

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-057

STATEWIDE LOW-INCOME ELECTRIC ASSISTANCE PROGRAM

Order Approving Change to EAP Discount

ORDER NO. 26,132

May 4, 2018

In this order, we approve the extension of the Electric Assistance Program discount to the energy portion of bills of income-eligible participants who elect to procure energy from a competitive supplier.

I. PROCEDURAL HISTORY

The Commission supervises the electric utilities' administration of the Electric Assistance Program (EAP), a financial assistance program providing discounts to income-eligible electric customers of the following providers: Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty); the New Hampshire Electric Cooperative, Inc. (NHEC); Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource); and Unitil Energy Systems, Inc. (Unitil) (together, the Utilities). The EAP is funded by the system benefits charge, which is paid by all ratepayers pursuant to RSA 374-F:3, VI.

The Electric Assistance Advisory Board (Board) includes Commission Staff members (Staff), the Utilities, and social service agencies, among others.¹ On April 5, 2018, the Board submitted a proposed design change to the EAP. Specifically, the Board recommended that the EAP apply to the energy component of the bill for participants who choose to buy energy from

¹ The Electric Assistance Advisory Board was created pursuant to Order No. 23,573, and members include representatives of: the Public Utilities Commission, the Office of the Consumer Advocate, community action agencies, the Office of Strategic Initiatives, Eversource, Liberty Utilities, New Hampshire Electric Cooperative, Unitil, NH Municipal Welfare directors, and New Hampshire Legal Assistance on behalf of the Way Home.

competitive energy suppliers in addition to those participants who purchase energy through default service. The Board requested expedited review and approval of its request so that, if approved, the Utilities could implement the necessary billing changes to benefit their customers in time for the winter of 2018-2019.

The Office of the Consumer Advocate filed a letter of participation in this proceeding on April 9, 2018, under RSA 363:28. The recommendation and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are available at <http://puc.nh.gov/Regulatory/Docketbk/2018/18-057.html>.

II. BOARD RECOMMENDATION

Currently, customers who elect not to take the utility offered default energy service but rather choose to procure energy from a competitive energy supplier only receive the EAP discount on their delivery charge. In contrast, customers who choose default energy service receive the EAP discount on their delivery and energy charges.² The Board believes that this difference penalizes customers taking competitive energy supply. To address the disparity, the Board gathered information and convened a subcommittee to consider options.

The subcommittee identified that the numerous varying rates offered by competitive suppliers makes it difficult to calculate and apply a uniform discount for all customers. Furthermore the committee recognized that current utility company billing systems provide additional challenges and limitations. In an attempt to combat those complexities, the subcommittee proposed calculating the discount for customers taking competitive energy supply

² See <https://www.eversource.com/content/nh/residential/my-account/billing-payments/about-your-bill/april-1-2018-rates-update>. The New Hampshire Energy Assistance Program brochure explains that, "Customers who choose a competitive energy supplier will not receive a discount on the energy supply portion of the monthly bill." See http://puc.nh.gov/Consumer/NHEAP_brochure_041217.pdf.

using the default service rate as a proxy. As with default service customers, the discount would only apply to each customer's first 750 kWh of usage.

The subcommittee found the proxy rate reasonable as it would treat default and competitively supplied customers similarly and should be the easiest solution for utility billing systems. In turn, the Board recognized this change could prove advantageous to customers that find a competitive rate lower than the default rate. Despite that possibility, the Board noted three reasons for the change: (1) it would reward the successful use of retail choice; (2) it would limit EAP fund exposure when a customer pays an unusually high competitive rate; and (3) it would avoid the billing complexity of calculating the discount for various suppliers and rates. After meeting with the Board in September 2017, representatives of competitive suppliers agreed to the Board's proposal.

According to data supplied by the Utilities, implementing the Board's recommended program adjustment would increase monthly program costs by \$55,200 based on the current number of EAP customers taking competitive energy supply. The Utilities expect it would take six months from issuance of the order to put the Board's proposed changes into effect. As such, the Board recommended an implementation date of October 1, 2018, to accommodate billing system changes for program year 2018-2019.

To illustrate the EAP's financial impact of the change, the Board outlined three scenarios of different EAP customer enrollment rates over the course of three project years.³ The Board found the higher the enrollment rate, the more likely the EAP fund would be exhausted. The Board also noted that an increase in delivery utility rates would also decrease the EAP fund.

³ The Board calculated the impact based on the enrollment rates of 30,800 customers, 31,800 customers, and 32,800 customers.

Based on that analysis, the Board pledged to carefully monitor enrollment level and the benefits paid to ensure the EAP's continued financial sustainability.

