Georgia Power

Analysis of Income Qualified Discount Options

Georgia Power ("Georgia Power" or the "Company") submits to the Georgia Public Service Commission (the "Commission") its response to requirements outlined in Paragraph 23 from the Stipulation approved in the 2019 Rate Case Order in Docket No. 42516.

Overview

Purpose and Requirement

In the 2019 Rate Case Stipulation, Georgia Power agreed to collaborate with Georgia Watch and Commission Staff on a process to consider potential options for the expansion of income qualified discount opportunities to assist customers. Specifically, paragraph 23 stated:

> *23. The Stipulating Parties agree that within ninety (90) days of the Final Order in this docket, the Company, Georgia Watch, and Staff will collaborate on a process to consider potential options for the expansion of income qualified discount opportunities to assist customers. This process will allow for Stipulating Parties to provide input on the options to be considered. Stipulating Parties further agree that within 270 days of the Final Order in this docket, the Company after having taken input from Stipulating Parties will report back to the Commission on their findings and may recommend additional action. Any potential program options must consider cost impacts to non-participating customers as well as the impacts of any revenue erosion.*

This report provides the results of the collaboration, contains details on the Company's analysis of proposed programs, outlines feedback from other parties to the Settlement Agreement, and includes a recommendation regarding further action on this matter.

Existing Income Qualified Support

The Stipulation was specific to direct the Company to work with the stated parties to consider the expansion of income qualified discount opportunities. This is important to note because Georgia Power already offers a variety of support and services for customers who struggle to pay their bills. Here are a few examples:

- The Income-Qualified Senior Citizen Discount program has approximately ninety thousand customers participating, resulting in nearly $25M in discounts annually. This program provides up to a $24 discount to the monthly bill for qualified and participating customers.

- Project SHARE is a partnership with the Salvation Army that allows customers to donate to other customers in need. Georgia Power matches 150% of customer contributions up to $1.5M annually.
- Georgia Power offers energy efficiency programs that are targeted to income-qualified customers to help save on their electric bill.
- Georgia Power has a dedicated Energy Assistance team that partners with community-based organizations, nonprofits, houses of worship, and government-funded programs and services to assist those in need.

The following programs evaluated and outlined in this report would be in addition to these existing programs, which the Company would continue to make available to support customers.

Approach and Analysis

Georgia Power has evaluated several scenarios of two potential income qualified discount programs that were proposed by Georgia Watch. The Company's analysis was designed to estimate the total costs, participation level and impacts to non-participating customers. During the evaluation process, the Company met with Georgia Watch and Commission Staff multiple times to discuss the proposed programs and to ensure a consistent understanding of the assumptions and projections.

Proposal 1: Tiered Discount Program - A tiered program that would provide a varying level of discount based on your income level, where the lower the income the higher the discount. The underlying goal of the program is to reduce the average electric bill to approximately 6% of a household's income. Discounts for the tiered program ranged from 20% - 76% of the participant's total monthly bill. Georgia Watch's consultant provided an estimate of the costs and impacts of the program using assumptions and publicly available data (see Appendix). Georgia Power then conducted its own analysis using Company-specific data that is provided in Tables 1.1 and 1.2 and within attachment "Income-Qualified Discount Analysis.xlsx".

Proposal 2: Expanding current Income-Qualified Senior Citizen Discount – An alternate scenario to expand the current $24 per month discount to all income qualified customers. The current senior discount program would stay in place, and customers would be limited to one discount per month. To qualify for the discount, three levels of income were contemplated based on the income relationship to the federal poverty guidelines: 100%, 150% and 200%.

Estimates of both programs include the following features and assumptions:

- Arrearage payoff – customers participating in either program would have their past due balances forgiven if they are able to pay the new discounted bill on time for 6 months. These costs would be absorbed into the program costs and would be borne by all customers.
- Administrative overhead costs were included at a rate of 7% of the program cost.

- Participation take rates of 30%, 50% and 70% for qualifying customers to cover a range of possible participation outcomes.

Summary of Estimated Programs

The Company created 12 scenarios of potential programs with the total costs ranging from $40M to $304M. The program cost variance comes with a corresponding range in the number of customers that could benefit from the discount – which spanned from 86,000 – 458,000. A summary of 12 scenarios is provided in Table 1.1 below, and full details are in the attached file "Income-Qualified Discount Analysis.xlsx".

The total costs of this program would impact Georgia Power retail customers as the discounts and arrearage forgiveness would shift the revenue requirements among customers and increase the total Company revenue requirement by the program administrative costs. The customer-level impacts depend on how such costs are incorporated into rate design and cost recovery. While the Company would expect any new income qualified program to be introduced during the next rate proceeding, any program offered before 2022 would also create significant revenue erosion based on the cost of the program. Estimates of the potential impacts are noted in Table 1.2 below, and full details are in the attached file "Income-Qualified Discount Analysis.xlsx." The Company analyzed two potential methods for recovering the additional costs for the proposed program scenarios:

- **All Customers**:
    - If the revenue requirement is spread to all customers, Commercial and Industrial customers would incur roughly 57% of the total cost as their pro-rata share. This results in a range of $23M-$174M in additional revenue requirements from these customers. The remaining 43% would be spread to Residential customers, with the resulting increase to the average residential bill ranging from $0.69/month up to $5.20/month.

- **Residential Only:**
    - The full cost of the programs is recovered from Residential customers – who are the direct beneficiaries of the programs. The resulting Residential impacts would range from an increase of $1.50/month up to $11.31/month.

