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AUDIT OF THE SYSTEM BENEFIT FUND

A Review of Rate Reduction Reimbursements

Amigo Energy

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Budget and Fiscal Oversight Division
Public Utility Commission of Texas

For State Fiscal Years 2012, 2013, and 2014

December 11, 2015

TABLE OF CONTENTS

Executive Summary.....3

Detailed Results.....5

Detailed Testing Procedures.....8

Appendix 1

**Purpose, Objective, Scope, and
Methodology.....11**

Appendix 2

**Acronyms, Glossary, and
Background Information.....15**

EXECUTIVE SUMMARY

The Budget and Fiscal Oversight Division of the Public Utility Commission of Texas (PUCT) conducted a compliance audit of Amigo Energy's participation in the LITE-UP Texas program. This program allows electrical customers to receive rate discounts from Amigo which is then reimbursed by the PUCT through the System Benefit Fund (SBF). The scope of this audit covered state fiscal years 2012, 2013, and 2014. Amigo Energy's participation in the rate reduction program during the scope of this audit consisted of [REDACTED] transactions totaling [REDACTED].

The audit focused on the following aspects: (1) the application of the correct discount factor; (2) the application of the rate reduction discount to non-qualified customers; (3) the reimbursement of rate reduction discounts not actually provided; and (4) incorrect reporting of the amount of SBF fees billed by transmission and distribution utility companies.

In total, five audit findings were issued. The first finding was identified when auditors identified [REDACTED] ineligible customers who received Lite-Up discounts totaling [REDACTED]. Additional testing was completed and it was determined the errors were mostly isolated to state fiscal years 2012-2013.

A second finding was identified when auditors found three separate occasions where Amigo Energy used the wrong discount rate for a total of [REDACTED] customers. The errors were ultimately corrected for the majority of those affected, however, there were [REDACTED] customers who did not receive discounts totaling [REDACTED].

A third finding was issued when it was determined Amigo Energy did not appropriately monitor high usage customers. Monitoring high usage customers is a control used to identify non-residential customers who are not eligible for the Lite-up Program. Testing a sample of 30 customers revealed one instance, or 3% of those tested, did belong to a non-residential customer. The non-residential customer received a total of [REDACTED] in discounts over a three month period.

The remaining two findings were related to administrative issues. Amigo did not maintain records for at least three years and was not timely when submitting reimbursement reports for 60% or 9 out of 15 months included in the scope of this audit. In each instance Amigo Energy was more than 20 days late.

In total, auditors identified [REDACTED] overpayments made to Amigo Energy. While Amigo Energy agrees with the issues identified, there is a disagreement with certain conclusions. Audit staff appreciates the system enhancements and additional controls implemented by Amigo Energy to address the issues presented in this report. The audit team and the program administrator will work with Amigo to return the overpayments to the System Benefit Fund.

The audit methodology consisted of collecting and reviewing documentation from the Low Income Discount Administrator (LIDA) and Amigo Energy; conducting interviews with key personnel, reviewing statutes and rules, and performing selected tests and other procedures.

Testing of accounting source documents at three sample months (August 2012, July 2013, and

September 2013) showed the following:

- Amigo Energy was timely submitting complete databases of residential electric customers to the LIDA during 15 of the 15 (100.00%) months included in the audit scope.
- LIDA match listings of eligible customers appear to have been retrieved by Amigo Energy on the date the file was scheduled to be made available by the LIDA;
- A total of 1,608 newly eligible customers of Amigo Energy were identified at the selected sample months. Testing suggested Amigo Energy has provided the rate reduction discount to 1,606 out of the 1,608 (99.9%) newly eligible customers. It appears Amigo Energy is providing the rate reduction discount in a timely manner to active, newly eligible customers with applicable metered usage;
- Amigo was reimbursed from the SBF at PUCT approved discount rates at each of the three sample months tested;
- LITE-UP customer's discount amounts were clearly identified as a line item on the electric portion of a sample of customer's bills, including the description "LITE-UP Discount";
- Testing showed the rate reduction discount calculated on the customer's billing statement based on kWh times the PUCT approved rate was an area where errors were identified during the audit. Testing was expanded to identify issues when the incorrect rate was used to discount the customer's electric bill;
- Amigo Energy reported the correct amounts of System Benefit Fees billed by the various TDU's on the monthly REP reimbursement report for all months included in the scope of this audit;
- Amigo Energy was not timely in submitting the monthly REP Reimbursement report for 9 out of 15 months or 60% of the months included in the scope of this audit

