

DE 06-079

STATE-WIDE LOW INCOME ELECTRIC ASSISTANCE PROGRAM

2006 Low Income Electric Assistance Program

ORDER NO. 24,664

September 1, 2006

APPEARANCES: Gerald M. Eaton, Esq. for Public Service Company of New Hampshire; Leboeuf, Lamb, Greene & MacRae LLP by Maebh Purcell, Esq. for Unitil Energy Systems; Alexandra E. Blackmore, Esq. for National Grid; Devine, Millimet & Branch P.A. by Mark W. Dean, Esq. for New Hampshire Electric Cooperative, Inc.; New Hampshire Legal Assistance by Alan Linder, Esq. for The Way Home; Amy Ignatius, Esq. for the Office of Energy and Planning; Ralph Littlefield for the New Hampshire Community Action Association; Office of Consumer Advocate by Rorie Hollenberg, Esq. on behalf of residential ratepayers; and Edward N. Damon, Esq. of the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On June 2, 2006, the New Hampshire Public Utilities Commission issued an order of notice opening this proceeding to give timely consideration to possible changes to the low income Electric Assistance Program (EAP) in advance of the commencement of the next EAP program year on October 1, 2006. The order of notice specified issues for consideration including but not limited to: the extent to which short-term program revisions were needed to account for impacts created by the temporary emergency low income program; the extent to which current program parameters should remain in place or be revised generally; whether the limited available assistance should be directed to a significantly larger target population, thereby reducing the average annual benefit; whether assistance should be provided for electric heating and, if so, to what extent; whether percentage of income targets should be maintained and, if so, what targets would be appropriate; whether to introduce as a program parameter the concept of a basic service level for which assistance would be available and the appropriate application of the provision in RSA 374-F:3, V(a) that restructuring should include “[p]rograms and mechanisms

that enable residential customers with low incomes to manage and afford essential electricity requirements;” whether program benefit design should be utility specific or uniform; whether to limit program eligibility to customers at or below 150 percent of the Federal Poverty Guideline or otherwise; whether to maintain the system benefits charge (SBC) for low income program assistance at 1.2 mills per kWh or increase it up to the statutory limit of 1.5 mills per kWh; whether or to what extent energy efficiency program expenditures should be affected by any revisions to the low income program; and the appropriate term of any program changes.

The Office of Consumer Advocate (OCA) filed notice of intent to participate on behalf of residential ratepayers consistent with RSA 363:28. Timely petitions to intervene were submitted by The Way Home, a nonprofit organization that seeks to reduce homelessness in New Hampshire, the Office of Energy and Planning (OEP), and the New Hampshire Community Action Association.

A pre-hearing conference was held on July 11, 2006, at which time the Commission noted that the four electric distribution utilities were mandatory parties to the proceeding and granted all requests for intervention. On July 12, 2006, Staff submitted a proposed procedural schedule agreed to by the participants at the technical session which followed the pre-hearing conference.

Expressing concern that the proposed procedural schedule might not allow adequate time for the Commission to formulate policy alternatives, allow for review by stakeholders and other interested parties, or ultimately to make a reasoned decision in time for the implementation of program changes coincident with the start of the EAP program year on October 1, 2006, the Commission issued Order 24,650 (July 18, 2006) setting forth a more expedited procedural schedule and announcing its intent to distribute a series of several distinct policy alternatives,

reflecting different possible approaches to program design. Those alternative approaches to program design were circulated to the service list on July 27, 2006. Technical sessions were held on July 28, August 4, and August 11, 2006. On August 14, 2006, the parties and Staff submitted a set of stipulated recommendations (“Stipulation”) expressing consensus on many program design features and setting forth a number of benefit level and funding level options described as scenarios. The Commission held a hearing on August 17, 2006.

II. STIPULATION

The Stipulation filed by the parties and Staff contained EAP policy recommendations upon which Staff and the parties had reached consensus. The Stipulation also identified unresolved issues upon which Staff and the parties filed written comments. At the August 17, 2006, hearing, the parties and Staff made additional comments concerning the unresolved EAP program design issues.

