

**City of Peterborough**

**Energy Assistance Plan for Low Income Households  
In Peterborough City and County:**

**FINAL REPORT  
An Implementation Strategy**

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## EXECUTIVE SUMMARY

### ***Background***

The Affordable Housing Action Committee (AHAC), a joint initiative of Peterborough City and County, issued in December 2002 a list of recommendations to facilitate the creation of an Energy Assistance Plan for Low Income Residents of Peterborough City and County. Underpinning this report are the findings contained in the September 2002 study entitled *Energy Assistance Plan for Low Income Households in Peterborough City and County: Background Report*.

The *Background Report* succinctly outlines the impact of energy costs on the low income customer sector, detailing the inordinate economic burden that such costs create. Consequently, AHAC, as a representative of the City of Peterborough, retained Elenchus Research Associates to advise on the creation and implementation of an integrated Energy Assistance Plan (EAP) focused on the needs of its most vulnerable citizens.

In developing such a plan Elenchus builds on the *Background Report*, looking at the various models and initiatives that presently exist in other jurisdictions, and identifying the roles that various community and municipal players have. Analysis of the gap between existing local financial assistance resources and energy assistance resources helps direct the study towards measures that will satisfy both overall goals for an EAP, as well as specific program goals.

### ***Models for an Energy Assistance Plan***

The *Background Report* outlines four components to an Energy Assistance Plan, each comprised of measures and strategies that address escalating levels of financial crisis:

1. **Consumer Protection** actions;
2. **Crisis Prevention** actions;
3. **Transition Assistance** actions;
4. **Emergency Assistance** actions.

The first two components of the EAP model are preventative strategies that recognize and address the issue of energy affordability by low income and vulnerable households. The second two elements of an EAP are reactive strategies which address mitigation of the rising burden of energy costs borne by the low income segment. Table 1 illustrates these categories of the model and their purpose.

**TABLE 1: Categories for an Energy Assistance Plan**

Preventative Strategies		Reactive Strategies	
<b>Consumer Protection</b> To ensure energy affordability.	<b>Crisis Prevention</b> To reduce the energy burden in order to avoid the onset of a financial crisis.	<b>Transition Assistance</b> Rebates offered by governments in response to sudden changes in markets.	<b>Emergency Assistance</b> Immediate financial and advocacy response to assist in pending disconnection or effect reconnection.

***Goals of an Energy Assistance Plan***

A critical consideration of any framework to be developed is determining the broad goals against which the overall plan is to be evaluated. Satisfying macro goals will ensure the likelihood of sustainable, long term benefits to social welfare. The overall goals for Peterborough’s EAP are as follows:

- The structure of a useful EAP will necessarily have elements at work in each of these policy areas in order to ensure sustainable and realizable benefits to all vulnerable consumers.
- Mitigation of vulnerable consumers’ energy burden without unduly burdening utility ratepayers, or municipal taxpayers.
- Effective, comprehensive education of target consumers, such that knowledge is elevated about how energy is delivered, billed and consumed; consequently enabling vulnerable consumers to better manage components of their energy cost through usage patterns or assistance avenues.

- Assistance is available to not only recipients of social assistance, but also the “working poor” and other vulnerable parties such as fixed income seniors, disabled persons and medically dependent individuals.

Similarly, individual measures and strategies must meet specific goals that each should be evaluated against:

- Programs/strategies must target and be accessible to all low income and vulnerable households.
- Programs/strategies must address the financial burden that energy places on household budgets as that burden evolves from significant to crisis proportions.
- Programs/strategies must conform to at least one of the categories noted in the model for an EAP.
- Programs/strategies must be practical, reasonable, and cost effective.
- Programs/strategies are socially desirable as they contribute to improving the welfare of low income and vulnerable customers.
- Programs/strategies must address at least one of the recommendations outlined in the Recommendation Report.<sup>1</sup>

### ***Identification and Analysis of Candidate Programs***

Using the guidelines of the aforementioned broad policy goals, a number of programs identified in the *Background Report*, in addition to others, were deemed appropriate for detailed evaluation in this study. This menu of programs was chosen on the basis of the following criteria:

- Met at least one of the broad policy goals of AHAC’s requirement from an EAP.
- Practical and reasonable to implement.
- Perceived to be cost effective.
- Contain elements that allow for measurement and evaluation.

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<sup>1</sup> Policy and Issues Sub-Committee, AHAC, “Energy Assistance for Low Income Households in Peterborough City and County: Recommendations”, December 9, 2002.

Detailed analysis of the list of measures and strategies satisfying stated goals in each of the model categories were reduced to the following:

Table 2: Final EAP Measures

Measure	Enabling Body	Funding Required	Actions/Approval	Timing
Consumer Protection Vital Services By-Law	Municipal Council	no	Vote by municipal council	Long term
Crisis Prevention Low Income Rate Discount Arrearage Plans Pre-Paid Electricity Meter Communication Coord. Low Income Weatheriz'n.	Utility Utility Utility To be determined Peterborough Green-Up	yes no yes no	OEB rate approval PUS support OEB rate approval Coord. With enabling body Coord. With enabling body	Medium term Short term Medium term Short term Medium term
Transition Assistance Municipal Rebates	Municipality	yes	Vote by municipal council	As needed
Emergency Assistance Fund for Utility Service Emergencies (FUSE)	Utility	yes	Vote by municipal council as prime shareholder	In place.

Note: Required funding refers to financial support of the program by either utility ratepayers, or municipal taxpayers.

A **Vital Services By-Law** is within the scope of the municipality to enact under each of the Municipal Act of Ontario and the Tenant Protection Act. Such a by-law, if extended to include low income homeowners, would provide explicit protection to vulnerable citizens during the winter heating season when disconnection may have serious implications to public health and safety. It is recommended that a political champion for this initiative be found within Council to introduce the motion for such a by-law. Following municipal protocol in order to bring into fruition, it is not anticipated that such a by-law would require additional funding from the existing tax base. However, protection for the estimated 17 percent low income population in the City of Peterborough would be significantly elevated from existing levels.

A combination of three Crisis Prevention programs outlined in the EAP work in tandem to provide vulnerable customers with tools which lower energy costs in a variety of ways. The **Low Income Rate Discount Plan** is a proposal which directly permits eligible customers a 1¢ reduction from the approved per kwh residential standard supply rate during the winter heating months of November 1<sup>st</sup> to March 31<sup>st</sup>. Client eligibility requirements would be consistent with eligibility requirements for other social services such as Ontario Works and based on the low income cut offs as published by Statistics Canada. Implementation of this Plan requires Ontario Energy Board approval, and would be sought through a filing for rate adjustment by

Peterborough Utilities Services. The benefit of this measure is its wide availability to households intended by this study. Common to many U.S. jurisdictions, the level of national rate assistance offered through utility-direct funding amounted to over U.S.\$342 million according to 2002-2003 statistics.

Creating a formal **Arrearage Policy** begins a necessary process of discourse between PUS and needy customers within its service territory. In recognition of the undue financial burden that energy costs place on low income customers during the winter months, an arrearage policy allows customers to budget for payments of arrears balances during lower heating months, or permits direct reduction of arrears if the utility forgives some portion. An arrears policy does not require regulatory approval for implementation as the plan simply involves adjustments in the utility accounting system regarding payment schedules for outstanding balances. Even under a scenario of arrears forgiveness, accounting adjustments can be made to accommodate write-offs through an expense account. Various forms of this policy and its implications for the PUS accounting system will have to be evaluated in more detail by the utility itself. An arrears policy, working in tandem with the Low Income Rate Discount Plan, will provide eligible customers with some measure of cost mitigation at times of the year when household budgets are critically strained.

The **Pre-Paid Electricity Meter Program** is proposed as another payment alternative for utility customers within the EAP. The concept of this technology extends back seventy years and was used as a mechanism to simplify accounting in situations where residents were constantly moving. In synopsis, the contemporary program involves the installation of a special electricity meter which retains a monetary balance through the swiping of a plastic card. As energy is consumed, the balance counts down. Newer technologies allow the “topping up” of the balance through personal computers, however purchase of swipe cards in varying dollar amounts are typically made from licensed retail outlets; cards may also be made available from community agencies for emergency assistance. As a payment alternative, customers are exempted from paying the significant account security deposit fees generally required for standard supply service and additionally reap educational benefits related to seeing how cost is related to consumption. In Canada, Woodstock Hydro has offered its customers the program since 1989, successfully reducing average energy consumption of some customers by 15%. A monthly meter rental fee is levied as a means of recouping the initial hardware and software capital

costs of the technology, in addition to supporting ongoing maintenance.. Regulatory approval is required for recovery of program costs by the utility.

Education of customers and dissemination of available financial resources to target clients is an integral part of any assistance program. Consequently, a coordinated **Communication Strategy** is a critical piece of Peterborough's EAP. An effective communication strategy will serve to maximize the flow of energy assistance measures to needy customers from government agencies as well as corporate/utility sources. The initial step towards initiating such a strategy involves AHAC facilitating the development of a cohesive communication plan for financial assistance measures (including energy assistance). In bringing together the various administrators (public and corporate) of the various plans and thoroughly mapping the specific resources available in the Greater Peterborough Area, AHAC can then determine where responsibility for implementation of this strategy falls.

Finding ways of assisting low income and vulnerable households without incurring additional expense to either taxpayers or ratepayers is a cost effective strategy that can be found in the implementation of **Low Income Weatherization Programs**. In the past, the local charitable organization known as Peterborough Green-Up administered such a program aimed at enabling low income households improve the energy efficiency of their homes. Currently still operating under the sponsorship of various government and corporate energy conservation and efficiency initiatives, partnering with Peterborough Green-Up would again allow underprivileged customers access to technologies that would assist in reducing their home energy consumption. The present Ontario Government platform of support for energy reduction initiatives provides a positive environment in which AHAC should explore avenues that specifically address the needs of their clients through leveraging other organizations.

As the EAP enter the crisis stages of the model, strategies become reactive and focused intently on immediate financial relief of customers' energy cost. The first option called **Transition Assistance** is one that is solely initiated by a public body such as Municipal Council, or the Provincial Government. This strategy simply provides for periodic cost relief to customers in the form of a one time rebate to assist in situations where energy prices suddenly rise due to weather or supply/demand conditions. The level of benefit, timing and risks of such occurrences are beyond the scope of this study.

The second reactive strategy comes into play at a point when a customer is facing disconnection. Essentially an emergency financial handout supported by PUS, administratively by the HRC and donations from the public, the **Funds for Utilities Services Emergencies (FUSE)** program was operational this past heating season. Founded on a \$30,000 grant from PUS, and further supported by local donations from customers and businesses, monies flow directly into the hands of PUS customers recommended by the Housing Resource Centre to address pending disconnection caused by non-payment of arrears. It is suggested that as the prime community stakeholder in FUSE, the HRC adopt a leadership role in overseeing the long term vision of the program to include assistance to other fuel users such as natural gas and oil. Bringing together other energy suppliers under the umbrella FUSE program will result in widespread emergency assistance benefits to the Peterborough area. When combined with the existing local HRC Emergency Assistance Fund<sup>2</sup> resources, the two programs will see extensive coverage of emergency assistance measures to low income and needy customers of all energy types.

### ***Final Comments***

A comprehensive energy assistance plan requires measures that respond to each level of crisis so that low income customers are either shielded from potentially burdensome energy costs, or have access to tools that allow them to manage and mitigate those costs. Of tantamount importance to successfully launching an EAP is recognition and commitment by public institutions towards the public benefit aspects of energy affordability.

