

Supplemental Targeted Energy Program (STEP)

Program Overview



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Office of Home Energy Programs

Family Investment Administration

Department of Human Resources

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I. Mission Statement

The Office of Home Energy Programs (OHEP) provides bill assistance to low-income households in the State of Maryland to make their energy costs more affordable and to help with the prevention of loss and the restoration of home energy service.

II. Vision Statement

OHEP envisions a system where people struggling to pay their energy bills can, through a quick and seamless process, obtain immediate relief through bill assistance while simultaneously being filtered into services that overcome systemic barriers to energy affordability and help them independently support themselves and their families.

III. Background

In January of 2016, the Department of Human Resources (DHR) established the Office of Home Energy Programs (OHEP) Policy Reform Advisory Group to engage stakeholders in a review of potential reforms to OHEP's programs designed to make energy bills more affordable, promote improved bill payment behavior and reduce dependence on utility assistance programs by OHEP customers. The Advisory Group, comprised of a diverse set of State agencies, advocacy organizations, local Department of Social Services offices, Community Action Agencies, utility companies, evaluation groups and philanthropic organizations, met six times between January and November of 2016.

Through those discussions and in consultation with the feedback from its stakeholders, DHR has developed the proposed Supplemental Targeted Energy Program (STEP), with an anticipated launch date of July 1, 2017. Through the proposed program, DHR will maintain the existing safety net of energy benefits administered through OHEP, while adding an additional, incentive-based benefit for customers that participate in a comprehensive set of services that address underlying factors that make their energy bill persistently unaffordable. Through STEP, DHR envisions supplementing its traditional energy bill assistance services with targeted interventions that improve the affordability of energy bills by reducing energy usage and improving financial means to pay energy bills. Customers will earn additional grant funds through STEP that keep their energy bill at an affordable level in the short-term while they work with the program on targeted interventions to create lasting energy affordability in the long-term.

IV. Current Policy

As part of considering program enhancements, the Policy Reform Advisory Group reviewed the strengths and weaknesses of existing grants administered by OHEP. Under existing OHEP guidelines, customers may receive up to three benefits that are accessed through a single application:

- **Electric grants** – Funded through the Electric Universal Service Program (EUSP), grants are distributed in twelve monthly credits in order to keep customers on-going bills at a more affordable level. Customers may qualify for a new electric grant each fiscal year.

- **Heating grants** – Funded through the Maryland Energy Assistance Program (MEAP), grants are allocated to the customers heating provider. Customers may qualify for a new heating grant each fiscal year.
- **Arrearage grants** – Funded through the Regional Greenhouse Gas Initiative (RGGI), grants are applied towards past due electric bills, not to exceed \$2,000. Customers may only receive an arrearage grant once every seven years, with certain exceptions.

Electric and heating grants are paid directly to energy providers based on the customer’s household income and energy consumption. Customers with large energy burdens (defined as the amount of income the household pays towards its energy bills) receive higher benefits. This distribution method allows OHEP to provide larger benefits to customers that pay a greater share of their income towards their energy bills to meet the greatest need. This formula ensures customers with large, immediate needs receive the largest financial assistance.

However, it was noted through the Policy Reform Advisory Group that customers who proactively take steps to reduce the proportion of income being paid towards their energy bills – either by reducing their energy usage or increasing their income – receive diminishing returns on these savings by receiving reduced energy assistance benefits the next time they apply. Furthermore, customers who are interested in engaging in activities that will help them reduce their energy burden must navigate a complex and fragmented system to obtain the tools and services they need. When designing STEP, the Policy Reform Advisory Group sought to establish a program that makes these services easily accessible through a single point of intake and provide a tangible incentive to customers that engage in the types of behavior that will improve bill affordability and reduce reliance on OHEP assistance.

V. Program Components

At its core, STEP is modeled on the premise that:

1. Grants to pay energy bills alone is not a long-term energy affordability solution;
2. Customers need help navigating the spectrum of services available that help make energy bills affordable;
3. Customers with energy crises will under-utilize programs that have distant, long-term impacts; and
4. Customers must be given tools that empower them to make their energy costs more affordable.

To address these underlying principles, STEP offers customers an incentive-based benefit contingent upon the participation in a set of services designed to improve long-term bill affordability. The incentive benefit is intended to cover the gap in financing needed to make the bill affordable in the short-term while the customer actively works with the program to resolve

longer-term problems that perpetuate a cycle of past due bills, turn-off notices and energy crises. The STEP benefit is granted in addition to the existing OHEP benefits customers currently receive that are not tied to customer participation in additional services.

