

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 20-013

In the Matter of:

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

CONSIDERATION OF PROGRAM DESIGN CHANGES

Direct Testimony

of

**Al-Azad Iqbal
Utility Analyst – Gas & Water Division**

July 24, 2020

1 **Q. Please state your name, current position, and business address.**

2 **A.** My name is Al-Azad Iqbal. I am employed by the New Hampshire Public Utilities
3 Commission (Commission) as a Utility Analyst. My business address is 21 South Fruit
4 Street, Suite 10, Concord, New Hampshire, 03301.

5 **Q. Please summarize your educational and professional background.**

6 **A.** My educational and professional backgrounds are summarized in Appendix A.

7 **Q. What is the purpose of your testimony?**

8 **A.** The purpose of my testimony is to provide background and underlying rationale for the
9 proposed modifications to the Residential Low Income Assistance Program (RLIAP) in
10 the parties' "Joint Proposal on RLIAP Program Modifications" settlement agreement.

11 **Q. Please describe briefly the context of the current docket.**

12 **A.** As part of New Hampshire gas utilities' last rate cases, *Liberty Utilities (EnergyNorth*
13 *Natural Gas,)* Corp. d/b/a *Liberty Utilities*, Request for Change in Rates (filed March 28,
14 2017)(DG 17-048) and *Northern Utilities, Inc.*, Request for Change in Rates (filed April
15 25, 2017)(DG 17-070), Commission Staff reviewed the RLIAP and recommended
16 changes. In Order 26,122 at 50 (April 27, 2018), the Commission declined to make any
17 changes to RLIAP, and ruled that a separate docket be opened to consider RLIAP
18 changes. On January 23, 2020, Staff filed a recommendation, proposing that the
19 Commission open a generic docket to consider changes to the RLIAP. The Commission
20 adopted the recommendation, made the gas utilities mandatory parties, and issued an
21 order of notice on January 30, 2020, which scheduled a prehearing conference for March
22 13, 2020 followed by a technical session.

1 **Q. Please describe briefly the process of the investigation.**

2 **A.** The investigation was a collaborative effort among the participating parties: Liberty
3 Utilities, Northern Utilities, the Office of the Consumer Advocate (OCA), The Way
4 Home, by and through counsel, New Hampshire Legal Assistance (NHCLA), the New
5 Hampshire Community Action Agencies (NHCAA), and Commission Staff. Staff and
6 other parties exchanged ideas through the discovery process, including two sets of Staff
7 data requests to each party, and four technical sessions.

8
9 In response to Staff data requests, the utilities provided information on similar programs
10 currently active in their affiliates' territories. NHCAA provided information about
11 similar programs they administer in New Hampshire, as well as associated administrative
12 costs and models. Based on the information provided, Staff developed a proposal for a
13 modification of the program to reduce the distribution rate discount from 60% to 35%
14 and discount the supply rate 35%. Staff emailed the proposal to the other parties on June
15 3, 2020. Staff's initial proposal, as described in greater detail below, was discussed in a
16 subsequent technical session on June 17, 2020. After considering ideas proposed by the
17 OCA, including a 45% winter discount model, and input from other parties, a settlement
18 proposal was developed.

19 **Q. What factors were considered in developing the settlement agreement?**

20 **A.** Initially, the focus was upon changes in the marketplace that occurred after the program
21 was introduced in 2005, and subsequently modified in 2006, and the impact of those
22 changes on internal program cost parameters. The salient considerations were: whether
23 the program was consistent with the original intent; whether the program design and

1 efficiency of the design (the discount percentages and its application to the bill
2 components) were appropriate given altered market conditions; and whether the program
3 cost parameters needed to be re-evaluated.

4
5 The Governor declared a State of Emergency in response to COVID-19 the day of the
6 pre-hearing conference. Given the on-going pandemic and associated uncertainty, and a
7 potential increase in both the number of gas heat customers needing financial assistance,
8 and in the amount of assistance that may be needed, the parties expanded the focus of
9 investigation to achieve the following goals:

- 10 ○ keep the percentage discount approximately consistent with last year's benefit for
11 qualifying customers;
- 12 ○ create consistent discounts for qualifying customers by extending the percentage
13 discount to distribution and supply rates (exclusive of the LDAC);
- 14 ○ maximize benefits when heating assistance is most needed (winter months);
- 15 ○ limit program changes to those that can be implemented expeditiously and at
16 minimal cost to be able to implement the changes prior to the upcoming winter
17 and to minimize the rate impact on non low-income qualifying customers;
- 18 ○ limit program changes to those that do not require significant changes in how the
19 program is administered to be able to implement the changes prior to the
20 upcoming winter and to minimize the rate impact on non low-income qualifying
21 customers;

- eliminate financial cost parameters that required Staff notification if program costs exceeded 1% of a utility's gross revenue or 1% of typical residential heating customer's total bill;¹
- explicitly provide for Commission review as part of each utility's annual cost of gas case.

