SEATTLE CITY COUNCIL
CENTRAL STAFF

September 20, 2019

MEMORANDUM

To: Housing, Health, Energy and Workers' Rights Committee
From: Eric McConaghy, Analyst
Subject: Seattle City Light's and Seattle Public Utilities' Emergency Assistance Programs Update– C.B. 119659

On September 24, 2019, the Housing, Health, Energy and Workers' Rights Committee (Committee) will receive a briefing, discuss and consider voting on the proposed Council Bill (C.B.) 119659 that would amend Seattle Municipal Code (SMC) Section 21.49.042 related to Seattle City Light's (City Light's) Emergency Low-Income Assistance (ELIA) program and SMC Section 21.76.065 related to Seattle Public Utilities' (SPU's) Emergency Assistance Program (EAP).

Summary of the Proposed Bill

The intent of this legislation is to make rate assistance more accessible to qualified customers by aligning guidelines for SPU's EAP and City Light's ELIA assistance programs. Specifically, the bill would:

- Increase the income eligibility for both programs to 80 percent of the state median income;
- Allow the application of emergency assistance for both programs toward 100 percent of a customer's delinquent bills;
- Add the twice-per-year provision to City Light's ELIA program for households with minor children to match the current provision in SPU's EAP;
- Adjust the maximum credit amount in City Light's ELIA on an annual basis to reflect the average growth in electric bills for residential customers; and
- Adjust the rules in City Light's ELIA to allow a customer to be eligible for the credit upon notification of a ten-day disconnect notice.

Background:

In December 1985, the Emergency Low-Income Assistance program was established by Ordinance 112637 to provide emergency, low-income assistance to eligible SCL customers. The Emergency Assistance Program was established by Ordinance 122174 in 2006 to provide emergency assistance to low-income customers of Seattle Public Utilities.

Currently, both programs provide a once-per-year emergency credit of 50 percent of an eligible customer's delinquent bills up to a maximum credit amount. For SPU's EAP, if a minor child lives in the household, then the customer may receive emergency assistance twice per calendar year. City Light's ELIA does not have a similar provision for households with minor children.

Additionally, the maximum credit amount for SPU's EAP adjusts annually to reflect the average growth in residential bills, but City Light's ELIA does not contain a similar adjustment. Both programs provide assistance for customers whose total household income does not exceed 70 percent of the Washington State median income.

The Executive's response to Council's Statement of Legislative Intent (SLI) 40-1-B-1 (attached) contained recommendations to expand access to emergency assistance by increasing income eligibility to 80 percent of state median income and to allow application of emergency assistance toward 100 percent of a customer's delinquent bills.

Next Steps

If the Committee recommends approval of CB 119659 on September 24, then Council could take final action on the legislation as soon as September 30.

Attachments

1. Executive's response to SLI 40-1-B-1

cc: Kirstan Arestad, Exec Director
Dan Eder, Deputy Director

Memorandum

Date: June 26, 2019

To: Councilmember Lisa Herbold, Chair
Civil Rights, Utilities, Economic Development & Arts Committee

Councilmember Teresa Mosqueda, Chair
Housing, Health, Energy and Worker's Rights Committee

From: Mami Hara, General Manager/CEO
Seattle Public Utilities

Debra Smith, General Manager/CEO
Seattle City Light

Re: Response to Utility Discount Program Statement of Legislative Intent

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Executive Summary

This report responds to Council's questions contained in the Statement of Legislative Intent (SLI) 40-1-B-1, provides new information about the Utility Discount Program (UDP) today, and lays out a proposed plan of action to improve the program and other assistance for low-income households in Seattle.

Within the current program eligibility criteria (households at or below 70% of State Median Income), the City has had significant recent successes increasing UDP enrollment. Cross-enrollment from other programs has proven particularly effective. In particular, cross-enrollment coordination with the Housing Finance Commission, the Seattle Housing Authority, and the Supplemental Nutrition Assistance Program has helped more than double enrollment from 14,000 to 33,000 since 2015.

However, new data indicates that the universe of eligible households is much larger than previously estimated, resulting in a newly estimated enrollment rate of just 30%. This significant gap highlights the need to focus on increasing enrollment rather than changing the eligibility guidelines. The Executive is proposing to respond with newly focused efforts to increase enrollment in the coming year, including the launch of a web-based application form and a self-certification pilot.

Complimenting these enrollment initiatives is a suite of actions that will significantly increase access to emergency assistance for households experiencing short-term financial crisis.

These and other actions are part of a proposed two-pronged approach to optimizing the UDP and other assistance to lower-income households:

The first prong includes multiple near-term actions to increase enrollment in the UDP and expand access to emergency assistance.

The second prong entails a number of pilot programs and studies to help inform longer-term strategic alternatives, including a potential tiered discount structure.

This two-pronged approach and related actions will be implemented in the phased timeline at right.

Phased Timeline

Phase 1: July 2019 – Sept. 2020
- Increase enrollment in UDP
- Expand access to emergency assistance
- Conduct pilots and studies; collect data

Phase 2: Fall 2020
- Evaluate pilot data and study findings
- Develop options and recommendations regarding longer-term alternatives

Phase 3: Winter 2020
- Implement longer-term strategies

Introduction

The SLI requests that Seattle Public Utilities (SPU) work with Seattle City Light (SCL) to incorporate an analysis of the UDP into SPU's Accountability and Affordability framework, including the UDP's eligibility criteria and the concept of a tiered discount system. The questions Council requested be addressed include the following:

1. What would the financial impact be, for each line of business, of modifying the eligibility criteria to be 70 percent of the City of Seattle median income, rather than 70 percent of the Washington State median income?
2. How many additional customers would qualify for the UDP under the revised eligibility criteria?
3. What percentage rate increases would be required for each line of business under the revised eligibility criteria?
4. What are the benefits and drawbacks of shifting the UDP to a tiered discount system?
5. For non-related individuals sharing a household, what would the financial impact be of using the individual incomes as qualifiers for the UDP, rather than the combined income of all household residents?

SPU and SCL jointly developed the following response to the Council's SLI request. We have worked together since the SLI was issued on Nov. 15, 2018, to analyze the UDP program along the lines specified in the SLI. We also conducted additional analyses to help us better understand the economic environment, our changing customer base, the Council's questions, and options for how best to move forward with optimizing the UDP program.

In Section 1, we provide some of that background and context for Council's information. Much of the context will focus on SPU products and services, in particular water consumption. However, the importance of the UDP in meeting City-wide affordability goals applies to all utility services, including those provided by SCL.

In Section 2, we will provide recommendations on next steps to strategically optimize the UDP program.

In Section 3, we provide the full responses to each of the Council's SLI questions, with accompanying data and analyses.

Section 1. Context

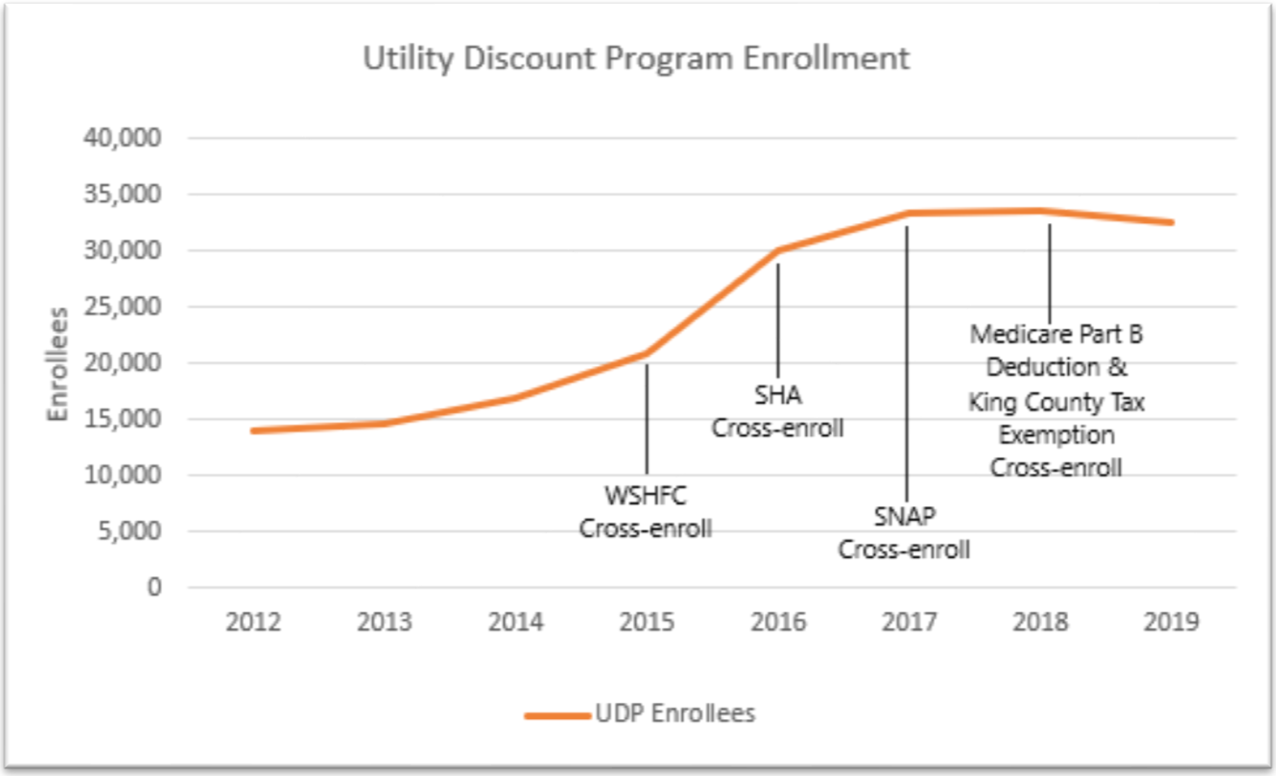
Current Situation: The Utility Discount Program Today

Within the current eligibility limits, the City has had significant successes increasing UDP enrollment. The focus has been on reducing barriers to access and streamlining program administration. Cross-enrollment from other programs – whereby someone automatically qualifies for the UDP because they qualify for another program with consistent eligibility requirements – has proven particularly effective.