The Stipulation recommended that the EAP be made a uniform statewide program, rather than utility specific, designed to provide benefits to approximately 30,000 customers, roughly the same number as were served between the regular EAP and the Supplemental Winter EAP (SWEAP) during the spring of 2006. The Stipulation retained the tiered discount design for EAP benefits, but proposed that the benefit level determination criteria be based upon percentages of the Federal Poverty Guidelines (FPG)¹ rather than household income alone. The parties agreed that benefits should be targeted to the neediest households, according to the FPG. The Stipulation notes that while the current EAP was designed with the goal of making electricity affordable at 4% of gross household income for non-electric heat customers (and at 6% of

¹ The Federal Poverty Guidelines are updated each year by the Census Bureau and represent the federal government’s determination as to what income level represents the poverty threshold for a family or household of a given size. For example, the 2006 FPG establish \$20,000 as the poverty threshold income for a family of four living in the contiguous 48 states. *See* Federal Register, Vol. 71, No. 15, January 24, 2006, pp. 3848-49. Thus, if such a family were at 185 percent of FPG it would have an income of \$37,000.

income for households with electric heat), all of the alternative scenarios presented targeted the expected household contribution at between 4 percent and 4.5 percent of gross household income.

As outlined in the Stipulation, the new design for the EAP would not provide different discount levels for electric and non-electric heat usage, inasmuch as most EAP eligible households are also eligible for Low Income Home Energy Assistance program (LIHEAP) benefits for their primary source of heating. Staff and the parties recommended that a tiered discount be offered to households at 185 percent of FPG and below, and that the discount be applied to the entire bill rather than tying the discounts to usage, stating that the implementation of a usage-based model would be problematic in a number of respects and would be very difficult to implement for the next program year. The Stipulation supported providing the largest percentage discount to the bills of customers in the lowest FPG group and the lowest discounts to the bills of customers in the highest FPG group. Staff and the parties agreed that no discount would be less than 5 percent of the bill and that the percentage discounts would change on October 1, 2006, the start of the next EAP program year.

Staff and the parties also reached consensus on a monitoring process for the 2006 program year. The Stipulation recommended that Commission Staff review the EAP expenditures monthly and adjust enrollment levels to ensure a balance between revenues and expenses as necessary. The EAP Advisory Board would review all of the assumptions behind the program design, such as average usage, average price per kWh and the distribution of enrollment within the discount tiers along with the 4 percent affordability target prior to the start of the 2007 program year and recommend any necessary changes to the Commission in advance

of the 2007 program year. In addition, the EAP Advisory Board would review the EAP program manuals and recommend revisions as appropriate to the Commission.

Finally, the Stipulation presented six program design options designated as scenarios 5, 6, 7, 9, 10 and 11, each with a different set of discount levels, discount tiers and SBC levels. Using these scenarios, Staff and the parties projected enrollment and benefit levels for EAP program year 2006 through a series of spreadsheets attached to the Stipulation. Staff and the parties then commented individually on their favored scenarios at hearing.

III. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire (PSNH)

PSNH stated that it would not be against an increase to the SBC if such an increase were essential to creating and maintaining a viable program. PSNH asserted, however, that the current SBC funding level can support a viable program. PSNH strongly opposed reducing energy efficiency programs to fund an EAP and noted that its customers will already experience reduced levels of energy efficiency program funding as a result of Senate Bill 228 (2005 N.H. Laws Ch. 298) (providing for reallocation of certain SBC funds otherwise reserved for energy efficiency programs). PSNH further commented that it is premature to make any reductions in energy efficiency programs and that the record in this docket does not support such reductions. PSNH offered its support to the program design labeled scenario 6. PSNH opposed a minimum bill requirement, citing programming changes as an obstacle and noting that with a recommended maximum discount of 70 percent [compared with 95% under the current program] a minimum bill requirement would apply to few if any customers.

B. Unitil Energy Systems (UES)

UES does not support an increase to the SBC or the reallocation of energy efficiency funds to the low income program. UES is a net donor to the EAP and increasing the SBC mill rate or reallocating energy efficiency funds would make the donor problem worse. UES claimed that New Hampshire ranks among the lowest in energy efficiency funding and was the highest in funding for low income rate assistance compared to other New England states. UES supported scenario 6, noting that it provides some level of benefit to all eligible customers.

C. National Grid

National Grid supports scenario 6 as presented in the Stipulation because the company believes that option strikes an appropriate balance between serving more customers than can be served under the current EAP and providing a meaningful benefit to customers. National Grid does not support increasing the SBC mill rate because that would further increase the amount of money that National Grid customer pay into the program benefiting customers in other service areas. National Grid also opposes reducing the energy efficiency programs as those programs serve to lower the costs of electricity for all customers.

