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CONTROLLER

January 15, 2020

Honorable Eric Garcetti, Mayor  
Honorable Michael Feuer, City Attorney  
Honorable Members of the Los Angeles City Council

**Re: Powering Up the City's Utility Discount Programs**

As a full-service municipal government, the City of Los Angeles strives to provide high-quality services to all residents equally. Because of the significant challenges many Angelenos face — living paycheck to paycheck or on fixed incomes, while housing costs continue to climb — greater assistance for some of our most vulnerable residents is required to ensure access to vital public services. The City offers two programs to help ease the weight of utility costs on income-eligible residents: the Low-Income Discount Program (LIDP) and Lifeline Program (Lifeline). My latest report covers the reach and efficacy of these programs and urges the City to make changes that will improve outreach, enrollment and oversight.

LIDP provides discounted power water and other services to residents of all ages with annual gross incomes of \$33,820 or less. Lifeline offers discounted fees on utility services and full exemption from utility user taxes to residents with household incomes of less than \$41,800 who are at least 62 years old or permanently disabled. The programs are administered by the Los Angeles Department of Water and Power (DWP) in collaboration with the City's Office of Finance, Bureau of Sanitation and private utilities — which provide support with outreach, eligibility verification, activating discounts and tax exemptions, and billing. In each of the last three fiscal years, the City issued an average of \$72 million in financial assistance to nearly 279,000 households through these programs. Participants saw their bills discounted by an average of 18 percent with LIDP and 31 percent with Lifeline.

Although these programs already aid families throughout Los Angeles, my office found that the City can do more to connect eligible low-income residents with available services and also to remove customers who no longer qualify for financial assistance. Specifically, our review uncovered that the DWP's current outreach efforts are not adequately promoting enrollment in the program. The utility does not analyze existing billing data to identify customers whose

energy usage or payment patterns suggest they are having difficulty paying their bills; outreach is only offered in English and Spanish, and there is no coordination with other City departments that regularly interact with Angelenos who could qualify for the discount programs. In addition, the City lacks an accurate count of how many utility customers are eligible for, but not enrolled in the programs, making it challenging to set meaningful goals for improvement. Inadequate oversight of Lifeline also plagues the City's assistance efforts. More than seven years have passed since the City last conducted a recertification of the program's participants, leaving it uncertain as to how many are entitled to remain enrolled.

### **Strengthening assistance programs**

Addressing these issues will not only strengthen LIDP and Lifeline, but also allow the City to better direct financial assistance to the Angelenos who need it most. My report makes the following recommendations to get there:

- **Use DWP billing data** to identify which utility customers qualify for either LIDP or Lifeline, **conduct proactive outreach** in more languages, and cross-promote the programs through City departments that engage with similar populations.
- **Develop better performance measurement tools** to evaluate how well the discount programs are performing, and **require the DWP to report annually** on progress toward goals established by policymakers.
- **Recertify Lifeline customers on a regular, consistent basis** to guard against fraud and waste, and streamline the recertification process to lower administrative costs.

I urge City leaders to adopt these recommendations to guarantee that Los Angeles does its best to provide residents in need access to critical public services and a better quality of life.

Respectfully submitted,



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L.A. Controller

# Powering Up the City's Utility Discount Programs



**RON GALPERIN**  
LA CONTROLLER

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# Executive Summary



Many Angelenos are struggling to make ends meet and have difficulty paying bills for water, electricity, gas, sewer, and trash removal. Residents' health and quality of life depend on maintaining access to these essential services – but many households cannot afford to do so without financial assistance.

**The City offers help to ease the burden of utility costs on income-eligible residents through two programs: (A) the Low-Income Discount Program (LIDP); and (B) the Lifeline Program.** LIDP provides enrolled customers with discounted service fees, and Lifeline provides a combination of discounted service fees and exemptions from local utility user taxes.<sup>1</sup> Over the last three fiscal years, the City issued an average of approximately **\$72 million** per year in financial assistance through LIDP (**\$29.6 million**) and Lifeline (**\$42.5 million**).

**We found that the City can do more to connect vulnerable residents to help. In addition, the City is not doing enough to identify and remove enrolled customers who no longer qualify for financial assistance.** Specifically, our review identified the following issues.

## Findings

- **Missed outreach opportunities** – The Department of Water and Power (LADWP) does not analyze its billing data to identify and initiate contact with customers whose energy usage or payment patterns suggest that they are having difficulty paying their bills. In addition, there are opportunities to make the programs more inclusive and accessible.
- **Ineffective performance measurement** – The City does not manage LIDP and Lifeline using metrics that provide insight into the effectiveness of its efforts. Counting the number of participants should be the bare minimum – measuring how many and which income-eligible Angelenos are **not** enrolled would provide significantly greater insight that can be used to set goals, develop outreach strategies, and improve the programs.

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<sup>1</sup> The City imposes utility user taxes as a general tax on the consumption of electricity, gas, and communication services. While administered by the Office of Finance, utility user taxes are collected and remitted to the City by the utilities, and deposited into the City's General Fund. The City does not maintain data on exempted gas and communication user taxes, which could amount to several million dollars per year.

- **Inadequate oversight** – More than **seven years** has passed since the City required customers enrolled in Lifeline to certify their continued eligibility for financial assistance – and this process was limited to half of the total number of customers enrolled in Lifeline. In addition, we identified several gaps in the City’s administration of both Lifeline and LIDP that increase the likelihood that discounts are being erroneously issued.

