

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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**IN THE MATTER OF THE COMMISSION'S )  
INQUIRY ABOUT ENERGY AFFORDABILITY )  
ISSUES AND WORKSHOPS. )**

IDAHO PUBLIC  
UTILITIES COMMISSION  
CASE NO. GNR-U-08-01

**STAFF'S FINAL REPORT**

On September 29, 2008, the Idaho Public Utilities Commission (Commission) initiated Case No. GNR-U-08-01 to provide a forum for the exploration of issues related to the affordability of energy in Idaho. The Commission noted that rising energy costs were affecting utilities and their customers. Order No. 30644.

The Commission recognizes that there are a variety of factors contributing to significant upward pressure on electric and natural gas rates in Idaho. Energy affordability has become a central issue for many Idaho households and businesses.

Two public workshops were conducted by Commission Staff at the Idaho Public Utilities Commission on October 14 and October 22, 2008. The purpose of the workshops was to identify issues and discuss solutions pertaining to energy affordability and customers' ability to pay energy bills. Staff submitted comments on November 26, 2008. Numerous responsive comments were received. A broad spectrum of interests and views were represented. A matrix is attached as Appendix 19 which briefly summarizes the various views of those submitting comments in this case. Those views are discussed in greater detail within this report.

**ENERGY AFFORDABILITY AND INABILITY TO PAY**

Customers today are facing serious economic challenges. The combination of increasing rates for natural gas and electricity, higher food and fuel costs, rising unemployment levels, and turmoil in the financial and housing markets are impacting customers' ability to pay their utility bills. Idaho's unemployment rate has risen to the highest rate in over twenty years. Recent Idaho Department of Labor data shows a sharp rise in the State's unemployment rate. Two years ago the unemployment rate was 2.7%. In January 2009, Idaho's unemployment rate reached 6.6%. The total number of workers without jobs has hit a record high (50,000), which is more than double the number of those unemployed last year. Job loss rose in forty of Idaho's

forty-four counties. Such a significant increase in the unemployment rate is likely to lead to an increase in the percentage of the state's population that falls at or below 100% of the Federal Poverty Level Guidelines. The State of Idaho currently has roughly 44,000 households at or below 100% of poverty.<sup>1</sup>

An Idaho household that is at 75-99% of the Federal Poverty Level typically spends 13.6% of the household's annual income to pay for home energy. A household below 50% of the Federal Poverty Level typically spends 47.8% of its annual income to pay for home energy bills. These figures represent the household's "energy burden."<sup>2</sup> Energy burden is the percentage of a household's income that is spent on all energy used for space heating and cooling, lighting, and water heating. According to federal guidelines, an energy burden of 6% of annual household income is considered affordable.

Rule 306 of the Commission's Utility Customer Relations Rules (UCRR) protects certain residential customers who are unable to pay their winter energy bills. During the months of December, January, and February, households with children, elderly or infirm who declare eligibility for the "moratorium" cannot have their electric or natural gas service disconnected for failure to pay a utility bill in full. However, this provision does not protect a low-income customer who has no children, elderly or infirm in the household or those customers who are eligible for protection but do not contact the utility. Customers who have declared eligibility for the moratorium are still expected to pay their bills each month, but cannot be disconnected for failure to pay. Payment of any past due balance or negotiation of a new payment arrangement is required on or before March 1. During the 2007/2008 winter heating season, over 18,000 customers declared eligibility for the moratorium.<sup>3</sup>

Customers who have declared eligibility for the moratorium can also enter into a Winter Payment Plan. Under a Winter Payment Plan, customers agree to make monthly payments equal to half of a regular level payment amount. The plan allows for an additional two months of protection (November and March). Customers with Winter Payment Plans must pay any past due balance or negotiate a new payment arrangement on or before April 1. Though protected

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<sup>1</sup> See Appendices 2 (Idaho Demographic Discussion), 3 (Idaho Demographics), and 4 (Federal Poverty Level Guidelines).

<sup>2</sup> See Appendix 1 (Energy Burden and Affordability GAP).

<sup>3</sup> This includes 10,284 Idaho Power customers, 4,553 Intermountain Gas customers, 2,635 Avista customers, and 560 Rocky Mountain Power customers.

from disconnection in the coldest winter months, many customers are unable to pay off their accrued balances when the moratorium ends.

### **CURRENT ASSISTANCE PROGRAMS**

There are several programs in Idaho that provide financial assistance to customers who need help paying their utility bills and assistance with energy efficiency measures. Programs operate under a wide variety of guidelines and restrictions and are funded by both public and private resources.

#### **Low-Income Home Energy Assistance Program (LIHEAP)<sup>4</sup>**

The Low-Income Home Energy Assistance Program (LIHEAP), also known as “Energy Assistance,” provides low-income customers with financial assistance designed to pay utility bills associated with the customer’s primary heating source.<sup>5</sup> Applicants must meet income-criteria based on Federal Poverty Guidelines. To be eligible, participants must apply for LIHEAP benefits at a community action agency each program year.<sup>6</sup>

Last year 101,000 Idaho households qualified for LIHEAP benefits. LIHEAP’s 2007/2008 Energy Assistance funding amount of \$9,410,895 provided benefits for 32,843 of 101,000 eligible households. The average benefit received was \$286 per household for the 2007/2008 winter heating season. Based on that average benefit amount, an additional \$19,492,902 would have been needed to cover all of Idaho’s eligible households.

LIHEAP provides additional assistance for customers whose disconnection is imminent. These “Crisis Funds” are allocated independent of regular LIHEAP funds. Crisis Funds must be used to pay energy bills for the household’s primary heating source, and are available regardless of whether the household has previously received a benefit. In Idaho, Crisis Funds are very limited and have only been available for the past two heating seasons.

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<sup>4</sup> Appendix 6 contains a LIHEAP funding matrix.

<sup>5</sup> A Federal Block Grant funds the LIHEAP program.

<sup>6</sup> Appendix 5 lists the community action agencies in Idaho.

## **Fuel Funds**

Fuel funds are programs that help people pay home heating costs. The major programs in Idaho – Project Share, Project Warmth, and Lend A Hand – are administered by nonprofit agencies.

### Project Share<sup>7</sup>

Project Share provides up to \$400 annually per household regardless of the household's heating source, *i.e.*, the program is fuel-blind. Monies are dispersed toward payment of bills for any energy source (electric, natural gas, wood, coal, propane, kerosene or oil). Project Share is funded with contributions made by utility customers, employees and shareholders. All money collected, with the exception of administrative costs, is returned to the community. Funds for the program are administered by the Salvation Army in southern Idaho. In northern Idaho, Project Share funds are administered by the Community Action Partnership and Spokane Neighborhood Action Programs. Avista, Idaho Power and Intermountain Gas promote Project Share and offer customers the opportunity to make contributions when paying their utility bills.

### Project Warmth<sup>8</sup>

Project Warmth also provides financial assistance to individuals regardless of the household heating source. This program was created for individuals residing in southeastern Idaho where Project Share funding was not available. The primary source of funding for Project Warmth is derived through a yearly golf tournament. Intermountain Gas, Rocky Mountain Power, the Southeastern Idaho Community Action Agency, Monsanto, Agrium, Washington Group, City of Soda Springs, and Caribou County Indigent Services help to organize the tournament. All money collected, with the exception of administrative costs, is returned to the community. To be eligible, recipients must be at or below 125% of the Federal Poverty Guidelines. An eligible household can receive an annual benefit of up to \$200. The program is modeled after Project Share. Funds for the program are administered through the Southeastern Idaho Community Action Agency.

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<sup>7</sup> Appendix 7, 8 and 9 contains Project Share funding and disbursement amounts.

<sup>8</sup> Appendix 9 contains Project Warmth funding and disbursement amounts.

### Lend A Hand<sup>9</sup>

Lend A Hand provides financial assistance to Rocky Mountain Power customers with electric space heat. Funding is provided through contributions by Rocky Mountain Power customers, employees, and shareholders. All money collected, with the exception of administrative costs, is returned to the community. To be eligible, recipients must be at or below 150% of the Federal Poverty Guidelines. Recipients can receive an annual household benefit of up to \$400. Funds for the program are administered through the Southeastern Idaho Community Action Agency and the Eastern Idaho Community Action Partnership.

### Keep Kids Warm<sup>10</sup>

Keep Kids Warm provides financial assistance to individuals regardless of the household heating source. The fuel-blind program was started in 1996 by KIZN radio (Boise) to assist households with their heating needs. Intermountain Gas partners with KIZN radio in the fundraising efforts through pledge cards and a yearly radio broadcast telethon. All money collected is returned to the community. There are no administrative fees or other costs associated with administering this program. Over \$650,000 has been raised since the program's inception. Benefit amounts are determined on a case-by-case basis. Funds for the program are administered through El-Ada Community Action Agency, Western Idaho Community Action and the Malheur Council on Aging and Community Services in Oregon.

