



COMMONWEALTH of VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

S. Duke Storen
Commissioner

December 17, 2020

MEMORANDUM

TO: The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Jeion A. Ward, Chairman
House Labor and Commerce Committee

The Honorable Richard L. Saslaw, Chairman
Senate Commerce and Labor Committee

FROM: S. Duke Storen, DSS Commissioner

Erik C. Johnston, DCHD Director

SUBJECT: Report on Implementing the Percentage of Income Payment Program

On behalf of the Department of Housing and Community Development and the Department of Social Services, the attached report was prepared pursuant to enactment clause #6 of Chapter 1193 of the 2020 Acts of Assembly. The report provides recommendations regarding the implementation of the Percentage of Income Payment Program. The agencies convened a stakeholder workgroup and met over the course of several months to produce this report.

If you have any questions, please reach out to Kristen Dahlman (DHCD), Senior Policy Analyst at Kristen.dahlman@dhcd.virginia.gov or 804-371-7017 or Denise Surber (DSS), Energy Assistance Program Manager at denise.t.surber@dss.virginia.gov or 804-726-7386.

SDS:ds
Attachment

Recommendations for Implementation of the Percentage of Income Payment Program

**A Report to the Chairs of the Senate Commerce and Labor
Committee and Housing Labor and Commerce Committee
by the Department of Housing and Community
Development and the Department of Social Services**

Background- Virginia Clean Economy Act, Establishing the Percentage of Income Payment Program

Chapters 1194 and 1193 of the 2020 Acts of Assembly, also known as the Virginia Clean Economy Act (VCEA) amended Title 56, Chapter 23 of the Code of Virginia, the Virginia Electric Utility Regulation Act (the Act). The Act, as amended by VCEA, establishes mandatory renewable portfolio standards, enhances renewable generation and energy storage development, requires the retirement of certain generation units, establishes energy efficiency targets, and expands net metering. In addition, § 56-585.6 was added to Chapter 23, establishing the Percentage of Income Payment Program (PIPP). The Department of Housing and Community Development and Department of Social Services (the Agencies) were directed under the 12th enactment clause of the VCEA to convene a stakeholder working group and develop recommendations regarding the implementation of PIPP.

The VCEA established two overarching objectives for PIPP:

- Reduce the energy burden of eligible participants by limiting electric bill payments directly to no more than six percent of the eligible participant's annual household income if the household's heating source is anything other than electricity, and to no more than 10 percent of an eligible participant's annual household income on electricity costs if the household's heating source is electricity, and
- Reduce the amount of electricity used by the eligible participant's household through participation in weatherization or energy efficiency programs and energy conservation education programs.

The State Corporation Commission is directed to set the rates, terms, and conditions of a non-bypassable universal service fee to fund the Percentage of Income Payment Program (PIPP). Customers of Dominion and Appalachian Power Company will be eligible to participate in this program. The VCEA requires the Commission to issue a final order and establish the rates by December 31, 2020. At this time, the non-bypassable universal service fee will not be collected from utility customers as defined in statute until the program is established.

The agencies and various stakeholders participated in the SCC hearings to provide direction and clarity towards setting the universal service fee. The information contained in this report is the implementation plan from DHCD and DSS for PIPP. The report also includes options the General Assembly could consider to maximize the impact of the PIPP.

Stakeholder Workgroup Activity

The 12th enactment clause of the VCEA enabled the creation of a Stakeholder Workgroup. The workgroup was convened by DHCD and DSS. The workgroup membership includes a broad spectrum of stakeholders (Appendix A provides a list of members) from various interests related to utility regulation, energy efficiency and weatherization that include but are not limited to the utilities, advocacy groups, and state agencies. The Workgroup held meetings in August, September, October, and November of 2020. The major charge of the Workgroup was to provide recommendations for implementing the PIPP program between DHCD and DSS. The Workgroup also convened smaller subgroups concerning weatherization, arrearages and nonpayment by PIPP participants. The Agencies reviewed best practices in other states and held meetings with representatives in Ohio who administer a similar program through the utilities. The Agencies expect to convene the workgroup in 2021 once implementation is under way to garner feedback, analyze data, and further refine the structure and eligibility of participants for PIPP.