## Recommendations

We recommend that City Policymakers establish a working group – consisting of LADWP and other departments – and instruct them to take the following steps to resolve these issues.

- **Better outreach** – LADWP should analyze its billing data and initiate contact with customers to: (1) determine if they qualify for LIDP or Lifeline; and (2) inform them about opportunities to lower utility bills by making their homes more energy/water efficient. In addition, steps should be taken to make it easier for all residents to learn about the programs and submit applications.
- **Improve performance measurement and reporting** – The working group should develop better tools to evaluate how LIDP/Lifeline are performing, and LADWP – with the assistance of the Bureau of Sanitation and Office of Finance – should submit annual reports that detail progress toward goals established by Policymakers and subject matter experts.
- **Strengthen program integrity** – The working group should streamline the recertification process in order to lower administrative costs for both programs, and identify sources of funding that can be used to implement improved safeguards.

The table below provides an overview of the programs and calculated annual averages using data from the last three fiscal years.<sup>2</sup>

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<sup>2</sup> LADWP developed queries and extracted data from its billing system for purposes of this review. The data was not tested for reliability, but LADWP was provided an opportunity to review the analysis.

	(A) LIDP	(B) Lifeline
Eligibility criteria	\$33,820 for single or two-person households (income threshold increases by \$8,840 for each additional household member)	\$41,800 and must be either disabled - OR - at least 62 years old
# of participants	179,581	99,065
% of participants in multifamily buildings	76%	66%
Financial assistance provided	\$29.6 million	\$42.5 million
Avg. monthly discount (dollars)	\$14	\$36
Avg. monthly discount (% of bill)	18%	31%

LIDP and Lifeline are primarily administered by LADWP, but the City’s Office of Finance, Bureau of Sanitation, and multiple non-City utilities (i.e., SoCalGas and various telecommunication companies) also have important roles. Together, these entities are responsible for conducting outreach, screening customer applications to verify eligibility, activating discounts/tax exemptions, and billing for services. **This report is intended to provide recommendations to help the City improve its utility discount programs and better serve vulnerable Angelenos.**

## I. Improving Outreach and Program Impact

**Discount programs like LIDP and Lifeline can make a difference – but only if eligible customers know that financial assistance is available.** The City primarily uses conventional approaches such as printed materials, website placement, and partnerships with community-based organizations to notify customers about its programs. In addition, LADWP customer service representatives are trained to offer information about discount programs when customers call to activate utility service. **While these represent the foundation of an effective outreach strategy, the City can do more.**

**Proactive and targeted outreach** – LADWP’s billing system includes vast amounts of data about which customers are likely experiencing financial difficulties (e.g., multiple shutoff notices within a year) but are not enrolled in LIDP or Lifeline. Lower income customers also tend to live in older homes that consume more energy – LADWP has access to information about which households have high electricity/water usage patterns and may be good candidates for energy efficiency upgrades (e.g., low flow

showerheads and LED lighting) offered by the utility or entities such as the federal government.

Connecting eligible customers to each type of program is essential to lowering monthly utility costs. **However, LADWP does not leverage its billing data to initiate contact with customers who are not enrolled in LIDP or Lifeline and would most likely benefit from financial and weatherization assistance.**

Beyond mining the available data to initiate direct contact via telephone or email, the City should include printed information about discount programs and weatherization opportunities in mailings to potentially-qualified customers who receive overdue bill notices or service disconnection warnings.

**Measuring effectiveness and reporting results** – LADWP is collecting data that primarily measures activity levels (e.g., number of community events attended and number of new participants). While these metrics are important, they do not answer critical questions about the effectiveness of the City’s outreach efforts or the overall impact of the discount programs.

In contrast, the California Public Utilities Commission (CPUC) requires investor-owned utilities to produce annual reports to demonstrate their progress against established goals. **One important metric – referred to as penetration rate – compares the estimated number of eligible low-income customers within a utility’s service territory to the number of customers enrolled in customer assistance programs.** CPUC has established a penetration rate goal of **90 percent** for investor-owned utilities. **The City does not actively manage its utility discount programs using a similar approach.**<sup>3</sup>

Beyond outreach, there are opportunities to determine the extent to which the financial assistance provided to customers enrolled in LIDP or Lifeline is making a difference. For example, how many customers enrolled in the programs are still receiving shutoff notices? What percentage of LIDP and Lifeline customers are also participating in the City’s energy efficiency and conservation programs? Formally tracking and reporting these types of metrics allows Policymakers to consider changes to the programs.

In December 2016, LADWP began periodically reporting high-level participation data on LIDP and Lifeline through its Equity Metrics Data Initiative, but there are opportunities to do more to maximize transparency and program effectiveness. For example, the

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<sup>3</sup> LADWP retained a consultant in June 2011 and estimated that its penetration rate was approximately **56 percent** of eligible low-income households.



reporting does not use comprehensive evaluative measures and does not set annual goals against which performance is measured.

The City can also use qualitative information – collected through formal surveys and informal methods such as customer complaints/inquiries – to better manage its discount programs. Currently, this information is collected on an ad hoc basis.<sup>4</sup>

**Prioritizing inclusion and accessibility** – We identified several issues that indicate the City must do more to reach all Angelenos – especially those who have accessibility challenges or face language barriers.

