

Attachment A:

Summary of Key Recommendations of the Financial Assistance Working Group

In October 2009, IndEco Strategic Consulting, as facilitator of the Financial Assistance Working Group (the “Working Group”), produced a report summarizing the recommendations of the Working Group. In August 2010, the Working Group was reconstituted to continue its work. The Working Group was asked to review its recommendations from 2009, determine whether any changes were appropriate, and to continue developing recommendations on the framework and processes necessary for the implementation of emergency financial assistance. The framework and processes recommended by the Working Group will be reflected in a Program Manual that will guide social agencies and distributors in the delivery and implementation of LEAP emergency financial assistance.

The purpose of this document is to summarize the key recommendations of the Working Group arising out of the 2010 working group process, and the Board’s comments on those recommendations.

1. Guiding Principles

Working Group Recommendations

In addition to the guiding principles set out in the LEAP Report, and those approved by the Board in August 2010 (set out below), the following principles were recommended by the Working Group to guide the development of the framework to implement LEAP emergency financial assistance:

1. Emergency financial assistance should be available to low-income energy consumers of natural gas and electricity, including customers of suite meter providers.
2. Funding for low-income energy consumers should be accessible on a province-wide basis.
3. There should be consistency in the emergency financial assistance program across the province regarding access, with flexibility in delivery.
4. Partnerships should be developed between social service agencies and utilities and other stakeholders.
5. Eligibility for the emergency financial assistance program should be based on need, and screened using the emergency financial assistance program eligibility criteria applied with the judgment and discretion of the responsible social service agencies.
6. An emergency financial assistance program should not be unduly costly or complicated to administer or access.
7. The process for applying to the emergency financial assistance program should be clear and transparent.

8. Administration of the emergency financial assistance program should be efficient and effective in minimizing ratepayer impact.
9. The emergency financial assistance program should help low-income energy consumers maintain energy services.
10. The emergency financial assistance program should complement the existing landscape of assistance to low-income energy consumers.
11. The emergency financial assistance program should be coordinated with other energy and emergency financial assistance programs at the delivery level to avoid duplication of administration and effort.
12. The emergency financial assistance program should promote the transfer of the applicant to non-emergency energy and social service programs.
13. The emergency financial assistance program should be funded by all rate classes.
14. The total level of funding for the program should take into account other funding sources.

Board's Response

In August 2010, the Board approved the principles set out below to further guide the Working Group in its development of recommendations for the implementation of emergency financial assistance. These principles build on those set out in the LEAP Report, and are intended to provide additional clarity on the Board's views with respect to LEAP emergency financial assistance.

While the Working Group's principles may be helpful to guide its work, the Board is of the view that they not replace the Board's principles. The Board's principles, as set out below, stand as the overriding principles guiding the Board's policies for LEAP emergency financial assistance.

The appropriate principles to guide the implementation of LEAP emergency financial assistance are therefore:

1. LEAP financial assistance should be available province-wide, to low-income customers of electricity and natural gas distributors. It is intended to provide emergency or temporary relief, and not ongoing or regular bill payment assistance.
2. LEAP financial assistance is not intended to address the broader problem of poverty in Ontario, or even that of energy poverty. Energy costs are not the only burden faced by low-income households. LEAP is intended to provide emergency relief in response to affordability issues, and to contribute to, and complement, the existing landscape of assistance for low-income energy consumers in Ontario.
3. The Board must balance the interests of low-income energy consumers with its broader responsibilities to all consumers, including the need to adhere to the

4. The level of funding should be such that it provides emergency assistance to those with the greatest need without creating an undue burden on other ratepayers or creating a material level of subsidy. The level of funding should be based on total distribution revenues, and recovered from all rate classes. The allocation of funding across rate classes should be based on distribution revenue (as opposed to customer count). The level of funding should also take into account the timing and amount of funding from other sources, such as the late payment settlements.
5. LEAP financial assistance should not be overly costly or complicated to administer or access; the regulatory processes for reporting and for obtaining cost recovery should not be overly burdensome; and, a social service agency partner should carry out much of the program's administration.
6. A portion of a distributor's funding should be allocated for the administrative and program delivery costs of its social service agency partner.
7. Low-income electricity consumers residing in rental and condominium units, who are billed for their electricity costs separately by a suite meter provider, should have access to the LEAP funding collected by distributors through distribution rates.

2. Eligibility & Screening

Working Group Recommendations

The Working Group recommended that the focus should be on the most vulnerable, payment-troubled customers, and that these customers should also be referred to conservation programs and customer service rules where appropriate.

