation of Other Public Utilities and Nexus Provision for Certain Disaster-Related or Emergency-Related Work Performed in the State (Take Back Our Grid Act). Section 5 of the Take Back Our Grid Act authorized the Authority to begin a proceeding to consider low-income rates by “[i]mplementing low-income...rates [that] better aligns public policy with electric utility performance and cost, providing needed relief to our poorest citizens.” 63 S. Proc. Part 3, 2021 Special Sess., p. 985. The members of the General Assembly opined “it was important [ ] to signal [their] intent and to show [their] constituents that [they] are listening.” 63 H.R. Proc., Pt. 3, 2020 Special Sess., p. 1511.

The Authority subsequently established the instant proceeding to consider the implementation of an interim rate decrease, low-income rates, and economic development rates for electric utility customers. In earlier phases of this proceeding, the Authority effectuated an interim rate decrease for all Eversource and UI residential, commercial and industrial customers in 2021. See, Interim Decision in this docket, dated

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<sup>2</sup> See, Docket No. 20-03-15, Emergency Petition of William Tong, Attorney General for the State of Connecticut, for a Proceeding to Establish a State of Emergency Utility Shut-Off Moratorium.

<sup>3</sup> See, Connecticut Department of Housing, UniteCT Program, available at: <https://portal.ct.gov/DOH/DOH/Programs/UniteCT>.

<sup>4</sup> For the current annual review, see Docket No. 22-05-01, 2022 Energy Affordability Annual Review.

June 23, 2021 (UI June Interim Decision), and Interim Decision in this docket, dated October 27, 2021 (Eversource October Interim Decision). In addition, the Authority directed Eversource to offer an optional interim tariff for its existing commercial customers (i.e., Rate 30 and Rate 27) that reduces the demand charge component of the existing tariff at least until the Company’s next rate case proceeding. See, Interim Decision in this docket, dated June 23, 2021 (Eversource June Interim Decision). The volumetric tariff option is intended to provide timely economic relief for small business customers with low demand recovering from the COVID-19 pandemic. See, id. The Authority will further examine the appropriateness of establishing additional economic development rate(s) in UI’s rate case proceeding and subsequent proceedings, as necessary.<sup>5</sup>

The Authority herein endeavors to establish a LIDR in the instant proceeding to complement existing energy affordability measures and to proactively assist customers before arrearages accrue, and to do so in a manner that mitigates uncollectibles shared among all ratepayers.

### C. CONDUCT OF THE PROCEEDING

In the Equitable Modern Grid Decision, the Authority specified a series of reopened proceedings to further investigate near-term topics integral to realizing the objectives of PURA’s Framework for an Equitable Modern Grid, including “Docket No. 17-12-03RE11 [which] will explore new rate designs.” Equitable Modern Grid Decision, pp. 24-25.

On October 30, 2020, in accordance with the Equitable Modern Grid Decision and pursuant to Section 5 of the Take Back Our Grid Act, the Authority initiated the above-captioned contested proceeding to explore new rate designs that address the disproportionate impact of increased electric rates on the lowest income customers and the need for Connecticut businesses to remain competitive with neighboring states, in addition to considering the implementation of an interim rate decrease, low-income rates, and economic development tariffs. Notice of Proceeding, Oct. 30, 2020.

On January 27, 2021, the Authority issued a Request for Tariff Design Proposals (2021 Request for Tariff Design Proposals) requesting written comments pertaining to potential tariff designs for low-income and economic development rates to be implemented by the EDCs from the Parties, Intervenors, and other interested stakeholders. 2021 Request for Tariff Design Proposals, Jan. 27, 2021. On April 26, 2021, a few of the Parties and Intervenors submitted Pre-Filed Testimony pertaining to the development of an interim LIDR, inter alia. The Authority issued three sets of interrogatories pertaining to the LIDR topic on February 25, 2021, March 30, 2022, and June 29, 2022.

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<sup>5</sup>UI included a proposed economic development rate rider in its current rate case proceeding. See, Exhibit UI-MC/MM-1, Direct Testimony of Revenue Allocation and Rate Design panel, pp. 12-16 dated September 9, 2022, in Docket No. 22-08-08, Application of The United Illuminating Company to Amend its Rate Schedule. Given that a proposal for an additional economic development tariff is now pending before the Authority as part of UI’s rate case application, the appropriate venue for timely evaluating the mechanics of such a tariff is Docket No. 22-08-08, recognizing that such principles may be readily applied to Eversource customers thereafter through either their next rate case or another phase of this proceeding.



On May 5, 2021, the Authority issued a Revised Notice of Timeline that further bifurcated the multi-phase proceeding. In the Revised Notice of Timeline, the Authority indicated its intention to issue an interim decision with respect to the topic of low-income rates following the examination of the interim rate decrease for both EDCs and consideration of an economic development rate for Eversource small business customers.<sup>6</sup>

On May 4, 2022, the Authority issued a combined Notice of Issuance of Low-Income Discount Rate Straw Proposal and Request for Associated Tariff Designs, Notice of Request for Written Comments and Notice of Technical Meeting (May 4, 2022 Notice or Straw Proposal). In the May 4, 2022 Notice, the Authority requested that each of the EDCs submit a proposed tariff (Proposed Tariff) to implement an interim LIDR that includes: (1) three tiers, with the largest discount applied to lower-income customers as measured by either the household state median income (SMI) or the federal poverty guidelines (FPG); (2) customer identification, eligibility verification, and education and outreach processes; (3) any potential implementation considerations and/or outstanding matters pertaining to LIDR administration; (4) an analysis of how to achieve the six (6) percent energy burden cap for each income tier, and an accompanying narrative explanation; and (5) estimated implementation and administration costs and an implementation timeline. Straw Proposal, pp. 20-25. The Straw Proposal also provided an opportunity for Parties, Intervenors, and interested stakeholders to provide written comments regarding the EDCs' Proposed Tariffs.

On June 3, 2022, Eversource and UI each submitted a Proposed Tariff and accompanying analysis in response to the Straw Proposal. The Companies' submissions both proposed a three-tier plan that applies a percent discount to "all applicable delivery service and standard offer service rate charges." Eversource Proposed Tariff, Exhibit A, p. 1; UI Proposed Tariff, Attachment 1, p. 1. This includes Eversource customers under Rate 1 Residential Electric Service (non-heating), Rate 5 Residential Electric Heating Service and Rate 7 Residential Time-of-Day Service, and UI customers under Residential Rate R and Residential Time-of-Day Rate RT. *Id.* The EDCs included a discount cap of up to 700 kilowatt-hours (kWh) of monthly usage for non-heating customers and up to 1,000 kWh of monthly usage for heating customers, based on observed average usage data. *Id.* Finally, each EDC proposed that associated costs, including the discounted revenue and administrative costs of implementation, be recovered through the Systems Benefits Charge (SBC). *Id.* Subsequently, Parties and Intervenors submitted written comments in response to the Authority's Straw Proposal and the EDCs' Proposed Tariffs. *See*, Written Comments dated June 15, 2022 in response to the Straw Proposal and the EDCs' Proposed Tariffs.

The Authority held a Technical Meeting on June 21, 2022, via teleconference, regarding the EDCs' Proposed Tariffs and written comments submitted thereon. On June 24, 2022, the Authority issued a second Notice of Request for Written Comments regarding topics raised during the June 21, 2022 Technical Meeting.

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<sup>6</sup> *See*, UI June Interim Decision; Eversource October Interim Decision; and Eversource June Interim Decision.

By Notice of Hearing dated June 24, 2022, the Authority held a hearing on August 3, 2022, via Teleconference. The Authority requested 13 Late-Filed Exhibits (LFEs) during the hearing and held a Late-Filed Hearing to discuss the EDCs' submitted exhibits on August 12, 2022, via teleconference. Eversource and UI subsequently filed supplements to the LFEs on August 17, 2022, and on August 16 and 19, 2022, respectively. Parties and Intervenors were provided the opportunity to file Briefs by August 25, 2022.

On September 14, 2022, the Authority issued a Proposed Final Decision in this proceeding and provided an opportunity for the Parties and Intervenors to file Written Exceptions and to present Oral Argument. The Connecticut Industrial Energy Consumers (CIEC) requested Oral Argument; therefore, the Authority held Oral Argument on September 30, 2022.

#### **D. PARTIES AND INTERVENORS**

The Authority designated the following as Parties to this proceeding: the Office of Consumer Counsel (OCC), Ten Franklin Square, New Britain, CT 06051; the Commissioner of the Department of Energy and Environmental Protection (DEEP), 79 Elm Street, Hartford, CT 06106; the Office of the Attorney General (AG), Ten Franklin Square, New Britain, CT 06051; EOE, Ten Franklin Square, New Britain, CT 06051; Eversource, 107 Selden Street, Berlin, CT 06037; and UI, 180 Marsh Hill Road, MS AD-2A, Orange, CT 06477.

The Authority granted Intervenor status to the following: Solar Connecticut, Inc.; CIEC; Key Capture Energy; Connecticut Legal Services, Inc. (CLS); Northeast Clean Energy Council; Operation Fuel, Inc.; Center for Children's Advocacy (CCA); and Walmart, Inc.

#### **E. PUBLIC COMMENT**

The Authority received correspondence from State Representative and State House Majority Leader Jason Rojas, the Connecticut Chapter of the Sierra Club (Sierra Club CT), which received signatories from residents across the State, the American Association of Retired Persons (AARP) Connecticut, the Connecticut Electric Vehicle (EV) Club, and State residents. All corresponding stakeholders expressed their support for the creation of a LIDR. Representative Rojas also advocated for a tiered discount rate structure that is based on household income, assets, and family size.<sup>7</sup>

In their comments, members of Sierra Club CT encouraged the Authority to consider a maximum of three percent, rather than the Authority's stated six percent target of household income spent on building energy costs in the LIDR calculation.<sup>8</sup> Sierra Club CT members also stated that the creation of a LIDR should not impact or lessen any existing energy assistance programs and suggested the removal of cancellation fees.<sup>9</sup> Finally, the Sierra Club CT emphasized the use of energy efficiency programs,

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<sup>7</sup> State Representative and State House Majority Leader Jason Rojas Comments, dated October 29, 2021.

<sup>8</sup> Ana Horowitz Comments, dated June 12, 2022; August Coretto Comments, dated June 15, 2022.

<sup>9</sup> Sierra Club CT Comments, dated June 15, 2022.

commented that the EDCs should be required to meet certain energy reduction targets, and recommended that the EDCs should prioritize low-income customers in receiving these programs.<sup>10</sup>

Additional members of the public expressed concern regarding low- and moderate-income elderly residents. One senior resident stated that having a fixed income made energy bills particularly burdensome, as they must choose between various essential services such as housing, food, and energy with their limited budget.<sup>11</sup> The resident commented that even their lowest energy bills with conservation behaviors are unaffordable.<sup>12</sup> In its comments, AARP highlighted that its organization has advocated for low-income energy rates around the country in recognition of this widespread phenomenon.<sup>13</sup> AARP also questioned the feasibility of the three-tier LIDR plan as proposed in the Authority's Straw Proposal, opining that establishing three levels based off percentage of income may be overly complex and instead recommended either a "flat rate or traditional 6% of income plan."<sup>14</sup>

## II. STANDARD OF REVIEW

In accordance with Section 5 of the Take Back Our Grid Act, codified at Conn. Gen. Stat. § 16-19zz, the Authority may initiate a proceeding to consider the implementation of low-income rates for EDC customers, pursuant to its authority in Conn. Gen. Stat. § 16-19e. Pursuant to Conn. Gen. Stat. § 16-19e(a), the Authority and public service companies have an obligation to establish the level and structure of rates consistent with the following principles:

(1) That there is a clear public need for the service being proposed or provided; ... [and] (4) that the level and structure of rates be sufficient, but no more than sufficient, to allow public service companies to cover their operating costs including, but not limited to, appropriate staffing levels, and capital costs ... and yet provide appropriate protection to the relevant public interests, both existing and foreseeable ....

Conn. Gen. Stat. § 16-19e(a).

Further, in the context of restructuring the electric industry, the General Assembly articulated additional principles that provide guidance in the Authority's oversight of the EDCs:

(1) The provision of affordable, safe and reliable electricity is key to the continuing growth of this state and to the health, safety and general welfare of its residents;... (6) Those public policy measures under current law, including, but not limited to, those protecting customers under the winter

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<sup>10</sup> Id.

<sup>11</sup> Mary L. Sanders Comments, dated June 15, 2022.

<sup>12</sup> Id.

<sup>13</sup> AARP Connecticut Comments, dated June 21, 2022, p. 2.

<sup>14</sup> Id.

moratorium and hardship provisions ..., should be preserved;...(8) The assurance of safe, reliable and available electric service to all customers in a uniform and equitable manner is an essential governmental objective and a restructured electric market must provide adequate safeguards to assure universal service and customer service protections; ... [and] (11) The current method of providing electric service has involved a balancing of costs, risks and rewards for electric utilities and their customers, and therefore the transition to a competitive generation market, ... should be based on the principles of fairness and reasonableness and the result of a balance of the interests of electric customers, electric utilities and the public at large....

Conn. Gen. Stat. § 16-244.

Consequently, in implementing low-income rates for EDC customers, the Authority will consider whether the low-income rates comport with the statutory principles in Conn. Gen. Stat. §§ 16-19e(a) and 16-244.

### III. LIDR OBJECTIVES

The Authority sought comments from Parties and Intervenors regarding the objectives in establishing a LIDR throughout this proceeding. See, 2021 Request for Tariff Design Proposals, pp. 1-2; Straw Proposal, pp. 9-11. The Authority requested feedback on the following two proposed objectives, as guided by the Equitable Modern Grid Decision: (1) achieve energy affordability, as defined by the allocation of no more than six (6) percent of household income to building energy costs;<sup>15</sup> and (2) reduce the uncollectible expenses paid by all ratepayers. Id.

With respect to the first objective, the Authority previously observed that in measuring energy affordability, a common metric used is the percentage of a household's income that is spent on home energy use, particularly on home heating and electricity.<sup>16</sup> A target of 6% of household income spent on this energy usage was first proposed in the Equitable Modern Grid Decision. Equitable Modern Grid Decision, pp. 9-11. The Authority referenced relevant research literature and implementation of a LIDR in other states, such as New York, that supported such a target level. Id. This target continues to be used in subsequent research analyzing energy affordability in Connecticut.<sup>17</sup> As a result, the Authority chose this level as a potential target for the LIDR program. 2021 Request for Tariff Design Proposals, pp. 1-2; Straw Proposal, p. 9.