- Applications for LIDP can be submitted through [LADWP’s website](#). In contrast, residents interested in enrolling in Lifeline must submit applications – and confidential proof of age/income/disability documents – through the mail or in-person at the Office of Finance’s City Hall location during business hours. The Office of Finance is shifting to online Lifeline applications in the coming months.
- Information about the City’s utility discount programs is only offered in English and Spanish, which may exclude residents whose primary language is Chinese, Tagalog, Korean, Armenian, Vietnamese, Persian, Japanese, or other commonly spoken languages in Los Angeles.
- The City’s outreach strategies do not sufficiently target residents with disabilities who have vision, hearing, or other impairments.
- The City is not cross-promoting information about LIDP and Lifeline through departments (e.g., Aging, Disability, Housing and Community Investment) that regularly engage with similar target populations.

Investor-owned utilities throughout the State have made progress on similar issues based on guidance from the CPUC; the City should look to these programs as a model.

#### **RECOMMENDATIONS – CITY POLICYMAKERS SHOULD:**

1. **Create a working group** consisting of representatives from LADWP, Finance, and Sanitation to collaborate on improving outreach and evaluation activities related to the City’s utility discount programs, and instruct them to carry out the following tasks.
  - a. **Use billing data to proactively identify and contact customers** who are likely to qualify for discounted utility bills. Provide these customers with

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<sup>4</sup> For example, LADWP recently surveyed attendees of three community events and the Office of Public Accountability routinely fields questions/concerns about the City’s discount programs.

information about LIDP/Lifeline and opportunities to lower bills through energy/water efficiency upgrades.

- b. **Develop an improved performance measurement framework** that allows the City to evaluate whether its outreach efforts are successful and whether the programs are resulting in better outcomes for Angelenos in need of assistance.
  - c. **Refine the current outreach strategy** to include information in additional languages, easy access for residents with disabilities or mobility challenges, and incorporate input from subject matter experts such as the Department of Aging, Department on Disability, and Office of Public Accountability.
2. **Establish performance goals** and require relevant departments to submit annual reports detailing their efforts and strategies for improvement.

## II. Guarding Against Fraud and Preventing Waste

**The City also needs to improve oversight of LIDP and Lifeline.** Because utility discount programs provide financial benefits, they are susceptible to fraud. Effective administration of the programs by City departments is required to decrease the likelihood that customers who are no longer eligible continue to receive discounts.

**Preventing fraud and waste are especially important because every dollar that is issued to someone who does not meet the eligibility threshold is a dollar that is not available to someone who does.**

**A 2010 study by the U.S. General Accountability Office (GAO) found that 9 percent of households that received benefits through the Low Income Home Energy Assistance Program (LIHEAP) should not have received the benefits.**<sup>5</sup> During the course of this review, we identified gaps in the City’s administration of its customer assistance programs – primarily Lifeline – that suggest a lack of comprehensive safeguards in place to protect ratepayer funds.

- Customers living at a service address can continue receiving discounts through Lifeline even though the original applicant who qualified for the program passed away several years ago.
- A loophole in screening processes for LIDP and Lifeline can allow customers to receive unauthorized water discounts.

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<sup>5</sup> The study reviewed LIHEAP discounts in Illinois, Maryland, Michigan, New Jersey, New York, Ohio, and Virginia.

- Customers are able to use their discount eligibility to enroll non-primary service addresses in Lifeline or LIDP.

Addressing these issues will allow the City to strengthen the programs and direct financial assistance to those who need it most. The City should exercise caution while implementing the strategies below in order to avoid inadvertently removing eligible customers.

**Recertifying customers for continued eligibility** – A best practice for utilities that offer discount programs is to periodically verify that customers who are enrolled still qualify for financial assistance. This process – typically referred to as “recertification” – allows utilities to remove customers who are no longer eligible and make those benefits available for others. Recent data reported by the State’s three largest IOUs showed that the recertification process eliminated more than **20 percent** of participants.

In order to receive utility discounts through Lifeline, customers must meet the required income threshold and provide documentation that they are either disabled or at least **62** years old. These customers may not experience changes to their income level at the same frequency as customers enrolled in LIDP – but circumstances change and it is the City’s responsibility to effectively monitor the program.

**More than seven years have passed since the City last conducted a recertification of Lifeline participants.**<sup>6</sup> In addition, the last recertification process excluded nearly half of the customers registered in Lifeline. The primary reason a recertification has not occurred is because the City did not allocate the necessary funding for the effort.<sup>7</sup>

As a result, an unknown number of customer accounts are receiving financial assistance even though: (1) the customer no longer qualifies for assistance; or (2) they are deceased and discounts are being passed along to someone who has not been screened for eligibility.

**Recertifying Lifeline customers should be prioritized given the amount of discounts issued. On average, each Lifeline customer received twice the amount of discounts that LIDP customers received. In addition, Lifeline customers received approximately**

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<sup>6</sup> LADWP program managers stated that they perform recertification of LIDP customers on a three-year cycle. This process consists of sending reminder letters to program participants at specific intervals and requested that they provide proof of continued eligibility.

<sup>7</sup> For example, the Bureau of Sanitation requested **\$790,000** during the FY 2015 budget cycle but was not successful.

**59 percent of total discounts issued in the last three fiscal years (\$128 million) while accounting for 35 percent of overall enrollment between both programs.**

Because all three City departments (LADWP, Finance, and Sanitation) responsible for administering Lifeline discounts cited the cost as the primary reason for discontinuing recertifications, we identified strategies to help streamline the process.

- Datasets generated by the federal entities such as the Social Security Administration (SSA) or non-governmental entities can be cross-referenced with Lifeline participants to identify accounts that are potentially no longer eligible.
- Improving information-sharing across City departments and private utilities would help make timely changes to customer accounts and generate revenue.

