



**Testimony Before the Appropriations Committee,
Human Services Committee, and Energy and
Technology Committee**

**2008-2009 Low Income Energy
Assistance Program Block Grant
Allocation Plan**

Claudette J. Beaulieu
Deputy Commissioner for Programs
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Testimony

Good morning Senators Harp, Harris, and Fonfara, Representatives Merrill, Villano and Fontana, and members of the committees, my name is Claudette Beaulieu and I am the Deputy Commissioner for Programs at the Connecticut Department of Social Services (DSS). I am here before you today to review and seek your approval of the Governor's 2008/2009 Allocation Plan for the Low Income Home Energy Assistance Program (LIHEAP) Block Grant. Today we are seeking your approval of the LIHEAP allocation plan with a technical revision to change a misplaced word in the description of the Fixed Margin Pricing Program. I have attached the technical change that appears on page 13 of the plan as an amendment to our testimony and I will explain the change later in the testimony.

I would like to begin by communicating that all of us at the department understand the importance and value of our energy assistance program in meeting the heating needs of our elders, people with disabilities, families and children. We are very proud of the work that has been done in this area over the years. I know we have a common concern about the rising cost of energy and the pressure it places on the low-income population we serve. Last year I spoke about predicted higher prices for deliverable fuel (\$82 per barrel at that time). I know that you must be fully aware of the record cost of fuel oil over the past five months as high as \$160 per barrel. At the beginning of this week the price for a barrel of oil was quoted as \$112. We are hopeful as we approach the cold months that the extreme rise in the cost of oil will stabilize at a lower level. We look forward to working with you again this season on meeting the challenges we will collectively face during the upcoming cold weather months.

I am happy to share with you that applications for the program are being accepted right now at all of our community action agencies. Most agencies began taking applications on Monday, August 11, and a few were able to begin several days before that. We have made the commitment to our partners that application intake should start early as we know from two years ago it is beneficial to those receiving deliverable fuel as well as those who qualify for the arrearage forgiveness program that utility companies offer. The plan again extends until May 15th the timeframe for utility heated households with a shut off notice for their primary heat to apply for assistance. This will help utility customers who delay applying until they receive termination notices.

Oil vendors continued to receive timely payments during this past program year. Even though our requirements allow for payments to be made within 30 days of billing, most community action agencies were able to make payments within 7-10 days of being billed by the vendors. This has been well received by vendors participating in the program.

I am truly grateful for the continued dedication of our energy assistance staff and our partners at the Office of Policy and Management (OPM), the community action agencies and to all the winter heating assistance stakeholders for their support and assistance in continuing to make improvements to the program to assist those in need.

LIHEAP Funding Outlook

The proposed plan before you for the 2008/2009 Allocation Plan for the LIHEAP Block Grant is based on an estimated LIHEAP federal block grant appropriation of \$1.98 billion. We estimate that Connecticut's LIHEAP block grant allocation will be approximately \$40.9 million. In addition, \$1.7 million in FFY 2008 carry-forward funds is available. This includes \$828,000 in LIHEAP block grant funds that HHS released on June 16th. This brings the total available funds as identified in the plan to \$42.6 million.

Our September allocation figures reflect our best estimate, given that congressional action on a final federal LIHEAP appropriation is rarely settled prior to the beginning of the federal fiscal year on October 1. Indeed, it is more typical in recent years that states will begin their winter heating programs with the release of congressional continuing resolution funds; a final LIHEAP appropriation may not be known until as late as January. We also do not know whether additional contingency dollars will be available and if they are, whether Connecticut will receive any.

Based on the estimated caseload and benefit levels in the plan, the total projected expenditures for the 2008/2009 CEAP are \$84 million. The benefit levels are similar but expanded in some ways and are attached to the testimony. I will describe the benefits during my testimony. CHAP households will be eligible to receive benefits as the income limit guidelines remain at 60% of the state median income. We have also included a change in the pricing mechanism used in the delivery of home heating oil, the addition of a county differential and expanded rental assistance benefits. The plan before you indicates that an additional \$41.4 million will be required either from federal or state sources.

We urge your approval of the 2008/2009 Allocation Plan for the LIHEAP Block Grant as amended.

LIHEAP Services

- **Early Intake**

A quick survey of our community action agencies indicated that the volume of callers and applicants at their sites has increased significantly over past experiences. Some agencies indicated that they received from 150 to 200 calls per day during the opening week of the program. That has subsided to about 100 calls per day. Those calling and coming in indicate great concern over the price of oil and are trying to make arrangements as early as possible. Callers are both new to the program and people who have received benefits in the past. The agencies indicated that there are many people contacting them who were not aware of the asset limits or the eligibility requirements for the program from reading the articles in their local papers. This has caused some consternation on the part of the callers and takes time to explain. As a result, callers are experiencing greater wait times for the phones to be answered or had to leave a voice mail message for a returned call. Many of the agencies have booked appointments through mid-September. The agencies report that they have hired some seasonal staff to respond to the demand and are presently training and reorienting the staff to the process. Based on available funding, some agencies will be hiring additional staff as the season progresses. The main offices of the CAA's are open but a majority of the voluntary intake sites will not be open until September or October.

- **Basic Benefits**

Basic Benefits will once again be based on household income, liquid assets and vulnerability. Vulnerable households are defined as households in which one or more members is either elderly (60 years of age or older), disabled or under the age of six.

- **Crisis Assistance Component**

A one-time Crisis Assistance benefit of up to \$400 will be available to all eligible deliverable fuel heated households. CHAP deliverable fuel heated households will be eligible for a one-time Crisis Assistance benefit of \$325. This is an increase of \$125 over last year's crisis benefit for CHAP households. This combined with the \$300 basic benefit should ensure a minimum delivery of 125 gallons for CHAP households.

- **Safety Net Assistance Benefits**

The Governor's plan recommends an increase in the Safety Net Assistance benefit from \$400 to \$625 in recognition of the increased cost of a gallon of oil. This reflects the fact that with the higher costs per gallon, a \$400 safety net payment may not be sufficient to pay for a minimum oil delivery. This benefit will be available to address the needs of deliverable fuel-heated households that have exhausted their Basic Benefits and their Crisis Assistance Benefits and are in a life-threatening situation. These households must be interviewed by a case manager as part of the Assurance 16 initiative and must also complete a risk assessment determination. The risk assessment includes a review of the household's monthly income, liquid assets and expenditures. If it is determined that the household has insufficient resources to obtain fuel on their own, an emergency fuel delivery up to \$625 may be authorized. These households will also be prioritized for weatherization services.

Last winter, Governor Rell authorized an additional Safety Net Payment in January to address the needs of those heating with deliverable fuel. The Governor has directed that we incorporate that additional safety net in the plan that we have submitted to you for approval. This means that vulnerable deliverable fuel heated households may be eligible to receive a total of three Safety Net Assistance benefits at up to \$625 per delivery. Households that do not have an elderly or disabled person or a child under age 6 may be eligible to receive a total of two safety net benefits at up to \$625 per delivery.

CHAP households do not qualify for Safety Net Assistance benefits.

CEAP utility heated households are protected from winter disconnection, per CGS 16-262c, and are therefore not eligible to receive the needs based Crisis Assistance benefits and Safety Net Assistance benefits. If a utility heated household's service has been disconnected, or is being threatened with disconnection, the CAA will work directly with the utility vendor to either reinstate the service or to prevent the disconnection.

Utility heated households facing unaffordable service arrearages will be assisted by the CAA in enrolling in the Matching Payment Program (MPP). The MPP is a state-mandated initiative, CGS 16-262c, which enables CEAP eligible households to maximize their energy benefits, reduce and/or eliminate their service arrearages and empower them to gain greater control of their energy costs. Under the MPP, CEAP eligible households enter into a payment arrangement with their utility vendor. As long as all customer payments have been made, the utility vendor will provide a dollar-for-dollar match of both the total customer payments and the CEAP benefit. The resulting match is applied to the customer's service arrearage. Please note, only publicly regulated utilities are mandated to participate in the MPP.

