Reporting Item

BOARD OF DIRECTORS

August 16, 2022

ITEM

Customer Trends, Energy Burden and Customer Assistance Program Pilot

PURPOSE

To provide an update on customer trends and energy burden solutions such as the new Customer Assistance Program (CAP) pilot.

FACTS

1. The Board requested that management provide regular reports on the progress of customer programs and trends.

2. Management will provide an update on aged debt, related trends, and energy burden solutions as of July 31, 2022.

3. The Customer Assistance Program (CAP) pilot will provide financial assistance in the form of a monthly bill credit and is designed to reduce an eligible and approved customer’s electric burden to a more affordable level, prevent service loss, and the threat of disconnection. The pilot is scheduled to begin on August 16, 2022 and will end on December 31, 2025.

RECOMMENDED: APPROVED FOR REPORTING TO BOARD:

Timothy McAreavey L. Javier Fernandez
Vice President – Customer Service President and Chief Executive Officer

TM: dm
Customer Trends, Energy Burden, and Customer Assistance Program Pilot

Presented to OPPD’s Board of Directors
by Donna Miner, Manager of Customer Operations
and Britton Gabel, Manager of Advocacy Solutions
on August 16, 2022
Customer Trends
## Summary of Aged Debt

<table>
<thead>
<tr>
<th></th>
<th>Residential</th>
<th>LIHEAP Only Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 2022</td>
<td>June 2022</td>
</tr>
<tr>
<td>% of Accounts Current</td>
<td>90.1%</td>
<td>90.4%</td>
</tr>
<tr>
<td>% of Accounts in Arrears</td>
<td>9.9%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Total Aged Debt &gt; 30 days (in millions)</td>
<td>$5.4</td>
<td>$4.8</td>
</tr>
<tr>
<td>Total Aged Debt 91+ Days (in millions)</td>
<td>$0.6</td>
<td>$0.7</td>
</tr>
<tr>
<td>Total Service Agreement Count &gt; 30 Days (in thousands)</td>
<td>37.4</td>
<td>36.5</td>
</tr>
<tr>
<td>Total Service Agreement Count &gt; 91+ Days (in thousands)</td>
<td>6.4</td>
<td>6.7</td>
</tr>
</tbody>
</table>
Total Disconnects for Non-Pay vs. Number of Distinct Customers Disconnected

June 2021 – June 2022
Impact of Assistance – Arrears

EA Dollars to Accounts in Arrears vs Not in Arrears

Total payments received

Total dollars to accounts in Arrears
Total dollars to accounts not in Arrears
Energy Burden Solutions Project
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.
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
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 1.83%
  – OPPD customers with an electric burden greater than 4.26% are considered having a high electric burden

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 and www.energy.gov
Affordability Indicators

Percent of Customers with 3+ Disconnect Notices

Average Electric Burden by Zip
Assistance Trends

3+ Disconnect Notices

Energy Assistance Payments

LIHEAP Eligible
Current State

- Energy Assistance Program (EAP)
- Low Income Home Energy Assistance Program (LIHEAP)
- **Customer Assistance Program Pilot**
- Pay Plan
- Gift of Energy
- Payment Installment Program

- Energy Efficiency Assistance Program (EEAP)

Addresses Bill Payment Options

Addresses Energy Usage
## Energy Assistance July 2022 YTD

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>July 2022 YTD</th>
<th>Average Benefit</th>
<th>Distinct Accounts</th>
<th># of Payments</th>
<th>2021 Year End Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Assistance Program</td>
<td>$203,871</td>
<td>$318</td>
<td>642</td>
<td>642</td>
<td>$261,850</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>$7,862,339</td>
<td>$404</td>
<td>8,376</td>
<td>19,440</td>
<td>$5,048,322</td>
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<tr>
<td>Other Agencies Assistance</td>
<td>$2,394,503</td>
<td>$318</td>
<td>6,131</td>
<td>7,524</td>
<td>$3,285,045</td>
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<tr>
<td>Total</td>
<td>$10,460,713</td>
<td>$379</td>
<td>13,809</td>
<td>27,606</td>
<td>$10,096,726</td>
</tr>
</tbody>
</table>

*OPPD had distributed $1,501,509 in COVID-19 Utility Assistance benefits to 3,940 distinct customers in 2021. If a new OPPD energy assistance program is launched in 2022 the funding source chart will be updated accordingly. These funds are reflected in the year end total for 2021.

### LIHEAP Distribution

- **Heating**: 5%
- **Cooling**: 31%
- **Crisis**: 3%
- **Deposit**: 0%
- **Supplement**: 61%
Coverage of the Electric Energy Burden Gap with Current Assistance Programs

• 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.
Customer Assistance Program Overview

Product Description:
Provide financial assistance in the form of a monthly bill credit for households within the 13-county OPPD service area. Designed to reduce a customers electric burden to a more affordable level. Prevent service loss and the threat of disconnection.

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

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

- Part of the solution to address utility affordability
- Innovative solution by providing reliability
- Housing security
Coverage of the Electric Energy Burden Gap with CAP

- Pilot budget amount is $1.2 million annually
  - 80% of the gap exists among OPPD customers in poverty (100% of the FPL).
- Determine if a Customers Assistance Program (CAP) is a viable investment through monitored program outcomes and value
- Full program investment would cost $5 million annually
Customer Assistance Program (CAP) Pilot

Program Requirements

• Household income must be at or below **100% of the Federal Poverty Level (FPL)**
  – Households must apply and verify income
  – Households will recertify their income annually.

• 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

• On-time payment required
  – Customers in arrears will be dismissed from the program
  – Customers can reenter the program after six months after dismissal
Application Process & Review

• Customer can apply On-Line, through a local Partner Agency, or by Phone
• Provide required documentation

Submit

• Dollar Energy Fund reviews documentation and makes eligibility decision based on customers account information with OPPD

Review

• Eligible customers are enrolled automatically
• Customers must pay their bill to continue participation.
• Must recertify annually.

Enrolled

For more information and to apply visit: OPPD.com/EAP
CAP Pilot Goals & Projections

Product Goals

- 60% Customer Retention Rate
- 3,000 Customer Sign-Ups completed by December 31\textsuperscript{st}  
- 4,000 Customers Sign-Ups by end of 1\textsuperscript{st} quarter 2023\textsuperscript{†}  
- 25% Reduction in residential customers more than 90 days past due  
- 15% Reduction in residential customers more than 30 days past due  
- 25% Decrease in residential customers contacts for participants

\textsuperscript{†} Projection based on approved resources in 2023 Corporate Operating Plan
Electric Burden GAP Projections
Energy Burden Solutions Roadmap

- Customers Assistance Program Pilot
- Energy Assistance Programs
- Energy Efficiency Programs
- Communications & Education
- Policy Efforts
- Refinement & Cross Promotion
Q&A
Appendix Slides
Industry Research Recap

- 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
- Utilities are offering solutions beyond one-time energy assistance programs to reduce customer energy burden

*See appendix for other utility program concepts*
Impact of Assistance – Arrears

EA Payments to Accounts in Arrears vs Not in Arrears

- Jul-21: 1,000 (Arrears), 1,000 (Not in Arrears)
- Aug-21: 2,000 (Arrears), 2,000 (Not in Arrears)
- Sep-21: 3,000 (Arrears), 3,000 (Not in Arrears)
- Oct-21: 4,000 (Arrears), 4,000 (Not in Arrears)
- Nov-21: 5,000 (Arrears), 5,000 (Not in Arrears)
- Dec-21: 6,000 (Arrears), 6,000 (Not in Arrears)
- Jan-22: 7,000 (Arrears), 7,000 (Not in Arrears)
- Feb-22: 8,000 (Arrears), 8,000 (Not in Arrears)
- Mar-22: 9,000 (Arrears), 9,000 (Not in Arrears)
- Apr-22: 10,000 (Arrears), 10,000 (Not in Arrears)
- May-22: 11,000 (Arrears), 11,000 (Not in Arrears)
- Jun-22: 12,000 (Arrears), 12,000 (Not in Arrears)
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:
  – 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

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

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

Data is representative of customers across OPPD’s entire 13 county service territory.