DE 02-034

STATEWIDE LOW-INCOME ELECTRIC ASSISTANCE PROGRAM

Tiered Discount Program

Order Approving Tiered Discount Program

O R D E R N O. 23,980

May 30, 2002

APPEARANCES: Gerald M. Eaton, Esq. for Public Service Company of New Hampshire; Mark W. Dean, Esq., of Devine, Millimet and Branch, for New Hampshire Electric Cooperative; Seth L. Shortlidge, Esq., of Gallagher, Callahan and Gartrell, and Laura S. Olton, Esq. for Granite State Electric Company; John A. Alexander, Esq., of Ransmeier and Spellman, for Connecticut Valley Electric Company; Meabh Purcell, Esq., of LeBoeuf, Lamb, Greene and MacRae, for Concord Electric Company and Exeter and Hampton Electric Company; Alan Linder, Esq., of New Hampshire Legal Assistance, for Save Our Homes Organization; Meredith Hatfield, Esq. for the Governor's Office of Energy and Community Services; Ralph Littlefield, Executive Director of the Community Action Program Belknap-Merrimack Counties, Inc., for the New Hampshire Community Action Association; F. Anne Ross, Esq. and Kenneth Traum for the Office of Consumer Advocate; and Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY AND BACKGROUND

Much of the background information leading up to this docket is set forth in *Electric Utility Restructuring/Low-Income Electric Assistance Program (EAP)*, Order No. 23,945 in DR 96-150 (April 5, 2002) and is not repeated in detail here.

By Order of Notice dated February 27, 2002, the New Hampshire Public Utilities Commission (Commission) commenced this docket to explore further certain alternatives to the statewide low-income energy assistance program which the

Commission had approved in *Electric Utility Restructuring-Energy Assistance Program*, 85 NH PUC 676 (Order No. 23,573, November 1, 2000). This program is referred to in this Order as the Original EAP.

In Fall 2001, the six jurisdictional utilities in DR 96-150 provided updated estimates of start-up and ongoing administrative costs for implementation of the Original EAP which were significantly higher than previous estimates provided to Staff during Low-Income Working Group (LIWG) meetings. The new cost estimates raised the issue of whether the Commission should consider other program models.

The Order of Notice indicated that one of the alternatives to be explored was a tiered discount program (TDP), which is a modified percent of income plan. The Order of Notice also specified that the concepts of the Original EAP should be mirrored in any TDP so that: (i) the tiers are structured to provide qualified low-income customers with a monthly payment equal to 4% or 6% of the average income within the tier, depending on whether the customer is an electric baseload or space heating customer; (ii) there is a pre-program arrears component to ensure bill affordability; and (iii) all collection activity on pre-program arrearages of the participants is suspended.

The Commission engaged Roger Colton of Fisher, Sheehan and Colton, a public finance and general economics consulting firm, to develop a model TDP for review and comment by the utilities and any other interested party. With a background in law and economics, Mr. Colton has worked in approximately thirty states designing low-income energy assistance programs. See Hearing Transcript, April 17, 2002, pages 14-15.

The Order of Notice also indicated that the Commission would explore the option of the Original EAP revised to change the collection of funds and program administration to match that of New Hampshire's fuel assistance program. This alternative program is referred to in this Order as the Revised EAP. The Order of Notice directed Staff to work with the Community Action Agencies (CAA) in developing the Revised EAP.

By letter dated March 4, 2002, the Office of Consumer Advocate (OCA) filed a notice of intent to participate on behalf of residential ratepayers consistent with RSA 363:28. In addition, Granite State Electric Company (GSEC), Concord Electric Company and Exeter and Hampton Electric Company (Unitil Companies), Public Service Company of New Hampshire (PSNH), New Hampshire Electric Cooperative (NHEC), Save Our Homes Organization (SOHO), Governor's Office Of Energy and Community

Services (GOECS), and the CAA filed written intervention notices and/or requests between March 11, 2002 and March 15, 2002.

By letters dated March 18, 2002, Staff filed the TDP developed by Mr. Colton and the Revised EAP developed by the CAA. Staff conducted technical sessions to review and discuss the TDP and the Revised EAP on March 26, 2002 and April 4, 2002. The non-utility parties obtained and shared additional information through information requests. Cost projections for the two programs were prepared by the utilities and submitted to the Commission as part of their Initial Comments.

On April 3, GOECS filed a Motion to Take Official /Administrative Notice of Certain Portions of the Record In Docket No. DR 96-150 (GOECS Motion to Take Official /Administrative Notice), a Motion to Designate Docket No. DE 02-034 as an Adjudicative Proceeding (GOECS Motion to Designate), and a Motion for Order Regarding Program Administrative Costs and Budgets (GOECS Motion for Order). Also on April 3, SOHO filed a Motion to Allow Presentation of Alternative Proposals or Modifications to Existing Proposals for a Low-Income Electric Assistance Program (SOHO Motion to Allow Presentation).

These motions were filed along with two motions in DR 96-150, a Motion to Complete the Program Design for the Electric Assistance Program [the Original EAP] in Compliance with RSA

369-B:1,XIII filed by SOHO (SOHO Motion to Complete Original EAP Design) and a Motion for Ruling on Motion of Save Our Homes Organization for Clarification of Order No. 23,573 filed by GOECS and SOHO (GOECS/SOHO Motion for Ruling). In *Electric Utility Restructuring/Low-Income Electric Assistance Program*, Order No. 23,945 in DR 96-150 (April 5, 2002), the Commission transferred to the present docket a ruling on the SOHO Motion to Complete Original EAP Design and ruled that the GOECS/SOHO Motion for Ruling was moot.

By secretarial letter dated April 5, 2002, the Commission’s Executive Director announced the Commission’s decision to allow, in addition to the other opportunities for comment established in the procedural schedule set forth in the Order of Notice, the filing of Reply Comments by April 15, 2002. The Commission required the parties to mark their comments and Reply Comments as exhibits and have a proponent sworn in to support and defend them and be subject to cross examination at the hearing. Roger Colton and the CAA were also requested to present their models and answer questions at the hearing.

The secretarial letter stated that the guidance set forth in the letter effectively mooted the GOECS Motion to Designate as well as the SOHO Motion to Allow Presentation since presentation of alternative proposals was permitted through the comment process. The secretarial letter announced that the GOECS Motion to Take Official/Administrative Notice was reasonable and consistent with the Commission's intent in establishing the present docket. Finally, the secretarial letter stated that with regard to the GOECS Motion for Order, to the extent the motion was not dealt with in the Commission's DR 96-150 order (Order No. 23,945), the parties could raise their issues regarding costs and budgets as they deemed appropriate in the proceedings in this docket.

In short, the secretarial letter and Order No. 23,945 disposed of all the motions filed on April 3, 2002 except for the SOHO Motion to Complete Original EAP Design which is being ruled on in this order.

Pre-hearing Initial Comments on the merits were filed by the following parties: PSNH, GSEC, Unitil Companies, NHEC, Connecticut Valley Electric Company (CVEC), SOHO, GOECS, and Staff. Pre-hearing Reply Comments were filed by PSNH, SOHO, and Staff. Hearings were held on April 17 and 19, 2002 (Day 1 and Day 2, respectively). Following the hearings, Reply Briefs were submitted by the following parties in lieu of final statements at the hearing: PSNH, GSEC, Unitil Companies, OCA, CAA, SOHO, GOECS, and Staff.

II. POSITIONS OF THE PARTIES AND STAFF

A. PSNH

Although PSNH said it is ready and able to operate either the TDP or the Revised EAP, PSNH strongly recommended the adoption of the TDP with up-front retirement of pre-program arrearages (PPA). PSNH stated that this program has the lowest development and ongoing administrative costs of the alternative proposals and is the only program that PSNH can have in place by the fall of 2002.

PSNH argued in its Post-Hearing Brief that the TDP approach best meets both criteria set forth in RSA 369-B:1,XIII since it “targets assistance” and has a “high operating efficiency.” The TDP was said to target assistance because, unlike the interim energy assistance programs of PSNH, NHEC and GSEC that employ a flat discount credit, higher percentage discounts are applied to the bills of the customers whose incomes are the lowest. According to PSNH, to the extent that the TDP benefit varies from the target of 4%/6%, the deviation is a factor of the electricity usage of one household versus another all within the same level of income. Furthermore according to PSNH, the TDP has a high operating efficiency relative to the Revised EAP because the utilities’ computers do not have to interchange data with the CAA’s computers and because a separate customer account does not need to be created for the PPA.