Table 1.1 of Estimated Scenarios

Description	Scenario	Income Guideline	Participation %	Total Participants	Avg. Monthly Discount provided	Total Costs ($M)
Expanding Senior Citizen Low Income Discount ($24/month)	1	100% Poverty	30%	86,407	$ 24	$ 40
	2		50%	144,012	$ 24	$ 67
	3		70%	201,617	$ 24	$ 94
	4	150% Poverty	30%	137,176	$ 24	$ 64
	5		50%	228,627	$ 24	$ 106
	6		70%	320,077	$ 24	$ 149
	7	200% Poverty	30%	196,475	$ 24	$ 91
	8		50%	327,459	$ 24	$ 152
	9		70%	458,442	$ 24	$ 213
Tiered Discount (Avg. $51/month)	10	$0 up to 60% SMI[1]	30%	146,360	$ 51	$ 130
	11	$0 up to 60% SMI[1]	50%	243,933	$ 51	$ 217
	12	$0 up to 60% SMI[1]	70%	341,506	$ 51	$ 304

*SMI – State Median Income

Table 1.2 of Potential Impacts to Customers

Description	Scenario	Impacts if costs spread only to **Residential**		Impacts if costs spread to **All Customers**	
		Cost to C&I ($M)	Residential $/month	Cost to C&I ($M)	Residential $/month
Expanding Senior Citizen Low Income Discount ($24/month)	1	$ -	$ 1.50	$ 23	$ 0.69
	2	$ -	$ 2.50	$ 38	$ 1.15
	3	$ -	$ 3.49	$ 54	$ 1.61
	4	$ -	$ 2.38	$ 37	$ 1.09
	5	$ -	$ 3.96	$ 61	$ 1.82
	6	$ -	$ 5.55	$ 85	$ 2.55
	7	$ -	$ 3.40	$ 52	$ 1.57
	8	$ -	$ 5.67	$ 87	$ 2.61
	9	$ -	$ 7.94	$ 122	$ 3.65
Tiered Discount (Avg. $51/month)	10	$ -	$ 4.85	$ 75	$ 2.23
	11	$ -	$ 8.08	$ 124	$ 3.71
	12	$ -	$ 11.31	$ 174	$ 5.20

Input from Settlement Parties

As provided for in Paragraph 23 of the Stipulation, the Company shared the evaluation results of potential options for the expansion of income-qualified discount opportunities with other parties to the Settlement Agreement. The Company received limited feedback in response, however the consensus position was in objection to changing Georgia Power's rate design between rate proceedings in a manner that would shift costs to other customer classes. The formal feedback provided on behalf of the Georgia Association of Manufacturers is provided in the attached file "Settlement Party Feedback – Income-Qualified Discount Analysis."

Georgia Power Recommendation

Georgia Power submits this report and attached analysis to the Commission on the proposed income-qualified programs suggested by Georgia Watch. The Company does not recommend additional action be taken at this time by the Commission on this issue. The Company is concerned about the upward pressure on rates that result from the additional discount programs – particularly on non-participating customers. Additionally, the Commission rendered its order regarding the 2019 Rate Case in Docket No. 42516 less than one year ago and the Company is in the process of implementing all facets of the rate designs for approved cost recovery – but additional income-qualified programs were not considered for cost recovery in the interim. The Company's position is that Parties may propose and the Commission may consider potential income-qualified discount programs such as the programs recommended by Georgia Watch and analyzed in this report in subsequent rate case proceedings where all costs and program designs may be evaluated for cost recovery and rate design purposes.

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Appendix

Georgia Watch Analysis (as provided)

Summary of Program –

Year 1 Program Expenditures and Discounts

Georgia Power Tiered Discount Worksheet

Program Inputs/Assumptions

Target Burden	**6.0%**	Average Pre-program Arrearage	**$200**	# Participants per tier	**18348**	Annual Expenditure	**$1,555**	Program Administration (% of Arrearage Write-down + Discounts)	**7%**

Income Brackets, Households, Expenditures and Discounts

Ratio of Income to Poverty Brackets										
Lower	Upper	Income at Category Midpoint (2-person hh)	# HH	Average Annual Electricity Expenditure	Target Burden	Expenditure @ Target Burden	$ Annual Discount	$ Monthly Discount	Percentage Discount	Total $ Discount per Tier
0.00	0.75	$6,341	18,348	$1,555	6.0%	$380.48	$1,174.25	$97.85	75.5%	$21,545,405
0.76	1.25	$16,995	18,348	$1,555	6.0%	$1,019.67	$535.06	$44.59	34.4%	$9,817,295
1.26	1.50	$23,336	18,348	$1,555	6.0%	$1,243.78	$310.95	$25.91	20.0%	$5,705,285
1.51	60% SMI	$27,700	18,348	$1,555	6.0%	$1,243.78	$310.95	$25.91	20.0%	$5,705,285
		Weighted Average Discount	43.3%							

Summary of Program Costs

# HH	Annual Arrearage Write-down	Bill Discounts	Arrearage Write-down + Discounts	Program Administration	Total Program Cost (Year 1)
73,393	$14,678,531	$42,773,270	$57,451,801	$4,021,626	$61,473,427
		Program Cost as a % of Total 2018 Revenues from Sales		0.764%	
		Average Residential Cusomter Monthly Bill Impact		$0.99	