

**Attributes of Massachusetts Gas/Electric
“Arrearage Management Programs” (AMPs)**

2011 Program Year

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Under Massachusetts law, jurisdictional natural gas and electric utilities are required to offer “eligible low-income customers” what is referred to as an “Arrearage Management Plan” (“AMP”).¹ Pursuant to the statute (St. 2005, ch. 140, Section 17(a)), Massachusetts utilities must offer low-income customers an affordable payment plan with credits toward an accumulated arrearage to be awarded when the customer complies with the program. The statute further requires that each AMP be “coordinated” with low-income weatherization and fuel assistance agencies and services.²

Program Designs

The Massachusetts AMPs are operated under the jurisdiction of the state’s public utility commission (now called the Department of Public Utilities: DPU). The statute provides that the DPU establish standards for the AMPs, and directs that the DPU annually review each AMP operated by a gas or electric utility. The DPU is authorized to order modifications in the AMP of a utility at any time.

Since the time the DPU first adopted standards for the Massachusetts AMPs, the programs operated by each Company have been revised and refined. The initial utility filings presented substantively different program designs. According to the DPU’s Order in its proceeding considering program standards, “the Department is hesitant to set rigid program standards when even the staunchest advocates for AMPs agree that the most successful program design is, as yet, unknown. Broad and flexible standards will encourage the development of innovative and cost-effective programs.” (Final Order, Docket 05-86, at 10).

In the years that have followed that DPU order, the designs of the AMPs offered by the various Massachusetts have tended to converge. Nonetheless, program designs have not become identical. The purpose of this compilation is to present the basic attributes of each company’s AMP as filed in its 2011 annual program review before the DPU.³ A summary of program attributes for each of the eight Massachusetts utilities offering an AMP are set forth in Appendix A.

Program Outcomes

In addition to filing an annual program description, each utility operating an AMP also annually files certain prescribed information. While filed less periodically, utilities report monthly data.⁴ The most recent complete year data available as of the date of this analysis is for 2010 and is set forth in Table 1.⁵

¹ Eight utilities operate AMPs in Massachusetts.

² See generally, “Order Establishing Standards for Arrearage Management Programs for Low-Income Customers,” Docket DTE 05-86 (February 28, 2006) (Investigation by the Department of Telecommunications and Energy on its own Motion into Standards for Arrearage Management Programs for Low-Income Customers, Pursuant to St. 2005, c. 140, Section 17).

³ Each Massachusetts utility has its own annual AMP docket. Pursuant to DPU order, beginning in 2010, each utility maintains a unique AMP docket number. For example, the 2011 Columbia Gas docket was 11-AMP-01, while the 2010 Columbia Gas docket was 10-AMP-01. The 2011 docket numbers are presented in Appendix A.

⁴ For example, a utility may make an annual filing so long as it reports monthly information.

⁵ In other words, as of February 29, 2012, not all utilities have filed data for all 12 months ending December 2011.

The effectiveness of the Massachusetts AMPs in helping low-income customers become and stay free of arrears might easily be questioned based on this 2010 data. Three metrics can be derived from Table 1 presenting data from the 2010 collections reports filed each year by Massachusetts utilities:

- A comparison of the proportion of AMP accounts 60+ days in arrears to the proportion of overall number of low-income accounts receiving a discounted bill 60+ days in arrears;
- A comparison of the ratio of the number of AMP accounts exiting the program due to the successful completion of the AMP to the number of AMP accounts exiting the program for reasons other than successful completion; and
- The ratio of the average monthly number of AMP participants to the total annual number of successful AMP completions.

The proportion of low-income customers participating in AMP frequently exhibiting arrears that are greater than 60-days old is frequently higher than the incidence of 60+ day arrears in the low-income population generally.⁶ While Columbia Gas saw 80% of its AMP participants with more than 60-day arrears, “only” 48% of its low-income discount participants had arrearages in that aging bucket.⁷ While 90% of Fitchburg Gas and Electric’s electric AMP participants were more than 60-days in arrears, and 96% of its natural gas AMP accounts were, only 35% and 43% of that company’s overall low-income discount customers were that far in arrears. In contrast, Berkshire Gas and Western Massachusetts Electric Company have a lower incidence of 60+ day arrears in their AMP populations. Neither National Grid nor NSTAR report the data needed to make these comparisons.