To address the longer-term challenges facing OHEP customers, STEP will offer targeted interventions around three focus areas; service coordination, behavior change, and self-sufficiency.



Service Coordination

Customers enrolling in STEP will initiate participation in the program through the development of a comprehensive service coordination plan that assesses the critical factors that have led the customer to having unaffordable bills and identification of the energy and non-energy resources that can help the customer achieve greater affordability. Customers will work one-on-one with an Energy Advisor to assess these issues and mutually develop a STEP Service Coordination Plan that identifies a strategy to access programs and services that will improve energy affordability.

STEP aims to improve the linkages to energy resources and wrap-around services, while improving rates of customer utilization of available services. While OHEP currently provides limited referral and coordination assistance for customers, there is no dedicated funding for such efforts and opportunity remains to develop a more effective system to link customers into wrap-around services. The Energy Advisor plays a critical role coordinating access to appropriate and beneficial activities through a single point of intake and serves as a navigator to ensure the customer utilizes all available resources to the best of their ability. The Energy Advisor must work to identify which resources best fit the needs and circumstances of the customer to position the customer for full and successful utilization of the resource.

As it relates to coordination of energy efficiency programs, in the existing OHEP process, customers are automatically referred to the Department of Housing & Community Development (DHCD) for energy efficiency interventions, unless the customer explicitly requests on the energy assistance application to not be referred. DHCD then contacts customers to perform an energy audit to determine whether the customer is eligible for energy efficiency services, such as the EmPOWER MD Low Income Energy Efficiency Program and the Department of Energy Weatherization Assistance Program.

OHEP recognizes several shortcomings exist under the current referral model:

- Under the opt-out referral process built into the OHEP application, customers often do not understand what services they are being referred to and are confused when DHCD contacts them offering to assess their services. Thus, many customers are hesitant to agree to participate without a better understanding of the programs.
- Many OHEP customers do not qualify for DHCD energy efficiency services due to a combination of funding limitations for DHCDs programs, inability to serve individual apartment units in multi-family buildings, housing conditions that make the services unsafe to deliver, lack of cooperation from landlords to allow tenants to participate, and program rules that require DHCD to target high energy users. These customers that are unlikely to qualify for assistance are referred together with more viable candidates, creating more administrative work to filter out ineligible candidates and setting up false expectations to customers that expect to be assisted through the referral process.
- Additional energy efficiency programs operated by organizations other than DHCD exist, including utility-operated EmPOWER initiatives, grant funds administered by the Maryland Energy Administration and other local and philanthropic programs. Many customers that may not qualify for DHCD services may likely qualify for services administered by other agencies. OHEP does not currently coordinate referrals to energy efficiency services outside of DHCD.
- In addition to traditional energy efficiency programs, there is a growing market of renewable energy and community solar initiatives, with specific targeting to low-income customers. More can be done to help OHEP customers access these services that can lower the unit cost of energy.

Through STEP, Energy Advisors will screen customers for eligibility for energy programs and filter them into the program that best meets their family and housing characteristics. Customer engagement in the referral process, along with accurate screening of eligibility for services, will be key to increasing utilization of energy efficiency programs for OHEP customers. Administering agencies will develop relationships with participating energy efficiency, energy education, behavior change, and other energy programs so that there is a seamless referral process. Follow-up discussions by the agency with the client will ensure that any barriers encountered after initial referral are addressed.

As it relates to coordination of non-energy services, OHEP agencies currently try to refer customers into programs to help customers better manage energy costs. The Policy Reform Advisory Group determined, however, that a dedicated process to look comprehensively at self-sufficiency needs will generate much greater outcomes. To create lasting affordability for customers applying for OHEP grants, the program must look beyond just energy-based solutions. When a customer is behind on an energy bill, there are often a myriad of other problems facing that household that lead to persistent struggles to manage energy costs, resulting in dependency on utility assistance programs. Common challenges facing OHEP customers include food insecurity, risk of eviction, financial wellness, housing disrepair, health problems and more.

