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BEFORE THE ARIZONA CORPORATION COMMISSION  
AZ CORP COMMISSION

1  
2 JIM IRVIN  
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Commissioner  
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Commissioner  
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6 IN THE MATTER OF THE COMPETITION IN )  
THE PROVISION OF ELECTRIC SERVICES )  
7 THROUGHOUT THE STATE OF ARIZONA. )

DOCKET NO. RE-00000C-94-165

NOTICE OF FILING

8  
9 Notice is hereby given that the Staff of the Arizona Corporation Commission has this  
10 date filed a report submitted by the Low Income Issues Working Group, in the above-captioned  
11 matter.

12 RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of July, 1998.

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foregoing filed this 29<sup>th</sup> day  
of July, 1998 with:

20 Docket Control  
21 Arizona Corporation Commission  
1200 West Washington Street  
22 Phoenix, Arizona 85007

23 A copy of this Notice mailed  
this 30<sup>th</sup> day of July, 1998  
24 to:

25 All parties on the service list for  
26 Docket No. RE-00000C-94-165

27  
28 By Mary Spolito

Arizona Corporation Commission  
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REPORT TO THE  
ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE COMPETITION  
IN THE PROVISION OF ELECTRIC SERVICE  
THROUGHOUT THE STATE OF ARIZONA  
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Submitted By

The Low Income Issues Working Group

July 29, 1998

# Table of Contents

I.	Introduction . . . . .	1
II.	Low Income Issues Working Group Activities . . . . .	2
III.	Consensus Recommendations . . . . .	4
IV.	Description of Appendices . . . . .	7

## Appendices:

Appendix A -- Further Discussion of Low Income Issues

Appendix B -- Working Group Participants

Appendix C -- Low Income Programs in Arizona

Appendix D -- Arizona Poverty Statistics

Appendix E -- Electric Utility Low Income Rate Discount Programs

## I. Introduction

The purpose of this report is to present the findings and recommendations of the Low Income Issues working group. On December 26, 1996, the Arizona Corporation Commission issued Decision No. 59943, which established rules (Rules) designed to provide for a phased transition to a competitive retail power market. The Low Income Issues working group was formed in response to the recommendation of both the Customer Selection working group and the Unbundled Services and Standard Offer working group that the Commission form a working group to explore low income issues related to the introduction of retail electric competition in Arizona.

Low income programs are addressed by the retail electric competition rules in section R14-2-1608 which deals with the System Benefits Charge. The System Benefits Charge was created to ensure that customers who choose to participate in the competitive market will continue to contribute to the funding of public interest programs, such as low income programs, at the same level they would have contributed to these programs if they had stayed on standard offer service. The text of this section of the rules reads as follows:

"R14-2-1608. System Benefits Charges

A. By the date indicated in R14-2-1602, each Affected Utility shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all consumers located in the Affected Utility's service area who participate in the competitive market. In addition, the Affected Utility may file for a change in the System Benefits charge at any time. The amount collected annually through the System Benefits charge shall be sufficient to fund the Affected Utilities' present Commission-approved low income, demand side management, environmental, renewables, and nuclear power plant decommissioning programs."

Prior to the formation of the Low Income Issues working group, the Unbundled Services and Standard Offer working group considered the System Benefits Charge. This group recommended several changes to the rules to clarify issues surrounding the System Benefits Charge. The recommended changes are shown as follows (deletions have a strike through them and additions are double-underlined):

~~"In addition, the Affected Utility may file for a change in the System Benefits Charge at any time. Affected Utilities shall file for a review of the System Benefits Charge every three years.~~ The amount collected annually through the System Benefits Charge shall be sufficient to fund the Affected Utilities' present Commission-approved low income, demand side management, environmental, renewables, and nuclear power plant decommissioning programs in effect from time to time."

## II. Low Income Issues Working Group Activities

The first meeting of the working group took place on April 2, 1998. A total of eight working group meetings were held between April 2, 1998 and July 22, 1998. Appendix B shows a list of the organizations that participated in the working group, the representatives of each organization, and the dates working group meetings were held.

Salt River Project and the City of Mesa are not Affected Utilities under the Commission's competition rules. However, these entities participated in the working group and are included in discussions as necessary throughout the report to provide a more complete view of low income activities in the state of Arizona.

The group did not have a specific charge from the Commission beyond discussing low income issues related to the introduction of electric competition in Arizona. However, at the first meeting of the working group, the participants discussed what the goals of the group should be. The group established the following goals:

- Do not leave vulnerable populations behind: "Do no harm"
- Establish recommendations on low income issues and present them in as complete a form as possible to the Commissioners.
- Identify risks and opportunities for low income customers (real world impacts of competition).
- Strive for affordable energy service.
- Consider short, mid, and long term time frames.
- Generate a funding mechanism which would provide a level playing field to support low-income programs (intergovernmental agreements)

To achieve these goals, the group identified a number of actions to be taken.

- Look at optimizing the effectiveness of any new systems.
- Identify and quantify where we are now.
- Identify what other states are doing relative to low-income issues.
- Investigate centralized outreach (a statewide uniform program vs. utility-by-utility programs)
- Create a definition of and guidelines for affordable energy service.

The group attempted to identify low income issues which should be addressed in both the short and long term time frames. Through the process of considering low income issues in the group meetings, the group realized that some of these goals and actions could not be fully addressed within the scope and timeframe of the Low Income Issues working group.

One of the main concerns leading to the formation of this working group is whether low income utility customers will benefit from or at least not be harmed by the introduction of retail electric competition in Arizona. Currently the vast majority of low income customers served by

utilities regulated by the Corporation Commission have one or more low income programs available to them which are designed to make utility service more affordable. However, only 3 of the 11 Affected Utilities that have residential customers offer one or more low income programs. Concerns have been raised that low income customers, who could be perceived as being less desirable customers by potential future energy suppliers in the competitive market, possibly would end up paying exorbitant prices for electric utility service in the competitive market.