In 2015, cross-enrollment was established with the Washington State Housing Finance Commission (WSHFC), resulting in 3400 newly enrolled households. That year, SPU also worked with Seattle City Light to remove a longstanding barrier in the Seattle Municipal Code that prevented customers living in housing operated by Seattle Housing Authority from participating in the UDP. By removing that barrier and establishing cross-enrollment with SHA, the UDP enrolled 7000 new households in 2016, the highest enrollment jump in UDP history.

In addition, cross-enrollment was established with the Supplemental Nutrition Assistance Program (SNAP), which accounted for 27% of all new enrollees in the program last year, or nearly 1800 new households. In 2018, additional efforts were made to facilitate enrollment, including exempting Medicare Part B from an applicant's qualifying income, and establishing cross-enrollment for seniors receiving the King County property tax exemption. These enrollment efforts are displayed in Figure 1 on the next page.

Figure 1. UDP Enrollment, 2012-2019



Source: City of Seattle Human Services Department

Today, 32,190 households are enrolled in the UDP program, out of an estimated 98,000 eligible households for SPU and SCL combined. This represents a 30% enrollment rate.[1] At the end of last year we took the opportunity, with the help of the Office for Innovation and Performance, to refresh our household eligibility data set and analytics. As a result of this update, we discovered the universe of eligible households increased from 72,000 to 98,000. This set back our enrollment rate significantly and galvanized increased focus on enrollment efforts.

Because of this substantial room for growth under the current income criteria (households at or below 70% of State Median Income), SPU and SCL agree on the need to focus on those households that are already eligible, particular those with the lowest incomes who have the greatest need, rather than expanding the eligible pool of households.

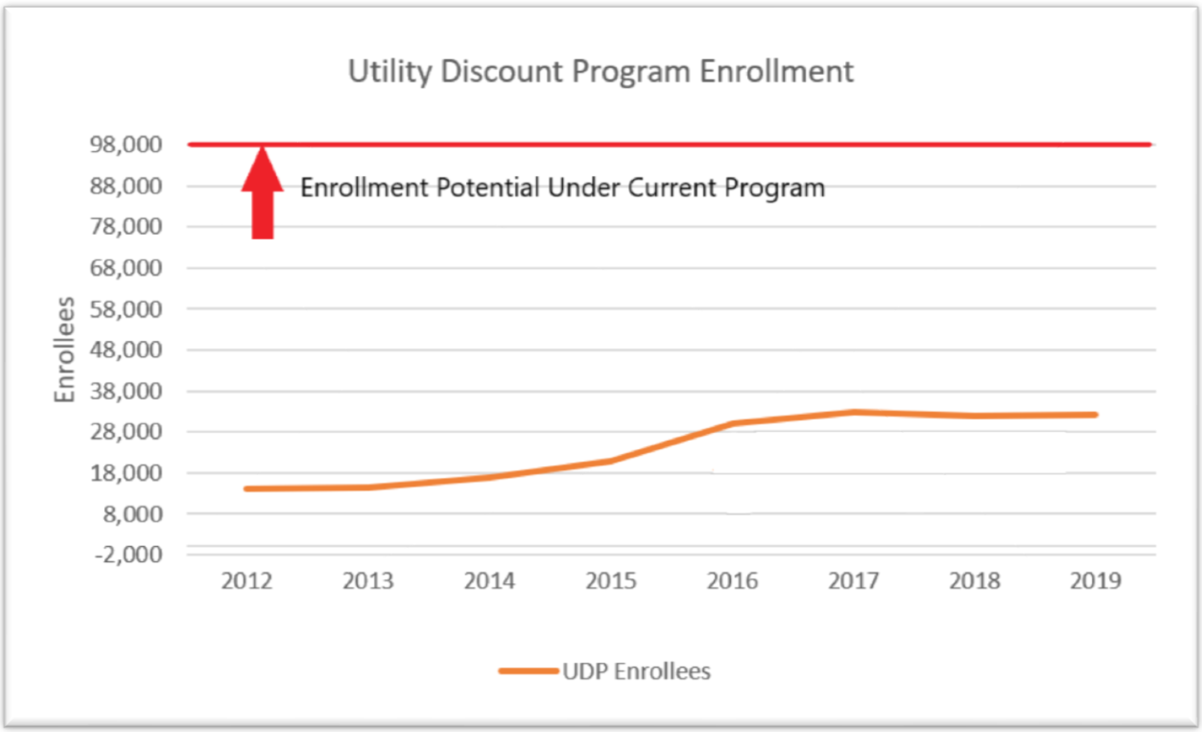
Combined, the utilities provided $33 million in billing credits to UDP customers in 2018 ($16 million from SPU; $17 million from SCL). At current enrollment, the cost of the program equates to a rate increase of 2.0% for SPU and 2.1% for SCL. This translates into an extra $46.56/year on

[1] The UDP enrollment rate for SPU and SCL varies from 30-33%, because SPU and SCL serve a different number of customers. The lower rate of enrollment (30%) is used as the baseline for the purposes of these SLI analyses.

average for each SPU customer and $18.48/year on average for each SCL customer.[2] UDP customers also see these same increases in their base bills, before the 50% (for SPU) or 60% (for SCL) discount is applied.

If full enrollment of the 98,000 eligible households was reached in the UDP today, under the current income eligibility limits, the program would cost an additional $76 million annually, necessitating a rate increase in excess of 4% for both SPU and SCL customers. Figure 2 shows current enrollment compared to total potential enrollment under current eligibility limits.

Figure 2. UDP Current Enrollment Compared to Potential Enrollment



Source: City of Seattle Human Services Department

<u>Current Situation: Seattle Public Utilities Affordability in Seattle</u>

Seattle is not alone in examining and facing the challenges of utility affordability. At a national level, industry organizations such as the American Water Works Association, the National Association of Clean Water Agencies, and the Federal Environmental Protection Agency are engaged with utilities and other stakeholders to revamp how we measure utility affordability. Previous federal guidance looked only at utility bills as a percent of median household income,

[2] Although the annual cost of UDP credits is roughly comparable for SPU and SCL, the two utilities have different service areas, which impacts the number of customers each serves. SPU serves 170,000 residential water customers, while City Light serves 375,000 residential customers. This results in different customer bill impacts for the UDP.

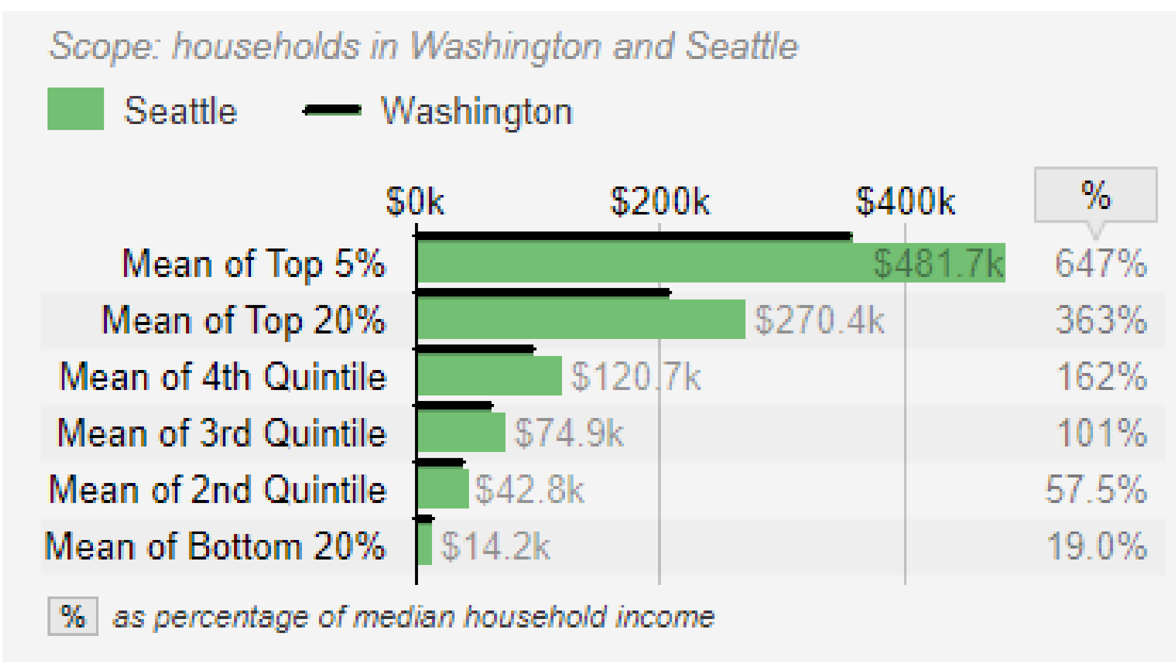
did not consider the ability of the poorest households to pay, nor did it account for local costs of living and growing income disparities.