Sustainable benefit from the plan will only be achieved through keeping in mind the broad goals of:

- Designing a plan that intervenes at all crisis levels;
- Mitigating low income customers' financial energy burden;
- Providing education on managing energy expense budgets and energy usage;
- And ensuring that the most vulnerable participants' needs are addressed.

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<sup>2</sup> The HRC Emergency Assistance Fund is not exclusively dedicated to the energy needs of low income clients, although in the recent past over half of funds distributed were allocated on behalf of energy requirements.

In identifying the various programs and strategies appropriate for inclusion in Peterborough's EAP, it becomes apparent that the majority of measures require substantial support from utilities to implement. Although some of the plans detailed in the study require regulatory approval by the Ontario Energy Board to implement, others are near term efforts that merely require commitment on the part of the enabling bodies, be they the Municipality, PUS, AHAC or others.

Over the course of time, with the adoption and implementation of the various measures recommended by this study, the Affordable Action Housing Committee of Peterborough City and County will be able to achieve a uniquely tailored, effective and sustainable Energy Assistance Plan that will result in improved welfare for the low income and vulnerable citizens of its jurisdiction.

## 1. BACKGROUND

The Affordable Housing Action Committee (AHAC), a joint initiative of Peterborough City and County, issued in December 2002 a list of recommendations to facilitate the creation of an Energy Assistance Plan for Low Income Residents of Peterborough City and County. Underpinning this report are the findings contained in the September 2002 study entitled *Energy Assistance Plan for Low Income Households in Peterborough City and County: Background Report*; (Appendix III).

The *Background Report* succinctly outlines the impact of energy costs on the low income customer sector, detailing the inordinate economic burden that such costs create. It is without question that the resulting financial hardship has created a need for various programs in Peterborough City and County to address and assist its neediest constituents. The Report summarizes the various local financial assistance services presently available to low income residents, of which only one is explicitly designed to help families during an energy crisis.<sup>1</sup> Despite the fact that other emergency services permit varying portions of assistance funds to be applied in addressing heat and utility disconnections, there appears to be a gap in available programs specifically designed to assist low income customers manage their energy needs.

A significant conclusion that AHAC has come to, is that Peterborough City and County requires an integrated Energy Assistance Plan (EAP) focused on the needs of its most vulnerable citizens. In developing such a plan this report builds on the *Background Report*, looking at the various models and initiatives that presently exist, and identifying the roles that various community and municipal players have. The EAP advanced by this study will necessarily evolve in three distinct stages in order that AHAC has ongoing

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<sup>1</sup> Share the Warmth is a program that offers preventative mechanisms such as negotiating a centralized account hold procedure for people under threat of utility disconnection, in addition to emergency financial assistance. However, at the present time, Share the Warmth is presently not operating in the Peterborough area. To fill this gap, the Public Utilities Services Company recently stepped in for the 2003-2004 heating season, initiating a similar plan called the Funds for Utility Services Emergencies (FUSE). Wholly emergency assistance in scope, these monies are entirely dedicated to those customers facing disconnection.

opportunity to provide input in a manner such that the end results are unquestionably tailored to the needs of the community.

## **2. METHODOLOGY**

The focus of Phase 1 of the study is contained in the Elenchus report entitled “Phase 1 Report: Identification of Candidate Programs”, dated January 8, 2004. The purpose is to articulate the goals and objectives of any energy assistance plan targeted at low income consumers, outline the evaluation criteria necessary to assess a menu of programs, and finally identify the measures that are deemed valuable as they relate to the aforementioned goals of the plan. The concept of an Energy Assistance Model structure including the types of program designs, is sourced from the *Background Report*. Additional measures implemented in other jurisdictions, but not mentioned in the Background Report are also considered and included.

The Final Phase 1 report was completed by January 8, 2004, consequent to which a meeting was held with AHAC representatives to review the findings and conclusions. Approval of the stated goals and objectives for each of the overall plan, and for the specific measures identified was obtained at this meeting. With such approval, work on Phase 2 could be initiated.

The second phase of the study develops the programs in greater detail, working through a quantitative analysis to determine their ultimate cost and feasibility of progressing through to an implementation plan. This analysis is based on data available from various sources, including, but not limited to, information available from the Peterborough City and County service areas. The analysis is primarily based on electricity costs, as the scope of this study focuses on measures in which the local electric distributor is the prime enabler. Appendix II lists the data utilized in the completion of this phase of study.

With this dominant electricity perspective, much of the data critical to in-depth analysis is necessarily sourced directly from Peterborough Utilities Services. Should the availability of utility specific information be sparse, the ensuing analysis will subsequently be performed on a generalized basis utilizing broad-based assumptions. Despite the potential lack of conclusive cost/benefit analysis, the *Background Report* and *Recommendation Report* previously indicate the need for an EAP. Similarly, some of the measures and strategies identified in Phase 1 are actions to which a quantitative analysis are not applicable.

Phase 3, the Final Report, provides a complete view of a viable Energy Assistance Plan for AHAC. This report contains details of specific recommended measures that may be acted upon by various participants, including Peterborough Utilities Services Inc., and outline a process by which the parts would be put into place (including regulatory approvals).

### **3. MODELS FOR ENERGY ASSISTANCE**

Section III of the *Background Report* discusses the determination of local need for energy assistance measures. The Shelter Cost to Income Ratio (STIR) is defined by the Canadian Mortgage and Housing Corporation (CMHC) as the primary indicator of housing affordability for Canadians. This calculation determines “the percentage of gross income a household pays for shelter costs, including heat, electricity, water and sewer utilities.”<sup>2</sup> The shortcoming of this computation for the purposes of designing an EAP, resides in the bundling of rent or mortgage costs together with energy costs, thus diluting the potential impact of rising energy prices on housing affordability.

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<sup>2</sup> Peterborough Social Planning Council, “Energy Assistance Plan for Low Income Households in Peterborough City and County: Background Report”, September 2002, p.9.

Drilling down to a more relevant indicator would be the “energy burden” measure defined by the Government of the United States: Low Income Home Energy Assistance Program (LIHEAP). The *Background Report* describes this calculation as a “percentage of gross household income spent on energy costs”.<sup>3</sup> A number of U.S. studies noted in the report show “that low income households face higher energy burdens than households overall”, with “the energy burden of welfare families being, on average, seven times greater than that of families whose income was at median income level.”<sup>4</sup> Clearly, the impact of energy price volatility on budgets of low income citizens bears an unusually large financial repercussion.

It is with this situation in mind, illustrated by the findings of the *Background Report* that the number of grants issued by local financial assistance resources have risen 10.4%<sup>5</sup> in the 2001/02 heating season over the previous year, that AHAC concludes the necessity of having an Energy Assistance Plan tailored to alleviate local hardships caused by rising energy prices.

Specific activities in an EAP fall within one of four policy categories, each of which address the situation at differing levels of crisis; ranging from problem recognition to pending disconnection. These categories are outlined below in Table 1.

The first level of response is aimed at addressing the reality of potential financial hardship caused through an increased energy burden. These initiatives fall within the realm of **consumer protections** and are generally brought about by government or regulatory actions that would affect energy affordability issues. This is reflective of a preventive strategy and could include actions such as municipal by-laws that restrict the ability of utilities to disconnect at-risk customers for the purposes of public safety and security. Another example of a protective measure would be the setting of home appliance standards to conform to minimum energy efficiency requirements.

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<sup>3</sup> A household’s total expenditure for home energy is divided through by the income of the household; Background Report (September 2002), p. 9.

<sup>4</sup> Background Report (September 2002), p. 9.

<sup>5</sup> Ibid., p.15

**TABLE 1: Categories for an Energy Assistance Plan**

Preventative Strategies		Reactive Strategies	
<b>Consumer Protection</b> To ensure energy affordability.	<b>Crisis Prevention</b> To reduce the energy burden in order to avoid the onset of a financial crisis.	<b>Transition Assistance</b> Rebates offered by governments in response to sudden changes in markets.	<b>Emergency Assistance</b> Immediate financial and advocacy response to assist in pending disconnection or effect reconnection.

The second level of response is similarly a preventive measure. Actions at this stage are designed to inhibit the onset of a crisis situation; commonly known as “**crisis prevention**” measures. Significant examples of these types of programs are mechanisms that provide financial bill payment assistance, programs encouraging increased energy efficiency, and arrearage management strategies. Governments and utilities typically provide funding and administration of these actions.

The third level of response attempts to address situations that have become critical as a result of sudden volatility in the energy market or increased consumption; either scenario caused by regulatory intervention, severe weather, or other factors. This is a reactive strategy designed to assist households in dealing with abrupt market changes. These initiatives are categorized as “**transition assistance**” measures and generally take the form of government rebates, such as the one mandated by the Government of Ontario on December 9, 2002 when the Legislature passed the Electricity Supply, Pricing and Conservation Act. Amongst other things, this measure allowed for a \$75 refund to most homeowners and small commercial businesses when the Act froze electricity prices at 4.3¢/kwh, due to sharply rising prices resulting from a combination of electricity deregulation and a colder than normal winter.

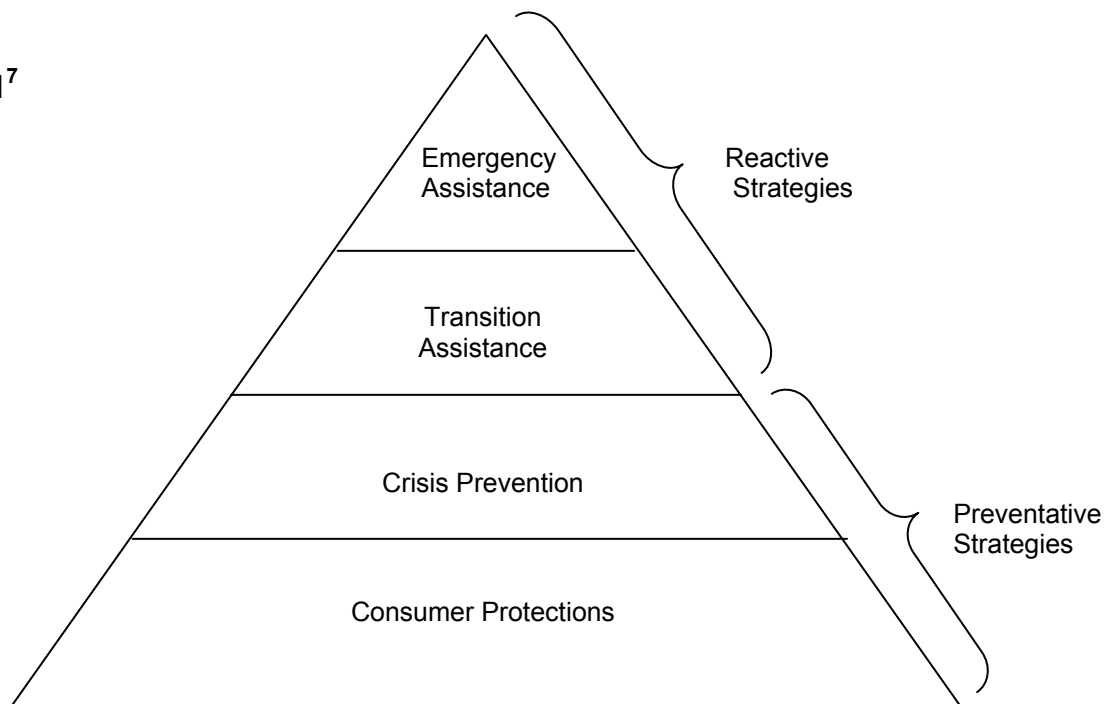
The final level of response addresses the most urgent needs of households facing immediate utility disconnection, or those who have been disconnected. These “**emergency assistance**” measures range from financial assistance, to advocacy and

collections support; clearly reactive strategies dealing with crisis situations of serious proportions.