The parties' also recognized that conducting an investigation during a pandemic limited the amount of time and resources the parties and Commission have to address the issue.

The parties worked as efficiently as possible to propose changes to improve the program and, if the proposal is accepted by the Commission on or before August 31, 2020, the utilities will have sufficient time to implement proposed RLIAP modifications no later than November 1, 2020. Staff believes that any more robust changes should be considered in future proceedings, if necessary.

Q. Please explain how the settlement agreement limits implementation and administrative cost

A. The proposed modifications achieve the goals of limiting the administrative and implementation costs. One of the main implementation costs for program changes is the cost of billing changes. Under the proposed modification, in response to Staff DR 2-3, Liberty estimated there would be no additional cost, and Northern estimated additional costs of \$4,760, to implement the proposed bill change.

¹ See **Attachment 2 "Program Costs."** For 2018-19, the average for program costs was 1.18% (EnergyNorth) and 0.42% (Northern) of gross revenue. For 2018-19, the bill impact of RLIAP for a typical residential heating customer was 0.79% (EnergyNorth) and 0.23% (Northern) of the total bill.

1 It is not expected that there will be a significant increase, if any, in administrative costs.

2 The gas utilities currently conduct a high level of outreach to customers regarding the

3 program, and the parties are meeting on August 4, 2020, after the hearing, to discuss

4 further measures that utilities might undertake. If the Commission approves the

5 settlement agreement, the utilities will need to notify customers of the program changes;

6 however, those costs are not expected to be significant. The same is true for any potential

7 changes in utility outreach efforts. The NHCAA would not need to change any of its

8 processes for gas customers, thus avoiding any staffing or cost increases.

9 **Q. Please describe how the customer benefit is structured under the proposed modified**
10 **program design, and why.**

11 **A.** The benefit is structured to create consistent discounts for qualifying customers by
12 applying the percentage discount to distribution and supply rates (exclusive of the
13 LDAC). This same change will better assist customers in managing volatile supply costs,
14 if and when markets change. At present, the benefit is a percentage discount on
15 distribution rates. When initially implemented, it was assumed that distribution rates and
16 supply rates would remain relatively same proportionally.

17
18 As proposed, the benefit structure would provide a discount when low-income customers
19 need those benefits the most – the high cost winter months. The current discount is
20 applied from November 1 through October 31. The modified design focuses on winter
21 months only, i.e. November 1 through April 30, when gas bills are high. For example, a
22 typical customer pays over 80% of the natural gas bill in the winter season. Similar
23 programs such as the federal low-income home energy assistance program (LIHEAP)

1 also focus on a winter season. In addition to high usage and costs during the winter
2 months, winter bills can be volatile due to fluctuations in gas demand and supply. Usage
3 and costs during the summer are lower, which makes summer gas bills more manageable.
4 By focusing on winter months only, the proposed modification could also help to reduce
5 the bill volatility for qualifying low-income customers. The change will also make it
6 easier to understand the expected discount and thus create greater certainty for customers'
7 bills. Under the current program, where the discount does not apply to the supply charge,
8 the discount on customer bills is much greater when usage is low and lower when usage
9 is high.

10 **Q. Please explain how the modified design of the program impacts the over-all benefit**
11 **for the participating customers.**

12 **A.** Although the benefit is winter only (November 1 through April 30), the proposed
13 modifications do not reduce the overall annual benefit of a typical customers under the
14 current program design. The existing 60% reduction on distribution rates (exclusive of
15 the LDAC) provides an approximate 35% discount on a participating low-income
16 customer's total bill, both distribution and supply (exclusive of the LDAC) for the twelve
17 month period November 1 through October 31. This 35% discount, in turn, is equivalent
18 to an approximate 45% discount on distribution and supply (exclusive of the LDAC) for
19 the winter months, November 1 to April 30. The settlement proposes a 45% winter
20 discount. (*See Attachment 1 "Comparison of Discounts"*). Thus, a typical low-income
21 participant will receive approximately the same level of financial benefit under the
22 proposal.

1 **Q. Will the modification impact benefits from other low-income programs like**
2 **LIHEAP?**

3 **A. Benefits from low-income programs vary from customer to customer. Although the**
4 modification might impact an individual natural gas heating customer's benefit
5 minimally, it will not impact the overall LIHEAP monies available to New Hampshire
6 customers.

7 **Q. How does the settlement agreement provide for future changes to the RLIAP**
8 **program?**

9 **A. The settlement provides the opportunity for an annual review of the RLIAP program as**
10 part of the annual COG filing. Thus, it provides an opportunity for the Commission to
11 make further adjustments, if necessary, in the future, when the economic environment is
12 less uncertain.