While Seattle Public Utilities is actively engaged in the current national effort to revamp utility affordability metrics, we do not have a precise or agreed-upon way to gauge what is affordable with respect to the utility services we provide. SPU has contracted with consultants to develop affordability measures that make sense for our utility and for our community. The EPA will be revising their measures soon as well. When those measures are ready (within the next year), SPU will do a comprehensive analysis of the affordability of our services based on those new metrics and guidance. That analysis will inform our longer-term affordability objectives and how we gauge the effectiveness of the UDP and our broader customer assistance portfolio.

1A. Income Distribution

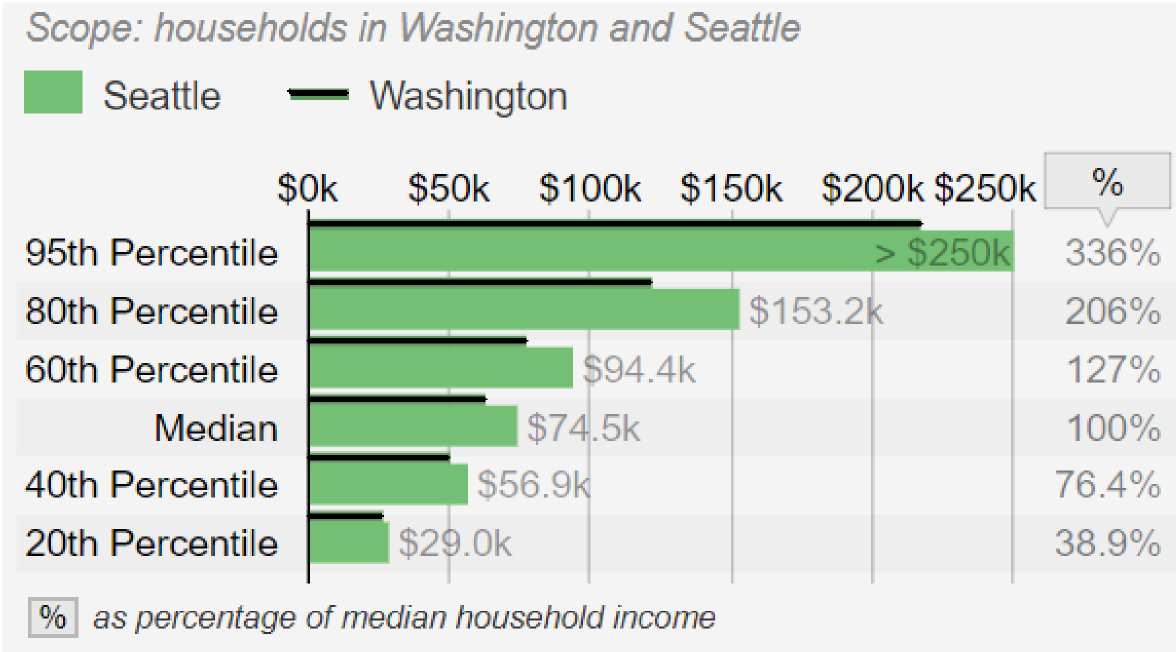
To understand local affordability, a quick examination of income distribution in the Seattle area (displayed in Figures 3 and 4 below), finds that although the city is much wealthier than the state on average, many households in the Seattle area – the bottom 20% or bottom quintile of households – still earn less than $29,000 per year, and on average, earn only about $14,000 per year. The top 5% of households on average earn around $480,000 per year.

Figure 3. Average Household Income by Quintile in Seattle and Washington State



Source: US Census Bureau

Figure 4. Household Income by Quintile in Seattle and Washington State



Source: US Census Bureau

In addition to net income, there are also significant disparities in wealth as measured by net worth. These disparities fall sharply along racial lines. Households headed by a White or Asian person have a median net worth of around $450,000, whereas Latino households have a median net worth of $90,000, and Black households have a median net worth of $23,000. The disparity between homeowners and renters is even greater; the median net worth of a household that owns its home is nearly $900,000, whereas for a renter it is only $36,000 (Source: Acxiom NetWorth Gold/Nielsen).

These disparities illustrate that although Seattle has become, *on average*, a wealthy city, many people have not benefitted from the increased wealth.

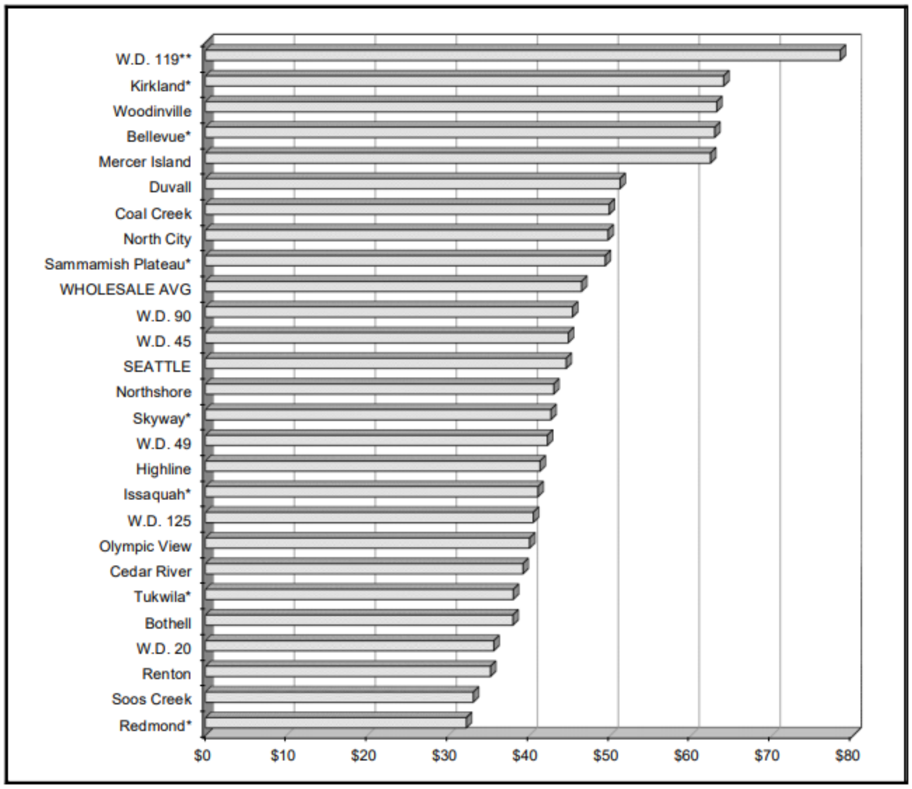
1B. Utility Rates

Figure 5 shows the size of Seattle's residential water bills compared with other utilities across our region, based upon the average monthly bill for the average amount of consumption at each utility. Looking at average consumption levels for each utility controls for the fact that SPU and its customers prioritize conservation more than in many other areas. In other words, SPU customers often use less water than in other areas. As shown on the next page, Seattle lands in the middle of the distribution.

