

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-192

ELECTRIC ASSISTANCE PROGRAM

Order Approving Program Changes

ORDER NO. 25,200

March 4, 2011

APPEARANCES: Gerald M. Eaton, Esq., for Public Service Company of New Hampshire; Orr & Reno, P.A. by Susan S. Geiger, Esq., for Unitil Energy Systems, Inc.; McLane, Graf, Raulerson & Middleton, P.A. by Patrick Taylor, Esq., for Granite State Electric Company d/b/a/ National Grid; New Hampshire Legal Assistance by Alan Linder, Esq., for The Way Home; New Hampshire Community Action Association on behalf of the New Hampshire Community Action Agencies by Shannon Nolin; New Hampshire Office of Energy and Planning by Joanne Morin; Office of the Consumer Advocate by Meredith A. Hatfield, Esq., on behalf of residential ratepayers; and Edward Damon, Esq., for Staff of the Public Utilities Commission.

I. BACKGROUND

On January 15, 2010, the Commission increased the portion of the system benefits charge (SBC) devoted to the Electric Assistance Program (EAP) from 1.5 mills to 1.8 mills per kWh and decreased the portion devoted to energy efficiency from 1.8 mills to 1.5 mills per kWh in accordance with Chapter 1, Laws of 2010 (Senate Bill 300). The re-allocation of the SBC, which allowed the EAP to better meet the immediate need for low income bill assistance, was a temporary measure that is set to expire on June 30, 2011 after which the statutory limit on the portion of the SBC devoted to funding the EAP will revert to 1.5 mills pursuant to RSA 374-F:4, VIII(c).

On September 27, 2010, Commission Staff (Staff) filed a letter on behalf of the EAP Advisory Board (Advisory Board) stating that the Advisory Board had begun reviewing what the sustainable level of enrollment would be at the 1.5 mills per kWh funding level and considering

options for reducing enrollment in anticipation of the expiration of Senate Bill 300 on June 30, 2011. The letter also indicated that the Advisory Board was examining the level of discount provided, the target percentage of income for the discounts, and the appropriate program eligibility threshold for EAP. On December 15, 2010, Staff filed recommendations for EAP design changes on behalf of the Advisory Board. By secretarial letter dated January 2, 2011, the Commission set a hearing on the Advisory Board's recommendations for January 27, 2011.

On February 18, 2011, National Grid filed a letter requesting that it be allowed to receive reimbursement of certain one-time administrative costs associated with changing its billing system to implement the 700 kWh cap for its EAP customers. National Grid estimated those costs to be approximately \$33,000 and noted that it would take approximately four months from the date of the Commission's order to implement the necessary changes. In its letter, National Grid stated that it supported the Advisory Board's recommendation.

II. ADVISORY BOARD RECOMMENDATIONS

As currently designed, the EAP provides benefits to income eligible customers through a discount on the electric bill. There are six discount tiers, ranging from 5% to 70%. The discount levels are designed to reduce the portion of the bill for which a customer is responsible to an amount that is, on average, between 4% and 5% of income. The Community Action Agencies certify customers for participation in the EAP and provide the enrollment information, including information regarding the appropriate discount level, to the utilities.

Since March 2005, demand for the EAP has exceeded the number of households to whom benefits could be provided given the EAP funding level. In 2006 and again in 2008, the Commission made changes to the EAP to increase the number of customers that could be provided with benefits. Legislation in 2005 and 2010 increased EAP funding on a temporary

basis, allowing the program to provide benefits to more customers for a limited period of time. Under Senate Bill 300, the temporary increase to the EAP funding level will expire, returning the funding level to 1.5 mills per kWh on July 1, 2011. With no changes to the EAP, the Advisory Board estimated the EAP would be able to serve 28,100 customers, with a projected waiting list of 10,200 customers. In anticipation of the reduced funding and reduced number of households that could be served by the EAP, the Advisory Board stated that reductions in enrollment would need to occur this winter to move from the current enrollment of 35,000 to 28,100 by July 1, 2011.

The Advisory Board examined a number of options to transition to a sustainable enrollment level on July 1, 2011, including changes to the EAP design. Each option was compared to the current design, looking specifically at the average annual benefit, the population of eligible households, the sustainable enrollment level and the size of any waiting list for each option. Based on its review and analysis, the Advisory Board recommended that the EAP be modified to allow the EAP to provide benefits to more households while still providing a meaningful benefit.

The proposal put forward by the Advisory Board has two components. The first component would eliminate a discount tier, reducing the number of tiers from six to five and reducing the income eligibility level to households at or below 175% of the Federal Poverty Guideline (FPG). The second component would cap the monthly usage eligible for the discount. Through the elimination of one discount tier and the application of the discount to the first 700 kWh of the customer's bill, the Advisory Board projects that the sustainable enrollment level for the EAP would be 33,800 customers, with a potential wait list of 2,500 customers.

The tier to be eliminated, tier 1, provides a 5% discount to those customers with incomes between 176% and 185% of the FPG. Noting that enrollments from the waiting list are done based on need, the Advisory Board opined that it was likely many of the tier 1 eligible customers on the waiting list would remain on the waiting list indefinitely as tier 1 comprises those customers with incomes and household sizes that would place them in the highest federal poverty level. Under the Advisory Board's proposal: customers in tier 1 already receiving EAP benefits would continue to receive benefits until their next recertification: customers on the waiting list who had been found eligible to participate at the tier 1 level would be notified of the change and removed from the waiting list: and, new applicants with incomes above 175% of FPG would not be eligible for EAP. At the hearing, testimony provided by Gilbert Gelineau on behalf of the Advisory Board clarified that the proposed elimination of tier 1 would become effective upon the date of any order from the Commission approving the proposed changes, while the implementation of the proposed 700 kWh usage cap would occur July 1, 2011.