Appendices A and B of the *Background Report* provide a comprehensive survey of the various programs available throughout Canada and the United States, categorized according to the above. It appears that Canadian measures fall largely within the Emergency Assistance (Reactive Strategies) category, with few or none in the other three areas. In contrast, measures listed for various jurisdictions of the U.S. place higher emphasis on Consumer Protection. This attitude is likely influenced by the strong signals issued through the U.S. Federal Government when Congress ratified in 1981 the Low Income Home Energy Assistance Program (LIHEAP), which entrenched energy burden issues as public benefit issues; hence legislative responsibility.

The Peterborough Social Planning Council suggests that “A successful model for low income energy assistance must include policies and programs from each of the four categories, ideally in the proportions shown.”<sup>6</sup>

**FIGURE 1<sup>7</sup>**



<sup>6</sup> Background Report (September 2002), p.31

<sup>7</sup> Ibid.

Designing an actionable EAP for AHAC will consider measures in each of the categories of the model, but not necessarily conform to the ideal proportions illustrated above. The chosen measures must first satisfy the goals and objectives of an EAP from a community perspective.

## 4. GOALS OF AHAC'S EAP FOR LOW INCOME CLIENTS

Statistics provided by the Peterborough Social Planning Council to AHAC regarding usage of local assistance services over recent years clearly demonstrate a strong financial need within community clientele to address the energy burden issue. Between the 2000/01 and the first half of the 2001/02 heating seasons the number of requests for assistance related to utilities rose from one-third to one-half.<sup>8</sup> As seen in the discussion above regarding the components of a complete assistance model, addressing a household's energy burden can take a variety of forms, ranging from direct monetary handouts, to broader strategies that reduce potential burdens through application of regulatory or legislative mechanisms (e.g. a move towards supporting technologies or standards for more energy efficient equipment).

There are two considerations from which an EAP must be examined in order to achieve the most effective design. These are macro and micro design outlooks which will help determine the completeness of a plan as a cohesive strategy in the context of an assistance model.

### 4.1 Overall Goals of an Energy Assistance Plan

Firstly the plan must be designed as a complete tool, containing measures and strategies which, in sum, address all components outlined above; that is, actions focused in each of Consumer Protections, Crisis Prevention, Transition Assistance, and Emergency Assistance. Only when all four aspects of intervention are targeted, can a plan then truly be recognized as an effective Energy Assistance Plan.

The outcome of this study is a complete plan, adhering to all components of an assistance model; not to be construed as a menu of individual strategies and measures from which to judiciously select. Individual strategies will satisfy some of the goals

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<sup>8</sup> Background Report (September 2002), p.p. 21-22

stated in Section 4.2 (below) for individual target outcomes, but will lack the synergy to achieve long term sustainable benefit when not taken in tandem with all the recommendations made in the context of a model.

A second overall goal of an Energy Assistance Plan is, without question, a reduction in the energy burden placed on low income and vulnerable consumers. As alluded to above, assistance can come in many forms, some of which are directly monetary, and others non-monetary, but having impact on usage volumes which will result in lower consumption costs. By the same token, there is a range of costs associated with establishing those assistance measures; costs which will be borne by the ratepayer or taxpayer. The net cost impact must result from a plan that achieves a decrease in household energy costs of target sectors without unduly burdening utility ratepayers, or municipal taxpayers.

Thirdly, for an EAP to become fully effective, comprehensive education of target consumers must occur. Through the implementation of various strategies, consumers will necessarily become more educated as to how energy is delivered, billed and consumed. The result of this working model will be that behavioural change can transpire over time. This behavioural adjustment will primarily manifest itself in households better managing their energy expense budgets (possibly through changes in time of use) and secondarily, through a reduction in energy consumption levels. From AHAC's perspective, its role in delivering an EAP will fall predominantly into lobbying appropriate organizations to support implementation of certain strategies, such as utilities to implement arrears management programs, or helping to coordinate among existing programs and ensuring that effective outreach occurs in the community. Whether AHAC itself assumes the responsibility of ensuring that the education goal component of strategies is achieved will depend on the definition of its existing mandate.

Finally, at the highest level, an EAP must fill a public benefit void by reaching customers of greatest need. The original “Request for Proposal”<sup>9</sup> explicitly mentions only the needs of low income households. It is important to recognize that included in the low income sector are subgroups of consumers such as fixed income seniors, disabled persons, and medically dependent individuals. It could be said that among these subgroups there appears to be varying levels of need, extending right to the level of sustaining human life. It is with this ultimate need in mind that the resulting plan must at a minimum address.

#### 4.2 Specific Goals of EAP Measures

Looking specifically at individual measures and strategies contained within an EAP, there are a number of broad goals that each should be evaluated against:

- Programs/strategies must target and be accessible to all low income and vulnerable households.
- Programs/strategies must address the financial burden that energy places on household budgets as that burden evolves from significant to crisis proportions.
- Programs/strategies must conform to at least one of the categories noted in the model for an EAP.
- Programs/strategies must be practical, reasonable, and cost effective.
- Programs/strategies are socially desirable as they contribute to improving the welfare of low income and vulnerable customers.
- Programs/strategies must address at least one of the recommendations outlined in the Recommendation Report.<sup>10</sup>

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<sup>9</sup> City of Peterborough, P-17R-03 Request for Proposals, “Professional Services for Production of Energy Assistance Plan for Low Income Households in Peterborough City and County: Needs Analysis report and Implementation Plan”, closing date 30 Oct. 2003.

<sup>10</sup> Policy and Issues Sub-Committee, AHAC, “Energy Assistance for Low Income Households in Peterborough City and County: Recommendations”, December 9, 2002.

## 5. EXISTING LOCAL FINANCIAL ASSISTANCE SERVICES

Prior to identifying programs and strategies that would qualify for inclusion in the EAP, it would be prudent to review existing financial assistance services available in the region to see where gaps are apparent with respect to meeting the overall goals of an energy-specific assistance plan.

The *Background Report* provides a thorough review as at September 2002 of the existing services available, and what their weaknesses are.<sup>11</sup> Table 2 replicates Table 8 from the Report<sup>12</sup>, but adds columns that indicate how well they fit with the model framework and what gaps there are with respect to meeting plan goals.

Of the local resources currently available, many of the programs listed in Table 2 respond to clients' needs at their most critical stage; a level at which not only is disconnection pending, but the threat of homelessness is imminent. Consequently, resources are thinly spread among the general financial needs of eligible clients (including cash requirements for food and rent), of which utility needs are only another factor.

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<sup>11</sup> Background Report (September 2002), p.p. 16-29.

<sup>12</sup> Ibid., p.16

Table 2: Summary of Local Financial Assistance Services

SOURCE	SERVICE NAME	ENERGY ASSIS'T. MODEL FIT	WEAKNESSES AND GAPS
City & County of Peterborough Social Services Dept.	Ontario Works Emergency Assistance	Emergency Assistance (Reactive Strategy)	Two weeks of basic financial assistance; not limited to only energy needs.
	Ontario Works Community Start-Up Benefit	No fit with model.	Only applicable to paying utility deposit to establish new residence service.
	Ontario Works Discretionary Benefits	Emergency Assistance (Reactive Strategy)	Max. \$600/yr to maintain heat and utilities. Options for deposit payment and equipment repairs.
Ministry of Community and Social Services	Ontario Disability Support Program (ODSP) Community Start-Up Benefit	No fit with model.	Only applicable to paying utility deposit to establish new residence service.
Housing Resource Centre (HRC)	Emergency Fund	Emergency Assistance (Reactive Strategy)	Insufficient resources; shared among other needs to prevent homelessness.
	Share the Warmth	Crisis Prevention (Preventative Strategy)	Insufficient resources; monies raised through donations. Not currently operating in Peterborough
Peterborough Utilities Services	Funds for Utility Emergencies (FUSE)	Emergency Assistance (Reactive Strategy)	Only available to electric utility customers.
Salvation Army	Emergency Assistance	Emergency Assistance (Reactive Strategy)	Insufficient resources; monies raised through donations and church fundraising. Only portion of resources allocated toward energy burden crises.

As a result, existing financial assistance measures do not focus solely on relieving a household's energy burden. In some cases the financial contribution is directed towards helping individuals participate in the energy market, by allowing monies for start-of-service deposits, which is beyond the scope of an energy assistance plan as defined in this study. It can only be concluded that implementation of measures specifically designed to provide energy burden relief, would allow existing resources to be expended on other basic and household needs.

## 6. IDENTIFICATION OF CANDIDATE PROGRAMS

Using the guidelines of the aforementioned broad policy goals, a number of programs identified in the *Background Report*, in addition to others, were deemed appropriate for detailed evaluation in a secondary phase to this study. The menu of programs outlined was chosen on the basis of the following criteria:

- Met at least one of the broad policy goals of AHAC's requirement from an EAP.
- Practical and reasonable to implement.
- Perceived to be cost effective.
- Contain elements that allow for measurement and evaluation.

What follows is a description of each of the identified programs, the participants and their role in enabling the program, funding requirements, time frame for implementation, measurement issues and information requirements for quantitative analysis. A summary of these measures is found in Appendix I. In order to relate the programs to how they fit into an overall EAP Model, the sections below will look at each category of the model individually.

### 6.1 *Consumer Protection Measures*

#### 6.1.1 Background

To provide some background information in relation to the issue of consumer protections, as mentioned earlier, the U.S. Government places the issue of energy affordability clearly in the policy arena of public benefits. In the U.S., addressing this issue has taken the specific form of Demand Side Management (DSM) initiatives (targeted at the low income sector) that encourage both energy conservation and

energy efficiency.<sup>13</sup> In the Province of Ontario to date, there has generally been little legislative recognition of energy affordability as a public benefit issue. The closest example to a formal public policy statement regarding concern for low income groups' ability to participate in DSM activities comes from a decision written by the Ontario Energy Board (OEB) - in its responsibility as regulator of the province's monopoly gas distribution utilities – commenting on the distributors' DSM programs. In E.B.O. 169-III the OEB states, “the portfolio approach of DSM programs be as broad as reasonably possible to allow as many customers as possible the opportunity to participate and share in the benefits of DSM” and “the utilities take particular care that ratepayers such as those with low incomes are not discouraged from participating”.<sup>14</sup>

E.B.O. 169-III has underpinned natural gas DSM activities for the last ten years, but with little emphasis or encouragement towards the concerns of low income constituents. On June 18, 2003 the Minister of Energy sent a letter to the OEB to commence consultations with Stakeholders to assist in a process to identify and review options under which DSM might be implemented in the electricity sector. The OEB subsequently expanded the scope of the consultation to include the role of natural gas distributors. This stakeholder consultation is known as RP-2003-0144.<sup>15</sup>

Since RP-2003-0144 is a high level examination of how DSM might be brought into the electricity and natural gas market place, it is an ideal and current forum in which the public benefit issues of energy affordability can be incorporated into the design of the framework. The formal consultations of the proceeding concluded in early December, with draft recommendations from OEB Staff to Board Members released on January 23, 2004. Final recommendations on a DSM implementation framework were made on March 4, 2004 by the OEB to the Minister of Energy. AHAC will be interested to know that in the options developed by the Advisory Group to the OEB in this proceeding,

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<sup>13</sup> Energy conservation is typically interpreted to mean using less energy, while energy efficiency implies extracting more energy out of the same energy unit, through the application of new technology.

