

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE:

AT (OFFICE): NHPUC

FROM: Tom Frantz
Director, Electric Division

SUBJECT: Docket No. DE 10-059
Public Service Company of New Hampshire, Unitil Energy Systems, Inc. and Granite State Electric Company d/b/a National Grid
Re-Core Revolving Loan Fund Tariffs
Staff Recommendation

TO: Commissioners
Executive Director
General Counsel



Background

On August 19, 2009, the Governor and Council approved a contract to grant regional Greenhouse Gas Emissions Reduction Fund (GGERF) moneys to the electric distribution utilities for purposes of expanding their offerings under the Core energy efficiency programs. The electric utilities are Public Service Company of New Hampshire (PSNH), Unitil Energy Systems, Inc. (UES), Granite State Electric Company d/b/a National Grid (National Grid) and the New Hampshire Electric Cooperative (NHEC). The expanded Core programs are known as Re-Core. Pursuant to the contract, the utilities agreed to offer financing options for customer co-payments through on-bill financing as part of the Re-Core programs through a \$1.5 million revolving loan fund.

Currently, PSNH and the NHEC offer loan programs with on-bill financing called "Smart Start" to certain customers as part of their Core utility-specific program offerings. PSNH offers the program to municipalities whereas NHEC offers Smart Start to its commercial members. Under the grant, all four utilities will now offer a loan program similar to the Smart Start programs but to residential customers. Because the GGERF grant expires June 30, 2010, the utilities have begun to take the necessary steps to make sure that the program is operating before that date pursuant to their contract with the state.

Because participating customers' electric bills will indicate the energy efficiency loan program amounts due, the utilities were advised to file tariffs for the loan program along with a copy of the customer agreements for informational purposes. On March 11, 2010, National Grid filed a tariff for the on-bill financing program associated with the Re-Core program in Docket No. DE 09-170, the 2010 Core program filing. UES also made its filing in Docket No. DE 09-170 on March 18, 2010. PSNH filed its proposed energy-efficiency loan program tariff on March 18, 2010, and the filing was assigned Docket No.

DE 10-059. The Staff recommends that the three filings be considered in Docket No. DE 10-059 for purposes of administrative efficiency. Staff contacted NHEC to determine NHEC's plan for filing a Re-Core tariff, and NHEC has indicated that it will make an appropriate filing in the near future. The NHEC filing should also be part of Docket No. DE 10-059.

The purpose of this memorandum is to provide Staff's recommendations on the filings by PSNH, UES and National Grid.

PSNH Proposed Energy-Efficiency Loan Program Rate LP

PSNH's tariff will establish an energy efficiency loan program to allow PSNH's customers installing energy efficiency measures under an energy efficiency program offered by PSNH to pay all or a portion of the customer's share of the installed cost of the energy efficiency measures through an additional charge on their monthly electric service bill. PSNH plans to initially offer the loan program to customers installing energy efficiency measures under the New Hampshire Home Performance with ENERGY STAR® Program but may expand the loan program to other Core energy efficiency programs in the future.

According to PSNH's filing, there will be no interest applied to the loan, no penalties for prepayment, and no security interest, mortgage or lien will attach to the measures installed or the property in which they are installed. PSNH will assess a late payment charge, consistent with late payment charge authorized by the Commission for delivery service, for any monthly charges incurred under this program which are paid after the due date on the bill. PSNH is not asking that the Commission find the loan to be a basic utility service under Puc 1202.02; therefore, customer failure to pay the loan portion of the customer bill will not result in a customer being disconnected for nonpayment. Finally, the loan will be payable immediately if the customer vacates the premises in which the measures are installed, if the electric account is closed, or if the signatories to the loan no longer are the named customers on the electric service account.

To be eligible for the loan, a customer must meet certain requirements as follows:

1. The customer must own the residential property where the energy efficiency measures are to be installed;
2. The customer must have an active delivery service account with PSNH under residential delivery service rate R or residential time-of-day delivery service rate R-OTOD;
3. The customer must have a Fair Isaac and Company (FICO) credit score of 680 or higher;
4. The customer must have good credit with the Company, which is defined as a customer that has not received a disconnect notice from the company during the 12 months preceding the customer's request for service under the program; and
5. The customer loan amount must be greater than or equal to \$500 and less than or equal to \$7,500.

PSNH's tariff proposes the following repayment schedule:

Greater than or equal to \$500 and less than or equal to \$2000	24 months repayment
Greater than \$2000 and less than or equal to \$3000	36 months repayment
Greater than \$3000 and less than or equal to \$4000	48 months repayment
Greater than \$4000 and less than or equal to \$5000	60 months repayment
Greater than \$5000 and less than or equal to \$6000	72 months repayment
Greater than \$6000 and less than or equal to \$7500	84 months repayment

PSNH's tariff further provides that any customer loan not fully paid by the customer will reduce the future revolving loan funds available for financing of future customer loans. Finally, the tariff discloses that the source of the funds for the loan program is the GGERF created pursuant to RSA 125-Q:23 as administered by the Commission. The correct reference should be RSA 125-Q:23

With its tariff, PSNH filed a copy of its customer loan agreement for information purposes. The agreement states the required FICO scores and the financial disclosure provisions are bolded for purposes of calling attention to those provisions. In addition, the agreement states that a late payment charge would apply to any fixed monthly installment amount which remained unpaid after the due date printed on the bill and that there is no penalty for prepayment of the loan. Finally, the agreement states the requirements for immediate repayment of the loan as set forth in the proposed tariff.

