

DE 02-034

STATEWIDE LOW-INCOME ELECTRIC ASSISTANCE PROGRAM

Tiered Discount Program

Order Approving Procedures Manuals with Modifications and Addressing Certain Other Matters, Including Need for Reserve and the Transition of Interim Electric Assistance Program Customers to the Statewide Tiered Discount Program

O R D E R   N O.   24,036

August 16, 2002

I.    PROCEDURAL HISTORY

On May 30, 2002, the New Hampshire Public Utilities Commission (Commission) issued an order approving the Tiered Discount Program (TDP), a statewide electric bill assistance program for low-income customers funded through the low income portion of the system benefits charge (SBC). *Statewide Low-Income Electric Assistance Program/Tiered Discount Program*, Order No. 23,980 (May 30, 2002) (May Order). Among other things, the Order directed the six jurisdictional electric utilities to implement the TDP no later than October 1, 2002. The May Order authorized the Community Action Agencies (CAA) to administer the TDP on behalf of the Commission and directed Staff to work with the Governor's Office of Energy and Community Services (GOECS) in identifying the respective roles of the Commission and GOECS in program monitoring and evaluation. The May Order also directed the utilities to provide the Commission with information regarding the need to establish a reserve against unanticipated

high program payments and directed the Low Income Working Group (Working Group) to report on specific TDP monitoring and evaluation protocol and to update the procedures manuals.

Subsequent to the May Order, the program participants have submitted various compliance filings resulting from the May Order and the Working Group has submitted the procedures manuals in a filing dated June 14, 2002, and recommendations on monitoring and evaluation in a filing dated June 21, 2002.

By letter dated June 12, 2002, the Legislative Budget Assistant notified the Commission that the legislative Fiscal Committee had approved, pursuant to Chapter 158:46, Laws of 2001,<sup>1</sup> the [plans for the administration of funds] as specified in the May Order.

On June 13, 2002, Save Our Homes Organization (SOHO), an intervenor, filed a Motion for Rehearing of the May Order on three grounds: (i) the Commission's alleged refusal to require prior review and approval of annual budgets for program administrative costs is unreasonable and unjust; (ii) the Commission's refusal to impose a cap on program administrative costs is unreasonable and unjust; and (iii) it would be unlawful for the Commission to fail to complete its investigation of TDP administrative costs. On June 25, 2002, GOECS filed comments in support of SOHO's Motion for Rehearing. On July 24, 2002, the

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<sup>1</sup>Chapter 158:46, Laws of 2001, amended RSA 6:12-b regarding maintenance of funds collected pursuant to electric utility restructuring orders.

Commission issued Order No. 24,013 denying SOHO's motion for rehearing.

## **II. POSITIONS OF THE PARTIES**

### **A. New Hampshire Electric Cooperative**

The New Hampshire Electric Cooperative (NHEC) filed its position letter with the Commission on June 10, 2002. NHEC stated its belief that the System Benefits Charge (SBC) proposed by the Commission should be implemented as early as July 1, 2002 to help create a reserve. NHEC stated that delaying collection of the SBC would place the program in a deficit position when the TDP took effect because the funds would first be applied to start-up costs, limiting availability of funds for participants.

NHEC proposed to transition eligible participants to the statewide TDP by first ceasing all new subscriptions to its Interim Program<sup>2</sup> on August 31, 2002. NHEC proposed to send letters in August 2002 to current Interim Program participants, referring them to the CAA to determine eligibility for the TDP. NHEC would continue to run its Interim Program concurrently with the statewide TDP through December 31, 2002, and would notify participants in the Interim Program that the Interim Program is terminating and unless they qualify for the statewide TDP through the CAAs, they will no longer be receiving benefits after December 31, 2002.

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<sup>2</sup>As used in this Order, this term (and its acronym, IEAP) refers to the interim electric assistance program run by the relevant utility.

**B. Unitil**

The Unitil Companies, Concord Electric Company and Exeter and Hampton Electric Company (Unitil) submitted their position on reserves in a letter to the Commission dated June 7, 2002. Unitil favored commencement of the collection of the low-income portion of the SBC prior to the implementation date of October 1, 2002 to establish a reserve and thereby assure that there would be a pool of funds available to establish and fund the TDP. Unitil stated that such collection would assure that funds would be immediately available on October 1, 2002 and would help defray start-up costs and the costs associated with customer arrearages.

Unitil stated its position that a reserve would provide a pool of monies to fund the TDP over time as the process associated with billing cycles might not yield adequate revenue up front for each month's TDP costs. In addition, Unitil stated that a reserve would provide a cushion of funds in the event that TDP discounts are higher than projected, without an offsetting increase in the amount collected.

Unitil stated its position that the Commission should require all utilities to collect the funds beginning on the same date and at a uniform rate, and that the funds should be dedicated exclusively to the TDP and not to supporting the Interim Programs that some utilities have in place.

**C. Public Service Company of New Hampshire**

Public Service of New Hampshire (PSNH) expressed its position on reserves in a letter to the Commission dated June 10, 2002. PSNH stated that it had performed an analysis of its Interim Program and a statewide program with the following assumptions for a statewide program:

1. 17,146 eligible customers receiving benefits beginning October 1, 2002;
2. Pre-program arrears of \$750,000 amortized over 24 months;
3. Statewide CAA fees of \$1.3 million annually; and
4. Recovery of PSNH incremental start-up and on-going administrative costs.

Based on these assumptions, PSNH concluded it would have a surplus by December 2003 and therefore PSNH stated that it did not anticipate the need to develop a reserve for the TDP. However, PSNH suggested that the Commission review the needs of a statewide program before making its final decision.

**D. Granite State Electric Company**

Granite State Electric Company (GSE) stated its position on reserves in a letter to the Commission dated June 10, 2002. GSE estimated that it would experience a shortfall of \$66,000 in its collection of costs for operation of its Interim Program from July 1, 2002 through September 30, 2002. GSE stated

that if the Commission authorized an increase in the SBC effective July 1, 2002, GSE would use any additional collection to offset costs incurred in the Interim Program.

GSE stated that in the event the Commission established a reserve, it believed that each utility should maintain and manage its own reserve, subject to Commission rules. GSE stated that allowing each utility to manage its own reserve would provide utilities great flexibility for timely use of the reserve in the event that the TDP became oversubscribed.

GSE stated that the establishment of a reserve is appropriate if the Commission's goal is to allow every eligible customer to participate in the TDP. GSE stated that the Commission could set an initial reserve of 10% of the net SBC funds and adjust the reserve amount after customer participation had leveled out. In the event that the Commission chose to establish a reserve, GSE recommended that it be established upon commencement of the TDP.

GSE further stated that it did not believe a reserve was necessary if the Commission limited eligibility in the TDP to the level of SBC funding, net of administrative costs. GSE stated that limiting participation in the TDP would minimize the risk and level of over-subscription in the program.

GSE stated that it believed all of its customers receiving benefits under its Interim Program would be eligible for the TDP because the maximum household income eligibility

measure used by GSE (150% of Federal Poverty Level) was the same as that developed for the TDP. GSE said it is likely that a small group of customers would not be eligible for the TDP not because of differing eligibility requirements but because their income status had changed since they enrolled in GSE's Interim Program.

### **III. COMMISSION ANALYSIS**

There are several issues which we must decide today to finalize certain details of the TDP which we authorized in our May Order. First and foremost is the issue of the procedures manuals which the Working Group has developed to ensure smooth operation of the TDP. The Working Group developed four procedures manuals: a Fiscal Procedures Manual; a Utility Procedures Manual; a Monitoring and Evaluation Procedures Manual; and a CAA Procedures Manual (Procedures Manuals).

In reviewing the Procedures Manuals, we believe the fiscal flow can be simplified from that proposed by the Working Group. Under the proposal the Commission would authorize the State Treasurer's Office to disburse funds to the CAAs for CAA administrative costs from the SBC funds submitted to Treasury by the utilities.