Additional controls that facilitate compliance with the rules and regulations of the Lite-Up Texas program have been implemented since 2013. The controls appear to be working as designed and contributed to an overall improvement at Amigo Energy. It is staff's opinion that Amigo Energy has taken the appropriate steps to improve the application and reporting of the rate reduction discounts.

Detailed Results

Audit Finding 1

Ineligible customers received the Lite-Up Discount during Fiscal Years 2012 - 2014

Testing of the reimbursement support during the discount months spanning fiscal years 2012-2014 revealed approximately [REDACTED] ineligible customers received the Lite-Up discount from Amigo Energy. This resulted in an overpayment of [REDACTED] from the System Benefit Fund. While issues were identified throughout the scope of this audit, the majority of these issues (over 99%) occurred during fiscal years 2012 and 2013.

Recommendation

Amigo should only provide the Lite-Up discount to customers who are included on the match list provided by the LIDA Administrator. The overpayment will be recouped and returned to the System Benefit Fund.

Audit Finding 2

The Correct Discount Rate was not Always Used

In September 2013, [REDACTED] customers received a discount that was approximately 80% less than the discount rate set by the PUC. Amigo requested and received reimbursement for the full discount amount it provided to the [REDACTED] customers plus an additional 80%, or [REDACTED], not provided to this group of customers. In subsequent months Amigo discovered the error and attempted to apply the additional discounts to those affected. However, testing identified [REDACTED] customers who did not receive the additional discounts totaling [REDACTED].

In a separate issue during the same month (September 2013) auditors identified [REDACTED] customers who received discounts at double the approved rate. This resulted in Amigo Energy paying recipients [REDACTED] more than required. The error was identified prior to requesting reimbursement and Amigo Energy received the appropriate amount from the Public Utility Commission.

In July 2013, Amigo Energy inadvertently discounted [REDACTED] customers using an incorrect rate that was approximately 80% more than the approved discount rate. Amigo staff identified the error and correctly requested the proper reimbursement from the Public Utility Commission.

Recommendation

Amigo Energy should implement and follow controls in place to mitigate the risk of using the wrong discount rate. The current review process in place should be adhered to prior to

submitting a discount to the customer and again before requesting reimbursements from the System Benefit Fund. The Public Utility Commission is requesting overpayments totaling \$4,869.31 resulting from these errors be returned to the System Benefit Fund.

Audit Finding 3

Non-Residential Customers are not eligible for the Lite-Up Texas Discount

The Public Utility Commission requests that all REPs monitor high usage customers to ensure the premises are in fact residential. High usage customers are considered to be those using more than 3000 kWh in a month. Testing of high usage customers identified one instance out of 30, or 3% that was not a residential customer. Further research revealed that in 2014 the identified business used an average of 8,847 kWh per month for three consecutive months and received discounts totaling [REDACTED].

Recommendation

There is an opportunity for this error to continue to occur at a greater extent if proper controls are not in place. Amigo Energy should monitor high usage customers to ensure only residential customers are receiving discounts. The Commission is requesting this ESIID be removed from receiving future benefits while registered as non-residential and will recoup the reimbursements made to Amigo Energy for this customer.