Figure 5. Average Monthly Residential Water bills at Each Utility's Average Consumption

Average Monthly Residential Water Bills at Each Utility's Average Consumption

	Average CCF	Monthly Bill
W.D. 119**	8.8	$78.41
Kirkland*	9.3	$64.00
Woodinville	8.3	$63.13
Bellevue*	7.9	$62.90
Mercer Island	8.2	$62.38
Duvall	6.8	$51.19
Coal Creek	7.3	$49.87
North City	5.7	$49.73
Sammamish Plateau*	8.9	$49.38
WHOLESALE AVG	7.3	$46.46
W.D. 90	7.4	$45.33
W.D. 45	5.4	$44.82
SEATTLE	5.1	$44.55
Northshore	6.6	$43.02
Skyway*	5.2	$42.67
W.D. 49	6.2	$42.23
Highline	6.7	$41.33
Issaquah*	6.1	$41.06
W.D. 125	7.2	$40.49
Olympic View	7.5	$40.03
Cedar River	7.5	$39.21
Tukwila*	6.2	$38.02
Bothell	6.6	$37.97
W.D. 20	6.1	$35.61
Renton	6.4	$35.20
Soos Creek	7.1	$33.08
Redmond*	6.8	$32.23



Source: Seattle Public Utilities, 2018 Annual Survey of Wholesale Customers

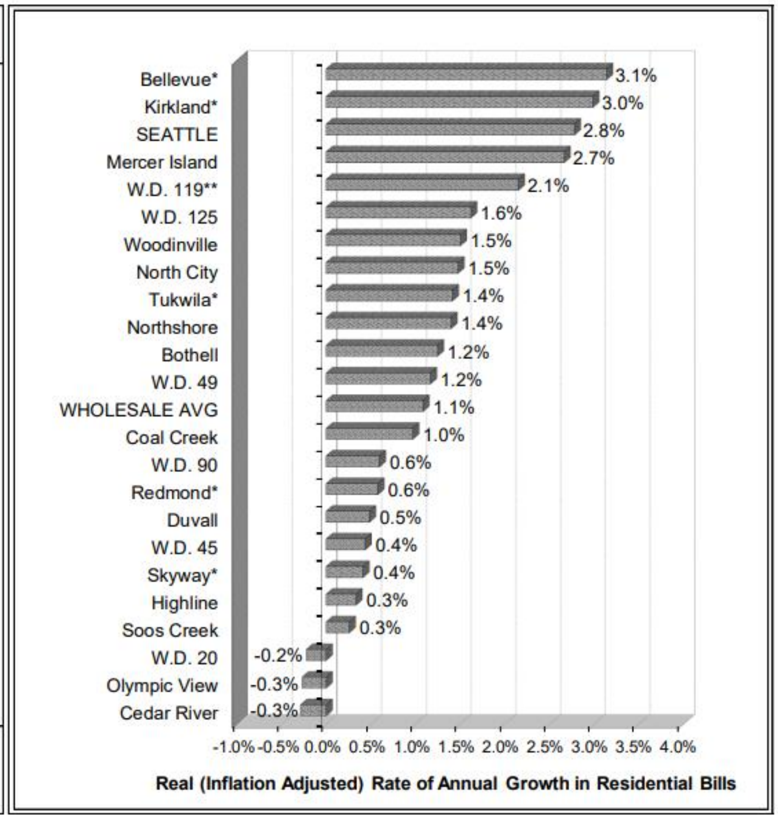
However, when you look at the rate of increase of SPU's bills, even at this average consumption level, SPU does not compare as favorably, rising close to the top (in Figure 6, next page).

Figure 6. Average Annual Rates of Growth in Residential Water Bills

Average Annual Rates of Growth in Residential Water Bills: 1995-2018
Calculated at Each Utility's Average Consumption and Adjusted for Inflation

	Percent Bill Increase 1995-2018	Avg Annual
Bellevue*	103%	3.1%
Kirkland*	97%	3.0%
SEATTLE	88%	2.8%
Mercer Island	83%	2.7%
W.D. 119**	63%	2.1%
W.D. 125	45%	1.6%
Woodinville	41%	1.5%
North City	40%	1.5%
Tukwila*	38%	1.4%
Northshore	38%	1.4%
Bothell	33%	1.2%
W.D. 49	31%	1.2%
WHOLESALE AVG	28%	1.1%
Coal Creek	25%	1.0%
W.D. 90	15%	0.6%
Redmond*	14%	0.6%
Duvall	12%	0.5%
W.D. 45	11%	0.4%
Skyway*	10%	0.4%
Highline	8%	0.3%
Soos Creek	6%	0.3%
W.D. 20	-5%	-0.2%
Olympic View	-6%	-0.3%
Cedar River	-6%	-0.3%

* Member of Cascade Water Alliance
Utilities that have not been SPU wholesale customers the entire 1995-2018 period are not included.



Source: Seattle Public Utilities, 2018 Annual Survey of Wholesale Customers

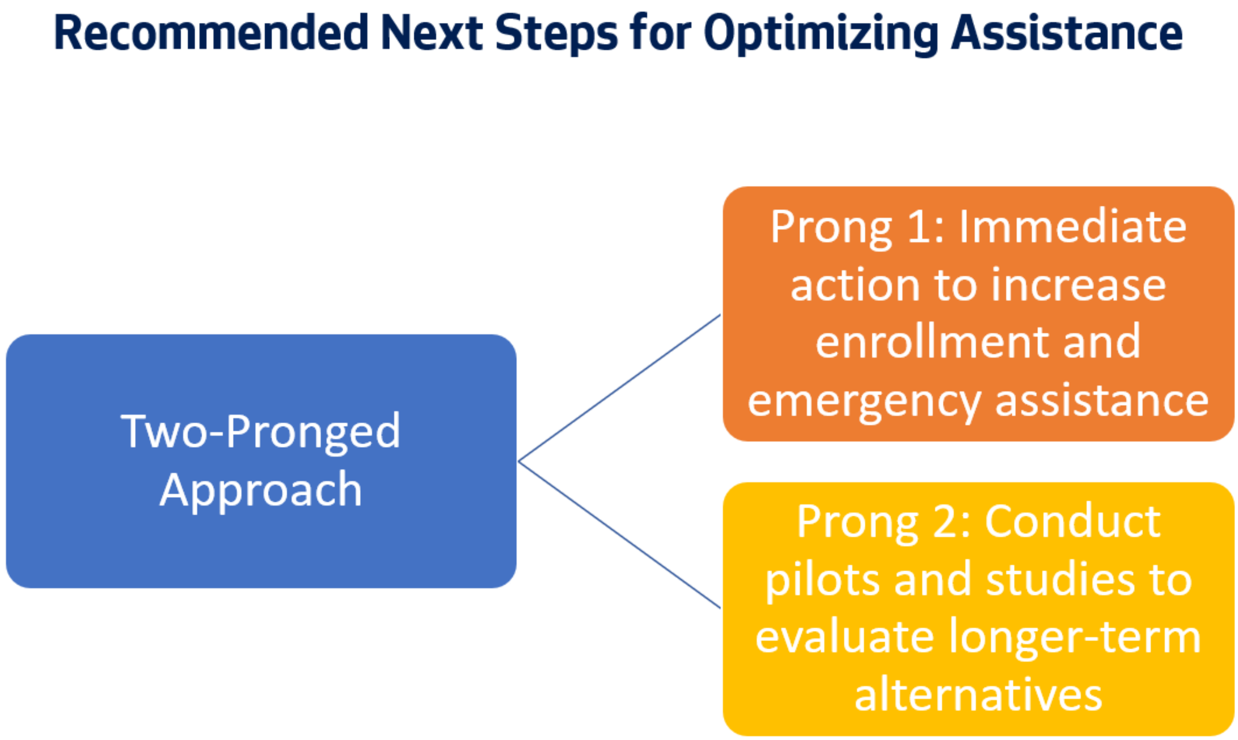
Increasing income and wealth inequality, combined with increasing bills, demonstrate the continued need for the UDP and for opportunities to optimize the program without placing undue cost burdens on all ratepayers.

It is also important to note that the UDP is part of a larger City-wide array of benefits aimed at improving affordability in Seattle, such as direct investments in affordable housing, free and reduced cost transit passes, subsidized childcare and pre-school, free community college tuition, and the "Fresh Bucks" program. As such, the utilities support opportunities to align with and leverage other City efforts, including the work by the Innovation Advisory Council to improve business processes related to enrollment. We also view any work on the UDP as part of this larger City-wide affordability effort (more on this in Section 2. Proposed Next Steps, below).

Section 2. Proposed Next Steps for UDP Optimization

SPU and SCL propose to take a strategic, phased approach to UDP optimization over the next 18 months. This strategy considers other moving parts in the utilities' and City's affordability efforts, and the need to be thoughtful, sequential, and evidence-based in our efforts to optimize the UDP and advance affordability in Seattle.

SPU and SCL propose a two-pronged strategy. The first prong is near-term and focuses on: a) increasing enrollment under the current income eligibility structure for the lowest income groups; and b) increasing emergency assistance available to households in crisis. The second prong entails a number of pilot programs and studies to help inform longer-term strategic alternatives.



2A. Prong 1: Immediate Action to Increase Enrollment and Emergency Assistance

Under Prong 1, we will increase enrollment in the immediate term with several targeted enrollment efforts.

First, we propose to conduct a self-certification pilot for the UDP and to target households in the lowest-income census tracts where the number of eligible and unenrolled households is greatest. In the pilot, all a customer would need to do to qualify for the UDP is fill out a short "fast-track" application attesting to a few key pieces of household information and mail it in.