The group began discussing this issue in terms of providing universal service to low income customers in the competitive market. However, the group agreed that the term universal service should not be used because it has unneeded connotations, including its close association with Universal Service Fund activities in the telecommunications industry. The group discussed a number of possible terms to use for the overarching concept of addressing low income customer needs in retail electric competition. The term the group reached consensus on was affordable energy service. The group also created a two-part definition for affordable energy service which is: a) providing service to all customers at just and reasonable rates and b) providing non-discriminatory access to service. The group noted that utilities have current line extension policies that in some cases may limit the access of some rural residents to utility service, due to the prohibitively high cost of long line extensions. The group agreed that its definition of affordable energy service is not directed at utility line extension policies, but rather toward the need of current low income utility customers to receive electric service.

### III. Consensus Recommendations

The group attempted to reach a consensus on low income issues related to retail electric competition. Consensus was considered to have been reached when all members of the group in attendance at one of the working group meetings agreed on a given consensus recommendation and the consensus recommendation was not changed at later meetings. Following each consensus recommendation is a short statement which provides the context for the consensus recommendation.

*1. At a minimum, preserve the existing low income programs and funding for the affected utilities including rate discounts, weatherization, bill assistance, and education.*

Prior to the introduction of retail electric competition in Arizona, some low income utility customers benefit from a number of low income programs, including weatherization, rate discounts, bill assistance, and energy education. The level of funding for these programs varies by utility and some utilities do not offer some or all of these programs. Arizona's low income utility customers should not see a reduction in the level of assistance they currently receive, as a result of the introduction of retail electric competition.

*1A. Current levels of rate discounts to customers at current benefits levels should continue irrespective of energy supplier.*

Low income customers should not see a decrease in their existing rate discount benefit as a result of changing energy suppliers. Current rate discounts typically are given as a percentage off of the customer's bill. In the competitive market, the generation and distribution portions of the customer's bill will be represented separately.

*2. Statewide comparability of low income programs has merit and should be encouraged.*

Recognizing that this requires ACC and State Legislative action, consistent systems of statewide funding for low income programs and equitable funding from all utility ratepayers should be encouraged. Statewide low income programs, which are consistent from utility service territory to utility service territory, are a complex issue which cannot be fully addressed by the Low Income Issues working group at this time. The working group discussed the pros and cons of such an approach and recognized that to pursue a statewide approach to low income programs, issues such as the multi-jurisdictional nature of Arizona's utility industry should be pursued.

3. *All customers should pay system benefits charges on a non-bypassable per kWh basis.*

The System Benefits Charge was created to ensure that all customers who enter the competitive market will continue to pay for certain public interest programs, including low income programs. Section R14-2-1608.A of the Retail Electric Competition Rules explicitly states that the System Benefits Charge is "non-bypassable" and should be recovered "from all consumers . . . who participate in the competitive market."

3A. *We support adoption of Staff's proposed language in R14-2-1613.I.12 of the July 10, 1998 draft proposed revisions to the retail electric competition rules.*

The proposed wording states that "Transmission primary voltage CT's and PT's may be owned by the Affected Utility only." This language closes the potential loophole to the non-bypassability of the System Benefits Charge of a large end-user beginning to take service off of transmission lines at the 69 kV or higher level. This type of bypass would reduce the amount of funding received through the System Benefits Charge for low income programs and other public interest programs.

4. *We support adoption of Staff's proposed language in R14-2-1608.A of the June 23, 1998 draft proposed revisions to the retail electric competition rules.*

The proposed wording states that:

"By the date indicated in R14-2-1602, each Affected Utility shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all customers located in the Affected Utility's service area who participate in the competitive market. Affected Utilities shall file for review of the System Benefits Charge **at least** (emphasis added) every three years. The amount collected annually through the System Benefits Charge shall be sufficient to fund the Affected Utilities' Commission - approved low income, demand side management, environmental, renewables, and nuclear power plant decommissioning programs in effect from time to time."

Adoption of the proposed changes to the rules would clarify this section of the rules, provide for a regular review of the System Benefits Charge and its components, and would allow for adjustments to the funding levels of programs. The July 10, 1998 version of Staff's proposed revisions to the retail electric competition rules deletes the words "at least" in R14-2-1608. The group strongly agrees that this wording should remain in the system benefits section.

5. *A low income customer needs assessment should be conducted.*

One aspect of addressing low income issues during and after the introduction of retail electric competition in Arizona is evaluating the needs of low income utility customers. Consistent with the working group goals, as shown in Section II of this report, a low income customer needs assessment should be conducted on a periodic basis, beginning with a baseline study. The needs assessment should address at least the following issues:

- An analysis of current low income statistics, including the number of utility customers at various levels of poverty.
- The impact of low income programs on the energy burden (percentage of income used to pay energy bills) of low income customers.
- The impact of low income programs on customer bills.
- An assessment of strategies to make energy bills affordable.
- The impact of retail electric competition on low income customers.
- A review of activities in other states related to retail electric competition and low income customers.
- Inclusion of other fuel types such as natural gas, propane, wood, etc., as appropriate.
- An evaluation of current low income programs.

Stakeholders, including affected utilities, utility distribution companies, and non-affected utilities, should participate in the needs assessment. Such an assessment should use existing resources, as feasible, and be done independently, as feasible.

6. *The Standard Offer Service offered by the provider of last resort shall assure that access to electric service by low income customers is not in any way reduced from that currently available.*

Staff's proposed language in R14-2-1606.A of the July 10, 1998 draft proposed revisions to the retail electric competition rules states that "After January 1, 2001 Standard Offer service shall be provided by Utility Distribution Companies who shall also act as providers of last resort." We support adoption of this proposed language. This will ensure that a provider of last resort is available to low income customers in the future.