A crucial component of the Board's recommendation is that, in order to get an EAP discount on the energy portion of their bill, income eligible customers taking competitive supply must use consolidated billing. Although competitive suppliers are allowed to bill customers directly for supply under N.H. Code Admin. Rules Puc 2004.06, the Board believes the complex variables involved would be unworkable. First, it would be more complicated to reimburse competitive suppliers with various energy supply rates for the credit to customers and a system is already in place to do so with the four distribution companies and their associated default service rates. Second, a credit based on usage and the default service rate applied to a bill that was not consolidated and did not include energy charges, could be greater than the delivery charges and result in a credit balance to the customer. Because that credit balance cannot be transferred to the competitive supplier, the result may be a windfall to the customer but would not be consistent with the goal of making electric bills affordable. Finally, the Board concluded that an amendment to Puc 2004 is unnecessary because the requirement to use consolidated billing would be a component of customer eligibility rather than a directive to competitive suppliers.

The Board recognized that the Utilities will incur information technology (IT) costs adjusting their billing systems to enable this change. Eversource and Liberty estimated an IT cost of \$180,000 and \$182,000, respectively; Unitil and NHEC estimated an IT cost of \$25,000 and \$20,000, respectively. The total estimated cost of this billing system adjustment is \$407,000, equivalent to approximately eight months of the additional EAP benefits resulting from the proposed change.

As those IT costs would not be incurred but for the EAP, the Board noted that it is appropriate for the Utilities to recover them subject to a Commission determination that the costs are reasonable and prudent. This determination would be better addressed in future Commission proceedings. The Board determined the benefit to EAP participants outweighs the IT costs incurred as the benefit to customers will exceed costs within eight months of change implementation and thus supports moving ahead.

III. COMMISSION ANALYSIS

Pursuant to RSA 374-F:3, VI, the EAP fulfills a public-benefit requirement of electric restructuring. RSA 369-B-1, XIII states the EAP's overriding directive is to "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." When reviewing a change proposed by the Board, the Commission must evaluate "whether assistance continues to be appropriately targeted to participants" and its effect on EAP operation efficiency. *Statewide Low-Income Electric Assistance Program*, at 3-4 Order No. 25,901 (May 13, 2016).

The Board assists the Commission in the day-to-day review and monitoring of the EAP. Its diverse membership ensures that all interests are well represented when programmatic changes are proposed. The Board carefully considered the impact this change would have on EAP participants, the Utilities, and competitive suppliers. Specifically, it noted the change would resolve an inadvertent disadvantage to income-eligible customers who choose a competitive supplier but are currently precluded from receiving the EAP discount on the energy component of their electricity bill. The change was unanimously supported by the Board, and also had the support of the competitive suppliers.

Addressing the effect on the EAP, the Board considered three enrollment scenarios and the impact the changes would have on the EAP fund. Noting a depletion of that fund within two years at the higher 32,800 participant level, the Board vowed to carefully monitor enrollment and EAP fund levels.

Lastly, the Board considered issues of the various competitive supplier rates and the resultant billing complications. Highlighting scenarios of customer windfalls and various billing complexities, the Board recommended consolidated billing as the most pragmatic option. In order to implement the proposal, the Utilities would have to invest in IT upgrades. The Board determined that the burden on the Utilities would be outweighed by the EAP customer benefit and that the Utilities would be able to recover reasonable costs at a later date.

We find the Board's recommendations appropriately consider the statutory obligations. The change will benefit a broader category of income-eligible customers and, with close Board monitoring, will not impact the EAP's viability.

We also find that implementation of this program using consolidated billing is reasonable and consistent with the public interest. While the Utilities will have to bear the costs associated with implementing the new billing system in the first instance, we expect once work is completed, the Utilities will submit for cost recovery so that the Commission may determine the prudence and reasonableness of those costs. The benefits of the proposed change should outweigh those costs. The Commission thus approves the Board's recommendations and directs the electric utilities to implement the changes in the EAP design for bills rendered on or after October 1, 2018.


Based upon the foregoing, it is hereby

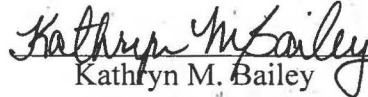
ORDERED, that the Board's recommendation that the Electric Assistance Program discount apply to the energy portion of electric utility bills of customers that elect to procure energy from a competitive supplier as proposed in its letter to the Commission dated April 5, 2018, is APPROVED; and it is

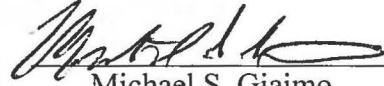
FURTHER ORDERED, that the Board's recommendation that consolidated billing must be chosen by customers that elect to procure energy from a competitive supplier in order for the discount to apply is APPROVED; and it is

FURTHER ORDERED, that once the necessary IT work is completed on the billing systems, Utilities submit a filing for cost recovery that will be subject to a prudency review by the Commission.

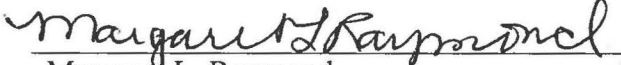
By order of the Public Utilities Commission of New Hampshire this fourth day of May, 2018.


Martin P. Honigberg
Chairman


Kathryn M. Bailey
Commissioner


Michael S. Giaimo
Commissioner

Attested by:


Margaret L. Raymond
Assistant Secretary