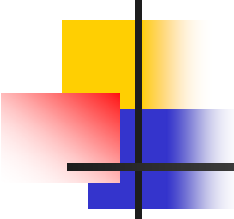


**Low-Income Customer Subsidies
A Presentation and Discussion For
The Energy Regulation Board of Zambia
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**By
Wayne L. Williams, Ph.D.
Pennsylvania Public Utility Commission
Bureau of Consumer Services**



Pennsylvania's low-income utility customers may be eligible for three types of assistance programs:

1. Federal Low-Income Home Energy Assistance Program (LIHEAP)
2. Utility-based Customer Assistance Program (CAP)
3. Utility-based Low-Income Usage Reduction Program (LIURP)



I. Federal Low Income Home Energy Assistance - LIHEAP

- Federal government provides money to the states (\$93.8 million to PA for 05-06 year). Pennsylvania in turn provides for a once-per-year grant to customers who apply for the program.
- The grant level is determined by the household's poverty level (combination of income and household size) and relative energy costs.



I. Federal Low Income Home Energy Assistance – LIHEAP (Cont'd)

- Obtaining grants are a high priority for utilities. Federal tax supported funds should be used first before funds generated through utility rates.
- Utilities provide program outreach, help customers get applications and fill out forms for LIHEAP.
- Grants are applied directly to the customer's utility account.



II. Utility Customer Assistance Programs (CAPS)

- Each major electric and gas utility has a Commission-approved CAP program that is operated by the utility with the assistance of community-based agencies who serve the low income (\$214 million in 2004).
- The purpose of the program is to make utility payments affordable for low income residential customers so they can maintain essential utility service.
- Customers in CAPs generally are asked to pay less than full rates.



II. Utility Customer Assistance Programs (CAPS) (Cont'd)

- The difference between full rates and the lower CAP rate is recovered from all residential customers as a rate expense by the utility.
- While CAP costs increase rates, there should be an offsetting reduction in collection costs, cash working capital expense and uncollectible write-offs from customers who otherwise could not afford to pay full rates.
- CAP programs are tailored to provide the greatest benefits to the poorest customers who have the highest energy bills.



III. Utility Low-Income Usage Reduction Programs (LIURP)

- Each major electric and gas utility has a Commission-approved LIURP program that provides free usage reduction services to the homes of low income customers.
- The purpose of the program is to reduce utility bills by installing usage reduction measures.
- Examples of measures include attic insulation, air infiltration sealing, energy efficient light bulbs and energy education.



III. Utility Low-Income Usage Reduction Programs (Cont'd)

- The costs for the LIURP program are recovered from all residential customers. Program funding in 2005 = \$29 million.
- The decision rules for installing any LIURP measure are based on a simple ten-year payback method. If the projected ten-year energy savings to be derived from installing a measure will be equal to or greater than the cost of the measure, then the measure should be installed.



III. Utility Low-Income Usage Reduction Programs (Cont'd)

- The logic of the program is to reduce usage on a long-term basis so that a low income customer can pay all of their bill or a greater portion of their bill.
- The LIURP program often works in conjunction with the CAP program. After LIURP treatment, the customer has a lower bill and therefore, less need for a sizeable subsidy year after year to maintain utility service.

Discussion with the Energy Regulation Board