Because there would be no verification on the front end, the barriers to enrollment would be reduced for customers, as would the up-front administrative costs. However, special auditing techniques and processes would be developed and tested to ensure that only people who qualify receive the discount. This pilot will serve to boost enrollment substantially in the short term for those most in need, while also providing valuable data and insights into whether this form of certification is effective for increasing enrollment, administratively cost efficient, and scalable.

With an enrollment-first focus, the UDP Steering Committee (an interdepartmental team that oversees the UDP program) will also pursue additional cross-enrollment opportunities, such as those with SHA and SNAP, to gain similar enrollment increases and administrative efficiencies. The following programs will be explored for their cross-enrollment potential:

National School Lunch Program
Women, Infants and Children (WIC)
Medicaid
Tribal TANF
Supplemental Security Income (SSI)
Bureau of Indian Affairs General Assistance

The Steering Committee is also developing the first strategic outreach and marketing plan for the UDP. The multi-year plan will provide both incremental and comprehensive goals for enrollment and will be completed this summer and implemented in the fall.

Finally, SCL and SPU are launching a customer self-service portal which will offer a new, web-based application to apply to the Utility Discount Program and emergency assistance programs online. The anticipated launch of the portal and web application is Q3 2020.

The second focus of Prong 1 – increasing access to emergency assistance – would be achieved via SPU's EAP (Emergency Assistance Program) and SCL's ELIA (Emergency Low-Income Assistance) and would occur through multiple levers.

The first lever will be expanding eligibility to 80% of State Median Income, up from 70% where it is today. This will extend emergency bill assistance to working families who do not usually receive assistance, but find themselves in temporary financial crisis due to, for example, an unexpected expense, a medical emergency, or temporary unemployment.

Secondly, SPU and SCL will pursue changes to Seattle Municipal Code to allow application of emergency assistance towards 100% of a customer's balance due, instead of only 50% of the bill, which is the current limitation set in code.

SPU will also begin proactively reaching out to UDP customers facing a water shut-off with information about the availability of emergency assistance.

Lastly, SCL will align with SPU policy to offer emergency assistance to households with children twice per year, doubling the SCL emergency assistance available to these families. SPU and SCL will work together to selectively market changes in this assistance to social service partners and help lines.

2B. Prong 2: Pilot Programs and Studies to Inform Longer-term Alternatives

The second prong of the proposed approach is long term and will be informed by gathering data through a number of pilot programs and research activities, to ensure that our longer-term efforts are thoughtful, strategic, and databased. Under Prong 2, we propose the following:

First, SPU and SCL will research income exclusions, exceptions, or auto-enrollment approaches that could help families in need qualify for the UDP. These could include unemployment income or Temporary Assistance for Needy Families (TANF).

Second, SPU and SCL will conduct a shut-off prevention pilot program to proactively identify and reach out to UDP customers experiencing financial distress, using new modes of communication, messaging, and assistance information. The goal is to reduce the UDP shut-off rate and gather data on who is struggling to pay their utility bill even with the UDP discount. The utilities will use this pilot data to inform longer-term programmatic changes including the possibility of deeper discounts for customers at defined income levels and proactive identification and outreach to customers who are experiencing financial difficulty.

Third, SPU and SCL will evaluate opportunities to align income eligibility requirements for the UDP with other City of Seattle and King County programs to improve accessibility and ease of navigation for residents applying for benefits or assistance.

Fourth, as part of an on-going effort to optimize emergency assistance, SPU will explore the possibility of establishing a donation-based emergency assistance fund, similar to or combined with SCL's "Project Share", to provide an additional source of emergency assistance funding.

Finally, SPU will perform a rigorous analysis of the affordability of our services once affordability metrics have been developed and finalized, both within our utility and at the federal level. This will include researching alternative rates structures and designs. We expect those metrics to be available within the next year, and our analyses based on those metrics will inform our approach and structuring of the UDP and other affordability tools.

2C. Phased Timeline

The following timeline lays out these activities in a phased, sequential approach, to ensure we achieve real gains in the short term on enrollment and emergency assistance, while allowing time to gather data to inform longer-term programmatic changes.

Given the many interdependencies between the proposed actions, the timing, sequencing, and scope of any given action may need to be adjusted to account for the impact of other interdependent actions. We are cognizant of the need to stay nimble and adaptive to avoid unintended outcomes as we test different methods and approaches to optimizing assistance.

1. Phase 1 – IMMEDIATE IMPROVEMENTS, PILOTS, & RESEARCH (July 2019 – Sept. 2020)
   A. Implement targeted enrollment efforts, including:
      a. Finalize UDP Strategic Marketing & Outreach Plan; begin implementation.
      b. Pursue new cross-enrollment partnerships.
      c. Launch UDP web application via the SPU-SCL utility self-service portal.
      d. Conduct UDP Self-certification Pilot; collect pilot data.
   B. Expand access to Emergency Assistance:
      a. Increase income eligibility for emergency assistance from 70% to 80% of SMI.
      b. Align SCL-SPU emergency assistance so that each offer it twice a year for households with children.
      c. Increase the proportion of a customer’s bill that emergency assistance can apply to, from 50% of the bill to 100% (requires changes to Seattle Municipal Code).
      d. Begin proactive outreach on emergency assistance to eligible customers.
      e. SPU will explore establishing a donation-based emergency assistance fund, comparable to SCL’s “Project Share.”
   C. Research potential income exclusions, exceptions, and auto-enrollments (e.g. unemployment income) to assist UDP eligibility.
   D. Conduct UDP Shut-off Prevention Pilot; collect pilot data.
   E. Analyze income eligibility metrics and thresholds for other City of Seattle and King County programs (including enrollment, cost, and rate impacts) with the goal of identifying alignment opportunities.
   F. Finalize SPU-specific affordability metrics and perform analyses using these metrics.
   G. Research alternative rate structures and tiering options.

2. Phase 2 – EVALUATE PILOT DATA & RESEARCH FINDINGS (Fall 2020)
   A. Finalize pilots and studies.
   B. Develop options and recommendations based on pilot and study findings.
   C. Evaluate and report on effectiveness of UDP Strategic Marketing & Outreach Plan.

3. Phase 3 – IMPLEMENT LONGER-TERM POLICIES (Winter 2020)
   A. Develop and implement new policies based on pilot and study findings and options analysis, related to:
      a. Proactive identification and outreach to UDP customers in financial distress to prevent shut-offs.
      b. Whether a new tier should be added to the UDP program to help those most in need.
      c. Whether a different income metric and/or threshold makes sense for the UDP.
      d. Income that can be excluded from gross income calculation for UDP eligibility.
   B. Build these new policies into SPU’s new Strategic Business Plan, effective Fall 2020.

Section 3. Responses to SLI Questions

Responses to SLI Questions 1-3

SLI Question 1. What would the financial impact be, for each line of business, of modifying the eligibility criteria to be 70 percent of the City of Seattle median income, rather than 70 percent of the Washington State median income?

SLI Question 2. How many additional customers would qualify for the UDP under the revised eligibility criteria?

SLI Question 3. What percentage rate increases would be required for each line of business under the revised eligibility criteria?

For the first three SLI questions, we used Seattle/Bellevue Area Median Income (AMI) as a proxy for City of Seattle median income due to data availability and alignment with other city programs. The income limit by household size has not been developed for the Seattle of City specifically, and therefore would need to be developed by the City of Seattle in order to use it as an eligibility metric for the UDP. Also because of this, no city program that we know of uses City median income. Rather, they use federal poverty guidelines, state median income, or the federal Housing and Urban Development (HUD) Area Median Income (AMI). Because the Seattle/Bellevue AMI measure aligned most closely with the geographic area for the City of Seattle, and the median incomes of each were very close to one another, we felt this was a good proxy for the Council's interest in a more localized median income metric.

In addition to the Council's specific questions, we analyzed the financial, enrollment, and rate impacts at different enrollment levels, under both the current eligibility standard (70% of State Median Income, or SMI), as well as under 70% of AMI. We recognized that 100% enrollment is a very difficult and long-term effort under any income metric or threshold, while 50% could represent a realistic enrollment goal. The current enrollment level in the UDP program is approximately 30% of the total number of eligible households (98,000).

It's also important to note that the costs per year presented in Table 1 on page 16 represent the value of UDP credits given. These costs are estimated for 2019 and do not include program administration costs. Program administration costs are currently $1.5 million annually. It is estimated that every additional 15,000 participants would require an additional three FTE to process and administer, which is equivalent to an additional $260,000.

As you can see from Table 1, expanding to 70% of AMI would dramatically expand the UDP program, from a total of 98,000 eligible households to over 133,000 eligible households. This would represent a 36% increase in the program. Today, just under one in four households in the service area is eligible; under 70% of AMI, almost one in three households would qualify.

If we moved to 70% of AMI and maintained the current enrollment rate (~30%), this would increase the number of enrolled households by over 7,000, resulting in an additional cost of $12 million dollars in UDP credits. At full enrollment under 70% AMI (compared to full enrollment under our current income standard), the program credits would cost an additional $39 million. As the program is currently structured, all customers who qualify and apply will be enrolled; there is not currently a limit on the number of program participants, despite realistic limitations on funding.