Regardless which approach the City uses, it is critical that periodic and comprehensive recertifications are conducted for LIDP and Lifeline.

**Secondary reviews of discount activations** – Beyond recertifications, LADWP and Finance do not periodically test accounts enrolled in its customer assistance programs to determine whether the discounts/tax exemptions were activated in accordance with program requirements. Customer service representatives are authorized to activate discounts without a secondary or supervisory approval, which increases the likelihood that unauthorized benefits are being issued.

For example, **150** LADWP customer service representatives have access to the module in the billing system that activates discounts, but only **11** representatives are actually trained and authorized to review applications. **While it may not be feasible or cost effective to test all enrolled accounts, a representative sample would likely provide additional assurance about program integrity.**

**Restricting utility discounts to primary residences** – LADWP and Finance noted that the programs are designed to provide enrolled customers with discounts at their primary residential address. However, during the course of this review we identified instances of the same customers receiving LIDP or Lifeline discounts at multiple service addresses. The City should resolve these oversight gaps to ensure that customers do not abuse the program.

#### **RECOMMENDATIONS – CITY POLICYMAKERS SHOULD:**

3. Instruct the working group (as outlined in Recommendation #1) to carry out the following tasks.
  - a. **Identify sources of funding and recertify participants** in the Lifeline program in order to remove customers who are no longer eligible to participate.

- b. **Streamline and improve the recertification process** by leveraging existing third-party data, use a risk-based framework to identify ineligible customers, and improve coordination across departments.
- c. **Strengthen protocols** to mitigate the risk of unauthorized discount activations and enrollment at multiple residences.



The City provides residents with a range of utility services including water, electricity, sewer, and trash removal. Private entities, such as Southern California Gas and various telephone companies, also provide residents with important services. **Maintaining access to these services is essential to meeting residents' basic needs and preserving their quality of life – regardless of socioeconomic status.** Paying utility bills can be a significant burden for some of our most vulnerable residents, including older adults with fixed incomes, people with serious medical conditions, and hardworking families struggling to make ends meet.

**To alleviate the financial burden of utility costs and protect vulnerable residents, the City provides discount programs that are designed to keep costs affordable for qualified households and assist those experiencing an unexpected crisis, such as a medical emergency.**<sup>8</sup> While the City's programs have been in place for decades, it is important to ensure that these programs are helping qualified residents.

The California Public Utilities Commission (CPUC) oversees investor-owned utilities (IOUs) throughout the State and establishes uniform guidance for low-income discount programs. IOUs in California regularly collect and report performance data that provides the public and policymakers with insight into how the discount programs are impacting low-income customers. The table below provides a partial snapshot of utility discount program data reported to the CPUC by the State's three-largest IOUs in 2018.<sup>9</sup>

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<sup>8</sup> The federal government also provides assistance with utility bills and home weatherization through the Low Income Home Energy Assistance Program (LIHEAP). The program is overseen by the California Department of Community Services and Development and administered at the local level by grant-funded recipient agencies. According to LADWP, approximately **18,000** of its accounts received almost **\$8 million** in LIHEAP assistance for electricity service in FY 2018.

<sup>9</sup> Penetration rate typically measures the number of low-income customers enrolled in a discount program to the overall number of eligible customers within a utility's service territory.

	Southern California Edison - CARE	San Diego Gas & Electric - CARE	Pacific Gas & Electric - CARE
Gross Bill	\$1.1 - \$1.3 billion	\$313.2 - \$365.5 million	\$1.5 - \$1.7 billion
Customer Subsidy	\$376,226,811	\$116,158,861	\$508,582,432
Customer Benefit	30-35%	30-35%	30-35%
Customers Served	1,246,926	301,084	1,169,337
Estimated Eligible	1,422,225	321,323	1,535,554
Penetration Rates	88%	94%	91%
Penetration Goal	90%	90%	90%
Attrition	327,593	71,148	269,369
Admin. Costs	\$7,435,063	\$5,359,284	\$9,517,393
Total Residential Customer Base	4,478,000	1,294,000	4,761,000

Publicly-owned utilities – such as the Los Angeles Department of Water and Power (LADWP) – are subject to local control and oversight. **This local authority provides an opportunity to design and administer customer discount programs to meet the needs of vulnerable Angelenos.**

## THE CITY'S UTILITY DISCOUNT PROGRAMS

The City's two primary customer assistance programs – the Low-Income Discount Program (LIDP) and Lifeline – provide participants with ongoing or short-term financial assistance in the form of discounted service fees or exemptions from local utility user taxes.<sup>10</sup> These programs are primarily administered by LADWP; discounts and tax exemptions are applied through the department's billing system. Entities such as the City's Office of Finance, Bureau of Sanitation, and private utilities collaborate with LADWP to carry out tasks such as:

- Identifying potential participants;









<sup>10</sup> Utility user taxes are imposed by the City on the consumption of electricity, gas, and communication services.

- Reviewing customer applications to verify eligibility;
- Activating discounts and exemptions for eligible customers;
- Billing customers for services;
- Periodically recertifying participating customers for continued eligibility; and
- Deactivating discounts for customers who are no longer eligible.

During the last three fiscal years (FY 2017 to FY 2019), an average of **278,600 households** (21 percent of residential accounts) participated in either program and received an average of **\$72 million** in assistance per year.