In its Initial Comments (Exhibit 17), PSNH estimated its cost to develop the recommended TDP program to be on the order of $400,000 compared to approximately $1,000,000 for the Revised EAP. PSNH’s annual administrative costs for the TDP were estimated to be around $124,000 compared to $388,000 for the Revised EAP. PSNH noted that although up-front retirement of the PPA would appear to make such an option very costly, in fact it significantly reduces the required billing system modifications.

PSNH’s witness, Gilbert Gelineau, testified that PSNH’s cost estimates were based on the difference between the costs PSNH is going to incur with and without the program. Transcript Day 2, page 50, lines 16-20.

PSNH estimated that the ongoing administrative costs for all the utilities, CAA and GOECS will total approximately $1,700,000 for the TDP compared to $2,400,000 for the Revised EAP, an annual savings of approximately $700,000 that would be available to fund program benefits.

PSNH estimated it would take approximately twenty weeks to develop the recommended TDP program compared to approximately sixty weeks for the Revised EAP.

Mr. Gelineau testified that the TDP provides more benefits to more people and is the simplest for customers to understand. He said that Mr. Colton estimated $10,500,000 would be available for customer benefits under the TDP while the CAA indicated in response to a data request that $7,400,000 would be available for customer benefits under the Revised EAP. He calculated the additional $3,100,000 available under the TDP would serve about 7,200 more customers than under the Revised EAP, assuming an average benefit of $430. Transcript, Day 1, pages 163-165, 168-169.

He also looked at the fact that, under the Revised EAP, some customers would be income-eligible for the program but would receive no benefits because their bill was already at or below 4% or 6% of income or their annual benefit would be less than the $120 minimum annual benefit. Assuming 75% of PSNH’s eligible customers have incomes above $20,000 and have average electricity use, Mr. Gelineau said that as a result 15% of PSNH income-eligible customers would get no benefits under the Revised EAP. According to Mr. Gelineau, that translates into about 3,500 customers in the statewide program that would receive no benefits under the Revised EAP. Transcript, Day 1, pages 165-167.

Mr. Gelineau also said PSNH's experience with its interim electric assistance plan has been that its customers prefer a level payment option. However, this option would not be available with the Revised EAP because the Revised EAP differentiates between summer and winter credits. Transcript, Day 1, page 170.

Mr. Gelineau pointed to several areas of difference between the Revised EAP and the fuel assistance program (FAP) operated by the CAA. *See* Transcript, Day 1, pages 170-173. First, PSNH sends out a single bill to the CAA under the FAP whereas under the Revised EAP it would have to send out two bills, one to the CAP and the other to the customer. However, PSNH's billing system does not currently support two bills. Second, PSNH has less than 1,500 customers enrolled in the FAP whereas as many as 17,000 might be enrolled in the Revised EAP. According to PSNH, the difference in volume under the Revised EAP suggests that an electronic communications capability between PSNH and the CAA would be essential. Since this is not the case with the FAP, significant system modifications would have to be made to accommodate the Revised EAP. Third, the complications of handling PPA are absent with the traditional FAP.

PSNH made several other points regarding the TDP. In its Initial Comments, PSNH contended that service territory biases should be removed from the tiered discounts so that two participants with the same incomes and usage would be responsible for making exactly the same payment regardless of which utility served them. PSNH said that although the TDP does compensate for differences in electric rates between service territories, the model design includes a number of utility specific parameters, including the average annual kilowatt hours used. According to PSNH, if other parameters are not changed, modeling a lower assumed usage produces lower discount percentages in each tier, a result which is inconsistent with the concept of a statewide program.

Second, PSNH advocated the development of a uniform fee schedule for ongoing TDP-related services provided by the CAA. The fee schedule would include services such as recruitment of new participants, re-certification of existing participants, and counseling services.

Third, in both its Initial Comments and post-hearing Brief, PSNH took issue with part of Mr. Colton’s calculation of expected TDP expenditures. To ensure that utilities do not collect anticipated charge-offs once through base rates and then again through the program fund generated from the system benefits charge (SBC), Mr. Colton included an adjustment to prevent the double recovery that would result from the guaranteed payment of program benefits, both for PPA retirement and electricity usage going forward.

PSNH argued that bad debt expense is a base rate issue which should be examined during a general revenue requirements rate case. PSNH said that its present rates were not set in a traditional cost of service rate case. Rather, they were set as part of its Agreement to Settle PSNH Restructuring in Docket No. DE 99-099. As a result, PSNH argues there is no record to support the inclusion of any bad debt expense allowance in PSNH’s current rates.

PSNH contended that the adjustment for bad debt will result in delivery charge revenue supplementing SBC revenue in contravention of its settlement. Although PSNH recognized that the TDP may eventually lower bad debt expenses and working capital requirements, PSNH said it would be inconsistent with the Commission’s previous orders (Order Nos. 23,573 and 23,945) to flow these secondary benefits through to TDP participants when the Commission has determined that any potential savings from reduced bad debt expenses should eventually flow through to all customers. PSNH concluded that if non-SBC revenue is used to fund TDP benefits, the adjustment for bad debt may mean an increase for all customers.

In its Initial Comments, PSNH also argued against Mr. Colton’s use of 300% of gross write-offs in determining the offset adjustments. This figure is based on studies that have shown that low-income customers are three times more likely to receive disconnect notices than other customers. The underlying assumption is that low-income customers would, therefore, be three times more likely to default on their payments. PSNH said that based on its charge-off experience in 2000 and 2001, net write-offs of 0.5% of revenues should be used instead.

Regarding the issue of procedures for preventing over-subscription of the TDP, PSNH expressed confidence in its pre-hearing Reply Comments (Exhibit 18) that controls can be put into place regardless of whether the TDP or the Revised EAP is implemented and suggested that the details of how to monitor and control costs be assigned to the LIWG.

B. GSEC

GSEC fully supported the development of a statewide low-income energy assistance program and supported adoption of the TDP rather than the Original EAP or the Revised EAP, for reasons similar to those described by PSNH. As the TDP has a higher operating efficiency than the alternatives, will target benefits based on need, and will enable low-income customers to better manage and afford essential electricity requirements, GSEC believes the TDP provides the best balance of the multiple objectives required of a statewide program under RSA 369-B:1,XIII and RSA 374-F:3,V(a).

GSEC said that building a monthly PPA retirement into the TDP, where a $10 credit would be applied to the PPA balance each month, would add substantial development costs to the program because such a feature would require additional system costs of having to track, age and report multiple account balances for each participant. In its Initial Comments (Exhibit 20), GSEC estimated it would cost $40,000 to implement a PPA feature compared to $15,000 for an up-front retirement of the PPA. GSEC said any incremental benefit gained from retiring the PPA over time is outweighed by the substantial costs to implement such a feature.

GSEC’s witness, Joseph McLaughlin, testified that GSEC’s cost estimates were based on incremental costs. Transcript, Day 2, pages 49-50. In its Initial Comments, GSEC said that implementation of the Revised EAP ($800,000 in development costs and $150,000 in ongoing administrative costs) would require significantly more incremental cost than the TDP ($275,000 for development and $40,000 for ongoing administration). GSEC said that while replacing the electronic data interchange (EDI) network required by the Original EAP with manual FAP processes does eliminate further development costs, it also increases ongoing administrative costs and utility involvement. According to GSEC, its $850,000 start-up costs for the Original EAP make that alternative the least cost-effective and most time-consuming of all. GSEC believes it can implement the TDP, unlike the Original EAP and the Revised EAP, by September 2002.

GSEC said that prior to implementation of the TDP, the parties should finalize appropriate business rules for the CAA and the utilities, along the lines of the business rules for the CAA and the utilities in the Revised EAP. Such business rules would describe the application process, billing, applicant rights and responsibilities, and program management.