<sup>14</sup> E.B.O. 169-III, Page 86, para. 9.1.5.

<sup>15</sup> More information and the final report on RP-2003-0144 may be found in the OEB website at the following link: [http://www.oeb.gov.on.ca/html/en/industryrelations/ongoingprojects\\_ministersdirective\\_dsm.htm](http://www.oeb.gov.on.ca/html/en/industryrelations/ongoingprojects_ministersdirective_dsm.htm)

there is significant room available to accommodate the needs of the low income sector. In fact, the final Board Report to the Minister recognizes the significant public benefit aspect of DSM and its recommendations suggest a framework that would assure that public interest and universality of DSM activity is assured.<sup>16</sup> What remains to be determined is to what extent the present government in power will incorporate these issues as a fundamental part of the provincial energy platform.

### 6.1.2. Vital Services Bylaw<sup>17</sup>

This concept is a policy measure that can significantly contribute to ensuring energy affordability to low income households. Application of the measure is attractive as it is certainly within the realm of a municipal government to realize, as a piece of that government's social policy framework. Protection is further provided in instances where tenants are at risk due to the landlord's neglect in payment of utility obligations.

In fact, entrenched in the Government of Ontario Tenant Protection Act 1997 (Section 149)<sup>18</sup> is the opportunity where a municipality is permitted to recover monies should a landlord fail to abide by a municipal vital services by-law. One example of a detailed by-law passed in this regard can be found for the City of London, Ontario (Appendix 4)<sup>19</sup>. Many municipalities generally do not articulate in such detail the terms of reference and implementation of the by-law, but broadly define the responsibility of landlords to maintain utility services (including gas, fuel, electricity, hot water and steam) at minimum specified levels and disallow disconnection of service by utilities in case of payment default by landlords.

This type of legislative intervention could possibly be expanded at the municipal level to include low income/vulnerable homeowners and not just residential tenants.

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<sup>16</sup> The framework is advised only for the electricity sector, with natural gas DSM to continue as part of individual utility rate hearings, with synchronization with electricity some time in the future.

<sup>17</sup> Background Report (September 2002), p. 32

<sup>18</sup> [http://192.75.156.68/DBLaws/Statutes/English/97t24\\_e.htm#P1820\\_162867](http://192.75.156.68/DBLaws/Statutes/English/97t24_e.htm#P1820_162867)

<sup>19</sup> <http://www.city.london.on.ca/Cityhall/CorpServices/CityClerks/ByLaws/vital.pdf>

**Purpose:** To prevent the disconnection of utility services to low income households, and those dependent due to medical necessity; ultimately to prevent the occurrence of fatality resulting from utility cut-off.

**Description:** A By-Law enacted at the municipal level that would ensure the continuation of vital utility services during the winter months to low income households and throughout the year to persons who are dependent due to medical necessity.

**Enabling Participants:** Municipal government, utility service providers, community agencies (for identification of “at-risk” clients).

**Funding Requirements:** No significant funding requirements for the creation of such a by-law or for its implementation. Possible need for additional enforcement officers pending a review of existing workload. Payment recourse for defaulted utility payments would derive from landlord property tax surcharges in situations where the landlord is responsible for provision of vital services (per Tenant Protection Act). In homeowner default situations, crisis prevention measures can be implemented.

**Implementation Timeframe:** Long Term. Enacting such a by-law would require much groundwork to be laid in the form of garnering community and political support as to its social benefits.

**Fuel Types Addressed:** Electricity, natural gas, and fuel oil. The latter two fuels are likely relevant only in terms of providing heating and/or cooking, while electricity would further be applicable to ensuring continued operation of medical appliances.

**Measurement Elements:** Avoidance in fatalities resulting from utility disconnection.

## 6.2 *Crisis Prevention Measures*

### 6.2.1 Rate Discount or Percentage of Payment Income Plans<sup>20</sup>

**Purpose:** To reduce the energy burden of low income households and thereby reduce harm in the areas of social welfare and health.

**Description:** These plans are designed to explicitly recognize and address the high financial burden that energy costs bear on a low income household's budget. There are a variety of different mechanisms that can achieve this:

- Discounts based on a percentage of the monthly bill: This discount is applied only during the winter heating season and in U.S. programs can vary from 7 to 40%. In some jurisdictions the funding for such discounts is acquired through a rate surcharge on all other utility customers. An alternative method is the waiver of the tax component of the bill; in effect a fixed discount.
- Fixed dollar discounts: Involves the waiver of some fixed component of the bill, or providing for a specific dollar amount deemed appropriate by the government.
- Usage discounts: A mechanism whereby a minimum level of energy is deemed necessary for public necessity and safety, and provided for at a discounted rate. Consumption above that minimum volume level is then charged at the approved residential rate.
- Percentage of income: The mechanism works by fixing the energy burden ratio to some specified value. This ratio may be determined in a number of ways, such as within a certain range relative to other residential users' energy burden.

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<sup>20</sup> Background Report (September 2002), p.35-37

Enabling Participants: Municipality, utility service providers, community agencies (for identification of eligible customers).

Funding Requirements: Funding of these discounts may occur through a number of methods, some of which may be accommodated through utility accounting options such as discount expense accounts and written off against income. Alternatively, if funding costs are paid by system ratepayers, then regulatory approval will be necessary. There will likely also be initial start-up costs related to program implementation (adapting current billing procedures), and then ongoing costs associated with administering/processing applications which, dependent on the historic number of eligible clients, may require additional persons. Economies may be achieved through parallel processing of eligible clients availing themselves of other local assistance programs like the Ontario Works and Ontario Disability Support Programs.

Implementation Timeframe: Medium term. Would require study of service territory minimum energy usage volumes to determine appropriate discount size. Number of eligible clients.

Fuel Types Addressed: Electricity, natural gas and fuel oil.

Measurement Elements: Reduction in energy bill payment arrear amounts, reduction in number of arrearage notices, reduction in utility disconnections, reduction in winter season average energy volume usage (more applicable with the usage discount mechanism). Additional benefits in the form of reduced evictions and rent arrears, caused by defaulting on rent to pay utilities, are difficult to measure.

## 6.2.2 Medical Life Support Plan

**Purpose:** To reduce the energy burden of individuals that are dependent on electricity for medical apparatus and/or higher than average electricity needs, due to medical necessity.

**Description:** A specific form of discount plan focused on the energy requirements of medically and disabled low income constituents.

**Enabling Participants:** Utility service providers, community and medical associations (for identification and outreach).

**Funding Requirements:** Same as for Rate Discount or Percentage of Income Payment Plan (above).

**Implementation Timeframe:** Short term. Identification of target households may be quickly made by utilizing existing client information.

**Fuel Types Addressed:** Electricity.

**Measurement Elements:** Reduction in the household's energy burden, reduced arrearage accounts, reduced disconnect/reconnections.

## 6.2.3 Arrearage Plans

**Purpose:** To provide customers with mechanisms which will allow them to affordably reduce amounts in arrears, thus preventing a progression towards disconnection.

**Description:** In tandem with the discount rate plans above, arrearage mechanisms allow customers to manage budgets to allow for eventual reduction of accounts in

arrears. Mechanisms range from partial forgiveness of arrear amounts to extended payment terms.

Enabling Participants: Utility service providers and community agencies.

Funding Requirements: No perceived additional funding required, other than adjustments to billing and credit processes. Should forgiveness of arrear amounts occur, then funding options available would relate to discount expense accounts and written off against income.

Implementation Timeframe: Short term. Mechanisms in place in many jurisdictions.

Fuel Types Addressed: Electricity, natural gas, fuel oil.

Measurement Elements: Value of arrear accounts, rate of arrearage account clearance, and number of accounts terminated.

#### 6.2.4 Pre-Paid Electricity Meters

Purpose: To encourage conscientious and cost effective use of electricity by low income property owners. Mechanism permits active budgeting decisions on the part of the homeowner.

Description: Similar to telephone cards, electricity meter swipe cards can be purchased 24 hours a day, 7 days a week at various sales locations in a number of set dollar amounts (e.g. \$5, \$10, \$50) and can be made available through emergency assistance programs. Cards are then swiped into special readers installed at the property that transfers the amount purchased to the memory in a display unit. As power is consumed, an optical reader counts the revolutions on the consumption meter and reduces the cash balance on the display unit. Participation in the plan should be

voluntary, and offered as an option similar to equal payment billing or pre-authorized bank debit. Constraints may be placed on the system to avoid complete cut-off; for example, by having minimum consumption levels locked in to ensure continuation of heating requirements.

**Enabling Participants:** Utility service provider for installation/maintenance of electronic reader, installation of information management software, collection/monitoring of data and community agencies for distribution of cards as emergency assistance .

**Funding Requirements:** Initial budget required for the information system structure necessary to support this product, and program implementation. It is possible that monies may be available (subject to OEB review) under the Government of Ontario's November 25, 2003 Ontario Energy Board Amendment Act (Bill 4). This Act permits local distribution companies to apply to the OEB for a return to full commercial rate of return by March 1, 2005, conditional on the companies reinvesting the equivalent of one year of funds in conservation and demand management initiatives.<sup>21</sup> Due to the uncertain nature of the regulatory parameters surrounding how these monies will be collected or distributed, this funding option is merely a suggestion and not a substantiated option.

**Implementation Timeframe:** Short term. Technology is presently available and in use in other jurisdictions, such as Woodstock Hydro.<sup>22</sup>

**Fuel Types Addressed:** Electricity.

**Measurement Elements:** Reduction in arrearage accounts, reduction in household electricity consumption.

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<sup>21</sup> [http://www.est.gov.on.ca/index.cfm?fuseaction=english.news&back=yes&news\\_id=41&backgrounder\\_id=30](http://www.est.gov.on.ca/index.cfm?fuseaction=english.news&back=yes&news_id=41&backgrounder_id=30)

<sup>22</sup> See Appendix V. CTV News Transcript. 27 December 2003

### 6.2.5 Communication Strategy

The *Background Report* highlights the existence of a number of local financial assistance programs (including discretionary benefits for recipients of \$600 per year for each energy provider) that are available to households in need, and the one major player active in directing recipients to these resources as the City and County of Peterborough Social Services Department. Due to a number of constraints listed in the *Report*<sup>23</sup>, information is not always getting to those clients in need (particularly those with disabilities), or information regarding clients' needs is not being shared with caseworkers, due to concerns that benefits may be terminated, or overpayments incurred.

This information gap is a serious barrier that should be addressed through some cohesive communication strategy among agencies and the utilities. AHAC should examine its role in facilitating such a strategy as a means of ensuring complete accessibility of all available resources to clients, and further meeting the broader EAP goal of education. This particular endeavour would not bear significant funding requirements as it is viewed primarily as a coordination exercise.

### 6.2.6 Low Income Weatherization Programs

Historically the local charitable organization known as “Peterborough Green-Up”<sup>24</sup> offered a variety of different programs aimed at improving home energy efficiency and conservation for different customer segments. Samples of two completed programs are the “Stop Draft” aimed at senior citizens and physically challenged adults, and the “Hiawatha First Nation Weatherization Project” that assisted members of the Band achieve higher levels of efficiency. It is not clear whether there were charges for

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<sup>23</sup> Background Report (September 2002), p.p. 25-26.