Even after low-income customers enter the Massachusetts Arrearage Management Programs, far more customers exit the program due to payment default than exit the program for having successfully completed the arrearage reduction plan. According to the data presented in Table 1, noting NSTAR (electric) as an outlier, the *most* successful AMPs see roughly four to eight defaulting AMP accounts for each single account that successfully completes an AMP plan. Within this grouping of companies, the ratio of defaulting AMP accounts to successful AMP accounts ranged from a low of 3.90:1 for Columbia Gas to a high of 8.20:1 for Fitchburg Gas and Electric (electric). Western Massachusetts Electric Company and National Grid (natural gas) both had a marginally higher ratio of defaulting AMPs to successful AMPs (13.42:1 and 17.81:1 respectively). In contrast, the two NSTAR AMPs were substantially higher in their ratio of defaults to successes. While NSTAR (electric) experienced nearly 52 defaulting AMPs for each successful completion, NSTAR (gas) experienced nearly 70 defaults for each successful completion.

With the exception of Columbia Gas, the programs having a lower ratio of defaults to successes were the Massachusetts utilities with smaller AMP participation rates. Each of the companies

⁶ A 60-day arrears is the commonly-accepted aging of arrears at which collections becomes significantly more risky.

⁷ It is important to remember, also, that this comparison is not of AMP participants to low-income AMP non-participants. AMP participants are a subset of the broader class of low-income discount participants.

with a ratio of less than roughly eight defaults for each success (Berkshire Gas, Fitchburg Gas and Electric, New England Gas) reported a total participation of fewer than 500 low-income accounts in their respective AMPs. Columbia Gas was the exception, with a default-to-success ratio of less than 4:1 and an AMP participation rate of more than 1,000 accounts in 2010. Western Massachusetts Electric Company tended toward the middle, with a default-to-success ratio of 13.42:1 and a participation rate of nearly 2,200 low-income accounts.

Overall, the success rate of Massachusetts AMP customers was low. With a statewide average of 14,449 AMP participants in 2010, there was a 12-month *total* of only 1,378 successfully completed AMP plans. Several utilities, however, stand-out in their success rate (measured by the percent of successful completions of the average monthly participation rate):

- Columbia Gas had a success rate of 41% (423 successful completions vs. 1,026 average monthly participation);
- Berkshire Gas had a success rate of 46% (140 successful completions vs. 303 average monthly participation);
- New England Gas had a success rate of 40% (100 successful completions vs. 621 average monthly participation rate).

The other utilities, however, both gas and electric, had success rates of at or below 10% (Fitchburg Gas and Electric: 9% electric; 11% gas; National Grid: 8% electric; 5% gas; NSTAR: 3% both electric and gas; Western Mass Electric Company: 8%).

The higher success rates of the companies reported above, however, must be somewhat discounted by the lower overall participation rates. For purposes of this discussion, the “participation rate” is measured as the percentage of the average monthly participation rate of all low-income discount participants 60+ days in arrears.⁸ Columbia Gas and Berkshire Gas, for example, both of which had success rates of 40% or more, experienced an overall participation rate of only 7% (i.e., 7% of the total low-income discount participant population 6+ days in arrears entered into an AMP plan). Similarly, New England Gas, with a success rate of 40%, experienced a participation rate of only 9%. In contrast, Fitchburg Gas and Electric, with a much lower success rate, had an overall participation rate of 39% (electric) to 40% (gas). Western Massachusetts Electric Company, with a success rate of 8%, had an overall participation rate of 24%. Neither National Grid nor NSTAR reported data that would allow this calculation to be made.

While it is not clear which result (a higher participation rate with a lower success rate or a higher success rate with a lower participation rate) might be “better” from a policy perspective, the important observation for purposes here is that no Massachusetts utility operated an AMP with *both* a high success rate *and* a high participation rate.