Agency Implementation of PIPP

DSS and DHCD have a prior relationship in the energy utility space through the federal Low Income Home Energy Assistance Program (LIHEAP). DSS administers the program through local departments of social services by providing assistance for heating expenses for fuel types of electric, gas (natural and liquid propane), oil, kerosene, coal, and wood. DSS also provides assistance for electric cooling expenses. DSS and DHCD determined that energy sources covered through the Energy Assistance Program (gas and electric), as defined below, can be covered with existing program structure under the PIPP. Through an agreement with DSS, DHCD partners with Weatherization Assistance Program (WAP) partners to expend a percentage (15%) of federal LIHEAP funds allocated to Virginia to weatherize homes. While weatherization may be defined as retrofits to an existing structure or as simple energy efficiency upgrades such as switching to more efficient light bulbs and energy education programs, the State's federally funded Weatherization Program follows the more stringent requirements of the U.S Department of Energy which requires a residential energy audit and a 1:1 Savings to Investment Ratio (SIR) for installed measures. However, a state code change would be required to enable the SCC PIPP rate setting to provide funding to administer the weatherization component of PIPP.

The workgroup discussed the following options the General Assembly could consider in order to maximize the impact of implementation of the PIPP:

- Define DSS as the lead intake agency on PIPP with DHCD as a partner responsible for the weatherization services.
- Consider extending the authority to convene a stakeholder workgroup throughout the implementation process to garner feedback.
- Consider revising eligibility for the program to be at or below 200 percent of the Federal Poverty Line. This threshold would encompass the various income limits of the programs listed in the Code. PIPP participants would be enrolled for 24 months to reduce arrearages by paying on-time and in-full each month, re-verify eligibility annually, and re-verify when their income or number of household members changes.
- Consider amending the Code of Virginia to allow the SCC to include funding for the weatherization program in their rate settings. With this change, PIPP participants would be automatically enrolled and referred to DHCD's weatherization program to receive an energy audit. With this change, DHCD could establish a state weatherization program that fills in gaps with federal LIHEAP weatherization funds and utility programs and is funded through the rate assessment.
- Require DSS report annually to the Governor and the General Assembly on or before December 1 of each year on the effectiveness of PIPP in meeting the energy needs of low-income Virginians, starting in 2022.

DSS will be the lead agency to administer distributions from a fund created by a non-bypassable universal service fee. DSS with assistance from DHCD will lead and facilitate meetings with electric utility providers and a stakeholder group for the purpose of sharing information and garnering feedback. The agencies will collect and analyze data regarding the amounts of energy assistance provided through PIPP and develop and maintain a statewide list of available private and governmental resources for low-income Virginians in need of energy assistance.

Eligibility for PIPP

The VCEA established that an eligible PIPP customer means any person or household participating in any of the following public assistance programs: the Supplemental Nutrition Assistance Program, Temporary

Assistance for Needy Families, Special Supplemental Nutrition Program for Women, Infants and Children, Virginia Low Income Home Energy Assistance Program, federal Low Income Home Energy Assistance Program, state plan for medical assistance, Medicaid, Housing Choice Voucher Program, or Family Access to Medical Insurance Security Plan.

The agencies created a PIPP eligibility chart to determine the number of customers that would be eligible. The majority of the programs listed use an eligibility threshold at or below 130% of the federal poverty line (Attachment B). It is difficult to gauge how many participants are currently enrolled in the multiple benefit programs simultaneously, due to the fact that some of the data for benefits programs shows yearly participation and some monthly enrollment, also recognizing enrollment in some of these programs is fluid and can change at any time. The recent economic downturn due to the public health emergency related to the novel coronavirus COVID will impact eligibility and enrollment in these programs. The current eligibility requirements in the code of Virginia must be updated for DSS to be able to implement and for SCC to have clarity in the rate setting process to establish the program.

The current income eligibility for heating and cooling through Virginia's Energy Assistance Program (EAP) is 130% of the federal poverty line and 60% of state median income for the Weatherization Assistance Program. The EAP serves over 100,000 households annually; 16,592 of these households are Crisis Assistance participants. Heating and Cooling participants are referred to WAP, a list is provided by DSS bi-annually to DHCD, who sorts by zip code and distributes to the WAP network. Some WAP providers are also Crisis providers, others are just solely WAP providers. In some instances where Crisis funds are inadequate to address the heating issue, they are leveraged with WAP. In addition, DSS received CARES Act funding for heating and cooling assistance, the number of those participating in addition to the regular heating and cooling participants is unknown at this time. The agencies have a current working relationship to administer the federal LIHEAP funds. In order to implement the program effectively, the agencies plan to use their existing partnership and enroll current customers who are receiving EAP assistance into PIPP. Each participant can opt out of PIPP if they do not want to participate. Those who are not receiving energy assistance will still be able to apply if they meet the income eligibility requirements. DSS will be the entry point for potential applicants, and each applicant will be given the opportunity to apply at their initial contact with the local Department of Social Service ("LDSS"). There will only be one applicant per household.

The General Assembly could consider changing the eligibility threshold for the PIPP program to 200% at or below the federal poverty line. This threshold would encompass all the various eligibility thresholds required of the programs listed in the Code. Basing the program on income limits would make the program more equitable to all low income households, not just those who are currently receiving benefits through assistance programs. Some households do not choose to participate in assistance programs despite being eligible, therefore tying participation in PIPP to those currently participating in other benefit programs could have a potential unintended consequence of leaving out certain households that would benefit from PIPP.

Participants must be a customer of APCo or Dominion as stated in the VCEA. A "household" is defined by the agencies as any individual or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common. Both homeowners and renters are eligible for PIPP. A household living in a unit in a multi-family structure may be eligible if the electric service is metered and billed separately. A household also is the primary residence of the customer of APCo or Dominion and no additional premises in the customer's name.

Participants will be required to re-verify their household income annually to stay on the program. For the EAP, DSS already verifies income at least once a year if someone applies for an EAP component (Fuel, Crisis, or Cooling). A process can be established to request the income verification for those clients that are not in the system already and need income verification. This could be similar to interim reporting processes other DSS programs use now; it involves sending the client a notice requesting needed verifications by a specific date then notifying the client if the verification is not provided timely.

In order to remain on the PIPP, eligible clients must pay on-time and in-full each month, re-verify eligibility annually, and re-verify when their income or number of household members changes. The Reverification Date is the date the client's application was processed and the date by which they must verify their household size and household income each year.

Clients are required to re-verify their PIPP eligibility annually or at any point throughout the year if they have a change in their household income or number of household members. The client's Reverification Date may change if the client updates their income or the number of household members before the Reverification Date.

PIPP participants will be encouraged but not required to take advantage of other federal, state or local utility relief programs such as the EAP to reduce arrearages.

Utility Bill Assistance

PIPP will provide funding to reduce the energy burden of eligible participants by limiting electric bill payments directly to:

- no more than six percent (6%) of the eligible participant's annual household income if the household's heating source is anything other than electricity, and
- no more than 10 percent (10%) of an eligible participant's annual household income on electricity costs if the household's heating source is electricity.

Households with no income pay a minimum installment of \$10 towards their utility bills.

DSS will administer this portion of the PIPP program. DSS currently has a structure in place with the EAP for handling initial intake of participants and applications.

Participants must pay the first PIPP payment to their utility company by the due date of the current bill. Clients that make PIPP payments on-time and in-full will not be responsible for the balance of the monthly billed amount (the difference between the PIPP payment and the actual bill). If on-time and in-full payments are made for 24 consecutive months, all outstanding balances (arrears) will be eliminated for the household. Fees will not be assessed for late payments.

Arrearages

Households will receive an arrearage credit (of 1/24 of their arrearage balance) each month when a PIPP payment is made on-time and in-full. If a household misses a monthly payment, they will be allowed the opportunity to make up the payment annually and/or before leaving the program so there will not be an additional burden of increased arrearages placed on the household after leaving the program.