D. New Hampshire Electric Cooperative (NHEC)

NHEC supported an increase in the SBC rate for the EAP to 1.4mills. NHEC noted that the average benefit provided to EAP participants last winter was \$683. A reduction to approximately \$390 average annual benefits is, in NHEC's opinion, too great a reduction. Energy prices remain high, and the need for assistance has not decreased. NHEC identified two options for providing increased funding to the EAP – an increase to the low income portion of the SBC or a transfer of funds from the SBC funded energy efficiency programs. NHEC stated that the energy efficiency programs provide significant value to all customers and that it would

not want to see dollars shifted from energy efficiency programs to low income programs. Accordingly, NHEC supported scenario 7 which would result in a 0.2 mill increase to the low income portion of the SBC for a total of 1.4 mills per kWh. NHEC argued that while scenario 7 still results in an overall decrease in the average benefit when compared to last winter, with the exception of scenario 9, it provides more benefit on average than the other scenarios. NHEC believes that scenario 7 represents a middle ground between scenario 9 and the other scenarios.

NHEC echoed the comments of the other electric utilities regarding the difficulty in implementing a program design requiring a minimum bill amount and stated that it would not support such a requirement.

E. New Hampshire Community Action Association (NHCAA)

NHCAA recommended scenario 9, pointing out that it provides a meaningful benefit for a broad range of people and takes into account the potential for an increased need, and the accompanying increase in enrollment, during the next program year as well as the likelihood of future electric rate increases. In considering the various scenarios, the NHCAA recommended the Commission compare the administrative cost of enrolling and maintaining a customer on the program to the benefit provided, particularly as some of the scenarios would result in discount levels as low as 5%. NHCAA estimated the cost of enrolling and maintaining a customer in the program to be between \$42 and \$49 per year.

NHCAA would not support an increase in the overall SBC of 3 mills to provide the increase in EAP funding from 1.2 mills to 1.5 mills called for under scenario 9. Instead, NHCAA supports reallocating the 3 mills between the low income program and the energy efficiency programs, reducing the overall funding to energy efficiency and increasing funding to the EAP. NHCAA further recommended that the reduction in energy efficiency funding not be

an across-the-board reduction but rather determined after a careful review of the programs such that programs targeted to those least able to afford energy efficiency measures continue to be fully funded.

F. Office of Energy and Planning (OEP)

OEP opposes taking energy efficiency funds for the low income programs, citing the benefits provided to all customers through such programs. While the OEP stated that it does not support an increase in the low income portion of the SBC, unless there is no other way to deliver a meaningful program, it concluded that this was not the case and it is therefore endorsing providing benefits to 30,000 customers at the existing low income SBC of 1.2 mills per kWh.

While recognizing that any immediate changes to the program design need to be in place by October 1, 2006, OEP also expressed its interest in continuing to explore different approaches to program design over the next year. OEP recommended the Commission adopt scenario 11, noting that it better incorporates family size into the benefit determination analysis than the other proposals. However, OEP would also be supportive of scenario 6 as submitted in the Stipulation.

OEP urged the Commission not to adopt a program design which included a lifeline rate or block rate, noting that even a discounted bill creates a significant financial burden for very low income families to pay and provides a strong conservation incentive. While acknowledging the NHCAA's concern relative to administrative costs and benefit levels, OEP pointed out that even a 5% benefit is meaningful to the family receiving it.

G. The Way Home (TWH)

TWH urged the Commission to consider adopting scenario 6 which maintains participation levels at EAP and SWEAP levels, with a minimum waiting list and meaningful benefits. In choosing to support scenario 6, TWH noted that it was guided by the general

principle of living within the means of the program; by a sensitivity to increases in electric rates, including those resulting from SBC increases; and by the desire to provide benefits to approximately 30,000 customers and to have few if any customers on a waiting list. TWH supported the comments of other parties regarding energy efficiency program funds, noting that, in the long run, borrowing money from energy efficiency programs is not a good idea. TWH clarified that while through the testimony of its witness, Roger Colton, it had proposed that a minimum bill amount be incorporated into the program represented in scenario 6, it agreed with the comment offered by other parties that it was unlikely under the discount levels being proposed in scenario 6 that customers would receive a bill less than the minimum bill amount that they had proposed. In light of the apparent additional implementation costs that would result from the incorporation of a minimum bill requirement, TWH stated that the Commission should not feel that it had to adopt such a requirement as a part of scenario 6.

