




MEMORANDUM

TO: Mayor and Council Members

CC: Marc A. Ott, City Manager

FROM: Mark Dombroski, Interim General Manager 

DATE: April 25, 2016

SUBJECT: Customer Assistance Program – Automatic Enrollment Update

Last year, local advocate Paul Robbins presented to Council six recommendations regarding the automatic enrollment process for the Customer Assistance Program (CAP). Council members requested that Austin Energy staff review his recommendations and provide a response.

Background

Mr. Robbins' concerns focused on CAP customers with high home improvement values; who owned multiple properties; and whose homes consumed higher than average electricity. In response, Austin Energy conducted an assessment and, on February 27, 2015, provided policy alternatives in a memo to City Council. Austin Energy then discussed these options with Council during the Austin Energy Utility Oversight Committee meeting on May 28, 2015. Last August, several modifications to the automatic enrollment process were adopted, including improvements to the monthly computerized matching process and screening for home improvement value using Travis County Appraisal District (TCAD) data, as referenced in a memo to Council on August 24, 2015.

Research

Austin Energy staff performed research to determine the feasibility of Mr. Robbins' recommendations. Staff also met with several consumer advocates to gather additional data and discuss recommendation alternatives. Responses to each of Mr. Robbins' recommendations are listed below. Please note that program costs outlined in this memo are administrative and will be included in Austin Energy's proposed Fiscal Year 2017 budget. Funds collected from the Community Benefit Charge are used to provide discounts to CAP participants and are not used for administrative program costs.

1. Quick Action for Participants with High Improvement Values

The TCAD Home Improvement Value Screening process was implemented in October 2015 at a cost of \$55,000, allowing SOLIX, the program's vendor, to make modifications to the automated system. Each month prior to the customer's annual recertification, CAP participants are sent program opt-out letters. Participants must respond within 30 days to remain enrolled. As of

March 2016, Austin Energy has contacted 452 participants: 35 have been removed from the program; 349 are pending removal; and 68 have requested to re-enroll.

Staff researched each of the homes identified by Mr. Robbins as having high home improvement values. Of the eight homes, five have been removed from the program, two are pending the TCAD screening process described above, and one has a home improvement value less than \$250,000.

Mr. Robbins recommended not waiting for the participant's annual recertification month as an improvement to the TCAD screening process. If implemented, the automatic enrollment process would be changed to identify all participants with home improvement values above \$250,000 and opt-out letters would be sent all at once. This change to the automatic enrollment system will cost approximately \$5,000. Austin Energy supports making this modification.

2. Stop Double and Triple Payments to the Same Customer

Upon auditing the current program, Austin Energy found 363 participants who have received more than one discount each month. In each case the participant had multiple utility accounts in the utility billing system, which provides the list of accounts to the automatic enrollment process. This has been identified as an error in the program design. Austin Energy will work with SOLIX to eliminate duplications.

3. Eliminate Participants Who Own More Than One Property Worth More Than \$50,000

As stated in the August 24, 2015 memo to Council, Austin Energy is unable to identify a comprehensive automated method to screen for owners of multiple properties that is free from unintentional removal of qualified CAP participants. In a recent discussion with SOLIX and TCAD staff, Austin Energy confirmed that each of their respective systems do not have the capability to link customers to multiple properties.

In order to achieve this recommendation, a manual screening process based upon acquiring data from other sources, such as mailing lists, could be performed by dedicated employees. The estimated cost for two dedicated staff members to perform the manual screening is \$52,000 a year. As an alternative, Austin Energy suggests the procurement of a vendor to perform an annual audit at a cost of approximately \$50,000.

4. Income Verify Participants in Homes with Home Improvement Value More Than \$250,000

In researching this recommendation, Austin Energy staff consulted with SOLIX who performs income verification for the Public Utility Commission of Texas and two other utilities in California. Each of these entities confirmed that the process used for income verification consisted of reviewing the income amount provided by the customer during application and matching the amount to verification documents also provided by the customer such as a pay stub, W-2 form, tax return, etc. This verification does not include an audit of the household to ensure all income is reported.