## IV. Description of Appendices

Further discussion of low income issues related to retail electric competition in Arizona is contained in the following appendices.

### **Appendix A -- Further Discussion of Low Income Issues**

Appendix A contains a discussion of low income issues which were not fully addressed in the consensus recommendations. Issues include the affordable energy service, statewide versus utility company service territory low income programs, and the system benefits charge.

### **Appendix B -- Working Group Participants**

Appendix B lists the organizations and individuals who participated in the low income issues working group as well as the dates the group held meetings.

### **Appendix C -- Low Income Programs in Arizona**

Appendix C identifies the current level of funding for Arizona utility low income programs. There is also a complete listing of the low income programs available in Arizona from federal, state, and utility funding sources and a brief description of each program. A listing of all Arizona utilities who serve residential customers and each utility's number of residential customers is provided.

### **Appendix D -- Arizona Poverty Statistics**

Appendix D contains eight tables that summarize poverty statistics at the national, statewide, county, and local levels.

### **Appendix E -- Electric Utility Low Income Rate Discount Programs**

Appendix E lists the low income related rate discount programs offered by Arizona utilities.

## APPENDIX A. Further Discussion of Low Income Issues

### Affordable Energy Service

During the discussion of affordable energy service, the Low Income Issues working group discussed the provider of last resort and the availability of standard offer service. The group noted that in the short term time frame, while standard offer service is available to all customers, low income customers are not threatened with the possibility of having to pay higher electric utility rates in the competitive retail market. However, in the longer time frame it is possible that standard offer service may not always be available. The group believes that a provider of last resort must be available to low income customers in the future. The group addressed the provider of last resort issue in the following consensus recommendation:

6. *The Standard Offer Service offered by the provider of last resort shall assure that access to electric service by low income customers is not in any way reduced from that currently available.*

### Statewide vs. Utility Service Territory-wide Programs

Currently each ACC-regulated utility low income program is administered by that utility and is available only to customers of that utility, within its service territory. Some group members raised the question of whether a statewide program would be more beneficial and appropriate when there is retail electric competition in the state of Arizona. The group discussed various aspects of territory-wide and statewide programs and the possibility of using a mix of the two approaches, as well as whether a central administrator should be used in conjunction with the different options. At the group's April 30, 1998 meeting the pros and cons of territory-wide and statewide programs were identified, as shown in the following tables.

<b>Pros and Cons of Utility Service Territory-wide Low Income Programs</b>	
<b>Pros</b>	<b>Cons</b>
Customized programs	Unequal benefits between territories
Utility knowledge of area/territory	Lack of programs in some territories
Connection to community/keeping benefits at home	Unequal low income populations between territories
Brand enhancement	Lack of subsidization
Minimization of change	Lack of transportability of benefits
Familiarity with programs	Customer confusion
Utility employee community involvement	High administrative costs/duplication
Maintains the connection to the utility function	Community based organizations and others having difficulty administering different and multiple programs
Local accountability/customer service	
Enhances customer funded programs	

## Pros and Cons of Statewide Low Income Programs

Pros	Cons
Uniform program/plan, one size fits all	More administrative cost/bureaucracy
Avoid possible discrimination between genco and disco	Dilute existing benefits or requires more funding
More efficient implementation	Impersonal
Economies of scale	Increased opportunity for politicization
Avoids discrimination between territories	May not address local needs
Portability of benefits	Some jurisdictional areas excluded
Opportunity for aggregators	Less local support/negative public opinion
Levelize competitive playing field	Increased potential for fraud
Improve outreach	Who would audit/oversee program
	Questions on authority to implement on a statewide basis
	There are different issues for investor owned utilities, coops, municipals, and others

The group recognized that the issues of statewide versus territory-wide programs and whether there should be a central administrator are complex issues that cannot be fully addressed by the group. The group was not able to reach a consensus on whether utility or statewide programs are preferable or whether a central administrator should be used. However, consensus recommendation number two, shown below, addresses some aspects of statewide programs.

2. *Statewide comparability of low income programs has merit and should be encouraged.*

A majority of the working group agreed that statewide comparability of low income programs should be a goal.

## System Benefits Charge

In the competitive market low income program funding is collected through the system benefits charge. In addition to low income program funding, the system benefits charge also will fund demand side management, environmental, renewables, and nuclear power plant decommissioning programs. The purpose of the system benefits charge is discussed in the Unbundled Services and Standard Offer working group report on page 7, which states:

"The System Benefits Charge was developed to ensure that customers who select a new electric service provider will continue to contribute to these public interest programs, thereby allowing their distribution company to meet mandated requirements and to fairly compete for customers as Arizona transitions into a competitive market. Staff asserts that the original intent of the System Benefits Charge was to ensure that departing customers will pay the same amount (on a kWh basis) for those programs as the customers who remain with the incumbent utility."

The group discussed issues surrounding the administration, collection, and future revision of the system benefits charge. The group noted that there need to be administrative guidelines for the system benefits charge to address issues such as the case of a utility collecting more or less money through the system benefits charge than it spends on low income programs. The main source of this fluctuation would be rate discount programs, where a change in participation rates of a few percentage points could cause the utility to over or under collect.

The group also discussed how the system benefits charge should be represented on both a standard offer and competitive service customer's bill. The group recognized that if the system benefits charge is presented in the same way on both the standard offer and competitive service customer's bill, it would assist the customer in comparing his standard offer and competitive service options. The group also discussed a number of methods to represent the system benefits charge on the customer bill, including:

1. No separate listing, but rather included within other charge(s) on the bill.
2. A single line item, with a breakout of the charge in the footnote. Such a breakout could list the components of the system benefits charge, list the component charges in order of size, show the dollar amount per kWh of each component, or show the percentage each component contributes to the system benefits charge.
3. A multiple line listing on the bill, showing the dollar amount owed by the customer for each component of the system benefits charge.