Energy Efficiency and Weatherization

The VCEA states that one of the two objectives of PIPP is to reduce the amount of electricity used by eligible households through participation in weatherization or energy efficiency programs and energy conservation education programs. DHCD has a robust Weatherization network that consists of 17

providers that contract and carry out weatherization services across the Commonwealth. As a current requirement of weatherization services, DHCD provides energy education to participants on the use and maintenance of installed energy efficient measures (i.e., thermostats, ASHRAE fans, smoke detectors, water heaters) and practical ways to reduce household energy consumption. The Agencies intend to rely on this existing provider network to integrate various programs – state, local, federal, and nonprofit – into a single platform for delivery to the PIPP participant. USF funds could be used as necessary to fund such a unified platform.

Currently there are stark contrasts in the meaning of 'Weatherization' based on different programs. The U.S. Department of Energy funds the Virginia WAP, which includes a series of energy conservation measures determined by a residential energy audit and meeting a required “Savings to Investment Ratio”. This can include measures such as insulation, air sealing, furnace tune-ups, and ventilation. A licensed individual conducts an energy audit and measures are installed by trained weatherization installers in accordance with DOE standards and inspected by certified Quality Control Inspectors. These licensed individuals need to obtain a Residential Building Energy Analyst (REBA) License from the Department of Professional and Occupational Regulation. For other programs, weatherization may mean installation of LED light bulbs, faucet aerators, weather stripping or other minor energy efficiency measures.

For purposes of the PIPP program, weatherization will to the best possible extent treat the whole building as a complete system for installation of energy-saving measures to reduce the heating and cooling costs and to help ensure the health and safety of low-income families. Specifically, the Agencies recognize that sealing homes with combustion appliances may aggravate indoor air quality. The Agencies further recognize that some homes may present repair issues (such as leaking roofs) that disqualify participation in certain programs. Accordingly, the PIPP will be implemented to ensure that participating homes receive health and safety upgrades when needed and that existing barriers are resolved (if funds are available).

There will be a tiered approach for PIPP participants that reside in multifamily projects established by DHCD and in collaboration with the WAP network. Factors that will go into the tiered approach include the number of residents that are energy burdened and eligible for PIPP, willingness of the landlord, and configuration of units.

Options to increase weatherization efforts for PIPP participants

The General Assembly could consider an amendment to the Code of Virginia to allow the SCC to include funds for a state weatherization program in its rate setting methodology. This would fill in gaps with federal LIHEAP weatherization funds. If such a new program were established, DSS would refer PIPP participants to DHCD for information on the current weatherization provider network. Every PIPP participant would be signed up and eligible for an energy audit pending funding availability for the WAP network. Those who have already received an audit or weatherization would be verified by DHCD and not placed on a list to receive the audit. DHCD would report on the number of households receiving an energy audit in the annual report. An energy assessment would be conducted for each PIPP participant at their current address. If the participant moves from the address while on PIPP, the new unit would need to be reevaluated for eligibility. The audit will not follow the participant to the new address. The type of audit will be a tiered approach and correlate to the level of weatherization or energy efficiency measures anticipated and building type. If it is determined from the audit that a participant can benefit from weatherization services, they will be referred to DHCD’s weatherization program. If a PIPP participant is ineligible for federal weatherization resources, DHCD will refer the participant to weatherization programs provided by the utilities.

Reasons for deferrals in current WAP program may include asbestos, moisture/roofing issues, building structure is in such a state of disrepair that failure is imminent, electrical, and plumbing. Federal weatherization funds cannot address major asbestos, lead or mold issues. The Association of Energy Conservation Professionals surveyed Virginia's WAP network and determined a 22% annual deferral rate, meaning the WAP network is only serving a limited number of households based on the type of repair the structure may need. Many WAP providers noted roofs as the number one reason for deferral due to moisture and structural issues. In addition, the utility weatherization programs offered only cover similar repairs to the state WAP program. Allowing the SCC to include weatherization costs in rate setting would help to increase the number of projects completed that are referred to DHCD through PIPP. Ultimately, this would contribute towards lowering a PIPP participants monthly utility bills.