The Advisory Board proposed a usage cap of 700 kWh per month. The Advisory Board noted that the EAP usage data showed that, on average, monthly usage of EAP participants was 588 kWh and that, on average, approximately 70% of EAP participants would fall below the 700 kWh usage cap. Recognizing that some EAP participants use more than the average, the Advisory Board is recommending a usage cap of 700 kWh to provide a small cushion for EAP customers who have higher essential electric usage as a result of family size or medical needs. The Advisory Board also noted that electric heat customers have not used their full LIHEAP benefit in recent years and commented that LIHEAP was available to provide assistance with heating bills to those EAP participants with higher usage resulting from the use of electric heat. Further, the Advisory Board stated that, in addition to encouraging conservation, the proposed

usage cap would stretch limited program dollars, allowing the EAP to provide benefits to more households.

While the Advisory Board was not able to quantify the impact on those customers who use, on average, more than 700kWh per month, as the impact would vary from customers to customer, the Advisory Board indicated that the average annual EAP benefit for the 2009-2010 program year was \$483, while the projected average annual EAP benefit provided under the Advisory Board proposal would be \$388. Further, the Advisory Board stated that, for those customers with average monthly usage in excess of 700 kWh, 90% have average usage that is less than 1500 kWh. For customers at the upper end of that range, i.e., average monthly usage of 1500 kWh, the increase in the amount for which the customer is responsible would range from 4% to 124% depending on the discount tier. The Advisory Board recommended that weatherization and other efficiency efforts, including related education efforts, be targeted towards these customers to the extent possible to help mitigate the impact of the proposed EAP modifications.

III. COMMISSION ANALYSIS

Need for the EAP has grown significantly over the past few years, however, funding for the EAP is limited. Balancing the needs of low-income customers against the limited funding in a way that treats customers fairly and provides them with a benefit that is meaningful is a challenging task. As the Advisory Board noted in its recommendation, there are several policy guidelines for the EAP: bringing electric bills into the range of affordability; encouraging conservation and the use of energy efficiency mechanisms to make electric bills manageable; and making the most effective use of limited funding. The proposal made by the Advisory Board addresses these policy guidelines. It maintains benefits that provide, on average, a discount that

reduces the bill to between 4% and 5% of income, a level previously found to meet the test of affordability. Limiting the number of kilowatt hours to which the discount would apply encourages conservation. We also note that energy efficiency programs for low-income customers are available through the core energy efficiency programs offered by the utilities to further assist customers in managing their electric bills. Establishing a usage cap at this time further enables the EAP to make effective use of its limited funding.

Further, in *Statewide Low Income Electric Assistance Program*, Order No. 24,820 (January 30, 2008), the Commission adopted outcomes against which the EAP would be evaluated, which included providing benefits to approximately 30,000 customers, minimizing the waiting list to the extent possible within the limits of the system benefits charge and the program design, and targeting the greatest benefit to those most in need. The Advisory Board's proposal addresses those outcomes as well. Finally, we are satisfied that, based on its report and the testimony at hearing, the Advisory Board carefully and thoroughly evaluated the problem posed by the reallocation of SBC funding on July 1, 2011, and the other potential solutions to the problem, before making its proposed changes to the EAP design.

As for National Grid's request for reimbursement of one-time administrative costs associated with changing its billing system to implement the 700 kWh cap, we are not persuaded based on the Company's letter that these costs are necessarily of the nature that merits recovery through the SBC, nor is it sufficiently clear that the level of the costs is reasonable. Therefore, we direct the Company to take the steps necessary to implement the cap in a timely manner and to submit a filing seeking recovery. We expect that Staff will review the filing as it would a request for rate case expenses and make a recommendation regarding recovery.

Based upon the foregoing, it is hereby

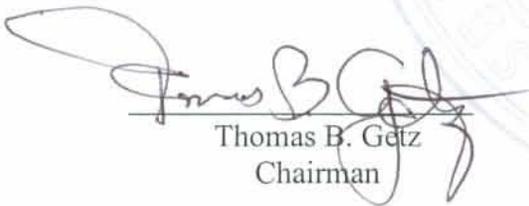
ORDERED, that the changes to the EAP design proposed by the EAP Advisory Board are approved; and it is

FURTHER ORDERED, that tier 1 of the EAP shall be eliminated effective upon the date of this order and that those customers determined to be eligible for EAP at the tier 1 discount level who are currently receiving benefits from EAP will continue to receive benefits until their next recertification; and it is

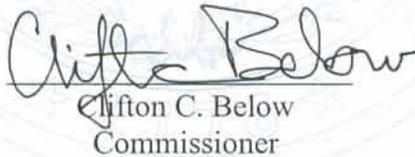
FURTHER ORDERED, that notice be provided to all EAP participants, including those on the waiting list, of the changes in EAP within 30 days of this order; and it is

FURTHER ORDERED, that the Advisory Board update its Procedures Manual as necessary to reflect the approved changes to the EAP design within 30 days of this Order; and it is

By order of the Public Utilities Commission of New Hampshire this fourth day of March, 2011.



Thomas B. Getz
Chairman

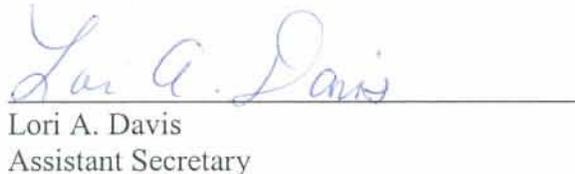


Clifton C. Below
Commissioner



Amy L. Ignatius
Commissioner

Attested by:



Lori A. Davis
Assistant Secretary