C. Staff

Through its Initial Comments, Staff provided further information about the programmatic framework of the benefit delivery mechanism of the TDP model developed by Mr. Colton (*see* Exhibit 1). Staff testified the information was based on its review of the policy recommendations submitted by the LIWG in August of 1998 and May 2001 in Docket No. DR 96-150 to determine which would still be appropriate and applicable under the TDP. Transcript, testimony of Amanda Noonan, Day 1, page 11.

Staff commented that the TDP would provide benefits to approximately 36% of the total eligible households through a series of discounts ranging from 15% to 90% of the total electric bill.

Staff also provided a table displaying utility cost data for: (i) the TDP (other than CVEC, which had not submitted TDP cost estimates) with options for immediate arrears retirement and monthly arrears retirement; (ii) the Revised EAP; and (iii) the Original EAP. This data showed that, when compared to the TDP with up-front arrears retirement, the TDP with monthly arrears retirement would be approximately 49% more costly, the Revised EAP 203% more costly and the Original EAP 246% more costly.

Staff agreed that one way to reduce the costs of the Original EAP would be to replace the monthly retirement of PPA with immediate and full retirement of arrearages when the customer is placed on the program. Staff said, however, that it was unlikely overall program costs could be reduced by the $2,000,000 difference between the Original EAP and the TDP with immediate PPA retirement.

Staff recommended that utilities collect data sufficient to track: (i) the timeliness of payment; (ii) the completeness of payments; (iii) the regularity of payments; and (iv) the percentage of customers “X” bills behind. Staff also recommended that the monitoring and evaluation rules developed by the LIWG be reviewed to determine which reports would be appropriate for a TDP.

At the hearing some utilities expressed concern about their ability to track and record the data necessary to prepare the monitoring reports recommended by Staff. *See* Transcript, Day 2, pages 42-47. Staff therefore made a record request of the utilities to determine whether they can capture and provide to an external party certain information regarding TDP participants. Transcript, Day 2, page 69. Following the hearing, each utility responded affirmatively to Staff’s record request. *See* Exhibit 28. Accordingly, Staff recommended that the utilities be required to submit the information to either Staff or GOECS rather than have the utilities generate the reports. In Staff’s view, it would be a more efficient use of resources for the reports to be prepared in this fashion than to have each utility develop its own reporting program. *See* post-hearing Staff Brief.

Staff agreed with GOECS that it will be more difficult for GOECS to budget participant benefits under a tiered discount method than the fixed credit method embodied in the Original EAP and the Revised EAP. However, Staff agreed with Mr. Colton that this is not an irresolvable issue since, among other things, a reserve could be created to guard against price-driven increases in benefit levels or a maximum benefit level for each tier could be set. Exhibit 2.

Staff further said that the completion of the electric assistance program business rules should resolve many of the issues raised by the parties in their comments. *Id*.

In her testimony, Ms. Noonan said that although the tiered discount mechanism of delivering benefits is not as precisely targeted as the fixed credit mechanism embodied in the alternative proposals, the cost data presented by the utilities make it difficult for Staff to come to any conclusion other than that the TDP would most effectively utilize the funds and deliver the most benefits to consumers in New Hampshire. Transcript, Day 1, page 32.

In its Post-Hearing Brief, Staff pointed out that the CAA’s argument for the Revised EAP assumes the program will achieve savings in utility development and administrative costs. Staff said that assumption appears to be correct for some utilities and incorrect for others. In total, however, Staff observed that the cost to the utilities of developing the program proposed by the CAA, while less than the estimated cost of developing the Original EAP, is significantly more than the cost to develop and administer the TDP.

Staff did not disagree that the method of determining benefits under the TDP is not as finely tuned as the fixed credit approach. However, Staff disagreed with GOECS and SOHO regarding the extent to which benefits are mis-targeted, i.e., do not achieve the 4% and 6% goals. Staff argued that the spreadsheets developed by Mr. Colton show that, with the exception of the $2,000 and under income group, the TDP generally results in bills to customers within the acceptable range worked out by the LIWG in the CAA business rules. Staff pointed out that mis-targeting of benefits will occur under either a fixed credit program or the TDP. In Staff’s opinion, the potential for mis-targeting under the TDP is no greater than under the Original EAP, given the parameters for “acceptable” mis-targeting defined by the LIWG.

Staff also said that the TDP is simpler for customers to understand than the fixed credit approach. Staff contended the same ease of understanding should be considered when the Commission determines the options for PPA retirement. For this reason and because it is less costly to implement, the option for full and immediate PPA retirement is preferable in Staff’s view.

Staff recognized that certain issues remain unresolved even if the Commission chooses to adopt the TDP and recommended that the LIWG be reconvened in order to take up the following business rules matters in the specified time frame:

- A review of which monitoring and evaluation reports developed for the Original EAP, in addition to the four reports already identified by Staff, are appropriate where the benefit is delivered via the TDP mechanism rather than a fixed credit. Recommendation to Commission within two weeks of its order.
- Definition of the roles of GOECS and the CAA and finalization of business rules. Presentation to Commission no later than June 15, 2002.
- Development of a policy recommendation for addressing possible retail choice by low-income participants. Report to Commission within six months of its order.

D. OCA

The OCA did not file pre-hearing comments but did file a Post-Hearing Brief. The OCA said that it supports the TDP for now since the TDP can be implemented in an expeditious time frame and at considerably less cost than the alternatives, according to the utility testimony.

The OCA also supported the option of up-front PPA retirement for cost reasons. The OCA said arrearage retirement should only happen once for a household in order to prevent customers from gaming the system by going on and off the program.

The OCA agreed with Mr. Colton’s use of the bad debt offset and asserted that, based on the utilities’ testimony at the hearing, the other utilities except PSNH appeared to agree with that approach. The OCA concluded the revenues to be recovered from the SBC plus the amount included in base rates guarantee that the utility is fully compensated.

As to PSNH’s claim that not giving them full arrearage payment through the SBC would violate their settlement agreement, the OCA took the opposite position, arguing that giving PSNH what they want will allow them to double recover the assumed uncollectible bad debt allowance included in base rates from all other ratepayers. The OCA said that PSNH’s settlement rates were based to some extent on historical costs which annually include bad debt costs. The OCA proposed at the hearing that the offset be made to PSNH’s incremental administrative costs as that would not result in an adjustment to PSNH rates and settlement agreement issues would not be triggered. *See* Transcript, Day 2, pages 54-55.

The OCA noted that because the utilities have merely provided forecasts of administrative costs, there has not yet been an audit or examination of their estimates. The OCA said the Commission will have to determine the prudence of the actual costs when they are submitted for approval and payment out of the SBC. The OCA suggested it may be helpful to obtain comparative quotes from third party suppliers from time to time although the TDP proposal appears to be the best alternative at this time.

The OCA urged a careful examination of costs generally in order to prevent the possible double recoveries of costs through base rates and the SBC. The OCA said if a utility is being fully reimbursed for an employee’s salary through base rates, it should not also be allowed to recover a portion of that person’s salary through the SBC simply because the employee is given some responsibility for the low-income energy assistance program.

E. GOECS

GOECS did not indicate support for either the TDP or the Revised EAP. *See* testimony of Christopher Tatro, transcript, Day 2, page 79. GOECS said that unless the program costs of all parties are reviewed and explored in further detail, it could not say for certain which program is the most cost-effective. *Id.* at page 81.

In its Post-Hearing Brief, GOECS argued that the total amounts of the proposed budgets submitted by the parties for implementing a low-income energy assistance program appear to be prohibitively high and therefore not in compliance with statutory requirements. In particular, GOECS said that the proposed budgets for the TDP, including both start-up and ongoing administrative costs, would amount to at least 19% of the total annual SBC funds available. GOECS contended this level of administrative costs does not meet the statutory requirements. However, GOECS did not encourage any further delay in the implementation of a low-income energy assistance program.

GOECS suggested as a solution that it may be appropriate for the Commission to establish a cost cap, such as a 10% cap for all administrative costs in balance with a desirable number of households to be served, in order to ensure that the program is as efficient as possible and serves the maximum number of low-income customers. GOECS said that if the administrative costs of all parties are controlled, there would be no need to alter the program operation and structure simply because one option is more expensive to administer than another.

GOECS requested that the Commission establish a targeted level of participation in the desired program, allowing the funds required to enroll the program to that level to be the primary factor in determining funds available for program administration rather than opposite.