Utility heated households who are unable to meet their utility payment arrangement will be assisted by the CAA in negotiating a reduced payment arrangement with the utility vendor.

- **Expanded Rental Assistance Benefits-Food Stamps and Standard Utility Allowance (SUA)**

DSS has chosen to take advantage of a Food Stamp regulatory opportunity to provide an energy benefit to households in order to increase Food Stamp benefits to these households. Several other northeastern states as well are making this change to help bring additional resources into low income households. Under the change, we propose to provide a \$1 LIHEAP benefit to those Food Stamp recipient households whose heat is included in their rent and whose rent is less than 30% of their income. This benefit will enable the household to have their food stamp eligibility recalculated, utilizing the Standard Utility Allowance. The recalculation will result in additional food stamp benefits for the household. This modification to the plan is in accordance with recommendations from the Low Income Energy Advisory Board.

- **Extended time period for applications**

DSS is proposing to keep the extension of the application period to May 15, 2009 for utility heated households in receipt of a shut off notice for their primary heat. It is anticipated that this extension will allow greater access for utility heated households that do not apply for energy assistance benefits until after they have received a shut off notice. This extension will also help those eligible for utility arrearage forgiveness programs to apply and take advantage of that assistance.

- **Continuation of Conservation Services**

The plan includes \$1,000,000 in LIHEAP funds to provide assistance for heating system repair and/or replacement. This is an increase of \$500,000 from last year and even with a potential shortfall of \$41.4 million, the Governor continues to be committed to addressing the needs of low-income people by looking at reducing energy consumption through access to conservation measures.

- **Changes in the Pricing Program for Deliverable Fuel**

The department recognizes the difficulty the fuel vendors face with increased costs of business which include high cost of diesel fuel, increased insurance, hauling fees from New Haven harbor, and long distance transportation of the product between deliveries depending on location in the state. Due to this the state is extending lines of credit to the hundreds of Connecticut fuel oil dealers facing soaring business costs this winter because of record fuel oil prices. The Governor recently announced a new loan program for small businesses where dealers can extend their lines of credit through a program administered through the Connecticut Development Authority. The CDA will provide loan guarantees to fuel oil dealers through its Small Business Loan Guarantee Program (URBANK). The program offers dealers quick access to funds and allows their banks to enroll loans automatically in the URBANK program. This will help dealers obtain funds in order to purchase oil from the wholesalers at the increased price.

The plan proposes to continue payments for oil deliveries in accordance with a Fixed Margin Pricing Program. However, the Fixed Margin will be determined based on the daily Oil Price Information Service (OPIS) New Haven rack average price for Standard #2 Fuel Oil with 0.3 sulfur content. In the past, the plan based this pricing on the New Haven Harbor 'average' price as calculated in the Journal of Commerce. This change is made in response to vendor

concerns that the Journal of Commerce pricing was not as responsive to changes in the market as OPIS.

In addition to the daily price, a 'county differential' has been added. The 'county differential' is proposed in recognition of the overall increase in transportation costs, and specifically addresses the fact that vendor transportation costs increase the farther their customers are from New Haven harbor. The 'county differential' reflects the DAS approved county pricing used when the state purchases #2 fuel oil for state facilities, plus a 31 cents per gallon margin. In prior years, the plans did not include a 'county differential.'

The plan eliminates last year's option for vendors to choose a "Discount Off Retail" price. Under that option, oil and kerosene vendors were paid based on their retail price, less a 35 cents per gallon discount. Last year only 10 vendors selected this option. It was not viable to continue this option based lack of vendor interest and on the reprogramming efforts needed.