The group was unable to come to a consensus regarding how the system benefits charge should be represented on the customer's bill. However, the group did reach consensus on a number of system benefits charge issues, as shown in consensus recommendations 3, 3A, and 4, shown below.

3. *All customers should pay system benefits charges on a non-bypassable per kWh basis.*

3A. *We support adoption of Staff's proposed language in R14-2-1613.I.12 of the July 10, 1998 draft proposed revisions to the retail electric competition rules.*

The proposed wording states that:

"Transmission primary voltage CT's and PT's may be owned by the Affected Utility only."

4. *We support adoption of Staff's proposed language in R14-2-1608.A of the June 23, 1998 draft proposed revisions to the retail electric competition rules.*

The proposed wording states that:

"By the date indicated in R14-2-1602, each Affected Utility shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all customers located in the Affected Utility's service area who participate in the competitive market. Affected Utilities shall file for review of the System Benefits Charge **at least** (emphasis added) every three years. The amount

collected annually through the System Benefits Charge shall be sufficient to fund the Affected Utilities' Commission - approved low income, demand side management, environmental, renewables, and nuclear power plant decommissioning programs in effect from time to time."

## APPENDIX B. Working Group Participants

The following organizations and individuals attended one or more meeting of the Low Income Issues working group.

<b>Organization</b>	<b>Representatives</b>
Arizona Attorney General's Office	Jennifer Boucek
Arizona Community Action Association	Kathleen Evans, Betty Pruitt, Janet Regner, Deanna Weed
Arizona Consumers Council	Barbara Sherman
Arizona Corporation Commission	Stephen Ahearn, Robert Gray, Roland James, Renz Jennings, Barbara Keene, Bob Kennedy
Arizona Department of Commerce - Energy Office	Charlie Gohman
Arizona Public Service	Jim Dinger, John Duncan, Jeanne Jones, Barb Klemstine
Arizonans for Electric Choice and Competition	Matt Medura
Citizens Utilities Company	Carl Dabelstein
City of Mesa	John Branch
City of Phoenix	Bill Murphy, Andrea Palm
Enron	Jim Tarpey, Bob Schorr
Foundation for Senior Living	Tim Schmaltz
Residential Utility Consumer Office	Steve Gibelli, Scott Wakefield, Teena Wolfe, Barb Wytaske
RMS Consulting	Art Rivera
Salt River Project	Jane Borger, Jana Brandt, Linda Coughenour
Sulphur Springs Valley Electric Cooperative	Judy Wilson
Trico Electric Cooperative	Charlie Emerson, Marsha Johnson
Tucson Electric Power	Betsy Bolding

Working group meetings were held on the following dates:

- April 3, 1998
- April 13, 1998
- April 30, 1998
- May 21, 1998
- June 5, 1998
- June 19, 1998
- July 8, 1998
- July 22, 1998

## APPENDIX C. Low Income Programs in Arizona

One of the first actions taken by the low income issues working group was to review the current condition of Arizona's low income residents and to identify what low income program are currently being undertaken in the state of Arizona. The group looked at programs funded through utility, federal, state, and local sources and the delivery mechanisms for these programs. The group then attempted to identify which low income programs are affected by the introduction of electric competition in Arizona. Current low income programs include weatherization activities, rate discounts, bill assistance, and education. The group addressed current low income programs through consensus recommendation numbers 1, 1A, and 5, shown below:

1. *At a minimum, preserve the existing low income programs and funding for the affected utilities including rate discounts, weatherization, bill assistance, and education.*
  
- 1A. *Current levels of rate discounts to customers at current benefits levels should continue irrespective of energy supplier.*
  
5. *A low income customer needs assessment should be conducted.*

The group identified four basic low income utility programs which can assist low income customers in receiving affordable energy service: rate discounts, bill assistance, weatherization, and energy education.

The table below shows electric utility funded low income programs at the present time and the estimated annual budget for each program. It should be noted that these are only budget estimates and that these numbers change from year to year. Funding sources vary from program to program and may include general utility funds and shareholder contributions.

Utility	Rate Discounts	Weatherization	Bill Assistance	Total Funding
Arizona Public Service	\$3,950,000	\$375,000	\$125,000	\$4,450,000
Citizens Utilities	\$100,000	\$70,000	None	\$170,000
Salt River Project	\$55,291	None	\$120,000	\$175,291
Tucson Electric Power	\$1,750,000	\$200,000	\$240,000	\$2,190,000
<b>Total Funding</b>	<b>\$5,855,291</b>	<b>\$645,000</b>	<b>\$485,000</b>	<b>\$6,985,291</b>

The following table lists low income programs in Arizona, grouped by federal, state, and utility/private programs. The approximate funding level of each low income program is also given. A brief description of each low income program is provided below the table, followed by a table indicating the number of residential customers served by both affected and non-affected utilities in Arizona.

	<b>Approximate Funding Level</b>
<b><i>Federal Programs</i></b>	
<b>Low Income Home Energy Assistance Program (LIHEAP)</b>	\$2,900,000
<b>LIHEAP Leveraging</b>	\$421,000
<b>LIHEAP Weatherization Assistance Program, Department of Commerce</b>	\$542,000
<b>Weatherization Assistance Program (WAP)</b>	\$1,400,000
<b><i>State Programs</i></b>	
<b>Neighbors Helping Neighbors (NHN)</b>	\$52,000
<b>Utility Repair, Replacement, and Deposit (URRD)</b>	\$257,000
<b><i>Utility and Private Programs</i></b>	
<b>Rate Discounts</b>	\$5,800,000
<b>Weatherization, Energy Education, Bill Assistance</b>	\$770,000
<b>TEP Low Income Fund for Emergencies (LIFE) "Trust" Fund</b>	\$240,000
<b>Help with Emergency Energy Relief Operation (HEERO)/Service to Help Arizonans with Relief on Energy (SHARE)</b>	\$3,000,000 - \$5,000,000

### ***Program Descriptions***

**Low Income Home Energy Assistance Program (LIHEAP)** - This program is federally funded and provides bill assistance to low income customers who need help to pay their heating and cooling utility bills. Assistance can be used to pay the current month's electric or gas bill, a past due bill, a utility deposit, late fees, and reconnect fees. Assistance is limited to once a year and up to \$300 per year.