Audit Finding 4

Amigo Energy did not Maintain Supporting Documentation

The PUC requires all REPs to maintain records for at least three years when providing rate reductions or one-time payment assistance to eligible customers Amigo Energy did not maintain records as required by PUC substantive rule 25.451(i). Records from State fiscal year 2012 were not available at the request of audit staff. However, the current team did maintain records as required for fiscal years 2013 and 2014.

Recommendation

Amigo Energy should continue to adhere to this requirement as outlined by substantive rule 25.451 (i).

Audit Finding 5

Reimbursement Reports were not submitted timely

Testing of the reimbursement submissions spanning fiscal years 2012–2013 revealed the reimbursement reports were not always submitted timely. For 9 of 15 months tested (60%), the monthly reimbursement report was not submitted within 20 days of the reimbursement

period.

Recommendation

Amigo should implement controls to ensure monthly reimbursement reports are submitted to the Commission timely.

Amigo Energy Management's Response:

Although Amigo Energy respectfully disagrees with certain conclusions reached by Staff, we immediately moved to address all issues identified with system enhancements and process controls implemented to alleviate Staff's concerns. Amigo Energy is a long standing responsible participant in the Texas retail energy market who values each and every customer and takes compliance very seriously.

Detailed Testing Procedures

Analytical Reviews and Substantive Testing Results

Sampling for testing purposes was done using nonstatistical methods. The auditor used a random selection process based on the number of Lite-Up Texas benefits for each year included in this audit. Results can be extrapolated to the population but the accuracy of the extrapolation cannot be measured. In some cases the auditor used professional judgment to select additional items for testing. Those sample items generally are not representative of the population and would not be appropriate to extrapolate to the population.

During the preliminary audit review work and substantive testing, the auditor verified the timeliness and completeness of Amigo's FTP file submissions and retrievals. To test the timeliness of the FTP file submission to the LIDA, dates where Amigo's customer lists (FTP files) were submitted to the LIDA, as noted on monthly "LITE-UP Texas REP Summary" reports, were compared to the established due dates per the "LIDA Electric Discount Schedule." It was observed during the preliminary review phase of the audit that Amigo was timely during 15 of the 15 (100.00%) months included in the audit scope.

To test the completeness of the FTP file submissions, the number of customer data files submitted by Amigo as noted on the monthly "LITE-UP Texas REP Summary" reports during the month prior to the month being analyzed were compared to the number of customer data files submitted during the month being analyzed. The percentage change in the number of customer files submitted during the two months was calculated to identify significant percentage changes. The percentage of customer data files loaded by the LIDA when compared to the number of customer data files submitted to the LIDA each month was also calculated to determine whether complete data files were submitted to the LIDA. It was observed during the preliminary audit review work phase that Amigo appears to have submitted complete data records to the LIDA during each sample month.

During the substantive testing phase of the audit, the auditor also tested the timeliness of the FTP file retrievals (match listings of eligible low-income customers) from the LIDA. At each sample month, the retrieval dates for the monthly LIDA match listing were compared to the dates where the eligible low-income customer match listing was scheduled to be made available to all REPs. Testing showed Amigo has timely retrieved the matched eligible list of LITE-UP customers from the LIDA on the date the file was scheduled to be made available by the LIDA.

During the substantive testing phase of the audit, the auditor validated whether newly eligible low-income customers were timely added by the next applicable billing cycle. Newly eligible low-income customers at selected sample months were analyzed to determine whether the newly eligible customer's account could be traced to the applicable LITE-UP reimbursement summary reports used by Amigo to prepare the monthly REP reimbursement report. Amigo is effectively adding newly identified, eligible customers to the next billing cycle.

The auditor tested whether Amigo was reimbursed from the SBF at PUCT approved discount

rates for each TDU's service area. The discount factors used in Amigo's reimbursement request at each sample month were calculated by dividing the total amount being requested within each TDU's service area by the number of kWhs billed within each TDU's service area. The calculated discount rates were compared to PUCT posted discount rates accessible on the PUCT's internet web site under "Project # 28073."