<sup>24</sup> 7 Oct. 2002. Peterborough Green-Up Association, Inc. 8 Dec 2003 <<http://www.greenup.on.ca/backgrnd.htm>>.

services under these programs. Specific low income weatherization programs have not been offered by Peterborough Green-Up since 2000.

The potential exists to leverage channel and funding partnerships that have been developed by this organization in the area of conservation and improved home energy efficiency. AHAC may wish to explore reviving initiatives, or working with Peterborough Green-Up to extend existing programs to include a broader range of low income clients. This would allow the EAP to extend its arsenal of crisis prevention measures without having to find additional funding.

Similar to the funding options available under Section 6.2.4 Pre-Paid Electricity Meters, Peterborough Utilities Services may be able to access monies through the true-up mechanism made available through the passing of Bill 4, to support future conservation measures targeted at the low income segment.

#### 6.2.7 Share the Warmth

Operating primarily as a crisis prevention measure, Share the Warmth is a registered, not-for-profit charity that purchases heat and energy on behalf of families, seniors, terminally ill and disabled persons living at or near the poverty level. Through funds raised locally, Share the Warmth converts 100% of all public donations to heat and energy for households in need.<sup>25</sup> Previously administered through the Community Counselling & Resource Centre's Housing Resource Centre (HRC), the program runs through the winter months of December to April. The program currently is not operational in the Peterborough area due to lack of available funding (Enbridge's participation concluded in 2003) and administrative concerns arising from previous years' experience; e.g., discrepancies about how Share the Warmth allocates funding despite client identification and recommendation by HRC staff.

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<sup>25</sup> Share the Warmth. 15 Dec. 2003 <<http://www.sharethewarmth.org/public/index.html>>.

Being an Ontario-wide initiative that goes beyond emergency funding to include mechanisms that would delay utility disconnection, full utility participation in Share the Warmth has the potential to achieve significant fundraising coverage and wider application of benefits for the jurisdiction, with no financial outlays from the public purse.

### 6.3 *Transition Assistance Measures*

Since these measures are typically initiated at a legislative level to assist customers unfairly burdened by sudden energy price spikes or increased consumption due to extraordinary weather conditions, they are not applicable in the context of this study.

As previously mentioned, however, one example of this bridging mechanism is the \$75 rebate on electricity prices that most homeowners and small businesses in Ontario received in Spring 2002 after the Government of Ontario froze prices at 4.3¢/kwh, due to sharply rising prices resulting from a combination of electricity deregulation and a colder than normal winter. Another example would be the 2000 Energy Tax Refund of \$300 and other subsequent rebates made to Albertans due to sudden and severe energy price volatility.<sup>26</sup>

### 6.4 *Emergency Assistance Measures*

#### 6.4.1 Emergency Energy Fund

In 2004, PUS and the HRC jointly created the “Fund for Utility Service Emergencies” (FUSE) program which is viewed as a more locally responsive service dedicated specifically to addressing the issue of electric utility disconnections. Starting with an

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<sup>26</sup> Background Report (September 2002), p.46

initial donation of \$30,000 PUS raises monies through bill donations and contributes more money to FUSE than it did to Share the Warmth. Administered through the HRC, the fund is designed to be a last resort option, when all other assistance measures have been exhausted. One hundred percent of donations will be directed to those in need, with the PUS and HRC bearing all administrative costs.<sup>27</sup> There are improved accountability measures in this program, compared to Share the Warmth and FUSE hopes to expand eventually to include both gas and oil. The HRC Emergency Assistance Fund, together with FUSE, are proving to be effective mechanisms for delaying utility service disconnection through the allocation of grace periods. Furthermore, both have broader eligibility criteria and, more importantly, allocate higher and more appropriate levels of assistance in proportion to the specific emergency. The municipal public purse through the PUS donated to both STW and FUSE.

As of February 2004, disbursements from FUSE amounted to \$12,157. Public donations received by FUSE as of February 29, 2004 are \$824. On bill donations in total are now \$300/month. Additional funds leveraged for this period from other sources for FUSE applications were \$ 2,564. Recently the PUS has arranged for the sewer surcharge and water portions of FUSE allocations to be reimbursed to the fund by their affiliated companies and have committed to an additional donation to the Fund for 2004 if necessary.

## **7. PROGRAM SELECTION AND CONSISTENCY WITH AHAC ENERGY ASSISTANCE PLAN GOALS**

The matrix contained in Appendix I illustrates where the programs identified in Section 6 fall into each of the EAP model categories, summarizes where measures fit with the goals articulated for AHAC, and finally, which of the recommendations listed in the

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<sup>27</sup> O'Donnell, Rosemary. "Announcing new fund for assistance with utility emergencies" E-mail to E. Cowx. 19 Dec. 2003.

December 2002 Recommendation report would be addressed. To assist in further evaluation of the list, one must consider the issues critical to each of the municipality, and the low income customer.

### 7.1 Municipal Concerns

Clearly one of the primary considerations of the municipality is the impact on its budget and, as a primary shareholder of the local electric distribution company, the impact on ratepayers of implementing any assistance program. At this stage it is apparent that some of the measures are actual programs, while others are strategic activities designed to ensure the completeness of the assistance model. Table 3 separates the program/strategy options according to perceived levels of implementation cost burden on either ratepayers, or taxpayers:

Table 3: Perceived Cost to Ratepayer/Taxpayer of Assistance Measure Implementation

<b>Measure</b>	<b>Program/Strategy</b>	<b>Perceived Cost of Implementation (high, medium, low)</b>
Consumer Protection Vital Services By-Law	Strategy	Low
Crisis Prevention Rate Discount or PIPP Medical Life Support Plan Arrearage Plans Pre-Paid Electricity Meter Communication Coord. Low Income Weatheriz'n Share the Warmth	program program program program strategy program program	medium medium medium high low high low
Transition Assistance Municipal Rebates	strategy	high
Emergency Assistance Fund for Utility Service Emergencies (FUSE)	program	high

It would be the natural inclination to select measures that have least cost impact on ratepayer/taxpayers. This method, however, ignores the broader issues of meeting overall goals of an Energy Assistance Plan, which is to build a complete a model that would address potential crises as well as react to escalating crisis situations. Without

measures in each segment of the model, the plan would lack sustainable benefit to the groups in need and resources would continue to be administered in an ad hoc manner.

Despite the urge to pursue low cost options, it is admirable to note that the PUS in partnership with HRC initiated the FUSE program, at what is perceived to be relatively high initial cost to ratepayers. This example of commitment to social welfare may encourage other local businesses and utilities to follow suit.

The numerical analyses (following below in Section 8) compares the cost/benefit of specific programs such as the various Rate Discount/PIPP, Medical Life Support, Arrearage and Pre-Paid Electricity Meter plans. The data requirements necessary for this exercise are listed in Appendix II. Consequent to this review, some of the programs currently listed will be deemed unviable due to reasons of cost-effectiveness, practicality, or simply not being suited to meeting the needs of the target groups. The analysis, however, will not evaluate the cost of measures listed above as “strategies”, nor programs which are leveraged through other organizations (e.g. Low Income Weatherization and Share the Warmth).

## 7.2 Low Income Customer Concerns

From the perspective of the target customer, immediate benefit would come from mechanisms that allow them to mitigate the energy burden that they bear. The following table focuses solely on whether the assistance measures identified in Phase 1 of the study address the energy burden issue (this is a subset of the data contained in Appendix I).

Table 4: Do Assistance Measures Reduce Household Energy Burden?

Measure	Reduces Energy Burden	Mitigation Mechanism	Enabling Body
Consumer Protection Vital Services By-Law	no	Not applicable	Municipality
Crisis Prevention			
Rate Discount or PIPP	yes	discounts	Utility
Medical Life Support Plan	yes	discounts	Utility
Arrearage Plans	yes	Only if partial or full forgiveness	Utility
Pre-Paid Electricity Meter	yes	Reduced consumption	Utility
Communication Coord.	no	Not applicable	To be determined
Low Income Weatheriz'n.	yes	Reduced consumption	Peterborough Green-Up
Share the Warmth	yes	Monetary assistance	Share the Warmth
Transition Assistance			
Municipal Rebates	yes	Monetary assistance	Municipality
Emergency Assistance			
Fund for Utility Service Emergencies (FUSE)	yes	Monetary assistance	Utility

It can be seen that the majority of programs specifically address reducing the energy burden on low income and vulnerable clients. Many of the programs also require the cooperation of utility service providers (Peterborough Utilities Services, Enbridge Gas Distribution, and Hydro One Networks) as primary enablers. The perception is that some of these measures can be implemented in the near term, pending regulatory approval for some options. These programs include: the Rate Discount or Percentage of Payment Income Plan, the Medical Life Support Plan, Arrearage Plans and Pre-Paid Electricity Meters.

## 8. PROGRAM COST ANALYSIS

It is apparent from the preceding comprehensive list of measures that programs listed under the Crisis Prevention category are simply variations of a theme; specifically the Rate Discount or Percentage of Payment Plans. These programs, along with some others have a quantitative component to address in determining cost effectiveness. In some of the other programs listed the cost assessment is subjective in nature. This section will evaluate more specifically the cost aspect of the various Crisis Prevention

alternatives for the purpose of selecting the most appropriate programs for inclusion in the EAP.

## 8.1 Rate Discount or Percentage of Income Payment Plan

As described in Section 6.2.1, this type of program provides eligible customers with a mechanism for **direct** energy cost mitigation. There are four types of mechanisms available:

1. Discounts based on a percentage of the monthly bill.
2. Fixed dollar discounts.
3. Usage discounts.
4. Percentage of income.

To begin the analysis, the parameters of customer eligibility must be articulated. In the U.S. where there are a number of examples of these types of plans, (Arizona, California, New Hampshire, among a number of other States<sup>28</sup>) the first eligibility requirement would be based on level of income. For purposes of simplicity, this income level can be set at 150% of the low income cutoffs on an after-tax basis as updated periodically by Statistics Canada. That is, any residential customer whose income falls below 150% of the income levels noted in Table 5 would be eligible to participate in any of these discount programs. This percentage value is a common delineator among programs of this type that presently exist.

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<sup>28</sup> Background Report, September 2002, Appendix B, p.p.48-53.

Table 5: 2001 Low Income Cutoffs (1992 base) After Tax<sup>29</sup>

Size of family unit	Community Size				
	Rural areas	Urban Areas			
		<30 000	30 000-99 999	100 000-499 999	>500 000
1 person	10 201	11 791	12 904	13 107	15 559
2 persons	12 448	14 388	15 745	15 992	18 986
3 persons	15 744	18 198	19 915	20 227	24 013
4 persons	19 609	22 665	24 804	25 192	29 908
5 persons	21 917	25 332	27 722	28 157	33 428
6 persons	24 225	27 999	30 640	31 122	36 948
7 or more persons	26 533	30 666	33 558	34 087	40 468

According to recently released 2001 Census data, of the 69,300 population in the City of Peterborough, 17.6% or 12,200 are classified as low income. Similarly in the townships served by PUS, 7.3% or 1,470 of the 20,205 population fall into the low income category.<sup>30</sup> Consequently, the low income cutoff rates that would apply to the City would derive from the above table for urban areas containing less than a population of 100,000 and for service in the township areas of Asphodel-Norwood and Smith-Ennismore-Lakefield the cutoffs for the rural areas would apply. This criteria would be used to determine individual client eligibility for access to crisis prevention measures.