### Low Income Discount Program

The Low Income Discount Program (LIDP) provides assistance for power, water, sewer, and bulky item pickup. **LIDP does not provide exemptions to utility user taxes. The eligibility threshold for participation in LIDP is dependent on the overall household size.** The maximum gross income for a family of **two** cannot exceed **\$33,820**, but the threshold increases by **\$8,840** for each additional household member.<sup>11</sup>

LIDP Income Qualification Criteria	
Household Size	Annual Income Less Than
	\$33,820
	\$33,820
	\$42,660
	\$51,500
	\$60,340
	\$69,180
	\$78,020
	\$86,860
Each Additional	\$8,840

To participate, residential customers must submit an [application](#) and provide proof of income for all household members. **Because LIDP does not provide exemptions from utility user taxes, LADWP – rather than the Office of Finance – is responsible for performing important administrative activities related to eligibility screening and discount activation.**

During the last three fiscal years, LIDP had **179,600** annual participants who received **\$30 million** in utility discounts – an average of approximately **\$14** per month. To better understand the overall impact of this financial assistance, we calculated data provided by LADWP and found that LIDP participants received approximately **18 percent** in discounts on their monthly bills.

<sup>11</sup> The eligibility threshold is based on CPUC’s uniform guidance for low-income programs, which was within **200 percent** of the federal poverty level as of June 2019.



## Lifeline Discount Program

The City’s Lifeline Discount Program provides discounted fees on several utility services provided by the City and exemption from utility user taxes.<sup>12</sup> Residential customers who are disabled or at least **62** years of age and have an adjusted gross household income of less than **\$41,800** are eligible to participate in Lifeline.<sup>13</sup>

**Unlike LIDP, Lifeline does not use a tiered scale to account for multiple household members.** This leaves out residents in larger households that slightly exceed the income eligibility threshold, and are likely to incur higher bills due to additional demand for utility services. For example, a disabled adult and **three** additional family members with a combined annual income of **\$50,000** are not eligible for assistance through Lifeline.

To participate in Lifeline, residents must submit an [application](#) and supporting documentation that shows proof of age/disability and income. Applicants must specify the utility services for which they are seeking discounts. **Because Lifeline includes exemptions from various utility user taxes, the Los Angeles Municipal Code assigns responsibility to the Office of Finance – the City’s tax administrator and collector – with reviewing and approving Lifeline applications.** If approved, Finance instructs utilities (e.g., LADWP, Sanitation, SoCalGas, telephone service providers) to activate discounts and discontinue collection of applicable utility user taxes.

During the last three fiscal years, Lifeline had an average of **99,100** participants who received **\$43 million** in discounts and utility user tax exemptions at some point during the year – an average of approximately **\$36** per month. To better understand the overall impact of this financial assistance, we calculated data provided by LADWP and found that Lifeline participants received approximately **31 percent** in discounts and tax exemptions during the last three fiscal years.

## MAXIMIZING THE IMPACT OF THE CITY’S UTILITY DISCOUNT PROGRAMS

**Given the number of Angelenos living in economically insecure households, the City needs to ensure that each dollar spent on its utility discount programs is helping residents most in need of assistance. In addition, the City needs to determine whether there are opportunities to have a deeper impact on affordability for residents who**

<sup>12</sup> The extra capacity charge/discount only applies if a customer has requested solid waste disposal capacity that exceeds normal service levels.

<sup>13</sup> The adjusted gross income threshold is based on the U.S. Department of Housing and Urban Development’s (HUD) definition of “very low income” for a family of two in Los Angeles County. The Lifeline Program defines disabled as “...if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment...”

**need help. This report is intended to provide City Policymakers and program administrators with a roadmap to improving LIDP and Lifeline.**

# I. Improving Outreach and Program Impact



**Discounts offered through LIDP and Lifeline can make a difference – the City needs to do everything possible to engage potential participants and make informed decisions about how to improve program performance.** LADWP has taken steps in recent years to assess program data and improve accessibility.

- The Equity Metrics Data Initiative (2016) seeks to provide a data-driven framework that assesses how well LADWP’s programs, services, and resources are distributed and used throughout the city, both geographically and demographically, to see whether any disparities exist. This framework includes high-level information about Lifeline and LIDP, such as the number of participants and heat maps showing participation in low-income Census tracts.
- The Low-income Customer Access program (LICA) was established in 2017 to improve customer access to discount and assistance programs that will help reduce their energy burden, improve customer experience, and build trust and support. Beyond engaging potential participants, the program is intended to improve the intradepartmental coordination of low-income customer assistance programs. LICA consists of one full-time professional who reports to the department’s Chief Customer Care Officer.

**Despite these efforts, we found that the City can do much more to help residents experiencing financial hardship.** Improvements will require a collaborative effort across multiple City departments and external stakeholders.

## A. Proactive and targeted outreach

LADWP’s current outreach model consists of notifying potential program participants using mostly indirect, conventional methods such as:

- distribution of brochures and mailing inserts on a non-recurring basis;
- links on some departmental websites;
- assistance at customer service locations or via telephone;
- partnerships with community-based organizations; and
- attendance at selected community events.

These approaches are time-tested and represent the foundation of a comprehensive customer engagement strategy. **However, LADWP should implement a more proactive and targeted approach by leveraging existing customer data from its billing system.**

For instance, the utility could proactively reach out to customers experiencing repeated financial challenges (e.g., multiple shutoff notices within a year) but are not enrolled in the program. Another approach would be to target households that go extended periods before billing issues are resolved and service is restored. City officials acknowledged the potential of these strategies but have not pursued them due to privacy concerns.

