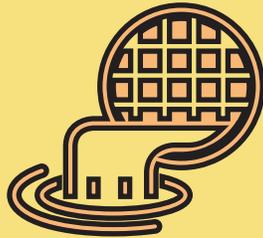


# Customer Assistance Program Recommendations

Final Draft – January 30, 2018



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# EXECUTIVE SUMMARY

Over the coming decades, the Metropolitan Sewer District of Greater Cincinnati (MSDGC) is required to make more than \$3 billion in infrastructure improvements to reduce wastewater overflows into local waterways. This sewer infrastructure upgrade program is being driven by a court ordered Consent Decree, as it is in over 300 cities across the United States, to meet the standards of water quality set by the U.S. Clean Water Act.

The increased rates necessary to pay for this come as a massive burden to MSDGC rate payers. The cost burden has manifested as an average annual increase of 7.1 percent from 2003 -2018; when sewer rates first started ramping up for Consent Decree costs to the most recent approved budget in 2018.

Other cities are experiencing this harsh reality too. Sewer rate increases in other Ohio cities are drastically rising: from 2011 - 2015, Cleveland averaged an 11.32 percent rate increase; Columbus averaged 3 percent; and Toledo averaged 3.82 percent (HCRATF, 2016).

Future rate increases for MSDGC are expected but the amount depends on the level of revenue needed for upcoming “Phase 2” Capital Improvement Projects and on-going asset management and to meet the requirements of the Consent Decree and any other new regulations.

However, there has not been a rate increase since January 2015. And beginning in mid-2016 the Board of County Commissioners (BOCC) initiated an effort to explore alternatives to address affordability. The Hamilton County Rate Affordability Task Force, formed at the request of the BOCC, delivered nine recommendations for addressing affordability concerns. Developing customer assistance programs for affordability was one of those nine recommendations.

To address delinquency, bill payment challenges and affordability, many utility entities across the nation offer **customer assistance programs** (CAPs) to help customers facing temporary and long-term financial difficulties pay for drinking water and wastewater services. CAPs can often meet the rate payers’

needs while meeting the utility’s needs and obligations. These programs vary from jurisdiction to jurisdiction and are adapted to meet the community the utility serves. Across the United States there are over 200 utilities that have some form of customer assistance for addressing affordability.<sup>1</sup> In Ohio, six utilities were identified to offer some form of a customer assistance program (CAP), including large utilities like the Cleveland and Columbus water and sewer utilities.

Currently, MSDGC only offers one form of a CAP, a payment plan program administered by the Greater Cincinnati Water Works, the billing agency for MSDGC, which will be altered when the billing switches to monthly on January 1, 2018. Under monthly billing, there will be a new form of payment flexibility called “extensions”, which will only offer a two week extension of payment due date for customers with affordability issues. New customer assistance tools are needed to address growing affordability concerns.

<sup>1</sup> (USEPA, Drink Water and Wastewater Utility Customer Assistance Programs, 2016)



This document does not address the overall utility affordability issues associated with complying with wastewater regulations, or any of the other Hamilton County Rate Affordability Task Force recommendations except to develop and recommend CAP alternatives for customers that have difficulty paying for sewer services.

The Greater Cincinnati Water Works (GCWW) participated in the CAP working group and was a great help in its development. The GCWW administers billing for MSDGC so their involvement is essential to designing an affordability program. While this document focuses on CAPs for sewer rate affordability, the GCWW has an interest in CAPs also, and their involvement will undoubtedly help with that endeavor.

#### **Discount Rate CAP**

The most common type of CAP in Ohio is a discount rate to qualified low-income customers or senior citizens. Cleveland, Columbus and Toledo utilities all offer a discount rate CAP of some form. The advantage of a discount rate program is that it assists qualified low-income customers on a regular monthly/quarterly basis. ***It is proposed that MSDGC adopt a discount rate program based on low-income or permanent disability with a 40 percent discount of the total wastewater bill.*** The 40 percent discount number is based on Ohio utilities with similar fees and discount rate CAP programs.

In the recommendations of this report, the (1) senior citizens and permanent disabilities program and the (2) low-income households program appear as two separate CAP programs but have the same income qualifier of a household income at or below 175 percent of the Federal Poverty Level. Both programs offer the same 40 percent discount off the total wastewater bill. It is anticipated that there will indeed be overlap in eligibility, but this does not mean double discounts. The low-income program

would capture the low-income senior citizens and permanent disabilities population (estimated 10,000 people) plus additional low-income households (5,000-10,000 more) that have their name on the bill. This would not include low-income renters on multi-metered accounts, although a CAP may be considered for this purpose in the future.

Also, these programs were separated (as it was done in Cleveland, OH and elsewhere) to make adjustments easier. These potential adjustments would be primarily based on current and future programmatic goals set by “decision makers”<sup>2</sup> with the eligibility and discount rate being the key modifiers.

#### **Emergency Assistance Program**

A emergency assistance program helps with common unforeseen financial challenges, which sometimes might send a family “at-risk” of poverty over the line into poverty. ***This program would provide a one-time assistance payment per six-month period of up to \$150. The amount of \$150 was chosen because it was the same amount as Cleveland’s program.*** Payments less than \$150 can not be “banked” by the applicant for future months. The applicant must lack the funds to make utility payments due to a specific hardship cause, including a health emergency, a loss of employment or income, a change in family composition or marital status, recent victims of domestic violence, or any other unforeseen documented situations.

The working group proposes that MSDGC fund the direct assistance “crisis” program with an annual budget of \$1,000,000. Given the current structure, this would allow about 6,600 “instances” of this program or 2.8 percent of total customer base. Any remaining funds would be ‘returned’ to MSDGC at end of

<sup>2</sup> Currently, the Hamilton County Board of County Commissioners recommends policy and approves the budget for MSDGC, although the formation of an appointed oversight board was a recent suggestion

year. A customer may be in one of the two discount programs and also eligible for a direct assistance “crisis” program help. Other details of this program are highlighted within this document.

#### **Total Costs**

Program costs for a discount program change with participation rates. ***For the discount rate program the working group estimates a 20 percent participation rate of approximately 30,000 eligible applicants helping approximately 6,000 people annually better afford their sewer service. The crisis assistance program can help up to 6,600 instances of qualified crisis per year. Together, the total program cost is \$2,279,520 per year with an impact on rate revenue of 0.84 percent.*** The loss in revenues would be absorbed by all ratepayers.

#### **Implementation**

There are other issues that will need to be worked out as detailed further in this document before these programs can be implemented. Aspects of administering a CAP is not a core service of a utility and can be better handled by an external agency. Direction from County leadership will mean exploring some of the granular or complex administration details further. The other major unanswered question is how to handle the CAP in jurisdictions that do their own bill collection for water/sewer. The working group did not want to move forward on this without further direction from County leadership.

***If a discount-rate or emergency assistance program is chosen the working group would like to see it implemented by early 2019.*** This is just an estimation but not a guaranteed date because major decisions that will shape the scope of the CAP have yet to be made. This estimation is based on the CAP program(s) needing to be part of the annual budget process.

## PROJECT SCOPE

In May 2017, The Planning + Development Department of Hamilton County was tasked with creating a work group to further develop the recommendations of the Hamilton County Rate-payer Affordability Task Force (HCRATF) with respect to customer assistance program development. The final goal being to deliver three alternatives for local customer assistance programs to the Board of County Commissioners (BOCC).

## CUSTOMER ASSISTANCE PROGRAM WORKING GROUP

The following individuals and organizations were members of the working group or were interview participants in the process of developing the final recommendations of this report. This does not represent an explicit endorsement of the reports recommendations.

<b>Names</b>	<b>Agencies</b>
Gerald Checco	Metropolitan Sewer District of Greater Cincinnati
MaryLynn Lodor	Metropolitan Sewer District of Greater Cincinnati
Verna Arnette	Greater Cincinnati Water Works
Gary Wiest	Greater Cincinnati Water Works
Brian Wamsley	Hamilton County Planning + Development
Steve Johns	Hamilton County Planning + Development
Michael Golden	Hamilton County Planning + Development
Sam Hoffman	Hamilton County Planning + Development
Michael Friedmann	Hamilton County Prosecutors Office
Karen Ball	Hamilton County Utility Oversight
Jennifer Bieger	United Way of Greater Cincinnati
Mary Metzmeier	Communities United for Action
Dianne Dozier	Community Action Agency
Mark Lawson	Legal Aid Society of Greater Cincinnati
Ashley Richardson Butler	Legal Aid Society of Greater Cincinnati
Charles Tassel	Greater Cincinnati Apartment Association
Cindy Givens	Duke Energy
David Spatholt	Hamilton County Community Development
<b>Interviews</b>	
Jeniece Jones	Housing Opportunities Made Equal
Lesley Wardlow	Cincinnati Metropolitan Housing Authority
<b>Technical Assistance</b>	
Pam Lemoine	Black & Veatch

# HAMILTON COUNTY RATE AFFORDABILITY TASK FORCE

The Hamilton County Rate Affordability Task Force was created to evaluate the rate structure of the Metropolitan Sewer District of Greater Cincinnati (MSD) and recommend preferred alternatives to the Board of County Commissioners (BOCC) for improving the affordability and equity of the current rate structure. The Task Force held nine meetings between September 2015 and May 2016.

A menu of nine recommendations was developed for consideration by the Board of County Commissioners. One of these recommendations called for development of a customer assistance program to assist vulnerable populations challenged by the cost.

Two types of customer assistance program were suggested by the Task Force:

1. **Discount Program** - provides a percentage discount for eligible residents;
2. **Emergency Funding Program** - provides a credit for residents that have a verifiable hardship.

## Population Projection



Hamilton County started losing population in the 2000 Census, but the City of Cincinnati has been losing population since the 1950's. This population shift is part of a larger trend of Midwest "rust-belt" cities' decline. What it means for sewer affordability is that the demand for sewer service is not expected to dramatically increase, and cost of service is expected to be spread amongst a smaller customer base. Therefore, the primary means to paying for increased costs for court ordered sewer fixes is through rate increases on current customers.

## Sewer Rate Increases

In February 2002, the City and County entered into the Interim Partial Consent Decree on Sanitary Sewer Overflows with the US EPA, and a Global Consent Decree in 2004 for Combined Sewer Overflows, which is when sewer rates started to rise. Sewer rates for MSD between 2003 and 2018, had an average annual rate increase of 7.1% and a cumulative growth rate of 195.6%, even with no increase for 2016-2018. Many people have concerns that this is only temporary as the County explores affordability measures.



## Customer's Perspective

Customers of MSD may not understand why their own sewer bills are rising so fast each year. But they are concerned with making enough income to provide for basic needs, including not losing access to such a valuable service.



Average Annual MSD Bill

**\$660**

Based on 17.13 CcF/quarter as determined by UC Economics and 2017 rates

# WHAT IS A CUSTOMER ASSISTANCE PROGRAM?

The basic definition for a customer assistance program (CAP) is any organized effort to help payment-troubled customers. These programs help households address issues with affordability and help protect public health throughout the community. They also help to ensure the utility can sustainably provide its core services, price services appropriately, and preserve a broad customer base.

There are many types of Customer Assistance Programs. Here is a list of the five most common:

**Bill Discount** – Utilities reduce a customer’s bill if they qualify, usually based on income threshold or senior status. Discount is usually a “percentage off” the total bill, but could be calculated other ways.

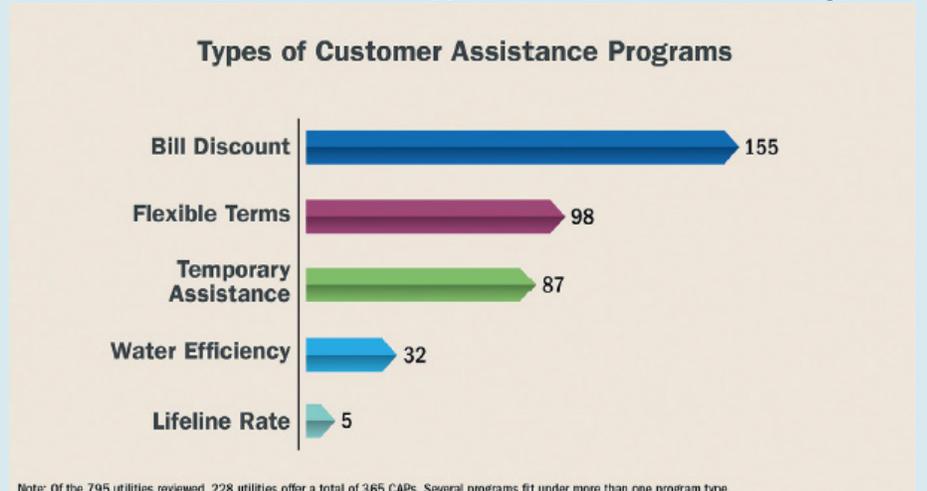
**Flexible Terms** – Utilities help customers afford services and pay bills through arrearage forgiveness.

**Lifeline Rate** – Customers pay a subsidized rate for a fixed amount of water, which is expected to cover that customer’s basic water needs. When water use exceeds the initial fixed amount of water the rate increases.

**Temporary Assistance** – Utilities help customers on a short-term or one-time basis to prevent disconnection of service or restore service after disconnection for households facing an unexpected hardship (e.g. death, job loss, divorce, domestic violence).

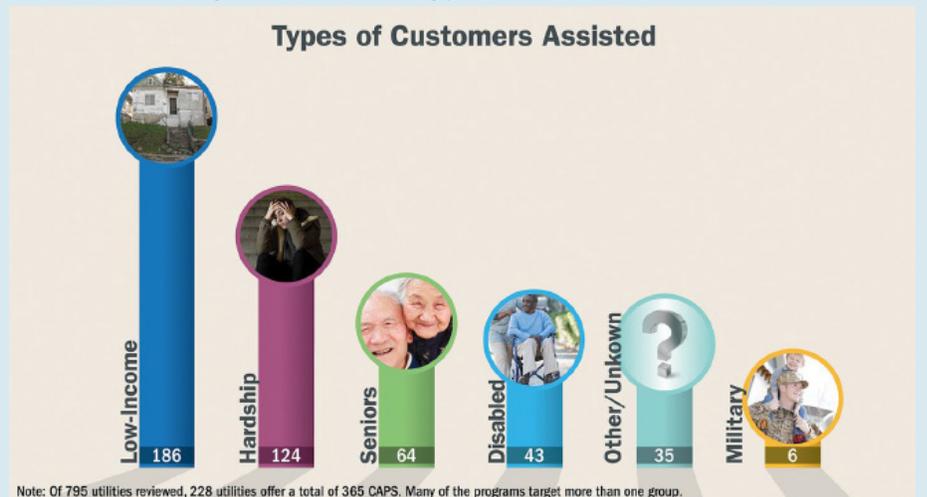
**Water Efficiency** – Utilities subsidize water efficiency measures by providing financial assistance for leak repairs and offering rebates for WaterSense-certified fixtures, toilets, and appliances.

