

DG 06-120

**RESIDENTIAL LOW-INCOME ASSISTANCE PROGRAM FOR
NATURAL GAS CUSTOMERS**

Order Approving Continuation and Modification of Program

ORDER NO. 24,669

September 22, 2006

I. PROCEDURAL HISTORY

The New Hampshire Public Utilities Commission (Commission) opened this docket for the purpose of considering a settlement agreement filed on September 1, 2006, by EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England (KeySpan), Northern Utilities, Inc. (Northern), the New Hampshire Community Action Association, residential gas customer Pamela Locke (represented by New Hampshire Legal Assistance), the New Hampshire Office of Energy and Planning, the Office of Consumer Advocate and the Staff of the Commission. The settlement agreement proposes the continuation, with certain modifications, of the Residential Low-Income Assistance Program (RLIAP) for natural gas customers, which has been operated on a pilot program basis since November 1, 2005, pursuant to Order No. 24,508 (September 1, 2005) in Docket No. DG 05-076.¹ On September 13, 2006, Staff filed a memorandum with the Commission explaining Staff's rationale for supporting the settlement agreement and recommending Commission approval.

The purpose of the RLIAP is to provide eligible low-income customers with a reduced rate to help mitigate gas costs, while minimizing the impact on non-participating customers. In Order No. 24,508, the Commission approved: (1) a 50 percent reduction off each company's

¹ The Settling Parties in this docket are the same parties which appeared in Docket No. DG 05-076.

tariffed base rate for eligible low-income natural gas customers; (2) outreach plans and reporting requirements submitted by the companies; (3) the companies' projected costs (administrative and program discounts) as well as a limit on such costs; and (4) recovery and reconciliation of RLIAP costs through the Winter 2005/2006 Local Distribution Adjustment Clause (LDAC).

Order No. 24,508 also contained a provision for the parties to meet, no later than June 30, 2006, to review the data provided by the quarterly reports and the status of the pilot program, and discuss any program modifications to be proposed for the 2006-2007 program year. On June 22, 2006, the parties and Staff met to discuss the level of participation, outreach efforts, administrative costs, and the future of the RLIAP. On June 28, 2006, Staff filed a letter with the Commission in Docket No. DG 05-076, noting that the Parties and Staff expected to file, by September 1, 2006, a proposal containing recommended changes regarding the 2006-2007 program year for Commission review and approval. In early August 2006, as part of their quarterly filings, KeySpan and Northern filed with the Commission sensitivity analyses incorporating possible program modifications.

II. SUMMARY OF SETTLEMENT AGREEMENT

The settling parties and Staff agreed as follows:

A. It is in the public interest to continue to offer the RLIAP. Commencing with the 2006-2007 program year, the RLIAP should no longer be treated as a "pilot" program.

B. For the period November 1, 2006, through October 31, 2007, only, the low-income heating rate discount offered by Northern and KeySpan should be increased to reflect a 60 percent reduction in each utility's non-low-income residential heating base

rate for delivery service. The resulting benefit is anticipated to be approximately 15.4 percent of the total bill for an average KeySpan natural gas customer based on 2005 - 2006 gas rates, and 17.6 percent of the total bill for an average Northern natural gas customer based on 2005-2006 gas rates.

C. Northern and KeySpan would continue to file quarterly reports in form and substance substantially similar to two attachments to the settlement.

D. The customer outreach and communication program implemented by the Settling Parties in 2005/06 and reflected in a third attachment to the Settlement should be continued for 2006/07. In addition, Northern and KeySpan agreed to provide customers on the low-income discount rate with notice of the expiration of their eligibility to receive the discount rate no later than thirty days prior to the expiration of the customer's eligibility and include with such notice instructions on how to become re-certified for the discount rate.

E. The settling parties agreed to meet prior to June 30, 2007, to discuss the status of the RLIAP and any program modifications for the 2007-2008 program year, including the level of discount to be proposed to the Commission for its review and approval.

F. Except to the extent modified by the settlement agreement, the settling parties agreed to abide by the terms of the 2005-2006 RLIAP Pilot Program as approved by Order No. 24,508.

III. COMMISSION ANALYSIS

In approving the RLIAP Pilot Program for implementation commencing with the 2005-2006 winter season, the Commission deemed the pilot program to be a worthy policy measure particularly in a time of rapidly escalating energy prices and concluded that the pilot program was permissible as a matter of law, consistent with the public interest, and would result in just and reasonable rates. The report filed by Staff demonstrates that the pilot program has benefited low-income residential heating customers. The average RLIAP customer for KeySpan and Northern experienced savings of 13 percent and 14 percent, respectively, as a result of the discounted delivery rate available under the pilot program. At the same time, there has been only a nominal impact on non-participating customers. Total program costs as a percent of gross revenues were 0.34 percent for Northern and 0.45 percent for KeySpan during the period.

The parties to Docket No. DG 05-076 support the settlement agreement filed in the present docket. In light of the positive accomplishments of the pilot program to date and the expectation that energy costs will remain both high and volatile for the foreseeable future, continuing the RLIAP as proposed by the settling parties and Staff, subject to Commission review and modification in the future, is reasonable.

Although participation in the pilot program has been significant, the Staff report indicates that customer participation has been well below what had been anticipated (approximately 20 percent below projected participation) in estimating the cost for the pilot program. Pilot program participation estimates were largely based on KeySpan's and Northern's experience with similar programs offered by their Massachusetts affiliates, as the companies did not have New Hampshire specific experience at that time. Using the information gained through the pilot

program, both KeySpan and Northern performed sensitivity analyses which indicate that, even with a 10 percent growth in participation in the RLIAP and a modest increase in the delivery rate discount for eligible customers (from 50 percent to 60 percent), the cost of the RLIAP as a percentage of gross revenues will be less than had been projected and approved in the pilot program.

The proposed 10 percent increase in the discount rate during the next program year is estimated in the Staff report to increase RLIAP customer savings for the upcoming year from 12.8 percent to 15.4 percent for KeySpan, and from 14.7 percent to 17.6 percent for Northern. (As a percentage of gross revenues, the increase in the discount rate will increase the cost from 0.59 percent to 0.71 percent for KeySpan, and from 0.26 percent to 0.31 percent for Northern.) We also note that the Companies' over-collection of RLIAP costs during the pilot program resulting from lower than projected customer participation will lessen the rate impact on non-participating customers as the over-collection, including carrying costs, will be applied against the forecasted cost for the upcoming program year.

Based on the sensitivity analyses submitted to the Commission, it appears that the proposed increase in the discount rate during the next program year may be accomplished within the financial cost parameters of the RLIAP. Accordingly, we conclude that it is appropriate to approve the proposed increase. However, we expect the parties and Staff to inform the Commission immediately if it should turn out that the assumptions underlying the sensitivity analyses are incorrect and the financial cost parameters of the RLIAP are jeopardized.

We note that the parties have agreed to the outreach efforts and reporting requirements summarized in Appendices A , B and C of the program description. We find that the timing and

the components of these plans are reasonable. For the forgoing reasons, we conclude that the settlement agreement is just and reasonable and will serve the public interest, and we therefore approve it.

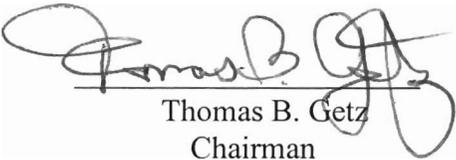
Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement is hereby APPROVED, as set forth above; and it is

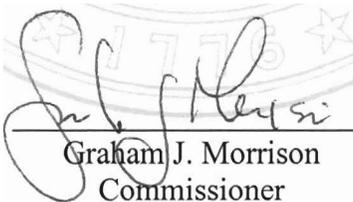
FURTHER ORDERED, that KeySpan and Northern will be allowed to recover the prudently incurred costs of the RLIAP through a RIALP component of the Winter Season Cost of Gas - LDAC recovery mechanism; and it is

FURTHER ORDERED, that KeySpan and Northern file annotated tariff pages in compliance with this Order no later than 15 days from the issuance date of this Order, as required by N.H. Code Admin. Rules Puc 1603.

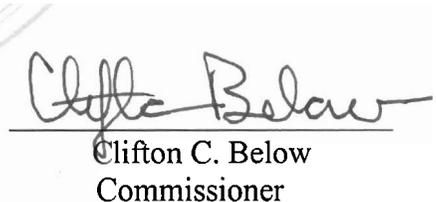
By order of the Public Utilities Commission of New Hampshire this twenty-second day of September, 2006.



Thomas B. Getz
Chairman



Graham J. Morrison
Commissioner



Clifton C. Below
Commissioner

Attested by:



Debra A. Howland
Executive Director & Secretary