**Low Income Home Energy Assistance Program Leveraging** - This is a competitive award/allocation from the federal LIHEAP program. The dollar amount received in a given state under this program is based on the generation/ creation/acquisition of non-federal funds or in-kind services that directly benefit low income people. Rate discounts, bill assistance, weatherization, etc. that are funded by the state or utilities or any non-federal source qualify.

**Low Income Home Energy Assistance Program - Weatherization Assistance Program, Department of Commerce (LIHEAP - WAP, DOC)** - 15 percent of the state LIHEAP allocation is used to augment the WAP program operated by the Department of Commerce, Energy Office because weatherization is a long term solution to affordability. The two federal funding sources for WAP are the Department of Energy (DOE-WAP) and the Department of Health and Human Services (LIHEAP-WAP).

**Weatherization Assistance Program (WAP)** - WAP is a federal program that provides funding for the non-emergency installation of energy conservation measures in low income households. Low income homes are eligible for this program once in a lifetime. The WAP program is operated by the Arizona Department of Commerce, Energy Office. The WAP program focuses on cost-effectiveness.

**Neighbors Helping Neighbors (NHN)** - NHN is a voluntary program which allows taxpayers to contribute money on their state tax returns to this program. The program was established by the State Legislature in 1992. NHN funding supplements LIHEAP and WAP funding.

**Utility Repair, Replacement, and Deposit (URRD)** - URRD is a program funded by unclaimed utility deposits. The program was established by the State Legislature in 1989. URRD money goes to the Department of Economic Security, which then distributes it to community action agencies. URRD provides emergency assistance to low income customers who need to make a utility deposit or have a heating or cooling related appliance or system repaired or replaced. Assistance is limited to once a year and \$600 per year.

**Rate Discounts** - Rate Discount programs generally provide the low income customer a percentage discount off of their electric bill. The size of the discount varies by the number of kWh's consumed. Some utilities also have rate discount programs targeted at senior citizens and customers who use medical life support equipment. Some utilities provide a flat discount which is targeted at those customers whose usage exceeds the allowable cap and who live in energy inefficient housing.

**Weatherization** - Weatherization programs assist low income customers by upgrading the energy efficiency of the customer's home. Depending upon the program requirements, weatherization programs may include measures such as caulking, weatherstripping, outlet gaskets, hot water heater wraps, shade screens, insulation, ducting repairs, motor repairs, window replacements, and set back thermostats. It may also include a health and safety component which allows some general repairs. Weatherization includes but is not limited to DSM measures and incorporates the societal test to measure cost-effectiveness.

**Bill Assistance** - Bill assistance programs provide funding to assist low income customers in emergency situations where they are unable to pay their utility bill. Bill assistance may be used to pay various customer bills including the current month's electric or gas bill, a past due bill, a utility deposit, late fees, and/or reconnect fees.

**Energy Education** - Energy Education involves providing utility customers with information on a variety of energy usage and energy conservation topics. Energy education is generally not a stand-alone low income program, but rather is one aspect of many of the other low income programs. It ranges from one on one in-home education to group workshops to a brief in-office session.

**TEP Low Income Fund for Emergencies (LIFE) "Trust" Fund** - This program provides utility bill assistance to TEP's low income customers in Pima County. LIFE is funded by interest on a \$4.5 million fund provided by TEP shareholders. LIFE is administered by the Salvation Army.

**Help with Emergency Energy Relief Operation (HEERO)** - This program provides crisis oriented bill assistance to utility customers in TEP's service territory. The HEERO program is funded by customer donations on their monthly TEP bill. The Salvation Army administers the HEERO program.

**Service to Help Arizonans with Relief on Energy (SHARE)** - This program provides crisis oriented bill assistance to utility customers statewide. The SHARE program is funded by utility, customer, and employee donations. The Salvation Army administers the SHARE program. Arizona Public Service, Salt River Project, and Southwest Gas participate in the SHARE program.

## Arizona Electric Utilities - Residential Customers

Utility	Class of Ownership	Affected Utility?	Residential Customers <sup>1</sup>
Ajo Improvement Co.	Investor-Owned	Yes	825
Arizona Electric Power Cooperative	Cooperative	Yes	0
Arizona Public Service Co.	Investor-Owned	Yes	680,478
Citizens Utilities Co.	Investor-Owned	Yes	53,772
Colorado River Indian Irrigation Project	Federal	No	3,130 <sup>2</sup>
Columbus Electric Cooperative	Cooperative	No	269
Continental Divide Electric Cooperative	Cooperative	No	1,177
Dixie Escalante Rural Electric Association	Cooperative	No	702 <sup>3</sup>
Duncan Valley Electric Cooperative	Cooperative	Yes	1,673
Electric District Number 2	Publicly Owned	No	2,126 <sup>2</sup>
Electric District Number 4	Publicly Owned	No	125 <sup>2</sup>
Electric District Number 5	Publicly Owned	No	150 <sup>2</sup>
City of Fredonia	Publicly Owned	No	485 <sup>2</sup>
Garkane Power Association	Cooperative	No	323
Graham County Electric Cooperative	Cooperative	Yes	5,687
City of Mesa	Publicly Owned	No	13,114 <sup>2</sup>
Mohave Electric Cooperative	Cooperative	Yes	24,802
Morenci Water and Electric Co.	Investor-Owned	Yes	2,037
Navajo Tribal Utility Authority	Publicly Owned	No	20,238 <sup>2</sup>
Navopache Electric Cooperative	Cooperative	Yes	24,531
Page Electric Utility	Publicly Owned	No	2,964 <sup>2</sup>
City of Safford	Publicly Owned	No	3,108 <sup>2</sup>
Salt River Project	Publicly Owned	No	589,031 <sup>4</sup>
Sulphur Springs Valley Electric Cooperative	Cooperative	Yes	32,828
Town of Thatcher	Publicly Owned	No	705 <sup>2</sup>
Tohono O'Odham Utility Authority	Publicly Owned	No	2,520 <sup>2</sup>
Trico Electric Cooperative	Cooperative	Yes	19,513
Tucson Electric Power Co.	Investor-Owned	Yes	287,857
USBIA - San Carlos Project	Federal	No	10,522 <sup>2</sup>
Wellton-Mohawk Irrigation and Drainage District	Publicly Owned	No	2,090 <sup>2</sup>
Town of Wickenburg	Publicly Owned	No	922 <sup>2</sup>
State Total	-	-	1,787,704