The plan also proposes to return kerosene to retail pricing. Last year the plan attempted to regulate the price of kerosene in accordance with the long-standing oil pricing mechanism. This effort was not successful. There are few kerosene providers and several opted out of the program, causing significant difficulties in obtaining deliveries for the 957 kerosene heated households.

The plan also continues to provide the department with the ability to adjust the pricing mechanism in response to demands in the market.

- **Other Deliverable Fuel Purchasing Options**

The department through this plan is committed to exploring other options to purchase #2 home heating oil on behalf of CEAP households. These options may include but are not limited to, "off season" purchasing, "pre-buy" and vendor/wholesaler bidding.

- **Continuation of Assurance 16 Funds for Case Management Activities**

The plan includes continued funding for Assurance 16 to provide case management activities. Last year, over 12,000 households were referred to a number of services as a direct result of enhanced case management funded through the Assurance 16 initiative. These services included money management sessions, assistance with tax preparation, child care referrals, energy conservation counseling, assistance in applying for Operation Fuel and utility company matching programs, and help in applying for DSS programs such as Food Stamps or SAGA.

- **Amendment to the 2008/2009 LIHEAP Allocation Plan**

Attached to this testimony is a technical amendment to the plan in Section XVII. Fixed Margin Pricing Program on page 13 where the word county is changed to rack regarding the OPIS pricing mechanism. The word county was inserted in this section in error and the term 'rack' should be inserted as in the attached amendment.

I urge your adoption of our proposed amendment.

- **Conclusion**

In conclusion, I would like to offer my thanks to our partners for the important role played in implementing this program. We could not have achieved this success without the cooperation and assistance of our partners: OPM, utility companies, fuel vendors, 211 Info-Line, Operation Fuel, community action agencies, Connecticut Association for Community Action, Connecticut Legal Services and the Department of Public Utility Control.

I would also like to offer thanks to the members of the Low Income Energy Advisory Board for their cooperation and support of this program and the state's low-income population. The department is a member of the Low Income Energy Advisory Board (LIEAB) and has worked with the Board over the past few years on crafting the LIHEAP plan in accordance with their recommendations. This year's plan reflects many of the recommendations that the Board submitted. The Board recommended increased benefits for recipients in recognition of the increased cost of heat in Connecticut. Early intake was fully supported by the board to benefit the clients that heat with deliverable fuel and those that heat with utilities to take advantage of the matching payment program. The Expanded Rental Assistance Benefit was urged by the Board to assist Food Stamp recipients in obtaining increased food stamp benefits. Finally, the board supported the extended application period to May 15th allowing those with shut off notices to apply for the program.

In closing, we understand well that this season's LIHEAP program will have many challenges given the current energy market and the uncertain future federal funding outlook. We believe that this 2008/2009 Allocation Plan for the LIHEAP Block Grant is the best possible means of meeting the heating assistance needs of Connecticut's low-income population. We therefore seek your approval of our recommended LIHEAP plan.

Thank you. I would be happy to answer any questions you may have.

XVII. FIXED MARGIN PRICING PROGRAM

In response to requests from the deliverable fuel industry, the department will use information from the Oil Price Information Service (OPIS) to determine the daily Fixed Margin Price, which will be used to pay oil vendors making deliveries to CEAP households. The Fixed Margin Price will be based on the daily OPIS Standard No. 2 Fuel Oil with 0.3 sulfur content, Gross No. 2 Distillate Price, plus a fixed margin of 31 cents per gallon.

In addition, this year's Fixed Margin Pricing Program will also include county differentials in the pricing mechanism. The increase in the fixed margin and the county differentials are proposed in response to increases in transportation and delivery costs. The differentials vary from county to county, and are determined based on each county's proximity to the New Haven harbor. The county differentials are as follows, and include the 31 cents fixed margin:

New Haven County	\$0.327
Middlesex County	\$0.343
Hartford County	\$0.349
New London County	\$0.352
Fairfield County	\$0.353
Tolland County	\$0.368
Litchfield County	\$0.377
Windham County	\$0.380

Although CEAP does not cover deliveries made in July, the following example is for demonstration purposes.