These additional costs would have significant rate impacts on both SPU and SCL ratepayers.[3] This would apply to all customers, including UDP customers (before the 50% or 60% discount is applied for SPU and SCL, respectively). The bills of existing UDP customers, even with the discount, would increase as a result of program expansion to 70% of AMI.

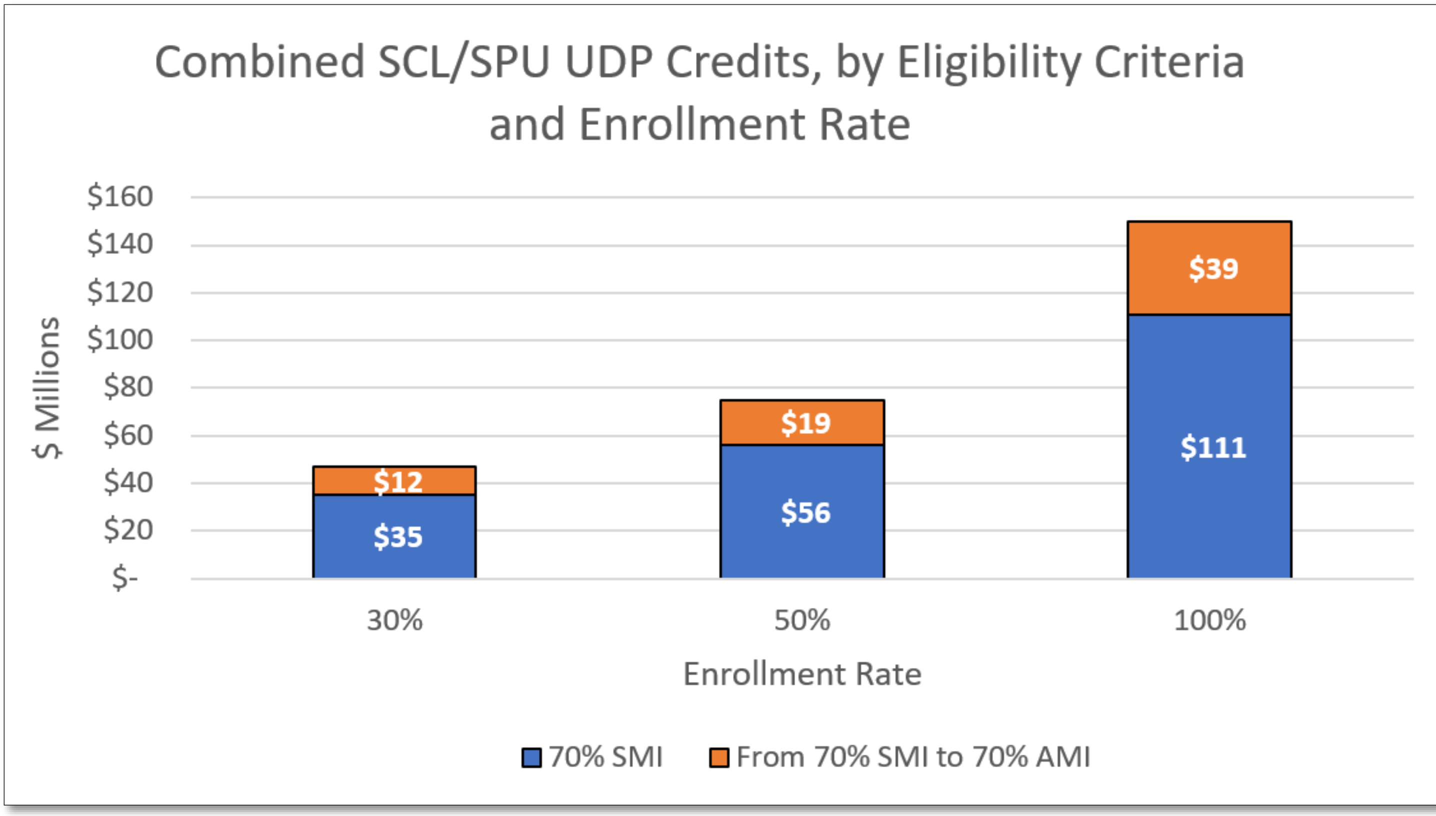
[3] Due to legal restrictions governing the utilities, the cost of the UDP credits and the administrative costs of the program must be covered through utility revenues which means all customers pay for the cost of the credits, including UDP customers.

Table 1. Total Cost, Enrollment, and Rate Impacts for 70% of SMI and 70% of AMI

	SPU	SCL***	Combined SPU + SCL	SPU	SCL***	Combined SPU + SCL
70% SMI: 30%* Enrollment (Current Level)				**70% AMI: 30% Enrollment**		
Cost of UDP Credits (in $ millions)**	$17	$18	$35	$22	$25	$47
Rate Impact	2.0%	2.1%	N/A	2.6%	2.9%	N/A
Typical Monthly Bill Impact	$3.88	$1.54	$5.42	$5.12	$2.00	$7.12
Number of Enrolled Households	23,250	32,190	32,190	30,900	39,945	39,945
70% SMI: 50% Enrollment				**70% AMI: 50% Enrollment**		
Cost of UDP Credits (in $ millions)**	$28	$28	$56	$37	$38	$75
Rate Impact	3.3%	3.3%	N/A	4.3%	4.2%	N/A
Typical Monthly Bill Impact	$6.37	$2.19	$8.56	$8.38	$2.89	$11.27
Number of Enrolled Households	38,750	49,000	49,000	51,500	66,575	66,575
70% SMI: 100% Enrollment				**70% AMI: 100% Enrollment**		
Cost of UDP Credits (in $ millions)**	$56	$55	$111	$75	$75	$150
Rate Impact	6.3%	6.3%	N/A	8.3%	8.3%	N/A
Typical Monthly Bill Impact	$12.34	$4.14	$16.48	$16.06	$5.53	$21.59
Number of Enrolled Households	77,500	98,000	98,000	103,000	133,150	133,150

* 30% is the approximate enrollment rate in the UDP today.
** Costs are in $Millions and represent the cost of UDP credits only; they do not include administrative costs. Administrative costs are estimated to be approximately $260,000 for every additional 15,000 participants, above the current $1.5M annual costs of program administration at current enrollment.
*** City Light total based on 2018 550 kWh monthly usage.

Table 2. Incremental Annual Cost Impact from Moving from 70% of SMI to 70% of AMI



Source: Seattle Public Utilities and Seattle City Light

<u>Response to SLI Question 4</u>

SLI Question 4. What are the benefits and drawbacks of shifting the UDP to a tiered discount system?

The primary benefit of moving to a tiered discount program is that it enables targeting deeper discounts to those who need them most, and potentially, lower discounts to those who are more able to pay. It has the potential to allow more customers to be served by the discount program, with a lower rate impact than a uniform discount would yield (because some households at higher income levels would receive a lower discount, but still be able to benefit from the program).

A tiered system also allows adjustments within specific tiers without affecting participants in other tiers. In other words, it permits a more tailored approach on multiple aspects of program design.

Despite these benefits, there are also potential challenges involved in moving to a tiered discount system, most notably increased administrative costs, communication challenges, and enrollment and re-enrollment barriers. There is also the possibility of some people having their discount reduced when moving to a tiered system.

Administration: The additional administrative cost of determining the new and on-going eligibility of an applicant and which tier they fall into is an important consideration. Although it is difficult to quantify a precise administrative cost estimate, it's reasonable to assume the administrative costs would be higher than for a uniform discount program (like the one we have today). This is for a couple of critical reasons.

The first reason is that, upon initial enrollment, we would need to determine which income tier they fall into. This would remove the administrative efficiencies we've gained from cross-enrollment, where we "piggyback" on the income verification from another program that tells us they also qualify for our program. It would no longer be a one-to-one relationship between other programs and our program. We would know a person qualifies for our program, but not which tier they fall into. This would require us to take the step to look at their income and assign them to a tier.

Perhaps a more daunting problem is the fact that household income can and does change, sometimes often for people who are seasonally employed or otherwise not able to access stable employment. We would need to track each participant's income on an on-going basis, not just to see whether they continue to qualify for the program, but which tier and discount they should be receiving. We would need to have households notify us and submit new income documentation when their income changed.

Our UDP staff have estimated that it would require an additional three FTE, at a total cost of approximately $260,000, for every 15,000 program participants that we would need to manually process or re-certify to determine their tier status.

Communication: Consistent feedback from UDP participants in past surveys demonstrates that the top two issues for our customers are the complexity of the application process and communication.

According to the 2016 census, the number of households in which no one 14 and over speaks English only or "very well" is 14% in the SCL service area. Non-English-speaking households are twice as likely to be eligible for the program. In previous focus groups we found that for customers with English as a second language (ESL), their top concern was discomfort in asking for translation help while on the phone. Communication barriers with ESL customers cannot be overstated. The creation of a tiered system would add additional complexity and communication challenges to this already complex processing environment.