Screening of applicants is undertaken by social service agencies. In some communities, LEAP emergency financial assistance would be delivered by one social service agency performing all functions, while in other communities, there would be a "Lead" agency and one or more "Intake" agencies.¹

¹ A "Lead" agency is responsible for administering the emergency financial assistance program on behalf of the utility, which includes managing funds, tracking program performance, overseeing intake agencies, making decisions on whether to approve applications for assistance, and performing intake functions where there is no "Intake" agency. An "Intake" agency is responsible for performing intake functions such as screening applicants, processing applications, verifying arrears information with the utility, and making recommendations on applications for assistance.

Generally, to be considered for LEAP emergency financial assistance, customers must meet the initial eligibility criteria set out below. A customer that meets the initial criteria should then be further screened by the social service agency using the screening guidelines set out below. However, if an applicant does not meet the income threshold or the screening guidelines, the social service agency may exercise discretion in exceptional circumstances and approve the applicant. In such cases, the social service agency should document its rationale for doing so.

The Working Group also recommended that the percentage adder to the Low Income Cut Off ("LICO") (currently recommended as 15%) should be reviewed after one year, and on an ongoing basis thereafter, to determine whether it is still appropriate.

Eligibility Criteria

In order to be eligible for a grant for LEAP emergency financial assistance, an applicant must meet all of the following criteria:

- (i) be an existing customer of the utility providing the funding, or an existing customer of a suite metering provider operating within the service area of the utility;
- (ii) reside at the address for which there are arrears; and
- (iii) have a pre-tax household income at or below the Statistics Canada LICO + 15%, taking into account family size and community size (i.e. the full LICO matrix is to be used).

Screening Guidelines

In screening applicants, agencies should also consider the following:

- (i) Receipt of financial assistance should allow the household to maintain or reconnect energy service, in order to promote the sustainability of the customer's connection.
- (ii) The customer has demonstrated a prior attempt to pay the bill. The utility or suite metering provider, as appropriate, can be contacted for information about the customer's payment history, if necessary. Agencies should consider future sustainability of the applicant's connection in addition to past payment performance.
- (iii) Whether the customer is in threat of disconnection or has been disconnected. Agencies should focus on providing *emergency* assistance, but will need to balance this with early intervention (i.e. assistance to customers in arrears but who have not yet received a disconnection notice or been disconnected).
- (iv) Funding should be accessed only once per year per fuel, up to the financial cap of \$500 per fuel per household per year. Social agencies may use their judgment for customers with electrically heated homes, to offer up to \$600 per household, if necessary.

Board's Response

The Board believes that the eligibility criteria recommended by the Working Group are appropriate.

3. Funding

The Working Group made recommendations in a number of areas relating to the funding of LEAP emergency financial assistance. These recommendations, and the Board's response, are set out in the sections below.

3.1 Contribution by Electricity Distributors

Working Group Recommendations

The Working Group is aware that in 2011, some funds will be made available for low-income energy assistance programs as a result of a court settlement on late payment charges that is applicable to certain electricity distributors. The Working Group expressed concern about the rate impacts if funds relating to both LEAP emergency financial assistance and the late payment settlement were to be collected through electricity distributors' distribution rates.²

The Working Group understands that the funds relating to the late payment settlement would not be available for use for energy assistance programs until late 2011. As such, the Working Group recommended that for 2011, the level of funding remain at the level originally established by the Board in its LEAP Report. In that Report, the Board stated that the greater of 0.12% of distribution rates, or \$2,000, was a reasonable commitment by distributors for emergency financial assistance.

For 2012 and beyond, the Working Group recommended that the level of funding for each utility should take into account the level of funding available from the late payment settlement. However, the Working Group acknowledged that there would always need to be some funding available in addition to that relating to the late payment settlement, to ensure access to funds by customers of suite metering providers. In accordance with the terms of the late payment settlement, customers of suite metering providers cannot access those funds.

Board's Response

It is the Board's understanding that under the terms of the late payment settlement, each administrator is responsible for determining the annual amount of money to be allocated to the social agencies delivering the low-income energy assistance programs. As such, the Board is of the view that electricity distributors should continue to contribute the equivalent of 0.12% of distribution revenue (or \$2,000 as appropriate)

² The Board has not made a determination on whether affected electricity distributors will be permitted to recover through rates the payments required by the late payment settlement.

each year even after the late payment settlement is determined, and that the administrators of the late payment settlement should be encouraged to consider how that funding could be spread out over several years, as required.