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<sup>15</sup> See, Mapping Household Energy and Transportation in Connecticut, VEIC, dated Oct. 2020 (VEIC Report), <https://www.ctgreenbank.com/wp-content/uploads/2020/11/Mapping-Household-Energy-and-Transportation-Affordability-Report-Oct-2020.pdf>; See also, Equitable Modern Grid Decision, p. 9,

<sup>16</sup> See, Home Energy Affordability in Connecticut: The Affordability Gap (2017), prepared for Operation Fuel by Fisher, Sheehan & Colton Public Finance and General Economics, dated Oct. 2017 (<http://www.operationfuel.org/wp-content/uploads/2017/12/2017-ConnecticutHEAG-11-27-17-RDCredits.pdf>).

<sup>17</sup> See, VEIC Report.

In response to the Authority's request for comments, Parties and Intervenors expressed broad support for establishing a LIDR that addresses energy affordability challenges. See, e.g., Eversource Written Comments, Jan. 27, 2021 (Eversource 2021 Comments), p. 2; DEEP Written Comments, Jan. 29, 2021 (DEEP 2021 Comments), p. 2; CCA Written Comments, Jan. 27, 2021, p. 3. EOE opined that an overall 6% energy burden goal, while not as accurate as setting the goal on an individual customer basis, will minimize administrative challenges and still move customers closer to achieving affordable energy bills. EOE 2021 Comments, pp. 3-4. CLS suggested that customers using non-electric heating should be treated separately from those using electric heating, and therefore should have a different percentage target. CLS Written Comments, Feb. 8, 2021, p. 5.

With respect to the second objective, the Authority drew from its ratemaking expertise and previous experience addressing uncollectibles. Connecticut EDCs are able to make up for any lost revenue related to unpaid electric bills through all other electric customers. Equitable Modern Grid Decision, p. 9. This in turn raises electric rates for all customers. Id. In pursuing overall energy affordability goals, and minimizing electric rates for low-income customers, the Authority proposed a second goal for a LIDR of reducing uncollectibles. Straw Proposal, p. 9.

DEEP agreed that a LIDR program could reduce uncollectible expenses in Connecticut and included analysis demonstrating that a discount rate in Indiana allowed the utility to receive more revenue from participating low-income customers than non-participants. DEEP 2021 Comments, p. 3, citing Synapse Energy Economics, Inc., Low-Income Assistance Strategy Review, dated Nov. 11, 2014, pp. 8-9. EOE also opined that allowing customers to pay affordable bills before accumulating an arrearage might decrease uncollectibles. EOE 2021 Comments, pp. 4-5. Eversource agreed that uncollectibles may decline from a LIDR as well, but indicated that estimating this impact is challenging. Eversource Response to Interrogatory CAE-37.

OCC offered that another goal would be to determine the impact of low-income rates upon service disconnections and the costs associated with write-offs, disconnection and reconnection, and arrearages. OCC Written Comments, Jan. 21, 2021, p. 2. OCC recommended that the EDCs use data the Companies have access to regarding low-income rate tariffs in other states to support a reasonable estimate of these benefits. Id. DEEP also highlighted the "broader positive impacts on societal inequities," such as homelessness, that a low-income rate may have should be considered. DEEP Comments, dated Jan. 29, 2021, p. 3.

Therefore, the Authority adopted the following two objectives to govern its implementation of a LIDR (LIDR Objectives):

1. Adopt a target that enables residential customers to spend no more than six percent of their household income on building energy costs and aims to lessen social inequities; and
2. Reduce uncollectible expenses for all ratepayers, in part, by reducing the need for service disconnections and reconnections.

#### IV. AUTHORITY ANALYSIS

Through this proceeding, the Authority examined the EDCs' Proposed Tariffs in response to the Straw Proposal, written comments, interrogatory responses, and testimony. In this Decision, the Authority establishes a two-tiered LIDR that proactively seeks to provide direct energy assistance to qualifying residential electric customers. As soon as possible, but no later than January 1, 2024, the EDCs shall each implement a LIDR with an overall eligibility cap at 60% SMI (i.e., Tier 1), and eligibility for Tier 2 aligned with existing State benefit programs (i.e., up to 160% FPG). Further, the EDCs shall implement a process, and begin accepting proof of eligibility, for enrollment in the LIDR program no later than August 1, 2023. The Authority's calculation of an appropriate level of discount for customers eligible for Tier 1 and Tier 2 is grounded in aiming to meet the dual LIDR Objectives. As a result, the Authority determines that customers eligible for the Tier 1 LIDR shall receive a 10% discount applied to their total monthly bill. In addition, customers eligible for the Tier 2 LIDR shall receive a 50% discount applied to their total monthly bill.

In the absence of an implemented data-sharing arrangement between the EDCs and DSS, the EDCs shall conduct customer identification and eligibility verification processes as directed herein. Qualifying customers shall be able to receive a LIDR and participate in existing energy assistance, arrearage forgiveness, renewable energy, and energy efficiency programs. The Authority will re-evaluate the LIDR on a biennial cycle as part of the relevant energy affordability annual review proceeding, with the first review expected in 2025. The Authority provides additional direction to the EDCs regarding LIDR implementation discussed herein.

##### A. ESTABLISHMENT OF TWO-TIERED DISCOUNT RATE

Most Parties and Intervenors that submitted written comments to the Authority are supportive of a multi-tiered LIDR that provides the greatest level of discount to the lowest income electric customers. See, e.g., Operation Fuel Written Comments, dated June 15, 2022, p. 1; EOE Written Comments (EOE July Comments), dated July 21, 2022, p. 4; Eversource Written Comments (Eversource July Comments), dated July 21, 2022, p. 2; OCC Written Comments (OCC July Comments), dated July 21, 2022, p. 1.

In its Straw Proposal, the Authority proposed a three-tiered LIDR, with the income eligibility for the middle tier set at or below 60% SMI, which is the current income eligibility threshold for CEAP.<sup>18</sup> In addition, the energy efficiency offerings through the Home Energy Solutions – Income Eligible Program, which is administered by the electric and gas distribution companies and overseen by DEEP, establish a 60% SMI eligibility requirement.<sup>19</sup>

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<sup>18</sup> See, Department of Social Services Low Income Energy Assistance Program Block Grant Allocation Plan, October 1, 2021 – September 30, 2022, (DSS 2021-2022 LIHEAP Plan), available at: [https://www.cga.ct.gov/app/related/20210818\\_FFY%202022%20Block%20Grant%20Allocation%20Plans%20and%20Medicaid%20Waiver%20Applications/FFY%2022%20Low%20Income%20Home%20Energy%20Assistance%20Program%20Allocation%20Plan.pdf](https://www.cga.ct.gov/app/related/20210818_FFY%202022%20Block%20Grant%20Allocation%20Plans%20and%20Medicaid%20Waiver%20Applications/FFY%2022%20Low%20Income%20Home%20Energy%20Assistance%20Program%20Allocation%20Plan.pdf).

<sup>19</sup> See, EnergizeCT, Home Energy Solutions – Income Eligible, available at: <https://energizect.com/yourhome/solutions-list/save-energy-and-money-all-year-long>.

The Straw Proposal contemplated a third tier for customers with household income greater than 60% SMI, but at or below 75% SMI, which Operation Fuel applies in determining eligibility for energy assistance it administers.<sup>20</sup> However, Eversource, EOE, OCC, DEEP, CCA, and Operation Fuel ultimately supported the removal of Tier 3, at least initially.<sup>21</sup> See, Eversource July Comments, pp. 2-3; EOE July Comments, pp. 8-10; OCC July Comments, p. 4; DEEP Written Comments, dated July 21, 2022 (DEEP July Comments), p. 3; CCA Brief (CCA Brief), Aug. 19, 2022, pp. 2-3; Operation Fuel Written Comments, dated July 15, 2022 (Operation Fuel July Comments), p. 1. OCC stated that establishing a LIDR with a maximum income level of 60% SMI is consistent with the existing statutory definition of “low-income customer,” as well as the eligibility requirement for receiving CEAP funds. OCC July Comments, p. 4. EOE also opined that setting the cap at 60% SMI, at least initially, could ease LIDR implementation, as it corresponds with existing State benefit programs and could streamline customer eligibility verification through establishment of a data sharing arrangement between the EDCs and DSS and Community Action Agency (CAA) verification. EOE July Comments, pp. 8-9. Although Operation Fuel expressed reservations regarding the removal of Tier 3 as outlined in the Straw Proposal, and the potential shifting of costs to customers just above the 60% SMI income guideline, the organization nevertheless expressed support for capping the LIDR at the 60% SMI threshold, and noted the large number of eligible customers within this cap. Operation Fuel July Comments, p. 1.

Eversource and EOE voiced support for creating additional tiers within the less than 60% SMI cap. Eversource July Comments, p. 2; EOE Written Comments (EOE June Comments), dated June 15, 2022, p. 2; EOE July Comments, p. 8. This would allow the LIDR to provide greater targeted assistance for the lowest income customers. Id. Notwithstanding, EOE acknowledged the difficulty of creating additional tiers to further assist the lowest income customers without more information and pending the outcome of reaching a data-sharing agreement between the EDCs and DSS. EOE July Comments, p. 17. Therefore, EOE and Eversource both expressed their support for the deferral of creating additional tiers within the 60% SMI income guideline until a DSS data-sharing agreement is accomplished and observed customer data can be collected from initial LIDR program implementation. Id.; Eversource July Comments, pp. 2-3; EOE July Comments, p. 17.

With respect to setting the eligibility for the greatest level of discount (i.e., customer accounts with household income less than 60% SMI), OCC and CCA provided references to income-based eligibility requirements for State government benefits programs administered by DSS. See, OCC July Comments, Attachment 2, DSS Program Standards Chart; CCA July Comments, pp. 2-4. The Authority used this information in its determination of the Tier 2 income-eligibility and eligibility through existing program participation discussed below.

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<sup>20</sup> See, Operation Fuel, Apply Online, available at: <https://operationfuel.org/gethelp/>.

<sup>21</sup> UI did not provide direct comments in support, or in objection to, the omission of Tier 3 as contemplated in the Straw Proposal.

Based on the written comments and testimony received, the Authority concurs that the initial implementation of a LIDR shall be designed with two tiers, with eligibility determined by the household income thresholds as outlined in Table 1, below. Notably, the Authority has reordered numbering of the Tiers as compared to its Straw Proposal, such that Tier 1 shall denote the “baseline” level of discount for customers at or below 60% SMI, and Tier 2 shall denote a higher level discount for customers at or below 160% of the Federal Poverty Guidelines (FPG).

**Table 1**  
**Established LIDR Tiers**

| <b>Tier</b> | <b>Income-Eligibility</b>                       |
|-------------|---|
| 1           | Up to 60% SMI<br>(i.e., lower level discount)   |
| 2           | Up to 160% FPG<br>(i.e., higher level discount) |

Additionally, the Authority concurs that LIDR eligibility should align with existing State benefit programs, wherever possible, to ease the administrative and verification process and reduce enrollment burden on eligible customers. Accordingly, the Authority herein establishes the following eligibility requirements that include the corresponding government benefit programs, as well as household income guidelines as of July 1, 2022, for customers who cannot demonstrate eligibility through existing program participation, for each tier, as outlined in Table 2, below. See, OCC July Comments, Attachment 2, DSS Program Standards Chart; CCA July Comments, pp. 3-4. Eversource and UI customer accounts shall be eligible for Tier 1 enrollment if they have a financial hardship designation, receive a CEAP payment, if at least one person in the household can demonstrate current receipt of Connecticut’s HUSKY A Medicaid coverage available for pregnant women or for children under the age of 19, or if they otherwise demonstrate household income at or below 60% SMI. Customers shall be eligible for the higher level Tier 2 discount if at least one person in the household can demonstrate participation in or proof of receipt of benefits from at least one of the following programs: Supplemental Security Income Program (SSI), Supplemental Nutrition Assistance Program (SNAP), Temporary Family Assistance Program (TFA), Connecticut’s HUSKY D health insurance plan, Connecticut’s HUSKY A Medicaid coverage specifically for parents and caretakers, or if the customer otherwise demonstrates documented proof of annual household income at or below 160% FPG. Section IV.B provides further direction on the customer identification and eligibility verification processes to implement a LIDR for qualifying electric customers.



**Table 2**  
**EDCs' LIDR Household Income Eligibility Requirements Based on the**  
**DSS Benefits Program Chart (as of July 1, 2022)<sup>22</sup>**

| HH Size | TIER 1    |  |  | TIER 2   |                             |                               |                               |
|---------|-----------|--|--|----------|-----------------------------|-------------------------------|-------------------------------|
|         | 60% SMI   | 263% FPG<br>(e.g., HUSKY A <sup>23</sup> ) | 160% FPG<br>(e.g., HUSKY A <sup>24</sup> ) | 150% FPG | 138% FPG<br>(e.g., HUSKY D) | 100% FPG<br>(e.g., SNAP; TFA) | SSI Eligibility <sup>25</sup> |
| 1       | \$39,761  | \$35,742                                   | \$21,744                                   | \$20,385 | \$18,754                    | \$13,590                      | \$10,092                      |
| 2       | \$51,996  | \$48,155                                   | \$29,296                                   | \$27,465 | \$25,268                    | \$18,310                      | \$15,137                      |
| 3       | \$64,230  | \$60,569                                   | \$36,848                                   | \$34,545 | \$31,781                    | \$23,030                      | N/A                           |
| 4       | \$76,465  | \$72,983                                   | \$44,400                                   | \$41,625 | \$38,295                    | \$27,750                      | N/A                           |
| 5       | \$88,699  | \$85,396                                   | \$51,952                                   | \$48,705 | \$44,809                    | \$32,470                      | N/A                           |
| 6       | \$100,933 | \$97,810                                   | \$59,504                                   | \$55,785 | \$51,322                    | \$37,190                      | N/A                           |
| 7       | \$103,227 | \$110,223                                  | \$67,056                                   | \$62,865 | \$57,836                    | \$41,910                      | N/A                           |
| 8       | \$105,521 | \$122,637                                  | \$74,608                                   | \$69,945 | \$64,349                    | \$46,630                      | N/A                           |

The Authority appreciates EOE's analysis submitted in this proceeding and others' recommendations made regarding the creation of additional tiers below 60% SMI in order to better target those customers with the greatest need, and intends to further investigate potential additions in the future. Given the current limitations that require at least an initial opt-in enrollment into Tier 2, as discussed in Section IV.B., the Authority finds that the two-tiered approach established herein may reduce customer confusion and

<sup>22</sup> The SMI and FPG household income levels provided in Table 2 are based on the DSS Benefits Program Chart and associated income limits as of July 1, 2022. See, OCC July Comments, Attachment 2, DSS Program Standards Chart; See also, CCA July Comments; See also, U.S. Department of Health and Human Services, 2022 Poverty Guidelines, available at: <https://aspe.hhs.gov/sites/default/files/documents/4b515876c4674466423975826ac57583/Guidelines-2022.pdf>; CT DSS, Connecticut State Median Income: 2022-2023, available at: <https://uwc.211ct.org/connecticut-state-median-income-2013/>. The Authority understands that the specific income levels associated with the DSS government benefit eligibility guidelines may be adjusted in the future. The Authority clarifies that the LIDR program thus aligns with the overall eligibility thresholds (e.g., 60% SMI, 160% FPG, 150% FPG, etc.), and includes specific income limit thresholds as of July 1, 2022 as further illustration, cognizant that the specific incomes within each benefit eligibility bucket may shift.