13 **Q. Does that conclude your testimony?**

14 **A. Yes.**

Appendix A**Educational and Professional Background****Al-Azad Iqbal**

I am employed by the New Hampshire Public Utilities Commission (PUC) as a Utility Analyst in the Gas & Water Division. My business address is 21 S. Fruit Street, Suite 10, Concord New Hampshire, 03301.

I received my Bachelor degree in Architecture (B. Arch) from Bangladesh University of Engineering and Technology. I received my Master's (MS) in Environmental Management from the Asian Institute of Technology and I also received Master's in City and Regional Planning (MCRP) from The Ohio State University. I was a Doctoral Candidate at the City and Regional Planning Department at The Ohio State University.

Since joining the PUC in 2007, I have participated in several utility-related training courses including: marginal cost training by National Economic Research Associates (NERA); Advanced Regulatory Studies at the Institute of Public Utilities, Michigan State University; and depreciation training through the Society of Depreciation Professionals. I am an active member of that society. I filed numerous testimonies on issues related to marginal cost, energy efficiency, revenue decoupling, cost of service, depreciation, rate design, and other matters during my tenure at PUC.

Prior to joining the PUC, I was involved in teaching and research activities in different academic and research organizations. Most of my research work was related to the quantitative analysis of regional and environmental issues.

Attachment 1

Comparison of Program Designs

**Northern Utilities
Typical Heating Customer
November 2019 to October 2020
(732 therms: Winter 600, Summer 132)**

No Discount				Existing 60% Discount on Base rate			Staff proposal 35% Discount			Settlement 45% Winter Discount		
	Winter	Summer	Total	Winter	Summer	Total	Winter	Summer	Total	Winter	Summer	Total
Base rate	\$548	\$214	\$762	\$219	\$86	\$305	\$356	\$139	\$495	\$302	\$214	\$515
CoG	\$352	\$31	\$383	\$352	\$31	\$383	\$229	\$20	\$249	\$193	\$31	\$225
LDAC	\$42	\$9	\$52	\$42	\$9	\$52	\$42	\$9	\$52	\$42	\$9	\$52
Total	\$942	\$255	\$1,197	\$613	\$126	\$740	\$627	\$169	\$796	\$537	\$255	\$792
Discount \$				\$329	\$128	\$457	\$315	\$86	\$401	\$405	\$0	\$405
Discount % Total				35%	50%	38%	33%	34%	33%	43%	0%	34%
Discount % wo LDAC				37%	52%	40%	35%	35%	35%	45%	0%	35%

Source: Staff 2-2

**EnergyNorth Utilities
Typical Heating Customer
May 2019 to April 2020
(775 therms: Winter 622, Summer 153)**

No Discount				Existing 60% Discount on Base rate			Staff proposal 35% Discount			Settlement 45% Winter Discount		
	Winter	Summer	Total	Winter	Summer	Total	Winter	Summer	Total	Winter	Summer	Total
Base rate	\$433	\$175	\$609	\$173	\$70	\$244	\$282	\$114	\$396	\$238	\$175	\$414
CoG	\$392	\$75	\$468	\$392	\$75	\$468	\$255	\$49	\$304	\$216	\$75	\$291
LDAC	\$36	\$10	\$46	\$36	\$10	\$46	\$36	\$10	\$46	\$36	\$10	\$46
Total	\$862	\$261	\$1,123	\$602	\$156	\$757	\$573	\$173	\$746	\$490	\$261	\$751
Discount \$				\$260	\$105	\$365	\$289	\$88	\$377	\$371	\$0	\$371
Discount % Total				30%	40%	33%	34%	34%	34%	43%	0%	33%
Discount % wo LDAC				32%	42%	34%	35%	35%	35%	45%	0%	35%

Source: Staff 2-2

Attachment 2**Program Costs****EnergyNorth**

	Based on COG			from Annual report		Based on COG
	From Annual COG (Schedule 19) 776 therms usage					
Year	Program cost	Number of participants	Discount/ participant	Company Revenue	% rev	Low income charge as % of Typical Res Heating Bill
Actual**						
2018-19	\$1,864,087	5,056	369	\$157,495,294	1.18%	0.79%
2017-18	\$1,512,253	4,463	339	\$139,890,158	1.08%	0.64%
2016-17	\$1,584,540	5,003	317	\$120,053,649	1.32%	0.51%
Average					1.19%	0.65%

Northern

	Based on COG			from Annual report		Based on COG
	From Annual COG(Schedule 38-SED - RLIARA) 601 therms usage					
	Program cost	Number of participants	Discount/ participant	Company Revenue	% rev	Low income charge as % of Typical Res Heating Bill
Actual**						
2018-19	\$331,773	731	454	\$78,641,848	0.42%	0.23%
2017-18	\$336,093	848	396	\$69,058,923	0.49%	0.22%
2016-17	\$450,274	1,063	424	\$64,947,341	0.69%	0.58%
Average					0.53%	0.35%

** Based on CoG filing, bill impact data for previous years' actuals