Looking at each of the four options listed above, and using some very broad assumptions incorporating actual PUS data for 2003 related to its residential customer base, the following observations are made regarding each of the alternatives. Table 6 illustrates the gross assumptions utilized in the ensuing analyses:

<sup>29</sup> Bernard Paquet, "Low Income Cutoffs from 1992 to 2001 and Low Income Measures from 1991 to 2001", Income Statistics Division, Statistics Canada, Catalogue No. 75F0002MIE2002005, Nov. 2002, p. 29.

<sup>30</sup> Data specific to the Greater Peterborough Area derived from the "Housing Needs Assessment Study for Peterborough City and County" prepared by Social Housing Strategists, December 2003; <http://www.city.peterborough.on.ca/housing>.

Table 6: Data Assumptions for PUS Territory<sup>31</sup>

Number of low income residential customers	5171
Average monthly number of customers in arrears	4135
Average monthly residential electricity consumption	1100 kwh
Average monthly residential low income electricity consumption	1800 kwh
Average PUS residential bill	\$150-170
Low Income Senior population	3266
Disabled Low Income Senior population	980
Disabled Low Income population	569

Table 7: 2003 Actual Data for PUS Territory<sup>32</sup>

	Annual	Winter Season
Total number of residential customers	33858	
Average No. Customers in Arrears	4,135	4,103
Total Value of Arrears	\$475,735	\$478,983
Average Arrear Account Value	\$115	\$117
Number of Reconnections	114	26
Number of Disconnections	104	19
Customer Reconnection Cost	\$40	

### 8.1.1 Option 1: Discounts based on a percentage of the monthly bill

The average residential bill value noted in Table 6 contains all PUS charges (net of tax), including those for electricity distribution and consumption, water and sewer, and equipment rentals such as hot water heaters.

<sup>31</sup> Appendix VI contains data supplied by Peterborough Utilities Services and calculations used to derive assumptions.

<sup>32</sup> Data provided by David Whitehouse, Manager Customer Service, Peterborough Utilities Services.

If a 10% discount rate is assumed for the five winter heating months on the higher of the range of costs, then the average annual loss in revenue that would have to be absorbed by the utility would be approximately **\$439,535**. Spread over the 5171 assumed low income accounts, the individual savings would be just over **\$7** per month. Because the bill value does not represent a seasonal average, but rather an annual average, the noted savings and cost are likely on the conservative side.

On an annualized basis the customer savings would be at least \$84, which represents 72% of the value of the average monthly winter season account in arrears of \$117. This begs the question whether a similar percentage of winter disconnections could be prevented due to the resultant reduction in outstanding amounts, and the associated collection and disconnection costs to the utility be saved.

#### 8.1.2 Option 2: Fixed dollar discounts

In the PUS billing structure there are no fixed fee charges, other than the \$0.25 monthly administration charge that the OEB permits the PUS to collect from those customers that purchase electricity under the standard supply purchase agreement. Other line items on the PUS bill (sample bill provided in Appendix VII) are based on the monthly level of electricity consumption and therefore would not qualify as a fixed dollar discount as described here.

If in the future a fixed fee “systems benefit charge” for the funding of energy conservation and efficiency programs were to be established, then such fees could be waived for eligible customers. However, as the recommendations made by the OEB to the Minister of Energy currently stand, this customer charge is proposed to be a mil rate based on consumption.<sup>33</sup> Consequently, the fixed dollar discount option does not appear to be a viable method for application in the PUS service territory.

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<sup>33</sup> Ontario Energy Board, Staff Report to the Board, “Demand-Side Management and Demand Response in the Ontario Energy Sectors”, 23 January 2004, p.23; [http://www.oeb.gov.on.ca/documents/directive\\_dsm\\_StaffReporttotheBoard230104.pdf](http://www.oeb.gov.on.ca/documents/directive_dsm_StaffReporttotheBoard230104.pdf).

### 8.1.3 Option 3: Usage Discounts

Under the present environment of continued regulated pricing for the residential sector in Ontario, the electricity commodity price as of April 1, 2004 will be held at 4.7¢/kwh for usage up to 750 kwh, and 5.5¢/kwh for consumption levels exceeding 750 kwh.

Using the recent example of Detroit Edison (who serves over 2 million customers in Southeastern Michigan), a Low Income Energy Assistance program recently approved by the Michigan Public Service Commission allowed for a rate reduction of 1¢/kwh for eligible customers. It is estimated that as many as 300,000 low income customers in their service territory may be eligible.<sup>34</sup>

If we assume a similar 1¢/kwh discount for the winter heating season on the average low income account whose monthly usage averages 1800 kwh, the annual cost to PUS amounts to **\$465,390**; translating into a **\$7.50** savings per month for those same customers. These figures are somewhat conservative, due firstly to the fact that an annual average consumption rate and not a winter season rate was applied, and secondly, many low income customers reside in rental housing that is dependent on electric space heating. The PUS estimates that monthly consumption values may range from as low as 800 kwh to as high as 4000 kwh for some of these rental dwellings<sup>35</sup>.

### 8.1.4 Option 4: Percentage of Income.

The Housing Needs Assessment indicates that close to 42% of households spend more than 30% of their income on rent, while 19.3% spend more than 50% of their income on

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<sup>34</sup> Canadian Electricity Association, Electricity Industry News, PR Newswire, "Detroit Edison Offers Discount for Low Income Customers", January 26, 2004; <http://www.canelect.ca/english/article.html?SMContentIndex=5&SMContentSet=0>

<sup>35</sup> Conversation with David Whitehouse, Manager Customer Service, Peterborough Utilities Services, 25 Feb 04.

rent<sup>36</sup>. Compound this finding with the fact that many dwellings in the lower rent levels are associated with high utility costs, and one finds an untenable scenario of significant financial pressure on those households that can least afford it.

Given the extreme financial pressure under which the low income customer group must manage in order to maintain subsistence levels, this discount option is clearly deemed impractical. To further burden this group with a fixed payment ratio would only exacerbate an already tenuous financial position. Another drawback to this method is the lack of a link to energy consumption levels, thereby resulting in a passive discount mechanism which ignores the conservation benefits of reduced consumption.

## 8.2 Medical Life Support Plan

This program is a selective version of the discount plans, aimed exclusively at those vulnerable citizens who are not only impoverished, but also bear a larger energy burden due to use of energy consuming medical appliances, or due to higher needs as a result of medical or mental disability. The same income eligibility requirements as in Section 5.1 would apply, but the proposed discount would be somewhat larger to recognize their greater energy burdens.

As a conservative estimate, 11% percent of low income individuals presently in the Peterborough area are presumed to be disabled<sup>37</sup>; i.e., translating into approximately 569 of the low income PUS accounts. Assuming that this number does not include the segment designated as senior in age, then the number of accounts pertaining to the disabled rises by 980 to total 1549<sup>38</sup>.

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<sup>36</sup> Social Housing Strategists, "Housing Needs Assessment Study for Peterborough City and County", December 2003; <http://www.city.peterborough.on.ca/housing>, p.60.

<sup>37</sup> Ibid, p.108.

<sup>38</sup> A broad assumption was made to apply percentages based on individuals to the PUS account information which is on a household basis.

Using the parameters of the low income senior and medical life support program offered by Arizona’s largest utility, Arizona Public Service, the declining rate discount structure appears as follows:

- 30% discount for monthly usage of 0-400 kwh
- 20% discount for monthly usage of 401-800 kwh
- 10% discount for monthly usage of 801-1200 kwh
- \$10 straight credit for usages in excess of 1201 kwh per month.<sup>39</sup>

When the above system of graduated discounts is applied to the regulated prices mandated by the Ontario government beginning April 1, 2004, the resulting costs and savings for this customer segment are noted as follows:

Table 8: Medical Life Support Plan Cost/Savings

	Annual PUS Revenue Loss	Monthly Customer Saving
consump ≤ 1200 kwh	\$217,108	\$11.68
consump >1200 kw	\$185,880	\$10.00

It is important to note that the values above are not computed on a seasonal basis, but are assumed to be applicable all year as the elevated electricity needs of this segment have no seasonality associated with them.

### 8.3 Arrearage Plans

As of October 2003, Peterborough Utilities Services does not have any formal arrearage plan in place. The company’s collection schedule is noted to be the following<sup>40</sup>:

<sup>39</sup> <http://www.ncat.org/liheap/Supplements/supplement03.htm>.

<sup>40</sup> <http://www.puc.org/files/acct/collect.html>, Last revised: Tuesday October 14, 2003.

Day one....	Invoice is mailed.
After 16 days...	Invoice is due in full (a late payment charge applies if paid after this due date).
After 23 days...	A reminder notice is mailed.
After 30 days...	A reminder notice is hand-delivered to the service address.
After 37 days...	A service-disconnect order is issued to PUS technicians.

Consistent with credit counselling advice, an arrearage payment plan could be implemented whereby a minimum amount is paid of the amounts owing such that a gradual pay down occurs. During the months in which energy usage is lower, larger amounts might be dedicated to the account to bring down outstanding balances. At a minimum, alternative methods of eliminating outstanding balances without contributing to exponentially growing associated late payment penalties will move PUS towards reduced collection costs, and better financial management by affected customers. The ultimate goal of such a plan would be to enable the eventual payment of all outstanding amounts, as opposed to spending effort on time-consuming and expensive collection activities.

By simply creating a formal arrearage policy of extending payment terms for identified customers, the only cost to the utility would be the re-working of the accounting system to accommodate this change. Many of the other costs associated with collection (e.g., hand delivery of notices, collection visits, etc.) are recovered from the customer or ultimately from all ratepayers should the arrears become written off into a “bad debt” account. Savings to PUS would accrue from postage costs (not having to re-send additional payment notices) and administrative staff savings for not having to expend as much time following up on aging accounts.

Affected customers would save on the cumulative interest impact of outstanding accounts (1.5% monthly late payment charge); i.e., \$7,136 monthly additional charge based on average monthly outstanding arrears of \$475,735, or \$1.73 per month per

customer in arrears. The annual interest charge by the PUS on accounts in arrears is posted at 19.56% per annum (1.5% compounded monthly)<sup>41</sup>. This charge is far in excess of the carrying cost of those arrears when considering that the Bank of Canada prime lending rate is presently 2.25% per annum. Despite the exorbitant default rate, the level of this charge is used by all utilities in the province.

Clearly there are costs to the utility associated with outstanding balances, but ultimately, whether those costs are recovered from individual account holders, or spread over the entire rate base is not the prime focus of an arrearage plan. The basic premise of an arrearage policy is to focus efforts on diminishing the number and size of balances of arrear accounts through re-payment terms that are flexible and responsive to unique low income customer circumstance. If the goal of enabling payment in full is achieved, then the incurrence of collection and other associated costs will naturally drop.

#### 8.4 Pre-Paid Electricity Meters

Pre-paid metering is a comprehensive mechanism that involves up front investment in both hardware and software by the utility, but carries the inherent ability to change people's behaviour by way of altering consumption patterns. This characteristic of the mechanism to create usage consciousness has then the corollary effect of putting into customers' control a budgeting tool. For some low income households such conscious use of energy will contribute to their energy burden reduction, and from the utility's perspective, incur cost savings from reduced management of arrears. As mentioned in Section 6.2.4 Woodstock Hydro has such a mechanism in operation since 1989 which was implemented under temporary regulatory approvals from the OEB.