<sup>23</sup> HUSKY A Medicaid coverage available for pregnant women has a higher income eligibility threshold (i.e., 263% FPG) than HUSKY A program coverage offered for parents and caretakers (i.e., 160% FPG). Accordingly, proof of benefits of HUSKY A coverage for pregnancy may be accepted for Tier 1 enrollment, but not for Tier 2 enrollment. In addition, HUSKY A Medicaid coverage for children under 19 has an income eligibility threshold of 201% FPG (note: not pictured in Table 2), which is lower than the 60% SMI cap for Tier 1. Therefore, proof of benefits of HUSKY A coverage for children under the age of 19 may be accepted for Tier 1 enrollment, but not for Tier 2 enrollment. See, OCC July Comments, Attachment 2, DSS Program Standards Chart.

<sup>24</sup> Tier 2 includes eligibility for HUSKY A Medicaid coverage for parents and caretakers. See, id.; DSS, Connecticut HUSKY Health Program Annual Income Guidelines – effective March 1, 2022, available at: <https://portal.ct.gov/-/media/HH/PDF/CT-HUSKY-Health-Annual-income-guidelines.pdf>; See also, DSS, HUSKY Health For Connecticut Children & Adults: How to Qualify, available at: <https://portal.ct.gov/HUSKY/How-to-Qualify>.

<sup>25</sup> See, CCA July Comments. See also, <https://www.ssa.gov/benefits/ssi/?tl=1>.

implementation complexity at the outset. The creation of additional tier(s) may be appropriate once an opt-out data-sharing agreement is reached between the EDCs and DSS. Furthermore, based on the EDCs' estimates provided herein, the Authority finds no material incremental increase in implementation costs, particularly around technical development and implementation, would be incurred to establish two tiers versus three or more tiers, including if the EDCs create two tiers initially and add more tiers in the future. See, Eversource July Comments, p. 2; Tr. 08/03/22, pp. 24-27. Accordingly, the Authority adopts a measured approach to the rollout of a LIDR to collect data and measure the impact on participating and non-participating customers, and to assess the success in meeting the LIDR Objectives. With the benefit of LIDR implementation data, the Authority intends to further examine the potential establishment of additional tier(s) below the 60% SMI threshold.<sup>26</sup> The current naming convention as outlined in Table 1 also allows for additional tier(s) for customers at or below 60% SMI to be added in the future (e.g., Tier 3 would be a subset of eligibility currently established for Tier 2).

## **B. CUSTOMER IDENTIFICATION AND ELIGIBILITY VERIFICATION**

The Authority is acutely aware that the lack of a single income-eligibility based definition codified in the General Statutes of Connecticut and employed by the clean and renewable energy, energy assistance, and energy efficiency programs, as well as other non-energy State government benefits programs, leads to suboptimal customer identification and enrollment processes. Furthermore, Connecticut does not have a single, streamlined, web-based portal whereby residents could apply and verify eligibility for government benefits or programs administered by different agencies.<sup>27</sup>

Nevertheless, the Authority is committed to establishing, to the extent achievable within its purview, coordinated customer identification and eligibility verification processes to ensure that those customers who qualify for a LIDR receive it as efficiently and effectively as possible. Accordingly, as discussed below, and unless otherwise stated, the Authority provides the following direction: (1) the EDCs, in the absence of an opt-out data-sharing agreement implemented with DSS, shall automatically enroll all customers designated as financial hardship and all electric customers receiving CEAP awards into Tier 1 of the LIDR no later than August 1, 2023. Thereafter, any new and continuing customers shall be auto enrolled onto Tier 1 when a customer's financial hardship designation or CEAP award is established, or renewed, respectively; (2) in the absence of an opt-out data-sharing agreement implemented with DSS, the EDCs, through their Customer Service Representatives (CSRs) and any other utility enrollment mechanisms, shall accept proof of verification documentation for Tier 1 or Tier 2 eligibility from

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<sup>26</sup> Additionally, the Authority encourages both Companies to propose special tariff programs for low- and/or moderate- income customers through the Innovative Energy Solutions (IES) program. Among other objectives, such tariff programs would provide additional data points relevant to the establishment of additional low-income discount rate tiers. The IES program will solicit proposals in early 2023. See, Decision dated March 30, 2022, in Docket No. 17-12-03RE05, PURA Investigation into Distribution System Planning of the Electric Distribution Companies –Innovative Technology Applications and Programs (Innovation Pilots), p. 34.

<sup>27</sup> For example, Maryland's Total Human-services Integrated Network, or THINK, is a web-based platform that allows its State human-services agencies to share information and back-end technical services, and provides a single point of entry for residents seeking assistance. See, <https://dhs.maryland.gov/mdthink/faq/>.

customers who opt in to receive a LIDR no later than August 1, 2023, and continuing throughout LIDR implementation; and (3) the EDCs shall submit as a motion for Authority review and approval in the 2023 energy affordability review docket (i.e., Docket No. 23-05-01), a proposal for working through the CAAs, Operation Fuel, and/or other organizations or entities to assist in enrolling eligible customers onto Tier 2, in the absence of an opt-out data-sharing arrangement implemented with DSS.

## 1. Data Sharing with DSS

The Authority agrees with Parties and Intervenors that the most timely and efficient approach to eligibility verification is through an ongoing data exchange between the EDCs and DSS. See, e.g., EOE July Comments, p. 16; OCC Written Comments, dated June 15, 2022, p. 6; Eversource 2021 Comments, p. 10; Operation Fuel July Comments, p. 3; Tr. 08/03/22, pp. 27-28. The Authority understands that there are a couple of ways in which a data exchange between the EDCs and DSS could be implemented. EOE posits that a simple way in which data sharing could work is to have DSS reply to an EDC with a “yes” or “no” indicating whether the customer should or should not be designated financial hardship, which is similar to the data-sharing approach used in Massachusetts to identify eligible customers onto a LIDR. EOE July Comments, p. 16. This would result in all customers eligible for Tiers 1 and 2 being placed in at least Tier 1 (i.e., up to 60% SMI) based on the information shared by DSS. Id. Under this version of data sharing, however, the EDCs would then have to work with each customer to determine the appropriate tier. Id. Eversource indicated that recent discussions with DSS considered not only establishing eligibility based on a customer's enrollment in a benefit program, but also DSS going a step further to identify a customer's appropriate tier based on the customer's participation in a specific benefit program. Tr. 08/03/22, pp. 31-32. EOE noted that an efficient data-sharing arrangement would be DSS replying to the EDCs with the tier associated with a customer as DSS knows the customer's income and household size. EOE July Comments, pp. 16-17.

OCC stated that DSS, assuming the Tier eligibility thresholds are aligned with the eligibility thresholds for other DSS programs, could program their system to confirm whether a customer would qualify under Tier 1 or Tier 2 without having to identify or verify that customer's income level and household size directly. OCC July Comments, p. 8. In addition, OCC indicated that DSS indicated its willingness to facilitate data sharing for purposes of both financial hardship eligibility and the LIDR, and to conduct outreach to help obtain beneficiary consent for DSS by incorporating consent into its applications to verify eligibility for the LIDR based on enrollment in DSS Benefits programs. Id.; Tr. 08/03/22, pp. 92-93; 227-228.

As supported by EOE and others, the Authority posits that an integrated approach is the most efficient and effective data-sharing solution, whereby DSS would include a consent waiver on its common benefits application (W-1E) authorizing DSS to share their eligibility for financial hardship designation and to indicate the appropriate LIDR Tier with the EDCs. See, e.g., EOE July Comments, p. 17. Further, the Authority is not persuaded that implementation of an opt-in solution for customers (i.e., one that requires an affirmative step taken by an individual customer through a separate process specific to LIDR enrollment) is the most effective means of serving all eligible customers, particularly if subsequently implementing an opt-out approach (i.e., one that does not require an

affirmative step taken by an individual customer separate and apart from a customer completing a benefits application) would result in additional costs or implementation delay, or both. As Eversource noted, establishment of a customer opt-out option for income-eligibility data-sharing coupled with automatic LIDR enrollment would drive the highest participation rates, whereas providing customers with an opt-in option (e.g., an EDC letter sent via mail or email, or phone call) would result in much lower participation rates. Eversource Response to Interrogatory OCC-25; Tr. 08/03/22, pp. 143-146. For example, Eversource remarked that of its customers contacted to receive free utility assistance through the UniteCT program, the opt-in campaign resulted in approximately a 30% response rate. Tr. 08/03/22, pp. 143-146. Eversource also indicated it is continuing to work with DSS towards low-income customer data-sharing via customer opt-in versus opt-out. Eversource Response to Interrogatory OCC-25.

Nevertheless, as discussions continue among stakeholders outside of the context of this proceeding, the Authority remains hopeful that the data-sharing solutions being contemplated will ultimately result in an efficient and effective solution for all eligible customers. The Authority appreciates the continued efforts of Parties and Intervenors engaged in ongoing discussions to implement a data-sharing arrangement that has the potential to deliver energy assistance benefits to thousands of the lowest income residents in Connecticut. Ideally, such an agreement will be reached, and the necessary IT processes completed, to support the launch of a LIDR implementation by the EDCs no later than January 1, 2024. Nonetheless, the Authority remains committed to establishing a LIDR to assist the lowest income customers in Connecticut in paying their electric bills with or without a timely resolution to this issue.

As a result, the Authority directs the EDCs to adopt interim customer identification and eligibility verification measures, including through each Companies' CSRs, while Parties and Intervenors continue to work toward achieving a longer-term and sustainable solution that minimizes the administrative burden on all entities participating in the verification process, as discussed herein. Order No. 44 of the Authority's April 2022 Energy Affordability Decision directed EOE to file beginning on June 15, 2022, and quarterly thereafter in the respective energy affordability review proceeding, a status update regarding discussions in reaching a data-sharing agreement. April 2022 Energy Affordability Decision, p. 62.<sup>28</sup>

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<sup>28</sup> The Authority rescinded Order No. 23 in Docket No. 20-07-04, Application of The Connecticut Light and Power Company and Yankee Gas Services Company, each individually d/b/a Eversource Energy, The United Illuminating Company, Connecticut Natural Gas Corporation, and The Southern Connecticut Gas Company for Approval of Arrearage Forgiveness Program 2020-2021, "insofar as it requires monthly updates; however, the Companies shall notify the Authority in writing if/when material progress is made in reaching an agreement" with DSS. Id., p. 52.

## **2. Automatic Enrollment of Financial Hardship Customers onto Tier 1**

The Authority concurs with the EDCs that all customers coded as financial hardship shall be automatically enrolled into Tier 1 (i.e., up to 60% SMI). See, e.g., Eversource Proposed Tariff, p. 5; UI July Comments, p. 6., Tr. 08/03/22, p. 166. Further, the Authority is persuaded to require enrollment of all customers who apply for and receive a CEAP award into Tier 1 of the LIDR since CEAP provides benefits for eligible electric and gas heating customers who have an annual household income that is below 60% of the SMI. See, e.g., EOE June Comments, p. 2. In addition, as the LIDR implementation continues, the EDCs shall enroll any new and existing customers onto Tier 1 when proof of financial hardship designation is established and renewed, respectively. Unless otherwise directed, LIDR eligibility will be required to be renewed on an annual basis.

## **3. Customer Opt-In Enrollment onto Tier 2**

As outlined in Section IV.A., Parties and Intervenors identified existing DSS benefits programs with income eligibility requirements below 60% SMI. The Authority established the Tier 2 LIDR eligibility to align with existing State benefit programs to ease the administrative and verification process and reduce enrollment burden on eligible customers. Accordingly, in the absence of a data-sharing agreement implemented with DSS that establishes a customer opt-out identification and eligibility verification process for LIDR implementation, the EDCs shall accept proof of verification documentation to determine eligibility for Tier 1 or Tier 2 of the LIDR. Accordingly, the Authority directs the EDCs to jointly submit for review and approval no later than February 1, 2023, its proposed method(s) for customer verification processes, including a list of accepted proof of verification documentation for each Tier. Such proposed customer verification processes shall be shared with EOE, OCC, DSS, CCA, and Operation Fuel at least ten (10) business days ahead of the Companies' filing and incorporate feedback received prior to submission to the Authority. Unless otherwise directed, LIDR eligibility will be required to be renewed on an annual basis.

## **4. Additional Partnerships**

As EOE and Eversource noted, the CAAs, like DSS, have income and household size information for any customer applying for CEAP, and as administrators of CEAP, the CAAs know the customer's heating source. EOE July Written Comments, p. 26, fn 26; Eversource Tariff Proposal, p. 7. Eversource also referenced its Memorandum of Understanding (MOU) with the CAAs to assist Eversource's customers with financial assistance programs, to help maintain service continuity, offer weatherization, and budget analysis. Eversource Proposed Tariff, p. 7. Eversource proposed expanding its MOU to include identifying customers who may qualify for Tier 2 of the LIDR based on income information the CAAs receive from customers through the customers' enrollment in CEAP. Id. In addition, Eversource proposed to update its "web-based solution that provides Social Agency Portal type of capabilities plus a streamlined intake process for enrollments into the energy programs." Eversource Response to Interrogatory EOE-25. UI did not offer direct comments with respect to the formation of any potential partnerships.

Accordingly, the Authority directs the EDCs to jointly submit as a motion for review and approval a proposal no later than February 1, 2023, for working through the CAAs, Operation Fuel, and/or other organizations or entities to enroll eligible customers onto Tier 2, in the absence of reaching an opt-out data-sharing arrangement with DSS. The proposal shall also include an explanation of how customers will be automatically placed on Tier 1 by the EDC, but may qualify for a larger discount based on the customer's enrollment in other State programs.

## 5. Eversource's Experian Data

In accordance with Order No. 35 of the April 2022 Energy Affordability Decision, Eversource submitted a proposal to auto enroll eligible customers into the financial hardship designation and onto New Start using the Company's existing access to Experian marketing data (Experian data). See, Motion No. 6 in Docket 22-05-01.<sup>29</sup> According to Eversource, based on its Experian data, as of July 11, 2022, 124,926 customers would be eligible for Tier 1 (i.e., up to 60% SMI) and an additional 84,178 customers would be eligible for Tier 2 (i.e., up to 160% FPG), for a total of 209,104 Eversource customers enrolled in a LIDR. Eversource Response to Interrogatory EOE-29; Tr. 08/03/22, p. 37. In this proceeding, and absent a data-sharing agreement reached with DSS, Eversource proposed to use Experian data to qualify customers based on household income for the LIDR; however, the Company recommended that the Authority consider the overall cost to all customers. Eversource Proposed Tariff, p. 5.

In its Motion No. 6 Ruling in Docket No. 22-05-01, the Authority authorized Eversource to use Experian data to identify financial hardship customers on a one-time trial basis prior to the start of the 2022-2023 winter heating season, subject to the requirements outlined therein. See, Motion No. 6 Ruling dated Aug. 24, 2022 in Docket No. 22-05-01. The Authority adopted a measured approach to allow all stakeholders an opportunity to review data and gain valuable insights to be able to further evaluate the potential benefits and drawbacks of utilizing Eversource's Experian data for customer verification and enrollment beyond the upcoming winter heating season. Id., p. 5. Pursuant to the Motion No. 6 Ruling, the one-time limited authorization expires after this upcoming winter heating season, unless the Authority otherwise takes action to approve the continued use of Experian data in the proposed manner. Id., p. 6. Further, the Authority indicated that the 2023 energy affordability proceeding is an appropriate opportunity to review the results to date. Id.

As a result, the Authority declines to approve the use of Experian data to qualify customers for a LIDR at this time. Given the EDCs' reported lead time to design, build, test, and implement a LIDR, as discussed in Section IV.E., the Authority intends to revisit the topic in the 2023 energy affordability proceeding in light of the status of ongoing discussions regarding a data-sharing solution. Ultimately, the Authority is interested in achieving the longer-term outcome of customer identification and enrollment through a data-sharing arrangement between DSS and the EDCs structured as a customer opt-out

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<sup>29</sup> On July 12, 2022, the Authority cross-posted Motion No. 24 in Docket No. 21-07-01 as Motion No. 6 in Docket No. 22-05-01, the current year's annual energy affordability review docket. The Authority refers to the filing as Motion No. 6 herein.

approach, which would preclude the need for Eversource to utilize its Experian data for LIDR customer identification and enrollment.

## 6. Customer Communications and Outreach

Absent an opt-out data-sharing agreement implemented with DSS, the success of the LIDR program reaching those residential customers eligible to participate will be largely dependent upon the effectiveness of the EDCs' customer communications and outreach. According to CCA, the EDCs should streamline the materials for readability and to ensure that customers receive information regarding the LIDR, as well as other energy affordability programs. CCA Written Comments, dated June 15, 2022, p. 3. The Authority directs the Companies to create a comprehensive communications plan to appropriately notify and educate eligible residential customers about the new LIDR offering, and to ensure customers are afforded sufficient notice to provide proof of eligibility and enroll in a LIDR. Each EDC's proposed communications plan, and accompanying customer communications, shall be filed as a motion for Authority review and approval no later than May 15, 2023, as part of the 2023 energy affordability proceeding. The filings shall also include sample bills, which shall comply with the bill redesign changes in the July 27, 2022 Decision in Docket No. 14-07-19RE06, PURA Investigation into Redesign of the Residential Electric Billing Format – Five-Year Review. The line-item credit on the sample bills shall be called "Low-Income Discount". The Companies shall first consult with EOE, OCC, Operation Fuel, and CCA to develop each EDC's communications plan at least ten (10) business days ahead of the Companies' filing and incorporate feedback received prior to submission to the Authority.

### C. LIDR CALCULATION

The Authority's calculation of an appropriate level of discount for customers eligible for Tier 1 and Tier 2 is grounded in the dual LIDR Objectives. As a result, the Authority determines that customers eligible for the Tier 1 LIDR shall receive a 10% discount applied to their total monthly bill. In addition, customers eligible for the Tier 2 LIDR shall receive a 50% discount applied to their total monthly bill.

Limiting customers' building energy costs to no more than 6% of their household income is often referenced as the maximum energy burden a resident should experience. This 6% threshold has been utilized in other State energy affordability policies,<sup>30</sup> and rests on the assumption that overall total shelter costs should not exceed 30% of household income, and that total household energy costs should not exceed 20% of total shelter costs (i.e., 20% of 30% is 6%).<sup>31</sup> Customers' heating source, and therefore, monthly kWh usage, is a factor in calculating a household's total energy burden. Connecticut EDCs serve both customers with electric heating and those with non-electric heating. As stated by the EDCs and others, this produces a challenge when calculating the appropriate discount for non-electric heating customers, as assumptions must be made regarding how much energy customers use on heating versus non-heating electricity use. See, e.g., Eversource July Comments, p. 7. EOE suggested an assumption of 2 - 2.6% of income is spent on non-electric heating, and therefore, non-electric heating customers

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<sup>30</sup> See, VEIC Report, p. 13.

<sup>31</sup> Id.

would have an electric burden of 3.4 - 4%. EOE July Comments, p. 3. EOE's suggestion relies on data reported in the VEIC Report, where observed State residential energy usage is split between 56% for electricity and 44% for heating, leading to an electric burden target of 3.4% for non-electric heating customers. *Id.*, p. 14. Furthermore, EOE submitted pre-filed testimony from the National Consumer Law Center (NCLC), which suggested that the target should be either an overall 5% for all LIDR customers, or 4% for non-electric heating and 6% for electric heating LIDR customers. Howat Pre-filed Testimony, p. 6. CCA also supported NCLC's proposed energy burden targets. CCA July Comments, p. 1.

To meet the first LIDR Objective, the Authority examined the household income thresholds of existing government benefits programs that are used to establish the criteria for Tier 1 and Tier 2 LIDR eligibility outlined in Table 2. See, OCC July Comments, Attachment 2, DSS Program Standards Chart. As noted by Parties and Intervenors, there will undoubtedly be a wide range of household sizes and household incomes of customers eligible for any tier established. According to Eversource, the average Connecticut household size is 2.5. Eversource Response to Interrogatory EOE-29; See also, Eversource Order No. 35 Compliance Filing dated May 16, 2022 in Docket No. 21-07-01, p. 2. The Authority assumed a household size of two (2) for its analysis, which effectively results in an increased level of discount compared to an assumption of a household size of three (3). Selecting an assumption of household income within each tier was more complex. The Authority conducted a sensitivity analysis of a "target" monthly electric bill based on varying household income levels within each Tier (e.g., 100% FPG; 160% FPG; and 60% SMI) based on a range of energy burden of 4% - 6% assumption (see further discussion, below). The relevant results of the Authority's analysis are summarized below.

Table 3 outlines the monthly electric bill under each respective annual household income threshold that is deemed affordable according to the specified energy burden target.

**Table 3**  
**Target Monthly Electric Bill Based on LIDR Tiers (Household Size: 2)**

|   | <b>TIER 1</b>  | <b>TIER 2</b>   |                 |
|---|----------------|-----------------|-----------------|
| <b>Total Electricity Cost Assumptions</b> | <b>60% SMI</b> | <b>160% FPG</b> | <b>100% FPG</b> |
| 6% of HH income                           | \$260          | \$146           | \$92            |
| 4% of HH income                           | \$173          | \$98            | \$61            |



The Authority then compared the range of target monthly electric bills in Table 3 to customers' monthly bills based on 2021 data provided by Eversource and UI. See, Eversource Supplemental Response to LFE-14, Attachment 1, dated Aug. 17, 2022; Eversource Response to Interrogatory CAE-34, Attachment 1; UI Tariff Proposal, Attachment 3, p. 3. Eversource provided an illustrative bill frequency analysis of 2021 monthly usage for residential customers. See, Eversource Supplemental Response to LFE-14, Attachment 1, dated Aug. 17, 2022; Eversource Response to Interrogatory CAE-34, Attachment 1. The Authority then calculated an average monthly bill based the total retail rate for standard service residential customers for 2021; see, Table 4, below.

**Table 4**  
**Eversource 2021 Bill Frequency Distribution**

|               | Financial Hardship Customers |                      | All Residential Customers |                   |
|---------------|------------------------------|----------------------|---------------------------|-------------------|
|               | Avg. Monthly Usage (kWh)     | Average Monthly Bill | Avg. Monthly Usage (kWh)  | Avg. Monthly Bill |
| <b>Rate 1</b> | 620                          | \$133.03             | 689                       | \$146.45          |
| <b>Rate 5</b> | 872                          | \$178.29             | 1,001                     | \$201.53          |
| <b>Rate 7</b> | 777                          | \$161.71             | 1,153                     | \$234.98          |

Id.

Similarly for UI, the Authority compared Table 3 to UI's bill frequency analysis of 2021 monthly usage for residential hardship customers to calculate median annual bills based on "the most recent rates in effect for the underlying months"; see, Table 5, below. UI Tariff Proposal, Attachment 3, p. 3.

**Table 5**  
**UI 2021 Bill Frequency Distribution of Hardship Customers**

|                | Median Monthly Usage (kWh) | Median Monthly Bill |
|----------------|----------------------------|---------------------|
| <b>Rate R</b>  | 457                        | \$122.94            |
| <b>Rate RT</b> | 764                        | \$181.43            |

Id.

The Authority then conducted a pricing sensitivity analysis to calculate discount rates that would, in most cases, make up the difference between the EDC's 2021 monthly bills and the monthly electric utility bills based on Tier 1 and Tier 2 household income benchmark data. For purposes of this analysis, the Authority assumed a 4% energy burden target for Eversource's non-electric heating customers (i.e., Rate 1 and Rate 7) and a 6% energy burden target for Eversource's electric heating customers (i.e., Rate 5). As UI noted, the Company no longer has an electric heating tariff; Rate A, the former

electric heating tariff, was subsumed into Rate RT in 2006.<sup>32</sup> UI Tariff Proposal, p. 3. UI assumes that approximately half of the customers currently on Rate RT are electric heating customers, and therefore proposed to use Rate RT as a proxy for electric heating customers and Rate R as a proxy for non-electric heating customers. Id.

Based on the assumptions and data outlined above, the Authority calculates that customers eligible for the Tier 1 LIDR shall receive a 10% discount applied to their total monthly bill. In addition, customers eligible for the Tier 2 LIDR shall receive a 50% discount applied to their total monthly bill. The percentage discounts shall be applied to all qualifying Eversource and UI customers for Tier 1 and Tier 2, respectively, regardless of their heating source; see, Table 6.

As noted above, the Authority examined a range of discount rates based on a set of assumptions that would result in reaching customer monthly bills that achieve an energy burden of 4 - 6%. In other words, the Authority considered either end of the spectrum from customer usage, household income, and size characteristics and ultimately sought to design a LIDR around a typical customer within Tier 1 and Tier 2, respectively, while still considering the impacts on customers on either end of the spectrum of key inputs such as usage and income. For example, assuming a household size of two (2), at a 50% discount rate, an average-use customer with an income of 100% FPG and a higher-usage customer with an income of 160% FPG would reach a 4% energy burden target (or lower). Similarly, a customer who just misses the eligibility for Tier 1, but is well below the 60% SMI Tier 1 cap (e.g., 170% FPG), would still benefit from a 10% discount rate. Further, the Authority adopted a methodology similar to the methodology used by UI in the UI Tariff Proposal. In the UI Tariff Proposal, UI stated, “The Company then determined the percent discounts, by number of occupants and income tier, that would be required to result in total annual bills being equal to the following percentages of annual income: 3%, 4%, 5%, and 6%. Within each tier, the income value used in the comparison was one-quarter of the range between the lower income threshold and higher income threshold.” UI Tariff Proposal, p. 3.

**Table 6**  
**Eversource & UI LIDR**

| <b>Tier</b> | <b>Income-Eligibility</b> | <b>Discount Level</b> |
|-------------|---------------------------|-----------------------|
| 1           | Up to 60% SMI             | 10%                   |
| 2           | Up to 160% FPG            | 50%                   |

Depending on a given set of customers’ usage, household income, and size characteristics, the Authority recognizes that the Tier 1 and Tier 2 LIDR percentages established herein will necessarily result in some customers receiving a level of discount where their electric energy burden falls below the 4% or 6% target. Conversely, while all customers on a LIDR will see their monthly bills reduced, some subset of customers may

<sup>32</sup> EOE notes that it may be preferable for UI to “establish a new home heating rate or shift non-home heating customers to a different rate”, which would result in a more targeted LIDR. EOE Letter in Lieu of Written Exceptions, dated Sept. 28, 2022, pp. 1-2. A rate case proceeding is the appropriate forum for such consideration and therefore encourages interested stakeholders to explore the topic in the ongoing investigation in Docket No. 22-08-08.

have monthly bills that ultimately remain higher than the 4 - 6% energy burden target. In these particular cases, it is critical that customers are aware of, and are able to take advantage of, other existing utility programs and resources, as discussed in Section IV.G. For example, the LIDR calculation does not factor in receipt of a CEAP award available to all qualifying electric heating customers, which would further reduce customers' household energy burden in conjunction with a LIDR. For the 2021-2022 program year, the basic benefits CEAP award ranged from \$475 to \$1,015 for each "vulnerable" household<sup>33</sup> and \$410 to \$940 for each "non-vulnerable" household.<sup>34</sup>

Nonetheless, the Authority finds the level of discount established herein on par with, or more beneficial to, participating customers compared to LIDRs currently offered in other jurisdictions in the region. As stated in the Straw Proposal, Massachusetts currently offers a 36% discount rate to eligible electric customers whose incomes are at or below 60% of Massachusetts' SMI. Eversource Response to Interrogatory CAE-8, Attachment 2. In New York, customers are placed in one of four tiers based on eligibility, with a flat rate discount ranging from \$3.00 to \$36.00 per month. UI Response to Interrogatory CAE-35, Attachment 3, pp. 1-2; UI Response to Interrogatory CAE-44. The LIDR offered in New Hampshire has five (5) tiers; however, only customers at or below 100% FPG in New Hampshire would receive a greater level discount as compared to Tier 2 customers in Connecticut. Eversource Response to Interrogatory CAE-8, Attachment 1. Further, as Eversource notes, the winter shut-off moratorium in Connecticut provides greater protection than in its New Hampshire service territory. See, Tr. 08/03/22 p. 44.

While the Authority finds that the establishment of a two-tiered discount rate is an appropriately measured approach for Connecticut at this time, PURA nonetheless appreciates the discussion regarding a multi-tiered discount rate with three or more tiers, as it would enable greater precision in targeting the lowest income customers with the greatest level of discount. Accordingly, the Authority may subsequently consider the addition of one or more tiers below 60% SMI once a data-sharing arrangement between DSS and the EDCs is reached and all Parties and Intervenors have had the benefit of evaluating LIDR implementation data and associated reporting metrics, as further outlined in Section IV.H.

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<sup>33</sup> DSS defines a "vulnerable household" as "[a]ny household in which one or more members is either elderly (defined as 60 years of age or older), disabled or under the age of six." See, DSS 2021-2022 LIHEAP Plan, p. 4.

<sup>34</sup> See, id., pp. 8-9.

#### D. LIDR COSTS & COST CONTROLS

The second LIDR Objective – to reduce uncollectible expenses, as well as the need for service disconnections and reconnections – is also key to the success of implementation of a LIDR, albeit more difficult to quantify or estimate prior to implementation. On numerous occasions, the Authority solicited analyses from the EDCs and other Parties and Intervenors of the potential range of reduction in uncollectible expenses in Connecticut, as well as recommended methodologies or data from such analyses conducted in other jurisdictions. See, e.g., Notice of Request for Written Comments, dated June 24, 2022, p. 3; Interrogatories CAE-37 and CAE-48; Tr. 06/21/22 pp. 36-39, 134, 140-141. Ultimately, however, no such analysis was provided. As a point of reference, net expenses related to hardship customers (i.e., uncollectibles as well as programmatic expenses from utility match) that were recovered from all ratepayers through the SBC were approximately \$58 million for Eversource and \$18 million for UI in 2021.<sup>35</sup> In addition, there is a cost for the EDCs to perform service disconnections and reconnections, as well as the broader societal costs and rippling effects of customers losing their electric service, even if for a short period of time. While this proceeding did not aim to precisely measure the costs of the status quo, these real human impacts should nevertheless be considered.

Based on the foregoing assumptions and analysis discussed herein, the Authority calculates an estimated gross annual cost of LIDR implementation, without netting any reductions in uncollectible expenses or other ratepayer or societal benefits, of approximately \$32 million for Eversource and \$39 million for UI.<sup>36</sup> This estimate also

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<sup>35</sup> See, Authority's Decisions dated Aug. 17, 2022, in Docket Nos. 22-01-03, PURA Annual Review of the Rate Adjustment Mechanisms of The Connecticut Light and Power Company, p. 18, and 22-01-04, PURA Annual Review of the Rate Adjustment Mechanisms of The United Illuminating Company, pp. 17-20, respectively.

<sup>36</sup> The Authority calculated an initial annual gross cost estimate based on the EDCs' own pricing sensitivity analyses as well as other record evidence. Specifically, the Authority multiplied the discount rates (10% and 50%) and an estimated breakdown of Tier 1 vs. Tier 2 customers (see below) by the total low-income customer billed revenue provided by each Company (\$123 million for Eversource and \$131 million for UI). Eversource Response to LFE-14, Attachment 1, dated Aug. 10, 2022; UI Response to LFE-25, Supplemental Attachment 2, dated Aug. 19, 2022. The cost estimate per customer is evidently higher for UI due to the following factors: (1) the greater percentage of financial hardship customers estimated in UI's service territory (i.e., 76,901) compared to Eversource's service territory (i.e., 209,104); (2) UI's estimated breakdown of Tier 1 vs. Tier 2 customers (i.e., 50%/50%) compared to Eversource's estimated breakdown of Tier 1 vs. Tier 2 customers (i.e., 60%/40%); (3) and UI's 2021 total average retail rates for residential customers, excluding the customer charge, are higher (i.e., 24.0915 cents/kWh for Rate R; 22.0686 cents/kWh for Rate RT) compared to Eversource's total average retail rates for residential customers, excluding the customer charge (i.e., 19.905 cents/kWh for Rate 1; 17.722 cents/kWh for Rate 5). See, Eversource Supplemental Response to LFE-14, Attachment 1, dated Aug. 17, 2022; Eversource Response to LFE-19, Attachment 1, Exhibit B – Revised; Eversource Response to Interrogatory CAE-34, Attachment 1; Eversource Response to Interrogatory EOE-29; UI Tariff Proposal, Attachment 3, p. 3; UI Supplemental Response to LFE-25, Attachments 1 and 2, dated Aug. 19, 2022; and EOE July Comments, LIDR Program Cost Tool Final. However, while the Authority was able to recalculate a similar cost estimate for UI (approx. \$30 million per year) using another methodology that utilized the UI customer usage and other data provided in this proceeding, the Authority was unable to recalculate a similar cost estimate for Eversource using the data provided by the Company, instead calculating a higher estimated cost (approx. \$70 million per year). Order No. 1 of this Decision, which directs each EDC to file a detailed revised annual LIDR cost estimates based on the direction provided herein, will provide greater clarity on the matter.

does not include the EDCs' one-time implementation costs or any administrative costs, as outlined in Section IV.E. The Authority assumed 124,926 participating Tier 1 and 84,178 Tier 2 Eversource customers and 39,286 participating Tier 1 and 37,616 Tier 2 UI customers. Eversource Response to Interrogatory EOE-29; UI Supplemental Response to LFE-25, Attachment 1, dated Aug. 19, 2022. This estimate is likely overstated as it does not factor in the effect of a monthly kWh usage cap applied to a LIDR, as discussed in Section IV.D. Further, the establishment of a two-tiered LIDR for customers at or below 60% SMI results in a lower gross annual cost than the estimates provided in the record. See, Eversource Response to LFE-19, Attachment 1 (Exhibit B – Revised); UI Supplemental Response to LFE-25, Attachments 1 and 2; EOE July Comments, LIDR Program Cost Tool Final.

Notwithstanding, the Authority establishes the following cost control measures, discussed below. In addition, no later than December 20, 2022, the EDCs shall each submit as compliance a revised annual LIDR cost estimate based on the direction provided herein, using only bill frequency distribution data for customers coded financial hardship. Recovery of LIDR costs is addressed in Section IV.F. Furthermore, the Authority establishes ongoing reporting requirements on LIDR implementation, as directed in Section IV.H.

### **1. Monthly Usage Cap**

There is a range of support for establishing a monthly kWh usage cap for a LIDR among Parties and Intervenors. DEEP and OCC expressed strong support for instituting cost control measures for a LIDR, where DEEP favored monthly usage caps, opining that a budgetary cap could limit program participation, and while OCC expressed a preference for a budgetary cap, it did support a monthly usage cap. DEEP July Comments, p. 6; OCC July Comments, p. 6. CCA and Operation Fuel voiced concern regarding such a cap and opined that it should not be a component of a LIDR. See, CCA July Comments, pp. 4-6; Operation Fuel July Comments, pp. 2-3. The arguments raised stated that low-income customers often have little to no control over their home energy usage; for example, if customers rent their home and the landlord controls heating usage and the home's energy efficiency and weatherization, or if customers are homeowners, they often have limited access to capital to make energy efficiency upgrades. See, e.g., CCA July Comments, pp. 4-6. Other Parties noted the potentially large cost of an unlimited LIDR with no usage cap. For example, EOE estimated that without a usage cap, an additional \$39 million could be spent on discounts to financial hardship account bills, which would then be an expense shifted to non-LIDR ratepayers. EOE July Comments, p. 13.

The Authority appreciates the comments submitted that highlight the difficulty some low-income residents face in lowering their energy usage. Nevertheless, the Authority maintains it is important that a LIDR not eclipse Connecticut's long-standing policies that promote energy conservation measures. See also, OCC Brief, pp. 4-5. The Authority also notes that a usage cap of 750 kWh per month is applied to the multi-tier discount rate offered to electric customers in New Hampshire, which has similar discount levels as outlined in this Decision. Therefore, the Authority finds a monthly usage cap is an appropriate cost control mechanism that also is consistent with energy conservation.

The Authority examined the EDCs’ usage and bill frequency data provided to set separate monthly kWh caps for electric heating and electric non-heating customers that were not unduly restrictive and takes into consideration the limited ability to control electric usage low income customers may face. Specifically, the Authority set the monthly kWh caps based on the reported third quartile of the EDCs’ 2021 hardship customer usage data; see, Table 7, below. See, Eversource Supplemental Response to LFE-14, Attachment 1, dated Aug. 17, 2022; Eversource Response to Interrogatory CAE-34, Attachment 1; UI Tariff Proposal, Attachment 3, p. 3. In other words, it is estimated that 75% (or greater) of hardship customers’ usage would fall below the kWh usage cap and therefore not be impacted by it. As indicated above, for the purposes of this analysis, the Authority adopts UI’s recommendation to use Rate RT as a proxy for electric heating customers, and Rate R as a proxy for non-electric heating customers. See, UI Tariff Proposal, p. 3. However, given that there are also electric heating customers on Rate R, the Authority opted to set the usage cap slightly higher than UI’s third quartile based on Rate R customers’ usage data. See, UI Tariff Proposal, Attachment 3, p. 3.

**Table 7**  
**Monthly Usage Caps Applied to LIDR**

| <b>Eversource’s Rate 1;<br/>UI’s Rate R</b> | <b>Eversource’s Rate 5 &amp; Rate 7;<sup>37</sup><br/>UI’s Rate RT</b> |
|---|--|
| 800 kWh/month                               | 1,200 kWh/month  |

**2. Budgetary Target**

The Authority explored the potential of a budgetary target as a cost control mechanism for implementation of the LIDR. In New York, the New York Public Service Commission established a budgetary target (NY Budget Target) such that the total budget for each utility may not exceed 2% of total electric or gas revenues for sales to end-use customers, and established a default process of setting benefit levels that varies levels of discounts based on need. UI Response to Interrogatory CAE-35, Attachment 2, p. 1. According to UI, the NY Budget Target does not, however, operate as a strict cap to prevent the discount from being applied to the low-income customer’s account, nor does it operate to prevent participation in the program once the target has been reached. Id., p. 32; UI Supplemental Response to LFE-22. Additionally, UI clarified that an exceedance of the NY Budget Target also would not impact the utility’s recovery of costs, as the utility is allowed to fully recover its program costs regardless of whether the cap is reached. UI Response to Interrogatory CAE-35, Attachment 2, p. 22. Instead, the NY Budget Target is used to adjust the energy burden target in the year following an exceedance and would result in a reduction of the low-income discounts until the program costs are contained within the budget limit for that year. Id. Notably, however, UI indicated that the NY Budget Target has never been reached to date. UI Supplemental Response to LFE-22.

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<sup>37</sup> Based on 2021 data provided by Eversource, customers on Rate 7 represent less than 1% of financial hardship customers. See, Eversource Supplemental Response to LFE-14, Attachment 1, dated Aug. 17, 2022. However, since customers on Rate 7 had higher monthly usage overall as compared to Rate 1 and Rate 5 customers, the Authority applied the higher monthly kWh usage cap to any Rate 7 customers eligible for a LIDR.

Parties and Intervenors are not opposed to the institution of a budgetary target, so long as it would not result in halting enrollment or otherwise a reduction in the level of discount in a given year for eligible customers. See, e.g., Eversource July Comments, p. 4; UI Written Comments, July 21, 2022 (UI July Comments), p. 2; OCC July Comments, pp. 6-7.

The Authority directs the EDCs to track the total costs of LIDR implementation as a percentage of each EDC's total billed sales as a key metric and will review the effects of a budgetary cap in its biennial review of the LIDR; see, Section IV.H. During the biennial LIDR review, the Authority will consider whether additional cost control measures are warranted by reviewing the data collected and the impact of the LIDR on both participating and non-participating customers.

#### **E. LIDR IMPLEMENTATION COSTS AND TIMELINE**

Both Eversource and UI provided estimated costs and a timeline for implementation of a LIDR, largely based on the parameters outlined in the Authority's Straw Proposal, which are summarized below. Notwithstanding, the EDCs shall each submit as compliance a detailed LIDR implementation cost estimate based on the direction provided herein no later than December 20, 2022 (Order No. 1). The detailed estimate shall also include the cost to configure the EDC's system so as to accommodate the inclusion of an additional one or more tiers in the future. The EDCs indicated such cost would likely be nominal; however, the EDCs shall explicitly itemize and highlight the cost estimate to build in the capability to utilize more than two tiers in its Order No. 1 compliance, including a calculation of the cost estimate to build in capacity for future tiers as a percentage of total implementation costs. The Authority recognizes that the cost estimates pursuant to Order No. 1 will not include potential impacts to or reductions in expenses, such as financial hardship uncollectibles, the Matching Payment Program (MPP) utility match, and the arrearage forgiveness match recovered through the SBC.

Notably, each EDC's estimated cost to implement the LIDR pursuant to Order No. 1 of this Decision shall include all residential customer classes, as indicated in Table 7, above. Indeed, the EDCs included all residential customer classes in their Tariff Proposals and did not raise any questions or concerns with respect to implementation costs or considerations specific to designing a LIDR for their time-of-use (TOU) customers (i.e., UI's Rate RT and Eversource's Rate 7). Eversource Proposed Tariff, pp. 10-11; Eversource Proposed Tariff, Exhibit A; UI Proposed Tariff, pp. 3-4; UI Proposed Tariff, Attachment 1; Eversource Response to Interrogatory EOE-25; UI Response to Interrogatory EOE-25; Eversource Response to Interrogatory BETP-5; UI Response to BETP-5; UI Response to Interrogatory CAE-47. Accordingly, the LIDR monthly usage cap of 1,200 kWh shall be designed to apply to on-peak hours first and off-peak hours second. For example, for a UI Rate RT customer with 800 kWh of on-peak usage and 700 kWh of off-peak usage for a monthly total of 1,500 kWh, the monthly usage cap shall be first applied to the 800 kWh of on-peak use, and the remainder of the cap shall be applied to 400 kWh of off-peak usage to meet the overall 1,200 kWh/month usage cap for Rate RT. As part of its Order No. 1 compliance, the EDCs shall include detailed cost estimates and accompanying explanations of implementing a LIDR for its residential TOU rates, and raise any potential technical or IT implementation issues, as well as recommended solutions.

Additionally, the EDCs shall enroll qualifying financial hardship customers into Tier 1 and begin offering a LIDR as soon as possible, and no later than January 1, 2024. To enable the timely and efficient enrollment of eligible customers on a LIDR as soon as it becomes available, the EDCs shall begin accepting proof of LIDR eligibility documentation, based on the direction provided in Section IV.B., to enroll customers onto the Tier 2 LIDR through an opt-in process as soon as possible, and no later than August 1, 2023. No later than December 20, 2022, each EDC shall submit as compliance a detailed LIDR implementation timeline that comports with LIDR launch on or before January 1, 2024.