**FIGURE 1.** Survey of Utilities and Types of Customer Assistance Programs



Note: Of the 795 utilities reviewed, 228 utilities offer a total of 365 CAPs. Several programs fit under more than one program type.  
Source: USEPA, “Drinking Water and Wastewater Utility Customer Assistance Program. April 2016

**FIGURE 2.** Survey of Utilities and Types of Customers Assisted



Note: Of 795 utilities reviewed, 228 utilities offer a total of 365 CAPs. Many of the programs target more than one group.  
Source: USEPA, “Drinking Water and Wastewater Utility Customer Assistance Program. April 2016

Of these five program types; “Figure 1. Survey of Utilities and Types of Customer Assistance Programs” shows that bill discount is the most popular CAP of 228 utilities surveyed in the USEPA report. Flexible terms and temporary assistance are the next most common, while water efficiency and lifeline rates are less common among U.S. utilities. In “Figure 2. Survey of Utilities and Types of Customers Assisted”, the types of customers assisted by these programs are typically low-income but can also be targeted towards those with verifiable “hardships”, seniors, disabled, military, domestic violence victims, and others.



# OHIO WATER AND WASTEWATER ASSISTANCE PROGRAMS

A good place for the CAP working group to start was looking at Ohio’s existing CAP programs. This scan gave us a sense of where to start if we wanted to provide our citizens the same level of services as some of our peer cities in the State. Generally speaking, we believed we would be more likely to get technical assistance and advice on CAP development from employees at utilities in close proximity. Also, by looking at existing state programs we will better align our local program with state codes or regulations which could potentially limit our options.

**FIGURE 3.** Ohio Utilities Response to USEPA Customer Assistance Program Survey by Program Type

Name of Utility/Agency	Population Served	Bill Discount	Flexible Terms	Lifeline Rate	Temporary Assistance	Water Efficiency
Ashland Ohio Water Billing Department	21,249	●				
City of Canton	186,357	●				
Cleveland Division of Water	1,262,955	●				
Northeast Ohio Regional Sewer District	993,251	●			●	
City of Columbus Department of Public Utilities	1,051,995	●				
City of Dayton Department of Water	141,527		●			
Montgomery County Water Services	164,307		●			
Toledo Department of Public Utilities	360,000	●	●			

Source: USEPA, “Drinking Water and Wastewater Utility Customer Assistance Program. April 2016

### **Takeaways From Columbus And Cleveland Customer Assistance Programs**

Speaking with administrators from both Columbus and Cleveland provided valuable insight on the benefits and drawbacks of administering a customer assistance program internally or externally. Additionally, from these conversations we were able to benchmark approximately how many individuals we may expect to enroll in a customer assistance program. Both cities are expecting to have 4,000 or more individuals enrolled in their customer assistance programs. The following pages on Columbus and Cleveland are summaries of our interviews.



## CITY OF COLUMBUS DEPARTMENT OF PUBLIC UTILITIES

Location	Department	Population Served	First Year Implemented
Columbus, OH	Department of Public Utilities	1,051,995	2005

<b>Senior Discount Program</b>	Targeted Audience:	Low-income Seniors
	Type:	Bill Discount
	Description:	Provides a discount on water service charges for eligible senior citizens
	Eligibility:	<ul style="list-style-type: none"> <li>At least 60 years of age</li> <li>Have an active City of Columbus water account in applicant's name (or spouse's)</li> <li>Live in a single-family home with one water meter</li> <li>Household income must be less than 150% of the federal poverty guidelines starting at \$18,474 per year for 1 person per household to \$68,652 per year for 9 person household</li> </ul>

<b>Low-income Water and Sewer Discount Program, Single-Family Property</b>	Targeted Audience:	Low-Income
	Type:	Bill Discount
	Description:	Provides a 20% discount on water and sewer consumption charges
	Eligibility:	<ul style="list-style-type: none"> <li>Household income must be less than 150% of the federal poverty guidelines starting at \$18,474 per year for 1 person per household to \$68,652 per year for 9 person household</li> <li>Applicant must be currently enrolled in one of the following low-income programs: Supplemental Nutrition Assistance Program (food stamps), Ohio Medicaid, Low-income Energy Assistance, Home Energy Assistance (HEAP), Ohio Works First, or public housing benefits</li> </ul>

<b>Low-income Water and Sewer Discount, Multi-Unit/Master Metered Properties</b>	Targeted Audience:	Low-Income Multi-Unit/Master Metered Property
	Type:	Bill Discount
	Description:	Provides a 20% discount on water and sewer consumption charges
	Eligibility:	<ul style="list-style-type: none"> <li>Property owner or agent bills tenants/renters for water and sewer services (i.e., lease states tenant pays for water/sewer services)</li> <li>At least 80% of the units have a household income less than 150% of the federal poverty guidelines starting at \$18,474 per year for 1 person per household to \$68,652 per year for 9 persons per household, or are currently enrolled in one of the following low-income programs: Supplemental Nutrition Assistance Program (food stamps), Ohio Medicaid, Low-income Energy Assistance, Home Energy Assistance (HEAP), Ohio Works First, Social Security Disability, Subsidized or public housing benefits, or other similar program approved by the Director of Public Utilities</li> </ul>



## **Additional Program Details**

### **Program Funding and Structure**

The City of Columbus Department of Public Utilities introduced their customer assistance programs through an internal administrative process in 2005. Utility leadership felt that helping those who had trouble paying their bill was an important business mission with many social benefits.

Funding for their CAPs comes from the general funds collected from rate payers. Currently, there are approximately 4,000 Columbus residents enrolled in the various customer assistance programs provided. Somewhat unexpectedly because of the low participation of the potential applicant pool, the main expense for the Columbus CAP programs have been the costs of administration and not the revenue loss. Since the Department of Public Utilities implemented their CAP initiatives, they have shifted their bill discount from 15% to 20% to make it more appealing in hopes of increasing participation.

### **Administrative**

Administrative duties include processing applications, answering incoming telephone calls from interested participants, and once a month a report is generated detailing applications that have been renewed, denied, and accepted. These responsibilities are mainly done through the department's Utility Service Coordinator, CSR department, and billing staff. It is also worth noting that the Public Utilities Department did not have to hire additional staff to administer their customer assistance programs. However, officials said that their Public Utilities Department works closely with outside agencies that provide services to individuals around similar causes.

### **Community Engagement**

The Columbus Department of Public

Utilities incorporates community engagement in a variety of ways to market their CAP initiatives. These strategies include advertisement via social media, word of mouth, and flyers at key locations. Once a year, a utility update letter is sent out to residents living in the Department of Public Utilities service area. In this letter, an application to apply to any of the customer assistance programs is included. Additionally the department sends applications directly to senior centers to promote their Senior Discount program. Lastly, to engage the public, the Department of Public Utilities sends representatives to Neighborhood Pride Events that are located in communities throughout the City. The City's Neighborhood Pride Program is the Mayor's initiative to engage city officials and the public to work towards safer and cleaner neighborhoods. More information regarding the Neighborhood Pride Program can be found at [www.columbus.gov/neighborhood-pride/](http://www.columbus.gov/neighborhood-pride/).

### **Reaching the Renters**

After speaking with the Department of Public Utilities we found that reaching the renter population poses as a potential barrier.

Currently, landlords will call the Department of Utilities to request the customer assistance program on behalf of the renter. While some landlords will make this request, there are a great deal of landlords who do not actively request any of the discount programs due to the application process. Public utilities officials noted that many of the landlords do not like to complete the paper work to enroll their tenants into a program. Additionally, officials noted the issue of regulation and ensuring the discount program is actually reaching the renter. To help combat this issue, the department is attempting to reach

renters through bills. It should also be noted that landlords are also responsible for covering the utility bill if a tenant decides to move without paying. Currently, the Public Utilities Department has no way to reach the renter if they decide to move. Officials noted that it is the landlord's responsibility to conduct a credit check prior to renting to a tenant.

### **Challenges**

One major challenge was the required update to their billing system, to allow the new customer class field. Another challenge the department experienced was gathering data regarding age and income to help reach potential customers. Other challenges included adjusting their phone system for the new program, marketing their programs to new communities, and reaching customers in general.



## NORTHEAST OHIO REGIONAL SEWER DISTRICT

Location	Department	Population Served	First Year Implemented
Cleveland, OH	NE Ohio Regional Sewer District	993,251	2006

<b>Homestead Rate Program</b>	Targeted Audience:	Low-income Seniors, Low-Income Disabled Persons
	Type:	Bill Discount
	Description:	Offers a rate discount of 40% on wastewater charges to the elderly or disabled
	Eligibility:	<ul style="list-style-type: none"> <li>At least 65 years of age, or anyone under 65 who is totally disabled</li> <li>Household income must not exceed \$32,000</li> <li>Customers must own the property in which they live</li> <li>Property must be within the Sewer District's service area</li> </ul>

<b>Wastewater Affordability Program</b>	Targeted Audience:	Low-Income
	Type:	Bill Discount
	Description:	Offers a rate reduction of 40% on sewer charges. Customers enrolled in this program are automatically enrolled in Cleveland Division of Water's affordability program (drinking water).
	Eligibility:	<ul style="list-style-type: none"> <li>Household income at or below 200% of the federal poverty guidelines</li> </ul>

<b>Sewer Crisis Assistance Program</b>	Targeted Audience:	Financial Hardship
	Type:	Temporary Assistance
	Description:	Offers credit of 50% of the outstanding sewer balance (up to \$300.00) to customers once in a 12-month period. This task is administered by the Cleveland Housing Network
	Eligibility:	<ul style="list-style-type: none"> <li>Must have experienced an emergency in the past 6 months such as major medical expenses not covered by any other source (e.g., jobless, separation/divorce, or death of a household member)</li> <li>Has not received assistance within the last 12 months</li> <li>Contact the Cleveland Housing Network for more information</li> </ul>



## CLEVELAND DIVISION OF WATER

<b>The Homestead Discount Program</b>	Targeted Audience:	Low-Income Seniors, Low-Income Disabled
	Type:	Bill Discount
	Description:	Provides a lower fixed charge and consumption rate on water bill
	Eligibility:	<ul style="list-style-type: none"> <li>At least 65 years of age, or totally and permanently disabled</li> <li>Own and live at the property</li> <li>Income less than \$32,500</li> </ul>

<b>The Affordability Program</b>	Targeted Audience:	Low-Income
	Type:	Bill Discount
	Description:	<ul style="list-style-type: none"> <li>Offers a 40% discount on all standard water charges. This includes both the quarterly fixed cost recovery charge and the consumption charge</li> <li>Customers enrolled in this program are automatically enrolled in Northeast Ohio Regional Sewer District's affordability program (wastewater)</li> <li>Administered by the Cleveland Housing Network</li> </ul>
	Eligibility:	<ul style="list-style-type: none"> <li>At least 65 years of age, or totally and permanently disabled</li> <li>Own and live at the property</li> <li>Income less than \$32,500</li> </ul>



## **Additional Program Details**

### **Program Growth**

The Northeast Ohio Regional Sewer District (NEORS) and the Cleveland Division of Water (CDW) entities introduced their customer assistance programs in 2007. In this first year of operation, there were roughly 1,000 people enrolled in CAP related programs. As of today (ten years later) there are around 3,700 customers enrolled in a CAP related program and officials are projecting 4,000 individuals to be enrolled for their next fiscal year starting in 2018.

### **Administrative Cost**

Both the NEORS and CDW's CAP initiatives are externally contracted out to the Cleveland Housing Network. Administrative costs are negotiated separately by each entity with the Cleveland Housing Network. NEORS contributes roughly \$150,000 for their CAP initiatives and the CDW contributes \$120,000. The Cleveland Housing Network's administrative staff for just the CAP program is four full time staff members.

### **Administrative Duties**

Administrative duties include meeting with potential participants one on one to cover application and program details,

processing applications, and answering incoming telephone calls from interested participants. When an individual is denied enrollment to a customer assistance program, Cleveland Housing Network staff members provide a list of organizations and resources that can assist individuals in need. Officials also noted that they have recently converted to a paperless process where every CAP document is scanned and uploaded to their database.

### **Reporting**

To monitor this program, a weekly report is created and sent to NEORS and a monthly report to CDW. These reports show the number of applications that have been renewed, denied, and accepted. The utilities wanted to know the number of applications denied and for what reasons to plan for future program iterations.

### **Targeted audience**

After speaking with the Cleveland Housing Network administrators we learned that the criteria to enroll in any of their CAP programs were set by both the NEORS and CDW. One factor that led to a quicker adoption of their CAP initiatives was the fact that the CDW already had an assistance

program for seniors. City officials then wanted to look to develop an assistance program to reach Cleveland's low-income population. Hence, the assistance programs implemented in this region were targeted to reach individuals at or below 200% of the Federal Poverty Guidelines. To reach this population, Cleveland Housing Network administrators work with individuals who are already enrolled in their crisis program, PIPP, and HEAP programs. These pre-existing programs are also used to help pre-qualify individuals into the Cleveland Housing Network customer assistance programs.

### **Challenges**

Cleveland Housing Network administrators mention that they are struggling to reach individuals prior to their water being shut off. It is worth noting that none of the current assistance programs provided by the Cleveland Housing Network give direct cash assistance to individuals. In turn, individuals who contact Cleveland Housing Network after their water is turned off have to wait until the next business day to regain water access.



## LOCAL LOW-INCOME ASSISTANCE PROGRAMS

Programs currently exist within the local region that give eligible customers access to reduced rates or payment assistance to put towards their local utilities. In preparation of this report, the Department of Planning + Development reviewed a variety of programs that address customer assistance related to utilities. From this research we have composed a brief summary of these programs below.

### HOMESTEAD EXEMPTION PROGRAM

The homestead exemption allows low-income senior citizens and permanently and totally disabled Ohioans, to reduce their property tax bills, by shielding some of the market value of their homes from taxation. The exemption, which takes the form of a credit on property tax bills, allows qualifying homeowners to exempt up to \$25,000 of the market value of their homes from all local property taxes. The annual savings for those who qualify for the homestead exemption is approximately \$400.00. Also, military veterans with service-connected disabilities are eligible for an enhanced Homestead Exemption.

This Program has been around since the 1970's but it has changed the eligibility requirements from time to time. Most notably, from 2007-2014 income was not a requirement for the program, and those enrolled before 2014 have been grandfathered in. These individuals who are grandfathered in do not have to report income.

According to the Hamilton County Auditor's Office (June 2017 phone call), in Hamilton County, approximately 46,000 people are currently enrolled for the Homestead Exemption. However, the inclusion of all seniors during 2007-2014,

and not just low-income eligible, warrants additional consideration in use for customer assistance program analysis.

### PERCENTAGE OF INCOME PAYMENT PROGRAM (PIPP) PLUS

The Percentage of Income Payment Program (PIPP) Plus enables eligible households to maintain their gas and electric service by paying a percentage of their household income. Customers that participate in PIPP Plus make monthly payments that are more affordable on a year-round basis. If the monthly PIPP Plus payments are made on-time and in-full, some of the customer's old debt and the rest of that month's bill will be eliminated in the form of credits on their utility account. Additionally, customers could be free of old utility debt at the end of two years participating in the program.

To meet the requirements for the PIPP, customers must reside in Hamilton County, include proof of income for the past 90 days, provide current utility bills and earn a gross household income at or below 150 percent of the Federal poverty guidelines. As of September 2016, customers must also show proof of citizenship. Currently, this program is administered by the Cincinnati & Hamilton County Community Action Agency on behalf of the Ohio Development Services Agency. Customers can enroll in the PIPP Plus program through this agency or through the local library and mail it to the Ohio Office of Community Services.

According to the Community Action Agency's 2015-2016 annual report there were approximately 13,840 households receiving assistance through PIPP. Once

a customer is enrolled in the program, a PIPP Plus installment amount is determined. If the customer heats their home with natural gas, their installment amount will be 6 percent of their monthly household income. A customer's payment to their electric company will also be 6 percent of their monthly gross household income. Lastly, if a customer heats their home with electricity, their PIPP Plus installment amount will be 10 percent of their monthly household income.

### HOME ENERGY ASSISTANCE PROGRAM (HEAP)

The Home Energy Assistance Program (HEAP) is a federally funded program administered by the Community Action Agency on behalf of the Ohio Development Services Agency. This program is designed to provide assistance to families who are having difficulty paying their utility bills. There are currently three types of HEAP assistance available. The first form of assistance is the regular HEAP program, which assist residents with paying their utility bills. The local Community Action Agency noted for their 2015-2016 year that there are 10,473 households receiving regular HEAP assistance.

The other two types of HEAP programs are known as the Summer Crisis Cooling and Winter Crisis Heating Programs. The Summer Crisis program runs between July-August and is designed to help families stay cool and keep the power on to ensure that refrigerated medicines are kept cold and other health related equipment can continue to operate. Additionally households may receive fans, air conditioners, and utility assistance for qualified applicants.



There are approximately 441 households utilizing this program. For the Winter Crisis Heating Program, there are 9,264 households that receive assistance to pay their heating bills during the winter months.

Qualified customers are required to earn a household income at or below 175 percent of the Federal Poverty Guidelines. The benefit is applied directly to a customer's utility bill. The amount of the benefit is determined by the number of people in the household, heating source, and the region of residence. For the 2016-2017 year, there is an estimated amount of 40,000 households that are receiving assistance through all three HEAP assistance programs.

## **HOME WEATHERIZATION ASSISTANCE PROGRAM (HWAP)**

The purpose of the Home Weatherization Assistance Program (HWAP) is to enable households to become more energy efficient and to reduce their utility bills in the process. Households enrolled in this program receive a home audit to identify the services needed to improve their home's energy efficiency. Currently, this program is administered by People Working Cooperatively (PWC) to service Hamilton County residents on behalf of the State of Ohio. PWC offers the following services to Hamilton County residents: energy audit, furnace cleaning and tuning, installation of weatherization materials, compact fluorescent light bulbs, health and safety check of all combustion appliances in home, and energy education tips.

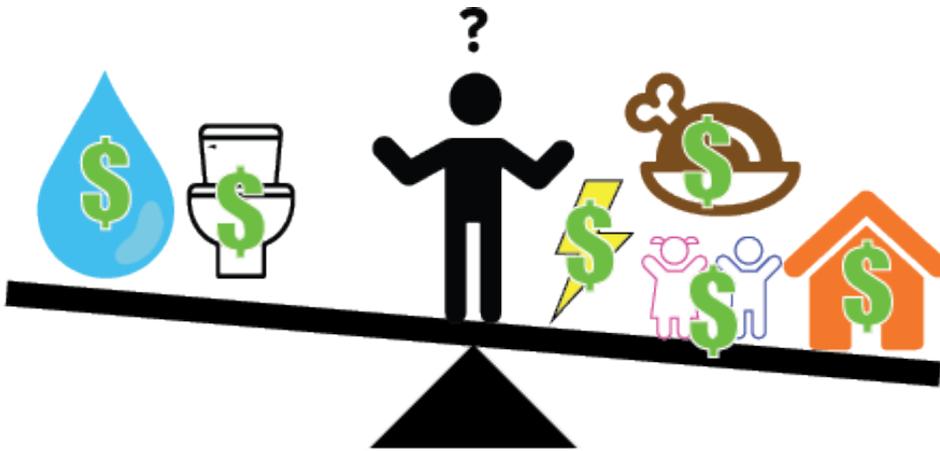
To enroll in HWAP, residents must earn a gross income at or below 200 percent of the Federal Poverty Guidelines to be eligible for this program. Priority

is given to residents that are 60 years of age that are older, with disabilities, families with children residing in the home, and households with high energy usage. HWAP also has a pre-qualification process if an individual is enrolled in either of the following programs within the last 12 months: Supplemental Security Income, Temporary Assistance for Needy Families, or the Home Energy Assistance program.

## **DUKE ENERGY - LIFE SUPPORT**

Duke Energy currently offers the Life Support Program, which is design to assist customers who rely on electrically powered life support equipment. The Duke Energy Life Support program offers participants the access to gain information regarding scheduled power outages and priority after all emergencies are address to regain electricity in their home.

# WHY DO WE NEED A CAP?



The need for a CAP is measured by the benefits it provides to both the utility, customers, and greater community. This section will delve deeper into the need for a CAP program locally.

## UTILITY BENEFITS

From the utilities perspective, a fair and comprehensive customer assistance program should lead to reducing the number of accounts in delinquency and heading for shutoff and may also enable these additional benefits:

- Opportunity to practice social and corporate responsibility
- Improves public relations
- Improves financial health
- Greater cost recovery
- Less administrative time spent on billing

One major reason for establishing a customer assistance program is because the existing rate payers are already subsidizing the loss in revenues of non-payers through increased service costs in subsequent years. The Water Research Foundation states “In the standard commercial approach to collections, much collections effort is wasted and costs of excessive disconnections, re-connections, and write-offs are incurred with no means of recovery except through the very same

mechanism of cross-subsidy by full-paying customers” (WRF, 2010).

Water and sewer services in Hamilton County, Ohio are run by not-for-profit government institutions and the cost of disconnections, re-connections, and write-offs are not a value-added service for the community. If the usage of these services can be reduced through a CAP, it will be reducing “inefficiency” in the collections process, becoming a net-gain for the utility and customers.

## CUSTOMER BENEFITS

A customer assistance program could give access to those who cannot afford the essential services of water and sewer. The other customer benefits of a CAP include:

- Avoid health threats
- Avoid inconvenience
- Avoid the stigma of water service disconnection
- Avoid penalties and fees that compound the problem for low-income customers
- Avoid bad credit penalties for non-payment

Although it may be taken for granted, water is a necessity for the overall health and hygiene of our County. By giving those who cannot afford this essential

service a more affordable option, it might allow them to have the hygiene that allows them to keep their job, place of residence, kids in school, a baby healthy or other things taken for granted.

## COMBINED BILLING

With the Metropolitan Sewer District of Greater Cincinnati and Greater Cincinnati Water Works, the water and sewer costs appear on the same bill and are collected together. So to the customer who is challenged with deciding which bills to pay to make ends meet, choosing not to pay for either water or sewer is not an option.

While this combination enhances collection rates for the utilities and the ease of bill payment for the customer, the downside is that the recent rate increases for sewer might lead to greater rates of water disconnection.

## COMMUNITY HEALTH

**“Water is life. Sanitation is dignity.”**

Providing adequate access to clean water and means for sewage disposal is a fundamental need for the overall health and safety of our society. The lack of access to sanitation and the means of good hygiene is an assault against human dignity.

The benefits of water and sewage disposal are enormous; and the lack of these resources to individuals too severe. Water is necessary for cooking, bathing, hydration and much more. Sewage disposal is necessary to the community for preventing dangerous vector borne diseases. Household sanitation impacts educational access and economic productivity. Cultural and workplace norms place high emphasis on clean clothes and hygiene. It is in the best interest of our community to ensure that access to water and sewage disposal is affordable for all.

**Heat Stress:** Extreme summer heat is increasing in the United States, and climate projections indicate that extreme

heat events will be more frequent and intense in coming decades. Extremely hot weather can cause illness or even death. Hamilton County had 25 Days with maximum temperatures above 90°F during May-September 2013. Every year, 618 people in the United States die from extreme heat (Center for Disease Control and Prevention, 2017). Between the years 2000-2015, Hamilton County, Ohio experienced 28 deaths due to exposure to excessive natural heat (Center for Disease Control, National Center for Health Statistics).

Prevention of heat stress is strongly associated with drinking water often, so not having access to water due to service disconnection should be a concerning issue. Water is also used recreational for cooling down, especially by children. Ensuring continuous water and sewer service should be a high priority for our communities. Customer assistance programs can help to make sure that those in need can afford it.

## ENVIRONMENTAL JUSTICE

Environmental justice issues exist when disproportional environmental burdens fall on disadvantaged communities. The U.S. EPA and World Health Organization define environmental justice as the fair treatment and meaningful involvement of all people regardless of race, color, national origin or income, with respect to the development, implementation and enforcement of environmental laws, regulations and polices.

In Cincinnati, there is documented research indicating exposure to environmental burdens is correlated to income and race. The U.S. Communicable Disease Center (CDC) has a tool called Environmental Public Health Tracking (<http://ephtracking.cdc.gov>) that is a dashboard of environmental health concerns down to the county geography. This dashboard shows that Hamilton County has higher rates compared to the nation for asthma, air-quality (ground level ozone & particulate

**FIGURE 4. COMPARISON OF QUARTERLY BILLS FOR 2017 SEWER RATES**

Cincinnati	Cleveland	Columbus	Toledo
\$165.16	\$153.15	\$83.38	\$127.91

Note: Billing volume based on 17.13 CcF residential account  
SOURCE: (Lemoine, P., Black and Veatch, 2017)

matter), and more. The EPA also has an environmental justice tracking tool called EJ Screen (<https://www.epa.gov/ejscreen>). Using the EPA's EJ Screen, you could look at predominantly low-income communities within Hamilton County to see that there is a relationship to environmental hazards such as: proximity to hazardous waste, proximity to water waste dischargers, proximity to Superfund sites, predominance of lead paint, proximity to major air polluters, and more.

For the combined sewer overflow outfall locations in Hamilton County, the majority of them happen in older neighborhoods that are predominantly low-income communities. So not only do these communities bear the rising costs to fix the problem but the environmental burden that is created by the larger community. The community that is most challenged to pay is most affected by the negative health effects and unpleasant odors.

## FALLING BEHIND

Eight utilities in Ohio already have some form of a customer assistance program. **Three of the four largest cities in the state have a low-income assistance program for their wastewater customers, with MSDGC being the only one without a customer assistance program.** To make matters more urgent, MSDGC has the highest average quarterly sewer bill of these four, as shown in "Figure 4. Comparison of Quarterly Bills for 2017 Sewer Rates". This table compares rates of these four utilities based on a 5/8" meter and 17.13 CcF/quarter.



# POVERTY IN HAMILTON COUNTY

The national poverty level is a measure used by Federal agencies for statistical purposes and program administration. It is dependent on household size; a 2 person 2 child household has a poverty level of \$24,036 in 2015. Hamilton County’s population that falls under the poverty level is 143,778 or 18.3% of the County’s population. For comparison, the Ohio poverty rate is 15.8% and the U.S. poverty rate is 15.5% (Ohio Development Services Agency, February 2017).

### Poverty is Getting Worse

The number of Hamilton County families in poverty increased by more than the national rate, by 43% in Hamilton County compared to 33% nationally. The overall poverty rate in Hamilton County increased by 12% to 18% since 2000, and is slightly higher than statewide and national poverty rates (Community Building Institute, 2017, p. 6).

### A Utility Debt Could Prevent Federal Housing Assistance

Housing Choice vouchers offer a rent subsidy that is calculated by a local public housing agency. The subsidy is generally the gross rent for the unit minus 30% of monthly income. For those utilizing Housing Choice vouchers, the cost of utilities is often more than the cost of the tenant paid portion of rent (Dozier & Wamba, 2016). Low-income and homeless individuals may be ineligible for subsidized housing due to carrying large utility debts (Affordable Housing Advocates, 2011). This is a concern because the rising utility cost may become the reason many low-income families cannot acquire Housing

Choice assistance.

### Non-Profit Resources Going Towards Utility Payments

When people cannot afford water and are facing disconnection they turn to local non-profit institutions for help, such as: the United Way, Community Action Agency, Hamilton County Veterans Service Commission, Legal Aid, Madisonville Education & Assistance Center, NEEDS, Our Daily Bread, People Working Cooperatively, St. Vincent DePaul, Son Ministries, The Caring Place, Valley Faith, the Veterans Association and several others. When these agency’s resources are used towards utility payments they might be diverted from other pressing needs.

### Short Term Poverty – Crisis Events

Short-term poverty may be triggered by various causes including job loss, illness, disability, domestic turmoil, and unexpected expenses that upset fragile budgets in low-income households. The key for these households is having enough time to get back on their feet without falling deeper into debt and accumulating interest payments. A crisis event CAP can help curb the number of people “at-risk” of poverty from falling into poverty.

### Childhood Poverty

The City of Cincinnati’s childhood poverty rate is the second worst in the Nation. Providing low-income families with a more affordable sewer rate through customer assistance programs could give these families more financial stability.

## HOUSEHOLDS BELOW POVERTY LEVEL

HOUSEHOLDS BELOW POVERTY LEVEL	HOUSEHOLDS
2010	53,644
2013	58,571
2016	60,466
2018 (projection)	61,785
2020 (projection)	63,209

Source: CENSUS 2010, AMERICAN COMMUNITY SURVEY 2013, 2016, 2018, 2020

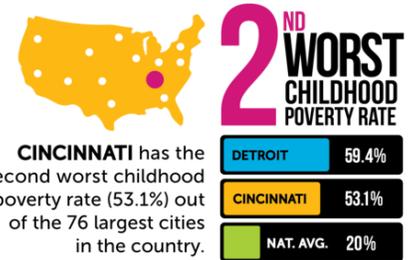


Image Source: UpSpring.org



# HOUSING ASSISTANCE AND UTILITY COST CONSIDERATIONS

Individuals and families receiving low-income housing assistance are prime candidates for a water and sewer customer assistance program. The data from these programs are useful for determining potential customer assistance program need.

The Federal Government’s Department of Housing and Urban Development (HUD) distributes funding to local public housing agencies to help with housing low-income families. The “Section 8” Housing Choice Voucher system provides some qualifying households with vouchers to pay rent for homes secured in the housing marketplace. Other programs subsidize homes in specific buildings, keeping these units affordable to low-income families and individuals.

An estimated one out of three low-income households in Hamilton County receive rental assistance from the several federally funded programs. Of the 350,000 “total occupied housing units”

in Hamilton County, 6.87% are assisted by Housing Choice (Section 8) vouchers, project-based Section 8 assistance, or public housing (Affordable Housing Advocates, 2011).

In Hamilton County, there are approximately 25,000 housing units with some form of HUD assistance and approximately 121,000 families who qualify for assistance based on their income. Many low-income families in the county cannot obtain subsidized rental housing because of the number of low-income families far exceeds the funds allocated for the rental housing programs (Community Building Institute, 2017).





## OVERALL AFFORDABILITY OF SEWER COSTS FOR HAMILTON COUNTY

Affordability is a term used to describe the ability of all customers (residential, commercial, industrial, etc.) being able to afford water/sewer within their financial means. It takes into account the broad social and economic conditions of the community and then factors the impacts that the rates might impose on its local economy.

“The issue of customer or household affordability differs from the related challenge of system financial capacity, or financial capability, which deals with the collective ability of a particular community and an entire service population to fund their water and wastewater needs” (Water Research Foundation, 2017).

Some affordability guidelines have been developed by the USEPA for local guidance. These guidelines are meant to be used more generally to set financially sustainable sewer rates while trying to manage Consent Decree driven sewer infrastructure programs.