⁸ The universal qualification for AMP is not simply a 60-day arrears, but rather an arrears of 60+ days *and* \$300 or more. The eligible population, showing the confluence of both of these two eligibility factors, is not reported.

Summary and Conclusions

Massachusetts utilities should be commended for fully implementing the statutory directive to implement Arrearage Management Programs (AMPs) for low-income customers in substantial arrears. Now with several years of operating experience, it is appropriate to begin an assessment of whether these utilities have succeeded in meeting the statutory directive that the AMPs offer an “affordable payment plan.” The Massachusetts AMPs exhibit substantial variation in the collection outcomes reported for the programs. No utility, however, reports a substantial success rate coupled with a high participation rate. Indeed, there appears to be an unexplained discontinuity between participation rates and success rates. Moreover, the default rates for all programs substantially exceed the success rates, with the *most* successful programs reporting four times more plan defaults than successful plan completions in the most recent complete year of data.

Given the mixed results, at best, for Massachusetts AMPs, it is perhaps time for a generic inquiry into what program elements can be identified as promoting successful participation by payment-troubled low-income customers in a plan that allows those customers to address their payment difficulties.

Table 1. Payment Outcomes within Massachusetts Gas & Electric Arrearage Management Programs (2010) /a/

	1	2	4-E	4-G	5-E	5-G	6	7-E	7-G	8
	Columbia Gas	Berkshire Gas	Fitchburg G&E-- Electric	Fitchburg G&E-- Gas	National Grid-- Electric	National Grid-- Gas	New England Gas	NSTAR-- Electric	NSTAR-- Gas	Western Mass Electric Co.
Average participants in Low-income discount	30,768	4,528	3,427	2,237	N/R	N/R	11,930	76,515	27,101	30,733
Avg LI discount participants 60+ days in arrears	14,720	4,047	1,200	962	N/R	N/R	2,946	N/R	N/R	8,993
Percent LI discount participants 60+ days in arrears	48%	89%	35%	43%	N/R	N/R	25%	N/R	N/R	29%
Average monthly participants with unpaid bills	14,721	3,536	2,601	1,750	N/R	N/R	4,343	32,938	11,311	8,993
Avg monthly number of AMP participants	1,026	303	464	384	2,320	766	252	5,723	1,019	2,192
12-month sum of new AMP enrollees	2,242	730	674	543	4,691	2,002	621	12,027	2,614	1,636
12-month sum of AMP exits: other than successful completion	1,651	644	361	304	188	641	476	9,862	2,092	2,470
12-month sum of successful AMP completions	423	140	44	41	190	36	100	190	30	184
Average number of AMP participants 60+ days in arrears	821	199	419	368	N/R	N/R	61	961	216	206
Percent AMP participants 60+ days in arrears	80%	66%	90%	96%	xxx	xxx	24%	17%	21%	9%
Ratio: Default exits to Success exits	3.90	4.60	8.20	7.41	0.99	17.81	4.76	51.91	69.73	13.42
Percent success to average monthly participation	41%	46%	9%	11%	8%	5%	40%	3%	3%	8%
Pct AMP participation to LI discount 60+ days in arrears	7%	7%	39%	40%	xxx	xxx	9%	xxx	xxx	24%

NOTES:

/a/ Blackstone Valley Gas reports that it no low-income customers enrolled in its AMP in 2010 and is thus excluded from this Table.

Appendix A:
Attributes of Massachusetts Gas & Electric
Arrearage Management Programs (AMPs)

Massachusetts Arrearage Management Programs (2011)

