

OFFICE OF THE CITY MANAGER

February 27, 2006

TO: City Council

FROM: City Manager

SUBJECT: Adopt eligibility and benefit changes to the Water and Power Department Low Income Assistance Programs and direct the City Attorney to prepare an Ordinance to implement recommended changes

The Municipal Services Committee reviewed the staff recommendation on November 16, 2005, and recommends the following additional information to clarify and update the original Agenda Report dated December 5, 2005.

Customers shall only be eligible for one EUAP program, either the Basic Benefit or the Pasadena Cares Benefit. Customers will only receive a single benefit even if they meet multiple eligibility requirements.

The "EUAP Medical Assistance Eligibility Criteria" section on Page 4 be rewritten as shown below in order to: (i) Clarify that devices qualifying for the MAP benefit are doctor prescribed and require electric utility power to operate; (ii) eliminate mobility devices; and (iii) clarify the associated participation level and costs:

EUAP Medical Assistance Eligibility Criteria

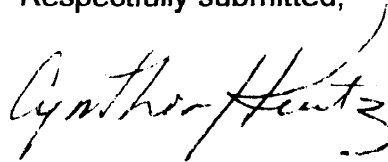
It is proposed that customers with doctor-prescribed, utility-powered electrical life support equipment be eligible for the EUAP Basic Benefit, regardless of income. To qualify for EUAP under the Medical Assistance Criteria, a customer must provide satisfactory proof (Doctor's note and proof of residency) that a full time occupant of the premise requires an eligible life support device, including: aerosol tents, apnea monitors, compressors/concentrators, electrostatic nebulizers, electric nerve stimulators, hemodialysis machines, kidney dialysis machines, intermittent positive pressure breathing (IPPB) machine, iron lungs, pressure pads, pressure pumps, respirators (all types), suction machines, and ultrasonic nebulizers. Equipment not listed above will be reviewed on a case-by-case basis.

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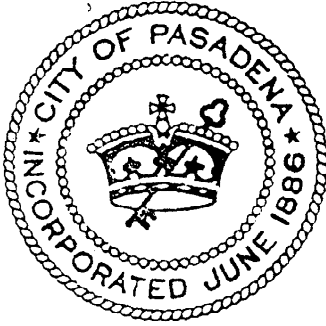
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PWP estimates that 200 to 250 customers may qualify for this benefit at an annual cost of \$12,000 to \$15,000 per year. These participants and costs are included in the totals for "Basic Benefit" in Table 3.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cynthia Kurtz". The signature is written in a cursive style with a large, sweeping flourish at the end.

CYNTHIA J. KURTZ
City Manager



Agenda Report

December 5, 2005

TO: CITY COUNCIL
THROUGH: MUNICIPAL SERVICES COMMITTEE

FROM: CITY MANAGER

SUBJECT: ADOPT ELIGIBILITY AND BENEFIT CHANGES TO THE WATER AND POWER DEPARTMENT LOW INCOME ASSISTANCE PROGRAMS AND DIRECT THE CITY ATTORNEY TO PREPARE AN ORDINANCE TO IMPLEMENT RECOMMENDED CHANGES

RECOMMENDATION

It is recommended that the City Council authorize the following eligibility and benefit changes to the Pasadena Water and Power (PWP) low income assistance programs effective July 1, 2006:

- 1) Eliminate the existing Utility Assistance and Lifeline programs;
- 2) Create a new Electric Utility Assistance Program (EUAP), that provides for increased customer participation and improved benefits as described herein; and
- 3) Enable PWP to automatically enroll existing Utility Assistance and Lifeline customers in the EUAP and periodically recertify EUAP participants.

It is further recommended that the City Council direct the City Attorney to prepare the necessary ordinance to implement the recommended changes in eligibility and benefits as described in this report. PWP will return to the City Council within 60 days for approval of the new ordinance.

UTILITY ADVISORY COMMISSION RECOMMENDATION

On October 12, 2005, the Utility Advisory Commission concurred with the recommended changes to the low income assistance programs.

BACKGROUND

PWP proposes to replace its current low income assistance programs with a new EUAP. The EUAP will enable more customers to qualify and increase benefits for most current low income customers as follows:

- EUAP (Basic Benefit) - A flat \$5/month bill credit for customers who meet income eligibility criteria (detailed herein) or who use medically necessary electronic life support or mobility equipment. This replaces the current Utility Assistance program.
- EUAP (Pasadena Cares) – Customers meeting income eligibility criteria and are either 62 years of age or older or meet the criteria of disability as established by the Social Security Administration’s Supplemental Income Program for the Aged, Blind and Disabled (Title XVI of the Social Security Act, as amended) will receive a credit equal to the PBC charge in addition to the EUAP Basic Benefit. This replaces the current Lifeline program.

The EUAP benefits will be credited to customer bills after calculation of surcharges and taxes.

Current Utility Assistance (UA) and Lifeline customers will automatically be enrolled in the EUAP at their corresponding level of benefits, Basic Benefit or Pasadena Cares, respectively. With the exception of less than ten current UA customers using more than 1,850 kWh/month on average, all current Lifeline and UA customers will see increased benefits under the EUAP.

In addition to the benefits listed above, qualifying seniors or disabled customers (current “Lifeline” customers) would continue to receive an exemption from Pasadena’s Utility Users Taxes (UUT) pursuant to Chapter 4.56.210 of the Pasadena Municipal Code. Note that Lifeline customers are exempt from UUT for other utilities operating in Pasadena (e.g., gas, telephone, cable, etc). The proposed EUAP does not affect the UUT exemption qualifications or benefits.

Lifeline and UA Program History and Review

PWP has offered the Lifeline program to eligible low income seniors or disabled customers for several decades. The original Lifeline benefits included a 25% discount on electric service charges (Customer, Transmission, and Energy Charge) for the first 180 kWh used per month. Eligibility for the current Lifeline program is based upon the customer qualifying for the UUT exemption.

On November 3, 1997, on the eve of electric deregulation, the City Council emphasized the need to continue to provide assistance to low income and senior citizens who purchase electricity from PWP. As a result, the UA program for low income customers was created to offset increases associated with the newly created

Stranded Investment Surcharge (SIS) and Public Benefits Charge (PBC), and these benefits were also added to the existing Lifeline program. The qualifying income for the new UA program was established at levels slightly higher than the Lifeline program. The City Council also requested that PWP periodically review the UA and Lifeline programs and recommend adjustments to the eligibility criteria and benefits through a report to the City Council.

PWP's current Lifeline and UA programs have income eligibility requirements that are not reflective of current economic conditions and lower than those offered by most other local utilities. In fact, PWP's income criteria and the benefits are among the lowest in the region. Many local utilities also offer assistance programs for their customers that depend on electrically powered life support or mobility devices. Furthermore, the structure of the current program methods is difficult to comprehend, as the income eligibility requirements and benefits are different. Only one other local utility offers programs in a similar manner. Lastly, there may be a number of customers receiving benefits that are no longer eligible, since there is no mechanism to audit or require recertification of eligibility under the current programs.

The proposed EUAP, which will replace the existing Lifeline and UA programs, will have a single set of income criteria, add a medical device qualification irrespective of income, provide increased benefits, and enable periodic recertification to address these issues.

EUAP Low Income Eligibility Criteria

Under the proposed EUAP, customers who meet the EUAP Low Income Eligibility Criteria will receive the EUAP Basic Benefit of \$5/month. The EUAP low income eligibility criteria will be the same as the lowest income criteria used by the City's Housing and Community Development Division for the Rental Assistance Program located in Section 17.80.020 of the City Zoning Code. The income levels will be adjusted on an annual basis in accordance with changes in the Los Angeles County Area Median Income level, as published by the State of California Housing and Community Development Department. Current very low income criteria are shown in Table 1.

**Table 1
 Comparison of Income Qualifications**

NUMBER OF HOUSEHOLD OCCUPANTS	CURRENT LIFELINE	CURRENT UA	PROPOSED EUAP
1 person	\$12,000 or less	\$17,000 or less	\$22,950 or less
2 people	\$16,000 or less	\$17,000 or less	\$26,200 or less
3 people	\$20,000 or less	\$21,000 or less	\$29,500 or less
4 people	\$24,000 or less	\$25,000 or less	\$32,750 or less
5 people	\$28,000 or less	\$29,000 or less	\$35,350 or less
6 people	\$32,000 or less	\$33,000 or less	\$38,000 or less
Each Additional Person			Add \$4,000

EUAP Medical Assistance Eligibility Criteria

It is proposed that customers with medically necessary electronic life support or mobility equipment (wheelchairs) be eligible for the EUAP Basic Benefit even if they do not qualify under the EUAP low income eligibility criteria. To qualify for EUAP under the medical assistance criteria, a customer must provide satisfactory proof (doctor's note and proof of residency) that a full-time occupant of the premises is being served regularly by use of a medically necessary electronic life support or mobility device. Such devices include, aerosol tent, pressure pumps/pad, apnea monitor, compressor/concentrator, oxygen generator, respirator, electronic IV-infusion pump, dialysis machine, electronic nerve stimulator, suction machine, ultrasonic nebulizer, inhalation pulmonary pressure breather machine (IPPB), iron lung, hemodialysis machine, motorized wheelchair, and other life support/medically necessary equipment as approved by the Pasadena Public Health Department. Neighboring utilities, such as Los Angeles Department of Water and Power, Glendale Water and Power, Burbank Water and Power, and Azusa Light and Water offer similar discounts and requirements.

EUAP Pasadena Cares Eligibility Criteria

To ensure that current Lifeline customers' benefits are not reduced under the EUAP, the program will include a second tier of benefits called EUAP Pasadena Cares. To qualify for the EUAP Pasadena Cares benefits, participants must meet the EUAP low income eligibility criteria and be either 62 years of age or older, or meet the criteria of disability as established by the Social Security Administration's Supplemental Income Program for the Aged, Blind and Disabled (Title XVI of the Social Security Act, as amended). Such participants will receive a credit equal to the PBC charge in addition to the EUAP Basic Benefit.

Current Lifeline and UA customers will continue to receive benefits; however, verification may be required on an as needed basis. The new EUAP program would include periodic recertification of eligibility.

Comparison of Current and Proposed Program Benefits

The EUAP has a two-tier benefit structure, providing a Basic Benefit consisting of a flat \$5.00/month discount, and the Pasadena Cares benefit for qualified seniors and disabled customers that includes a credit for PBC charges in addition to the Basic Benefit.

As shown in Table 2, typical Lifeline customers would have a modest increase in benefits under the recommended EUAP program, and all but the very largest existing UA customers would receive an increased benefit.

Table 2
Monthly Discount Comparison (\$/month)

Monthly Energy Usage (kWh/mo)	Utility Assistance (Current)	EUAP (Basic Benefit)	Lifeline (Current)	EUAP ¹ (Pasadena Cares)
180	\$0.49	\$5.00	4.89	5.49
500	1.36	5.00	5.75	6.36
1,000	2.71	5.00	5.89	6.49
1,500	4.07	5.00	7.11	7.71
2,000	5.42	5.00	8.46	9.07
Average¹	0.95	5.00	5.35	5.95

EUAP Program Participation and Costs

Currently, approximately 4,000 customers participate in PWP’s low income assistance programs, of which 1,600 are Lifeline and 2,400 are UA customers. While the FY2006 budget for these programs is \$399,250, or 11% of the PBC Fund budget, the typical actual annual costs of these programs averages approximately \$132,000.

As shown in Table 3, PWP estimates that 16,000 Pasadena residents will qualify under the proposed EUAP, of which up to 5,000 will meet the Pasadena Cares qualifications for additional benefits. Due to the increased benefits and renewed marketing campaign associated with the updated program, PWP anticipates that at least 50% of eligible customers will participate in the EUAP. For financial analysis purposes, a range of 50% to 100% is being used in this Agenda Report. Projected annual costs to the PBC program, which funds the customer credits, will increase significantly due to more customers qualifying and increased benefits per customer.

Table 3
Estimated EUAP Participation and Annual Program Cost

Monthly Energy Usage (kWh/mo)	EUAP (Basic Benefit)	EUAP (Pasadena Cares) ¹	Total EUAP
Eligible Customers	11,000	5,000	16,000
Participating Customers ²	6,500 to 11,000	2,500 to 5,000	8,000 to 16,000
Projected Annual PBC Costs	\$390,000 to \$660,000	\$180,000 to \$360,000	\$570,000 to \$1,020,000

PBC Fund and Program Impacts

The new EUAP program will make up 13%-25% of the PBC Fund budget for FY2007, as compared to 11% of the FY2006 budget. This increase in funding for low income programs will reduce funds available for other PBC programs, such as energy

¹ Based on average 350 kWh/month usage for low income customers


² Assumes 50% to 100% of eligible customers participate

conservation, renewable resources, research and development, and innovative technologies, in FY2007 as compared to FY2006. Carry forward of unspent utility assistance funds from prior years may help mitigate the impact on FY2007 programs. This fiscal concern will be eliminated in FY2008 and beyond when the City Hall seismic retrofit funding commitment ends in FY2007.

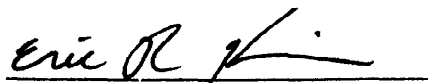
FISCAL IMPACT

The recommended changes to low income utility assistance programs will not affect the General Fund, the Power Fund (401), or electric rates. Depending upon how many eligible customers sign up for the revised EUAP programs, the PBC cost will be \$570,000 to \$1,020,000 annually, which is a substantial increase from current PBC costs of \$132,000. Some PBC programs may face funding reduction in FY2007.

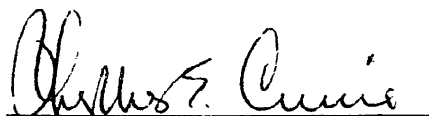
Respectfully submitted,


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City Manager

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