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<sup>41</sup> All miscellaneous PUS customer charges are listed in Appendix VIII

As an alternative payment method, these types of meters inherently bring great educational value in terms of explicitly demonstrating how usage relates to cost. Customers who develop a high level of consciousness related to energy use, benefit through avoiding having their account move into arrears, and furthermore, save by avoiding the typical financial security deposits requested by most utilities upon account establishment. The security deposit requirements by PUS of customers without an acceptable credit history is the equivalent of 2.5 times the estimated average monthly load with the utility during the last year.<sup>42</sup> This sum could amount to over \$230, based on current mandated residential pricing and an average monthly consumption of 1800 kwh.

Despite the initial start-up costs, the long term cost savings to the utility can be substantial, as a significant portion of collection efforts will have been eliminated and put towards maintenance of this system. Woodstock Hydro currently charges a monthly fee of \$7.50 for the use of these meters; a level which was determined to recover the initial start up and continued maintenance needs of the system. Compared to the large security deposit required for standard supply residential service, and possible charges of over \$40 for arrears and collection, this rental fee appears reasonable.<sup>43</sup>

When considering use of this plan with the low income customer, it is critical that the customer be clearly informed as to how the meters operate, and that participation be initiated on a voluntary basis; offered as an alternative to other payment schemes such as equal payment billing or pre-authorized bank debit. Additionally, with low income and other vulnerable customers who participate, it would be necessary to have assurance that minimum sustaining levels of energy will continue to be provided and billed to their accounts, in situations where the meter cannot be topped up for extenuating circumstances. If a constant running balance is accrued as a result of this

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<sup>42</sup> David Whitehouse, Peterborough Utilities Services Inc. "Draft Security Deposit Policy", February 2004.

<sup>43</sup> Woodstock Hydro's powerstat meters deduct 25¢ daily from the customer's meter balance to recover the rental fee.

security feature, then a re-evaluation of this payment option will have to be scheduled by the utility with the customer.

## **9. CRISIS PREVENTION MEASURES SUMMARY**

The preceding detailed review of various crisis prevention measures reveal that clearly some programs are either impractical, or not applicable. This analysis results in the conclusions outlined in the tables below, which reduce the practical measures down to include the following:

- Low Income Rate Discounts (based on usage discount structure)
- Medical Life Support Discount Plan
- Arrearage Plan
- Pre-Paid Meters

From the perspective of the utility, implementation of an arrearage plan carries with it no requirement of regulatory approval and would have immediate positive impact for both the utility and the customer. Although the immediate savings to the customer are not as substantial as some of the other measures, at least the low income customer can budget effectively knowing that some forgiveness time is available and that payments will have to be met by a more manageable repayment schedule.

Table 9: PUS Cost/Savings Comparison

Program Evaluated	Estimated Cost to PUS	Regulatory Approval Required	Potential Areas of PUS Savings
Rate Discount or Percentage of Income Payment Plan			
<ul style="list-style-type: none"> <li>Discounts based on a percentage of the monthly bill.</li> </ul>	\$439,535 lost revenue	Yes; approval required for rate discount.	Reduction in arrear balances disconnections and collection costs
<ul style="list-style-type: none"> <li>Fixed dollar discounts.</li> </ul>	Not applicable	Not applicable	Not applicable
<ul style="list-style-type: none"> <li>Usage discounts.</li> </ul>	\$465,390 lost revenue	Yes; approval required for rate discount.	Reduction in arrear balances disconnections and collection costs
<ul style="list-style-type: none"> <li>Percentage of income.</li> </ul>	Not Applicable	Not Applicable	Not Applicable
Medical Life Support Plan			
<ul style="list-style-type: none"> <li>≤1200 kwh consump.</li> </ul>	\$217,069 lost revenue	Yes; approval required for rate discount.	Reduction in arrear balances disconnections and collection costs
<ul style="list-style-type: none"> <li>&gt;1200 kwh consump</li> </ul>	\$402,916 lost revenue	Yes; approval required for rate discount.	Reduction in arrear balances disconnections and collection costs
Arrearage Plans	Minimal cost for accounting system setup	No	Reduction in arrear balances disconnections and collection costs
Pre-Paid Electricity Meter	Initial hardware and software investment	Yes; approval required for billing of meter rental fee.	Reduction in arrear balances disconnections and collection costs

A longer term strategy, due to their regulatory approval requirements, would be to implement a combination of the other programs listed above. The Low Income Rate Discount Plan (based on a 1¢ rate reduction) has broad appeal for the complete spectrum of all low income, disabled and senior customers as eligibility based on income parameters as specified in Section 8.1 would apply. The standard supply service conditions of a security deposit would still be in effect, but combined with an arrearage plan would provide both an easing of their existing energy burden, and allow for improved financial budgeting by the customer. Despite seeing some loss in rate revenue, the utility would experience offsetting gains through reduced collection activity costs.

Similarly, the offering of prepaid meters would also be a longer term strategy whose implementation would be dependent on obtaining Ontario Energy Board approval. For customers who are inclined towards energy conservation and seeing the reduction

manifested in a lighter energy burden, the savings to both the customer and the utility can be significant. For low income customers that are unable to budget consumption (due to medical needs) or have difficulty with financial budgeting, the previous two plans mentioned above would be more appropriate.

Table 10: Low Income Customer Savings

<b>Program Evaluated</b>	<b>Estimated Savings</b>	<b>Other Customer Benefits</b>
Rate Discount or Percentage of Income Payment Plan		
<ul style="list-style-type: none"> <li>Discounts based on a percentage of the monthly bill.</li> </ul>	\$7 monthly	Reduced potential for incurring arrears balance and collection costs.
<ul style="list-style-type: none"> <li>Fixed dollar discounts.</li> </ul>	Not applicable.	Not applicable.
<ul style="list-style-type: none"> <li>Usage discounts.</li> </ul>	\$7.50 monthly	Reduced potential for incurring arrears balance and collection costs.
<ul style="list-style-type: none"> <li>Percentage of income.</li> </ul>	Not practical.	Not practical.
Medical Life Support Plan		
<ul style="list-style-type: none"> <li>≤1200 kwh consump.</li> </ul>	\$11.68 monthly	Reduced potential for incurring arrears balance and collection costs.
<ul style="list-style-type: none"> <li>&gt;1200 kwh consump</li> </ul>	\$21.68 monthly	Reduced potential for incurring arrears balance and collection costs.
Arrearage Plans	~\$1.73 monthly	Avoidance of incurring collection costs. Improved budgeting.
Pre-Paid Electricity Meter	~\$13 monthly, based on a 14% reduced monthly consump of 1800 kwh at a rate of 5.5¢/kwh.	No requirement for security deposit. Improved energy conservation. Additional budgeting tool.

Based on the above observations and conclusions, the next section proposes an implementation plan that will incorporate these crisis prevention measures in conjunction with the other programs and strategies identified in the Phase 1 report.

## 10. EAP IMPLEMENTATION PLAN

Based on the list of measures identified and then analysed, Table 11 illustrates the final programs and strategies that fit into a complete Energy Assistance Plan for Peterborough City and County. The measures enumerated in the table satisfy both the overall and specific goals of an EAP as detailed in Section 4. On a measure by measure basis, the implementation timeframe will be influenced by a number of variables including regulatory approvals, and coordination with enabling parties. Set out below for each strategy or program is the procedural plan for implementation with associated risks and timelines.

Table 11: Final EAP Measures

<b>Measure</b>	<b>Enabling Body</b>	<b>Funding Required</b>	<b>Actions/Approval</b>	<b>Timing</b>
Consumer Protection Vital Services By-Law	Municipal Council	no	Vote by municipal council	Long term
Crisis Prevention Low Income Rate Discount Arrearage Plans Pre-Paid Electricity Meter Communication Coord. Low Income Weatheriz'n.	Utility Utility Utility To be determined Peterborough Green-Up	yes no yes no no	OEB rate approval PUS support OEB rate approval Coord. With enabling body Coord. With enabling body	Medium term Short term Medium term Short term Medium term
Transition Assistance Municipal Rebates	Municipality	yes	Vote by municipal councils	As needed basis.
Emergency Assistance Fund for Utility Service Emergencies (FUSE)	Utility	yes	Vote by municipal council as prime shareholder	In place.

Note: Required funding refers to financial support of the program by either utility ratepayers, or municipal taxpayers.

## 10.1 Establishing Consumer Protection Measures

### 10.11 Vital Services By-Law Implementation

As a first step, the Municipal Act of Ontario outlines the ability of municipalities to “regulate matters not specifically provided for by this Act or any other Act for purposes related to the health, safety and well being of the inhabitants of the municipality. 2001,c.25,s. 130.”<sup>44</sup> Thus set in the provincial legislation is the opportunity for municipal governments to protect the welfare of its citizens.

Throughout this study the burden of high energy costs on low income and vulnerable customers has been examined. Concurrently, the Peterborough Housing Needs Assessment reveals the extent to which a significant proportion of the population in the Greater Peterborough Area falls below the poverty line. These two factors combined, contribute to a dangerous situation in extreme weather conditions where certain segments of customers are at high risk of disconnection and injurious implications for citizen health and safety.

Passing a Vital Services By-law similar to the one in effect in the City of London, Ontario (see Appendix IV) would demonstrate the character and commitment of the local government towards the well being of its constituents. Further entrenching protection of low income and vulnerable homeowners from disconnection under extreme weather circumstances would boost the city’s profile in the area of social welfare. Municipal protocol would dictate the process by which such a by-law could be introduced and it is anticipated that no specific additional funding from the tax base would be required.

Parameters for this by-law would, at a minimum, encompass the following items:

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<sup>44</sup> [http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/01m25\\_e.htm#P2372\\_158641](http://www.e-laws.gov.on.ca/DBLaws/Statutes/English/01m25_e.htm#P2372_158641)

- The obligation of landlords to provide minimum utility services and maintenance for electricity, fuel, gas, hot water, water and steam to tenants;
- Protection of low income, disabled homeowners to minimum utility services for electricity, fuel, gas, hot water, water and steam under specific weather conditions;
- Protection of disabled homeowners reliant on electricity-dependent medical appliances to minimum electricity services at all times;
- The obligation of vital services suppliers regarding disconnections and cessation of service;
- A description of corrective measures and process for appeals.

It is recommended that a member of the municipal membership be identified as a champion of this initiative to begin the process for its introduction. If widespread support by councillors of this initiative is apparent, then the process will likely flow smoothly and the timing for implementation shortened from what the table above indicates.

## 10.2 Establishing Crisis Prevention Measures

### 10.2.1 Low Income Rate Discount Implementation

The Low Income Rate Discount Plan is a very targeted assistance measure that would provide significant rate relief for the low income customer class. Any change in rates would first require the PUS filing a case for a new rate class with the discounted rate in the next rate hearing of the utility.

It is recommended that the parameters for such a discount would encompass an amount of 1¢ from the approved per kwh residential standard supply rate, applied only during the winter heating months of November 1<sup>st</sup> to March 31<sup>st</sup>, and available only to customers meeting the income eligibility requirements of not exceeding 150% of the

appropriate after tax low income cut offs as published by Statistics Canada and listed in Table 5.

The benefit of such a measure is its widespread availability directly to the households intended by this study, and its simplicity in access by customers. That is, through a straightforward application process to the utility where an applicant would supply personal information such as:

- their electricity account number;
- proof of residence;
- household income information and
- social insurance number.

It is believed that approval of funding for such a rate reduction as part of an energy assistance plan would be favourably regarded by the Ontario Energy Board. Statistics available for fiscal 2002-2003 from the U.S. Federal Low Income Home Energy Assistance Plan (LIHEAP) indicate that allocation of State System Benefit Funds for rate assistance programs amounted to over U.S.\$741 million, in addition to another U.S.\$342 million of direct utility funding.<sup>45</sup> Of the total funding allocated to rate assistance programs, 32% was supported by utility ratepayers for their own service territories and customer classes, while the remaining 68% was funded by all State ratepayers.