Docket		11-AMP-01	11-AMP-02
Company		Columbia Gas Company	Berkshire Gas Company
1.	Amount of downpayment required	\$0	Not to exceed 10% of outstanding balance.
2.	Length of plan	Depends on size of arrears. Must re-enroll if arrears exceed \$3,600	Minimum 12 months. Minimum \$25 forgiveness per month.
3.	Automatic enrollment	No	Yes
4.	Restrictions on months in which may enroll	None	None
5.	Minimum arrears in dollars	\$300	\$300
6.	Minimum arrears in age	60-days	60-days
7.	Impact of disconnection for nonpayment (DNP)	Must be "active" customer.	Must be "active" account currently receiving service.
8.	Income eligibility	Recipient of means-tested program or LIHEAP-eligible.	60% of SMI for household size
9.	Non-income eligibility requirements	No	Residential and "protected" customer. 60%
10.	What does it take to default	One missed payment	One missed payment.
11.	When is arrearage credit applied to bill	Monthly	Monthly
12.	Monthly cap on arrearage credits	\$300	\$250
13.	Annual cap on arrearage credits	\$3,600 (must renew AMP if more)	\$3,000 (EPP must extend beyond 12-months if more)
14.	Aggregate cap on arrearage credits	No	No
15.	How LIHEAP benefits are treated	Subtract from annual bill prior to EPP	Subtract from total bill prior to EPP.
16.	Is LIHEAP participation required	Not to enroll, but participant will be enrolled in LIHEAP after AMP enrollment.	Must enroll in all available public assistance.
17.	Minimum customer payment required	No	\$15 per month
18.	When is arrearage credit granted	Monthly	Upon timely payment.
19.	Can one "cure" missed payments	Reinstatement upon all missed payments made.	Reinstatement upon all missed payments made.
20.	Arrearage credits for cured payments	Arrearage credits as though timely paid.	May reinstate plan going-forward upon cure, but not earn past credits.
21.	Collection process upon missed payment	Must make-up all missed payments and make next payment is DNP notice has been issued.	One missed payment yields plan termination and forfeiture of AMP credits.
22.	Can customer have more than one AMP	One AMP plan per lifetime. Case-by-case exceptions considered.	One-time participation only. Case-by-case exceptions considered.
23.	Budget billing required	Yes	Yes

Massachusetts Arrearage Management Programs (2011)

Docket		11-AMP-03	11-AMP-04
Company		Blackstone Valley Gas Company	Unitil: Fitchburg Gas & Electric Company
1.	Amount of downpayment required	No	No
2.	Length of plan	Up to 36 months	12 months unless arrearage credit exceeds maximum. If arrears exceed maximum credit, plan continues.
3.	Automatic enrollment	No	No. Opt-in.
4.	Restrictions on months in which may enroll	No	No
5.	Minimum arrears in dollars	\$300	\$300
6.	Minimum arrears in age	More than two months bills	60-days
7.	Impact of disconnection for nonpayment (DNP)	Must be "active" residential customer.	Must be "active" residential customer.
8.	Income eligibility	60% of State Median Income	60% of State Median Income
9.	Non-income eligibility requirements	AND on LI discount rate	AND certified to receive LI discount.
10.	What does it take to default	Missing two months of payments.	If missed payments not made up within 30-days after notice of missed payment.
11.	When is arrearage credit applied to bill	Monthly	Monthly
12.	Monthly cap on arrearage credits	No. Credit equal to total arrears divided by length of payment plan up to 36 months.	\$100 gas or electric only \$200 gas and electric
13.	Annual cap on arrearage credits	No	\$1,200 gas only; \$2,400 gas & electric.
14.	Aggregate cap on arrearage credits	No	No
15.	How LIHEAP benefits are treated	Subtracted from total bill prior to EPP	Subtracted from total bill prior to EPP.
16.	Is LIHEAP participation required	No	No
17.	Minimum customer payment required	No	No
18.	When is arrearage credit granted	Monthly when payments made in full.	Monthly
19.	Can one "cure" missed payments	Must make up all missed payments to be reinstated to a new plan.	Must make up all missed payments. Make up all missed payments plus current payment if account subject to DNP.
20.	Arrearage credits for cured payments	No. Once reinstated, continue credits for timely payments until arrearage retired.	Reinstated if missed payments made up.
21.	Collection process upon missed payment		Upon missed payment, notice by phone and letter. If unpaid within 30-days, removed.
22.	Can customer have more than one AMP	Not stated	One-time only. Case-by-case exceptions considered.
23.	Budget billing required	Yes	No

Massachusetts Arrearage Management Programs (2011)