According to GOECS, many outstanding issues remain to be decided if the Commission chooses the TDP alternative. Since the TDP is a bill assistance program and not a behavior modification program designed to motivate customers to change their payment habits, GOECS urged that the program goals be defined and developed. Other issues identified by GOECS were management of the potential for over-subscription, fiscal flow, monitoring and evaluation, the need for a lead CAA administrator, rulemaking to address a change in tariffed rates, and grievance procedures.

GOECS supported expediting the development process for any program that is adopted and recommended against continued reliance on the regular LIWG process. In particular, GOECS suggested the use of task-specific subgroups for the sake of efficiency.

GOECS acknowledged that although the TDP does not perfectly succeed in targeting benefits to customers, it does so with far greater accuracy than the utility-specific interim EAP programs now in place. In GOECS' view, there are a number of problems that make them undesirable as long term solutions.

F. SOHO

SOHO argued in its Post-Hearing Brief that the Original EAP best promotes the legislative directives regarding low-income energy assistance programs by reducing energy burdens of low-income customers to 4% of income for baseload customers and 6% for space heating customers and targeting assistance to those most in need. In SOHO's view, the Original EAP also promotes payment responsibility, provides an incentive for energy conservation and provides greater protection against removal from the program than the TDP.

Although SOHO pointed out certain positive aspects of the Revised EAP, SOHO expressed concerns about the Revised EAP in its Initial Comments and Reply Comments. According to SOHO, the utility budgets for the Revised EAP continue to reflect high administrative costs and the CAA's budget does not appear to be significantly lower than its budget for the Original EAP.

Exhibit 31. In addition, SOHO pointed out that the proposed fiscal flow presents concerns about efficiency and cost effectiveness. Exhibit 30. Under the Revised EAP, SBC revenues collected by the utilities flow to the State Treasury and CAA, with unclear GOECS involvement, and then back to the utilities through payment by the CAA. According to SOHO, the Revised EAP does not have a specific proposal for reducing the extremely high administrative costs of dealing with monthly PPA retirement and appears to rely on manual transaction processing, thereby raising issues of efficiency and increased staffing and costs. *Id.*

SOHO acknowledged in its Post-Hearing Brief that the cost estimates submitted by the utilities indicate that the start-up and ongoing administrative costs of the Original EAP are high compared to the TDP. However, in lieu of adopting the TDP, SOHO endorsed another solution, namely the granting of the SOHO Motion to Complete Original EAP Design which was transferred for ruling from DR 96-150 to this docket by Order No. 23,945 (April 5, 2002). Under this approach, the LIWG would be reconvened; Staff would be directed to scrutinize the utility and CAA cost estimates for the Original EAP; and Staff and the LIWG would be directed to expeditiously submit recommendations for reduction of the costs of the Original EAP.

SOHO asserted that, in reviewing the various proposals for a low-income program, a four-part analytical approach should be performed.

- Which proposal is more effective in meeting the needs of low-income customers?
- Are the program costs of that proposal too high?
- If so, can those high program costs be reduced?
- Only if the answer to the third question is an unequivocal “no” should a less expensive and less effective alternative be chosen.

Employing this approach, SOHO contends that the Commission has not thoroughly addressed the third question and therefore it is too soon to conclude that the less expensive TDP is the right choice.

SOHO suggested several ways for reducing program costs for the Original EAP, including: elimination of the costs associated with monthly retirement of PPA; reduction of electronic communications between CAA and the utilities in the determination of usage and calculation of the EAP benefit by CAA; elimination of the summer-winter “split” of program benefits and associated program costs of calculating the split; and imposition of a percentage cap or dollar ceiling on total program costs with respect to all entities which seek reimbursement from the SBC fund.

G. CAA

Mr. Littlefield testified at the hearing about the goals and operation of the Revised EAP and how the cost figures for CAA’s participation in the Revised EAP and TDP were determined. *See* Transcript, Day 1, pages 96-159.

His testimony also included some general observations about the relative advantages and disadvantages of the Original EAP, Revised EAP and the TDP. In his view, the Original EAP had several main advantages, including: the targeting of program beneficiaries based on need; maintenance of a close working relationship with low-income customers to ensure that their electric bill is affordable and they are living up to their obligation to make timely payments; maintenance of the value of CAA’s existing systems investments; and monitoring procedures to ensure that the program maximizes program benefits and is not oversubscribed. Transcript, Day 1, pages 121-124.

In its own Post-Hearing Brief, the CAA concluded it is clear that unless the Commission takes the position that the utilities should not be reimbursed for their involvement with the low-income energy assistance program, as is the case with

FAP, then the only cost effective proposal to be considered is the TDP.

CAA’s Brief emphasized the importance of establishing need criteria as well as income criteria for determining eligibility to participate in the TDP, a point Mr. Littlefield had made several times in his testimony. *See* Transcript, Day 1, pages 102, 115, 130.

CAA observed that the TDP uses income set at $15,000 and above to establish the lowest benefit to be provided to a participating household. This would leave a family of five at 75% of the federal poverty level, considered one of the poorest families in the state, receiving the lowest benefit even though their electric usage will almost certainly be higher than a smaller family. *See also* Transcript, Day 1, pages 115-116. Accordingly, CAA urged that the Commission consider an eligibility and benefit table that takes into account the federal poverty guidelines, which reflect account family size as it relates to income.

CAA argued that based on the 4%/6% criteria established by the Commission as many as 20% of low-income customers served by the TDP might have no real need for the program. CAA recommended that the Commission require that participants demonstrate need, defined as total electric bills exceeding 4%/6% of income, in order to be eligible for the TDP and its benefits. Based on two factors, income and need, households would be assigned to the tier that approximates reducing their overall electric cost down to the 4% or 6% of income level. The formula to accomplish this would be:

- Establish that a family is at or below 150% of the federal poverty level.
- Multiply total household income by 4% or 6%.
- Subtract that figure from household total annual cost.
- Divide the result by the annual electric cost to give the tier discount level where the family should be placed.

Based on CAA's experience with applying this formula to actual families that participated in the FAP, the tiers of the discount should be set at 40%-50%-60%-75% of the total electric bill. CAA said that performing such an assessment would have no additional impact on its administrative costs estimated for the TDP.

H. <u>Unitil Companies</u>

In their Post-Hearing Brief, the Unitil Companies strongly supported the TDP with up-front arrears retirement for reasons similar to those advanced by PSNH and GSEC. The Unitil

Companies believe this program best supports the legislative goals and is preferable to the Original EAP and the Revised EAP. According to the Unitil Companies, the TDP is simple to implement and administer and is more cost effective than the alternatives.

The Unitil Companies also asserted that, unlike the Revised EAP, the TDP provides a benefit to all customers qualifying under the 150% of poverty income guidelines. In the Unitil Companies' view, two of the advantages of the Revised EAP, namely, (i) the customization of the benefit to reflect the income and usage of each participating customer and (ii) the inclusion of an incentive for customers to keep their electric bills current, are outweighed by the drawbacks.

The cost information submitted by the Unitil Companies indicates that for them the TDP with up-front arrears retirement is the least costly to operate, with $20,334 in estimated implementation costs and $4,986 in estimated annual administrative costs. The witness for the Unitil Companies, Mark Lambert, said Unitil's cost figures were the costs to administer and implement the programs. Transcript, Day 2, page 50.

According to Unitil, the TDP with up-front arrears retirement will require minimal programming and system changes as it will be applied automatically through the tariffed rate and will not require tracking of PPA or monthly credits for payments. In addition, employee training will be minimal, no additional staff will be required, and the potential for customer confusion will be minimized because the customer’s bill will be easy to read and understand. The Unitil Companies said they can implement this alternative within four to six weeks.

By contrast, the TDP with monthly arrears retirement is estimated to cost the Unitil Companies $52,496 for implementation and $32,886 for annual administration while the Revised EAP is estimated to cost $67,674 for implementation and $60,786 for annual administration.

According to the Unitil Companies, the concerns raised by GOECS and SOHO about the TDP relate mainly to program details that can be addressed when the LIWG develops new business rules. The concerns about over-subscription, whether to establish a cut off date for forgiveness of program arrears, and creation of a role for CAA to intervene in cases of customer delinquency all fall into this category.