One such guideline is: when the annual wastewater bill reaches 2% of median household income (MHI) for the service area, the utility may have an affordability issue. Another such guideline is: When uncollected debt reaches 2% of revenues, the utility may have an affordability issue (Water Research Foundation, 2010).

Affordability issues go beyond the scope of a customer assistance program, although they do strongly indicate the need for such program. They are included here, because changes that happen to increase affordability would change the dynamics of the CAP, so monitoring them is important.

### **Ohio House Bill 2328**

One such measure is Ohio House Bill - H.R. 2328 - Low-Income Sewer and Water Assistance Program Act of 2017. It was introduced May 3, 2017. No other action has taken place since introduction but it has 20 cosponsors as of August 18, 2017.

This bill amends the Federal Water Pollution Control Act (commonly known as the Clean Water Act) to require the Environmental Protection Agency to establish a pilot program that awards grants to at least 10 eligible entities for assisting low-income households with maintaining access to sanitation (water and sewer) services. In order to be eligible for grants, entities must be municipalities, or public entities that own or operate public water systems, that are affected by consent decrees related to compliance with standards under that Act.



## CAP NEED SUMMARY

1. CAPs benefit utilities through improved public image, cost/debt recovery, improving the social-economic well being of the communities they serve, and more.
2. CAPs benefit customers by helping them to avoid penalties, bad credit, health threats, inconvenience and stigma of water service disconnection.
3. Water and sewer access is a fundamental necessity of our communities. Providing water and sewer service to all is essential for overall community health and hygiene.
4. Water and sewer pollution is an environmental justice issue whereby low-income or race segregated communities bear a greater burden of the environmental pollution hazards and costs than more affluent communities. Some environmental justice issues may be partially addressed by implementing a CAP.
5. Many other Ohio utilities already have a customer assistance program. Cincinnati remains the largest utility in Ohio without a water or sewer CAP, and it currently has the most expensive sewer rates.
6. People in poverty, especially those on fixed incomes, are struggling to afford current service.
7. While there are non-profits who assist low-income and veterans with other local forms of customer assistance in other sectors, there is a gap when it comes to the water/sewer costs.
8. Sewer bills are expected to increase as additional rate increases are projected to pay for the necessary Consent Decree upgrades - negatively affecting affordability.



# CAP DESIGN CONSIDERATIONS

## MSDGC BILLING AND CUSTOMER BASE

As of September 2017, there are approximately 224,000 customer accounts, about 91% of those are residential accounts (both single and multi-metered), the other 9% are the combination of commercial and industrial accounts, with additional revenues from surcharges and pretreatment monitoring and septic tank disposal fees. The total revenues collected by MSDGC in 2017 are projected to be \$275.2 million.

**FIGURE 5. 2017 BILLED WASTEWATER VOLUME AND RATE REVENUES BY CUSTOMER CLASS**

	# of Customers	CCF	Revenues
Residential	187,498	11,488,735	\$118.3 million
Multi-family	17,594	4,312,472	\$35.8 million
Commercial	18,667	8,423,422	\$61.3 million
Industrial	648	6,508,883	\$38.3 million
Surcharges/ Pretreatment Monitoring			\$19.8 million
Septic Tank Disposal			\$1.7 million
Total	224,408	30,733,512	\$275.2 million

SOURCE: MSDGC 2017 Rate Study



## CUSTOMER PAYMENT INFORMATION

Information on delinquent accounts, payment plans, and unrecoverable debt provide additional data for assessing affordability issues. And after the establishment of CAPs, it may provide metrics for evaluating performance.

### **2015 Customer Statistics**

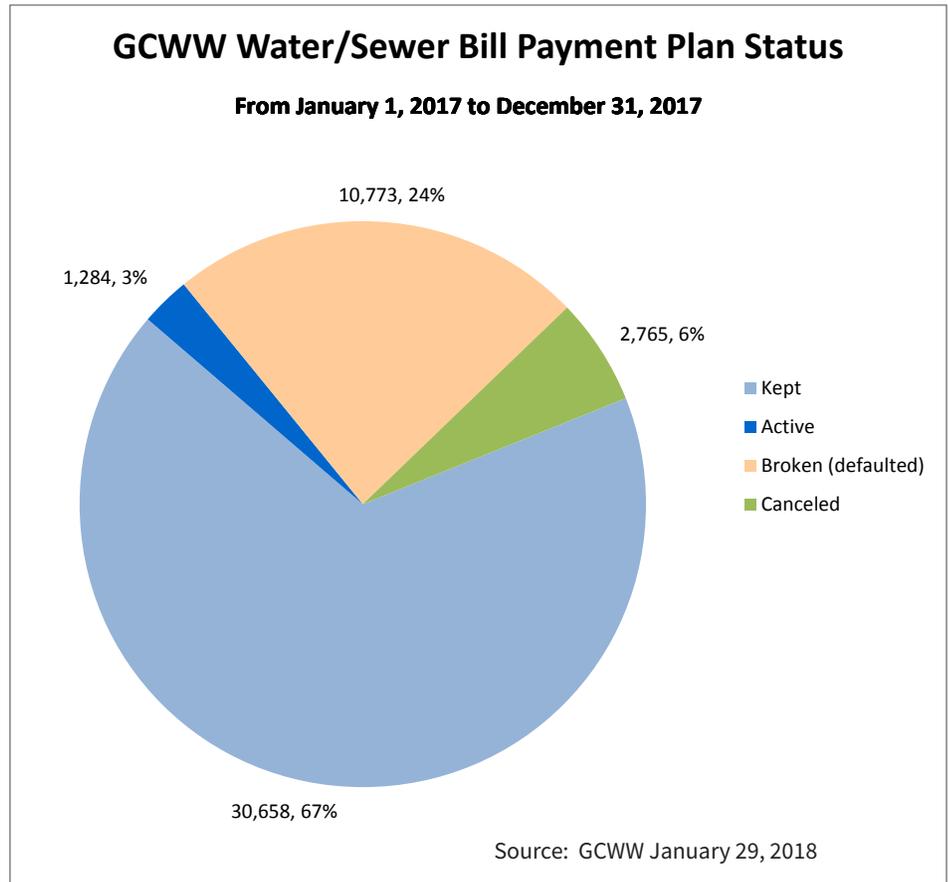
Based on previous data from a report by the Greater Cincinnati Water Works and Metropolitan Sewer District of Greater Cincinnati titled “Research on Water and Wastewater Programs” published December 2, 2016:

- 14% of calls to the call center are delinquency questions, concerns about being able to pay the bill
- 2,797 customers are on a payment plan (1.17% of customer accounts)
- 16% of calls each day are regarding payment plans, questions about current plans or asking to establish a new plan
- 23% of all payment plans created during the year defaulted.

### **2017 Customer Statistics**

Customer payment data for 2017 is from January 1, 2017 to December 31, 2017.

- 43,240 active accounts in delinquent status (accounts 5 days or more past due)
- 14.7% of calls to the call center are delinquency questions, concerns about being able to pay the bill
- 1,284 customers are on a payment plan (0.54% of customer accounts)
- 16.5% of calls each day are regarding payment plans, questions about current plans or asking to establish a new plan
- 24% of all payment plans created during the year defaulted





# CUSTOMER SERVICE AND COLLECTIONS PRACTICES

The customer service personnel and policies of a utility can greatly enhance the goals of the customer assistance program. For customers challenged with making payments, its not always just about affordability. Having flexibility in the ways to pay, and where to pay can help collection rates and improve the customer experience.

## **Assistance Program Referrals**

GCWW staff refers those who need assistance to social service agencies that may have the resources to help. A list of some of the social service agencies that GCWW may reference, but not exclusively:

- St. Vincent DePaul
- Legal Aid Society
- Salvation Army
- Local churches
- Veterans groups
- Senior Council on Aging
- People Working Cooperatively

## **Ways to Pay**

Having easy access to wide range of billing payment options can enhance collections and prevent disconnections for the customers. GCWW offers many ways to pay including: online, by phone, by mail, bank auto-payments, and payment-in-person. Customers also have new online tools accessible at the GCWW Customer Care Portal to monitor monthly usage, which may help to catch a water usage issue early. The GCWW website has information on how to do self-service leak and plumbing checks. If the customer is unsure, the website includes contact information to call about a potential leak issue.

## **Where to Pay**

GCWW off-site payment locations include, local Kroger grocery stores, some participating banks, City Hall, The City of Mason Municipal Center, and the GCWW customer care center on Spring

Grove Avenue.

## **Late Fees**

Late fees will be assessed on each quarterly bill, based on the total amount past due. This fee will vary, depending on the number of days of service in the billing period. Late fees are calculated at a rate of 10% net, per year.

## **Payment Plans**

GCWW offers payment plans under certain circumstance to pay the past due balance and avoid service disconnection. The payment plans work by offering a customer who knew they wouldn't be able to pay, a chance to call the CSR in advance, and then to pay a portion of the bill to prevent service disconnection. The larger the payment past due, the larger a down-payment that would be required.

Payment plans will end when the switch to monthly billing occurs on January 1, 2018. At that time, there will be a move to a new system of "extensions". The new extensions will give the customer 2 more weeks past the due date to pay the balance. In some extreme cases (for example, a leaking water service that results in a high bill) the CSR will work with the customer on a payment arrangement following guidelines that are currently being developed.

## **Service Disconnections**

Water service can be disconnected fro delinquency related issues.



## AUTHORITY AND LEGAL CONSIDERATIONS

There are many Federal, State and Local requirements that govern utilities and their interactions with customers. Centering in on whether a proposed CAP is legal will require an experienced legal counsel who can determine the applicable legal requirements.

But there is guidance to get started, here is a quick review:

### **UNC Environmental Finance Center – Navigating Legal Pathways to Rate-Funded Customer Assistance Programs (August 2017)**

This report is a national overview of many states different legal pathways to implementing CAPs. It focuses on the most pertinent aspect of CAPs, how are they funded. “Ambiguous and restrictive statutory language has created the perception in many states that utilities are not allowed to tap their primary revenue source (customer rate revenues) to fund these programs” (page 7).

But many states have established CAPs and their legal strategies and program justifications center on the use of CAPs “by showing that the programs reduce costs incurred from shut-offs to service, bad debt, fruitless collection expenses, or other administrative costs associated with a customer base comprising a large number of low-income customers” (page 16).

Challenges to CAPs have mainly focused on whether they are “discriminatory” to other rate payers. But many states have argued that discrimination has been unreasonable to be unlawful. Expounding on this, the Minnesota state summary highlights *Daryani v. Rich Prairie Sewer & Water District* (No. A05-1200, 2006 WL 619058 at \*2 (Minn. Ct. App. Mar. 14, 2006), where the Minnesota Court of Appeals makes reference to “perfect equality in establishing a rate

system” not being “expected, nor can quality be measured with mathematical precision.”

### **OHIO SPECIFIC LEGAL CONCERNS**

Water and wastewater utilities in Ohio may fall under several rate setting authorities.

#### Commission Regulated:

PUCO does not have the authority to regulate government owned authorities like MSDGC. But notably, “Under Ohio Rev. Code Ann. 4905.33(A)&(B), no commission regulated utility “shall furnish free service or service for less than actual cost for the purpose of destroying competition.” However, commission regulated utilities do have a “charitable clause,” which can allow reduced rates if can be shown to provide a social service and the program would need approval by PUCO.

#### Non-commission-Regulated Utilities:

Ohio is a home rule state. MSDGC is a county owned utility run by a municipality (subject to change due to recent unfinished contract negotiations). “For purely government owned or operated water and wastewater utilities, it appears that there is broad rate setting authority with few limitations and additional statutory language that could potentially be used to support the provision of low-income CAPs funded by rate revenues.” In Ohio, if a CAP is challenged through the formal complaint and review process, it comes down to whether it is “reasonable”, whereby the Public Utilities Commission of Ohio would be the decider.

#### **Black and Veatch for MSDGC - Low-income Assistance Programs (2011)**

The Black and Veatch report discussed

the Federal regulations that might prohibit a low-income assistance program if Federal grants are used. “The requirements would seem to prohibit a low-income assistance program since the implementation of such program could result in users or user classes not paying their proportionate share of operation and maintenance costs. However the enactment of the Water Quality Act of 1987 on February 4, 1987 included a provision that allows grantees to provide lower rates for low-income residential users provided that the following provisions are met by the grantee:

1. Provide for public notice and hearing of the proposed low-income charges
2. Define the low-income user charge rate as a uniform percentage of the user charge rate charged other residential users
3. Absorb the low-income program costs proportionately from all other user classes.”

#### **Water Research Foundation and USEPA – Best Practices in Customer Payment Assistance Programs (2010)**

There is a good legal discussion chapter in this report starting at page 93. Some of the language here is very useful for establishing the legal grounding of a CAP:

*“If a special rate has a purpose broader than simply to improve the affordability of bills to low-income customers, it is more likely that the rate will be approved as reasonable. State regulatory commissions have approved low-income discount-rates not solely as social policy, but rather as sound business alternatives to a cycle involving the billing of unaffordable rates followed by entering into unaffordable payment plans, followed by payment plan breaches, followed by yet additional unaffordable*



*payment plans. Low-income rates are seen as a way to interrupt this inefficient and ineffective collection cycle” Best Practices p.93.*

### **State Precedence**

One last legal consideration, as mentioned before MSDGC would be the last of the five biggest utilities in Ohio to adopt a rate discount CAP program. With this in mind, the CAP working group tried to adopt as much as the local (primarily Cleveland and Columbus) language and program structure as applicable to incorporate consistency with state requirements.



# CAP CONCEPTUAL DEVELOPMENT

## CAP Guidance

The CAP working group followed the USEPA outline for “Implementing Successful Customer Assistance Programs” as shown in Figure 2. Two of these steps go beyond the scope of this current effort; Train Staff and Implement, Evaluate, and Adjust. In lieu of implementing these steps, this report details how they can be undertaken.