Benchmarking research of existing tiered programs nationally has indicated that customers who are on the cusps of the various income levels may be disappointed to not be eligible for the higher tier, leading to increased dissatisfaction with the program and/or the utility.

Enrollment barriers: Implementing a tiered system could jeopardize the community partnerships that support enrollment as well as current and future cross-enrollment opportunities. The efficiency of cross-enrollment would be at risk with multiple tiered levels. Rather than creating more efficiency through alignment and partnership with other programs, the tiered system would require the hassle of redundant verification from struggling families we are trying to serve.

It would also pose an additional barrier for people who self-enroll, by creating a more complex system and potential confusion about what benefit they may receive.

<u>Response to SLI Question 5</u>

SLI Question 5. For non-related individuals sharing a household, what would the financial impact be of using the individual incomes as qualifiers for the UDP, rather than the combined income of all household residents?

Currently, UDP eligibility is based on total household income, with an increasing income threshold based on household size. Discounts are then provided to the total household bill. Changing this eligibility criteria would create several operational and policy challenges.

Assumptions

This analysis assumes that we would maintain the existing eligibility for related households using combined household income, and in addition, we would create a new eligibility pathway for non-related households based on one member's income.

Example Scenarios

Table 2 highlights how households with the same number of people, who have the same incomes (individually and combined - showed in similar colored boxes below), could end up being treated very differently and receiving different discounts, based on the nature of their relationships. In the following sections, we discuss the related administrative, equity, and legal implications of this potential policy shift to allow individuals to qualify for the UDP.

Table 2: Different Household Cases under Individual and Household-Level Eligibility Scenarios

Group	Annual Income Breakdown	Eligibility	If Discount to Whole Household	If Partial Discount to Household
Traditional Roommates	Roommate 1 - $30,000 Roommate 2 - $30,000 Household - $60,000	Both roommates eligible	50% discount to household bill	50% discount to household bill
	Roommate 1 - $30,000 Roommate 2 - $50,000 Household - $80,000	Roommate 1 eligible only	50% discount to household (benefits ineligible roommate)	25% discount (1/2 of household eligible for discount)
Unmarried couple, living together	Individual 1 - $30,000 Individual 2 - $30,000 Household - $60,000	Unclear- depends on whether they are treated as "related" or "unrelated"	Unclear- depends on whether they are treated as "related" or "unrelated"	Unclear- depends on whether they are treated as "related" or "unrelated"

	Individual 1 - $30,000 Individual 2 - $50,000 Household - $80,000	Unclear- depends on whether they are treated as "related" or "unrelated"	Unclear- depends on whether they are treated as "related" or "unrelated"	Unclear- depends on whether they are treated as "related" or "unrelated"
Married Couple	Individual 1 - $30,000 Individual 2 - $30,000 Household - $60,000	Not eligible (subject to household eligibility criteria)	No discount	No discount

Equity Issues

Based on the current wording in SLI Question #5, the individual income verification would only apply to unrelated households – meaning households with occupants that are not related by blood or marriage. Ostensibly, the intent of the policy would be to distinguish households that combine and share income (related) from households that don't combine and share income (unrelated) and create a new eligibility pathway for the latter.

Council has indicated interest in a test to distinguish platonic roommates from domestic partners toward this end. To do this, UDP staff would have to request banking statements or other legal documents in order to verify the legal status of a relationship. This would greatly increase administrative burden, potentially deter potential enrollees due to the invasiveness of the necessary documentation and could have legal ramifications.

One of the challenges is that it is very common for domestic partners - who are unrelated - to combine and share income. If we treat domestic partners as unrelated and allow them to qualify under the new individual eligibility criteria, then they would more easily qualify for a discount (based on only one of their incomes), than a married couple (which must submit their combined household income). This would result in treating very similar households – households with couples that combine and share income - very differently, solely based on the legal status of their partnership.

This would result in inequitable treatment and access to benefits for these households and couples. It could potentially even be interpreted as discouraging marriage for lower-income partners. To further complicate matters, domestic partnerships can be informal or formal, from a legal perspective. This further demonstrates there are many degrees and types of relationship legality/formality impacting combined income, and it would be very difficult for the UDP program to have and enforce a consistent policy that treated households fairly and equitably with regard to their relationship and income status.

Administrative and Legal Issues

Current UDP enrollees are eligible based on total household income, and the total household bill is subject to the discount. Allowing individuals in unrelated households to qualify for the program raises the question of how the discount would be calculated, administered, and verified over time. The policy choice would be between applying discounts to an *entire* household, or to just *part* of a household.

Apply Discount to Whole Household

In this scenario, if one individual in an unrelated household qualified, then the current discount (50% of SPU bill; 60% of SCL bill) would be applied to the entire household utility bill, regardless of the number of individuals in the household, their respective incomes, or other factors. If the entire household could receive a discount based on one member’s qualifying income, this could reduce the administrative burden on enrollees and UDP staff (compared to the current process of requiring entire household income, or the process required for only applying a partial household discount) as applicants would only need to provide documentation for one member of the household. It would also have the benefit of reaching low-income members of households that would otherwise not be eligible.

However, applying the full discount to an entire household based only on the income of one individual would almost certainly result in increased program costs due to extending discounts to individuals that would not otherwise qualify under either the individual or household-level criteria. The Revised Code of Washington (RCW) also only allows for discounts to be granted to “low-income persons.” Extending the discounts to otherwise ineligible households/persons would be in violation of this statute.

Apply Partial Household Discount

If the program only allows for a partial discount to the household bill based on one member’s income, this would be administratively burdensome, because UDP staff would still need to verify the total number of members of the household as well as their relationships to one another (to ensure they were unrelated). Additionally, a new methodology would need to be developed to determine what the amount of the discount would be for one or more individuals in a household with multiple members. For example, in a household of 4, the discount level (50% for SPU; 60% for SCL) for one qualifying individual could potentially be applied to ¼ of the bill, assuming that each member of the household uses an equal amount of the utility services. This discount methodology would need to be developed, and would not be precise, given that we only measure total household consumption, not individual consumption.

Another potential issue is that the eligible individual may not be the household account holder. This could result in the account holder receiving a discount meant for a different household member. To circumvent this, eligible individuals would need to be registered separately for a discount, which would require a new system and administrative effort. This is especially complicated for multi-family households, which receive SPU discounts via their SCL bill. Alternatively, SPU could require that the eligible individual be the account holder, but this could result in the lowest income roommate being required to take responsibility for the utility bill, potentially putting them in a financially precarious situation.

Data Issues

It is difficult to estimate the number of newly eligible households from available data. Individual tax filer income from the IRS is available by zip code, and broken out by single, joint, and head of household returns. An example from zip code 98118 (Columbia City) is included in Table 2 below.

Table 2: IRS Tax Filer Data by Zip Code for Tax Year 2016

Zip Code	Size of Adjusted Gross Income	Number of Returns	Number of Single Returns	Number of Joint Returns	Number of Head of Household Returns
98118	Total	23,680	12,610	7,370	3,310
98118	$1 under $25,000	7,390	5,290	810	1,200
98118	$25,000 under $50,000	6,490	3,770	1,310	1,270
98118	$50,000 under $75,000	3,420	1,750	1,090	490
98118	$75,000 under $100,000	2,060	820	1,020	180
98118	$100,000 under $200,000	3,090	790	2,130	140
98118	$200,000 or more	1,230	190	1,010	30

Note that the income bands used by the IRS do not align with the UDP income eligibility criteria. In 2018, the income limit for the UDP program for a household of one (ostensibly the income eligibility threshold for an individual under individual eligibility) was $32,376. So, the single filers making less than $25,000 would be eligible (highlighted in green above). However, it is not clear how many single filers in the next income category from $25,000-$50,000 (highlighted in purple) would be eligible, as $32,376 is in the middle of this band. We don't know how many individuals fall above or below that level within the band. Due to this limitation, it is difficult to make a sound estimate on the number of individuals who might be eligible, based on this data. We also don't know whether these individual files who might be eligible live along (in which case, they would already qualify for the program), live with others who make less, live with others who make more, or live in households with unrelated people, or live in households with their families.

For these reasons, it is impossible to accurately estimate the total number of individuals that would qualify for the program by adding this new eligibility pathway for individuals. Since we cannot estimate the number of individuals that may qualify, it is also not possible to estimate the financial impact of this potential policy change.

Takeaways

There are multiple, significant administrative challenges involved with an "individual eligibility" policy, including:

- How to actually deliver the discount to someone other than the person listed on the bill
- Ongoing verification of discount-eligible household members
- Verification of the number of members in the household

- Verification of relationship status within the household

These administrative challenges would result in potentially huge increased administrative costs.