Furthermore, in the discussion of funding of Demand Side Management (i.e. energy efficiency and conservation measures), the OEB's recent report to the Minister of Energy states that "In many jurisdictions, funding is dedicated to areas where the market will not serve (i.e., low and fixed-income, residential markets, and new

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<sup>45</sup> <http://www.ncat.org/liheap/Supplements/supplement03.htm>

technology/standards).<sup>46</sup> It is important to note that the Board recognizes the apparent gap in funding of low income customer programs and would likely support efforts which would bring about universality of participation and the sharing of benefits of demand management activities.

It is estimated that timing of implementing a rate discount/assistance program for the low income customer class will occur in the medium term, only after having received OEB approval subsequent to a PUS rate hearing.

### 10.2.2 Arrearage Plan Implementation

As mentioned in Section 8, the creation of an arrearage plan will not require OEB approval. Similarly, if no forgiveness of monetary amounts is made for arrear balances, then there will be no cost to utility ratepayers.

A sample arrears program may appear as follows:

- A base monthly payment amount plus an affordable arrearage payment will be agreed on by the utility and the customer.
- For the winter months of November 1 through to March 31, late payment charges will be waived, but payments are due in full to the utility by April 30.

This program can be designed in any variety of ways, including the option for the utility to forgive arrear balances. Forgiveness of amounts owing can be handled without regulatory intervention, but rather through accounting adjustments. Amounts forgone can be presented as an operating cost of the program through a discount-expense type of account, rather than as a bad debt expense which is a write-off of accounts

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<sup>46</sup> [http://www.oeb.gov.on.ca/documents/cases/RP-2003-0144/pressrelease\\_report\\_finalwithappendices\\_030304.pdf](http://www.oeb.gov.on.ca/documents/cases/RP-2003-0144/pressrelease_report_finalwithappendices_030304.pdf), p.25.

receivable. Implications of this proposal to the utility's income statement should be discussed more thoroughly with appropriate representatives of the PUS.

### 10.2.3 Pre-Paid Meter Implementation

The review of pre-paid metering in this study indicates that a number of benefits are to be gained by both the utility and the customer. For some residential homeowners and tenants the plan will allow for greater control of electricity consumption volumes and therefore cost, and the utility will save on collection-associated costs. As part of a comprehensive EAP, this program must be considered as an integral part of the whole.

PUS had entertained the concept of pre-paid metering within the last two years, but placed implementation on hold pending direct feedback from the OEB. With the current sentiment of the Ontario government towards greater DSM activity, reception at the regulatory level towards implementation of such a program will likely be positive. Given that Woodstock Hydro has such a metering program in place since 1989 under temporary OEB approval, it is possible that a similar strategy may be adopted for implementation of a pilot program in the PUS franchise area.

The first step in bringing in this plan will entail PUS filing a proposal with the OEB in order to get approval for recovery of program capital and operating costs through the monthly meter rental charge. Given the timing of following regulatory protocol and designing an effective pilot program, implementation of this program can be expected to happen in the medium term; i.e., twelve months.

### 10.2.4 Communication Strategy Implementation

An effective communication strategy will serve to maximize the flow of energy assistance measures to needy customers from government agencies as well as corporate/utility sources. The *Background Report* details the various public resources

available to low income and vulnerable clients, while the gap analysis in Section 5 points out their deficiencies in the area of energy assistance.

The initial step towards initiating such a strategy involves AHAC facilitating the development of a cohesive communication plan for financial assistance measures (including energy assistance). AHAC is in the unique advisory position to the City and County of Peterborough, and in its role is familiar with all the participants involved in providing financial assistance to low income clients. In bringing together the various administrators (public and corporate) of the various plans and thoroughly mapping the specific resources available in the Greater Peterborough Area, AHAC can then determine where responsibility for implementation of this strategy falls.

One outcome of this strategy will include the creation of an easy to understand pamphlet of the programs available, client contact information for each plan administrator, a description of financial services available (including energy assistance), and basic client eligibility guidelines. Another outcome will be the development of consistent eligibility criteria which will assist in early identification of potential clients. Pro-active identification of clients will result in more rapid access to preventative tools; thus avoiding the escalation of financial situations into crisis stage.

In the development of this strategy, consideration shall include consumer education related to the management of household electricity and natural gas consumption via applicable programs such as pre-paid metering and future DSM initiatives. Furthermore, information on other utility cost components will be conveyed in detail to customers, such as the alternative to have water meters installed which will measure actual water consumption.<sup>47</sup>

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<sup>47</sup> The City of Peterborough collects fees for sewer infrastructure through a sewer surcharge on PUS bills, which amounts to 86% of the total water charges. Residences are also typically billed a monthly flat rate for water charges based on lot size, residence, and number of rooms. Residential customers have an option of going to a metered water service based on commercial basic and consumption charges, but are not aware of this election. If water charges can be reduced by going to a metered service, then overall utility costs will be lowered. This is of particular benefit to customers that do not have clothes washing facilities in the residence.

Establishing a coordinated communication strategy for Peterborough City and County can be accomplished in the near term. A productive tool can easily be created that will have immediate positive impact for the clients in need, provided municipal focus is placed on achieving this goal and resources are dedicated towards this end.

#### 10.2.5 Low Income Weatherization Implementation

The primary enabler of this strategy in the Peterborough region continues to fall to the local charitable organization Peterborough Green-Up, who has historically administered conservation and efficiency programs. Partnering with relevant technical and financial sponsors, Peterborough Green-Up is ideally suited to implementing whichever DSM programs are initiated in the area. This study recommends that AHAC develop closer ties with this organization to see if specific low income programs can be planned for the near future.

#### 10.3 Establishing Transition Assistance Measures

Since these measures are initiated at a legislative level to provide one-time assistance to customers unfairly burdened by sudden energy price spikes, this study can only suggest that as a primary shareholder of the local utility, the City of Peterborough has the discretion to bring in periodic energy cost relief in the form of rebates on energy bills when merited. The level of benefit, timing and risks of such occurrences are beyond the scope of this study.

## 10.4 Establishing Emergency Assistance Measures

### 10.4.1 Emergency Energy Fund Implementation

As discussed in Section 8, the PUS has already implemented the “Funds for Utility Service Emergencies” (FUSE). This program is a partial replacement to Share the Warmth and has been effectively assisting electricity customers with payment difficulties this heating season. The one significant disadvantage of FUSE over Share the Warmth is the program’s focus solely on electric utility customers due to participation by only the electricity supplier. Should FUSE evolve to include assistance for customers dependent on other sources like oil and natural gas, and bring in support from those energy suppliers, then wider coverage would become available to the community.

It is important to note that the HRC presently administers an Emergency Assistance Fund that provides both prevention assistance and emergency assistance towards energy costs for low income people for electricity (through Hydro One) and natural gas, oil and wood. Although not solely dedicated to emergency energy needs, the fund assists about 200 families per year and of the \$70,000 allocated in 2002 and roughly \$50,000 in 2003, more than half was distributed for energy assistance. Established since 1999, funding is somewhat insecure and sporadic but operates as a very effective crisis prevention mechanism. It is currently funded primarily through a funding mechanism (PHIF) that is 80% provincial and 20% municipal. Combined with FUSE, the benefits to customers for emergency energy situations is significantly increased.

It is suggested that as the prime community stakeholder of the program, the HRC take a lead role in contemplating the long term evolution of FUSE, including consideration of its targets and operational goals. When these ambitions can be articulated, then plans can be made to maximize potential benefit to the entire community.

## 10.5 Funding of EAP Strategies and Programs

Of the various recommended strategies and programs proposed by this Energy Assistance Plan, the issue of funding pertains only to the Low Income Rate Discount Plan and Pre-Paid Meter Program. As mentioned, approval of funding by ratepayers may be sought for through a general PUS rate hearing with the OEB, or the opportunity may arise for funding sourced through other mechanisms.

With the seeming move of the Ontario Government towards escalated Demand Side Management activities within the electricity sector, opportunities may become available to the PUS where costs associated with rate assistance, arrearage programs and other energy assistance measures to the low income customer may be funded. Due to the lack of specifics from the OEB regarding DSM implementation and in collection of such monies, it would be premature to suggest exact methods of cost recovery through this avenue at this time. However, it is important to identify this potential funding opportunity.

## **11 ESTABLISHING A COMPREHENSIVE ENERGY ASSISTANCE PLAN**

In summary, a comprehensive energy assistance plan requires measures that respond to each level of crisis so that low income customers are either shielded from potentially burdensome energy costs, or have access to tools that allow them to manage and mitigate those costs. Of tantamount importance to successfully launching an EAP is recognition and commitment by public institutions towards the public benefit aspects of energy affordability.

Sustainable benefit from the plan will only be achieved through keeping in mind the broad goals of:

- Designing a plan that intervenes at all crisis levels;
- Explicitly mitigating low income customers' financial energy burden;
- Providing education on managing energy expense budgets and energy usage;
- And ensuring that the most vulnerable participants' needs are addressed.

In identifying the various programs and strategies appropriate for inclusion in Peterborough's EAP, it becomes apparent that the majority of measures require substantial support from utilities to implement. These include a Low Income Rate Discount Plan, an Arrearage Policy, and Pre-Paid Metering Program. These measures immediately assist eligible low income clients to reduce their energy bills through either direct rate relief, improved budgeting tools, or management of consumption patterns and volumes. Two of the programs would be implemented over a longer period due to their requirement for regulatory approvals. Of immediate benefit would be the creation of a formal Arrearage Policy that addresses outstanding balances in a customer focused manner; such a policy would not require regulatory approval. In addition to

reduced energy costs for the customer there are accompanying commensurate cost savings to the utility.

Other programs described in this project are strategic measures of a broader nature that build on the overall completeness of an Energy Assistance Plan; such as the Vital Services By-Law, and a Communication Strategy. These initiatives do not require explicit input from utility service providers, although they may choose to participate in a facilitation role.

And finally, there are opportunities to leverage programs available through other charitable organizations presently operating in Peterborough City and County, specifically Peterborough Green-Up. Through partnering with these organizations, AHAC may be able to add to its Energy Assistance Plan without requirement for additional funding.

The existing Funds for Utilities Emergency Services (FUSE) administered by PUS and the HRC has significant potential to reach all energy users and provide responsive emergency financial energy assistance. In undertaking a leadership role in the long term goals of this program, HRC can ensure that FUSE is leveraged to include more than electricity customers.

Due to the situation-specific response of Transition Assistance measures, as well as the requirement for municipal or legislative intervention in implementation, this report can only suggest that AHAC may have a lobbyist's role when the appropriate circumstances arise. The parameters for such circumstances are not dealt with in the scope of this report.

The final list of EAP strategies and measures specified in Table 11 pass the following criteria:

- deemed cost-effective from both perspectives of the low income/vulnerable client and the ratepayer/taxpayer;
- practical from an implementation perspective for Peterborough City and County;
- are measurable;
- and satisfy recommendations noted in the December 2002 AHAC Recommendations Report;

Over the course of time, with the adoption and implementation of the various measures recommended by this study, the Affordable Action Housing Committee of Peterborough City and County will be able to achieve a uniquely tailored, effective and sustainable Energy Assistance Plan that will result in improved welfare for the low income and vulnerable citizens of its jurisdiction.