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Different Tasks Need to be Undertaken Seasonally to Prepare for Energy Affordability Problems

NOTE TO READERS

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While Focus is Often on "Preparing for Winter," Seasonal Tasks Face Low-Income Energy Service Providers

The focus of low-income energy assistance is frequently, if not generally, on "preparing for cold weather." The concern behind such efforts is to ensure that no-one freezes to death because of their low-income status.

The discussion below, however, notes various tasks that low-income service providers should undertake in various seasons. A "to-do" list for each season is presented:

Five things to do *before June* to get your state ready for extreme hot weather

1. **Have you organized your network of "congregate cooling facilities"?** At-risk persons (e.g., elderly, physically disabled, infants, obese) should be able to access air conditioning during heat-related emergencies. A network of congregate cooling facilities that may be used by the community to obtain cooling is important. These may include locations such as libraries, malls, churches, office buildings and the like. After-hours access is necessary.

2. **Have you organized a heat emergency hot line?** A heat emergency hot line should provide authoritative information about everything from where congregate cooling facilities may be accessed, to what in-home cooling strategies can and should be used, to where individuals can seek immediate medical attention for heat-related emergencies. One important attribute of a community hot line is its guaranteed access even during non-office hours.

3. **Have you organized an extreme heat registry?** An extreme heat registry allows individuals to enroll in a community-based "buddy" system. A community-based organization would then arrange for regular check-ins by family and friends, or by community members, during heat-related emergencies.

4. **Have you prepared and published your extreme heat community education materials?** Community education should raise the public's awareness of the "heat index" to the same level of awareness as the "wind chill" factor. The "heat index" combines data on temperature and humidity to capture the dangers of extreme heat. Education should also promote knowledge of the Extreme Weather Registry as well as the availability of the Community Hot Line and Congregate Cooling Facilities.

5. **Have you arranged to have your local health department and media publicize heat-related emergencies?** Recent research suggests that cities that issue heat wave warnings should consider activating such a system when *average daily* temperatures over a five-day period reach 75˚ Fahrenheit, particularly when these temperatures are reached early in the heating season. Especially hot days early in the summer season seem to have a more dire impact on health and mortality than similarly hot days later in the season.

Five things to do *before October* to help winterize your state:

1. **Have you "reserved room" in your local utility's bill insert/newsletter to promote the Earned Income Tax Credit (EITC) in January or February of the coming heating season?** Space in newsletters and bill inserts must often be "reserved" six months (or more) in advance. By October, it will be too late. The average EITC tax credit nationwide is about $2,000, coming just at the time most needed for payment of winter heating bills.

2. **Have you contacted your State Food Stamp Director about revising the state's Standard Utility Allowance (SUA) for purposes of the Excess Shelter Deduction?** SUA revisions are generally *effective* October 1 of each year. The SUA revisions are thus done in late summer and early fall. Shelter costs, which include all utilities (including telephones), exceeding 50% of income are an income deduction for purposes of Food Stamps. But SUA revisions are generally made after-the-fact. This past winter's natural gas (fuel oil/propane/electric) price increases have not yet been taken into account. Now is the time to make sure that *last year's* fuel price increases are reflected in *next year's* SUAs.

3. **Have you contacted your utilities with an EITC script for them to produce for callers "holding" at their call center during January through April?** Customers who contact a utility call center are often calling because they are experiencing trouble paying their bills. A simple script encouraging people to claim their EITC credits, if eligible, may put money in the pockets of exactly those utility customers who need it the most. But it takes time to produce a "message" to be used in your local call center. Waiting until tax season is upon us will not allow time for the message to be produced and implemented.

4. **Have you talked to your State Housing Agency about how energy price increases relate to rents in your state?** Each year, the U.S. Department of Housing and Urban Development (HUD) revises its Fair Market Rents (FMRs) for every Metropolitan Area and non-metropolitan county in each state. FMRs

drive the housing subsidies available to some of the nation's lowest income households. FMRs include not only "rent," but all utility costs (except telephone). If FMRs do not take energy price increases into account, HUD's utility assistance will be *underpaid*. Comments on FMRs, however, are generally sought in the late summer. If you wait until October to worry, you will miss the comments deadline.