Another useful tool to reducing monthly utility bills are energy/water efficiency upgrades such as low flow showerheads and LED lighting. Lower income residents typically live in older – less energy efficient – homes and energy/water consumption is also affected by a greater number of people living in the household. While these customers may lack the resources to invest in costly building retrofits, there are a variety of different programs (some offered by LADWP) to help ease the cost burden. LADWP should use its billing data to identify households with high energy/water usage patterns and initiate contact to determine whether they are eligible for financial or weatherization assistance.

Beyond using available data to initiate telephone calls with potential program participants, the City should provide information about its discount programs and energy efficiency upgrades in mailings or emails to customers who receive overdue bill notices or service disconnection warnings.

## **B. Measuring effectiveness and reporting results**

In conjunction with making changes to how it engages potential program participants, the City needs to develop an evaluation framework that allows it to determine whether its efforts are successful. **We found that the City is currently collecting high-level output data that primarily measures activity levels, not outcomes.** Data tracked through LADWP's Low-income Customer Assistance Program (LICA) include the following:

- meetings with working groups;
- number of targeted outreach programs;
- surveys conducted;
- number of new participants; and
- number of external partners who are advertising information about LADWP's utility discount programs.

In contrast, IOUs report more insightful metrics to the CPUC that allow regulators and the public to better evaluate how well utilities are performing. The subsection below describes one specific metric – penetration rate – that can be used to assess the effectiveness of the City's outreach activities.

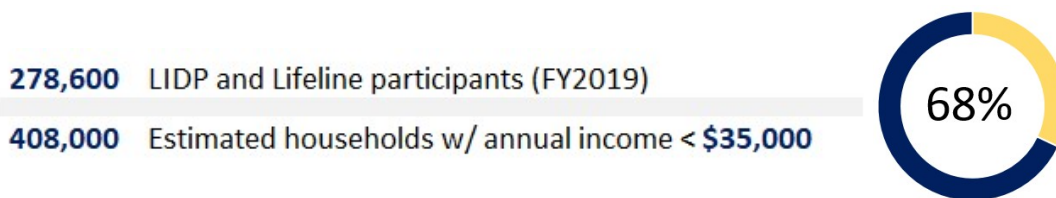
However, there are a host of other useful measures that can be used to measure the overall impact of the City’s efforts. For example, what percentage of customers enrolled in LIDP or Lifeline have accounts in arrears or are still receiving shutoff notices? What percentage of customers enrolled in LIDP or Lifeline have also signed up for energy efficiency upgrades offered by LADWP or other entities?

**The City should establish formal data collection and reporting processes and embed them into a performance measurement framework that is used to establish goals, evaluate outcomes, and make informed decisions about how to improve Lifeline and LIDP.**

**Penetration rate** – Tracking the number of residents enrolled in a customer assistance program allows utilities to monitor enrollment trends and program expenses. However, that approach is not adequate because it does not provide context about the overall number of households that are potentially eligible for utility discounts.

**This metric compares the estimated number of eligible low-income customers within a utility’s service territory to the number of customers enrolled in utility discount programs.** CPUC has established a penetration goal of **90 percent** for investor-owned utilities.

**The City does not actively manage its utility discount programs using a similar approach.**<sup>14</sup> In order to develop a conservative estimate of the City’s current penetration rate, we compared the number of program participants reported by LADWP to Census data about the number of households that likely fall below the lowest income eligibility threshold (**\$33,800**) for participation in LIDP or Lifeline.<sup>15</sup> While the analysis depends on the accuracy of household income data reported by the Census, it provides a general sense of the number of households that may qualify for assistance versus the number that are actually enrolled.



<sup>14</sup> LADWP retained a consultant in June 2011 and estimated that its penetration rate was approximately **56 percent** of eligible low-income households.

<sup>15</sup> The actual penetration rate is likely lower than **68 percent** because this analysis does not account for: (1) households with three or more residents, which qualify for LIDP at higher income thresholds; (2) households which meet Lifeline’s age/disability criteria and have annual incomes up to **\$41,800**; and (3) households that only received short-term financial assistance during FY 2018.

The City can also use qualitative information – collected through formal surveys and informal methods such as customer complaints/inquiries – to better manage its discount programs. Currently, this information is collected on a limited and ad hoc basis.<sup>16</sup>

### C. Prioritizing inclusion and accessibility

The overall impact of any customer assistance program is closely tied to administrators' ability to perform targeted outreach and connect eligible residents to services. Multipronged communication strategies are needed in order to engage diverse populations of customers, and the burden of applying for the program needs to be minimized to the greatest extent possible.

**Convenience** – Beyond effectively communicating information about utility discounts, the City should make it easy for eligible residents to participate. Customers interested in LIDP can submit [applications](#) directly through LADWP's website. **In contrast, residents interested in enrolling in the Lifeline program must submit applications – including sensitive proof of age/income/disability documents – through the mail or in-person at City Hall location during business hours.**

Many potential participants may be uncomfortable sending confidential information through the mail, and others with jobs or mobility challenges will be less likely to travel to City Hall to submit applications. The Office of Finance is shifting to online Lifeline applications in the coming months.

**Information for non-English speakers** – English is a second language for many Angelenos, and there are often cultural factors that need to be considered when communicating information. Connecting these residents to government services is an important part of building an inclusive City.

Information about the City's utility discount programs are available on LADWP's website and printed materials in English and Spanish. **While these represent the most commonly spoken languages in Los Angeles, residents whose primary language is Chinese, Tagalog, Korean, Armenian, Vietnamese, Persian, Japanese, or other commonly spoken languages may face challenges obtaining information.** The City should determine which languages are most prevalent and modify their websites and printed materials to ensure that residents in diverse communities can easily decide whether to apply for assistance.