The auditor confirmed that eligible low-income customers received the rate reduction discount on their billing statement including the description "LITE-UP Discount" by reviewing a random sample of 30 customer's billing statements. Testing of the source documents suggest the customer's discount amount was clearly identified as a line item on the electric portion of the customer's bills, including the description "LITE-UP Discount" on 30 out of 30 (100.00%) customer's billing invoices. In addition, the rate reduction discount amount included in Amigo's reimbursement summary was traced to all customers receiving a monthly billing statement. The only exception occurred when Amigo Energy was unable to make adjustments for 68 customers who no longer have an account at Amigo Energy.

The auditors also confirmed whether the rate reduction discount was applied to energy consumed for the billing period in which the bill is rendered. Based on the kWh usage noted on the sample of customer's billing invoices, which appear to have been calculated based on metered usage and based on the service dates and invoice dates, it appears that rate reduction discount used in the reimbursement request from Amigo was applied based on energy consumed for the billing periods in which the bills were rendered for 30 out of 30 (100.00%) accounts tested. The only exception to this occurred when Amigo retroactively made adjustments to a previous rate discount error.

The auditor tested whether amounts reported on the monthly "REP Reimbursement for Rate Reduction Discount" reports included actual dollar discounts given to customers (and not estimates or fixed charges) by confirming the calculation on the LITE-UP reimbursement summary report. Amigo used actual dollar discounts and did not rely on estimates. The auditor then tested a sample of customer billing statements to determine if the correct rate was used to calculate the customer's discount. The auditor calculated the amount of rate reduction discounts using approved rates then compared the results to the actual amount noted on the REPS supporting documentation and the LITE-UP reimbursement summary report. Testing showed that the correct rate reduction discount was not always used to properly calculate the customer's discount.

The amount of System Benefit Fees billed to Amigo Energy by various TDUs was reviewed during testing. The amounts of System Benefit Fees reported to the Comptroller and the PUCT by the various TDUs were compared to the amounts of System Benefit Fees reported on the monthly REP reimbursement reports and to amounts noted in response to document requests for summary reports of System Benefit Fees billed by the various TDU's. Amigo Energy appears to have reported the correct amounts of System Benefit Fund fees billed by the various TDU's on the monthly REP reimbursement report based on the SBF fees summary reports provided by Amigo Energy and the TDU reports submitted to the PUCT.

The timeliness of the submission of the monthly "REP Reimbursement for Rate Reduction Discount" report was reviewed by comparing the report's submission date to the report's due date. Amigo Energy was not timely in submitting the monthly REP Reimbursement report for 9 of the 15 months tested.

Testing of eligible LIDA matched low-income customers was performed to determine if the rate reduction discount was received. During the performance of preliminary audit review work, the total number of customers provided the rate reduction discount and reported on the monthly REP Reimbursement for Rate Reduction Discount reports were compared to the total number of low-income customers matched by the LIDA and reported on the "LITE-UP Texas REP Summary" report. Analytical testing showed Amigo appears to have provided the rate reduction discount to an acceptable percentage (Averaged 98.1%) of matched eligible LITE-UP customers.

Appendices

Appendix 1

PURPOSE, OBJECTIVE, SCOPE, & METHODOLGY

Purpose

The purpose of performing routine audits of rate reduction reimbursements from the SBF is to ensure that rate reduction reimbursements are in compliance with laws and regulations by verifying that rate reduction discounts for which REPs are reimbursed from the SBF are:

- applied to the electric bills of eligible low-income customers identified by LIDA within the first billing cycle in which a REP is notified of the customer's eligibility, if notification is received no later than seven days before the end of the billing cycle, or, if not, within 30 calendar days after notification is received from LIDA,
- clearly identified as a line item on the electric portion of the customer's monthly bill, including the description "LITE-UP Discount",
- provided only to eligible low-income electric customers whose premises are in fact residential,
- calculated by multiplying the customer's total consumption (kWh) for the billing period by the discount factor (in cents/kWh) in effect during the billing period in which the bill is rendered, and if an eligible customer is re-billed, the discount factor that was in effect during the affected billing cycle is being applied, and
- based on separately calculated discount factors for each TDU's service area as posted on the commission's web site and changes to the discount factors are appropriately applied within 30 calendar days when the PTB or the POLR rate change and the commission posts the revised discount factor to its website.

Objective

The objective of the audit is to determine the adequacy of processes, policies, procedures, and internal controls that the REP has in place for ensuring eligible low-income electric customers that are identified by the LIDA are timely receiving the rate reduction discounts and that the requested reimbursements from the SBF are accurate and represent actual discounts applied by the REP. Auditing is essential to government accountability to the public. PUCT SUBSTANTIVE RULE §25.451(i) states that "...each REP, and each MOU or Coop when applicable, providing rate reductions to eligible customers shall keep records of such rate reductions for at least three years from the date the rate reduction is first provided to a customer to permit the commission or its agent to audit rate reduction reimbursements."

Scope

The scope of the audit is to ensure that only eligible low-income customers identified by the LIDA are receiving the electric rate reduction discount and that the requested reimbursements do not exceed PUCT posted discount factors for each TDU's service area. The scope of the audit is also to determine whether the REP has adequate controls over the rate reduction program, to determine if PUCT established procedures and guidelines are being followed, and to determine if there are areas where the operations of the REP could be improved to provide the PUCT additional assurance that the rate reduction program is operating in compliance with PURA and PUCT SUBSTANTIVE RULES.

A review of processes, policies and procedures in place from Sept 2011 through August 2014 will be the primary determinant for evaluating the adequacy of processes, policies, procedures, and internal controls utilized by the REP to ensure compliance with the requirements of laws and regulations associated with providing electric rate reduction discounts.

The audit focused on:

- determining whether there have been internal or external audits of the REP that may have involved a review of the electric rate reduction program;
- determining whether the REP remitted to the TDU, an MOU, or a Coop an amount equal to the kWh of electric energy consumed by its customers in the utility's service area times the System Benefit fee approved by the commission for that period (PUCT SUBSTANTIVE RULE 25.451(h)(1));
- determining whether the REP providing rate reductions to eligible customers kept records of such rate reductions for at least three years from the date the rate reduction was first provided to customers to permit the commission or its agent to audit rate reduction reimbursements (PUCT SUBSTANTIVE RULE 25.451(i));
- determining whether the total amounts reported on the monthly REP Reimbursement for Rate Reduction Discount report is based on electric energy consumption in kWh for low-income customers enrolled in the program for the reporting period (not estimates) (PUCT SUBSTANTIVE RULE 25.451(j)(3));
- determining whether the monthly REP Reimbursement for Rate Reduction Discount reports are timely submitted to the PUCT (Due date is noted in "General Instructions" for completing monthly report) (PUCT SUBSTANTIVE RULE 25.451(j));
- verifying whether REPs are being reimbursed at PUCT posted discount factors for each TDU's service area (PUCT SUBSTANTIVE RULE 25.454(e)(3)(A));
- determining whether the REP implements a new electric rate reduction discount rate change within 30 days and determining whether the REP pro-rates the electric rate reduction discount (PUCT SUBSTANTIVE RULE 25.454(e)(3)(A));
- determining whether the electric rate reduction discount is only applied to the total energy consumption (kWh) for the billing period by discount factors in effect (in

cents/kWh) during the billing cycle in which the bill is rendered (PUCT SUBSTANTIVE RULE 25.454(e)(3)(B));