3.2 Contribution by Natural Gas Distributors

Working Group Recommendations

The Working Group acknowledged that Enbridge Gas Distribution Inc. (“Enbridge”) and Union Gas Limited (“Union”) are currently subject to separate court settlements that require contributions to the Winter Warmth fund, as defined and administered by the United Way Toronto (for Enbridge) and the United Way Chatham-Kent (for Union).

The Working Group expressed concern about both the ratepayer impact of the utilities collecting funds for both Winter Warmth and LEAP emergency financial assistance, and about the confusion for both social agencies and consumers of two separate programs operating at the same time.

It was suggested that the natural gas distributors could ensure that the level of funding available for the Winter Warmth program was the equivalent of at least 0.12% of distribution rates. This would require an increased contribution by Enbridge only, as Union’s contribution under the settlement already exceeds the amount that would otherwise be required under LEAP. In addition, under the terms of the Winter Warmth program, the funds can only be used in the winter period.

Board’s Response

The Board acknowledges that Enbridge and Union are subject to the court settlements that require contributions to the Winter Warmth program, and as such the Winter Warmth program cannot be combined with LEAP emergency financial assistance without changes to the court settlement.

The Board agrees that it may be confusing for social agencies and consumers to have two different programs operating simultaneously, and as such, the Board does not believe that Enbridge and Union should be required to deliver LEAP emergency financial assistance in addition to Winter Warmth for the 2011 winter heating season.

However, the Board is of the view that the eligible low-income customers of these natural gas utilities should have the benefit of a similar level of funding as other utilities. As such, the Board believes that Enbridge and Union should ensure that the equivalent of at least 0.12% of total distribution revenue is made available for emergency financial assistance in 2011. The Board understands that this will require Enbridge to contribute an incremental amount to Winter Warmth in addition to the amount determined by the court settlement, whereas in the case of Union, the amount determined by the court settlement already exceeds the equivalent of 0.12% of total distribution revenue.

3.3 Contribution by Non-Ratepayer Sources

Working Group Recommendations

The Working Group recommended that any contributions to LEAP by non-ratepayer sources, such as retailers, shareholders, or suite metering providers should be voluntary. Further, if the contributor specifically earmarks the contribution for LEAP emergency financial assistance, then the rules and processes designed for LEAP would apply. However, a contributor could also provide funds to a social service agency for energy assistance that were not earmarked for LEAP. In this case, it is outside the scope of LEAP emergency financial assistance and the contributor would have the discretion to decide how the funds were used.

Board's Response

As noted in the LEAP Report, the Board encourages distributors to seek to augment their LEAP funding from other, non rate-related, sources, and encourages retailers to offer contributions to a distributor's LEAP in areas where they have customers. However, retailer contributions are not mandatory. The Board agrees that contributors should be allowed to earmark funds, and if a donor specifically earmarks the funds for LEAP, then LEAP rules apply. In particular, this means that the funds should be available on the same basis as the ratepayer funds.

3.4 Social Service Agency Program Delivery & Administration Costs

Working Group Recommendations

The Working Group recommended that distributors should pay an appropriate fee to their social agency partner to cover the agency's costs of program delivery and administration. The suggested level is 15% of the total amount of LEAP emergency financial assistance funds administered by the agency. In areas where LEAP emergency financial assistance is being delivered by a "Lead" agency and one or more "Intake" agencies, the 15% would be allocated for the Lead agency which would be responsible for negotiating with its Intake agency(ies) what proportion of this administration fee will go to the Intake agency(ies).

The Working Group also recommended that the agencies' actual costs should be reviewed after one or two years to determine whether the 15% level needs to be adjusted.

Board's Response

The Board agrees with the recommendation of the Financial Assistance Working Group that each distributor should pay an appropriate fee to their social agency partner for the agency's costs to deliver and administer the program, and agrees that up to 15% of a distributor's annual LEAP emergency financial assistance amount is an appropriate

level of funding for this purpose. For additional clarity, this means that a distributor's annual LEAP amount of 0.12% of total distribution rates (or \$2,000 as appropriate) is *inclusive* of the 15% fee for the social agency. The Board notes that a level of 15% is consistent with the level used for the delivery and administration of the Winter Warmth program.

4. Other Recommendations

The Working Group made recommendations in a number of other areas, including the intake and application process, tracking and reporting, promotion, outreach, and training, roles and responsibilities, and long-term coordination. Many of these recommendations will be reflected in the Program Manual being developed by the Working Group that will guide the implementation of LEAP emergency financial assistance. Among other things, the Program Manual will define the eligibility criteria, roles and responsibilities of service agencies and distributors, and the application process in order to ensure consistent delivery of LEAP emergency financial assistance throughout Ontario.