

Guidelines for Determining When an Arrearage Impact Study is Cost-Effective to Undertake

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Utilities often conduct a variety of programs for their low-income customers. These can include: arrearage programs, reduced rates, energy efficiency programs, or some combination of these. These programs attempt to impact the participant's energy bill and/or bill payment behavior. These direct impacts can then have secondary impacts of reducing customer arrearages, thereby reducing utility collection activities, disconnections, reconnections, and bad-debt write-off. Measurement of these secondary benefits can allow them to be included in the evaluation of the cost-effectiveness of the above mentioned programs. Yet, the studies to measure these secondary impacts can also be costly and difficult to perform. It is, therefore, important for utilities to properly determine whether the additional analysis is cost-effective to undertake.

Whether a study is to be conducted or not is seldom decided based upon the cost-effectiveness of conducting it (i.e., whether the information obtained is worth the study's cost). This paper presents guidelines that have been developed for a decision-tree that examines when it might be cost-effective to perform an arrearage study of low-income energy efficiency programs. The guidelines include: (1) Immediate decision paths that minimize the effort in using the decision-tree itself; (2) When using results from another utility's study might be most cost-effective; and (3) What information should be used to decide what level of effort should be performed in the arrearage study. These guidelines were developed in a recent project sponsored by the nine investor-owned gas and electric utilities of New York (through the New York Low Income Evaluation Task Force).

PROJECT INTRODUCTION

In New York State, the investor owned gas and electric utilities formed a system of committees and subcommittees to coordinate and develop joint research. At the request of the New York Public Service Commission, one of these committees undertook projects to address four areas of concern related to evaluating low-income energy efficiency programs. The work reported in this paper is from the second phase project designed to address one of these concerns, assessment of methods and development of guidelines to address "hard to quantify" costs and benefits of low-income energy efficiency programs.

The first phase project (1) Searched and critiqued methods to quantify and monetize social (non-energy) impacts of low-income energy efficiency programs; and (2) determined the types of stakeholder benefits that could occur and how this included could be included in benefit/cost analyses, or within alternative policy paradigms (Cambridge Systematics, Inc. 1994).

The second phase project developed guidelines for conducting arrearage and economic impact studies, and developed a decision-tree guideline to determine when it would be cost-effective to undertake these types of impact analyses.

This decision-tree guideline, as it applies to conducting arrearage impact studies, is the focus of this paper.

DISCUSSION AND PRESENTATION OF DECISION-TREE GUIDELINES

Path 1, Will a policy decision be made?

The first step in the decision-tree is to determine what policy decision could be impacted by the analyses if performed. If it is not reasonable to expect to change a policy decision with the analyses, then it would be a waste of ratepayer money to perform the analyses.

There are generally two ways in which the policy decision is not likely to change. These are when: (1) The policy decision is not going to be reviewed in the near-term; or (2) The magnitude of the results can not be expected to make a difference in the policy decision or in the design of a continuing program.

The most common occurrence of the first path is when the program has already been terminated due to an agreement from a recent rate case. In this case, a program budget is no longer available, and there is no short-term decision on continuation of the program awaiting further benefit/cost analyses.

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Table 1. Organizational Structure

The organizational structure of the organization is shown in Figure 1. The organization is a hierarchical structure with a CEO at the top, followed by the President and Vice President. The President and Vice President are responsible for the overall management of the organization. The President is also responsible for the financial management of the organization. The Vice President is responsible for the operational management of the organization. The organization is divided into several departments, including Marketing, Sales, and Customer Service. The Marketing department is responsible for developing and implementing marketing strategies. The Sales department is responsible for selling the organization's products and services. The Customer Service department is responsible for providing support to customers. The organization also has a Human Resources department, which is responsible for recruiting, hiring, and managing the organization's employees. The organization is a public company, and its financial performance is reported to the public. The organization's revenue is primarily derived from the sale of its products and services. The organization's expenses include the cost of goods sold, marketing expenses, and salaries and benefits for its employees. The organization's net income is the difference between its revenue and its expenses. The organization's net income is used to pay dividends to its shareholders and to fund the organization's operations. The organization's financial performance is a key indicator of its success. The organization's financial performance is measured by its revenue, net income, and return on equity. The organization's financial performance is also measured by its market capitalization and its stock price. The organization's financial performance is a key indicator of its success.