Staff has reviewed the tariff and sample customer loan agreement. PSNH has provided a complete representation of how the loan program will operate including conditions for participation, applicability of late charges, loan repayment, and events causing immediate repayment of the loan. Staff is pleased to see that any unpaid loans will not cause a burden to non-participating customers, but will, instead, reduce the funds in the revolving loan program. We also think it is appropriate for PSNH to state that non-repayment of loan balances will not be a cause for disconnection of service. We are unfamiliar with PSNH's basis for fixing a FICO score at 680; however, we do not object to the use of a credit score to qualify participants given the fact that PSNH will be lending money from the GGREF, which is supported indirectly by ratepayer contributions. Based on our review, we recommend that the Commission allow the tariff to go into effect with no further investigation. Staff also recommends that the credit score be evaluated in the future to assess whether it is affecting participation in the program or repayment of funds. The tariff should be corrected to reference RSA 125-O as the statute creating the GGREF.

National Grid Proposed Tariff

National Grid's tariff says that each customer participating in the program must execute a Re-Core financing agreement which states the terms of the financing. However, National Grid did not file a customer agreement with the Commission but said it expects to do so "shortly." Therefore, Staff was unable to determine the complete terms to the financing.

National Grid's tariff would make the Re-Core financing program available to residential customers receiving retail delivery service at domestic Rate D or Optional Peak Load Pricing Rate D-10, and to municipal customers receiving retail delivery service on General Service Time-of-Use Rate G-1, General Long-Hour Service Rate G-2, or General Service Rate G-3. National Grid would allow the financing to support energy efficiency measures as part of the Home Energy Solutions Program and the Small and Large Business Retrofit Programs. The tariff says that customers "in good standing" will be eligible to receive financing for the customer's portion of installation cost with repayment made through the customer retail delivery service bill. The tariff defines a customer in good standing as one that is on payments to the Company for retail delivery service for a period of 12 months.

National Grid's tariff also makes the same incorrect reference to the statute, citing RSA 125-Q:23 instead of RSA 125-Q:23 in stating the statutory authority for the Commission's administration of GGERF.

Pursuant to the tariff, National Grid would limit loans for residential customers to a maximum of \$500, and allow up to a maximum of \$50,000 for municipal customers loans. National Grid would not assess interest on any amounts financed through the GGERF fund according to its draft tariff. National Grid would require customers to repay the loan over a term not to exceed 24 months. Under the National Grid Re-Core financing program as set forth in the tariff, no penalty would be assessed for prepayment. Finally, as with PSNH's tariff, to the extent that a participating customer fails to repay the loan, less money would be available in the GGERF funds for future customer financing opportunities.

Staff has reviewed National Grid's tariff and based on that review recommends that the Commission suspend the tariff and allow further investigation into the terms and conditions for customer eligibility in National Grid's Re-Core program. This recommendation is, in part, based on our review of the PSNH tariff. The PSNH tariff and its sample customer agreement clearly set forth the conditions for participation in the program. By comparison, National Grid's tariff, is less informative and serves to raise a number of questions. For example, why are residential customers limited to borrowing only up to \$500? Why is the repayment period limited to 24 months, particularly for municipal customers who can borrow up to \$50,000? Will National Grid impose a FICO score as a threshold requirement? Will National Grid be imposing late fees for late repayment of the loan?

UES Proposed Tariff

The UES tariff makes the same incorrect reference to the Commission statutory authority to administer the GGERF monies as does National Grid's tariff.

The UES tariff states that each customer participating in the program must execute a Re-Core financing agreement which states the terms of the financing. However, UES did not

file a customer agreement with the Commission but said it expects to do so “shortly.” Therefore, Staff is unable to determine the complete terms of the financing.

The UES tariff provides that the loans would be available to customers receiving retail delivery service on Domestic Delivery Service Schedule D who install energy efficiency measures as part of the Home Energy Solutions Program and to municipal customers receiving retail delivery service on General Delivery Service Schedule G who install Small and Large Business Retrofit Programs. The participating customer must be in good standing, which as with PSNH and National Grid is defined as a customer who is current on payments to the company for retail delivery service for period of twelve months. UES, like PSNH, allows residential customers to borrow up to a maximum of \$7,500 and municipal customer to borrow up to \$50,000. As with PSNH, the maximum repayment period proposed by Unitil is seven years for residential customers and 10 years for municipal customers.

The UES tariff does not state the terms of repayment for ranges of loan amounts as does PSNH’s tariff. There is nothing in the tariff that sets forth the criteria which determines the repayment period.

Staff has similar questions for and concerns with the UES tariff filing as mentioned above for National Grid. Staff recommends the Commission also suspend the UES tariff to allow for a more comprehensive review. Recognizing the June 30, 2010 deadline for the Re-Core program to begin, Staff recommends a single technical session be scheduled as soon as possible to further discuss and review both the National Grid and UES filings.

Summary Recommendation

Based upon Staff’s review, the PSNH tariff is the most complete. It clearly outlines the participation criteria and the repayment schedule and the general terms and condition of the energy efficiency loan program. Accordingly, Staff recommends the Commission adopt the use of uniform tariff language among the four utilities, using the PSNH tariff and customer agreement as a template.

Staff further recommends that PSNH’s tariff be allowed to go into effect by operation of law. In light of the concerns highlighted above, Staff also recommends that the Commission suspend both the National Grid tariff and the UES tariff to allow for further investigation into the tariffs and the sample customer agreements which contain the terms of the financing. As NHEC has not made a tariff filing or provided a copy of its customer agreement, Staff takes no position relative to NHEC at this time.

Please let me know if you have any questions.