Docket		11-AMP-05	11-AMP-06
Company		National Grid: Boston Gas ⁹	New England Gas Company
1.	Amount of downpayment required	No	No
2.	Length of plan	Rolling 12-months until 100% arrears forgiven (given annual cap on arrearage credits)	Rolling 12-months until 100% arrears forgiven (given to annual cap on arrears credits).
3.	Automatic enrollment	No	No
4.	Restrictions on months in which may enroll	No	No
5.	Minimum arrears in dollars	\$300	\$300
6.	Minimum arrears in age	60-days	60-days
7.	Impact of disconnection for nonpayment (DNP)	Must be "active" customer	May not be DNP'd
8.	Income eligibility	Qualify for any means-tested program or be eligible for LIHEAP.	Be eligible for discount rate.
9.	Non-income eligibility requirements	None	Agree to participate in discount rate.
10.	What does it take to default	2 months of missed payments	1 missed payment
11.	When is arrearage credit applied to bill	Monthly	Monthly
12.	Monthly cap on arrearage credits	N/A	\$100
13.	Annual cap on arrearage credits	\$1,500	\$1,200
14.	Aggregate cap on arrearage credits	No	No
15.	How LIHEAP benefits are treated	Subtract benefits prior to calculating budget bill.	Subtract benefits prior to calculating budget bill.
16.	Is LIHEAP participation required	No	No
17.	Minimum customer payment required	No	No
18.	When is arrearage credit granted	Upon receipt of monthly payment.	On-time payment
19.	Can one "cure" missed payments	Yes (make up all missed payments plus current)	Yes: make up all missed payments; if in collections, make up all missed payment plus current.
20.	Arrearage credits for cured payments	Yes	Yes
21.	Collection process upon missed payment	Remove from AMP if two missed payments.	Remove from AMP if one missed payment.
22.	Can customer have more than one AMP	Only one AMP per customer.	Only one AMP per customer.
23.	Budget billing required	Yes	Yes

⁹ Mass Electric Company, Colonial Gas Company, Nantucket Electric Company, each D/B/A National Grid.

Massachusetts Arrearage Management Programs (2011)

Docket		11-AMP-07	11-AMP-08
Company		NSTAR (electric and gas)	Western Mass Electric Company
1.	Amount of downpayment required	No	No
2.	Length of plan	See, annual cap on arrears credits	12-months
3.	Automatic enrollment	Yes, but must subsequently confirm participation.	No
4.	Restrictions on months in which may enroll	No	No
5.	Minimum arrears in dollars	\$300	\$100
6.	Minimum arrears in age	60-days	60-days
7.	Impact of disconnection for nonpayment (DNP)	May not be DNP'd	Must be "active" account.
8.	Income eligibility	Must be eligible for low-income discount rate.	60% of State Median Income
9.	Non-income eligibility requirements	Must agree to participate in low-income discount rate.	No
10.	What does it take to default	2 missed payments.	2 consecutive missed payments
11.	When is arrearage credit applied to bill	Monthly	Monthly
12.	Monthly cap on arrearage credits	If arrears < \$1,000: \$100 credit per payment. If arrears > \$1,000: \$200 credit per payment.	Monthly credit is \$10 or 1/12 th of arrears whichever is greater.
13.	Annual cap on arrearage credits	See monthly payment caps.	May earn 10% additional forgiveness by attending financial literacy class.
14.	Aggregate cap on arrearage credits	No	No
15.	How LIHEAP benefits are treated	Subtract benefits prior to calculating budget bill	Subtract expected benefits prior to calculating budget bill.
16.	Is LIHEAP participation required	No	No
17.	Minimum customer payment required	No	No
18.	When is arrearage credit granted	On-time payment	On-time payment
19.	Can one "cure" missed payments	Make-up all missed payments.	Make-up all missed payments, as long as no more than two prior drops.
20.	Arrearage credits for cured payments	Yes	No
21.	Collection process upon missed payment	Remove from AMP—standard collections apply.	Remove from program.
22.	Can customer have more than one AMP	One. But electric and gas programs independent. Participation in one does not disqualify for other.	Not stated
23.	Budget billing required	Yes	Yes