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Massachusetts Arrearage Management Plans (AMPs) 2010 Attributes and Outcomes

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Massachusetts Arrearage Management Plans Offer Low-Income Payment Assistance But Frequently Fall Short in Collections Outcomes

Under Massachusetts law, jurisdictional natural gas and electric utilities are required to offer "eligible low-income customers" what is referred to as an "Arrearage Management Plan" ("AMP").¹ Pursuant to the statute (St. 2005, ch. 140, Section 17(a)), Massachusetts utilities must offer low-income customers an affordable payment plan with credits toward an accumulated arrearage to be awarded when the customer complies with the program. The statute further requires that each AMP be "coordinated" with low-income weatherization and fuel assistance agencies and services.

Program Designs

The Massachusetts AMPs are operated under the jurisdiction of the state's public utility commission (now called the Department of Public Utilities: DPU). The statute provides that the DPU establish standards for the AMPs, and directs that the DPU annually review each AMP operated by a gas or electric utility. The DPU is authorized to order modifications in the AMP of a utility at any time.

Since the time the DPU first adopted standards for the Massachusetts AMPs,² the programs operated by each company have been revised and

¹ Eight utilities operate AMPs in Massachusetts.

² See generally, "Order Establishing Standards for Arrearage Management Programs for Low-Income Customers," Docket DTE 05-86 (February 28, 2006) (Investigation by the Department of Telecommunications and Energy on its own Motion into Standards for Arrearage Management Programs for Low-Income Customers, Pursuant to St. 2005, c. 140, Section 17).

refined. The initial utility filings presented substantively different program designs. According to the DPU's Order in its proceeding considering program standards, "the Department is hesitant to set rigid program standards when even the staunchest advocates for AMPs agree that the most successful program design is, as yet, unknown. Broad and flexible standards will encourage the development of innovative and cost-effective programs." (Final Order, Docket 05-86, at 10).

In the years that have followed that initial DPU order, the designs of the AMPs offered by the various Massachusetts have tended to converge. Nonetheless, program designs have not become identical. The purpose of this compilation is to present the basic attributes of each company's AMP as filed in its 2011 annual program review before the DPU.³

The programs tend toward the following common attributes:

- They are available to customers who are *both* \$300 *and* 60-days in arrears (this is a conjunctive requirement, not a disjunctive requirement; it is not "either-or," it is both);
- Customers must be eligible to enroll in the various low-income rate discount programs offered by each respective utility;
- Participants must agree to enter into a levelized budget billing plan;
- Participants are not required to apply for LIHEAP, but if they do, LIHEAP is subtracted from the annual bill prior to the levelized monthly bill being calcu-

³ Each Massachusetts utility has its own annual AMP docket. Pursuant to DPU order, beginning in 2010, each utility maintains a unique AMP docket number. For example, the 2011 Columbia Gas docket was 11-AMP-01, while the 2010 Columbia Gas docket was 10-AMP-01.

lated, thus effectively applying LIHEAP over the entire year in equal monthly installments.

- To enter into an AMP, a customer must be an "active" customer (not off-the-system due to a disconnection for non-payment).
- AMPs are available only *once* to a customer. A customer who has either successfully completed an AMP or has defaulted and been removed from an AMP may not enter into a subsequent one.

Other programs components differ between companies. For example:

- Some utilities impose annual caps on the amount of arrearage credits that can be earned, while others do not;
- Some utilities allow an AMP participant to "cure" missed payments and earn arrearage credits for the cured payments, while others allow reinstatement to the AMP upon the cure of missed payments, but extend the length of the AMP rather than retroactively applying arrearage credits.
- Some utilities default participants for missing two payments, while others default customers for having missed only one payment.

As can be seen, in other words, the various AMPs are similar, but are not identical. A company-by-company summary of key program attributes for each of the eight individual Massachusetts utilities offering an AMP is set forth in FSC's recent publication "Attributes of Massachusetts Gas/Electric 'Arrearage Management Programs' (AMPs): 2011 Program Year."

Program Outcomes

In addition to filing an annual program description, each utility operating an AMP also annually files certain prescribed information. While filed less periodically, utilities report monthly data.⁴ The most recent complete year data available as of the date of this analysis is for 2010 and is set forth in Table 1 of FSC's "Attributes" report.⁵

The effectiveness of the Massachusetts AMPs in helping low-income customers become and stay free of arrears might easily be questioned based on this 2010 data. Three metrics can be derived from the data presented in the 2010 collections reports filed by Massachusetts utilities:

- A comparison of the proportion of AMP accounts 60+ days in arrears to the proportion of overall number of low-income accounts receiving a discounted bill 60+ days in arrears;
- A comparison of the ratio of the number of AMP accounts exiting the program due to the successful completion of the AMP to the number of AMP accounts exiting the program for reasons other than successful completion; and
- The ratio of the average monthly number of AMP participants to the total annual number of successful AMP completions.

The Aging of Arrears.

The proportion of low-income customers participating in AMP exhibiting arrears that are greater than 60-days old is frequently higher than the

⁴ For example, a utility may make an annual filing so long as it reports monthly information.

⁵ In other words, as of February 29, 2012, not all utilities have filed data for all 12 months ending December 2011.

incidence of 60+ day arrears in the low-income population generally.⁶ While Columbia Gas saw 80% of its AMP participants with more than 60-day arrears, for example, "only" 48% of its low-income discount participants had arrearages in that aging bucket.⁷ While 90% of Fitchburg Gas and Electric's electric AMP participants were more than 60-days in arrears, and 96% of its natural gas AMP accounts were, only 35% and 43% of that company's overall low-income discount customers were that far in arrears. In contrast, Berkshire Gas and Western Massachusetts Electric Company have a lower incidence of 60+ day arrears in their AMP populations. Neither National Grid nor NSTAR report the data needed to make these comparisons.