<sup>1</sup> Customer numbers are from December, 1997, as reported in each utility's annual report, unless otherwise noted.

<sup>2</sup> Customer numbers are from 1996, as reported by the Energy Information Administration.

<sup>3</sup> Customer numbers are from December, 1996, as reported by Dixie Escalante Rural Electric Association in its annual report.

<sup>4</sup> Customer numbers from April, 1997 as provided by Salt River Project.

## APPENDIX D. Arizona Poverty Statistics

Arizona's low income utility customers are located throughout the state, with higher concentrations in certain metropolitan and rural locations. Arizona's 1996 poverty rate of 20.5 percent is significantly higher than the national average of 13.7 percent, based upon United States Census Bureau estimates. Within Arizona, the percentage of people in poverty has risen from 12.8 percent in 1980 to 13.7 percent in 1990 to an estimated 20.5 percent in 1996. As shown in data from Table 2, the total number of low income people increased 61 percent in Arizona from 1980 to 1990, compared to a national increase of 16 percent. Federal poverty thresholds in 1996 were \$10,233 for a two person family and \$16,036 for a four person family at 100 percent of the poverty level.

Most tables in this Appendix reflect the 100 percent poverty level. Because utility programs often use 125 or 150 percent of the poverty level to determine eligibility for their low income programs, significantly more people are eligible for these programs than are shown with the 100 percent threshold.

In 1993, poverty levels in Arizona counties ranged from 40.8 percent in Apache County to 12.8 percent in Greenlee County, with Maricopa County at 16.0 percent and Pima County at 19.0 percent. In 1990, of the cities listed in Table 8, the Arizona city with the highest poverty rate was Chinle at 57.9 percent and the lowest poverty rate was 2.4 percent at Sun Lakes. Other city level poverty rates include Phoenix at 14.2 percent, Tucson at 20.2 percent, and Mesa at 9.5 percent. The following tables present a variety of information on the poverty levels in on a city, county, state, and national basis.

### *Section 1. National and Statewide Statistics*

**Table 1. Federal Poverty Thresholds at 100 Percent**

Family Unit Size	Actual Dollars			Adjusted to 1997 Dollars <sup>1</sup>		
	1980	1990	1996	1980	1990	1996
2 Person Family	\$5,363	\$8,509	\$10,233	\$10,923	\$10,663	\$10,442
3 Person Family	\$6,565	\$10,419	\$12,516	\$13,371	\$13,056	\$12,771
4 Person Family	\$8,414	\$13,359	\$16,036	\$17,136	\$16,741	\$16,363
6 Person Family	\$11,269	\$17,839	\$21,389	\$22,951	\$22,355	\$21,826

Source: United States Census Bureau

<sup>1</sup> The adjustment to 1997 dollars is based upon the 1997 Gross Domestic Product Index.

**Table 2. Number of Poor and Poverty Rate**

	1980		1990		1996	
	Number	Percent	Number	Percent	Number	Percent
United States	27,392,580	12.4	31,742,864	13.1	36,529,000	13.7
Arizona	351,365	13.2	564,362	15.7	980,000	20.5
California	2,626,580	11.4	3,627,585	12.5	5,472,000	16.9
New Mexico	225,513	17.6	305,934	20.6	472,000	25.5

Note: The 1980 and 1990 data are based on the decennial census. Data for 1996 are based on the Current Population Survey (CPS) and are provided to illustrate trends only.

Source: United States Census Bureau

**Table 3. National Percent of Persons by Ratio of Income to Poverty Level**

Ratio of Income to Poverty Level	1980	1990	1996
50%	4.4%	5.2%	5.4%
75%	8.3%	9.1%	9.3%
100%	13.0%	13.5%	13.7%
125%	18.1%	18.0%	18.5%
150%	23.1%	22.7%	23.4%
175%	28.4%	27.6%	28.5%
200%	33.9%	32.3%	33.5%

Note: This table is read in the following way. For example, 18.1 percent of people had an income below 125 percent of the poverty level in 1980 and 23.1 percent of people had an income below 150 percent of the poverty level in 1980.

Note: The 1980 and 1990 data are based on the decennial census. Data for 1996 are based on the Current Population Survey (CPS) and are provided to illustrate trends only.

Source: United States Census Bureau

**Table 4. National Percent of Persons in Poverty, by Residence**

	1980	1990	1996
Metropolitan	11.9%	12.7%	13.2%
Metropolitan, Central City	17.2%	19.0%	19.6%
Metropolitan, Not Central City	8.2%	8.7%	9.4%
Non-metropolitan	15.4%	16.3%	15.9%

Note: The 1980 and 1990 data are based on the decennial census. Data for 1996 are based on the Current Population Survey (CPS) and are provided to illustrate trends only.

Source: United States Census Bureau

## Section 2. Arizona County and City Statistics

As noted earlier, most tables in this Appendix reflect the 100 percent poverty level. Because utility programs often use 125 or 150 percent of the poverty level to determine eligibility for their low income programs, significantly more people are eligible for these programs than are shown with the 100 percent threshold.