5. **Have you contacted your local clergy about a special "holiday" collection to support your winter crisis intervention fund?** Many clergy support a special collection around the holiday season to support specific social service remedies within the community. A special collection at a Thanksgiving Day service, for example, is not uncommon. However, decisions about scheduling special collections are generally made in September. Approaching clergy only when cold weather approaches will likely mean that you will *miss* getting on to the schedule.

Five things to do *before February* to help prevent post-winter shutoffs:

1. **Have you identified and publicized your local VITA sites?** The Internal Revenue Service (IRS) helps fund free tax preparation sites each year. Known as Volunteer Income Tax Assistance (VITA) sites, these locations help income-eligible households prepare tax returns. For low-income households having difficulty paying their winter heating bills, the ability to claim the Earned Income Tax Credit (EITC) which they qualify for could make the difference between keeping their heat or not. EITC credits nationwide average $2,000 and can come just at the time that heating bills are highest.

2. **Have you ensured that deposit refund requests have been made?** Most utilities provide that customers with clean payment records –defined in different ways by different utilities—are entitled to a refund of their cash security deposit. Many utilities, however, require customers to *ask* for their deposit return. January and February are good months to encourage customers to seek deposit refunds. If a maximum deposit has been posted, a refund of that deposit might pay a substantial part of that customer's winter heating bill.

3. **Have you found allowable substitutes for cash security deposits?** Even if a customer is not entitled to a *refund* of a cash security deposit previously posted, utilities nearly universally allow a customer to post a third-party guarantee in lieu of a deposit. The third party would, without posting cash, agree to be liable for an unpaid bill up to the level of a deposit. January is a good time to encourage customers to substitute third-party guarantees from friends or family for cash deposits. The refunded cash deposit can then be used to help pay current bills.

4. **Have you circulated your "A Little Bit Helps a Lot" flyers?** January can often be a dangerous month for bill payers. Some customers have bill *credits* due to LIHEAP benefit payments and thus make no payment. Some people have holiday expenses that compete for scarce household financial resources. Some people are overwhelmed by their first heating bill of the season and are thus tempted to pay nothing. January is the time to emphasize to customers that paying even a *little* now (even if they have a bill credit) will help a lot later on. Paying even $30 a month in January, February and March could help lower later payments by $15 to $20 a month if winter arrears are retired through a payment plan that must be completed before the start of

the next heating season. Agencies can obtain "A Little Bit Helps a Lot" flyers from FSC.

5. **Have you targeted special EITC outreach to customers in arrears?** Putting additional money in the hands of customers that are in arrears serves everyone's interests. It helps the customer become current and helps the utility avoid collection expenses and reduce bad debt. Targeting EITC outreach to customers owing a minimum level of arrears (*e.g.*, $250, $300) serves both of these goals. Even if three of four households receiving such outreach are not eligible, the return (in bills paid for a utility; in crisis grants avoided for a community organization) from the customers that *are* eligible is tremendous. The likelihood that a customer carrying winter arrears will qualify for the EITC is high.

Five things to do in *negotiating deferred payment plans* for cold weather arrears when your winter moratorium ends:

1. **Have you negotiated the level of the downpayment?** The regulations of most state utility commissions allow a utility to require a downpayment in order for a customer to enter a deferred payment plan. Those regulations do *not* allow a utility, however, simply to apply the maximum downpayment permitted under the regulations. Most state commission regulations provide that a downpayment may be "up to" or "not to exceed" a certain amount. Language like that means an amount "at *or below*" the maximum. Do not forget the "or below" part of that sentence. Do not feel that you have to accept the maximum just because that's what is requested.

2. **Have you negotiated the length of the payment plan?** Virtually all state utility commission regulations provide that in negotiating deferred payment plans, a utility is to take certain factors into account. Those factors include things like the customer's ability to pay, why the customer fell behind, and the length of time the customer has been behind on his or her bill. Many commissions have regulations that provide minimum payment terms. When a regulation says a payment plan must be "at least 12 months," for example, that means 12 months *or more*. Do not forget the "or more" part of that sentence. In these cases, a utility may not offer simply a 12-month plan. Do not feel that you have to accept the shortest payment term just because that's what is offered.