### **Low-Income Weatherization**

Weatherization increases energy efficiency by reducing heat loss and addressing air infiltration issues. Measures taken to improve energy efficiency include the following: attic, floor and wall insulation; repairing or upgrading windows; proper ventilation; duct insulation and sealing; caulking; and weather stripping. Additional measures may include switching the customer to compact fluorescent light bulbs and furnace (or AC unit) repair or replacement. Energy conservation education is provided to customers whose homes are weatherized.

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<sup>9</sup> Appendix 10 contains Lend A Hand funding and disbursement amounts.

<sup>10</sup> Appendix 9 contains Lend A Hand funding and disbursement amounts. Additional guidelines for Project Share, Project Warmth, Lend A Hand and Keep Kids Warm can be found in Appendices 10 and 11.

Low-income weatherization assistance is provided by community action agencies throughout Idaho as well as the Canyon County Organization on Aging. Applicants who own or rent single family, multi-family, or manufactured homes that qualify for LIHEAP funding automatically qualify for Weatherization Assistance. The administering agencies determine income eligibility. Households with income at or below 160% of the Federal Poverty Guidelines automatically qualify to receive weatherization services. An energy audit is performed by the administering agency before a home is weatherized.

According to a report provided by CAPAI, the average investment per weatherized home in 2007 was \$3,674. The number of homes needing weatherization greatly exceeds the funding that is available. Currently only 10% of homes receiving LIHEAP benefits also obtain weatherization assistance because of the lack of available funds.

Funding for weatherization comes from several sources, including the U.S. Department of Energy (DOE) and energy utilities. The table below reflects the total dollars spent from all funding sources on an annual basis for weatherization.<sup>11</sup>

<b>Year</b>	<b>Dollars Spent</b>	<b>Homes</b>	<b>Average Home Investment</b>
2006	\$4,913,645	1,460	\$3,365
2007	\$5,081,900	1,383	\$3,674

The current Commission-approved annual utility funding levels for low-income weatherization are as follows: Idaho Power \$1,200,000, Avista \$465,000, and Rocky Mountain Power \$150,000.

### **Utility Energy Efficiency Programs**

In addition to low-income weatherization, most utilities offer a variety of different residential energy efficiency programs, e.g., do-it-yourself home energy audits, energy efficient lighting, appliance and equipment incentives, and improved energy efficiency standards for new construction.<sup>12</sup>

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<sup>11</sup> Appendix 12 outlines utility weatherization program funding guidelines and amounts.

<sup>12</sup> A summary of these programs can be found in Appendix 13.

## **Inability to Meet the Need**

Although there are resources available to help customers pay their energy bills and become more energy efficient, those resources are insufficient to meet the current and future need. As previously indicated, during the 2007/2008 heating season, 101,000 Idaho households met the income guidelines (at that time, 150% of the Federal Poverty Level) for LIHEAP. Only one-third of those households (32,843) actually applied for and received benefits totaling \$9,410,895. An additional benefit of \$19,492,902 would have been needed to provide the remaining two-thirds of Idaho households who met income guidelines but did not receive energy assistance benefits.

LIHEAP benefit amounts are based on a funding matrix, not customers' actual heating bills or total energy costs. The average benefit amount was \$286 during the 2007/2008 heating season. As of May 1, 2008, 136,602 gas and electric residential customer accounts (16% of all residential accounts) were past due, with a total of \$13,381,884 owing.

Fuel funds are a valuable resource for bill payment assistance, but despite the generosity of utility shareholders and customers, and other contributors, the dollars available fall far short of meeting the remaining need. Taken together, Idaho fuel funds disbursed \$481,274 to a total of 2,909 recipients. Assuming that households receiving LIHEAP benefits and those who receive grants from fuel funds are mutually exclusive groups (which is not necessarily the case), a shortfall of over \$19 million still exists, leaving over 65,000 low income households without bill payment assistance. These totals do not take into account the increasing cost of energy, the rapid increase in unemployment, or the total outstanding balances owed by qualified customers already receiving assistance.

## **PROPOSALS TO ADDRESS ENERGY AFFORDABILITY**

### **Bill Payment Assistance**

During the workshops, participants discussed financial assistance that could be made available to customers for the payment of energy bills. Five ways to provide new or additional funds for bill payment assistance were discussed: 1) create utility programs designed to help low-income customers pay energy bills funded by all utility customers through rates; 2) increase voluntary contributions to nonprofit fuel funds; 3) increase federal funding for the Low-Income Home Energy Assistance Program (LIHEAP); 4) increase LIHEAP funding received by Idaho