## Goals for CAP Development

The essential goals for the work-group in identifying and developing a customer assistance program were as follows:

- Ease of understanding
- Minimization of rate impacts
- Revenue stability
- Public acceptance
- High participation rate by target audience
- Ease of administration
- Program flexibility
- Fair and equitable to ratepayers
- Measurable level of success
- Reach the right customers
- Effectively help people

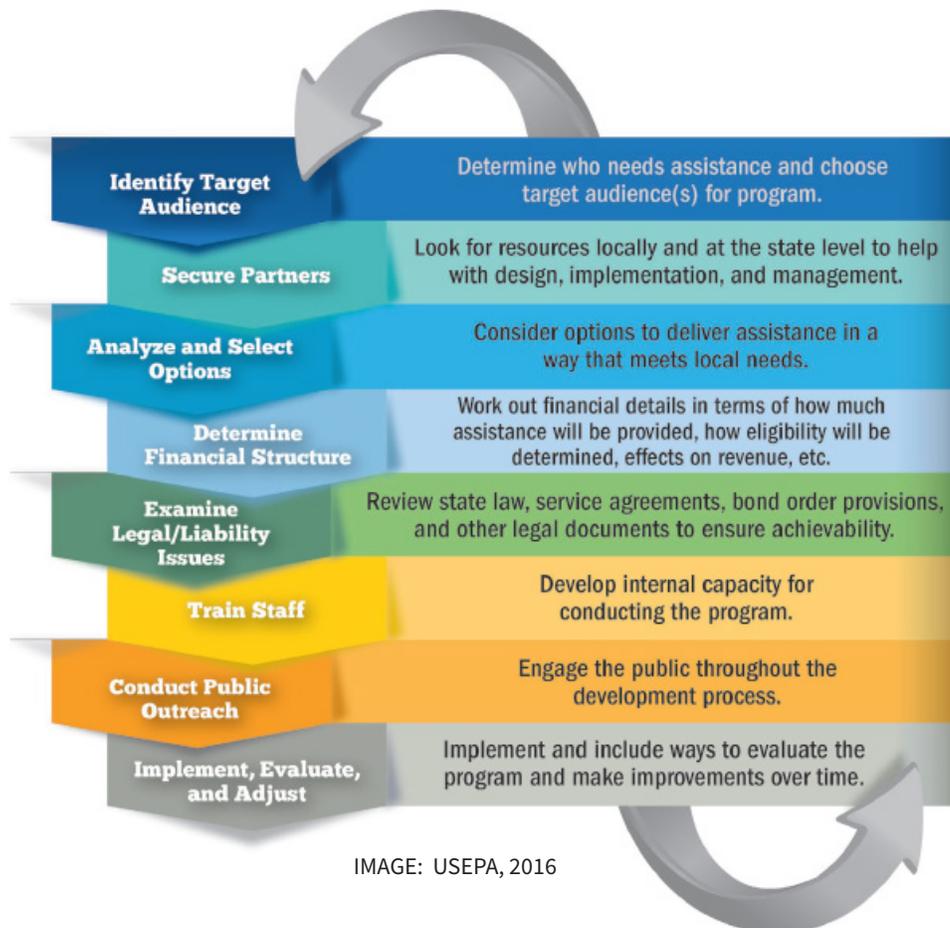


IMAGE: USEPA, 2016



## IDENTIFYING TARGET AUDIENCE

The first part of developing a customer assistance program is to identify the target audience for which the program is being designed. Once the broad idea of who those most in need of assistance are determined, the next step is identify the thresholds for program eligibility.

Looking at “Figure 7. MEDIAN HOUSEHOLD INCOME OF ZIP-CODES WITH OVER 200 WATER SHUTOFFS” on page 31, the MHI of the zip codes with the most disconnections is over \$22,000 below the MHI of County and State. Interestingly though, looking at “Figure 8. MEDIAN AGE OF ZIP-CODES WITH OVER 200 WATER SHUTOFFS” on page 31, the median age of the zip codes with high disconnections skews younger than either Hamilton County or the State of Ohio. This suggests that a low-income

households target audience is a higher priority for a CAP, before any type of senior all-income qualified homestead program. Maps of the zip-codes with high disconnections (over 200 between January - July 2017) can be seen on page 32.

### **Total Residential Pool**

Trying to estimate the number of accounts from the total that will qualify for a selected CAP program relies upon examining different demographic parameters of the County and using them to deduce the number of effective accounts. As shown on a previous page in “Figure 5. 2017 Billed wastewater volume AND RATE REVENUES BY CUSTOMER CLASS” on page 24, there are a total of 187,500 residential accounts and 17,594 multi-family accounts. Additional

demographic data is shown here as it was used to further develop program participation estimates. The intention of the working-group’s CAP design strategy was to use conservative estimates for the number of eligible participants (based on the defined program criteria described in the “Current Prospective Customer Assistance Programs” section) and for future program iterations to work towards more inclusive qualifications or higher rates of assistance.

**FIGURE 6. KEY DEMOGRAPHIC STATISTICS FOR HAMILTON COUNTY**

Total Population	804,194 people
Median Household Income	\$49,013
Low and Very Low-income Persons - 200% Below Poverty Level:	275,592 people (34% of total population)
Low and Very Low-income Persons - 150% Below Poverty Level:	210,037 people (26% of total population)
Total Households Below Poverty Level:	58,773
Families Below Poverty Level:	26,694 families
People Below Poverty Level – 18 to 64	84,462
People Below Poverty Level – 55 - 64	12,826
People Below Poverty Level - 65 and Over (Seniors):	9,867
Average Household Size (2010 Census)	2.34

Population 200% Below Poverty Level / average household size	117,774 households
by Owner Occupied (58.25%)	68,603 owner occupied households
Population 150% Below Poverty Level / average household size	89,759 households
by Owner Occupied (58.25%)	52,284 owner occupied households



**FIGURE 7. MEDIAN HOUSEHOLD INCOME OF ZIP-CODES WITH OVER 200 WATER SHUTOFFS**

	<b>Median Household Income (\$)</b>
Zip-codes over 200 water / sewer shut-offs (Jan - July 2017)	\$26,838
Hamilton County, Ohio	\$49,013
Ohio	\$49,429

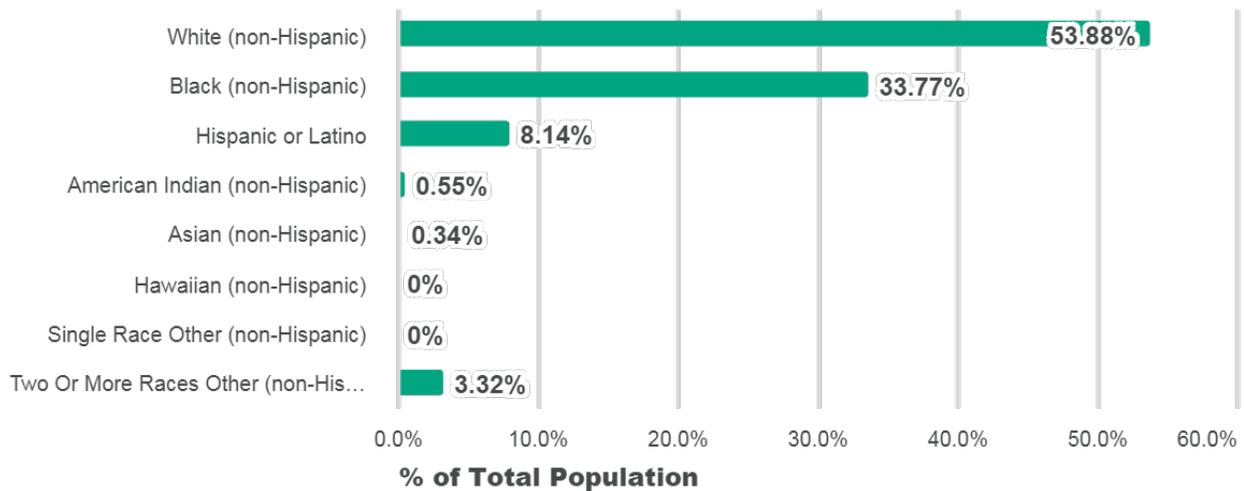
**FIGURE 8. MEDIAN AGE OF ZIP-CODES WITH OVER 200 WATER SHUTOFFS**

	<b>Median Age</b>
Zip-codes over 200 water / sewer shut-offs (Jan - July 2017)	31.1
Hamilton County, Ohio	37
Ohio	39.2

**FIGURE 9. RACE/ETHNICITY TOTALS OF ZIP CODES WITH OVER 200 WATER SHUTOFFS**

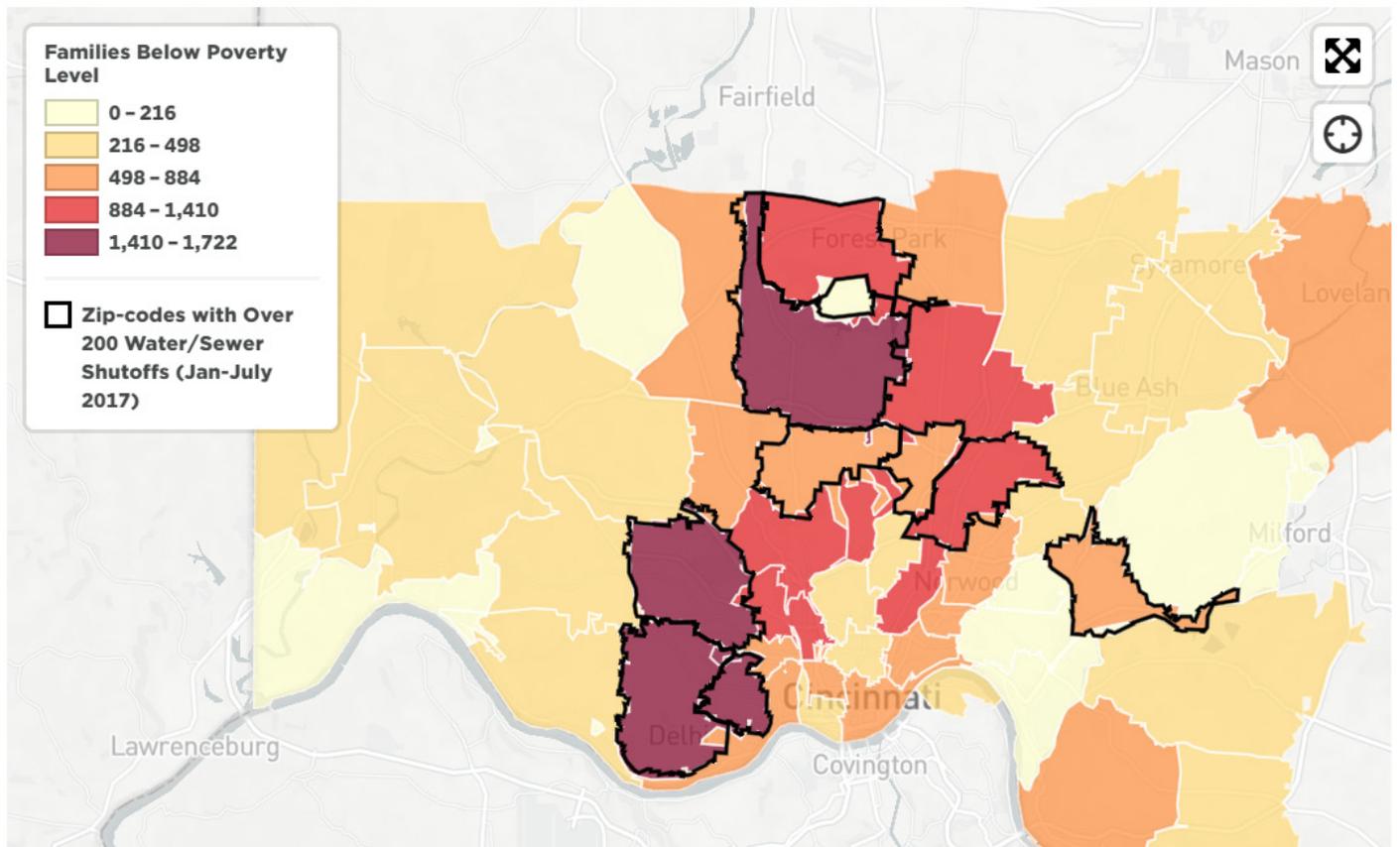
### Race/Ethnicity Totals

Zip-codes with Over 200 Water/Sewer Shutoffs (Jan-July 2017)

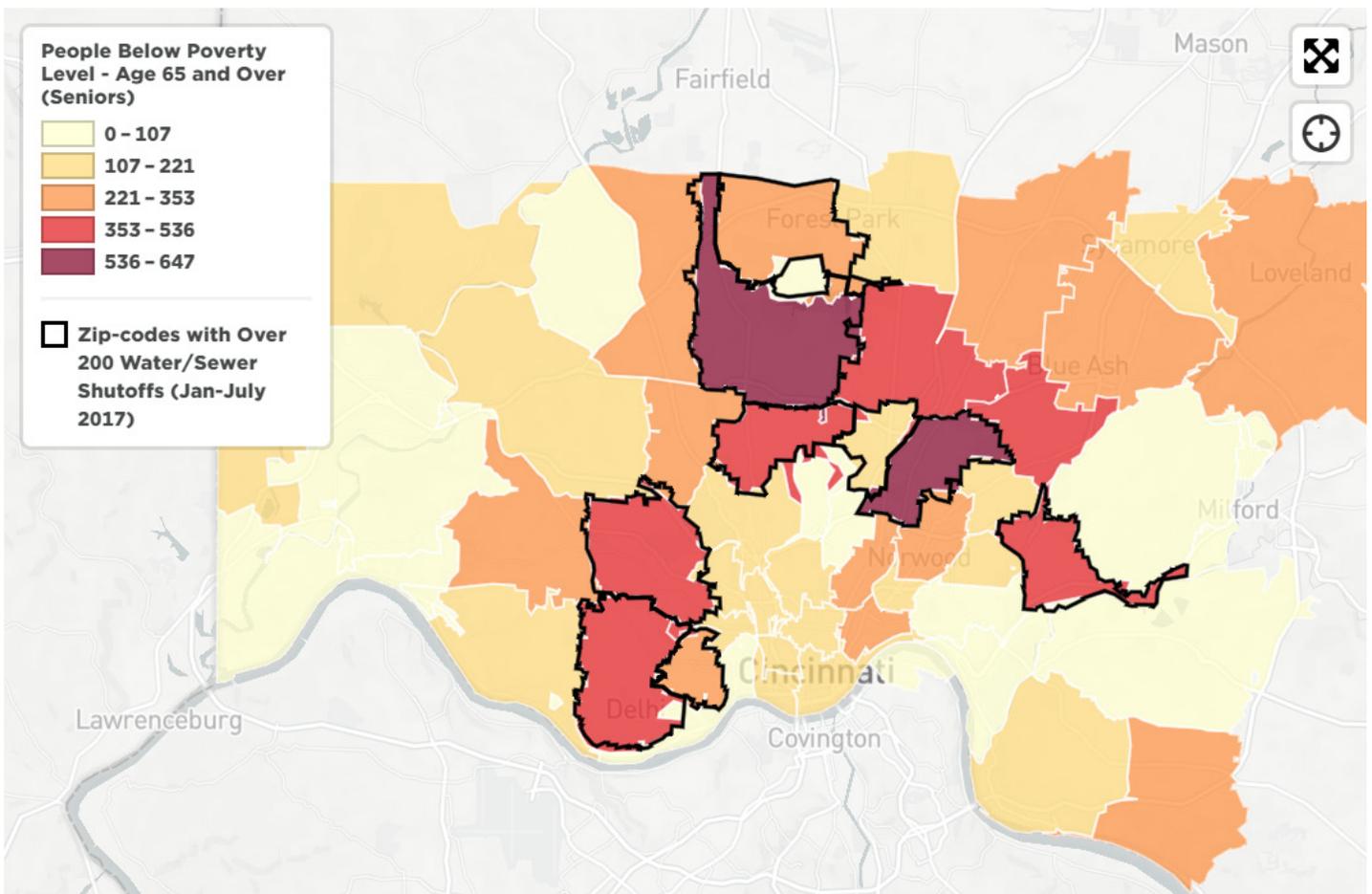


■ Zip-codes with Over 200 Water/Sewer Shutoffs (Jan-July 2017)

## Families Below Poverty Level



## People Age 65 and Over - Below Poverty Level





# DETERMINING LOW-INCOME ELIGIBILITY THRESHOLDS

On July 1, 2016, the U.S. Department of Health and Human Services (HHS) published federal poverty guidelines for Federal Fiscal Year (FFY) 2017. These poverty thresholds are used by many Federal, State and Local programs for program administration. These Federal poverty guidelines are updated each year to reflect changes in the Consumer Price Index.