Energy Conservation Education

Participants in PIPP would be given education materials at the time of their application and when they receive an energy audit. The Agencies will offer online education courses for participants and report on the number of individuals accessing those materials in the annual report. Informational collateral will be provided by DSS through multiple media sources to applicants during the application process to explain and encourage energy consumption and the benefits that can be derived. Educational energy opportunities will be developed by DSS to encourage school age household members to participate in identifying ways to conserve. DHCD will offer technical assistance to DSS in developing the education component through a variety of media.

The Virginia EAP provides a sheet with energy efficiency/conservation tips with an annual mailer to potential Fuel Assistance applicants (about 80,000 households). Currently this is the only information that DSS provides to potential participants. The same type of information could be used in the PIPP program for outreach to eligible PIPP households. The State Corporation Commission (SCC) website contains online resources for consumers in the area of financial literacy that the agencies plan to utilize as well.

Administrative Costs

VDSS and DHCD recently included agency budget requests associated with implementation of the PIPP. Those requests can be found at the links below.

http://publicreports.dpb.virginia.gov/rdPage.aspx?rdReport=OB_DocView&Param1=65874243

http://publicreports.dpb.virginia.gov/rdPage.aspx?rdReport=OB_DocView&Param1=65891426

Attachment A – Stakeholder Workgroup

Arlen Bolstad, Deputy General Counsel (Utilities), Virginia State Corporation Commission

C. Meade Browder, Virginia Attorney General Office

Peter Andersen, Virginia Program Manager, Appalachian Voices

Emily Piontek, VA Energy Democracy Field Coordinator, Appalachian Voices

Dawone Robinson, Natural Resources Defense Council (NRDC)

Carmen Bingham, Affordable Clean Energy (ACE) Project Coordinator, Virginia Poverty Law Center

Dana Wiggins, Virginia Poverty Law Center

Matthew Gooch, ReisingerGooch, PLC for Sierra Club

Narissa Turner, Climate & Clean Energy Policy Manager, Virginia Conservation Network

John Howat, Senior Policy Analyst, National Consumer Law Center

Daniel Farrell, Clean Energy Financing Programs Manager, Virginia Department of Mines, Minerals and Energy

Kaci Easley, Legislative Affairs Advisor and Lobbyist, Dominion Energy

Lisa FaJohn, Supervisor - Energy Assistance & Customer Outreach, Dominion Energy

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Larry E. Jackson, Director, External Affairs, Appalachian Power

Ronald Jefferson, Manager, External Affairs, Appalachian Power

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Dwight Snowden, Collection Support Coordinator, Credit Policy & Payment Admin

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Carolyn Gardner, Functional System Analyst, Customer System Services

Pam Kestner, Chief Deputy, DHCD

Kristen Dahlman, Senior Policy Analyst, DHCD

Willie Fobbs, Associate Director of Housing, DHCD

Nancy Palmer, Housing Programs Manager, DHCD

Denise Surber, Manager, Energy Assistance Program, VDSS

Angela Ector, Consultant, Energy Assistance Program, VDSS

Attachment B –Current Programs

PROGRAM	ADMINISTERING AGENCY(ies)	FUNDING SOURCE	# PARTICIPANTS
Supplemental Nutrition Assistance Program (SNAP)	DSS THROUGH LOCAL DSS OFFICES	USDA	390,000 HH (monthly)
Temporary Assistance to Needy Families (TANF)	DSS THROUGH LOCAL DSS OFFICES	HHS	16,022 cases/ 34,151 participants TANF (monthly) 1,118 cases/ 4,746 participants TANF UP
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	VDH THROUGH LOCAL HD OFFICES	USDA	26,667 monthly participating women
Energy Assistance Program (EAP- Crisis)	DSS THROUGH LOCAL DSS OFFICES -	HHS	16,592 (annual)
Energy Assistance Program (EAP- Cooling)	DSS THROUGH LOCAL DSS OFFICES	HHS	65,196 (annual)
Energy Assistance Program (EAP - Fuel Assistance)	DSS THROUGH LOCAL DSS OFFICES -	HHS	102,858 (annual)
Medicaid FAMIS	DMAS AND DSS (LOCAL AND CALL CENTER)	HHS	1,659,593 MA and FAMIS
Housing Choice Voucher (HCV)	VIRGINIA HOUSING AND LOCAL PHAs	HUD	47,100