The Unitil Companies suggested that subsequent to the Commission’s order in this docket, they would file tariffs and rates regarding the low-income portion of the SBC and file cost recovery information as appropriate, taking into account the

Commission’s findings in Order No. 23,945 in DR 96-150 (April 5, 2002).

The Unitil Companies supported PSNH’s argument against using an offset for bad debt expense as suggested by Mr. Colton. In their view, isolating the impacts of one cost element of base rates, i.e., bad debt expense, outside of a base rate proceeding is contrary to longstanding Commission policy and practice. They argued that the premise of whether or not the uncollectible rate for low-income customers is three times that of other residential ratepayers should be addressed and evaluated in a base rate proceeding.

In the Unitil Companies’ restructuring and base rate proceeding now before the Commission in DE 01-247, the Companies make no specific adjustment for the low-income energy assistance program. The Unitil Companies said they have no historical data on which to calculate a reduction in write-offs resulting from the implementation of a low-income energy assistance program nor can they readily determine the extent to which such a program would reduce write-offs if at all.

The Unitil Companies noted that in DE 01-247 they have proposed transferring bad debt expense to the rate that is the source of the expense, instead of including the total cost of bad debt from all rate components in the distribution rate.

Since under this proposal bad debt expense related to transition or default service, which are fully reconciling rates, would be based on actual monthly data, a good portion of the Unitil Companies’ recovery should be reduced automatically without a base rate case, according to the Unitil Companies.

J. <u>NHEC</u>

NHEC stated in its Initial Comments that it strongly prefers the TDP since it has the lowest set up and implementation costs, allows for the use of current systems, and can be implemented within the allowed time frame. In its view the Revised EAP is not as easy to support due to its lack of detail, inconsistencies and broad, unsupported assumptions.

NHEC understood the Colton proposal to provide for the removal of the PPA obligation from the participant’s account, through up-front retirement of the PPA, upon enrollment in the program. NHEC also understood that the costs of retiring the PPA would be amortized over two years and recovered from program funds. According to NHEC, this treatment of PPA can be accomplished with limited programming for set-up and administration. NHEC said it would propose to record the PPA balances as regulatory assets and recover the receivable through the SBC over two years with interest.

NHEC said it could also accommodate PSNH’s PPA proposal for monthly arrears retirement which would create an inactive account for each participant with a PPA balance. According to NHEC, PSNH’s proposal would require some manual intervention and programming but at considerably less expense than maintaining two separate accounts receivables on an active billing electric assistance program account as the CAA proposal would require.

NHEC proposed to achieve the tiered discount by utilizing the methodology it currently uses in its interim program except that the discount percentages would be one of four tiers and the discount would be applied to all of NHEC’s rate components other than taxes and potentially the SBC or other subset of rate components approved by the Commission. With this method, NHEC would have no set up costs for this aspect of the program. The customer’s bill would reflect the total cost of the electricity consumed, a credit amount and the net amount owed. This would not affect NHEC’s normal reporting, and the total program credits would be readily available once NHEC manually set up each account with its discount percentage upon notification from CAA.

NHEC said that the $6,000 total annual uncollectible offset amount for NHEC calculated by Mr. Colton for the TDP model was an immaterial amount and it was not worth the time to determine the actual impact on its write-offs.

NHEC commented that it supported the concept of recovering "incremental" costs as long as that principle is consistently applied to CAA costs as well. Regardless of which program is adopted, NHEC also said that the LIWG would have to reassemble in order to rewrite the business rules reflecting the approved plan. Finally, NHEC suggested that the references in the programs to tariffed rates or rates approved by the Commission should be modified to appropriately reflect NHEC's status as a self regulated entity.

The cost estimates submitted by NHEC contained figures for both incremental and embedded costs. NHEC estimated total program costs for the Colton TDP with up-front PPA retirement to be $55,900, including $17,100 in development set-up costs ($10,000 of which would be incremental and $7,100 embedded) and $38,800 in annual program administration costs (all of which would be embedded). The Colton TDP with monthly PPA retirement was estimated to cost an additional $18,850, including an additional $4,500 in development costs ($3,500 of which would be incremental and $1,000 embedded) and an additional $14,350 in annual program administration costs (all of which would be embedded).

By contrast, the Revised EAP was estimated to cost a total of $226,250, including development set-up costs of $159,000 ($154,000 of which would be incremental and $5,000 of which would be embedded) and annual program administration costs of $67,250 ($12,000 of which would be incremental and $55,250 of which would be embedded).

K. <u>CVEC</u>

CVEC commented that it prefers the TDP to the Revised EAP and prefers both of them over the Original EAP. CVEC also said it prefers an up-front retirement of the PPA at the time of a customer’s enrollment. CVEC recommended that protections and procedures be established that prevent customers from gaming the system, such as by leaving the program and re-enrolling with new arrears. CVEC said it is willing to participate in this docket and voluntarily provide benefits to low-income customers if the Commission explicitly approves a surcharge on rates that gives CVEC the ability to fund the program. In his testimony on behalf of CVEC, Mr. Anderson expressed some support for PSNH’s position against using the bad debt offset adjustment recommended by Mr. Colton. Transcript, Day 2, pages 53-55.

Subsequent to the hearing, CVEC submitted some rough “high level” estimates for the development and administration of a low-income program (*see* Exhibits 25, 27). However, because

CVEC is not a retail access utility with retail access systems and has not offered an interim low-income plan, CVEC urged the Commission to rely on the estimates of other utilities when choosing which program to adopt.

CVEC’s estimates for the TDP with up-front retirement of PPA were $10,000 for development and $15,000 for annual administration as compared to $1,125,000 for the TDP with monthly retirement of PPA and $40,000 for annual administration. CVEC estimated that the Revised EAP would require $12,000 for development and $25,000 for annual administration. Mr. Anderson said the estimates for the Revised EAP were as low as they were because with an estimated 600 or so low-income customers (or about 27 customers per day), CVEC would consider non-automated processes as a way of keeping costs down. Transcript, Day 2, page 25.

III. COMMISSION ANALYSIS

A. Summary of the programs

1. Original EAP

Three electric assistance programs have been presented for our consideration. The Original EAP was presented by the LIWG in a document dated August 28, 1998 and subsequently modified by the LIWG in a document dated May 30, 2001. The program recommended by the LIWG provides benefits to participants through a fixed credit that is determined annually based on the participant’s income level and historical usage. The benefit is designed to lower the participant’s electric bill to 4% of income for general use customers and 6% of income for heat customers. As part of the program designed by the LIWG, a pre-program arrears component was developed which would allow for a $10 retirement of the participant’s pre-program arrears each month the participant made a full and timely payment on the delivery portion of their electric bill. Customers would be certified and enrolled in the program by the CAAs.

The CAAs would provide participant enrollment and benefit information to the utilities through electronic data interexchange (EDI). The utilities would utilize the same EDI system to provide the CAAs with participant billing and payment information. The SBC would be collected by the utilities. All credits due participants as well as monthly administrative costs and Commission authorized start-up costs would be deducted from the SBC billed each month. The balance, positive or negative, would be transmitted to the State Treasurer’s Office.

Upon receiving authorization from GOECS, the State Treasurer’s Office would reimburse those utilities that had not collected enough in SBC. GOECS would also authorize the State Treasurer’s Office to pay the monthly administrative costs of the CAAs. The Commission would authorize the State Treasurer’s Office to pay the monthly administrative costs of GOECS. While originally estimated to provide benefits to 25,000 households, the larger than anticipated start-up and administrative costs make it unlikely that more than 18,000 to 20,000 households would receive benefits.

2. Revised EAP

The second program, the Revised EAP proposed by the CAAs, is very similar to the Original EAP developed by the LIWG. Benefits would be provided through a fixed credit determined annually and designed to reduce the participant’s electric bill to 4% or 6% of income. The fixed credit would be determined based on the participant’s income level and historical usage. Participants who paid their bill for delivery service in full and on time each month would receive a $10 credit towards their pre-program arrears balance.

The CAAs would continue to certify and enroll customers in the program. The CAAs have argued that under the Revised EAP, there would be less information communicated between the utilities and the CAAs and perhaps no need for an EDI system. PSNH has indicated, however, that because of the larger number of participants under the EAP, there would still be a need for electronic communications between itself and CAA.