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<sup>16</sup> For example, LADWP surveyed attendees of three community events and the Office of Public Accountability routinely fields questions/concerns about the City's discount programs.

**Accessibility for residents with disabilities** – Residents with disabilities are eligible for the Lifeline program if their household income falls below the established threshold. Given this target population, it is important for the City to communicate program information in a manner that is accessible for residents with vision, hearing, or other challenges. **LADWP and the Office of Finance should partner with subject matter experts in the City’s Department on Disability to ensure that each of its outreach strategies fully considers the needs of these residents.**

**Cross-promotion of program information** – One of the easiest ways for the City to disseminate information about its discount programs is to facilitate collaboration with departments (e.g., Aging, Disability, Housing and Community Investment) that frequently engage with similar target populations. **Currently, these departments’ websites include information about customer assistance programs offered by non-City entities – but do not include Lifeline/LIDP information or links to LADWP’s website.**

## Recommendations

*To address these issues, City Policymakers should:*

1. **Create a working group** consisting of representatives from LADWP, Finance, and Sanitation to collaborate on improving outreach and evaluation activities related to the City’s utility discount programs, and instruct them to carry out the following tasks.
  - a. **Use billing data to proactively identify and contact customers** who are likely to qualify for discounted utility bills. Provide these customers with information about LIDP/Lifeline and opportunities to lower bills through energy/water efficiency upgrades.
  - b. **Develop an improved performance measurement framework** that allows the City to evaluate whether its outreach efforts are successful and whether the programs are resulting in better outcomes for Angelenos in need of assistance.
  - c. **Refine the current outreach strategy** to include information in additional languages, easy access for residents with disabilities or mobility challenges, and incorporate input from subject matter experts such as the Department of Aging, Department on Disability, and Office of Public Accountability.
2. **Establish performance goals** and require relevant departments to submit annual reports detailing their efforts and strategies for improvement.

## II. Guarding Against Fraud and Preventing Waste



The City's utility discount programs are need-based and are intended to help Angelenos who meet specific eligibility criteria. While some customer assistance programs offered by IOUs allow participants to self-certify their eligibility, participants in the City's programs must submit proof of age/income/disability status in order to qualify. Financial assistance provided through Lifeline and LIDP requires careful stewardship; the City issued more than **\$70 million** in discounts and tax exemptions annually over the last three fiscal years.

Fraud by recipients is an inherent risk in the administration of public assistance programs that provide financial benefits. In addition, lax supervision increases the likelihood that customers who are no longer eligible continue to receive discounts. **As the City takes steps to boost its outreach activities, it is equally important to strengthen the integrity of LIDP and Lifeline. Preventing fraud and waste are especially important because every dollar that is issued to someone who no longer meets the eligibility threshold is a dollar that is not available to someone who does.**

A 2010 study by the U.S. General Accountability Office (GAO) found that **9 percent** of households that received LIHEAP discounts should not have received benefits.<sup>17</sup> During the course of this review, we identified several gaps in the City's administration of its customer assistance programs – primarily Lifeline – that increase the likelihood that utility discounts are being provided to residents who no longer qualify.

- Customers living at a service address can continue receiving discounts through Lifeline even though the original applicant who qualified for the program passed away several years ago.
- A loophole in screening processes for LIDP and Lifeline can allow customers to receive unauthorized water discounts.
- Customers using their discount eligibility to enroll non-primary service addresses in Lifeline or LIDP.

The subsections below outline areas where the City can improve the administration of its customer assistance programs. **The City should exercise caution while implementing these strategies in order to avoid inadvertently removing eligible customers.**

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<sup>17</sup> The study reviewed LIHEAP discounts in Illinois, Maryland, Michigan, New Jersey, New York, Ohio, and Virginia.



## A. Recertifying customers for continued eligibility

The Los Angeles Municipal Code (LAMC) tasks the City's Office of Finance and Bureau of Sanitation with verifying continued eligibility for Lifeline participants every two years. Although this provision is limited to discounts for solid waste collection, recertification is an industry best practice, especially for publicly-owned utilities. LADWP program managers stated that they perform recertification of LIDP customers on a three-year cycle. This process consists of sending reminder letters to program participants at specific intervals and requested that they provide proof of continued eligibility.

**The City's current approach is to allow Lifeline participants to remain enrolled indefinitely, and there are no protocols in place to reestablish continued eligibility.**

The most recent recertification of Lifeline participants was performed in FY 2012. In addition, the last recertification process excluded nearly half of the customers registered in Lifeline. The Bureau of Sanitation requested **\$790,000** during the FY 2015 budget cycle but was not successful.

In order to qualify for Lifeline, customers must demonstrate that they meet the income threshold and are either disabled or at least **62** years old. While these groups are less likely to experience life changes (e.g., obtaining new employment) that disqualify them for financial assistance, circumstances can change. For example, enrolled customers may pass away or begin receiving help from family members.