- obtaining an understanding of the REP's treatment of prior month's adjustments to ensure if an eligible customer is re-billed, the discount that was in effect during the billing cycle was applied (PUCT SUBSTANTIVE RULE 25.454(e)(3)(B));
- determining whether the customer's electric bill clearly identifies the discount amount as a separate line item, including the description "LITE-UP Discount" (PUCT SUBSTANTIVE RULE 25.454(e)(3)(C));
- determining whether electric customers no longer considered eligible by the LIDA are timely removed from the list of electric customers eligible to receive the rate reduction discount (PUCT SUBSTANTIVE RULE 25.454(e)(3));
- determining whether the REP provided residential customer information to LIDA through a data transfer on a date prescribed by the commission on a monthly basis (PUCT SUBSTANTIVE RULE 25.454(g)(3)(A));
- determining whether the REP is submitting complete customer information within the data files to the LIDA on a monthly basis. The customer information shall include, to the greatest extent possible, each full name of the primary and secondary customer on each account, billing and service addresses, primary and secondary social security numbers, primary and secondary telephone numbers, Electric Service Identifier (ESI ID), service provider account number, and premise code (PUCT SUBSTANTIVE RULE 25.454(g)(3)(A));
- determining whether the list of electric customers eligible to receive the discount is retrieved by the REP (PUCT SUBSTANTIVE RULE 25.454(g)(3)(B));
- determining whether the REP is monitoring consumption by a high usage customer in excess of 3,000 kWh and verifying that such high usage does indeed belong to a residential customer (PUCT SUBSTANTIVE RULE 25.454(g)(3)(C));
- determining whether the REP is applying a rate reduction to the electric bills of the eligible customers identified by LIDA within the first billing cycle in which it is notified of a customer's eligibility, if notification is received no later than seven days before the end of the billing cycle, or, if not, apply the rate reduction within 30 calendar days after notification is received from LIDA (PUCT SUBSTANTIVE RULE 25.454(g)(3)(D)); and
- determining whether the REP notify customers three times a year about the availability of the rate reduction program, and provide self-enrollment forms to customers upon request (PUCT SUBSTANTIVE RULE 25.454(g)(3)(E)).

Methodology

The audit methodology used to conduct audits of rate reduction reimbursements from the System Benefit Fund was developed by staff of the PUCT's Budget and Fiscal Oversight Division. The audits are coordinated between the PUCT's Competitive Markets, Oversight and Enforcement, and Budget & Fiscal Oversight divisions to avoid any duplication of efforts.

PUCT audits involve (1) a formal audit notification process, including the inclusion of accounting/billing and information systems questionnaires and an initial request for sample accounting source documents used in the preparation of the monthly reimbursement reports, (2) conducting audit planning and preliminary audit review work, (3) conducting an opening conference (via teleconference) to interview key personnel of the REP and to discuss responses to the questionnaires, (4) selecting sample periods to perform substantive (detail) testing, (5) requesting information and accounting source documents including summary reports of customer discounts, sample populations of customer billing statements, verifications of high usage customers as residential customers, and monthly eligible low-income customer lists, (6) performing substantive tests, and (7) preparing draft and final audit reports.

Audit work was performed from July 2015 through October 2015. All work was performed by Michael Sanford and Mark Cavazos. Both are compliance auditors in the Budget and Fiscal Oversight Division at the Public Utility Commission of Texas. The cooperation and attention provided by the staff at Amigo Energy was greatly appreciated.

Acronyms, Glossary, and Background Information

COOP	-	Electric Cooperative
ESI ID	-	Electric Service Identifier Identification Number
HHSC	-	Texas Health and Human Services Commission
kWh	-	Kilowatt Hour
LIDA	-	Low-Income Discount Administrator
LITE-UP	-	Low Income Telephone and Electric Utility Program
MOU	-	Municipally Owned Electric Utilities
POLR	-	Provider of Last Resort
PTB	-	Price to Beat
PUCT	-	Public Utility Commission of Texas
PURA	-	Public Utility Regulatory Act
REP	-	Retail Electric Provider
SBF	-	System Benefit Fund
TDU	-	Transmission and Distribution Utility

Glossary

Discount Factor The amount of discount an eligible low-income customer must be provided by any REP, MOU, or Coop, when applicable, in the customer's area, expressed as cents per kilowatt-hour. The discount factor shall be calculated by applying the discount percentage to the lower of the POLR rate or the standard residential PTB rate. The discount factors posted on the commission's website shall be used to calculate the rate reduction for each eligible low-income customer's bill. Each discount factor based on the PTB shall be recalculated when the PTB rate changes or the commission revises the discount percentage. The discount factor based on the PTB shall reflect any seasonal variation in the PTB.

Discount Percentage The percentage of discount established by the PUCT and applied to the lower of the PTB or POLR rate in a particular service territory. The commission periodically establishes a discount percentage which is set at a level no greater than 20%.

High Usage Customer An electric customer with usage greater than 3000 kWh in a

15

month.

Low Income Customer An electric customer whose household income is not more than 125 percent of the federal poverty guidelines or who receives food stamps or medical assistance from a state agency (HHSC) administering a part of the medical assistance program.

Rate Reduction Program A program that applies to retail electric providers that provide electric service in an area that has been opened to customer choice or an area for which the commission has issued an order applying the system benefit fund or rate reduction which provides for a rate reduction on the electric bills to all eligible low-income customers. The program also applies to MOUs and Coops on a date determined by the commission, but no sooner than six months preceding the date on which an MOU or a Coop implements customer choice in its certificated area unless otherwise governed by PUCT Substantive Rule §25.457.

Reimbursement Report The monthly "Retail Electric Provider Reimbursement for Rate Reduction Discount" report prescribed by the commission for the purpose of requesting reimbursement for discounts offered to low-income customers. The report is due by the 20th day of the month following the month for which reimbursement is requested. The monthly activity report shall contain the number of low-income customers that were provided the rate discounts, the amount of reimbursement requested, the aggregate electric energy consumption in kWh for all low-income customers enrolled, the total amount of rate reduction provided to low-income customers, and the amount of system benefit fee billed by and remitted to the TDU during the reporting period.

Solix, Inc. The third party LIDA contracted by the PUCT to receive customer lists from REPs through data transfer, retrieve the database of clients from HHSC, conduct the self-enrollment, automatic enrollment, and re-enrollment processes, establish a list of eligible customers, make available to each REP a list of low-income customers that reasonably match, notify customers of the eligibility determination, answer customer inquiries, and resolve customer enrollment problems.

System Benefit Fee A non-bypassable fee set by the commission to finance the System Benefit Fund. The fee shall be charged to electric retail customers based on the amount of kilowatt hours of electric energy used, as measured at the meter and adjusted for voltage level losses.

System Benefit Fund A fund with the Texas Comptroller of Public Accounts (Comptroller) to be administered by the commission, into which all fee collections are deposited and which all disbursement of the fund are withdrawn.

System Benefit Fund Background Information

The Public Utility Regulatory Act (PURA) §39.903 provides for a System Benefit Fund to fund: (a) a program administered by the Commission to assist low-income electric customers by providing a rate reduction on their electric bills, (b) a program administered by the Commission to provide one-time bill payment assistance to households with one or more seriously ill or disabled low-income persons, (c) customer education programs and administrative expenses incurred by the Commission in administering Chapter 39 of PURA, (d) a program administered by the Texas Department of Housing and Community Affairs to assist low-income customers by providing targeted energy efficiency programs, (e) reimbursement of the Commission and the Health and Human Services Commission (HHSC) for expenses incurred in the implementation and administration of an integrated eligibility process created under PURA §17.007 for customer service discounts relating to retail electric service. The SBF was converted from a trust fund to a dedicated account in the general revenue fund by HB 3378 during the 78th Legislative Session. The fund is financed by a non-bypassable fee set by the PUCT in an amount not to exceed 65 cents per megawatt hour, which is allocated to customers based on the amount of kilowatt hours used.

PURA §39.903(l) defines a “low-income electric customer” as an electric customer: (a) whose household income is not more than 125 percent of the federal poverty guidelines, or (b) who receives food stamps from the Texas Department of Human Services or medical assistance from a state agency administering a part of the medical assistance program. The rate reduction program is governed by PUCT SUBSTANTIVE RULE §25.454. The rule provides that all eligible low-income customers shall be entitled to receive a rate reduction, as determined by the commission, on their electric bills from their REP. The rate reduction shall be clearly identified as a line item on the electric portion of the customer's bill, including the description “LITE-UP Discount” and applied only to the electric service portion of the bill (consumption). The discount percentage shall not be less than 10% and may if there are funds sufficient to support a higher level, be set as high as 20%.

The discount factor is established for distinct geographical areas, which correspond to the certified electric utility service areas, or smaller areas designated by the PUCT as POLR service areas. The commission staff calculates the discount factor for each eligible low-income customer and posts it on the commission's web site. The discount factor is separately calculated for each transmission and distribution utility service area. If the PUCT changes the discount factor, either by changing the discount percentage or changing the PTB or POLR rate for any area, the REP must implement the resulting change in the discount factor in their billings to customers within 30 calendar days of the date the commission posts the revised discount factor to its website. Each eligible low-income customer is entitled to receive from any REP in the customer's area a rate reduction equal to the discount factor (in cents/kWh) times the number of kWh of electricity that the customer has consumed during the billing cycle in which the bill is rendered.

Eligible customers are enrolled in the rate reduction program through automatic enrollment or a self-enrollment. Automatic enrollment is an electronic process to identify customers eligible

for the rate reduction by matching client data from HHSC with customer specific data from REPs. HHSC provides client information to LIDA. REPs provide customer information to LIDA and LIDA compares the customer information from HHSC and REPs, creates files of matched customers, enroll these customers in the rate reduction program, and notifies the REPs of their eligible customers. Automatically enrolled customers continue to be eligible as long as the customers receive HHSC benefits.

Self-certification is an alternate enrollment process available to those eligible electric customers who are not automatically enrolled and whose combined household income does not exceed 125% of federal poverty guidelines or who receive food stamps or medical assistance from HHSC. The self-enrollment process is administered by LIDA. LIDA sends a customer who is eligible to re-enroll a self-enrollment form which specifies a date for submitting the completed form that is not more than 30 days after the date the form is mailed. If the customer submits a completed form before the date specified on the form and LIDA determines that the customer is eligible for re-enrollment, the customer shall receive the rate reduction without interruption.

A REP is responsible for providing residential customer information to LIDA through a data transfer on a date prescribed by the commission on a monthly basis. The customer information shall include, to the greatest extent possible, each full name of the primary and secondary customer on each account, billing and service addresses, primary and secondary social security numbers, primary and secondary telephone numbers, Electric Service Identifier, service provider account number, and premise code. A REP is also responsible for retrieving on a monthly basis the list of customers eligible to receive the rate reduction discount.

A REP is required to apply a rate reduction to the electric bills of eligible low-income customers identified by LIDA within the first billing cycle if notification is received within seven days before the end of the billing cycle or within 30 calendar days after the REP receives notification from the LIDA, whichever comes first. The REP must also notify customers three times a year about the availability of the rate reduction program and provide to the PUCT copies of materials regarding the rate reduction program given to customers during the previous 12 months. The REP is required to keep records of such rate reductions for at least three years from the date the rate reduction was first provided to customers to permit the commission or its agent to audit rate reduction reimbursements. In addition, upon commission request, a REP should monitor high usage customers to ensure that premises are in fact residential and a REP should maintain records of monitoring efforts for audit purposes. A customer with usage greater than 3000 kWh in a month is considered a high usage customer.