There are other significant challenges and risks associated with allowing individuals in unrelated households to qualify. It is very difficult to estimate the potential number of newly eligible individuals or households with available data and therefore impossible to accurately estimate the financial impact. The only thing we can say with certainty is that many new individuals/households would qualify that don't currently qualify, and that would increase the costs of the program. However, we cannot say to what degree.

This policy would also result in inequitable treatment between married and unmarried households and could have significant legal risks depending on how the program is implemented.

Attachments:

1. The original Council SLI #40-1-B-1
2. Income eligibility thresholds by household size at 70% SMI and 70% AMI
3. Cost, rate, and bill impact for each SPU line of business and SCL
4. UDP Shut-off Prevention Pilot

cc: Brian Goodnight, Council Central Staff
Aaron Blumenthal, City Budget Office
Greg Shiring, City Budget Office
Saroja Reddy, City Budget Office
Ben Noble, City Budget Office

2019 - 2020 Seattle City Council Statement of Legislative Intent

Approved

Tab	Action	Option	Version
40	1	B	1

Budget Action Title: Requests that SPU analyze the Utility Discount Program as part of its Affordability and Accountability Strategic Plan

Ongoing: No

Primary Sponsor: Herbold, Lisa

Councilmembers: González; Mosqueda

Staff Analyst: Brian Goodnight

Budget Committee Vote:

Date	Result	SB	TM	LG	BH	LH	RJ	DJ	MO	KS
11/15/2018	Pass 8- 1-Absent	Y	Y	Y	-	Y	Y	Y	Y	Y

Statement of Legislative Intent:

In November 2017, Council adopted the 2018-2023 Strategic Business Plan Update for Seattle Public Utilities (SPU) via Resolution 31760. In that resolution, Council requested that SPU prepare an Affordability and Accountability Strategic Plan (Plan) focused on managing future rate increases and corporate performance. The resolution calls for the Plan to be submitted to the Council no later than June 30, 2019.

Council requests that SPU work with Seattle City Light to incorporate an analysis of the Utility Discount Program (UDP) into the Plan, including the UDP's eligibility criteria and the concept of a tiered discount system. Some of the questions that should be addressed in the Plan include:

1. What would the financial impact be, for each line of business, of modifying the eligibility criteria to be 70 percent of the City of Seattle median income, rather than 70 percent of the Washington State median income?
2. How many additional customers would qualify for the UDP under the revised eligibility criteria?
3. What percentage rate increases would be required for each line of business under the revised eligibility criteria?
4. What are the benefits and drawbacks of shifting the UDP to a tiered discount system?
5. For non-related individuals sharing a household, what would the financial impact be of using the individual incomes as qualifiers for the UDP, rather than the combined income of all household residents? What are other potential benefits or drawbacks of amending the eligibility criteria in this way?

This UDP analysis should be delivered to the Council and the Central Staff Director as part of the Affordability and Accountability Strategic Plan by June 30, 2019.

Responsible Council Committee(s): Civil Rights, Utilities, Economic Development, and Arts Committee

Date Due to Council: June 30, 2019

Attachment 2. Income Eligibility Thresholds by Household Size for 70% SMI and 70% AMI

Household Size	70% of SMI	70% AMI	Income Eligibility Increase (Decrease) moving from SMI to AMI
1	$32,376	$49,162	$16,786
2	$42,336	$56,162	$13,826
3	$52,296	$63,215	$10,919
4	$62,256	$70,215	$7,959
5	$72,216	$75,815	$3,599
6	$82,176	$81,469	(-$707)
7	$84,048	$87,069	$3,021
8	$85,920	$92,669	$6,749
9	$87,780	$98,269	$10,489
10	$89,652	$103,869	$14,217

Attachment 3. Cost, Rate, and Bill Impact by for SCL and by SPU Line of Business

Current Program:

70% SMI: 30% Enrollment	Water	Wastewater	Drainage	Solid Waste	SPU Total	SCL
Cost of UDP Credits ($M)	$4.5	$6.8	$1.7	$3.9	$17	$18
Rate Impact	2.2%	2.3%	1.2%	1.9%	2.0%	2.1%
Typical Monthly Bill Impact	$0.96	$1.43	$0.51	$0.97	$3.88	$1.54
Enrolled Households					23,250	32,190

Alternative Enrollment and Income Eligibility Scenarios:

70% SMI: 50% Enrollment	Water	Wastewater	Drainage	Solid Waste	SPU Total	SCL
Cost of UDP Credits ($M)	$7.5	$11.3	$2.8	$6.6	$28	$28
Rate Impact	3.6%	3.8%	2.0%	3.1%	3.3%	3.3%
Typical Monthly Bill Impact	$1.58	$2.35	$0.84	$1.60	$6.37	$2.19
Enrolled Households					38,750	49,000
70% SMI: Full Enrollment	**Water**	**Wastewater**	**Drainage**	**Solid Waste**	**SPU Total**	**SCL**
Cost of UDP Credits ($M)	$14.9	$22.6	$5.6	$13.1	$56	$55
Rate Impact	7.0%	7.3%	3.8%	6.1%	6.3%	6.3%
Typical Monthly Bill Impact	$3.06	$4.52	$1.65	$3.11	$12.34	$4.14
Enrolled Households					77,500	98,000
70% AMI: 30% Enrollment	**Water**	**Wastewater**	**Drainage**	**Solid Waste**	**SPU Total**	**SCL**
Cost of UDP Credits ($M)	$5.9	$9.0	$2.2	$5.2	$22	$25
Rate Impact	2.9%	3.0%	1.6%	2.5%	2.6%	2.9%
Typical Monthly Bill Impact	$1.27	$1.89	$0.67	$1.29	$5.12	$2.00
Enrolled Households					30,900	39,945
70% AMI: 50% Enrollment	**Water**	**Wastewater**	**Drainage**	**Solid Waste**	**SPU Total**	**SCL**
Cost of UDP Credits ($M)	$9.9	$15.0	$3.7	$8.7	$37	$38
Rate Impact	4.8%	4.9%	2.6%	4.1%	4.3%	4.2%
Typical Monthly Bill Impact	$2.08	$3.08	$1.11	$2.11	$8.38	$2.89
Enrolled Households					51,500	66,575
70% AMI: Full Enrollment	**Water**	**Wastewater**	**Drainage**	**Solid Waste**	**SPU Total**	**SCL**
Cost of UDP Credits ($M)	$19.8	$30.0	$7.5	$17.4	$75	$75
Rate Impact	9.1%	9.4%	5.0%	7.9%	8.3%	8.3%
Typical Monthly Bill Impact	$3.97	$5.87	$2.17	$4.05	$16.06	$5.53
Enrolled Households					103,000	133,150

Attachment 4. UDP Shut-off Prevention Pilot Proposal

The pilot program goal would be to proactively intervene and reach out relatively early in the delinquency/financial distress process to prevent and reduce shut-offs for UDP customers. The utilities would need to use predictive analytics of financial distress indicators in the billing system to identify people early.

The Mayor's Office for Innovation & Performance (OIP) can help with this effort. OIP has offered to help the utilities develop and evaluate the pilot components, such as predictive analytics, best indicators of financial distress, and best practices related to outreach methods and messaging.

The data collected through customer engagement would also allow the utilities to better understand if there is an income level below which a higher UDP discount might be needed and make sense. This could help inform a future tiered structure for the UDP program.

The objectives of the pilot program would be to:

- Test and evaluate new communication strategies and modes to better engage customers experiencing financial distress before a shut-off crisis occurs.
- Collect data on the customers we interact with in the pilot, to better understand which UDP customers are more likely to experience difficulty paying their utility bills- e.g. at what income level, at what household size, any special populations (e.g., seniors, disabled), with the goal of assessing how best to structure a tiered discount program.
- Reduce the rate/number of UDP households that are shut-off (last year, 237 UDP customers had their water shut off, out of 24,000 SPU UDP customers, or 1%; SCL shut off zero customers.)

The UDP Shut-off Prevention Pilot would be structured to:

- Engage a sample (sample size TBD) of UDP customers that have indications of financial distress.
    - The billing system can track various indicators of financial distress, from delinquent notifications to payment plans to shut-offs.
- Expand the modes of communication to text and email at each stage of the notification process, starting with when a customer on UDP receives their first bill, to the initial delinquent notification, through to the final shut-off notice.
- Provide affordability information and resources at each stage of notification, including information about SPU’s Emergency Assistance Program (EAP) and SCL’s Emergency Low-Income Assistance (ELIA) program, as well as 211.
- Explore the possibility of partnering with a financial counseling third party, so the utilities can refer clients in the pilot to a financial counselor for additional support and counseling.
- Offer a payment plan to customers still unable to pay their bill upon final notice.

Post-pilot commitments:

- Determine, based on pilot data, whether UDP customers below a certain income threshold or certain populations are more likely to struggle with paying utility bills, and implement additional assistance (such as an extra tier in the UDP discount structure) to assist that target population.
- Expand to all UDP customers the proactive outreach strategies the pilot finds to be most effective.
- Reduce the shut-off rate for UDP customers.