As is done in the State FAP, the utilities would send bills to the CAAs each month. The utility would have the option of sending the billing files in paper form or electronically. Based on those bills, the CAAs would determine the benefit to pay that month, including any pre-program arrears retirement. Depending upon the utility’s stated preference, the CAAs would make payments to the utilities by check or electronic funds transfer.

The fiscal flow for this proposal is different from that of the Original EAP. The utilities would continue to collect the SBC. Each month they would remit to the State Treasurer’s Office all SBC funds billed. The CAAs would request funds from GOECS who would authorize the Treasurer’s Office to release funds to the CAAs. The CAAs would then pay benefits to the utilities on behalf of program participants. The CAAs estimate that approximately 18,000 to 20,000 households would receive benefits under this program.

3. TDP

The third proposal is the TDP. Like the Original and Revised EAPs, the TDP would provide a benefit designed to reduce participant bills to 4% of income for general use customers and 6% of income for heat customers. Unlike those two programs, the benefit is not based on the participant’s own usage information.

Rather, it is based on utility-specific average usage data. Using an average level of consumption, the tiered discount approximates an affordable energy burden. To the extent that participants consume more or less than the average, they will have an energy burden that is either higher or lower than the 4% or 6% that has been deemed affordable.

The CAAs would continue to certify and enroll customers in the TDP. Rather than calculating the benefit amount, the CAA would instead determine the customer’s income, notify the utility that the customer had been enrolled and identify the discount that corresponds to the customer’s income. There is no need to develop an EDI system under the TDP. The fiscal flow under this proposal would be fairly simple. The utility would collect the SBC, apply the discounts to participant bills, deduct any authorized start-up and administrative costs, and remit the balance to the State Treasurer’s Office. If a utility did not collect sufficient SBC in any given month, the State Treasurer’s Office would be authorized to send the funds needed to make up the shortfall. The Treasurer’s Office would receive authorization from GOECS to pay CAA administrative costs and from the Commission to pay GOECS administrative costs. It is estimated that the TDP would provide benefits to approximately 23,800 customers across the state.

Two alternatives for retiring pre-program arrears have been proposed with the TDP. The first is to retire the pre-program arrears in full at the time the customer goes on the discounted rate. The second is to retire the pre-program arrears over time through monthly payments of $10. Unlike the pre-program arrears proposal made by the LIWG, there is no requirement that a participant pay the bill for delivery service in full and on time in order to receive the benefit.

B. Program Design

RSA 369-B:1, XIII states: “The commission should design low-income programs in a manner that targets assistance and has high operating efficiency, so as to maximize the benefits that go to the intended beneficiaries of the low-income program.” While both the fixed credit and the tiered discount methods of delivering benefits to participants target assistance, we recognize that the Original and Revised EAPs target benefits more precisely than the TDP does. However, the targeting of assistance is not the only criterion that we must consider when designing a low-income program. High operating efficiency must also be considered.

In its Brief, Staff provided a summary of the costs associated with each of the three models as estimated by the utilities that have been presented in this proceeding. A summary of those costs is shown in the table below.

	Original EAP	Revised EAP	Tiered Discount EAP	
			With Up-Front Arrears Retirement	With Monthly Arrears Retirement
Estimated Development Costs	$4,068,567	$2,446,262	$1,056,094	$2,562,939
Estimated Administrative Costs	$2,355,461	$2,191,669	$1,604,498	$1,677,949
Total Estimated Program Costs	$6,424,028	$4,637,931	$2,660,592	$4,240,888.

Based on the utilities' cost estimates, the TDP has the highest operating efficiency. However, as has been pointed out by GOECS, SOHO and Staff, with a TDP the benefits are not as precisely targeted as they are under the Original and Revised EAPs.

The basic decision facing us is whether customers will benefit more if we adopt a program that has higher estimated administrative costs but more finely targets benefits or if we adopt a program with lower estimated administrative costs that does not as finely target benefits.

RSA 369-B:1, XIII and 374-F:3 (V)(a) provide general guidelines to the Commission when considering a low-income assistance program. As a part of the restructuring of the electric industry, we are to include programs and mechanisms that enable low-income customers to manage and afford essential electricity requirements. We are also to design those programs so that they are highly efficient and target assistance thereby maximizing the benefits to low-income consumers. The record before us clearly demonstrates that the Original EAP, the Revised EAP and the TDP all target assistance, albeit with differing degrees of precision. Thus, all meet the first criterion of targeted assistance set forth in RSA 369-B:1, XIII.

On the second criterion, that of high efficiency, we measure efficiency in two ways: 1) the relative costs to the utilities, GOECS, and CAA to implement and administer the programs; and 2) the relative costs of providing more or less benefit than is needed to reduce the participant’s bill to the target affordable percent of income. For ease of reference, we will call the first measure cost efficiency and the second program efficiency. According to the cost estimates supplied by the utilities, from a cost efficiency perspective, the TDP is the most efficient.

Program efficiency is a less straightforward determination. The precision of the targeting drives the second measure of efficiency. However, as Mr. Colton has testified, with more precise targeting comes more cost. We must, therefore, balance the increase in program efficiency against the decrease in cost efficiency when determining which of the three programs has the highest overall efficiency. *See* Order No. 23,573.

In its Initial Comments, GOECS expressed concern that the TDP did not sufficiently target benefits so as to be ”realistically helpful to participants”. GOECS went on to state that

> “a significant portion (41%) of bills are greater than the average amount, and thus a large number of participants would not be receiving sufficient credit to result in an affordable bill. At the same time, for those participants with bills below 76% of average (approximately 40 – 44% of bills), it appears that the credits are more than is needed to reach the threshold of affordability (with the exception of those participants at the very lowest income levels, who in almost all cases receive insufficient credit to meet the affordability test.)”

A similar view was espoused by the CAA in its testimony and Brief through its recommendation that a need criterion be established as part of the TDP.

While we are sympathetic to the concerns expressed by GOECS and CAA, we must consider both program efficiency and cost efficiency to satisfy our statutory obligation.

In its Reply Comments, Staff filed an updated TDP model which contained information regarding the discounted bill burdens under the TDP. The tiered discount is designed to reduce the bill to 4% or 6% of income, assuming that the household consumes at the average level of consumption. However, there will be households above and below that average and the percentage of income those customers pay towards their electric bill will be different than the goal of 4% or 6%. A review of the information provided for each company on the discounted bill burden shows that the percentage of income to which the bill is reduced ranges from 1% to 29%. In all cases, those customers earning less than $2,000 pay the largest percentage of their income towards their electric bill. Setting aside that group of customers, the range of bill burdens for the remaining groups for GSEC, NHEC, PSNH and the Unitil Companies is 1% to 12%. While CVEC ranges from 2% to 20%, the 20% bill burden appears to be an outlier. The other bill burden percentages are more in line with the range seen for the other companies.

After weighing the range in bill burdens under the TDP and the fixed credit options (or the program efficiency) against the start-up and administrative costs of each program, (the cost efficiency), we conclude that on the record before us the TDP strikes the best balance between cost efficiency and program efficiency.

GOECS and SOHO have suggested that there is insufficient information in the record to make such a determination. We disagree. It is always true that more exhaustive inquiry may shed additional light on the evidence in a given case, such as the administrative cost estimates before us here. But we must also be mindful of the cost in time and resources of further inquiries. There is sufficient evidence here to conclude that the TDP costs less to administer than either the original or the revised EAP. As a corollary, the TDP has the additional advantage of providing benefits to several thousand more low-income customers.

The additional degree of targeting in an EAP, which better cost estimates might justify, is outweighted by the delay such further proceedings would cause in implementing the program.

In addition to the guidance provided by the Legislature, we have also previously identified three elements that we believe are critical to the success of a low-income electric assistance program. In the order of notice in this proceeding, we reiterated those components that were originally identified in Order No. 23,573. We said that any tiered discount program presented to us should have tiers structured to provide customers with a monthly payment equal to 4% or 6% of the average income within the tier, have a pre-program arrears component to ensure bill affordability, and suspend all collection activity on the pre-program arrearages of participants. The TDP presented to us meets all of those requirements. By our decision today to implement a TDP on a statewide basis, we modify our earlier decision in DE 96-150, Order No. 23,573 regarding a fixed credit EAP and direct the utilities to develop and implement the TDP so that customers begin to receive benefits as of October 1, 2002.

We are concerned, however, about the lowest income customers and their ability to pay their electric bills even with an electric assistance program. It is unlikely that even a more precisely targeted fixed credit program will make electric bills affordable for customers with a total annual income of $2,000 or less. There are ways in which their bills could be made more manageable, however. More flexible payment arrangement rules or different disconnection procedures could apply to these customers. We will direct the Director of the Commission’s Consumer Affairs Division to investigate ways to address making bills more manageable for the lowest income groups.

On April 5, 2002, we issued Order No. 23,945 ruling on several motions for clarification on Order No. 23,573. At that time, we deferred a motion made by New Hampshire Legal Assistance on behalf of Save Our Homes to Complete the Program Design for the Electric Assistance Program. This motion referred to what we have designated as the Original EAP in this order. We have already determined that the TDP better meets the requirements of the legislation than either the Original EAP or the Revised EAP. The SOHO motion to complete is, therefore, denied.

C. Costs and Budgets

It has been suggested by GOECS and SOHO that the costs submitted by the utilities are overstated and unreliable. The OCA has noted, though, that the utilities have only provided forecasts of start-up and administrative costs and it is up to the Commission to determine the prudence of the actual costs when the utilities submit them for approval and payment out of the SBC.

We agree with the OCA. As we previously stated in Order No. 23,945, it is not possible or desirable to attempt to determine all questions of cost allocation and recovery in the abstract. Some issues must wait to be decided in the context of a specific request for recovery from the SBC.

To guard against escalating costs, GOECS and SOHO have suggested that the Commission cap all administrative costs. CAA has recommended that the Commission not allow the utilities to recover any of their administrative costs from the SBC as is the case with FAP.

Capping, or disallowing, administrative costs creates several problems. The TDP is not a program with which the Commission or the utilities have a track record, therefore establishing a reasonable cap at this time is problematic. A cap set too low could result in the subsidization of the TDP through distribution rates. Conversely, a cap set too high may needlessly divert funds that could otherwise be used to provide benefits to customers. We decline to set an arbitrary cap on administrative costs.

We have already determined that all approved costs associated with the development and administration of an EAP shall be recovered from the SBC. See Order No. 23,573. We see no reason to change that decision now.

For the purpose of identifying the level of funds available for program benefits, we will require the utilities, GOECS and CAA to submit budgets 30 days from the date of this order for the start-up and administrative costs projected for the TDP. We do not intend to pre-approve costs based on the budgets submitted by the utilities, however. During the first year of the program, each utility shall file a quarterly report with the Commission detailing its actual start-up and administrative costs as well as low-income related SBC revenues to date. At the end of the program year, we will review the filings made and determine the appropriate level for recovery at that time. Along with their budget submittals, the utilities should also submit recommendations to us regarding the treatment of any excess interim EAP funds that they may hold.

For subsequent program years, as provided for in Order No. 23,945, utilities shall submit annual budgets no later than 60 days prior to the start of the program year. GOECS and CAA shall also submit budgets for subsequent program years no later than 60 days prior to the start of the program year.

We expect the TDP will reduce the costs of the CAA as well. While PSNH has suggested that the CAA budget be structured on a fee basis as is currently done for PSNH’s interim electric assistance program, we do not believe that is necessary at this time.

Several parties raised the issue of program subscription and the increased difficulty of monitoring the potential for over-subscription with a TDP. In his testimony, Mr. Colton identified two options for creating a reserve to guard against price driven increases in program costs that could result in over-subscription. The first option is to begin the collection of the SBC prior to the implementation of the program. The second option is to set aside a percentage of the annual budget each month to create a reserve. None of the parties commented on the two options put forth by Mr. Colton.

With the exception of CVEC and the Unitil Companies, the utilities have already implemented the SBC although not at the fully authorized level. We will defer ruling on this issue and, instead, direct PSNH, NHEC, and GSEC to submit to us no later than June 10, 2002 the amount needed to fund their interim programs between July 1, 2002 and October 1, 2002, the date we intend the TDP to be implemented. PSNH, NHEC, GSEC and the Unitil Companies shall also submit to us, no later than June 10, 2002, their projected SBC collection for the period July 1, 2002 and October 1, 2002 at a 1.2 mil SBC level. This information should aid us in our decision of whether to fund a reserve for oversubscription through collection of the full 1.2 mil per kwh SBC in advance of an October 1, 2002 program implementation date or through some other mechanism.

As we noted above, none of the parties commented on how to fund a reserve. They also did not comment on the reserve level that would be required to protect against over-subscription resulting from increased program costs due to weather-driven increases in usage or rate-related increases in bills. In addition to the information regarding SBC collection which we are requesting above, the utilities should also submit to us proposals for developing a reserve. Specifically, the utilities should comment on the level of any such reserve, the mechanism by which the reserve should be created, where the reserve should be held, and any other related issues.

D. Pre-Program Arrears

While the TDP should make bills more affordable for customers on a forward-looking basis, we expect that many of the customers eligible for the TDP will have past due balances. As we found in Order No. 23,573, “it would be contradictory to the program goal of making bills affordable if EAP-eligible customers could not take service under the EAP because they were unable to meet the threshold arrearage payment requirements of existing Commission rules relative to credit and collection.” In the order of notice in this docket, we reiterated our belief that any alternative electric assistance program must include a pre-program arrears component.

The two PPA models that have been presented to us both result in forgiveness of the participant’s past due balance. We have heard testimony about the complexity, and associated cost, of implementing a PPA component which retires the arrearages over time. The utilities, Staff and the OCA all support the up-front retirement of pre-program arrears rather than a monthly retirement because of the complexity and cost of monthly retirement.

Linking retirement of arrears to customer payments assists in the goal set by the LIWG of helping heretofore payment troubled customers develop good payment habits. GSEC has offered testimony, however, that any incremental benefit gained from retiring the PPA over time is outweighed by the substantial costs to implement such a feature. On this record, we must agree with GSEC. A review of the cost data provided by Staff in its Reply Comments shows that the TDP with monthly arrears retirement is approximately 49% more costly than the TDP with up-front arrears retirement. Accordingly, we will accept the model presented by Mr. Colton and approve a PPA component for the TDP that provides for full retirement of arrearages at the time the customer goes on the TDP.

Due to the uncertainty regarding the magnitude of the arrearages to be retired, we will also approve the amortization of these costs against the SBC over a two-year period. We will require the utilities to file monthly reports with the Commission and GOECS regarding the number of customers that have come on the program with arrearages and the dollar amount of those arrearages. Should the actual dollars retired differ by more than 10% from Mr. Colton’s projections as provided in Staff’s Reply Comments, we will reconsider the amortization period at that time.

We share the concern voiced by CVEC and the OCA about the potential for gaming the system. We agree with the OCA that, to prevent gaming the system, a customer should only be eligible for retirement of arrears once. In addition, the benefit of arrears retirement should only accrue to the customer at the time the customer is first placed on the discounted rate. In other words, a customer who is disconnected for non-payment while on the TDP should not receive the benefit of arrears retirement when they are reconnected. Similarly, a TDP customer who moves from one service territory to another does not receive the benefit of arrears retirement a second time simply because they have changed utilities.

We are also concerned that some customers may perceive our decision as license to build up arrears until such time as they go onto the TDP. To guard against that possibility, except as described below, only those arrearages in existence on or before August 31, 2002 will be eligible for retirement. While unlikely, it is possible that customers new to the utility’s service area will have balances due to the utility. Provided the balances are not for service provided outside of the period defined by the statute of limitations, in which case the utility could only collect the balance if it had obtained a judgement or demonstrated active collection practices during the running of the statute of limitations, all new customers shall be eligible for arrears retirement at the time they go on the TDP even if the arrears occurred after August 31, 2002. For our purposes here, a new customer is one that has moved to the utility’s service territory from elsewhere within New Hampshire and has not previously received benefits from the TDP, including the benefit of arrears retirement, or one that has moved to New Hampshire from outside of the state.

E. Bad Debt Offset

In the TDP model he developed, Mr. Colton recommended a bad debt offset against arrears to be amortized via the SBC. The offset was not intended to reflect a savings in bad debt from payment of PPA, but rather to adjust for the fact that, in base rates, utilities have a bad debt allowance designed to compensate them for unrecoverable bills. Mr. Colton testified that if the Commission were to allow the utilities to recover 100 percent of the PPA retirement from the SBC, the utilities would, in effect, be compensated twice for the same expense. The bad debt offset proposed by Mr. Colton is intended to reflect that portion of the PPA retirement which is already being collected in base rates through the bad debt allowance.

None of the utilities supported the bad debt offset proposed by Mr. Colton, arguing that it is an issue that can only be properly addressed in the context of a rate case. The OCA suggested that rather than imposing a bad debt offset, the utilities' administrative costs could be reduced to address the issue of double recovery raised by Mr. Colton. Staff, GOECS and SOHO took no position.

Although we believe there is merit in Mr. Colton's position, the difficulty with its application lies in determining the bad debt allowance embedded in the utilities' rates. As PSNH points out, its rates were determined as part of a larger settlement on restructuring and there was no specific allowance agreed to for bad debt. The Unitil Companies are currently involved in a restructuring and base rate proceeding in which they proposed to transfer bad debt expense to the rate that is the source of the expense. The Unitil Companies have proposed transition service and default service rates that are fully reconciling based on actual monthly data. The Unitil Companies have stated that a good portion of their recovery should be automatically reduced without the need for a base rate case or a bad debt offset. In the case of NHEC, the Commission no longer has rate-making authority.

In light of the difficulties in determining what amount attributable to bad debt each utility had embedded in its rates, we do not believe that it is feasible to implement a bad debt offset as part of the TDP. In addition, even if we were able, with some degree of certainty, to identify the bad debt component embedded in base rates, an offsetting adjustment to the SBC would essentially constitute single-issue ratemaking, a practice we have traditionally eschewed. However, we will be mindful of the positive impact the TDP should have on bad debt expenses and working capital requirements as we examine any rate proposals presented to us over the next few years.

F. Monitoring and Evaluation

Program evaluation is critical to our ability to monitor the TDP. In its Reply Comments, Staff recommended the adoption of four criteria for evaluating the effectiveness of the TDP: the timeliness of payment; the completeness of payments; the regularity of the payments; and the percentage of customers “X” bills behind. As a part of the record in this proceeding, all utilities have indicated that the information needed to develop the reports listed can currently be captured and provided to a third party.

We will adopt the metrics recommended by Staff as they should provide useful information for evaluating the TDP. However, as testified to by Staff, the LIWG has spent considerable time developing a plan for program evaluation for the Original EAP, and we believe the work they have done may have application to the TDP. Accordingly, we ask the LIWG to review the evaluation component developed as part of the Original EAP and identify any reports that would be applicable to the TDP. As the utilities require information regarding program evaluation as part of their programming work on the TDP, the LIWG report should be submitted to the Commission by June 14, 2002.

We agree with Staff that it would be a more efficient use of resources to have the utilities submit to a third party the information identified by Staff in its record request concerning monitoring and evaluation. See Exhibit No. 28. Under the Original EAP, program monitoring and evaluation would have been performed by GOECS and the Commission Staff. In its comments and testimony, GOECS expressed some uncertainty about what its role would be in the TDP. We will address the larger question below. However, for this issue, we direct Staff to work with GOECS to identify respective roles in the monitoring and evaluation process, including the receipt of data from the utilities and the generation of the reports.

G. Miscellaneous

As was mentioned above, further discussion needs to occur around the roles of GOECS, CAA, the utilities and the Commission in the TDP. Business rules also need to be updated to reflect the change in program design and the new roles of the program partners. The LIWG is the logical choice for these discussions. Accordingly, we ask the LIWG recommend to the Commission clearly defined roles of each program partner along with updated business rules no later than June 21, 2002.

Customer education and outreach is a critical component of a successful low-income electric assistance program. We direct the utilities to work with Commission Staff to develop a plan for educating customers about the TDP and its availability. We will also direct Staff to work with the utilities and the CAA to develop training sessions for other agencies, such as the New Hampshire Departments of Health and Human Services and Employment Security, to ensure that those agencies are familiar with the TDP and can advise their clients of its availability.

We are concerned that there may be customers currently receiving benefits under the interim low-income programs offered by GSEC, PSNH and NHEC who would be ineligible for benefits under the TDP. As a result, we would ask GSEC, PSNH and NHEC to identify the number of customers currently receiving benefits under their interim programs who would be over the income eligibility guidelines for the TDP and thus be ineligible to receive benefits from the TDP. Additionally, we direct GSEC, PSNH and NHEC to provide us with recommendations on how, and if, those customers would be transitioned over to the TDP.

In its Initial Comments, PSNH advanced the use of statewide average usage information rather than utility-specific usage information in the calculation of the discounts. PSNH argued that if the TDP was a statewide program, then a customer of one utility with the same income and usage as a customer of another utility should receive bills for the exact same amount. Mr. Colton offered testimony regarding PSNH’s recommendation and provided a spreadsheet that attempted to put PSNH’s recommendation into practice. As testified to by Mr. Colton, far more tiers than have been created in the TDP would be needed to implement PSNH’s recommendation. In Mr. Colton’s opinion, at least eight or ten tiers would be necessary and even then he expressed doubt about being able to accomplish what PSNH is suggesting. Mr. Colton also noted that as the number of tiers increase so does the program complexity and associated costs.

The TDP is a statewide program, and customers ought to receive substantially the same benefits from the Unitil Companies as they do from PNSH, NHEC, GSEC, and CVEC. Calculating discount levels using utility specific usage will result in different bill amounts for identical customers taking service from two different utilities. However, the discount levels for each utility are designed to reduce, on average, customer bills to 4% or 6% of income. While we are sympathetic to PSNH’s argument, and believe it further develops parity among customers, participating customers are receiving the same benefit under the TDP as participating proposed. We are not convinced PSNH’s suggestion can be accomplished in a way that maintains the balance between cost efficiency and program efficiency and therefore will not adopt it.

In its Initial Comments, CVEC indicated a willingness and desire to voluntarily implement an electric assistance program in order to provide benefits to its customers provided the Commission explicitly approved a surcharge to enable CVEC to fund the program. While 374-F:3(V)(a) expressly authorizes the Commission to establish low-income assistance programs as a part of restructuring, there is nothing that prohibits the Commission from establishing such programs as part of our traditional regulatory oversight role. Both Northern Utilities and PSNH have had discounted tariffed rates for low-income and/or elderly customers in the past.

Given the benefits to customers, the modest cost of the program, and the continued uncertainty regarding the restructuring of CVEC's service territory, we believe it is appropriate to implement the TDP in CVEC's service territory absent restructuring. We will, therefore, approve an explicit surcharge for CVEC of $0.0012 per kwh to fund the TDP.

Based upon the foregoing, it is hereby

ORDERED, that CVEC, GSEC, NHEC, PSNH and the Unitil Companies shall implement a Tiered Discount Program to provide bill assistance to their customers no later than October 1, 2002 and that the discount shall apply to all components of the bill excluding taxes; and it is

FURTHER ORDERED, that the Tiered Discount Program shall include a pre-program arrears component whereby arrearages are retired in full at the time the customer goes on the Tiered Discount Program; and it is

FURTHER ORDERED, that the SOHO Motion to Complete is denied; and it is

FURTHER ORDERED, that the utilities, CAA and GOECS shall submit budgets for start-up and first year administrative costs no later than 30 days from the date of this order while budgets for subsequent program years shall be submitted no later than 60 days prior to the start of each program year; and it is

FURTHER ORDERED, that utility compliance tariffs shall be filed no later than August 1, 2002; and it is

FURTHER ORDERED, that the Community Action Agencies shall be authorized to administer the TDP on behalf of the Commission; and it is

FURTHER ORDERED, that the Staff shall work with GOECS to identify the respective roles of the Commission and GOECS in program monitoring and evaluation; and it is

FURHTER ORDERED, that the LIWG reconvene to address issues of monitoring and evaluation, roles of the program partners, and business rules for the TDP.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of May, 2002.

Thomas B. Getz Chairman	Susan S. Geiger Commissioner	Nancy Brockway Commissioner

Attested by:

Claire D. DiCicco
Assistant Secretary