3. **Have you negotiated based on the *cause* of the arrearage?** Virtually all state utility commissions have regulations requiring a utility to consider the reason for bill nonpayment in negotiating a deferred payment plan. Many times, a bill nonpayment is caused by what is termed a "triggering event," a loss of job, an extraordinary medical expense, or some such thing. In instances of a temporary triggering event, it may make sense to ask that a deferred payment plan offer one or two months of limited payments on the arrears (not *no* payments but *lower* payments), with higher payments later on when the customer is back on sounder financial ground. This approach, called "forbearance," allows the customer to recover from the triggering event, and then to repair his or her credit. Contact your local mortgage foreclosure prevention clinic to learn about the forbearance approach. Forbearance is common in foreclosure prevention programs.

4. **Have you negotiated the level of each month's payment?** Virtually all state utility commissions have regulations requiring a utility to consider the "ability to pay" of a customer entering a deferred payment plan. "Ability to pay" is more

than simply the level of the customer's income. Without question, "ability to pay" should take income into account. But the customer's income may be seasonal. "Ability to pay" should also take into account household expenses. Most families with children, for example, have substantially higher back-to-school expenses in certain months known ahead of time. A deferred payment plan need not involve the same level of payment each month simply because that's what is offered. It may make sense to have the payment plan recognize the decreased "ability to pay" in the months where you know income will be down or expenses will be up.

5. **Have you negotiated the level of any deposit request?** One of the significant financial obstacles in meeting payment plan obligations, especially in the early months, is paying any deposit that is demanded as part of the payment plan. Many states allow their utility to require a deposit "up to" (there's that phrase again) two times the maximum monthly bill. Be sure to remember that almost everywhere, a utility will accept a guarantee in lieu of a cash deposit. In addition, a person on a levelized payment plan will have a lower deposit than one who is not (in states where the deposit is based on the maximum monthly bill), since the budget amount is lower than the maximum monthly bill. If bills have been extraordinarily high due to extreme weather or extraordinary prices, they should not be used as the basis for a deposit.

Five *non-energy programs* to promote to help your clients pay high heating/cooling bills.

1. **Have you helped your clients claim their Earned Income Tax Credit (EITC)?** The Earned Income Tax Credit (EITC) has often been referred to as this nation's largest anti-poverty program. It provides a refundable tax credit (putting cash in the household's pocket whether or not he or she owed taxes) just at the time it is often most needed, at the end of the winter heating season. The average EITC credit nationwide is over $2,000.

2. **Have you enrolled your clients in a Summer Food Service Program?** The ability of low-income households to pay their home energy bills is adversely affected by the loss of their access to the school lunch/school breakfast programs during the summer. Providing summer meals to kids can cost hundreds of dollars each month in out-of-pocket expenses. The Summer Food Service Program (SFSP) provides funds for organizations sponsoring summer programs to serve nutritious meals to low-income children when school is not in session. Most SFSP sites can provide up to two meals (breakfast and lunch or breakfast and dinner) or one meal and a snack.

3. **Have you enrolled your clients in the local telephone Lifeline program?** Local telephone companies offer reduced "lifeline" telephone rates to low-income customers. These price reductions (on local service) can save a household $100 or more each year. While households must apply for the rate, they will generally be found "categorically eligible" for Lifeline by virtue of their participation in other public benefit programs. They need *not* independently reveal their income to the telephone company.

4. **Have you helped your clients claim their Food Stamp excess shelter deduction?** Households that receive food stamps should ensure that they have claimed their full "excess shelter deduction." The Food Stamp program will deduct from income shelter costs (rent/mortgage plus utilities) that exceed 50% of the household's income (up to a specified maximum). For each $3

deducted from income, the household will receive, on average, $2 of additional food stamps.

5. **Have you enrolled you clients in a local "Thrifty Parenting" program?** The *Thrifty Parenting* program is designed for families with young children. Often sponsored by local USDA Extension offices, the *Thrifty Parenting* program shows ways that parents can cut the expense of raising kids, while maintaining health and safety standards. Topics include food and health care; clothing; and equipment, toys and entertainment. *Thrifty Parenting* materials can also be obtained through the National Endowment for Financial Education (www.nefe.org) (click on "site map" and click on "search NEFE" for *Thrifty Parenting*).

SUMMARY AND RECOMMENDATIONS

For more information on any aspect of the action steps proposed above for each season, readers may send requests to:

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Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) provides economic, financial and regulatory consulting. The areas in which *FSC* has worked include energy law and economics, fair housing, affordable housing development, local planning and zoning, energy efficiency planning, community economic development, poverty and telecommunications policy, regulatory economics, and public welfare policy.