**Table 5. Poverty by County**

County	1980		1990		1993	
	Number	Percent	Number	Percent	Number	Percent
Apache	20,675	40.0	28,640	47.1	27,120	40.8
Cochise	12,393	14.9	18,721	20.3	22,998	21.9
Coconino	14,141	20.4	20,805	23.1	22,937	22.0
Gila	5,961	16.2	7,234	18.3	9,543	21.3
Graham	4,132	19.3	6,523	26.7	7,150	26.1
Greenlee	1,002	8.8	1,010	12.6	1,172	12.8
La Paz*	N/A	N/A	3,875	28.2	3,774	26.4
Maricopa	156,813	10.5	257,359	12.3	379,587	16.0
Mohave	6,207	11.2	13,049	14.2	20,791	17.7
Navajo	19,963	29.7	26,458	34.7	27,034	31.2
Pima	67,739	13.0	111,880	17.2	139,155	19.0
Pinal	16,000	18.2	26,152	23.6	31,868	25.7
Santa Cruz	3,700	18.1	7,796	26.4	9,871	27.4
Yavapai	8,652	13.0	14,308	13.6	19,145	15.0
Yuma	13,987	16.0	20,552	19.9	35,412	28.0
Arizona	351,365	13.2	564,362	15.7	757,556	18.5

\* La Paz County was part of Yuma County in 1980. La Paz County was incorporated in 1983.

Note: The 1980 and 1990 data are based on the decennial census. Data for 1993 are based on the Small Area Income and Poverty Estimates Program and are provided to illustrate trends only.

Source: Bureau of the Census.

**Table 6. Median Household Income by County, All Households**

County	Actual Dollars			Adjusted to 1997 Dollars <sup>2</sup>		
	1980	1990	1993	1980	1990	1993
Apache	11,057	14,100	18,860	22,519	17,669	20,657
Cochise	13,668	22,425	26,346	27,837	28,102	28,857
Coconino	15,962	26,112	29,341	32,509	32,722	32,137
Gila	13,828	20,964	23,204	28,163	26,271	25,415
Graham	12,479	18,455	23,221	25,415	23,127	25,434
Greenlee	21,396	27,491	34,590	43,576	34,450	37,886
La Paz*	N/A	16,555	20,354	N/A	20,746	22,294
Maricopa	17,728	30,797	33,916	36,106	38,593	37,148
Mohave	14,160	24,002	24,232	28,839	30,078	26,541
Navajo	13,593	19,452	22,762	27,684	24,376	24,931
Pima	15,796	25,401	28,704	32,171	31,831	31,439
Pinal	14,478	21,301	23,521	29,487	26,693	25,762
Santa Cruz	14,575	22,066	21,824	29,684	27,652	23,904
Yavapai	13,076	22,060	24,110	26,631	27,644	26,407
Yuma	13,589	23,635	23,001	27,676	29,618	25,193
Arizona	16,448	27,540	28,427	33,499	34,511	31,136

\* La Paz County was part of Yuma County in 1980. La Paz County was incorporated in 1983.

Note: The 1980 and 1990 data are based on the decennial census. Data for 1993 are based on the Small Area Income and Poverty Estimates Program and are provided to illustrate trends only. Source: Bureau of the Census.

**Table 7. Households in Poverty by County**

County	1980		1990	
	Number	Percent	Number	Percent
Apache	4,523	35.8	7,171	44.2
Cochise	4,243	14.6	6,358	18.1
Coconino	3,957	18.1	6,288	20.8
Gila	1,973	15.4	2,687	17.2
Graham	1,366	20.7	2,010	24.7
Greenlee	348	9.6	385	13.9
La Paz*	N/A	N/A	1,362	25.1
Maricopa	57,024	10.5	88,126	10.9
Mohave	2,425	11.5	4,314	11.7
Navajo	4,792	26.2	7,081	31.5
Pima	26,019	13.3	40,959	15.6
Pinal	4,772	16.8	8,058	20.6
Santa Cruz	1,068	17.8	2,153	24.3
Yavapai	3,585	13.5	5,941	13.2
Yuma	4,467	15.0	5,926	16.5
Arizona	120,562	12.6	188,819	13.8

\* La Paz County was part of Yuma County in 1980. La Paz County was incorporated in 1983.

Note: The 1980 and 1990 data are based on the decennial census.

Source: Bureau of the Census.

<sup>1</sup> The adjustment to 1997 dollars is based upon the 1997 Gross Domestic Product Index.

**Table 8. Arizona City/Town Poverty Levels - 1990**

City	People in Poverty		Households in Poverty	
	Number	Percent	Number	Percent
Apache Junction	3,005	16.7	1,259	16.3
Avondale	4,493	28.2	1,237	25.2
Bisbee	1,351	21.6	539	20.2
Buckeye	1,238	24.6	371	21.8
Bullhead City	2,749	12.8	925	10.5
Camp Verde	1,229	20.3	439	18.9
Casa Grande	3,274	17.4	1,117	17.2
Chandler	8,701	9.7	2,491	7.9
Chinle	2,798	57.9	560	49.0
Clifton	367	13.3	175	17.8
Coolidge	2,497	36.2	687	29.4
Cottonwood-Verde Village	797	11.3	320	11.3
Douglas	5,512	43.1	1,559	38.3
Duncan	124	18.8	52	19.8
Eloy	2,631	36.7	721	35.1
Flagstaff	6,813	17.2	2,633	18.3
Flowing Wells	2,137	15.3	761	13.1
Fort Defiance	1,219	28.2	257	24.2
Fortuna Foothills	699	9.0	330	9.0
Fountain Hills	437	4.4	194	4.9
Gilbert	1,799	6.2	568	6.1
Glendale	16,756	11.5	6,164	11.5
Globe	682	11.7	294	12.5
Green Valley	397	3.0	277	3.7
Guadalupe	2,175	40.1	451	39.6
Kayenta	1,638	37.5	353	33.3
Kingman	1,167	9.4	542	11.0
Lake Havasu City	1,958	8.1	754	7.6
Mesa	27,087	9.5	9,976	9.2
Miami	424	21.1	158	21.2
Mohave Valley	836	12.2	273	10.8
Morenci	115	6.2	28	5.0
New Kingman-Butler	1,742	15.0	710	15.1
Nogales	6,051	31.2	1,689	32.0
Oro Valley	355	5.3	184	6.5
Page	604	9.2	216	10.6
Paradise Valley	388	3.3	170	3.9
Parker	492	17.0	166	17.5
Parker Strip	226	14.0	112	13.5
Patagonia	285	30.9	112	29.3
Payson	984	11.9	492	13.4
Peoria	3,914	7.9	1,278	7.0
Phoenix	137,406	14.2	46,293	12.5
Pima	428	24.9	138	23.7
Prescott	3,354	13.3	1,544	13.5