While OHEP cannot by itself resolve the wide array of non-energy problems facing its customers, it can act as a conduit to connect customers to services and providers that are equipped to provide assistance in these areas. In accordance with this principle, STEP participants will have non-energy needs assessed and incorporated into their Service Coordination Plans. Administering agencies will be responsible to develop and maintain partnerships with other government and community organizations to ensure that a comprehensive package of support services is available to respond to the tailored needs of customers participating in STEP. Follow-up check-ins with the client by STEP program staff will ensure obstacles related to accessing wrap-around services are resolved to the extent possible.

Behavior Change

A required component of Service Coordination in the STEP model is engagement in a program aimed at behavior change. In a recent study by the Fuel Fund of Maryland, it was found that low-income customers applying for utility assistance used 1.6 times the electricity of an average customer in the Baltimore Gas & Electric territory. While these findings are likely partially attributable to the fact that low-income housing is less energy efficient than typical residential housing, much of it is likely a factor of household behavior related to energy consumption. Further recent analysis by the Fuel Fund has demonstrated that customers receiving bill assistance who also receive energy education see a 15% reduction in energy consumption in the short-term, although the savings diminish over time. These numbers speak to the fact that OHEP customers can improve energy affordability through simple behavior change in how energy is used, though specific emphasis must be placed on follow-up to ensure savings are persistent.

Customers that choose to enroll in STEP will be required to be engaged in a behavior change program, whether through completion of an energy education workshop that teaches them how they can save money through simple, behavior change techniques; a community-based social marketing initiative targeting STEP participants that drives sustainable behaviors through existing social relationships; or another well-designed, outcomes-based behavior change initiative. Regardless of the approach to behavior change or the mode of delivery, topics to be covered should include:

- Understanding the energy bill
- Approaches to water conservation

- Heating and cooling usage
- Lighting and electronics
- Do-it-yourself activities to improve home energy efficiency and
- Goal setting for customers and their family members to reduce energy costs.

OHEP will establish minimum parameters to ensure a rigorous, outcome-based intervention is developed, and administering agencies will submit plans as to how they intend to execute their programs in accordance with this framework.

Self-Sufficiency

As customers approach the end of their targeted interventions in STEP, an Energy Advisor will work with the customer to transition them towards self-sufficiency once STEP grant assistance is completed. The Energy Advisor will conduct an updated review of the customer's energy burden to evaluate if and how they have closed their energy affordability gap over the course of the past several months, and what goals and tactics can be employed in the future to continue to make progress. A combination of continued behavior change and identification of resources needed will be incorporated into an Energy Affordability Evaluation Plan that will be signed by the customer. Furthermore, the customer will be explained the timing by which STEP benefits will be phased out of their energy bills so that they are prepared to manage their energy costs after STEP funding expires.

VI. Incentive Benefit

A key design concept of STEP is that there will be an incentive benefit for participants in the program. The incentive benefit serves as a tool to foster a partnership mentality between the customer and STEP. The incentive benefit will help keep the bill at a manageable level while the program and customer work collaboratively to resolve longer term affordability issues.

Determining the STEP Grant Amount

The total funding a client qualifies for by participating in STEP will be determined based upon the household's estimated energy burden (i.e. percentage of household income paid towards energy costs). Based on feedback from the Policy Reform Advisory Group, stakeholders, and industry experts, an energy burden in excess of 6% is considered unaffordable.¹ Accordingly, through STEP, customers will be offered a grant that will cover the gap in financing needed to bring the bill to 6% of household income.

The energy burden will be calculated based off household income at time of application, projected energy costs, and the amount of grant funds being credited towards the customer's forthcoming bills through OHEP's existing EUSP and MEAP programs. Estimated electric and gas costs will be calculated based off the utilities projected annual usage cost and a per-unit of energy cost rate determined by OHEP.

¹ Fisher, Sheehan and Colton "Home Energy Affordability Gap". <http://www.homeenergyaffordabilitygap.com>

Bulk fuel costs will be calculated based off standard usage costs calculated by OHEP. EUSP and MEAP grants will be credited against the household energy burden unless it is established that those funds are being used to pay down an arrear as opposed to being applied towards making future bills more affordable.

If a customer enrolls in STEP at a time when their MEAP benefit is in pre-certified status, the MEAP amount accounted for in the STEP grant calculation will be based off the prior fiscal year MEAP benefit matrix. See example below:

Table 1 Calculation of STEP Grant

A	Monthly Household Income ²	\$1,666
B	Estimated Monthly Energy Cost ³	\$250
C	EUSP and MEAP Monthly Assistance ⁴	\$100
D	Energy Cost Paid by Customer (B – C)	\$150
E	Energy Burden (D/A)	9%
F	Affordable Energy Burden (6% * A)	\$100
G	Gap in Affordable Monthly Energy Cost (D – F)	\$50
H	Annualized STEP Grant (G * 12 Months)	\$600

Table 2 Calculating Estimated Monthly Energy Cost - All Electric Household

A	Estimated Annual Electric Usage ⁵	23,437 kwh
B	Estimated Cost Per kWh ⁶	\$0.128
C	Estimated Annual Electric Cost (A*B)	\$3,000

² Based on income verified during OHEP application process

³ See Table 2 for calculation of Monthly Energy Cost

⁴ See Table 3 for calculation of EUSP and MEAP Monthly Assistance

⁵ Usage data provided by customer's utility company as part of OHEP application process

⁶ Based on cost data obtained by OHEP from the utilities

D	Estimated Monthly Electric Cost (C/12)	\$250
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Table 3 Determining EUSP and MEAP Monthly Assistance

A	EUSP Grant Award	\$500
B	<i>MEAP Grant Award</i>	\$700
C	Arrearage Amount at Time of Application	\$0
D	Available Balance of EUSP/MEAP Award for New Bill (A + B – C)	\$1,200
E	EUSP and OHEP Monthly Assistance (D/12)	\$100

The STEP grant will be capped at \$1,000 if the cost to bring the household energy burden to 6% for the following 12-month period is in excess of such amount. Furthermore, if the household energy burden is already at or below 6% based off existing energy costs, household income, and EUSP and MEAP assistance, the customer will not qualify for STEP, since the energy bill is already considered affordable.

Application of STEP Grant Funds to the Customer Account

The STEP incentive benefit will be earned based off the customer completing each of the three targeted intervention focus areas.

- **Phase 1 – Service Coordination** – Upon development and sign-off of a Service Coordination Plan built in coordination with the assigned Energy Advisor, the customer earns the first third of the benefit.
- **Phase 2 – Behavior Change** – Upon enrollment and completion of the STEP behavior change intervention, the customer earns the second third of the benefit.
- **Phase 3 – Self Sufficiency** – Upon development of an Energy Affordability Evaluation Plan that evaluates customer progress in reducing energy burden and establishes a plan of action to address energy affordability issues beyond completion of STEP, the customer earns the final third of the benefit.

Customers that only complete one phase of STEP will only receive one-third of the possible grant amount. To obtain the full grant, customers must complete the full cycle of STEP targeted interventions.

Each grant installment earned will be credited to the customer’s electric bill in monthly installments tied to the three targeted interventions. Each phase will have four associated equal payments paid monthly, with certain exceptions possibly made for emergency and arrearage situations.

Customers may not receive overlapping STEP monthly credits. If a customer has completed multiple targeted interventions in a four-month period, the customer must have the first one-third of the STEP grant credited to the customer account in full prior to the second-third of the STEP grant being credited to the account.

The example below provides a scenario for how STEP credits would be applied to a customer account:

Table 4 Example of How STEP Grant Funds Are Credited to Electric Account

Month	Phase Completion	Benefit Amount
July	Service Coordination Intervention Earned	\$50 – Phase 1 Benefit
August		\$50 – Phase 1 Benefit
September	Behavior Change Intervention Earned	\$50 – Phase 1 Benefit
October		\$50 (end of first credit)
November		\$50 – Phase 2 Benefit
December		\$50 – Phase 2 Benefit
January		\$50 – Phase 2 Benefit
February	Self-Sufficiency Intervention Earned	\$50 (end of second credit)
March		\$50 – Phase 3 Benefit
April		\$50 – Phase 3 Benefit
May		\$50 = Phase 3 Benefit
June		\$50 (end of third credit)
Total		\$600

VII. Program Targeting and Enrollment

STEP will enroll customers through a combination of self-referral via the OHEP application process and focused outreach to priority populations by the administering agencies. The OHEP application will include a field for customers to indicate whether they are interested in participating in energy education, energy efficiency, and related services that will help them reduce their energy costs. The messaging will be centered on the services provided as opposed to the provision of an incentive benefit. Additionally, the agencies administering STEP will develop outreach plans to priority populations that are considered to most greatly benefit from STEP.