Program Successes and Defaults.

Even after low-income customers enter the Massachusetts Arrearage Management Programs, far more customers exit the program due to payment default than exit the program for having successfully completed the arrearage reduction plan. According to the data presented in the FSC "Attributes" analysis, and setting NSTAR (electric) aside as an outlier, the *most* successful AMPs see roughly four to eight defaulting AMP accounts for each single account that successfully completes an AMP plan.

Within this grouping of companies, the ratio of defaulting AMP accounts to successful AMP accounts ranged from a low of 3.90:1 for Columbia Gas to a high of 8.20:1 for Fitchburg Gas and Electric (electric).⁸ Western Massachusetts

⁶ A 60-day arrears is the commonly-accepted aging of arrears at which collections outcomes become significantly more risky.

⁷ It is important to remember, also, that this comparison is not of AMP participants to low-income AMP non-participants. AMP participants are a subset of the broader class of low-income discount participants.

⁸ In other words, Columbia Gas had 3.90 AMP accounts default for each 1.0 AMP account that successfully completed its AMP plan. Fitchburg Gas and Electric had 8.20 AMP accounts default for each

Electric Company and National Grid (natural gas) both had a marginally higher ratio of defaulting AMPs to successful AMPs (13.42:1 and 17.81:1 respectively).

In contrast, the two NSTAR AMPs were substantially higher in their ratio of defaults to successes. While NSTAR (electric) experienced nearly 52 defaulting AMPs for each successful completion, NSTAR (gas) experienced nearly 70 defaults for each successful completion.

Program Participation Rates.

With the exception of Columbia Gas, the programs having a lower ratio of defaults to successes were the Massachusetts utilities with smaller AMP participation rates. Each of the companies with a ratio of less than roughly eight defaults for each success (Berkshire Gas, Fitchburg Gas and Electric, New England Gas) reported a total participation of fewer than 500 low-income accounts in their respective AMPs.

Columbia Gas was the exception, with a default-to-success ratio of less than 4:1 and an AMP participation rate of more than 1,000 accounts in 2010. Western Massachusetts Electric Company tended toward the middle, with a default-to-success ratio of 13.42:1 and a participation rate of nearly 2,200 low-income accounts.

Combined Success and Participation Rates.

Overall, the success rate of Massachusetts AMP customers was low. With a statewide average of 14,449 AMP participants in 2010, there was a 12-month *total* of only 1,378 successfully completed AMP plans. Several utilities, however, stand-out in their success rate (measured by the percent of successful completions of the average monthly participation rate):

- Columbia Gas had a success rate of 41% (423 successful completions vs. 1,026 average monthly participation);
- Berkshire Gas had a success rate of 46% (140 successful completions vs. 303 average monthly participation);
- New England Gas had a success rate of 40% (100 successful completions vs. 621 average monthly participation rate).

The other utilities, however, both gas and electric, had success rates of at or below 10% (Fitchburg Gas and Electric: 9% electric; 11% gas; National Grid: 8% electric; 5% gas; NSTAR: 3% both electric and gas; Western Mass Electric Company: 8%).

The higher success rates of the companies reported above, however, must be somewhat discounted by the lower overall participation rates. For purposes of this discussion, the “participation rate” is measured as the percentage of the average monthly participation rate of all low-income discount participants 60+ days in arrears.⁹

Columbia Gas and Berkshire Gas, for example, both of which had success rates of 40% or more, experienced an overall participation rate of only 7% (i.e., 7% of the total low-income discount participant population 60+ days in arrears entered into an AMP plan). Similarly, New England Gas, with a success rate of 40%, experienced a participation rate of only 9%.

In contrast, Fitchburg Gas and Electric, with a much lower success rate, had an overall participation rate of 39% (electric) to 40% (gas). Western Massachusetts Electric Company, with a success rate of 8%, had an overall participation

1.0 AMP account that successfully completed its AMP plan.

⁹ The universal qualification for AMP is not simply a 60-day arrears, but rather an arrears of 60+ days *and* \$300 or more. The eligible population, showing the confluence of both of these two eligibility factors, is not reported.

rate of 24%. Neither National Grid nor NSTAR reported data that would allow this calculation to be made.

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Request “Attributes of Massachusetts Gas/Electric Arrearage Management Programs (AMPs): 2010 Program Year.”

While it is not clear which result (a higher participation rate with a lower success rate or a higher success rate with a lower participation rate) might be “better” from a policy perspective, the important observation for purposes here is that no Massachusetts utility operated an AMP with *both* a high success rate *and* a high participation rate.

Summary and Conclusions

Massachusetts utilities should be commended for fully implementing the statutory directive to implement Arrearage Management Programs (AMPs) for low-income customers in substantial arrears. Now with several years of operating experience, it is appropriate to begin an assessment of whether these utilities have succeeded in meeting the statutory directive that the AMPs offer an “affordable payment plan.”

The Massachusetts AMPs exhibit substantial variation in the collection outcomes reported for the programs. No utility, however, reports a substantial success rate coupled with a high participation rate. Indeed, there appears to be an unexplained discontinuity between participation rates and success rates. Moreover, the default rates for all programs substantially exceed the success rates, with the *most* successful programs reporting four times more plan defaults than successful plan completions in the most recent complete year of data.

Given these mixed results, at best, for Massachusetts AMPs, it is perhaps time for a generic inquiry into what program elements can be identified as promoting successful participation by payment-troubled low-income customers in a plan that allows those customers to address their payment difficulties.

For a complete copy of the FSC analysis of the 2010 data on the collections outcomes of the Massachusetts AMPs, please write:

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