It is generally accepted that 100% of the Federal Poverty Level (FPL) is too low to be a reasonable demarcation of “being poor.” Many social service programs use 150 - 200% of FPL as a basis for poverty or those “at-risk” of poverty.

**FIGURE 10. FEDERAL POVERTY GUIDELINES FOR FEDERAL FISCAL YEAR 2017**

Size of family unit	100%	125%	150%	175%	200%
1	\$11,880	\$14,850	\$17,820	\$20,790	\$23,760
2	\$16,020	\$20,025	\$24,030	\$28,035	\$32,040
3	\$20,160	\$25,200	\$30,240	\$35,280	\$40,320
4	\$24,300	\$30,375	\$36,450	\$42,525	\$48,600
5	\$28,440	\$35,550	\$42,660	\$49,770	\$56,880
6	\$32,580	\$40,725	\$48,870	\$57,015	\$65,160
7	\$36,730	\$45,913	\$55,095	\$64,278	\$73,460
8	\$40,890	\$51,113	\$61,335	\$71,558	\$81,780
Program that uses threshold:			PIPP	HEAP	HWAP

NOTE: FOR ALL STATES (EXCEPT ALASKA AND HAWAII) AND FOR DISTRICT OF COLUMBIA  
 SOURCE: U.S. DEPT. OF HEALTH AND HUMAN SERVICES (HHS) (JULY 1, 2016)



**FIGURE 11. ESTIMATING THE NUMBER OF QUALIFIED APPLICANTS FOR SELECTED POVERTY LEVELS FOR HAMILTON COUNTY, OHIO**

A			Persons for Whom Poverty Status Was Determined	100%	125%	150%	175%	200%
			786,547	143,778	178,673	210,037	243,684	275,592
			% of Total	(18.3%)	(22.7%)	(26.7%)	(31%)	(35%)
B	Average Household Size	2.381						
C	Estimated Households per Federal Poverty Level		330,482	60,411	75,073	88,251	102,388	115,795
D	Owners	58.25%	192,506	35,189	43,730	51,406	59,641	67,451
	Renters	41.75%	137,976	25,222	31,343	36,845	42,747	48,344

**SOURCES:**

- A) OHIO DEVELOPMENT SERVICES AGENCY;
- B) AMERICAN COMMUNITY SURVEY 2011-2015;
- C) AUTHOR - Dividing Persons per FPL by the Average Household Size to get Households per FPL
- D) AUTHOR - Partitioning Households per FPL by Household Tenure Rate (Owners/Renters Occupied) for Hamilton County (ACS2011-2015)

**PROGRAM PARTICIPATION**

Determining the number of qualified applicants for a potential CAP discount rate program is essential for estimating the program costs and the number of people effected by the program. The table above, “Figure 11. Estimating The Number of Qualified Applicants for Selected Poverty Levels for Hamilton County, Ohio”, shows a breakdown of how many potential owner-occupied households may qualify for a CAP program based on several Federal Poverty Levels.

For example, if a Federal Poverty Level (FPL) of 175 percent is chosen as the income qualifier here in Hamilton County, there might potentially be up to 59,000 households at 100 percent participation. However, it is unlikely that this level of participation can be reached because many qualified low-income families will not apply for assistance due to their refusal to accept public assistance, not being aware of the program, perceived or real hassle in applying for assistance, the perceived marginal benefit, and other barriers. Also, many are renters and do not have service in their names. The HEAP program, also based on the identical income qualification of 175 percent of FPL and the administration area of Hamilton County, only has approximately 5,000 to 10,000 people annually enrolled in the year round HEAP, and 20,000 total in the HEAP, Summer Crisis HEAP and Winter Crisis HEAP programs combined. The Columbus and Cleveland Utilities’ participation rates in their respective CAP programs has been relatively low as a percentage of their potential applicants, with Columbus at approximately 4,000 participants in its eleventh year, and Cleveland at approximately 4,000 participants in its tenth year.

It is because of these low participation rates seen elsewhere, **the working group estimates a real-world participation rate of 5,000 to 10,000 people at the selection of 175 percent of FPL.**

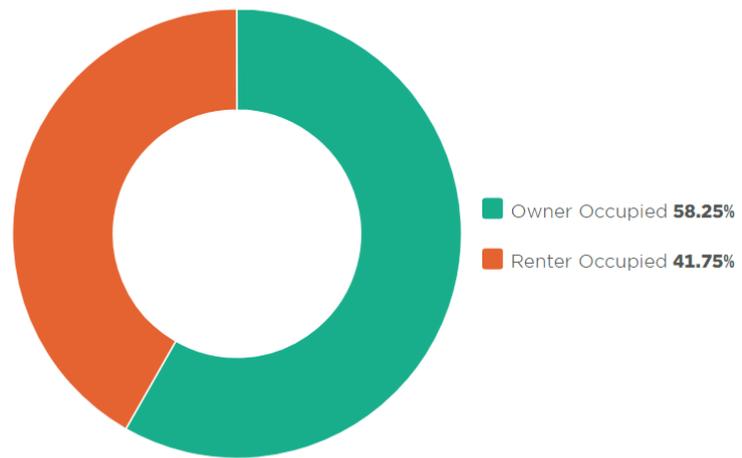


# RENTAL HOUSEHOLD DATA

The majority of occupied housing units in Hamilton County are owner occupied units. But the majority of low-income rate payers live in rental housing. A customer assistance program for Hamilton County should explore the means to delivering customer assistance programs to rental housing units. But it is not without its challenges as is discussed in the Proposed CAP Recommendations section.

**FIGURE 12. OWNER VS RENTER OCCUPIED HOUSING UNITS FOR HAMILTON COUNTY, OHIO**

**Owner vs Renter Occupied**

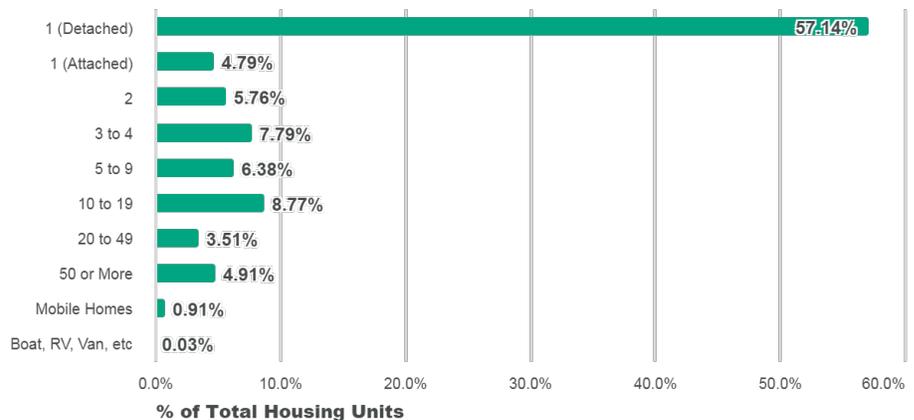


Hamilton County, OH  
Sources: US Census 2011-2015 ACS

**FIGURE 13. UNITS IN STRUCTURE FOR HAMILTON COUNTY, OHIO HOUSING UNITS**

**Units in Structure**

Hamilton County, OH



Hamilton County, OH

mySidewalk.com · US Census 2011-2015 ACS

SOURCE: CENSUS AMERICAN COMMUNITY SURVEY 2016, ACQUIRED THRU MYSIDEWALK

**FIGURE 14. RENTER AND RENTAL UNIT STATISTICS**

**Renter and Rental Unit Statistics**

**Hamilton County, OH**

Median Gross Rent as a Percentage of Income	<b>29.8%</b>
Median Home Rent	<b>\$725</b> USD
Population in Renter Occupied Housing Units	<b>301,584</b> People
Average Household Size - Renter Occupied	<b>2.12</b> People
Time Series: Average Rent as a Percentage of Household Income - 2018	<b>33.64</b> Rent Percentage Of Household Income
Excessive Housing Costs: Gross Rent 30 Percent or More of Income	<b>65,776</b> Renter Occupied Housing Units
Utilities Included in Rent	<b>15,690</b> Renter Occupied Housing Units
Utilities Not Included in Rent	<b>126,294</b> Renter Occupied Housing Units
Total Renter Occupied Housing Units	<b>141,984</b> Occupied Housing Units

Sources: US Census 2012-2016 ACS; DC 1990, 2000, 2010, ACS 2015

**Renter Occupied Housing by # Unit in Structure**

**Hamilton County, OH**

Renter Occupied Housing Units

Renter Occupied Housing Units - 1 Attached Unit in Structure	<b>8,209</b>
Renter Occupied Housing Units - 1 Detached Unit in Structure	<b>31,211</b>
Renter Occupied Housing Units - 2 Units in Structure	<b>12,822</b>
Renter Occupied Housing Units - 3 to 4 Units in Structure	<b>21,335</b>
Renter Occupied Housing Units - 5 to 9 Units in Structure	<b>17,915</b>
Renter Occupied Housing Units - 10 to 19 Units in Structure	<b>24,930</b>
Renter Occupied Housing Units - 20 to 49 Units in Structure	<b>9,498</b>
Renter Occupied Housing Units - 50 or More Units in Structure	<b>15,419</b>
Renter Occupied Housing Units - Boat, RV, Van, etc.	<b>64</b>
Renter Occupied Housing Units - Mobile Homes	<b>581</b>

Sources: US Census 2012-2016 ACS



# ANALYSIS OF CAP PROGRAMS

## EXISTING CUSTOMER ASSISTANCE PROGRAMS

This section will discuss how the working group explored customer assistance program alternatives before filtering them to three recommendations. The following section “Current Prospective Customer Assistance Programs” on page 41 will give more details on the selected alternatives.

### **Payment Plans & Extensions**

Payment plans and extensions are a form of customer assistance. GCWW/MSDGC offer payment plans under the current quarterly billing system (as of December 2017). When the monthly billing switch happens in January 2018, there will be a new form of payment plan called “extensions” to account for the shorter time frame. The extensions will grant customers two extra weeks past the due to date, to pay the balance due. Under extreme cases such as a large water leak (and with supervisor permission), a payment arrangement may still be possible. The guidelines for qualifying for this option are still being developed.

### **Monthly Billing**

Starting on January 1, 2018, MSDGC/GCWW will be moving to monthly billing. Monthly billing will allow people on fixed incomes a better way to budget for water/sewer service. Monthly billing creates more consistent payment schedule at lower amounts, which will benefit both customers and the utilities collections.

## RATE DISCOUNTS

The CAP working group focused early efforts on a rate discount program because it was recommended by the Rate Affordability Task Force and also because six utilities in Ohio already have some form of a rate discount program (Hamilton County Rate Affordability Task Force, 2016). There was also previous work done by the Metropolitan Sewer District of Greater Cincinnati on discount rates.

MSDGC explored a discount rate before as seen in the February 2011 report titled “Report on Low Income Assistance Programs” prepared by consultant Black and Veatch. Their report stated, “*The primary advantage of a [discount-rate] is that it assists low-income customers on a routine monthly basis and is much more robust than an emergency assistance program. The main disadvantage is that it would require the utility to develop a new customer class to include qualified low-income customers, changes in existing billing systems and additional administrative effort to annually verify income qualifications of these customers*” (Black and Veatch, 2011). This report did not lead to a CAP at the time but its work was used to guide our efforts. This report also featured a methodology that our working group attempted to duplicate in this newer effort. MSDGC’s rate consultant Pam Lemoine from Black and Veatch also helped our working group to estimate potential program costs based on participation rates in the matrix on “*Figure 16. Estimated Impacts on MSDGC Revenues for Recommended Customer Assistance Programs*” on page 44.

Roger D. Kolton in “*A Cost-Based Response to Low-Income Energy Problems*” (1991) discussed the benefits of discount rates (as cited in Water Research Foundation, 2010): “*The strategic intent of a low-income bill*

*discount program is to reduce the number of “marginal” households that are vulnerable to nonpayment by reducing the bill-to-income ratio for low-income customers across the board, thereby allowing many families to back away from the trade-off threshold and the risk of nonpayment. The primary advantage of a bill discount approach targeted to low-income households is that it addresses affordability concerns in a single action. It helps not only nonpaying customers, but potential nonpaying customers as well. By targeting the “marginal” households that are always at risk of nonpayment and moving them out of the marginal zone, it can help to break the cycle of repeated episodes of nonpayment and repeated disconnections and reconnections. The lost revenue can be offset to some degree by avoiding the perpetual customer service costs associated with this cycle” (Water Research Foundation, 2010).* The working group took from this report that a discount-rate affordability program may prevent those “at-risk” of not paying their bill from having to make tough decisions on which essential goods (water, energy, food, shelter, etc.) they can or cannot afford that month. Often, these customers will still call the utility even if they cannot afford service in an attempt to bargain. By offering a discount-rate the customers ability to pay may increase and the number of calls to the utility for help may go down.

### **Funding Sources**

A discount-rate program would provide qualified applicants with a reduced rate on their bill. For MSDGC this would result in less revenues by an amount dependent on the number of qualified applicants. To recapture these revenues, all other ratepayers would have a slightly increased charge. The discount could be applied to the base charge, the volume charge, or both. The next section on “Preferred Alternatives” will discuss



the design, expected participation and resultant costs of a local discount-rate program.

**Income-based Rate Structure**

Some cities are exploring income-based rate structures. In fact, Philadelphia just implemented an income-based water bill in 2017. Philadelphia created three income strata to determine eligibility, but perhaps income percentage could have been chosen too.

An income-based bill reduces the burden placed upon those who are of low-income but just missing the poverty guideline for program eligibility. In the broad sense these people would be paying higher rates to subsidize those just a little worse off, which might seem unfair when the goal is reduce the number of people who are “at risk” by poverty.

**EMERGENCY ASSISTANCE**

Emergency assistance funding was a recommended customer assistance program by the Rate Affordability Task Force. This option would provide a credit to avoid shut-off for residential accounts that have a verifiable financial hardship (e.g. job loss, major medical expenses, change in marital status, victims of domestic abuse). With most emergency assistance programs, the credit can only be utilized one or two times per twelve month period. Emergency assistance funding has many aliases such a crisis program, hardship program, grant, one-time reduction and more.

Compared to the discount-rate CAP that is a preventative measure to reduce repeat and cyclical service disconnections with those more permanently in poverty, a emergency assistance fund is an after-the-fact

program that can help those in “unexpected debt”, to make a payment and hopefully provide them some time to get back on their feet.

The Water Research Foundation’s report “Best Practices in Customer Assistance Programs” discusses that some emergency assistance programs are limited by income and others are not. There does not appear to be consensus by utilities on whether income matters if hardship can be demonstrated. The report states, *“While many crisis funds are directed exclusively to “low-income” customers, others may focus outreach on low-income customers, but reserve the authority to distribute funds to any customers when a review of income and expenses reveals an inability to pay the water bill without outside assistance”* (Water Research Foundation, 2010). The working group felt that an emergency assistance fund need not be income limited if an verifiable hardship can be proven and the applicant takes the time to apply; combined with the strategy to only target the outreach towards low-income customers. The marginal monetary benefit of an emergency assistance program to someone of higher-income might not be worth the time of application if it requires a visit to an internal/external program administrator, while to someone of lower income the marginal monetary benefit is much greater and worth that effort.

**Funding Sources**

From the research, prospective funding sources for an emergency assistance program could include:

- Employee paycheck contribution program (ex. San Antonio)
- Local charity program or foundation grants
- Round-up program for MSDGC/ GCWW customers

- Intensive water-users “give-back” program

The CAP working group considered various funding sources for the emergency assistance program but felt that the best way to ensure a stable CAP program would be from MSDGC funds. Over time, other forms of funding could be used to supplement the program, and perhaps if successful could replace the MSDGC fund.

**RENTERS ASSISTANCE**

Reaching low-income renters is a difficult challenge when assessing CAP program alternatives but the importance of establishing a CAP program for renters is recognized. The table “Figure 5. 2017 Billed wastewater volume AND RATE REVENUES BY CUSTOMER CLASS” on page 24, indicates that there were 17,594 multi-family accounts in 2017. Another data point is found on “Figure 14. Renter and Rental Unit Statistics” on page 36, that shows their are approximately 140,000 renter occupied housing units in Hamilton County based on the 2012-2016 ACS data. Presumably, some of those multi-family accounts make up a large number of the total rental units. Of these renter occupied units, only 11 percent have all utility payments included in rent, and therefore 89 percent pay at least one utility or more on their own, but the utility type (water/sewer/gas/electric) is not indicated by the 2012-2016 ACS data. And unfortunately for narrowing down the population of renters that a rental CAP might help, the subset of low-income households by the percent who rent or own was either not available or found dataset for this report.

The biggest challenge with designing a CAP for renters is that rental units are most likely to have multi-metered



accounts. Typically, utilities are aggregated on a multi-metered account means using the landlords as the “middlemen”, which is not ideal for ensuring CAP benefits are reaching the intended beneficiaries. However, the City of Columbus Water Utility and other utilities have implemented multi-metered customer assistance programs as described in this report on pages 11-12. The working group did not pursue this CAP alternative as one of the initial three alternatives as their are simpler CAPs to implement with more recognizable outcomes for the target audience that could be implemented before exploring a program of this nature. On the other hand, renters with a single meter with their name on the bill can easily utilize CAP programs like a discount-rate or emergency assistance program.

### **Additional Multi-Family Considerations**

The CAP working group discussed whether getting more renters names’ on their sewer bills was a solution to addressing a CAP for renters. However, GCWW/MSDGC have set policy on this matter as found at <https://www.cincinnati-oh.gov/water/billing-information/important-landlord-tenant-information/>: “As the property owner, the landlord is considered the account holder. Upon request, GCWW will send a duplicate copy of the bill to a tenant as a courtesy. Any agreements between the landlord and tenant concerning the payment of GCWW charges are strictly between the said landlord and tenant”. This policy may not preclude a renter with an arrangement by the landlord from getting their name on the bill for a single meter account, but it is at the risk of the property owner if the account should default and the cost of disconnection/reconnection are incurred.

## **WATER EFFICIENCY PROGRAM**

The CAP Working Group researched and discussed utilities with water efficiency based CAP programs. To the group, it seemed prudent to encourage water efficiency as a means to lowering bills with positive benefits for the environment in the form of collectively reduced water usage and the associated reduced energy spent cleaning and pumping water. For the affordability-challenged customer, “on a life-cycle cost basis, the relatively modest cost of a one-time hardware fix might lower bills enough to break the cycle of repeated lapses and repeated collections costs in many low-income accounts, providing positive payback to the utility” (Water Research Foundation, 2010).

### **AURORA, COLORADO**

The City of Aurora, Colorado provides a great model of a Low-Income Water Efficiency Program (LIWEP). It replaces old plumbing fixtures with new water-efficient ones. Each household can receive up to two toilets, two shower-heads, and three faucet aerators. Making this program even more unique and impressive, the fixtures are replaced by the Mile High Youth Corps, who partners with the utility to perform the work in residences.

### **Local Considerations**

The CAP working group looked at a water efficiency program from several angles.

1. Water efficiency as means for overall affordability
2. Water efficiency program specifically for low-income/senior/disability households
3. Water efficiency as a qualification for other CAP programs

### **1. Water Efficiency for Overall Affordability**

From a customer perspective, a water efficiency program for MSDGC/GCWW would be marginally limited by the existing rate structure design for sewer charges where we have a base fee that includes a minimum volumetric allocation of 3 CCF per month (previously 5 CCF before change to monthly billing on January 1, 2018). Water/sewer customers who use below 3 CCF will not realize an efficiency savings under the existing rate structure. Regardless, the Task Force agreed that a base charge was necessary to ensure revenue stability to pay for the fixed costs associated with the system.

Taking a step back from existing current rate structure details and looking more holistically to equitably address affordability, one major problem with using water efficiency as a means for addressing sewer affordability is that the rising cost of service for MSDGC is not related to water usage but to increasing large amounts of storm water getting into the sewer system. These large amounts of storm water are more directly associated with urban development and the associated impervious cover from buildings, parking lots, driveways, sidewalks, streets, etc. A rate structure that prices the costs of development and its impacts to the sewer system, based on impervious cover amounts, would provide a much stronger nexus between the cost of service and the factors that have most led to its drastic increases.

### **2. Water Efficiency Program for Qualified (low-income/senior/disability) Households**

The CAP working group considered a water efficiency program that would specifically target qualified low-income/senior/disability households. Conceptually, this program could take



the list of qualified applicants from the discount-rate program and then work with them to provide in-house services to reduce water usage. This would solve the issue of identifying low-income high water users as it is currently not possible under existing billing practices. GCWW/MSDGC does not know the income or other personal finances of individual accounts. However, the utility might start a water efficiency analysis by using the customer information system to identify accounts that have abnormally high household usage and cross-referencing that with low-income areas, or other social service client data systems.

### **3. Water Efficiency as a Qualification to other Customer Assistance Programs**

The CAP working group gave thought to the situation where affordability could be impacted by excessive or inefficient water usage which results in higher than normal water and sewer bills.

The CAP working group considered making a “water audit” a feature of the discount-rate program. However, after looking at examples from other cities, it was decided to forgo this consideration as it would significantly add to the program cost (e.g. costs for plumbing, additional program administration, etc.).

### **LIFELINE RATE**

A lifeline rate was not considered by the CAP working group at this time. A lifeline rate is made difficult for application in our local context because of the required fixed costs of the sewer system. A lifeline rate also assumes that low-income equals low-volume, which is not always the case and therefore, such a rate misses some customers that need assistance (large families, multi-generational households, etc.) and it provides a “break” to low-income customers (such as higher income individual or small households) who do not need assistance.



# CURRENT PROSPECTIVE CUSTOMER ASSISTANCE PROGRAMS

Here are the working group’s recommended customer assistance programs. The Low-Income Reduced Rate Program is an expansion for the Senior Citizen and Permanent Disabilities Program to be more inclusive of vulnerable populations. Having the programs separated allows for separate program modifications to meet participation goals and to adjust discount rates.

## 1. SENIOR CITIZENS AND PERMANENT DISABILITIES

Targeted Audience:	Low-income Seniors, Low-Income Disabled Persons
Type:	Bill Discount
Description:	Offers a rate discount of 40% on wastewater charges to the elderly or permanently disabled

### Program Design Details

- Applies only to the MSDGC portion of bill
- At least 65 years of age, or anyone under 65 who is totally disabled
- Property must be within the MSDGC Sewer District’s service area and billed directly by GCWW
- Family household income must be at or below 175% of Federal Poverty Guidelines
- Offers a 40% discount off the total wastewater bill
- You must be the responsible party on your utility bill
- Only valid for single property under the account holder’s name
- For disabled persons a copy of the Social Security Total Disability Benefit Verification Letter is requested as proof of permanent disability or other common form of verification
- Program participants are required to re-qualify annually

### Estimated Program Participation

- The Hamilton County Elderly Services Program, administered by the Seniors Council of Aging, served 6,831 seniors in 2014
- Estimated applicants to be between 5,000 and 10,000 people annually

### Senior Citizen and Permanent Disability Discount Rate Example



2 Person Household  
\$11,000 per year  
175% Fed. Poverty Level  
for house of 2 = \$28,035



Monthly Water Usage:  
3 CCF



Monthly MSDGC Bill



Saves \$15.65  
per month,  
\$187.80 per year



## 2. LOW-INCOME REDUCED RATE PROGRAM

Targeted Audience:	Low-income Households
Type:	Bill Discount
Description:	Offers a rate discount of 40% on wastewater charges to low-income households

### **Program Design Details**

- Applies only to the MSDGC portion of bill
- Property must be within the MSDGC Sewer District's service area and billed directly by GCWW
- Family household income must be at or below 175% of Federal Poverty Guidelines
- Offers a 40% discount off the total wastewater bill
- You must be the responsible party on your utility bill
- Only valid for single property under the account holder's name
- Program participants are required to re-qualify annually

### **Estimated Program Participation**

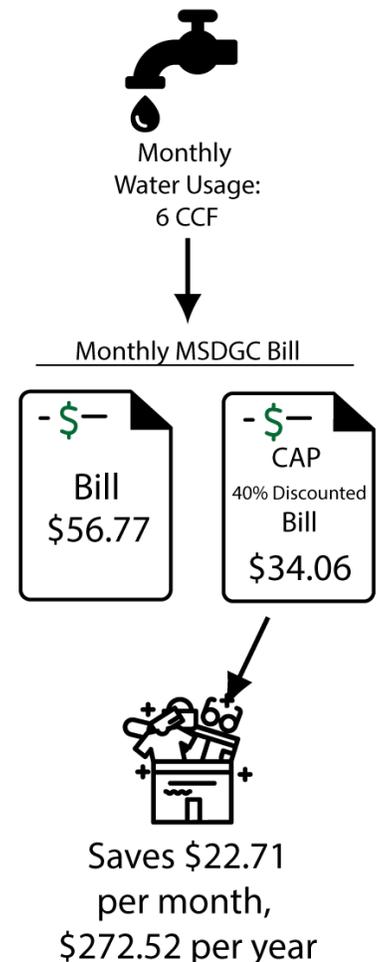
- This program would capture the low-income senior citizens and permanent disabilities people (estimated 5,000-10,000 based) plus additional low-income households that have name on bill
- Demographic data estimates approximately 59,000 owner-occupied (vs. rental) households in Hamilton County with a household median income at or below Federal Poverty Level of 175%. This includes all households at any age
- Young or transitional households (e.g. college students in rental unit with single meter) would be very unlikely to apply.

### **Estimated Program Participation for Senior Citizen, Permanently Disabled and Low-Income Discount Rate Programs Combined**

- Estimated applicants to be between 5,000 and 10,000 people based on HEAP program with similar requirements and study area
- The working group projects a maximum upper-limit of total program participation at 30,000 people as used on the cost estimate matrix on Page 43.
- Cleveland and Columbus had about 1,000 participants each in their first years and both about 4,000 today (~11th and 12th years since program launch)

### Low-Income Discount-Rate Example

  
 4 Person Household  
 \$26,000 per year  
 175% Fed. Poverty Level  
 for house of 4 = \$42,525





### 3. FINANCIAL HARDSHIP ASSISTANCE PROGRAM

Targeted Audience:	Financial Hardship
Type:	Temporary Assistance
Description:	One time credit per six month period up to \$150 for a qualified hardship

#### **Program Design Details**

- Applies only to the MSDGC portion of bill
- Property must be within the MSDGC Sewer District’s service area and billed directly by GCWW (jurisdictions that conduct their own billing is an issue that still needs to be addressed).
- One time assistance payment per six month period up to \$150 per assistance
- Must lack the funds to make utility payments due to a specific family hardship cause, including a health emergency, a change in employment or income status, a change in family composition or marital status, victims of domestic violence, or any other unforeseen documented expenses.
- Must be for single meter account under applicants name

#### **Estimated Program Participation**

- Total participation is capped at funding limits so as to not go over budget

#### **Estimated Program Costs**

- MSDGC – \$1,000,000
- Funding possibly supplemented by additional sources:
- Employee contributions
  - Business charity program

### Emergency Assistance Example

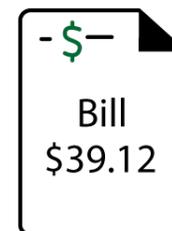


Individual with qualified “Crisis” Event



Monthly Water Usage:  
3 CCF

Monthly MSDGC Bill



+ One time credit per 6 months up to \$150 of bill

Monthly Balance Paid (\$39.12)

# PROGRAM COSTS

**FIGURE 15. DISCOUNT RATE REDUCTIONS BASED ON AVERAGE QUARTERLY VOLUME**

	Assumed Average Quarterly Volume (Ccf/quarter)	Average Quarterly Bill (before credit)	Average Quarterly Bill (after credit)	Reduction in Quarterly Bill
Senior /Disabled	9	\$117.36	\$70.42	\$46.94
Low-income	17.13	\$165.16	\$99.10	\$66.06

**FIGURE 16. ESTIMATED IMPACTS ON MSDGC REVENUES FOR RECOMMENDED CUSTOMER ASSISTANCE PROGRAMS**

	Estimated Eligible Accounts	Revenue Loss (Annual) at Various Participation Rates – Participation rate						
		10%	20%	30%	40%	50%	75%	100%
Senior / Disabled	20,000	\$375,520	\$751,040	\$1,126,560	\$1,502,080	\$1,877,600	\$2,816,400	\$3,755,200
Low-income	10,000	\$264,240	\$528,480	\$792,720	\$1,056,960	\$1,321,200	\$1,981,800	\$2,642,400
<b>Subtotal</b>		<b>\$639,760</b>	<b>\$1,279,520</b>	<b>\$1,919,280</b>	<b>\$2,559,040</b>	<b>\$3,198,800</b>	<b>\$4,798,200</b>	<b>\$6,397,600</b>
Hardship Program *		\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<b>Total</b>		<b>\$1,639,760</b>	<b>\$2,279,520</b>	<b>\$2,919,280</b>	<b>\$3,559,040</b>	<b>\$4,198,800</b>	<b>\$5,798,200</b>	<b>\$7,397,600</b>
Impact on Rate Revenue**		0.60%	0.84%	1.08%	1.31%	1.55%	2.14%	2.73%

\*Assumes full utilization of budget in all scenarios

\*\*Total Revenue from Rates (2018 Estimate) - \$271,130,732

## **Customer Assistance Program**

### **Cost Estimate Methodology**

The tables above show the methodology used to estimate the potential revenue/cost impacts of the proposed CAP programs. Starting in 2018, MSDGC’s residential class revenues have a base charge with an assigned monthly allowance of 3 CcF plus commodity charges of \$5.879 per CcF over the allowance. Senior citizens use less water at the rate of 9 CcF per quarter compared to the MSDGC average of 17.13 per household.

“Figure 16. Estimated Impacts on MSDGC Revenues for Recommended Customer Assistance Programs” shows how the discount rate programs for low-income senior citizens and those with permanent disabilities would effect revenue

collections for MSDGC. The participation rate in these programs is the key variable to the amount it will cost. The columns show how increasing participation rates from the estimated eligible demographic pools for a given program increase the total costs.

The crisis assistance program was suggested as a \$1,000,000 funding set-aside and is not dependent on participation rates. This fund would be available until gone, and any remaining funds at the end of year returned.

The total costs assumes that both the senior/disabled program and the low-income program have an equal participation rate, although it is expected that the senior/disabled people will be the most likely to participate in either

program. Revenue loss from a senior household discount would be less than a typical household as they have typically lower water usage (see last column of Figure 14). The collective impact of all three CAP programs on rate revenues is shown in the final row, as a percentage of the total collected 2018 revenues of \$271,130,732.

**The working group estimates a 20 percent participation rate in early years helping approximately 6,000 people annually; for a total program cost of \$2,279,520 and an impact on rate revenue of 0.84 percent.**



## PROGRAM ADMINISTRATION

### **INTERNAL VS EXTERNAL ADMINISTRATION**

The utility implementing the CAP will have to decide whether it is best to administrate the CAP internally or externally based on a range of factors. These factors might include: staffing time and skills; access to and trust with handling of personal data; administrative program budget; external agencies availability, capability and cooperation; and much more.

#### **Internal Administration through MSDGC/GCWW**

Internal administration of a customer assistance program would be a challenge to either MSDGC or GCWW's mode of operation. It must be remembered that with a CAP program the amount of time needed to discuss more complex qualification requirements would make for long phone calls. Speaking with the **Community Action Agency** who administrates the HEAP program (similar qualification requirements), it takes approximately twenty minutes to do qualification interviews, and their agency has experience with this type of work. The working-group does not recommend the internal administration route as it is not a core business activity of the utility and their are other agencies that administer these types of programs routinely.



**Community  
Action Agency**  
CINCINNATI | HAMILTON COUNTY

#### **External Administration through Local Social Service Agency**

In larger cities, there are typically many social service agencies implementing a wide range of programs to address underlying causes of poverty. In Cincinnati, we have a number of social service agencies that might have the capacity and expertise to help. Utilizing an external agency can lower administration costs significantly and increase participation rates. When someone asks a social service agency for help, they can identify all the programs that might help the applicants specific needs and challenges. Combining several social service programs' resources can be more effective in addressing the challenges of poverty and helping to improve families' well-being and future financial stability.

#### **Working Group Recommendation on Implementation and Program Administration**

After careful consideration and discussion, the working group thought it would be best to find an external agency to handle the recommended CAP program(s) administration. The external agency would qualify the applicants and send a list of those registered to the GCWW. The details, feasibility, and costs of implanting changes in GCWW's billing system to accommodate a CAP for MSDGC will be dependent on the program concept and ultimate design.



## PROGRAM REPORTING

Developing a CAP reporting requirement will assist with tracking the performance of the program over time. If an external agency is chosen to conduct program administration the utility will have to determine what reporting requirements it needs. The City of Columbus Water Department shared a monthly report example in “Figure 17. City of Columbus Monthly Report Example” below.

FIGURE 17. City of Columbus Monthly Report Example

## PUBLIC UTILITIES DISCOUNTS



2017

Month	Single Family Low Income							Multi-Unit Low Income	Senior Citizen			Electric Senior Citizen	
	Received	Denied	Renewed	New	Open	Dropped	Total	Total	New	Open	Dropped	Total	Total
January	745	75	549	73	11	31	4391	1486	33	4	23	3438	187
February	907	102	615	146	15	96	4452	1486	26	3	18	3450	188
March	700	74	439	137	15	253	4351	1486	34	1	18	3469	192
April	294	38	154	75	6	243	4198	1486	19	2	17	3472	193
May	420	67	187	121	2	248	4077	1486	42	1	26	3490	191
June	0					0					0		
July	0					0					0		
August	0					0					0		
September	0					0					0		
October	0					0					0		
November	0					0					0		
December	0					0					0		
TOTALS	3066	356	1944	552	49	871			154	11	102		

n = Service orders that have not been closed and are not in the total count for that month.



## UNRESOLVED ISSUES

### **Jurisdictions that Handle Their Own Billing Collections**

Approximately 10% of MSDGC customer base falls under jurisdictions that collect the water/sewer bills. Even though GCWW/MSDGC are switching to monthly billing, many of these jurisdictions are staying with quarterly or bi-monthly billing practices already in place. Will the proposed CAPs be available in these jurisdictions? This question needs to be answered to avoid confusion from customers in those areas, and to prevent any rift between those jurisdictions and the utilities. A conversation with representatives in these jurisdictions is a necessary start.

### **Community Outreach**

The working group has been developing plans for community outreach in case that is the preferred direction that County leadership wants to take. The working group will not proceed until getting this direction and approval.

### **Crisis Assistance Billing**

The Crisis Assistance Billing Program creates one issue that the working group has not resolved or needs more direction on. Can the crisis assistance credit only be used for the MSDGC portion of the bill? The discount rate only applies to the MSDGC sewer service costs so it seems the crisis assistance would too. But the customer applying for the crisis assistance might wonder why a credit up to \$150 does not cover the entire bill including water costs if the sewer portion is significant under that amount.



# FUTURE PROSPECTIVE CUSTOMER ASSISTANCE PROGRAMS

Additional CAP programs deserve more careful consideration. Here are some of those prospective CAP programs that the working group found intriguing but did not include in the first three alternatives:

## LOW-INCOME MULTI-METERED PROPERTY DISCOUNT

The City of Columbus offers a low-income multi-metered property discount. The strategy is based on giving credit to qualified low-income property landlords to prevent upwards pricing pressure on the renters. Skepticism of whether the savings would get passed on to the low-income renter in the form of reduced rental rates kept the concept from further exploration. Some cities are exploring ways to address this issue and perhaps a solution will be found that could work in local context.

## PAYMENT FORGIVENESS PROGRAM

The CAP working group explored the payment forgiveness program and liked the concept. The benefits of a payment forgiveness program can be substantial to addressing affordability. The USEPA's 2016 report "Best Practices in Customer Assistance Programs" states, "A growing realization exists in the utility industry that circumstances exist under which the best treatment of an arrearage is to write them off and give the customer an opportunity to become a good paying account on a going forward basis. Viewing the arrears in this manner allows the utility to convert what appears to be a liability into an asset that can be used for the benefit of the customer and the utility. The write-off is seen as an opportunity to use a series of credits applied against the preexisting arrears as an incentive for customers to learn new payment habits under which they make full and complete payment" (USEPA, 2016).

A payment forgiveness program was not considered at this time because the switch to monthly billing creates some uncertainty around the effectiveness of such program. Under quarterly billing, a bill could grow larger and therefore more difficult, thereby making a payment forgiveness program a better CAP solution. Under monthly billing, unpaid bills will be found and addressed on a quicker time-line and a payment forgiveness program would be less effective than the alternative recommendations of a discount-rate and emergency assistance fund. A payment forgiveness program could potentially create more internal administrative cost than a discount program or financial hardship assistance program because setting it up in the billing system is expected to be more difficult than an automatic monthly reduction like a discount-rate, or a procedural (if/because an external agency qualifies applicants) one-time credit like a emergency assistance fund. Each payment plan requires a manual adjustment in the billing system plus additional staff time for discussing the terms and conditions of the payment plan.

### Explored Program Design

- Customer in a payment plan
- Customer must pay a series of on time payments and then they will be eligible to receive a credit
- 6 months of on-time payments
- Up to \$200 debt/credit write off
- Can only be used on a customer's first time in a payment plan

## WATER EFFICIENCY PROGRAM

The working group had several ideas for a water efficiency type program but did not choose it as one of the initial concepts. Homeowners can already pursue water efficiency improvements on their own and realize a decrease in their water and wastewater bills. A water efficiency program is counter-intuitive to addressing wastewater affordability concerns. If all customers make equal effort to achieve water efficiency, while good for the environment, the wastewater base charge would likely be raised to pay for the fixed costs of the system unless a separate storm water fee for combined sewer overflow infrastructure improvements is developed. A water efficiency program under the existing billing structure should try to target partners who work with low-income, senior, and disabled people, and identifying a means to implementation. This would require a substantial planning process of its own.



## IMPLEMENT, EVALUATE, AND ADJUST

### **Success Metrics**

Identifying measures of success are important for steering the program towards better outcomes in the future. The CAP programs designed by the working group are intended to be modified over time to meet the goals of making sewer access affordable for vulnerable people who are in poverty or “at-risk” of poverty.

Note on MSDGC/GCWW billing data: A billing system transformation was completed between 2015-2016 which skews data on “bad debt”, delinquent accounts, and shut-offs for our needed baseline assumptions. The billing data for 2017 is more reflective of typical year and historical trends but the move to monthly billing on Jan. 1, 2018 may change the metric’s baseline for 2018 end of year. The working group suggest that 2018 end of year data becomes the baseline moving forward for evaluating CAP performance. The 2017 data may be used to evaluate the impact of monthly billing switch in 2018.

### ***Possible Success Metrics for Utility:***

Some of these metrics could be used to set goals for evaluating CAP performance:

- # of people who have access to water
- Decrease in delinquent accounts
- Decrease in “bad debt”
- Decrease in shut-offs
- Other areas reducing in costs (administrative, collections, etc?)
- # of people assisted by program

### **Program Participation**

Other utilities with CAP programs have encountered low participation rates and identified the following barriers to participation:

### ***Reasons for Low Participation:***

- Lack of program awareness
- Lack of access to program offices
- Misconceptions about eligibility
- Mistrust of utilities
- Lack of transportation
- Stigma of receiving public assistance

### ***Overcoming Barriers to Participation***

- Collaboration and referrals with existing social service safety networks
- Utilizing an existing Social Service Agency for program administration efforts
- Variety of program application methods (in-person, online, etc.)
- Less frequent application (every two years) for elderly customers

### **CAP Working Group - Suggested Program Goals**

The working group suggest the following goals for measuring early CAP success, which are subject to change once more data can be collected about how monthly billing will effect billing data:

1. 5,000 people enrolled in the discount rate CAP in the first five years (2% of 2017 customer base)
2. 10,000 people enrolled in the discount rate CAP in the first ten years (4% of 2017 customer base)
3. Of the approximately 5,000 service disconnections per year for residential accounts due to non-payment - at the end of the first year of CAP implementation make a service disconnection reduction of 20 percent (1,000 accounts retained)



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# APPENDIX

## MEETING SUMMARIES

The “working group” had eleven meetings between May 2, 2017 and November 30, 2017 before submitting a final draft report. The group met biweekly unless more time was needed for a particular action or task. The following are short summaries of each meeting to help understand the process of the working group.

### Meeting 1 - May 2, 2017

At this meeting we convened the “implementer agencies” from MSDGC, GCWW and the Hamilton County Prosecutors Office. Steve Johns provided an overview of the purpose and scope of this project and Brian Wamsley did a quick overview of past work and resources.

The meeting finished with an open discussion guided by some large overarching topics which we will explore further at future meetings. At this stage we were trying to identify major hurdles to program development and devise a practical time-frame for completion of this project.

### Meeting 2 - May 18, 2017

At this meeting we had new attendees from the United Way, the Legal Aid Society of Southwest Ohio, Communities United for Action, and the Community Action Agency. An outline of key milestones and timing for meeting goals was submitted to the group in draft form and subject to suggested changes.

### Meeting 3 - June 1, 2017

At this meeting, notes were shared with the group from the phone interviews with Cleveland Housing Network (who administers the CAP program for NEORS and the Cleveland Department of Water) and also with Columbus Department of Water (who internally administers the CAP program for the

water utility only).

Other questions about these programs were identified for future follow-up. Several data needs were identified and their procurement statuses were estimated by responsible parties in ownership of that data.

### Meeting 4 - June 15, 2017

At this meeting, we reviewed demographic information on poverty, collected from MySidewalk, and compared it with the discount-rate cost matrix in the MSDGC’s Report on Low-income Assistance Programs to get some preliminary estimates of what picking different poverty level thresholds might have upon MSDGC’s rate structure.

### Meeting 5 - June 29, 2017

At this meeting, we continued to look at demographic information but with more of a focus on the senior population, to get a sense of how many seniors might be eligible for a potential CAP program. We also discussed the concepts of a water efficiency CAP program. Also, a round-up charity based program was brought up as a funding source for a direct assistance fund.

A meeting with GCWW and their customer service representatives was scheduled for July 11, 2017. The CAP working group formulated some questions that they would like to find information.

### July 13 – no meeting

### Meeting 6 - July 27, 2017

### Meeting 7 - August 10, 2017

At this meeting, the working group discussed the five proposed customer assistance program proposals. Individual details of these programs were debated and refined.

### Meeting 8 - August 24, 2017

This meeting was very similar to the last meeting with more discussion on the five proposed CAP concepts. At the end of this meeting the group felt it had consensus on the three strongest proposals. Next steps were to discover costs estimates and began developing a plan for introducing the CAP concepts to a broader audience.

### September 7 - no meeting

### Meeting 9 - September 21, 2017

This meeting was held at MSD with MaryLynn Lodor joining us to answer some questions about CAP programs from MSD’s perspective. A request for cost estimates was initiated and MaryLynn ensured that consultant would be available to provide this information for us.

### Meeting 10 - October 19, 2017

Reviewed an early draft of the CAP recommendations report and began a comment and editing period.

### Meeting 11 - November 30, 2017

Reviewed cost estimate calculations from MSDGC consultant and discussed prospective program costs. Reviewed new graphics showing program basics. Updated crisis assistance program to be available once per six months instead of once per year. Discussed the pathways that this document will take towards getting in front of decision makers.



## WATER EFFICIENCY CUSTOMER ASSISTANCE PROGRAM LINKS

### Energy.gov

<https://energy.gov/eere/femp/best-management-practice-3-distribution-system-audits-leak-detection-and-repair>

- Information and Education Programs
- Distribution System Audits, Leak Detection, and Repair
- Toilets and Urinals

### Alliance for Water Efficiency

[http://www.allianceforwaterefficiency.org/Device\\_Distribution.aspx](http://www.allianceforwaterefficiency.org/Device_Distribution.aspx)

- Low-flow showerheads
- Flow restrictors
- Low-flow aerators for faucets
- Toilet leak detection dye tables
- Toilet displacement devices

### City of Portland, OR

<https://www.portlandoregon.gov/water/51031>

- Good source to see how to change water consumption behavior and education

### New York City, Department of Water

[http://www.nyc.gov/html/dep/html/ways\\_to\\_save\\_water/residential-water-efficiency.shtml](http://www.nyc.gov/html/dep/html/ways_to_save_water/residential-water-efficiency.shtml)

- A Do-It yourself home water audit

### US EPA WaterSense

<https://www.epa.gov/watersense/products-development>

- At the bottom of this page check out the link that says “Bath and Shower Diverters”
- This site has some interesting facts and a presentation that might be valuable



## DELINQUENT ACCOUNTS RESULTING IN TURN-OFF BY ZIP-CODE (JANUARY - JULY 2017)

Zip-Code	Delinquent Account - Turn Off
45205	487
45231	464
45238	398
45237	377
45240	266
45224	234
45216	230
45211	223
45227	201
45229	178
45239	163
45207	147
45223	140
45213	139
45230	137
45214	133
45204	117
45206	117
45217	104
45236	102
45040	98
45251	98
45215	96
45219	95
45220	95
45225	85
45248	75
45255	65
45233	57
45242	57

45244	57
45246	50
45208	45
45226	44
45232	41
45241	37
45209	34
45212	34
45247	29
45218	25
45202	24
45249	24
45210	16
45014	15
45140	14
45002	13
45243	12
45203	6
45252	4
45030	2
45052	2
45228	1

Provided by GCWW on July 11, 2017