The City of Austin's automatic enrollment process utilizes customers' eligibility for federal and state entitlement programs as a proxy for income enrollment. Federal programs, such as Medicaid, Supplemental Social Security Income (SSI), Supplemental Nutritional Assistance Program (SNAP), and the Children's Health Insurance Program (CHIP), require case workers to validate household assets and income. Other programs, such as the Travis County Hospital

District Medical Access Program (MAP), Comprehensive Energy Assistance Program (CEAP), and Lifeline do not perform case worker asset and income validation.

The addition of a manual income verification process would require a one-time set-up fee of \$33,000 and an on-going cost of approximately \$10,000 a year. Austin Energy recommends an evaluation be conducted after implementing the TCAD screening process, eliminating duplicate discounts, and auditing for multiple properties before consideration of adding an income verification process.

5. Change Enrollment to Dual System like ERCOT

Mr. Robbins recommended changing the current enrollment process to a dual enrollment process whereby participants who are named as the utility bill account holder are automatically enrolled and all other participants are required to self-enroll, i.e., submit an application for consideration.

Austin Energy reviewed current CAP enrollment participants and found that approximately 42% are not named as the utility account holder. The current program allows a household to be automatically enrolled in CAP if anyone residing in the household meets the eligibility criteria. This allows households where a child or spouse receives the benefit to be automatically enrolled, ensuring that more low-income households receive the CAP discount than in the past.

Prior to 2012, Austin Energy found that requiring customers to self-enroll was a barrier for program participation. In fact, of the customers who were sent a self-enrollment application, only 10% responded. Implementing a dual enrollment process could result in the unintended removal of low income customers due to low response rates.

Austin Energy suggests that we first fully implement the TCAD screening process; eliminate duplicate discounts; and initiate an annual audit for multiple properties, then work with the advocates to determine the feasibility of a dual enrollment process.

6. Eliminate 10% Discount for Top Two Rate Tiers

Mr. Robbins recommended that the CAP discount be eliminated for energy consumption in the fourth and fifth residential rate tiers. Analysis of current CAP participants shows there are 6,472 households with consumption in the top two residential rate tiers during 2015. Of these households, 1,010 are homes with high home improvement values; the remaining 5,462 households have home improvement values of less than \$250,000. The analysis also shows that removing the discount for energy consumption in the fourth or fifth rate tiers will save a total of \$4.7 million annually—\$648,233 from homes with high home improvement value and \$4.1 million from the remaining homes on the program.

Table 1. CAP Customers with Usage in Top Two Rate Tiers

	Homes with <u>High</u> Home Improvement Value	Homes with <u>Medium or Low</u> Home Improvement Value
Total Number of CAP Customers	1,010	5,462
Average Monthly Discount	\$53.48	\$62.57
Estimated Total Annual Discount	\$648,233	\$4,101,306

After further investigation, Austin Energy determined that some of the remaining households have high consumption due to poor housing conditions and some of these high-consumption homes are not owned by the CAP customer residing in them home.

Austin Energy does not agree with the recommendation to eliminate the CAP discount for all high consumption customers. Austin Energy recommends implementation of the TCAD screening process which could result in removal of 1,010 of the participants who consume at the top two rate tiers. Where the home improvement value is less than \$250,000, Austin Energy supports the continuation of providing discounts to customers with consumption in the top two rate tiers. These customers may actually be in the greatest need of assistance from the City due to their particular circumstances.

The cost of changes to the SOLIX automatic enrollment process for this recommendation, if implemented, is approximately \$10,000. In addition, this recommendation requires development of a new rate in the billing system.

Summary

Austin Energy continually strives to enhance and improve its Customer Assistance Program, which is nationally one of the top of its kind in providing value to low income customers who participate in the program.

After reviewing the recommendations presented by Mr. Robbins, Austin Energy:

- supports the suggested improvements to both quicken the TCAD Home Improvement Value Screening process and eliminate the duplicate discounts given to participants.
- recommends initiating the use of a vendor to perform an annual audit of participants who own multiple properties.
- recommends an evaluation of the automatic enrollment process after implementation of the above recommendations—before making a substantial investment to perform income verification and/or dual enrollment processes.
- does not support implementing the recommendation to eliminate the discount for all consumption in the top two rate tiers. Customers with usage in the highest tiers may actually be in the greatest need of assistance due to their particular circumstances.

Please let me know if you have any questions.