While STEP outreach and enrollment will target those households deemed most likely to benefit from and succeed in the program, the priority populations in the STEP program will be:

- Customers that receive arrearage grants for past due electric bills;
- High energy burden customers, as defined by a customer that pays an estimated 18% or more of their household income towards their energy bill, for whom the STEP incentive will reduce the energy burden to 6% during the program period;
- Households with older adults, as defined by a household member that is age 65 or older;
- Families with children under the age of 2; and
- Households with medically fragile individuals

If over-enrollment in STEP occurs, the priority group will hold precedence to participate in STEP, with greatest priority being placed on high energy burden customers and arrearage recipients. OHEP will establish a targeted enrollment number for STEP prior to the start of each program year based off available funding.

Agencies administering STEP will be required to develop accessibility accommodations into their program design. These plans must address accessibility and other relevant accommodations for potential customers with mobility challenges, lack of availability during normal business hours, and other obstacles to program access.

VIII. Funding

Operating costs for administering agencies to provide the services outlined in the STEP program will be funded through the federal Low-Income Home Energy Assistance Program (LIHEAP). Funding to support the incentive benefit given to customers will be funded through the Regional Greenhouse Gas Initiative (RGGI), managed under the Maryland Strategic Energy Investment Fund (MSEIF).

The funding available to administering agencies will be based on overall STEP customers to be served as determined by the Readiness Assessment and Detailed Implementation Processes.

IX. Evaluation

As OHEP seeks to launch STEP in order to improve energy affordability and reduce dependency on public utility assistance, a rigorous and well developed evaluation, measurement and verification process is necessary to determine whether the STEP model creates desired outcomes and to identify opportunities to improve and refine the program design. OHEP will determine its method and approach for evaluation in the months leading up to program launch and work in collaboration with its Advisory Group members to establish metrics to track that will best quantify program outcomes.

X. Selection of Administering Agencies

OHEP recognizes that the services provided in STEP are different in nature to the traditional process of determining client eligibility for other OHEP benefits. While the current OHEP program benefits are oriented to operational processes such as intake of applications, data entry, benefit certification and payment processing, STEP emphasizes referral coordination, client management and education services. OHEP acknowledges that certain local administering agencies that process OHEP benefits may wish to partner with community organizations to provide the additional services rendered under STEP, or may determine they do not wish to provide the services at all.

Accordingly, OHEP will conduct an evaluation process open to all interested parties to identify organizations in each county best capable of providing STEP services to clients. OHEP will release a detailed assessment tool to evaluate organizations' capabilities to provide the services defined in the STEP program and understand how these services would be provided. OHEP will evaluate the results from the assessment in consultation with its Advisory Group to choose a first cadre of STEP partners to administer the program in each jurisdiction. Organizations that are selected will then submit detailed implementation plans for review and, upon approval, be incorporated into OHEP's annual federal LIHEAP plan for the upcoming program year.

XI. Program Timeline

STEP will be launched on an accelerated timeline.

- December 20, 2016: Readiness Assessments released
- January 2017: Regional information sessions
- February 3, 2017: Readiness Assessments submitted to OHEP
- February 6-24, 2017: Readiness Assessment review and program refinement
- February 27-March 3: Detailed implementation plan discussions with selected entities
- March 6- April 28, 2017: Detailed implementation plan development
- May 1- June 30, 2017: Program finalization, training, ramp up
- July 1, 2017: STEP program launch

XII. Program Goals

As OHEP moves forward in the design and implementation of STEP, challenging issues will be identified regarding how to structure the program in a way that is sustainable, outcome-driven,

and responsive to local conditions. As OHEP embarks on implementing STEP all decisions regarding the evolving program design will be based upon the furtherance of the following program goals:

- **Self-sustaining** - STEP seeks to address a customer's immediate and long-term needs. Recognizing customers' short-term needs while focusing attention on long-term goals fosters a healthy environment in which the customer can take steps to improve their energy affordability.
- **Empower customers** - STEP empowers customers to actively engage in bill management. By promoting behavior change among customers while offering supportive services, customers learn how to make their bills more affordable through the combined efforts of the customer and the program. \
- **Identifying root causes** - STEP reflects the reality that a customer's energy needs do not exist in a vacuum. Rather, if a customer is struggling to pay their energy bill it is very likely that they are also struggling to pay their other bills. Simply giving assistance without supportive services does not address the root cause of why a customer's energy bill is unaffordable. By enrolling in STEP a customer has the opportunity to address their immediate needs while learning about how to prevent future crisis situations.