Under the Fixed Margin Pricing Program pricing mechanism, oil deliveries made on Wednesday, July 9, 2008 would have been paid based on the Tuesday OPIS Standard No. 2 fuel oil with 0.3 sulfur content, Gross No. 2 Distillate Price, as provided on Tuesday, July 8, 2008 by OPIS. The price would have been determined as follows:

OPIS Std No. 2 Fuel Oil with 0.3 sulfur content for New Haven rack – Tues. July 8, 2008	\$4.094
Fixed Margin	.310
County Differential – Windham County	.070
Total Fixed Margin Price for #2 oil - Wednesday, July 9, 2008 (Windham County)	\$4.474

Please note, since each county has a different county differential, the Total Fixed Margin Price on any given day will vary from county to county.

Vendors who deliver in multiple counties will be paid in accordance to the county differential in which the delivery is made. DSS will determine all fixed margin prices.

The pricing mechanism may be adjusted by DSS to respond to unanticipated changes in the #2 heating oil market.

Vendors must put their retail price on all delivery tickets, bills or statements. If the vendor's posted retail price is lower than the Fixed Margin Price, the vendor will be paid in accordance with the retail price.

For those deliveries of home heating oil paid by the program, vendors shall not charge CEAP customers the difference between their retail price and the CEAP payment.

The change is made from county to rack as a correction to the plan.

2008/2009 LIHEAP ALLOCATION PLAN

BENEFIT LEVELS

BASIC BENEFITS - Maintained at last year's levels.

Income Level		Basic Benefits	
		Vulnerable Households*	Non-Vulnerable Households
Level 1	Up to 100% of Federal Poverty Guidelines	\$675	\$635
Level 2	101% - 125% of Federal Poverty Guidelines	\$580	\$535
Level 3	126% - 150% of Federal Poverty Guidelines	\$485	\$435
Level 4	151% - 200% of Federal Poverty Guidelines**	\$400	\$300***
CHAP	Up to 60% of State Median Income	\$300	\$300

* Vulnerable households must have a member who is either elderly, disabled or under 6.

** Eligible households must have a member who is either elderly or disabled.

*** Non-vulnerable households at this income level are eligible for the CHAP benefit.

RENTAL ASSISTANCE BENEFITS - Maintained at last year's levels.

(For households with heat included in rent)

Income Level		Rental Assistance Benefits
Level 1	Up to 100% of Federal Poverty Guidelines	\$270
Level 2	101% - 125% of Federal Poverty Guidelines	\$255
Level 3	126% - 150% of Federal Poverty Guidelines	\$240

Income Level 4 and CHAP households are not eligible to receive Rental Assistance Benefits.

CRISIS ASSISTANCE BENEFITS - Increase in benefit amount for CHAP.

Crisis Assistance is available to deliverable fuel heated households who exhaust their Basic Benefits and are in need of additional fuel. There is no additional eligibility criteria.

A one-time Crisis Assistance benefit of up to \$400 is available for households in Income Levels 1 through 4.

A one-time Crisis Assistance benefit of up to \$325 is available for CHAP households.

SAFETY NET ASSISTANCE - Increase in benefit amount and frequency.

Safety Net Assistance is available to deliverable fuel heated households who exhaust their Basic Benefits and Crisis Assistance Benefits and are in need of additional fuel. Households must complete a Risk Assessment in order to determine eligibility.

Vulnerable households in Income Levels 1 through 4 may be eligible to receive up to 3 Safety Net Assistance deliveries of up to \$625 per delivery. (Maximum Safety Net Assistance of \$1,875.)

Non-Vulnerable households in Income Levels 1 through 4 may be eligible to receive up to 2 Safety Net Assistance deliveries of up to \$625 per delivery. (Maximum Safety Net Assistance of \$1,250.)

CHAP households are not eligible to receive Safety Net Assistance benefits.