

Moffi  
9/19/12



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*Agency of Human Services*

March 1, 2012

Honorable Peter Shumlin, Governor of Vermont  
Honorable John F. Campbell, President Pro Tempore, Vermont Senate  
Honorable Shap Smith, Speaker, Vermont House of Representatives

Dear Governor Shumlin, President Pro Tempore Campbell, and Speaker Smith,

Thank you for the opportunity to recommend changes to improve the long-term sustainability and success of the LIHEAP program in Vermont. Income-eligible Vermonters rely on the LIHEAP federal block grant to stay warm, safe, and healthy during the winter months. Grants are provided to households from the Seasonal Fuel Assistance Program administered by the Department for Children and Families and from the Crisis Fuel Assistance Program administered by Vermont's five community action agencies.

It is my studied assumption that the Emergency Board's directive to me was in response to the following current LIHEAP realities: reduced federal funding; an increased demand for assistance; high home heating fuel and energy prices; and the December 2011 infusion of State funds into Vermont's LIHEAP Program.

To help ensure long-term sustainability, the attached document proposes twelve recommendations in four critical program areas:

- Energy Cost Burden,
- Seasonal Fuel Assistance,
- Crisis Fuel Assistance, and
- Energy Consumption Burden.

Fuel Assistance Program Chief Richard Moffi and I look forward to working with all LIHEAP stakeholders to reach consensus and implement recommendations to improve the sustainability and success of LIHEAP for income-eligible Vermonters.

Sincerely,

A handwritten signature in black ink that reads "Dave Yacovone".

Dave Yacovone, Commissioner

Attachment

cc: Secretary Doug Racine, Agency of Human Services





## Recommended Fuel Program Changes for Long-Term Sustainability Submitted March 1, 2012

### **VT Emergency Board Resolution – January 3, 2012:**

*The Department for Children and Families is to review the LIHEAP program and its funding to identify possible changes that will improve the sustainability and success of the LIHEAP program in the future and submit any recommended changes to the administration and general assembly by March 1, 2012.*

### **Energy Cost Burden**

**Reduce the energy cost burden for low-income Vermonters for natural gas (VT Gas), electricity, and home heating fuels.**

1. The Department for Children and Families (DCF) will work with Vermont's regulated utilities and the Department of Public Service (DPS) to determine whether the recently-established low-income electric support program in Central Vermont Public Service (CVPSC) and Green Mountain Power (GMP) territory can be expanded statewide. Included in the investigation would be the program mechanics and costs (including costs to ratepayers) required to implement a Tiered Income Discount Plan<sup>1</sup> with Vermont Gas (VT Gas) and all electric companies for households with gross incomes up to 200% of poverty.<sup>2</sup>
  - Estimated energy cost burden reduction: To be determined.
2. In partnership with petroleum fuel suppliers by May 1, 2013 for the FFY 2014 heating season, develop leveraging options to reduce the cost of fuel purchased with both Seasonal Fuel and Crisis Fuel Assistance. To participate in the LIHEAP program, certified petroleum fuel suppliers would choose one or more of the following options:
  - A. Margin Over Rack<sup>3</sup> pricing; OR
  - B. Fixed discount in addition to dealer's regular cash or prompt payment discount; OR
  - C. Summer fuel contract with a capped maximum per gallon price and downside protection<sup>4</sup>.
  - An independent third party will be used to develop each leveraging option based on LIHEAP models used in other northeastern states.
  - Estimated increased benefit purchasing power: To be determined.
3. By the start of the FFY 2013 heating season, consult with financial advisors experienced in the oil futures market and annual petroleum heating fuel contracts to determine whether DCF should undertake a detailed study of investing LIHEAP and/or state funds into either financial product.

## Seasonal Fuel Assistance (SF)

### Establish SF benefit equity, based on income and energy burden.

4. By the start of the FFY 2014 heating season, the SF program will pay benefits to fuel dealers after deliveries are made and base those payments on a fixed percentage of a client's bill, up to a maximum benefit amount.

The federal LIHEAP program requires that benefits are based on *need* (both the client's income and energy burden). The current system sets benefits for energy burden based on estimated averages. These averages perpetuate an inequitable distribution of benefits. Paying benefits based on actual consumption would redistribute funds from those who need less assistance to those with a greater need for assistance. This redistribution establishes the most efficient use of SF benefits.

- Requirement: payment after delivery<sup>5</sup> invoice and payment management system
- Estimated redistribution of funds: \$1.0 to \$2.0 million

## Crisis Fuel Assistance (CF)

### Reduce client access to and dependence on CF Assistance.

(Savings generated by changes to CF will be used to increase SF benefits.)

