

Electric Discount Rate Outreach and Eligibility Report

Findings and Recommendations

Division of Energy Resources Commonwealth of Massachusetts Office of Consumer Affairs and Business Regulation

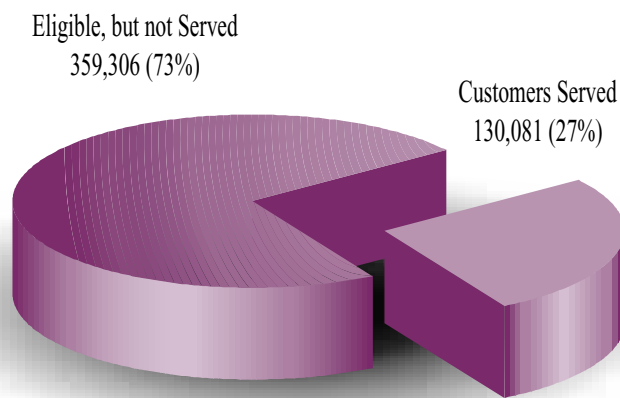
Introduction

The Massachusetts Division of Energy Resources (DOER) published Outreach Guidelines in December 1998 to assist electric distribution companies (DISCOs) in identifying households eligible for a discount on their electric bills. The DISCOs are NSTAR, National Grid, Western Massachusetts Electric and Unitil. This report reviews outreach activity conducted by the DISCOs during 1999 -2001 to inform Residential Discount Rate Eligible households of the discount and to enroll them as discount rate customers. It also analyzes the results of these efforts and recommends several actions to increase enrollment.

Highlights

- ◆ In 1999, 27% of Eligible Households received the Electric Discount Rate.
- ◆ DISCO annual reports submitted to DOER show overall compliance with Outreach & Eligibility Guidelines.
- ◆ Computer matching between DISCOs' customer lists and Massachusetts state benefit agencies is becoming more commonplace.
- ◆ DOER recommends expanding outreach effort to reach more eligible households.

Figure 1: Percentage of Residential Households Receiving the Discount Rate in 1999



Source: DOER

Electric Discount Rate Eligibility and Verification

M.G.L. c. 164 § 1F(4)(i) defines eligibility for the electric residential discount rate (RDR). To receive the discount rate, Massachusetts' households must meet two criteria. First, a household member must receive a means-tested public benefit (such as Transitional Assistance) or be eligible for the Low-Income Home Energy Assistance Program (LIHEAP). Second, total household income cannot exceed 175 percent of the federal poverty level (FPL).

Figure 2 outlines the eligibility process.

The DISCOs have two options as to how they verify discount eligibility for their customers. Under Option One, and in order to protect client confidentiality, a mailing house acts as an intermediary between the DISCO and public agency, verifying discount eligibility with agency client status. The DISCOs then assign the customers to the RDR. M.G.L. 164 § 1F(4)(i) defines this option:

“Outreach may include establishing an automated program of matching customers accounts with lists of recipients of said means-tested public benefit programs and based on the results of said matching program to presumptively offer a low-income discount rate to eligible customer so identified...”

Under Option Two, the public agency annually notifies its clients via postcard of their eligibility for a discount rate. The card includes simple application instructions and information on where to return the card along with their monthly electric bill. The burden is on the client to send in the application form. The utility processes the application for the client. To date, the DISCOs have all elected to use Option Two.

Outreach Guidelines

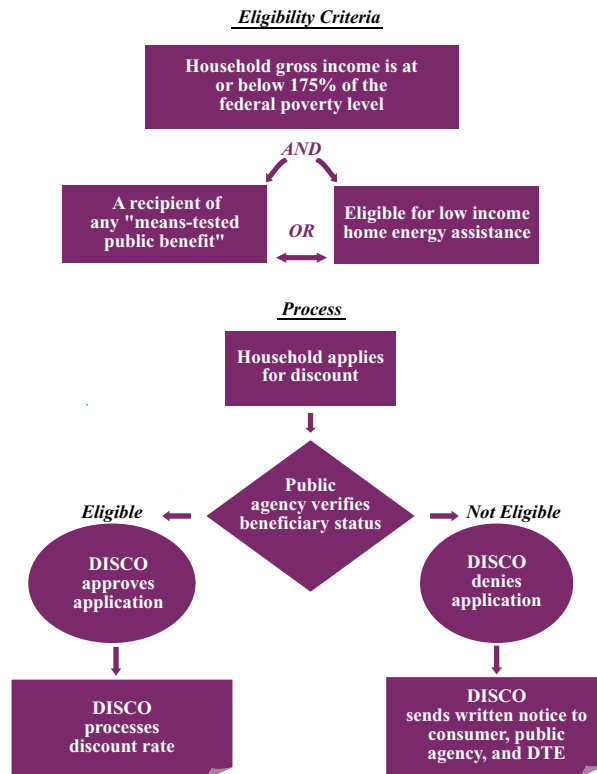
In addition to reporting annually to DOER on their outreach efforts and results, the DISCOs must comply with the following Discount Rate Outreach Guidelines:

- Work with the Department of Revenue (DOR) Child Support Division to inform clients of the rate discount.
- Adopt “Discount Rate” as the new rate name and change all financial hardship forms to reflect it.
- Provide quarterly notification regarding the discount rate via bill inserts and newsletters.
- Set up point-of-purchase displays with the state and federal agencies that offer qualifying benefits.
- Work with schools/camps to reach families in the Head Start and National School Breakfast and Lunch Programs.
- Establish a separate toll-free telephone number for discount rate inquiries.

Outreach Compliance

During 1999, while most of the DISCOs developed point-of purchase displays, not all worked with DOR or schools/camps to reach School Breakfast/Lunch and Head Start Program households. Massachusetts Electric (MECO, a National Grid Company) and Western Massachusetts Electric (WMECO) fully complied with both of these guidelines. In 2000, the DISCOs expanded their point-of-purchase displays to more community agencies. However, as in 1999, they made little progress

Figure 2: Outline of Eligibility Criteria & Application Process

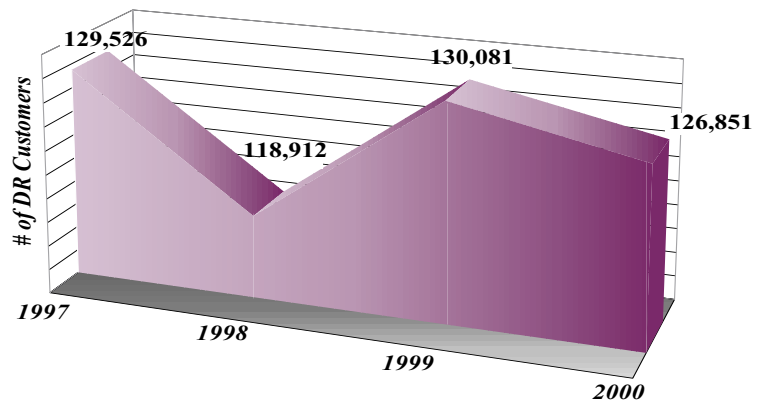


implementing the DOR and School Lunch guidelines. Preliminary data in 2001 suggest that some DISCOs increased community outreach activities. Unitil met with several retail chains to request distribution of RDR pamphlets to employees and customers, while MECO ran a media campaign. However, full compliance with all guidelines is incomplete.

**Figure 3: Total Number of Discount Rate Customers
1997-2000**

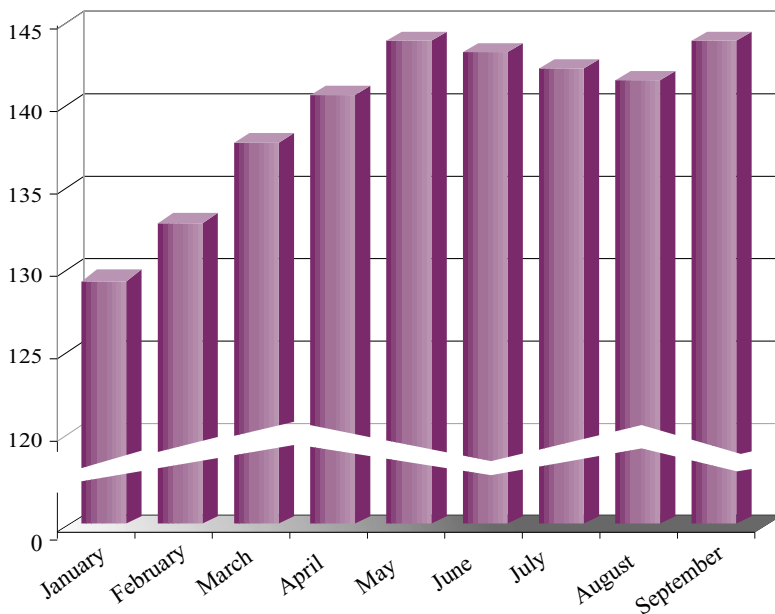
Enrollment Results

RDR customer data for 1997-2000 (Figure 3) show a total enrollment decrease in 1998 over 1997. Multiple implementation demands placed on DISCOs during the first year of deregulation may account for the reduction. Enrollment increased modestly in 1999 over 1998, approaching the 1997 (pre-deregulation) level. Enrollment decreased again in 2000 over 1999.



**Figure 4: Total Discount Rate
Customers in 2001 by Month (000s)**

Source: Distribution Companies' Year End Reports 1998-2000



DOER's 2001 customer migration data show a monthly increase in DISCO RDR total customers (Figure 4) through the first three-quarters of 2001 (January-September). These RDR totals are consistent with 1999 levels. Several factors influenced this level. Most likely, the increase in electricity bills associated with higher fuel costs resulted in more customers seeking assistance. Increased community outreach activities by DISCOs during the winter may have also contributed to this.

In an effort to assess the impact of outreach activities upon actual enrollment, DOER estimated (for 1999) the total universe of Massachusetts' households eligible for the discount rate and compared it to the actual number of RDR customers.

Using MISER (Massachusetts Institute for Social and Economic Research) census data for 1998-1999, DOER estimated the number of households living at 175 percent of the Federal Poverty Level excluding the 13 percent of households served by municipal utilities rather than DISCOs. Accordingly, DOER estimates that 489,387 households were eligible for the discount rate in 1999 versus 130,081 (27 percent) households actually enrolled (Figure 1). This penetration rate is comparable to Massachusetts' Low-Income Home Energy Assistance Program (LIHEAP), which reached about 25 percent of its eligible households in 1999.

Recommendations

DOER recommends the following actions be taken by DISCOs as expeditiously as possible:

1. Implement a computer matching program for eligibility verification.

To date, all the DISCOs have opted to verify eligibility through public benefit agencies rather than by using computer matching through an independent mailhouse. This places the burden on the client (benefit recipient) to return the card, rather than on the DISCO to sign up the clients. Further, the verification process is inconsistent across state agencies, which use dissimilar procedures and methods for information management.

Since most DISCOs use electronic data transfers already to assist eligibility verification, this recommendation would streamline the process and remove the onus from the customer. The Department of Transitional Assistance and LIHEAP already use this process, though not for all qualifying benefits. This system should be implemented throughout all state agencies that operate public benefit programs.

New York State implemented a computer matching program using Verizon as their program administrator. Verizon offers the federally mandated Lifeline program, providing discounted telephone rates for income eligible customers. To ensure that all customers receiving public benefits receive Lifeline, New York has an agreement with Verizon to get an independent third party mailhouse to match Verizon's customer names against the named public beneficiaries. State and federal benefit agencies execute privacy protection agreements with the mailhouse. Once Verizon receives the matching names, it automatically enrolls the customer in the Lifeline program and sends a card informing them of the enrollment. The customer then has the option to opt-out of the program if they so desire. The opt-out mechanism eliminates the individual sign-up process for the electricity discount. It also simplifies the annual eligibility verification efforts.

2. Expand outreach efforts beyond social service agencies.

Outreach efforts thus far have focused primarily on social service agencies and their clients to reach low-income customers. DOER recommends that distribution companies expand their outreach strategies to include the Department of Revenue, local media, and other community outlets. A customized outreach plan that incorporates the guidelines while using community resources seems to be the best means to inform customers of the availability of the RDR.

3. Institute a universal waiver to allow DISCOs and social service agencies to exchange customer/client information.

Other states have already implemented such an approach. Sacramento Municipal Utility District (SMUD) in California uses a universal waiver, which allows SMUD and social service agencies to exchange customer/client information for energy efficiency programs. The universal waiver eliminates the customer application process. After exchanging the customer information with the social Seville agency, SMUD determines customer eligibility. SMUD then contacts the customer to set up delivery for home energy efficiency services. Legislation may be required to address privacy protection concerns surrounding the exchange of data from state agencies.

Conclusion

The Division of Energy Resources believes the distribution companies can make substantial progress toward increasing enrollment of RDR eligible customers by implementing the proposed recommendations. The Department of Telecommunications and Energy (DTE) is currently investigating ways to increase the penetration rate for electric, gas and telephone discount rates (D.T. E. 01-106). By including these recommendations in its findings, DTE can assist the DISCOs in this important endeavor. DOER is fully committed to working with the DTE and the DISCOs to ensure the viability and success of the recommendations. Finally, DOER will continue to monitor the DISCOs' activities through their annual reports and may propose further recommendations in the future.