**As a result of the City's inaction, an unknown number of customer accounts are receiving financial assistance even though: (1) the customer no longer qualifies for assistance; or (2) they are deceased and discounts are being passed along to someone who has not been screened for eligibility.**

**Recertifying Lifeline customers should be prioritized given the amount of discounts issued. On average, each Lifeline customer received twice the amount of discounts that LIDP customers received. In addition, Lifeline customers received approximately 59 percent of total discounts issued in the last three fiscal years (\$128 million) while accounting for 35 percent of overall enrollment between both programs.**

Because all three City departments (LADWP, Finance, and Sanitation) involved with administering Lifeline discounts cited the cost as the primary reason for discontinuing the recertification process, we sought to identify opportunities to lower administration

costs.<sup>18</sup> The process of manually contacting hard-to-reach program participants to verify continued eligibility is likely unavoidable in order to effectively administer the program. **However, the City should explore options to streamline the process by leveraging third-party data, using a risk-based approach, and improving coordination across departments.**

**Third-party data** – Federal entities such as the Social Security Administration (SSA) collect data used by financial and credit firms, as well as government agencies, to match records and prevent identity fraud. One specific dataset is the SSA Death Master File, which includes information on each decedent such as name, social security number, and date of birth. **Periodically cross-referencing Lifeline participants to this information may be a low-cost approach to verify accounts that are no longer eligible for discounts.**

**Phased approaches** – Not all customers enrolled in Lifeline are the same. Some of these participants are on fixed-incomes that fall far below the qualifying threshold, while others have variable income that falls just below the required amount. These differences may help predict which enrollees are more likely to experience wage growth and no longer qualify for assistance. **The City can leverage this type of data to make informed decisions about how to prioritize and allocate resources for recertification – while also ensuring that this approach does not raise any legal or equity concerns.**

**Information-sharing across City departments and private utilities** – The City provides discounts and tax exemptions on several types of services through Lifeline, and the process includes coordination with over a dozen private utility companies. **While this structure increases the likelihood of information gaps, it also provides opportunities to improve program administration and verification of continued eligibility.** For example, the City did not notify private utilities of households that were identified as ineligible through the Lifeline recertification process in FY 2012. If the City shared the information, the private utilities (e.g., Verizon) could have resumed collecting utility user taxes from those customers and remitted them to the City – to ultimately be deposited into the General Fund.

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<sup>18</sup> Officials from Sanitation estimated that the FY 2012 recertification involved **93** employees working over **20,000** hours, at an estimated cost of **\$750,000**. We were not able to substantiate these calculations and note that LADWP appears to perform LIDP recertification without a similar cost burden.

## B. Secondary reviews of discount activations

While the process of screening and recertifying customer applications should be further streamlined, the City needs to balance convenience with accuracy and program integrity. LADWP and Finance do not periodically test accounts enrolled in its customer assistance programs to determine whether the discounts/tax exemptions were activated in accordance with program requirements. Customer service representatives are authorized to activate discounts without a secondary or supervisory approval, which increases the likelihood that unauthorized benefits are being issued.

For example, 150 LADWP customer service representatives have access to the module in the billing system that activates discounts, but only 11 representatives are actually trained and authorized to review applications. While it may not be feasible or cost effective to test all enrolled accounts, a representative sample would likely provide additional assurance about program integrity.

## C. Restricting utility discounts to primary residences

According to LADWP and Finance, participants in Lifeline and LIDP are only eligible for discounts on their primary residence. However, the current screening procedures are not designed to identify applicants who are already enrolled at a different residential address. The lack of safeguards in this area increases the likelihood that customers take advantage of this loophole and activate utility discounts at multiple households.

## Recommendations

*To address these issues, City Policymakers should:*

3. Instruct the working group (as outlined in Recommendation #1) to carry out the following tasks.
  - a. **Identify sources of funding and recertify participants** in the Lifeline program in order to identify customers who are no longer eligible to participate.
  - b. **Streamline and improve the recertification process** by leveraging existing third-party data, use a risk-based framework to identify ineligible customers, and improve coordination across departments.
  - c. **Strengthen protocols** to mitigate the risk of unauthorized discount activations and enrollment at multiple residences.

# Summary of Recommendations



	Recommendation	Responsible Entity
<b>Section I: Improving Outreach and Program Impact</b>		
1	<p><b>Create a working group</b> consisting of representatives from LADWP, Finance, and Sanitation to collaborate on improving outreach and evaluation activities related to the City’s utility discount programs, and instruct them to carry out the following tasks.</p> <ul style="list-style-type: none"> <li>a. <b>Use billing data to proactively identify and contact customers</b> who are likely to qualify for discounted utility bills. Provide these customers with information about LIDP/Lifeline and opportunities to lower bills through energy/water efficiency upgrades.</li> <li>b. <b>Develop an improved performance measurement framework</b> that allows the City to evaluate whether its outreach efforts are successful and whether the programs are resulting in better outcomes for Angelenos in need of assistance.</li> <li>c. <b>Refine the current outreach strategy</b> to include information in additional languages, easy access for residents with disabilities or mobility challenges, and incorporate input from subject matter experts such as the Department of Aging, Department on Disability, and Office of Public Accountability.</li> </ul>	City Policymakers

# Summary of Recommendations



2	<p><b>Establish performance goals</b> and require relevant departments to submit annual reports detailing their efforts and strategies for improvement.</p>	City Policymakers
<p><b>Section II: Guarding Against Fraud and Preventing Waste</b></p>		
3	<p>Instruct the working group (as outlined in Recommendation #1) to carry out the following tasks.</p> <ul style="list-style-type: none"> <li>a. <b>Identify sources of funding and recertify participants</b> in the Lifeline program in order to identify customers who are no longer eligible to participate.</li> <li>b. <b>Streamline and improve the recertification process</b> by leveraging existing third-party data, use a risk-based framework to identify ineligibility, and improve coordination across departments.</li> <li>c. <b>Strengthen protocols</b> to mitigate the risk of unauthorized discount activations and enrollment at multiple residences.</li> </ul>	City Policymakers