5. By the start of the FFY 2013 heating season, clients who are income eligible for SF may receive one fuel grant per season and clients who are over income for SF and income eligible for CF may receive two fuel grants per season.
  - A "grant" is: a 125-gallon fuel delivery and one electric disconnection assist; OR one VT Gas heat disconnection assist and one electric disconnection assist; OR two electric disconnection assists (electric heat).
  - Estimated savings: \$750,000 (FFY 2010 and 2011 CF data).
6. CVPSC and GMP are under a Public Service Board order to implement a low-income rate discount of 25%. Once the planned discount program has been in operation for six months, eliminate CF assistance for CVPSC and GMP electric disconnections for clients who are income eligible for that program.
  - Estimated Savings: \$700,000 (FFY 2010 and 2011 CF data and CVPSC/GMP residential service).
7. When a discount program for all other electric companies and VT Gas has been in operation for six months, eliminate CF assistance for electric and VT Gas disconnections for clients who are income eligible for the low-income utility rates established in recommendation #1.
  - Estimated Savings: \$500,000 (\$300,000 for electric plus \$200,000 for VT Gas).
8. By the start of the FFY 2015 heating season, make CF payments to fuel suppliers through the SF payment after delivery system (currently under development).
  - Estimated savings: Reduced "direct service" costs to be determined.
9. From the start of the FFY 2013 heating season, evaluate the incremental impact on "direct service" (administration) costs of the above changes to CF (currently \$520,000).
  - Estimated savings: Reduced "direct service" costs to be determined.

## **Energy Consumption Burden**

### **Target energy burden services to households based on energy consumption, financial need, and household composition.**

10. By the start of the FFY 2013 heating season, the Office of Economic Opportunity (OEO) will develop and implement a Weatherization priority matrix to ensure maximum benefit to Weatherization clients and the State's LIHEAP budget.
  - The matrix will, at minimum, take into account:
    - Homes with high energy use;
    - LIHEAP recipients;
    - Households with the lowest incomes; and
    - Households with vulnerable persons (elderly, disabled, children under age six).
  - Estimated consumption savings: To be determined.

### **Provide Energy Efficiency Coaching**

11. Maintain the Sustainable Energy Resources for Consumers (SERC) program after ARRA funds expire on June 30, 2012 and incorporate SERC into the Weatherization program. The SERC model provides energy-efficiency coaches who work with low-income families to reduce their energy consumption. SERC is currently under an ARRA required review and evaluation.
  - OEO will collaborate with Efficiency Vermont (EV), and DPS to determine whether program funds identified for low-income Vermonters in the EV/DPS contract could be re-allocated within the contract's terms to fund SERC (estimated annual cost of \$250,000 to \$300,000).
  - Estimated energy consumption reduction: To be determined.

### **Establish a Furnace Clean & Tune Program**

12. By the start of the FFY 2013 heating season, OEO will implement a targeted Furnace Clean & Tune Program to be delivered by local fuel dealers. OEO operates an Emergency Heating System Repair and Replacement Program (EHSRRP) that spends upwards of \$500,000 annually. A clean and tune program will reduce consumption and prevent many "faulty operation" winter service calls paid for by EHSRRP.
  - LIHEAP will provide an initial annual investment of \$100,000 to be distributed by OEO to local fuel dealers who will perform basic furnace cleaning services.
  - Estimated energy consumption reduction: To be determined.

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## **Summary**

The twelve recommendations above, if and when implemented, will collectively result in a positive impact on the economics of home heating and energy for Vermont's low-income families and individuals. The average seasonal fuel assistance benefit will increase. Seasonal fuel benefits will be distributed more equitably. Home energy costs and energy consumption will decrease.

## Summary (continued)

However, the single challenge of establishing **LIHEAP sustainability** may not be achieved. It may be necessary to consider additional changes that more specifically address increasing caseload and decreasing funding. For example:

- ❖ **Caseload:** The Seasonal and Crisis Fuel caseloads could be decreased. For example: return income and resource eligibility to pre FFY 2012 levels.
- ❖ **Funding:** A continuous and predictable stream of state-generated funds could be developed to augment the LIHEAP block grant. For example: the gross receipts tax provides predictable state funding for Weatherization.

Respectfully submitted,  
Dave Yacovone, Commissioner

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## For More Information

For questions, comments or concerns please contact Richard Moffi, Fuel Assistance Program Chief, via email at [Richard.Moffi@state.vt.us](mailto:Richard.Moffi@state.vt.us) or by phone at 802-769-6448.

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## Notes:

<sup>1</sup> A Tiered Income Discount Plan can be as simple as taking a fixed 25% discount and establishing three discount tiers: households in the upper third of the income range would receive a 15% discount; clients in the middle third a 25% discount; and clients in lowest third would receive a 35% discount.