We find it more administratively efficient for the utilities to pay CAA administrative costs directly from the SBC revenue they collect than flowing those revenues and

disbursements through the State Treasurer's Office. Accordingly, that step should be eliminated. Because the utilities will have more direct interaction with the CAAs, we believe that this change will provide better accountability of administrative costs. As envisioned in the Fiscal Procedures Manual, the CAAs will contract with the Commission, through a Lead CAA, to administer the TDP. Accordingly, we direct the utilities to work with the Lead CAA to develop a contract for administrative costs. We expect the contracts to be as consistent as possible among utilities. Such contracts should be submitted to us for review and approval by September 6, 2002.

The question of the amount for which each utility would contract with the Lead CAA is raised by the change we have made to the fiscal flow, however. On June 13, 2002, the CAAs submitted their revised first year budget for the operation of the statewide EAP. This budget was revised to reflect the changed benefit delivery mechanism we approved in our May Order. In no case should the contracts and aggregate payments made by the utilities to the CAAs for program administration exceed the \$1,287,366 first year budget provided by the CAAs in that document.

Regarding the allocation of the \$1,287,366 CAA first year budget, we see three ways for the utilities to allocate CAA



administrative costs. Administrative costs could be allocated on a per participant basis, allocated on the basis of annual revenues, or allocated on the basis of annual sales.

The TDP is a statewide low-income energy assistance program. For this reason, the costs of the program should be shared equally among all utility customers. On a monthly basis, the utilities will submit any over-collected SBC funds to the State Treasurer's Office or request reimbursement from the SBC funds held by the State Treasurer's Office if they have under-collected SBC funds. Because of this true-up mechanism, any of the allocation methods should result in an equal sharing of costs.

In the May Order, we declined to structure CAA administrative costs on a per participant basis as suggested by Public Service of New Hampshire (PSNH). In DE 96-150, we were asked by PSNH to change our manner of assessing costs to utilities from revenues to sales. On February 14, 2002, we determined that there was no compelling reason to depart from our usual manner of assessing costs for the purposes of special assessments and have assessed the start-up costs of the CAAs to the six electric utilities on the basis of annual revenues. Accordingly, consistent with our earlier decisions and with the method by which CAA start-up costs for the TDP have been

allocated, CAA program administrative costs will be allocated based on annual revenues.

We have also reviewed the monitoring and evaluation recommendations that the Working Group submitted on June 14, 2002. It is clear that the Working Group invested considerable thought into the development of monitoring and evaluation metrics. We agree with the Working Group's recommendations that we monitor how closely the discounts approximate 4% or 6% of participant income. We believe that it is appropriate, as was recommended by the Working Group, to collect information on participant demographics, enrollment numbers, enrollment numbers by utility, distribution of participants by poverty level, distribution of participants by municipality, program denials and information about a waiting list, should such a list be needed. We also note that the Utility Procedures Manual provides for monthly reports to the Commission regarding the pre-program arrears credit.

The question of a reserve requirement is another open issue requiring our attention. In the May Order, we deferred making a decision on the establishment of a reserve to protect against price driven increases in TDP benefits, requesting additional information from the utilities to aid us in our decision. We have reviewed the information provided by the

utilities and it appears unlikely that the program will be fully subscribed during the first program year. Thus a reserve would be created by default. However, the establishment of a reserve is, nonetheless, a fiscally responsible action that protects program participants from interruptions in benefits.

Accordingly, we direct the utilities to set aside 10% of the low-income portion of the SBC as a reserve. Each utility shall hold its own reserve and the Commission will re-evaluate the reserve level as part of its re-evaluation of the SBC level at the end of each program year.

Based on our decision above, we see no need for the utilities to begin collection of the full \$0.0012 per kilowatt hour (kWh) SBC prior to October 1, 2002. With the exception of Connecticut Valley Electric Company (CVEC), we therefore direct all utilities to begin collection of the \$0.0012 per kWh SBC on October 1, 2002.<sup>3</sup> In the case of CVEC, in our May Order, we approved an explicit surcharge for CVEC of \$0.0012 per kWh to fund the TPD. Accordingly, we instruct CVEC to begin collection of its approved TDP surcharge on October 1, 2002.