## 1. Eversource

According to Eversource, its cost and timeline estimates rely on key assumptions, including that each tier will be a single percent discount, bill calculation will be for three separate tiers, and that auto-enrollment and rolling enrollment and unenrollment are included in the LIDR. Eversource Proposed Tariff, p. 15. Based on these assumptions, Eversource estimated that the information technology (IT) costs associated with the administration and implementation of the LIDR would be \$3.6 million. Eversource Proposed Tariff, p. 15; Tr. 08/03/22, p. 47. This includes \$600,000 for its “requirements” phase, \$900,000 to design the LIDR, \$900,000 to build the LIDR, \$900,000 to test the LIDR, and \$300,000 to deploy the LIDR and for post implementation. Id. It also includes any costs associated with adding a line regarding the LIDR to a customer’s bill; although it does not include any costs associated with implementing a data-sharing agreement with DSS. Tr. 08/03/22, p. 47. Eversource stated that removing Tier 3 will not impact the IT costs estimates, nor will adding five tiers versus three. Eversource Response to Interrogatory BETP-5.

Eversource also indicated that its cost estimate does not include ongoing administration costs associated with implementing the LIDR, as those costs will vary depending on the customer eligibility and verification process ultimately approved by the Authority. Id., pp. 15-16. With respect to administration costs, Eversource initially estimated requiring four (4) to eight (8) full-time employees at an anticipated annual cost of \$300,000 to \$600,000 to support Tier 2 as Eversource assumed those customers would not be automatically enrolled.<sup>38</sup> Id., p. 11; Eversource Response to Interrogatory EOE-25. Lastly, Eversource noted that if changes are made to existing programs and offerings, including MPP and New Start Program, there may be additional IT costs associated with changes to billing or IT systems, or both. Eversource July Comments, p. 11.

In addition, Eversource estimated it will take sixteen (16) months from the date of the Decision to implement the LIDR, which includes two months for the “requirements” phase, three months to design the LIDR, three months to build the LIDR, three months to test the LIDR, and one month to deploy the LIDR and for post implementation. Id., pp. 14-16. Eversource’s estimated implementation timeline also includes four (4) months of an initial preparation period during which Eversource will prepare and mobilize its project

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<sup>38</sup> Eversource stated it requires at least six (6) full-time employees to verify income and manually process every approximately 100,000 households. Eversource Response to Interrogatory EOE-25.



and the individuals required and twelve (12) months for the IT work, which includes building and testing of the project before it is implemented. Id. According to Eversource, removing Tier 3 would not impact the timeline estimates. Eversource Response to Interrogatory BETP-5. Eligible customers who are enrolled in the LIDR at implementation would see a discount on the first bill they receive once LIDR is live. Eversource Response to Interrogatory BETP-2.

## 2. UI

UI estimated that it will cost approximately \$400,000 to implement the SAP billing solution. UI Proposed Tariff, p. 3. UI clarified that its estimate only includes the necessary SAP billing system configuration and does not include eligible customer management, such as eligibility verification or customer support, bill printing of the discount, accounting, program performance reporting, and promotion and customer communication. Id. UI indicated that its estimate also does not include training for customer service representatives regarding the LIDR. Id.; Supplemental Response to Interrogatory CAE-47. UI estimated that the cost for implementation could run from \$0 to \$700,000, depending on the processes used. Id. For example, UI stated that if implementation of the LIDR is done using the current process of hardship customer enrollment and management, then the cost estimate is negligible. Id. Specifically, UI stated that it will cost \$68,000 to perform and implement the SAP configuration necessary to provide a single LIDR to all eligible Tier 2 customers. Id. If, however, implementation requires that UI verify each customer for the LIDR, then the cost estimate could be up to \$700,000. Id.

In addition, UI estimated that it will take approximately five (5) months to perform and implement the SAP configuration necessary to provide a single LIDR to all eligible Tier 1 customers, and six (6) months to fully implement a solution that requires it to verify each customer individually. Id.; UI Proposed Tariff, p. 3. Eligible customers enrolled in the LIDR would see a discount on the first bill they receive post-launch. UI Response to Interrogatory BETP-2.

## F. COST RECOVERY

The Authority directs Eversource and UI to submit their incurred costs associated with the implementation of a LIDR in a given calendar year they believe to be prudently incurred into the subsequent year's annual review of the Revenue Adjustment Mechanisms (RAM) proceeding (e.g., costs incurred in 2023 shall be submitted into the 2024 RAM proceeding, etc.). All costs shall be reconciled through the SBC and included as separate line items in the corresponding RAM exhibits (i.e., discount provided vs. LIDR design IT costs vs. administration costs, etc.), which is consistent with the way in which Eversource implements the LIDR programs in its Massachusetts and New Hampshire jurisdictions. See, Eversource Response to Interrogatory BETP-1; Tr. 08/03/22, p. 60. In addition, the Authority directs the EDCs to quantify and include a narrative explanation of any variance of the annual SBC net expenses (e.g., hardship uncollectibles, MPP, etc.) that may be impacted by the establishment of a LIDR in their respective RAM proceeding(s).

The Authority reminds Eversource and UI that the burden of demonstrating prudently incurred costs to implement the LIDR, as directed herein, rests with each EDC. To demonstrate prudence in their annual RAM filings, Eversource and UI will need to provide sufficiently detailed cost information and evidence to support the finding that all efforts were taken to minimize costs, including, but not limited to, evidence that: (1) reasonable competitive procurement processes were held, as applicable; (2) existing internal resources were leveraged to the extent possible; (3) investments in new resources were selected with current and future investments, programs, and public policies in mind; and (4) unnecessary costs were avoided. Out of an abundance of caution, the Authority is in no way pre-approving the IT and administrative costs to implement the LIDR as described herein; as discussed above, the approval of any implementation costs will be done through the appropriate RAM proceedings.

With respect to the cost allocation methodology among rate classes through the SBC, the Authority concludes there is insufficient record evidence to date, and that cost allocation is more appropriately considered within the broader context of a rate case proceeding. Accordingly, the Authority directs the EDCs to propose at least two potential cost allocation methodologies (e.g., based on a volumetric basis, number of customers in each class, or on write-offs in each class, etc.) of the LIDR among the different rate classes through the SBC in their next respective rate cases (i.e., UI's rate case is Docket No. 22-08-08) for further discussion and evaluation among Parties and Intervenors.

Depending on the timing of the conclusion of Eversource's next respective rate case proceeding, the Authority recognizes that the Company may seek to recover IT implementation or other administrative costs associated with LIDR design and implementation in an annual RAM proceeding prior to the determination of a cost allocation methodology through the SBC (e.g., 2023 administrative costs to be recovered in the RAM proceeding in 2024). As such, the Authority directs Eversource to utilize its existing cost allocation methodology applied to the uncollectible hardship accounts recovered through the SBC in its annual RAM proceeding. See, Eversource Supplementary Response to LFE-15, Attachment 2, Column (B). Similarly, for any administrative costs incurred in 2022, the Authority directs UI to utilize its existing cost allocation methodology applied to uncollectibles for hardship customers recovered through the SBC in its annual RAM proceeding. The Authority notes that its decision in the ongoing rate case proceeding (i.e., Docket No. 22-08-08) will be issued prior to the Company seeking recovery for calendar year 2023 LIDR-related costs.

## **G. INTERACTIONS WITH EXISTING PROGRAMS & OFFERINGS**

Connecticut has existing programs and offerings designed to help low-income customers pay their electric bills, including programs designed to make bills more affordable. These programs and offerings include CEAP and MPP for electric heating customers, the EDCs' voluntary arrearage forgiveness programs (i.e., Eversource's New Start Program and UI's Bill Forgiveness Program, or BFP), flexible payment arrangements pursuant to Conn. Gen. Stat. § 16-262c(b) and the April 2022 Energy Affordability Decision, the Residential Renewable Energy Solution (RRES) Program, the Home Energy Solutions – Income Eligible Program, and other energy efficiency and weatherization measures. Parties and Intervenors agree that the LIDR may be offered in conjunction with existing programs and offerings. See, e.g., UI July Comments, p. 6;

DEEP July Comments, p. 12. However, some expressed concern regarding the compatibility between the Below Budget Payment (BBP) of the MPP, CEAP, and the LIDR. See, e.g., EOE June Comments, p. 7; Eversource Response to Interrogatory EOE-22.

Accordingly, as discussed below, the Authority provides the following direction: (1) the EDCs shall submit a narrative with a comprehensive set of customer scenarios that highlight outstanding questions as to the application of all other types of energy assistance provided, and propose solutions or other workarounds for review and approval; and (2) the Authority directs the EDCs to submit for review and approval a proposed plan to cease the BBP offering beginning for the 2023-2024 winter heating season, whereby customers are enrolled in the LIDR and their monthly payment through MPP is calculated based on the established formula. All other existing programs and offerings designed to help financial hardship customers pay their electric bills shall continue.

## 1. CEAP

CEAP is a federally funded program administered by DSS in partnership with the statewide network of CAAs. CEAP provides benefits for eligible electric and gas heating customers who have an annual household income that is below 60% of the SMI.<sup>39</sup> The amount of benefit awarded through CEAP is dependent on various factors; the basic benefit award is based on five (5) levels utilizing the FPG (i.e., up to 100% FPG; 101 - 125% FPG; 126% - 150% FPG; 151% - 200% FPG; and 201% FPG – up to 60% SMI).<sup>40</sup> For the 2021-2022 program year, the basic benefits CEAP award ranged from \$475 to \$1,015 for each “vulnerable” household and \$410 to \$940 for each “non-vulnerable” household.<sup>41</sup> Unlike other programs for low-income customers, customers are not required to have an arrearage to be eligible to receive a CEAP award; for electric heating customers, this may result in a credit applied to a customer’s bill, depending on the timing of when the CEAP award is applied to the customer’s account. Therefore, customers who receive CEAP may also participate in the MPP if they have a past due balance.

EOE raised an issue with respect to a LIDR customer’s receipt of CEAP while participating in MPP. Specifically, EOE opined that a LIDR customer participating in the MPP would receive both a discount from the LIDR and the CEAP award matched by the EDC,<sup>42</sup> which would result in the payment of the customer’s arrearage as well as the current bill. EOE July Comments, p. 20. As soon as the customer’s arrearage is paid off, EOE asserted that the customer would only have to pay the monthly bill, as reduced by the LIDR, and would then be in the same position as a customer receiving CEAP who is not on MPP. Id. EOE highlighted that an outstanding question under this scenario is how the customer’s CEAP payment would be allocated. Id.

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<sup>39</sup> See, DSS 2021-2022 LIHEAP Plan.

<sup>40</sup> Id.

<sup>41</sup> See, id., pp. 8-9.

<sup>42</sup> A LIDR customer receiving a utility match through the MPP would necessarily receive both the LIDR and a CEAP award because the MPP requires customers to receive a CEAP award in order to receive the utility match under the MPP.

EOE provided two possible solutions to the scenario it presented. First, the customer's LIDR could be calculated without including the customer's CEAP payment, though this would result in the customer accumulating a credit on the customer's account, once the arrearage amount is paid. Id. The other possible solution is to apply the CEAP award to the difference between the customer's LIDR and the amount the customer actually owes the EDC. Id. While the second solution benefits ratepayers the most, it does not assist low-income customers with arrearages. Id. EOE therefore recommended that the CEAP award be used to offset the cost of the LIDR to other ratepayers, once a customer's arrearage amount is fully paid. Id. This approach would also ensure that the customer's energy burden is not reduced to significantly less than 6%. Id.

As an initial matter, the Authority reiterates that eligible customers can and should continue to apply for and receive a CEAP award, regardless of whether customers have accumulated an arrearage or not. The LIDR established herein is designed to enable customers to be able to pay their current monthly bills and to reduce or eliminate the future accumulation of arrearages. Therefore, it is the Authority's preference that the CEAP award be applied toward existing customer arrearages, if applicable. If a customer receiving a CEAP award does not have an arrearage and is also enrolled in a LIDR, it stands to reason that the combination of CEAP and the LIDR should not result in a credit on affected customer accounts.

Notwithstanding, as administrators of the LIDR and recipients of CEAP awards to be applied to customer accounts, the Authority seeks the EDCs' proposed solution based on the scenario outlined above. Accordingly, no later than May 15, 2023, as part of the 2023 energy affordability proceeding, the EDCs shall jointly submit a narrative with a comprehensive set of customer scenarios that highlight outstanding questions as to the application of all other types of energy assistance provided, and propose solutions or other workarounds for review and approval.

## **2. MPP**

MPP is a statutorily mandated program for customers who use electric or gas as their primary heat source. See, Conn. Gen. Stat. § 16-262c. Customers are eligible for participation in the MPP if: (1) they are eligible and apply for CEAP benefits or a State appropriated fuel assistance program; (2) authorize the electric or gas company to send a copy of the customer's monthly bill directly to any energy assistance agency for payment; and (3) enter into and comply with an amortization agreement, which reduces the customer's bill. Conn. Gen. Stat. § 16-262c(b)(4). In order to obtain utility matching payments through the MPP, the customer must make all required payments within each of the two phases of the program, and receive a CEAP award.

The Authority emphasizes that eligible customers can and should continue to enroll and participate in the MPP, and to also enroll in a LIDR.

### **i. Below Budget Payment**

About two decades ago, the Below Budget Worksheet (BBW) was introduced to qualify low-income customers for a BBP as a reduced payment option under the MPP. Tr. 08/03/22, pp. 74-75. Under the BBP, what a customer pays each month is based not

on what they owe, but rather on their income and assets as determined by the BBW. EOE July Comments, p. 19. The BBP option of the MPP is designed to provide customers with an affordable monthly payment while preventing the customer from termination of services; it is not designed to pay off arrearages. Id.; Harak Pre-filed Testimony, p. 6. In fact, a customer in the MPP program who has a BBP may actually have the customer's arrearage amount increase despite making all of the required payments. Harak Pre-filed Testimony, p. 6. The BBP is currently set at \$50 per month for qualifying customers. See, Authority's Interim Decision dated Oct. 13, 2021, in Docket No. 21-07-01, pp. 19-20.

EOE and Eversource raised potential issues associated with offering both the BBP and the LIDR to low-income customers once the LIDR is implemented. EOE asserted that the current MPP structure essentially incentivizes customers receiving certain government assistance to miss a payment to a utility, create an arrearage, and be placed on a BBP, rather than paying the customer's full utility bill. EOE June Comments, p. 2. According to EOE, the same holds true regarding the implementation of a LIDR if the customer's bill on a LIDR is more than the BBP. Id. Specifically, if a customer's LIDR is more than the BBP, the customer may elect to enroll in MPP rather than the LIDR because the customer will pay less on the BBP than if the customer had a LIDR. EOE July Comments, p. 20. Eversource also asserted that the continuation of the BBP when the LIDR is implemented will be confusing to customers and difficult to implement. Eversource Response to Interrogatory EOE-22. Therefore, rather than offering both the BBP and the LIDR when the LIDR is implemented, both EOE and Eversource recommend that the Authority retire the BBP once the LIDR is implemented and replace it with the LIDR payment amount. Id.; EOE June Comments, p. 2. This would, in turn, enable the customer to slowly pay off the customer's arrearage as the EDC would, in addition to the LIDR discount, match customer payments under the MPP. EOE June Comments, p. 2.

The Authority recognizes that the current BBP is only one tool among multiple energy affordability initiatives designed to provide energy assistance to electric heating customers; specifically, CEAP, Operation Fuel and assistance from other fuel banks, MPP, Eversource's New Start program and UI's BFP, EDCs' flexible payment programs, and the LIDR, once implemented, are tools that can be used in a complementary and holistic approach to customer energy affordability. For example, a customer participating on New Start or BFP has the opportunity to eliminate a past due balance in 12 months by paying a monthly amount that will be more affordable after a LIDR has been applied.

Moreover, the Authority agrees that many electric heating customers currently receiving a BBP, or who would otherwise currently qualify, are facing economic challenges that extend beyond paying their electric utility bills. Customers facing financial hardship should ultimately be served by a suite of social programs supported by the state and federal government. In other words, while the benefits of applying a 50% discount on eligible customers' monthly electric bills should not be understated, a LIDR or any other electric utility affordability program is also not able to address all societal challenges that contribute to inequality and poverty persisting across the State. Rather, the two-tier LIDR established herein seeks to proactively provide direct energy assistance to qualifying residential electric customers prior to customers accruing an arrearage to more directly address the systemic nature of the energy affordability problem. For customers with an existing arrearage, there are additional energy assistance programs available.

Put more simply, the LIDR tiers are designed to drive the deepest discount for the most number of eligible customers while also achieving the dual LIDR Objectives.

The Authority must consider the second LIDR Objective, i.e., to reduce uncollectible expenses, in designing a program or offering that is funded through electric rates. At present, if a \$50 BBP is lower than the customer's average monthly bill based on usage, the end result will be the continued accumulation of a customer's arrearage even if all payments are made, as the EDC is only providing a monthly match at the \$50 amount. Absent an alternative funding source or evidence that maintaining a BBP following implementation of a LIDR furthers the objective of reducing uncollectible expenses, the offering, regrettably, cannot be maintained in its current form.<sup>43</sup>

Based on the foregoing, the Authority finds that the BBP is therefore incompatible with a LIDR. Notwithstanding, eligible customers can and should continue to apply for and participate in the MPP and to take advantage of the EDCs' voluntary arrearage forgiveness programs and energy efficiency services.

Accordingly, the Authority directs the EDCs to cease offering the BBP for electric customers beginning in the 2023-2023 winter heating season.<sup>44</sup> In the interim, however, the EDCs shall continue to offer the BBP for the 2022-2023 winter heating season. To ensure a smooth transition and effective customer communications, no later than May 15, 2023, as part of the 2023 energy affordability proceeding, the Authority directs the EDCs to each submit as a motion for PURA review and approval a proposed plan and implementation timeline, including customer communication materials, to cease the BBP offering for the 2023-2024 winter heating season, whereby customers are enrolled in the LIDR and their monthly payment through MPP is calculated based on the established formula.

Nonetheless, should a LIDR and combination of existing energy assistance programs not be sufficient for a subset of financial hardship customers to attain an electric utility bill deemed affordable for their specific circumstances, then the Authority posits that additional solutions may also need to be further examined, including but not limited to: establishment of additional tier(s) designed to provide the highest discount for the lowest income customers; development of creative solutions for deploying energy efficiency and weatherization funds that overcome the tenant-landlord split incentive and other barriers to implementing weatherization, targeting the lowest income residents; and the allocation of other (non-electric or gas rate) funding sources to offset or to supplement the costs of programs or policies currently funded exclusively through electric rates. Notably, not all such potential solutions fall within the Authority's jurisdiction; however, it is incumbent on

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<sup>43</sup> The Authority also notes that, unfortunately, neither the Authority nor the EDCs have access to individual customer data to calculate whether each of the 4,750 Eversource electric heating customers and 649 UI electric heating customers who received a utility match on a \$50 BBP in the 2021-2022 MPP year would have a higher or lower monthly payment under a LIDR. See, Eversource Response to LFE-16; UI Response to LFE-23. Further, the record of this proceeding does not contain relevant information to design a LIDR tier based on their level of income, or other relevant factors, of these roughly 5,400 customers. However, the Authority will address this data gap in future annual affordability dockets and through the compliance filings in this Decision.

<sup>44</sup> Since the LIDR is only for customers of the EDCs, the BBP will continue for customers of the gas companies.

the Authority to at minimum enable the tracking and collection of data necessary to support further efforts.

As such, no later than June 15, 2023, as part of the 2023 energy affordability proceeding, the Authority directs the EDCs to each submit the following data, from the 2020-2021 program year to the date of the filing, reported separately by Phase I and Phase II, regarding customers receiving the \$50 BBP under the MPP: (1) number of customers receiving the \$50 BBP in Phase I and Phase II; (2) the average, median, highest, and lowest monthly bill for customers receiving the \$50 BBP that would have otherwise been due if not for their participation in MPP; and (3) the average, median, highest, and lowest monthly kWh usage for customers receiving the \$50 BBP that would have otherwise been due if not for their participation in MPP. Further, Eversource shall provide the same three categories of information (e.g., number of customers, monthly bill data, and monthly kWh usage) for all electric and gas customers as identified through Experian data as eligible for financial hardship and with a past due balance greater than \$100 for more than 60 days. The intentional collection and provision of such data may allow the administrators of the Conservation and Load Management programs and other assistance efforts to prioritize such households and allow for the targeting of state and federal assistance to those who need it most. Such data may also assist the Authority in considering the appropriate design of a third LIDR tier, should one be considered and adopted in a future proceeding.

Lastly, the Authority takes this opportunity to remind all Parties and Intervenors, and specifically the EDCs, of the continuing obligation to maintain and follow guidelines distilled from applicable federal and state statutes, cases, and Authority regulations governing a “reasonable amortization agreement.” See, April 2022 Affordability Decision, pp. 16-22. The Authority plans to consider the allocation of future fines collected by PURA to fund legal representation to assist the most vulnerable populations with energy affordability-related advocacy, including aiding customers in obtaining reasonable amortization agreements from the utilities as required. The Authority would strongly support any legislative proposals that would require or otherwise enable electric rate, gas rate, or other funds to be used for such legal services.<sup>45</sup>

### **3. EDCs’ Voluntary Arrearage Forgiveness Program (New Start and Bill Forgiveness Program)**

The Authority agrees with Parties that the LIDR should be offered to all customers who are designated as financial hardship, regardless of whether the customer is in arrears or not. See, Eversource 2021 Comments, p. 9; EOE 2021 Comments, p. 7; DEEP Written Comments, dated June 15, 2022, p. 8. Limiting customers’ participation in the LIDR to customers with arrearages could result in perverse consequences. Otherwise, customers without arrears may not be incented to pay their monthly bills on time. Additionally, limiting customer participation to those with arrears may prevent participation of those without arrears but most in need of a LIDR. Accordingly, the Authority directs the EDCs

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<sup>45</sup> The Authority would also support other, related legislative amendments including proposals to (1) utilize non-electric or gas rates to support energy affordability programs and (2) provide compensation to underrepresented populations to cover legal fees to engage in PURA proceedings.

to offer the LIDR to all financial hardship customers, regardless of whether the customer is in arrears or not.

EOE did, however, raise one issue with respect to the interplay between the LIDR and Eversource's New Start Program. According to EOE, if Eversource enrolled a customer with a large arrearage on the LIDR and the customer subsequently also enrolled in Eversource's New Start Program, the customer's arrearage amount could potentially be forgiven if the customer pays the monthly bill, reduced by the LIDR, for twelve (12) months. EOE July Comments, p. 19; Tr. 08/03/22, pp. 79-80. EOE noted that scenario would provide an additional benefit to customers on the LIDR.

As an initial matter, the Authority reiterates that eligible customers can and should continue to enroll and participate in either Eversource's New Start Program or UI's Bill Forgiveness Program to receive the benefits of a utility match of a portion of their past due arrearage, down to a zero balance. The LIDR established herein is designed to enable customers to be able to pay their current monthly bills and to reduce or eliminate the future accumulation of arrearages, whereas the utilities' voluntary arrearage forgiveness programs explicitly address customers' past due balances. The Authority supports an outcome whereby the two types of energy assistance for financial hardship customers work in concert. Additionally, the LIDR is applied based on a monthly usage cap, which may allay potential concerns about the level of benefit any given customer receives from a LIDR.

Notwithstanding, as administrators of the LIDR and voluntary arrearage forgiveness programs, the Authority seeks the EDCs' proposed solution based on the scenario outlined above. Accordingly, no later than May 15, 2023, as part of the 2023 energy affordability proceeding, the EDCs shall jointly submit a narrative with a comprehensive set of customer scenarios that highlight outstanding questions as to the application of all other types of energy assistance provided, and propose solutions or other workarounds for review and approval.

#### **4. RRES Program**

The Authority established the RRES Program in 2021 pursuant to subsection (b) of section 3 of Public Act 19-35, An Act Concerning A Green Economy and Environmental Protection, as codified in Conn. Gen. Stat. § 16-244z(b). See, February 10, 2021 Interim Decision in Docket No. 20-07-01, PURA Implementation of Section 3 of P.A. 19-35, Renewable Energy Tariffs and Procurement (RRES Decision). In the RRES Decision, the Authority established renewable energy tariffs for residential customers of each EDC for the purchase of products generated from a Class I renewable energy source that is located on a customer's own premises, pursuant to Conn. Gen. Stat. § 16-244z(b). Id., p. 43. Additionally, pursuant to Conn. Gen. Stat. § 16-244z(b), the definition of customers eligible for the RRES program was expanded to include customers living in affordable multi-family housing.

While Eversource posited the RRES program can serve customers effectively on a LIDR without modifications, the Company recommended that the LIDR be applied to any remaining charges after the application of any net metering credits, Buy-All credits or kWh reductions from on-site generation, which is consistent with how Eversource applies



the NSTAR Electric LIDR to net metering customers. Eversource July Comments, p. 13. According to Eversource, under this scenario, Buy-All on-bill credits would be applied to the customer's bill at their full tariff value, while net metering customers with monthly net excess generation would receive bill credits at the full tariff value. *Id.* UI asserted that customers on a LIDR will also qualify for the low-income adder of 2.5 cents per kWh of energy production in the RRES program. UI July Comments, p. 6.

Eversource also recommended that customers on the RRES Program who enter into Power Purchase Agreements (PPAs) or leases with third-party system owners ensure that the rates paid to the third-party system owners per kWh do not exceed the per kWh costs of purchasing power from their EDC after the application of the LIDR. Eversource July Comments, p. 14. In Massachusetts, to safeguard LIDR customers who participate in the Solar Massachusetts Renewable Target (SMART) program from signing PPAs or leases at rates above the LIDR rate, third-party owned systems serving low-income customers participating in the SMART program are required to demonstrate net customers' savings after accounting for the LIDR. Eversource Response to LFE-17. Under the SMART program, Massachusetts has established a consumer protection audit process that includes penalties for third-party system owners that sign agreements with low-income customers that make them worse-off financially than if the customers did not install solar. *Id.*; Eversource July Comments, p. 14.

The Authority confirms that customers eligible to receive a LIDR are encouraged to also participate in the RRES program, and the available low-income adder. The Authority appreciates the customer protections and other considerations raised by Eversource, as well as its current approach with respect to implementation of a LIDR and the SMART program in Massachusetts. The Authority intends to direct any requirements or other program modifications to the RRES program associated with the LIDR through an annual RRES program review docket (e.g., Docket Nos. 22-08-02 or 23-08-02).

## **5. Third-Party Electric Supply**

Allowing a customer on a LIDR to contract with a third-party electric supplier for an electric rate in an amount greater than standard service introduces inequities both for the LIDR customer and for ratepayers at large. However, since only customers who are designated financial hardship are eligible for a LIDR, no customers receiving a LIDR will also be able to contract with a third-party electric supplier for their electricity. In the December 18, 2019 Decision (Docket No. 18-06-02 Decision) in Docket No. 18-06-02, Review of Feasibility, Costs and Benefits of Placing Certain Customers on Standard Service Pursuant to Conn. Gen. Stat. § 16-245o(m), the Authority ordered that all financial hardship customers be returned to standard service and ordered the EDCs to implement system programming to prevent hardship customers from enrolling with an electric supplier. Docket No. 18-06-02 Decision, p. 18. The Authority found in the Docket No. 18-06-02 Decision that returning all financial hardship customers to standard service offers significant costs savings benefits to Connecticut, it is feasible to accomplish, and the costs to accomplish are not unreasonable when compared with the long-term savings accomplished. *Id.* Accordingly, since financial hardship customers are prevented from contracting with third-party electric suppliers and only financial hardship customers are eligible for a LIDR, no customers receiving the LIDR will have a contract with a third-party electric supplier for their electricity.

## H. REPORTING REQUIREMENTS AND LIDR EVALUATION

Developing metrics and other reporting requirements to measure progress of implementation of a LIDR toward achieving the dual LIDR Objectives will be critical to its success. As summarized above, Connecticut has existing protections and energy assistance offerings that a LIDR will need to be integrated with, and the impacts of such programs and offerings must be examined as a whole. In its April 2022 Energy Affordability Decision, the Authority established an annual review proceeding to consolidate and comprehensively examine energy affordability matters of electric and gas customers in Connecticut. See, April 2022 Energy Affordability Decision, pp. 50-51.

In this Decision, the Authority establishes a biennial review process of the EDCs' LIDR to take place as part of the relevant energy affordability annual review proceeding.<sup>46</sup> Unless otherwise directed, the Authority intends to conduct its first LIDR review in the 2025 annual energy affordability review docket, approximately one and a half years following LIDR implementation, unless otherwise directed.<sup>47</sup> Accordingly, the Authority directs that all subsequent motions and compliance filings in accordance with this Decision, as well as any implementation issues, should they arise, shall also be filed in the applicable current year's energy affordability proceeding (e.g., Docket No. 23-05-01).