H. Office of Consumer Advocate (OCA)

The OCA commented that it viewed the EAP as a work in progress and expressed its desire that the Advisory Board and the Commission continue to refine the program. For the purpose of the providing benefits to more customers during the upcoming program year, the OCA supported scenario 6. The OCA would like to continue to explore scenario 11, however, as the benefits are more targeted. Further, the OCA suggested that the lifeline rate or usage based block rate alternatives circulated by the Commission and refined by Staff and the parties deserved further study as well. The OCA also asked for a further study of the IT issues, specifically those which appear to create obstacles to the adoption of a lifeline rate or block rate program design.

I. Staff

Staff noted that the various scenarios presented to the Commission in the Stipulation were very similar, differing mainly in the level of the low income SBC to fund the program and the discount percentages. Staff took no position on which program scenario the Commission should adopt for the upcoming program year.

J. COMMISSION ANALYSIS

As when first adopting an electric assistance program, consideration of EAP program design changes should be guided by RSA 369-B:1, XIII which 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.”

The expansion of the EAP program to serve approximately 30,000 households, as recommended by the parties, will provide much needed benefits to significantly more households than the current program can accommodate. While the benefit levels provided under the program scenarios contained in the Stipulation are lower than those provided under the current program, the discount levels continue to be based on the goal of bringing the average bill down to approximately 4 percent to 4.5 percent of household income and should result in the provision of meaningful benefits to those enrolled in the program.

Through the agreed-to tiered discount structure and the recommendation to use percentages of the FPG in the determination of a participant’s benefit, the Stipulation appropriately targets EAP benefits to the neediest customers. We agree with the signatories to the Stipulation that the change to uniform statewide discount levels across all utilities will make

it simpler for customers to understand the benefit for which they are eligible, particularly those customers moving from the service area of one utility to that of another.

It is clear that the parties and Staff were very thoughtful in the development of the various program scenarios presented as part of the Stipulation, and we appreciate the efforts of all involved. We adopt the variation described in the Stipulation as scenario 6, that was supported by a majority of the parties. Among other things, this approach maintains the low income SBC at 1.2 mills per kilowatt-hour thereby avoiding any rate impacts, serves approximately 30,000 households (consistent with the goal employed by the Legislature through the temporary program used last winter), and employs a formula under which customers are responsible for electric bills equal to approximately 4.5 percent of household income. The program will have six benefit levels ranging from at or below 75 percent of FPG to 185 percent of FPG, with an average annual benefit of approximately \$400. This approach does not apply a minimum bill amount to customers as was suggested in the testimony of TWH, and the EAP discounts shall apply to the total bill before application of the electric consumption tax.

Roger Colton, an expert witness in the design of low income programs, testified on behalf of The Way Home and in support of scenario 6 that 4.5 percent of income was a reasonable target for low income affordability of electric bills. He also testified that virtually all low income electric consumption is probably essential as overall income constraints tend to squeeze out nonessential electric consumption in low income households. We conclude based on the testimony of all the parties that the design approach in scenario 6 is targeted to provide the greatest benefits to the lowest income customers, is reasonable and serves the public interest.

Given the pressing time constraints, the work that was accomplished by Staff and the parties is considerable. We are concerned, however, by the apparent lack of flexibility of the

various utilities' customer billing and IT systems. We believe there is value in further exploring some of the other program scenarios as recommended by OEP and the OCA for possible use in future program years. Therefore, we direct the utilities to explore more billing and discount options prior to submission of recommendations for the 2007-2008 EAP program year. It would be especially helpful for the parties to continue to develop data concerning customer usage at various household sizes and FPG income levels and to explore the feasibility of offering a discount to an initial usage block so that we may consider the merits of program design changes for the 2007-2008 program year that incorporate features that relate to essential usage and encourage conservation.

Finally, for monitoring the progress of the new program design we direct Commission Staff and the EAP advisory board to monitor expenditures and adjust enrollment to balance income and expenses during the course of the 2006 program year.

Based upon the foregoing, it is hereby

ORDERED, that the parties take all steps necessary to implement the program design for the EAP described in the Stipulation as modified by this Order effective for the EAP program year beginning October 1, 2006.

By order of the Public Utilities Commission of New Hampshire this first day of September, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary