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PSC Directs Changes to Home Energy Assistance Programs

Improvements designed to enhance program delivery, benefits to customers

FRANKFORT KY (May 4, 2020)—Today, the PSC issued a final Order in an administrative case opened in October 2019 to improve the effectiveness of Home Energy Assistance (HEA) programs of jurisdictional utilities. HEA programs provide financial assistance to eligible low-income residential customers who may not be able to pay their utility bills. Today’s final Order outlines significant changes to HEA programs that are funded by ratepayers of PSC jurisdictional utilities.

HEA programs benefit participating eligible low-income customers by providing assistance in bill payments in certain circumstances, such as during periods of particularly cold or hot weather. The programs also benefit a utility’s non-participating customers because overall utility costs are reduced. By reducing costs that arise from debt collection and from having to write off uncollectible accounts, lower utility costs translate into lower customer rates.

The Commission reviews and approves HEA program surcharges paid by ratepayers to ensure they are fair, just, and reasonable. The Commission initiated the administrative proceeding out of concern over the widespread variation across HEA programs, and in some cases, variation within a utility’s service territory. Concerns over programmatic effectiveness, accountability, and equitable access among eligible customers compelled the Commission to seek changes.

The utilities that are parties in this case are Columbia Gas of Kentucky, Inc.; Delta Natural Gas Company, Inc.; Duke Energy Kentucky, Inc.; Kentucky-American Water; Kentucky Power Company; Kentucky Utilities Company; and Louisville Gas and Electric Company. The Attorney General by and through the Office of Rate Intervention, and Community Action Kentucky, Inc. (CAK) are intervenors in this proceeding.

From this proceeding and from information gathered in prior rate cases, the following HEA program variations and inconsistencies were identified:

- Fees paid to administering agencies ranged from seven percent up to 15 percent, were not based on the consistent criteria, and were not supported by corresponding differences in program delivery.

- Auditing requirements and general oversight. The Commission is especially concerned insufficient oversight can lead to under collecting or over collecting funds from ratepayers.

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Most of the HEA programs are funded primarily through a monthly per-meter surcharge billed to residential customers, with variations from $0.10 to up to $0.30 per meter. These variations were not "correlated to differing economic conditions or need in each utilities’ service" but rather "to the substance and involvement by intervening parties in past rates cases for each particular utility." These differences between utilities that serve areas with more advocacy versus those that do not lead to inequitable treatment among eligible low-income customers.

- Inconsistent income and other eligibility and participation requirements. For example, the income requirements vary from 110 percent of federal poverty guidelines to 200 percent.

- Program benefits. HEA programs vary in the benefit amount, the months during which programs are delivered, and the fuel source used by eligible participants. Some HEA program benefits have not been revised since the programs were established a decade or more ago, and thus might not reflect current need.

- Accessibility for eligible customers. Program administrators that contract with the utilities do not have consistent efforts to enroll eligible households, resulting in an unequal distribution of services. Metrics other than relevant criteria such as poverty level per county tend to drive program accessibility.

In addition to participating in four rounds of discovery and a formal conference conducted on February 25, 2020, the parties participated in an informal conference on March 17, 2020. The informal conference offered parties the opportunity to collaborate in developing a document that outlines common HEA program parameters and that is the basis for many of the program modifications. The changes include the following:

- Program administration by a single agency, which would contract with subcontractors;
- Administrative fees capped at 10 percent of total HEA program funds expended;
- Submittal of monthly and annual reports;
- HEA program management audit every 5 years by a third party selected by the Commission;
- A uniform $0.30 per residential customer meter surcharge across utilities; and
- Uniform income threshold for program eligibility at 200 percent of federal poverty guidelines.

While one goal of this proceeding was to standardize HEA programs to the extent possible, benefits to program participants and the months during which HEA assistance is provided are two areas that call for program flexibility. The Commission agrees with the parties’ proposal that HEA program benefits be utility-specific determinations, made in consultation with the central administering agency or subcontracting agencies. Program terms must be reviewed and approved by the Commission.

This case will remain open until an administering agency is selected.

Today’s Order, a video of the hearing, and other records are available at psc.ky.gov. The case number is 2019-00366.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.