<sup>2</sup> At the request of various parties in the low-income electric support proceeding, including DPS, the DCF Economic Services Division is actively investigating taking responsibility for income eligibility determination of the CVPSC/GMP discount program required by the Public Service Board. Based on the analysis thus far, with some outstanding issues to be resolved, DCF anticipates the Economic Services Division will assume this responsibility.

<sup>3</sup> Margin Over Rack is an annually negotiated price or prices paid to Fuel Program certified dealers over their wholesale or "rack" price for oil, propane, and kerosene purchased with LIHEAP funds.

<sup>4</sup> Downside Protection is insurance that protects consumers when oil, propane, and kerosene prices decrease during the term of a supply contract with a fuel dealer. The "protection" for the consumer is they pay the fuel dealer's current lower price when market prices fall.

<sup>5</sup> The Fuel Program statute requires DCF to establish a system to make payments to fuel and energy suppliers after fuel is delivered or charges have been posted to a client's account. The electronic transfer of client data between the Fuel Office and certified fuel suppliers is projected to be operational by the start of the FFY 2013 heating season. The payment after delivery system is projected to be operational by the start of the FFY 2014 heating season.

## **Crisis Fuel Assistance (CF)**

### **Reduce client access to and dependence on Crisis Fuel (CF) Assistance.**

5. Rule change for the FFY 2013 heating season, to limit clients who are income eligible for SF to one crisis grant per season and clients who are over income for SF and income eligible for CF to two crisis grants per season.
6. Rule change to eliminate electric service disconnection crisis grants to GMP customers 6 months after the company's Energy Assistance Program is launched.
7. Rule change identical to 6. above and applicable to VTGas and all other electric companies.

**5, 6 & 7: ESD is finalizing draft proposed rules to be filed in Sept**

8. By the start of the FFY 2015 heating season, make CF payments to fuel suppliers through the SF payment after delivery system.

**Fully Dependent on Recommendation 4.**

9. From the start of the FFY 2013 heating season, evaluate the incremental impact on "direct service" (administration) costs of the above changes to CF.

**To be undertaken during the FFY2013 crisis fuel season**

## **Energy Consumption Burden**

### **Target energy burden services to households based on energy consumption, financial need, and household composition.**

10. By the start of the FFY 2013 heating season, the Office of Economic Opportunity (OEO) will develop and implement a Weatherization priority matrix to ensure maximum benefit to Weatherization clients and the State's LIHEAP budget.

**Work review pending within OEO**

### **Provide Energy Efficiency Coaching (SERC)**

11. Maintain the Sustainable Energy Resources for Consumers (SERC) program after ARRA funds expire and incorporate SERC into the Weatherization program.

**No progress at this time**

### **Establish a Furnace Clean & Tune Program**

12. By the start of the FFY 2013 heating season, OEO will implement a targeted Furnace Clean & Tune program to be delivered by local fuel dealers.

**Project re-start discussions underway with CVCAC**

## **Energy Cost Burden**

**Reduce the energy cost burden for low-income Vermonters for natural gas (VT Gas), electricity, and home heating fuels.**

1. Utility Discounts from Green Mountain Power, Vermont Gas, and the remaining 18-20 electric companies.

**GMP to begin late December 2012 – ESD/Fuel to determine eligibility**

**VTGas to begin late Summer 2013 – ESD/Fuel to determine eligibility**

2. By May 1, 2013 for the FFY 2014 heating season, offer three (3) leveraging options to petroleum fuel dealers to reduce the cost of fuel purchased with Seasonal and Crisis Fuel Assistance. Options: Margin Over Rack (MOR), Discount Off Retail (DOR) or Summer Fuel Contract.

**The Fuel Office is preparing RFP documents**

3. By the start of the FFY 2013 heating season, consult with private sector financial investment advisors to determine if a detailed study should be done to invest LIHEAP or state funds into oil futures or petroleum contracts.

**The Fuel Office has made very limited enquiries.**

## **Seasonal Fuel Assistance (SF)**

**Establish Seasonal Fuel (SF) Assistance benefit equity, based on income and energy burden.**

4. By the start of the FFY 2014 heating season, pay SF benefits to fuel dealers after deliveries are made and based on a fixed percentage of a client's bill, up to a maximum benefit amount. See Also Recommendation 8.

The web-portal was scheduled for implementation of two-way data-transfer for the FFY2012 heating season with full payment implementation FFY2013. Due to major IT problems resulting from Irene this project is unable to move forward due to ACCESS system limitations

The Fuel Office, ESD IT staff and a private contractor structured a two-way data transfer alternative to be implemented this November