City	People in Poverty		Households in Poverty	
	Number	Percent	Number	Percent
Prescott Valley	846	9.6	342	9.8
Quartzsite	430	23.5	163	19.9
Safford	1,431	20.1	592	22.8
St. Johns	370	11.2	141	15.0
San Luis	1,648	34.9	353	33.1
Scottsdale	7,583	5.9	3,870	6.7
Sedona	681	8.9	411	10.8
Show Low	927	18.5	302	17.3
Sierra Vista	3,288	10.7	1,247	10.7
Sierra Vista SE	952	10.3	321	9.3
Somerton	2,320	44.0	561	45.0
South Tucson	2,572	50.9	869	53.1
Sun City	2,021	5.4	1,559	6.7
Sun City West	560	3.5	386	4.4
Sun Lakes	160	2.4	92	2.6
Surprise	1,953	28.0	538	23.9
Tempe	18,603	13.6	7,362	13.3
Thatcher	810	22.6	255	22.3
Tuba City	2,622	36.2	520	29.5
Tucson	79,287	20.2	31,374	19.3
Wickenburg	689	15.8	330	15.9
Winslow	1,687	21.0	520	19.2
Yuma	8,621	16.0	2,797	14.5

Source: United States Census Bureau, 1990 Census

## APPENDIX E. Electric Utility Low Income Rate Discount Programs

Rate discount programs for low income customers are currently offered by Arizona Public Service, Citizens Utilities, Salt River Project, and Tucson Electric Power. Program details vary by utility company, but generally the customer is given a percentage discount off of their entire monthly bill. In most cases a declining block discount structure is used, with a low income customer receiving a smaller percentage discount as their monthly usage passes certain kwh thresholds. In some cases the low income customer receives a flat dollar amount discount if their usage increased beyond a certain point. Several utilities also offer a medical discount supplement to their low income rate discount. This supplement increases the kwh thresholds on the regular low income rate discount tariff to account for the electricity usage of life-supporting medical equipment used by the low income customers.

Because low income rate discounts are typically given on a percentage basis of the customers' entire bill, the introduction of retail electric competition and changes in billing impact these discounts differently than other low income programs. The low income issues working group addresses rate discount programs in consensus recommendation 1A, shown below.

*1A. Current levels of rate discounts to customers at current benefits levels should continue irrespective of energy supplier.*

The group did not reach a consensus regarding how rate discounts in the competitive market should be structured. The following tables show the details of the rate discount programs currently offered by electric utilities in Arizona.

### Arizona Public Service

APS has two low income discount tariffs, E-3, the Residential Energy Support Program, and E-4, the Medical Care Equipment Program.

#### *Rate E-3, Residential Energy Support Program*

Monthly Usage (kWh)	0-400	401-800	801-1200	1201+
Discount	30%	20%	10%	\$10.00

#### *Rate E-4, Medical Care Equipment*

Monthly Usage (kWh)	0-800	801-1200	1401-2000	2001+
Discount	30%	20%	10%	\$20.00

## Citizens Utilities Company

Citizens has two low income discount tariffs, the Citizens Assistance Residential Energy Support program and the Low Income Medical Life Support program.

### *Citizens Assistance Residential Energy Support*

Monthly Usage (kWh)	0-300	301-600	601-1000	1001+
Discount	30%	20%	10%	\$8.00

### *Low Income Medical Life Support*

Monthly Usage (kWh)	0-600	601-1200	1201-2000	2001+
Discount	30%	20%	10%	\$8.00

## Salt River Project

SRP has two low income discount tariffs, the Low Income Seniors Discount Rate and the Medical Life Support Rate.

### *Low Income Seniors Discount Rate*

Monthly Usage (kWh)	0-1300	1301+
Discount	5%	0%

### *Medical Life Support Rate*

Monthly Usage (kWh)	0-1800	1801+
Discount	5%	0%

## Tucson Electric Power

TEP has three low income discount programs, Rate No.5, Residential Lifeline Discount, Rate No. 4, Residential Lifeline/Senior Discount, and Rate No. 8, Residential Lifeline/Medical Life-Support Discount.

### *Rate No.5, Residential Lifeline Discount*

Monthly Usage (kWh)	0-300	301-600	601-1000	1001+
Discount	25%	20%	15%	0%

## Tucson Electric Power (continued)

*Rate No. 4, Residential Lifeline/Senior Discount*

<b>Monthly Usage kWh)</b>	<b>0-300</b>	<b>301-600</b>	<b>601-1000</b>	<b>1001-1500</b>	<b>1501+</b>
<b>Discount</b>	35%	30%	25%	15%	0%

*Rate No. 8, Residential Lifeline/Medical Life-Support Discount*

<b>Monthly Usage (kWh)</b>	<b>0-1000</b>	<b>1001-2000</b>	<b>2001+</b>
<b>Discount</b>	35%	30%	10%