The Authority reserves the ability to review actual customer usage data and adjust such parameters during future biennial reviews, including but not limited to, the tier discount levels, number of tiers, eligibility requirements, and monthly kWh usage caps. Unless unequivocally rebutted though the data presented in a future annual energy affordability review, the Authority establishes a rebuttable presumption that the full scale of benefits of the LIDR outweigh the annual LIDR expenses to non-participating customers. Accordingly, the LIDR will continue to be offered at least through the end of each EDC's approved rate year as determined in each Company's next respective rate case proceeding. As such, it is incumbent upon not just the EDCs, but all Parties and Intervenors, to assist in the successful implementation of a LIDR.

Parties and Intervenors supported the creation of a set of LIDR reporting requirements and recommended the EDCs track certain metrics to determine the benefits and drawbacks to the LIDR. See, e.g., Eversource July Comments, p. 9; EOE July Comments, pp. 15-16; DEEP July Comments, pp. 8-9. Based on the recommendations submitted, the Authority directs the EDCs to track the following metrics, and to each submit annually as a compliance filing in this docket the following information:

1. Customer Accounts w/Past Due Balance: %/# of Low-Income;
2. Customer Accounts w/Past Due Balance: %/# of Non-Hardship;

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<sup>46</sup> The Authority notes that the years in which the annual energy affordability review will include LIDR evaluation will necessitate a bifurcated, or phased, approach, with an Interim Decision on the Companies' proposed annual Arrearage Forgiveness Program Plan to be issued on or before October 13 each year prior to the start of the next MPP cycle beginning on November 1. The LIDR evaluation may take place during a second phase of a given annual energy affordability review proceeding.

<sup>47</sup> However, the Authority may incorporate a LIDR review within an EDC's future rate case proceeding, depending on the timing of such application and the availability of relevant and compelling data upon which to conduct a review during the biennial review process.

3. Net Write-Offs: %/\$/# Low-Income Customer Accounts;
4. Net Write-Offs: %/\$/# Non-Hardship Customer Accounts;
5. Accounts receivable (A/R) >90d as a % of Lagged Revenue: Financial Hardship Customers;
6. A/R >90d as a % of Lagged Revenue: Non-Hardship Customers;
7. Arrearage Forgiveness Program (AFP) Costs: New Start or Bill Forgiveness Program, as appropriate;
8. AFP Costs: MPP;
9. AFP Costs: BBW;
10. LIDR Program Administration Costs:
  - a. Household Income Verification, Review and Enrollment into Tier Resources
  - b. LIDR Enrollment / Recertification Outreach / Customer Communication (including Letters, Calls, Emails, Alerts, Marketing, Media, etc.);
  - c. Call-handling to support the LIDR;
11. Total annual costs of providing LIDR, as well as calculated as a percentage of the EDC's total annual billed sales;
12. Number of customers enrolled in each LIDR tier annually;
13. Number of service terminations of financial hardship customers prior to LIDR implementation and monthly thereafter;
14. Number of service terminations of residential, non-financial hardship customers prior to LIDR implementation and monthly thereafter;
15. Number of service reconnections of financial hardship customers prior to LIDR implementation and monthly thereafter;
16. Number of service reconnections of residential, non-financial hardship customers prior to LIDR implementation and monthly thereafter;
17. Total number of service terminations and subsequent reconnections for nonpayment of customers on LIDR, broken out by Tier;
18. Costs of terminations of financial hardship customers prior to LIDR implementation and annually thereafter;
19. Costs of terminations of non-financial hardship customers prior to LIDR implementation and annually thereafter;
20. Number of collections activities undertaken and their associated costs prior to LIDR implementation and annually thereafter;
21. Number of financial hardship customers entering into payment arrangements prior to LIDR implementation and monthly thereafter;
22. Amount of uncollectibles attributed to financial hardship customers prior to LIDR implementation and annually thereafter;
23. Amount of bad debt carried prior to LIDR implementation and annually thereafter;
24. Amount of non-hardship uncollectibles prior to LIDR implementation and annually thereafter;
25. Number of customers participating in MPP prior to LIDR implementation and biannually thereafter (i.e., during Phase I and Phase II);
26. Number of customers participating in New Start or Bill Forgiveness Program, as appropriate, before and after LIDR;
27. Number of customers applying annually for the LIDR through each Company's CSRs;
28. Number of customers applying annually for the LIDR through their CAAs, delineated by each CAA;

29. Number of customers who apply for a LIDR through their EDC but are deemed ineligible;
30. Number of customers that do not renew the LIDR for a subsequent year;
31. Total number of accounts on the discount rate which are also considered in arrears, broken out by Tier;
32. Total number of accounts on LIDR that are on a payment plan, broken out by LIDR Tier and type of payment plan;
33. Total amount of kWh usage subject to the LIDR delineated by month and rate class, and include for each the number of customers, average, high, low, and median customer monthly kWh usage;
34. Amount of kWh excluded from the LIDR resulting from the monthly usage caps (and designate peak vs. off-peak, where applicable) and the number of customers exceeding the monthly usage cap, by month and rate class; and
35. Beginning in 2021, annual average and median kWh monthly usage data of customers coded for financial hardship, by rate class.

The Authority acknowledges that the April 2022 Energy Affordability Decision directed the EDCs to establish an online data dashboard to publicly and transparently display reporting requirements and associated metrics related to the Companies' uncollectibles, customer service metrics, and other existing reporting requirements in an accessible format. April 2022 Energy Affordability Decision, pp. 10-12. Notwithstanding the biennial LIDR review, the EDCs shall report at least annually on or before June 15 on the items enumerated above in the current year's energy affordability proceeding. No later than December 20, 2022, the Authority directs the EDCs to jointly submit as compliance in this proceeding and in Docket No. 22-05-01 a list of additional reporting requirements in template format (as worksheets) to add to the annual energy affordability review proceeding based on the enumerated list above. See, id., pp. 4-9. The Authority notes that once the online data dashboard is live, the reporting requirements established herein shall be incorporated and updated on the frequency established in the April 2022 Energy Affordability Decision. See, id., pp. 10-12.

## **V. CONCLUSION AND ORDERS**

### **A. CONCLUSION**

In this Decision, the Authority establishes a two-tier LIDR that proactively seeks to provide direct energy assistance to qualifying residential electric customers prior to customers accruing an arrearage. As soon as possible, and no later than January 1, 2024, the EDCs shall each implement a LIDR with an overall eligibility cap at 60% State Median Income (i.e., Tier 1), and eligibility for Tier 2 aligned with existing State benefit programs (i.e., up to 160% FPG). Further, the EDCs shall begin accepting proof of eligibility for the LIDR as soon as possible and no later than August 1, 2023. The Authority's calculation of an appropriate level of discount for customers eligible for Tier 1 and Tier 2 is grounded in meeting the dual LIDR Objectives: (1) achieve energy affordability, as defined by the allocation of no more than 6% of annual household income spent on building energy costs; and (2) reduce uncollectible expenses paid by all ratepayers, in part, by reducing the need for service disconnections and reconnections. As a result, the Authority determines that customers eligible for the Tier 1 LIDR shall

receive a 10% discount applied to their total monthly bill. In addition, customers eligible for the Tier 2 LIDR shall receive a 50% discount applied to their total monthly bill.

In the absence of an implemented data-sharing arrangement between the EDCs and DSS, the EDCs shall conduct customer identification and eligibility verification processes as directed herein. Qualifying customers shall be able to receive a LIDR and participate in existing energy assistance, arrearage forgiveness, renewable energy, and energy efficiency programs. The EDCs shall continue to offer the BBP through the MPP for the 2022-2023 winter heating season; the EDCs shall also submit a proposed plan to cease the BBP offering for the 2023-2024 winter heating season, whereby customers are enrolled in the LIDR and their monthly payment through MPP is calculated based on the established formula. The Authority will re-evaluate the program on a biennial cycle as part of the relevant energy affordability annual review proceeding, with the first review expected in 2025 as part of PURA's annual energy affordability review proceeding. The Authority provides additional direction to the EDCs regarding LIDR implementation discussed herein.

## **B. ORDERS<sup>48</sup>**

For Orders requiring a filing, the Company shall file an electronic version through the Authority's website at [www.ct.gov/pura](http://www.ct.gov/pura). Submissions filed in compliance with the Authority's Orders must be identified by: Docket Number, Title, and Order Number. Compliance with orders shall commence and continue as indicated in each specific Order or until the Company requests and the Authority approves that the Company's compliance is no longer required after a certain date. Unless otherwise provided or determined by the Authority, filings submitted in compliance with an order shall constitute satisfaction of the Order. Filings requiring Authority approval must be filed as a motion.

1. No later than December 20, 2022, the EDCs shall each submit as compliance a detailed revised annual LIDR cost estimate, using only bill frequency distribution data for customers coded financial hardship, based on the direction provided in Section IV.D of this Decision, and provide a detailed implementation cost estimate and timeline that comports with LIDR launch on or before January 1, 2024, as directed in Section IV.E of the Decision. The implementation cost estimate and timeline should also address the cost to configure the EDC's system so as to accommodate the inclusion of an additional one or more tiers in the future, including a calculation of such costs as a percentage of total implementation costs.
2. No later than December 20, 2022, the EDCs shall jointly file as compliance a list of additional reporting requirements in template format (as worksheets) to add to the annual energy affordability review proceeding reporting requirements based on the enumerated list in Section IV.H of this Decision.

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<sup>48</sup> Unless otherwise stated in the ordering clause, the Authority directs that all subsequent motions and compliance filings in accordance with this Decision, as well as any implementation issues, should they arise, shall be cross posted in this docket and also filed in the applicable current year's energy affordability proceeding of the year in which the matter is under review (e.g., Docket No. 23-05-01).

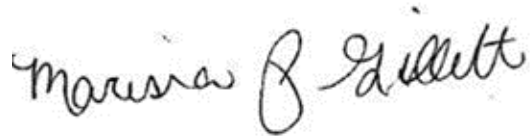
3. No later than February 1, 2023, the EDCs shall jointly submit for review and approval their proposed method(s) for customer verification processes, including a list of accepted proof of verification documentation for each Tier, as outlined in Section IV.B of the Decision. Such proposed customer verification processes shall be shared with EOE, OCC, DSS, CCA, and Operation Fuel at least ten (10) business days ahead of the Companies' filing and incorporate feedback received prior to submission to the Authority.
4. No later than February 1, 2023, the EDCs shall each submit for review and approval their proposal to partner with the CAAs, Operation Fuel, and/or other organizations or entities to enroll eligible customers onto Tier 2, in the absence of an opt-out data-sharing arrangement with DSS, as directed in Section IV.B of the Decision. The proposal shall also include an explanation of how customers will be automatically placed on Tier 1 by the EDC, but may qualify for a larger discount based on the customer's enrollment in other State programs.
5. No later than May 15, 2023, as part of the 2023 energy affordability proceeding, the EDCs shall each submit as a motion for PURA review and approval a comprehensive communications plan, including but not limited to, customer communication materials and sample bills, which shall comport with the bill redesign changes in the July 27, 2022 Decision in Docket No. 14-07-19RE06, as outlined in Section IV.E of the Decision. The line-item credit on the sample bills shall be called "Low-Income Discount". Such proposed communications plan and accompanying customer communications shall be shared with EOE, OCC, CCA, and Operation Fuel at least ten (10) business days ahead of the Companies' filings and incorporate feedback received prior to submission to the Authority.
6. No later than May 15, 2023, as part of the 2023 energy affordability proceeding, the EDCs shall jointly submit a narrative with a comprehensive set of customer scenarios that highlight outstanding questions as to the application of all other types of energy assistance provided, and propose solutions or other workarounds for review and approval, as discussed in Section IV.G.
7. No later than May 15, 2023, as part of the 2023 energy affordability proceeding, the EDCs shall each submit as a motion for PURA review and approval a proposed plan and implementation timeline, including customer communication materials, to cease the BBP offering beginning for the 2023-2024 winter heating season, whereby customers are enrolled in the LIDR and their monthly payment through MPP is calculated based on the established formula, as discussed in Section IV.G.2.i. Proposed customer communications shall be shared with EOE, OCC, CCA, and Operation Fuel at least ten (10) business days ahead of the Companies' filings and incorporate feedback received prior to submission to the Authority.
8. No later than June 15, 2023, as part of the 2023 energy affordability proceeding, the Authority directs the EDCs to each submit the following data, from 2020-2021 program year to the date of the filing, reported separately by Phase I and Phase II, regarding customers receiving the \$50 BBP under the MPP: (1) number of customers receiving the \$50 BBP in Phase I and Phase II; (2) the average, median, highest, and lowest monthly bill for customers receiving the \$50 BBP that would

have otherwise been due if not for their participation in MPP; and (3) the average, median, highest, and lowest monthly kWh usage for customers receiving the \$50 BBP that would have otherwise been due if not for their participation in MPP. Further, Eversource shall provide the same three categories of information (e.g., number of customers, monthly bill data, and monthly kWh usage) for all electric and gas customers as identified through Experian data as eligible for financial hardship and with a past due balance greater than \$100 for more than 60 days.

9. No later than August 1, 2023, the EDCs shall begin accepting customers' proof of eligibility for a LIDR and coding eligible customers to receive a LIDR when it is launched. This includes relevant communications with CAA's regarding LIDR eligibility prior to the LIDR launch.
10. No later than January 1, 2024, the EDCs shall implement and begin offering a two-tiered LIDR in accordance with the direction provided herein.
11. In future Rate Adjustment Mechanism proceedings, each EDC shall include the following, as directed in Section IV.F of this Decision:
  - a. Submit its prudently incurred costs associated with the implementation of a LIDR as separate line items; and
  - b. Quantify and explain any variances in the annual SBC net expenses (e.g., hardship uncollectibles, MPP, etc.) that may be impacted by the establishment of a LIDR.
12. In each Company's next respective rate case proceeding, Eversource and UI Company shall propose at least two potential cost allocation methodologies to recover costs associated with LIDR implementation through the SBC for Authority review and approval, as discussed in Section IV.F of this Decision.

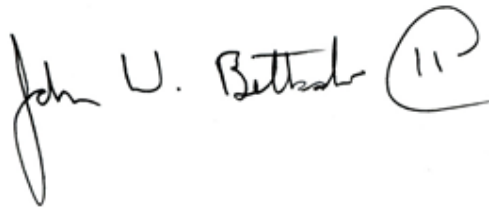
**DOCKET NO. 17-12-03RE11 PURA INVESTIGATION INTO DISTRIBUTION  
SYSTEM PLANNING OF THE ELECTRIC  
DISTRIBUTION COMPANIES - NEW RATE  
DESIGNS AND RATES REVIEW**

This Decision is adopted by the following Commissioners:



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Marissa P. Gillett



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John W. Betkoski, III



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Michael A. Caron

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Public Utilities Regulatory Authority, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.



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Jeffrey R. Gaudiosi, Esq.  
Executive Secretary  
Public Utilities Regulatory Authority

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October 19, 2022

Date