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<sup>3</sup>We note that on June 10, 2002, PSNH filed its projection of funds needed for the IEAP for the period July 1, 2002 to October 1, 2002. In its filing, PSNH noted that it anticipated an over-collection in IEAP funds. As a result, PSNH will collect the full 1.2 mil SBC on October 1, 2002 but fund 0.7 mils of the 1.2 mils from the IEAP over-collection until such time as the over-recovered funds are depleted.

Another outstanding issue concerns customers on the interim electric assistance programs (IEAP) offered by GSE, NHEC, and PSNH. As was suggested by PSNH and others, IEAP customers would have three months following the start of the TDP to contact their local CAA to accomplish the transfer from the IEAP to the EAP. At the end of that three-month period, the IEAP would be discontinued and those IEAP customers who have not contacted the CAA and been determined income eligible for the TDP would no longer receive benefits.

We accept this proposal for transition of IEAP customers made by PSNH provided that: 1) the utilities and the CAAs make every effort to contact IEAP customers and encourage them to apply for the TDP; and 2) the CAAs and utilities work together to assure that eligible customers do not receive both Interim and TDP benefits. During the transition we expect to see the migration of IEAP customers to TDP benefits. Interim program benefits will only be available through December 31, 2002. We will specify the treatment of Interim Program account balances through a Secretarial letter.

In its August 1, 2002 tariff compliance filing, CVEC requested the Commission vacate the portion of the May Order which ordered that the discounts received under the TDP would be applied to the customer's entire utility bill exclusive of taxes.

CVEC asserts that the requirement in our May Order would result in additional work at additional cost with no resulting value. According to CVEC, applying the discount to the entire bill rather than the bill excluding taxes would result in an additional eleven cents per month benefit to customers. Given the de minimis impact on customer bills and the additional cost that compliance with that the tax exclusion requirement would impose on CVEC, we will allow CVEC to apply the discount to the entire bill.

CVEC also requested the Commission waive the application of Puc 1203.05 (a) which requires that rate changes be implemented on a service rendered basis rather than a bills rendered basis. CVEC submits that Puc 1203.05 (b) allows for waiver of the service rendered requirement in certain circumstances and argues that a waiver in this case would be in the public interest as it eliminates customer confusion and reduces administrative costs. We require utilities to implement rates on a service rendered basis to allow customers additional time to adjust their consumption patterns in anticipation of a rate increase. In this case, customers will see lower, rather than higher, bills from the rate change rather than higher. Accordingly, to reduce customer confusion and simplify implementation of the new rate, we will waive for all utilities

the requirement of Puc 1203.05(a) and allow the utilities to implement the TDP rate on a bills-rendered basis.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the utilities shall contract with the Lead CAA for administration of the TDP, with submission of such contracts to the Commission by September 6, 2002. The aggregate amount of the contracts shall not exceed \$1,287,366 and each utility's share of the total cost shall be allocated based on utility annual revenues; and it is

**FURTHER ORDERED**, that the Procedures Manuals submitted by the Working Group are approved subject to the modifications made by this order. Revised Procedures Manuals reflecting the modifications contained in this order shall be submitted to the Commission by September 15, 2002; and it is

**FURTHER ORDERED**, that the monitoring and evaluation recommendations made by the Working Group are hereby adopted; and it is

**FURTHER ORDERED**, that a reserve equal to 10% of the SBC billed shall be held by each utility to guard against price driven increases in benefit levels; and it is

**FURTHER ORDERED**, that benefits under the IEAP shall continue for three months following the implementation of the TDP and utilities and the CAA shall make every effort to notify IEAP

of the availability of the TDP and the cessation of the IEAP; and  
it is

**FURTHER ORDERED**, that Connecticut Valley Electric  
Company be permitted to apply the TDP discount to the entire  
bill, including taxes; and it is

**FURTHER ORDERED**, that Puc 1203.05(a) be waived for all  
utilities and they be allowed to implement the TDP rate on a  
bills-rendered basis.

By order of the Public Utilities Commission of New  
Hampshire this sixteenth day of August, 2002.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary