Reporting Item

BOARD OF DIRECTORS

November 16, 2021

ITEM

Energy Burden Solutions Update

PURPOSE

To provide an update on the Energy Burden Solutions project.

FACTS

a. OPPD project team members have conducted benchmarking and market research activities with other utilities and completed multiple outreach opportunities with our customers and low-income stakeholders to identify best-practices, values and needs of our customers.

b. Detailed analysis has been completed to understand the factors affecting electric service burden within our service territory.

c. A package of solutions is planned to address electric burden within our service territory.

d. In 2022, OPPD will implement a Customer Assistance Program (CAP) Pilot to assist customers with higher energy burden who are at or below 100% of the Federal Poverty Level (FPL).

RECOMMENDED: 

APPROVED FOR REPORTING TO BOARD:

Juli A. Comstock
Vice President – Customer Service

L. Javier Fernandez
President and Chief Executive Officer

Attachments: Presentation
Energy Burden Solutions Project

Presented to OPPD’s Board of Directors
by Heather Siebken, Director of Product Development & Marketing
and Kyle Hoyle, Manager, Product Development & Operations
on November 16, 2021
Current State

- Energy Assistance Program (EAP)
- Low Income Home Energy Assistance Program (LIHEAP)
- Low Use, Low Income Credit (LULI)
- Pay Plan
- Gift of Energy

Addresses Bill Payment Options

Addresses Energy Usage

- Energy Efficiency Assistance Program (EEAP)
What is Energy Burden?

• The percentage of gross household income spent on energy costs
  – Annual energy bill divided by the household annual income (e.g.: $1,500/$50,000 = 3% energy burden)
  – Nationwide averages: high energy burden is above 6% and severe energy burden above 10%

• Annual energy bills include electricity, natural gas, and other heating fuels
  – The efforts of this project focus on the electric portion of a customers energy burden
  – OPPD’s average electric energy burden is 1.86% (SD-2)

Sources: www.aceee.org and www.energy.gov
Drivers of Energy Burden

**Physical**
- Inefficient and/or poorly maintained HVAC systems
- Heating system and fuel type
- Poor insulation, leaky roofs and inadequate air sealing
- Inefficient large-scale appliances and lighting sources
- Weather extremes that raise the need for heating and cooling

**Economic**
- Inability or difficulty affording up-front costs of energy efficiency investments or qualifying for financing options
- Sudden economic hardship (e.g., severe health event or unemployment)
- Chronic hardship due to persistent low income

**Policy**
- Insufficient or inaccessible policies and programs for bill assistance, weatherization, energy efficiency and more
- Rate design may affect consumers’ ability to reduce utility costs

**Behavioral**
- Increased energy use due to age, household occupancy or disability
- Lack of knowledge about energy conservation measures
- Lack of trust towards necessary investments
- Barriers to information about bill assistance or energy efficiency programs

Sources: [www.aceee.org](http://www.aceee.org) and [www.energy.gov](http://www.energy.gov)
Problem Statement and Goals

Problem Statement:
• Customers that have a higher percentage of their income going towards their utility bills are limited to short-term assistance funds to help pay their bill while long-term solutions to reduce their energy burden and prevent utility disruption are lacking.

Goals:
• Reduce the electric energy burden for the customer segment(s) that have high bills compared to their income.
• Solution will be easily accessible for all eligible Customers.
• Develop an innovative and strategic way to report on customers’ electric energy burden and what OPPD is doing to reduce it.
• Reduction in credit and collection related operating expenses.

See Appendix for project objectives.
Research and Outreach

- Understand best practices, customer values and goals
- Learn what factors are driving customer’s high electric energy burden
- Test product ideas that resonate most with customers

See Appendix for additional Market Research takeaways.
Energy Burden Data Analysis
Energy Burden Analysis

• In-depth analysis to gain a better understanding of our customer-base
• Identified opportunities, correlations, validate assumptions and misconceptions
  – Impact of OPPD’s energy assistance solutions
  – Demographic characteristics that have a larger impact on our customers’ ability to pay
  – Dashboard tool to better understand customer behaviors at the zip code level

• Data quality assumptions:
  – Customer modeled income data from the data warehouse provided by Data Axle
  – Income is modeled to the customer using census data
  – Energy Burden and findings will vary as all-electric customers will have different electric energy burden thresholds (in the analysis all customers were treated the same)
  – Limited analysis to electric burden only
Key Findings across Service Territory

- **56%**
  Renters have a 56% higher electric energy burden than home owners.

- **2x**
  Customers living in homes built pre-1980 have an electric energy burden 2x high than homes built post-1980.

- **4x**
  Low Income Customers (200% of the FPL or less) have an electric energy burden over 4x higher than that of non-low income households.

- **5x**
  LIHEAP eligible Customers have electric energy burden 5x higher than non-low income households.

Data is representative of customers across OPPD’s entire 13 county service territory. See Appendix for supporting data.
Electric Energy Burden Gap

Electric Energy Burden Gap is projected between $25 to $30 million annually for OPPD customers
(estimated $144 million total energy burden in Nebraska\(^1\))

- Assistance of $9.37 million in 2020 and $5.96 million in 2019 was applied to customer accounts
- Approximately 80% of the gap exists from an estimated 39,000 OPPD customers at 100% or below the Federal Poverty Level
- Existing sources of energy assistance do not adequately address the Electric Energy Burden Gap for OPPD customers

\(^{1}\)http://www.homeenergyaffordabilitygap.com/03a_affordabilityData.html
An estimated 25% of the projected $25 million Electric Energy Burden Gap is covered through current assistance programs.

The availability of federal assistance funding has the most significant impact on Electric Energy Burden Gap since it typically accounts for 80% of the assistance applied to customer accounts.

OPPD’s Energy Assistance Program is 100% funded through donations and traditionally only accounts for 1% of projected gap and 4.3% of all assistance.

Note:
- Assistance program percentages are based on a 5 year average.
- 2020 CARES Act funding not included since this was a one-time program.
Recommendation
Energy Burden Solutions Recommendations

- Customers Assistance Program Pilot
- Energy Assistance Programs
- Energy Efficiency Programs
- Communications & Education
- Policy Efforts
- Refinement & Cross Promotion

Projected Gap Covered: 25%
Projected Gap Not Covered: 75%
2022 Plan & Approach

• Strategy & Planning Activities
  o Energy Assistance Donation Strategy
  o Utility Bill Round Up
  o Rural Electrification Strategy
  o Improve Energy Assistance Communications
  o On Bill Financing

• Program Implementation
  o Customer Assistance Program (CAP) Pilot
Customer Assistance Program (CAP) Pilot

Program Requirements

- Fixed monthly credit based on income ($40 or $30) to assist eligible income qualified customers
  - OPPD will cap enrollment at any given time to 4,000 customers during the pilot
- Automatic enrollment in Level Payment Plan (LPP) and on-time payment required
  - Customers that do not keep current would have to follow traditional assistance
- Household income must be at or below 100% of the Federal Poverty Level (FPL)
  - Households would have to apply and verify income
  - Households would recertify their income every 1-2 years depending on income source(s)
- Program administered by Dollar Energy Fund

See Appendix for details on the CAP Pilot Impact.
CAP Pilot Value Proposition

Business Value
- Arrears management
- Reduction in operating expenses
- Increase Customer Satisfaction
- Promotes conservation

Customer Value
- Reduced energy burden
- Bill-pay behavior change
- Reconnect/collection fee mitigation
- Current standing with utility

Community Value
- Part of the solution to address utility affordability
- Innovative solution by providing reliability
- Housing security
Next Steps

- CAP Pilot
  - Finalize Administration Contract
  - Finalize Program Details
  - Re-engage Partner Agencies
  - Technical/System Development
  - Define Market Strategy & Communication Plan
  - Launch 3-Year CAP Pilot at end of Q1 2022
  - Evaluate Program Results Annually

- Opportunity Assessments with other Concepts
Appendix
Project Objectives

• Utilize utility industry best practices in low-income customer affordability issues to guide our strategy towards future state

• Conduct meaningful outreach and education on all levels – customers, partnering vendors, community agencies

• Identify solutions to mitigate any gaps in addressing customer utility burden

• Determine appropriate metrics and measures to report on customers’ affordability and energy burden
## Research Key Themes

### Utility Research & Interviews
- Use 3rd party data to better understand customer demographics and affordability
- Deep-dive, customer-level analysis to understand what's driving energy burden is not common in the industry
- Program design is tailored to State and Local regulatory environment
- Programs funded through rate revenue

### Employee & Community Workshops
- Improved communications
- Enhanced options like weatherization and renter assistance programs
- Explore options for customers that don’t have the means to pay
- Create an income-based program to reduce bills
- On-bill financing options to make home improvements
- Be an advocate for policy changes

### Customer Surveys & Focus Groups
- Customers are taking actions to reduce their bills, but limited in what they can do
- OPPD is the 1st source of info for assistance programs
- Sudden economic or chronic economic hardship are the main drivers of our customers ability to afford their bill
Customer Comments

“My husband passed away September 2020 in our home. I do not have his income to help with the bills. The apartment management will not let me out of the townhouse lease until August 31, 2021. My rent alone is 1,200 and I make 1,700 a month.”

“Covid, missed time from work due to having to quarantine b/c I tested positive and I have to play catch up on ALL my bills and I’m a single mom with 5 kids making not a whole of money at my job.”

“Roommates moved with no notice which caused me to fall behind.”

“Loss of hours at job because of medical conditions”

“For those who make too much money there are NO options. It would be nice to have a program for those that do not qualify for any other assistance.”

“Too many other bills and obligations”
Electric Burden Driver Findings

Orange bars highlight key drivers within each customer demographic category.
Contact Analysis

Customers at or below 100% of the Federal Poverty Level:

• Contact OPPD 37% more
• Have electric energy burden 5x’s higher

LIHEAP eligible customers contact OPPD 2x’s more
## CAP Pilot Impact

<table>
<thead>
<tr>
<th>Pilot Program Projected Reduction in Electric Energy Burden</th>
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</thead>
<tbody>
<tr>
<td>Customers 100% of Federal Poverty Level or less</td>
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</tr>
<tr>
<td>Average Annual Household Income</td>
<td>$11,837</td>
</tr>
<tr>
<td>Average Total Annual Electric Bill</td>
<td>$1,219</td>
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<tr>
<td>Gross Electric Energy Burden</td>
<td>10.30%</td>
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<tr>
<td>CAP Program Annual Benefit</td>
<td>$480</td>
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<tr>
<td>Electric Burden After CAP Benefit</td>
<td>6.24%</td>
</tr>
<tr>
<td>% Reduction in Electric Energy Burden</td>
<td>-39%</td>
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