

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.

Pros and Cons of Utility Service Territory-wide Low Income Programs	
Pros	Cons
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."