

EAP Advisory Board
Recommendation Regarding Customers Using Competitive Energy Suppliers
April 5, 2018

Since the advent of electric industry restructuring almost two decades ago, all electric customers have paid – through the non-bypassable System Benefits Charge (SBC) – for an Electric Assistance Program (EAP) whose purpose is to help low-income residential customers afford the vital services they receive from the electricity grid. See RSA 374-F:3, VI and RSA 374-F:4, VIII(c). The EAP has helped thousands of customers over the years by providing a discount on participant electric bills but, to date, the discount has not been available for that portion of a bill comprising charges owed to a non-utility competitive energy supplier.

The EAP Advisory Board has been gathering information and discussing this issue for the past year. In early 2017, the Advisory Board convened a subcommittee to consider various options for applying the discount to the energy supply charges of competitive energy suppliers. Unlike utility default energy service, which is the same price for a fixed period for all residential customers, there are multiple rates for varying time periods associated with energy service purchased from competitive suppliers. To avoid the complexity associated with basing discounts on supplier rates, the subcommittee recommended calculating the discount for competitive supply customers using the utility's default energy service rate as a proxy. The discount would still only be applicable to each customer's first 750 kWh of usage. All usage over 750 kWh would not be discounted.

The subcommittee found the use of the default energy service rate to be a reasonable proxy and that its use treated customers who had migrated to a competitive energy supplier in the same manner as customers who remain on default energy service. Further, the use of the default energy service rate represented the solution most easily accommodated by the utility billing systems. The Advisory Board recognizes that this confers something of an advantage to customers who find a competitive supply rate that is more favorable than the available default energy service rate. Nevertheless, the Advisory Board recommends this approach because (1) it rewards the successful use of retail choice, (2) it limits the exposure of the EAP fund in cases where a customer is paying an unusually high rate to a competitive supplier, and (3) it avoids the billing complexity of calculating a specific discount for various suppliers and supply rates.

In September 2017, the Board met with representatives of the competitive suppliers to discuss the above approach. The participating competitive suppliers were supportive of the proposal, and, as a result of those discussions, the Board now recommends that the Public Utilities Commission approve the application of the discount to the entire bill of all program participants, regardless of whether the EAP participant purchases electricity from the utility or from a competitive supplier. The proposed timeframe for accomplishing such a program revision, and the program implications of such a change, are discussed below. The Advisory Board believes that changing the EAP in this fashion will make the program more equitable by ending what is, in effect, a penalty to customers who choose a competitive supplier and provide those EAP participants with further potential saving on their electric bills.

Based on data provided by the utilities regarding the number of current EAP participants who have selected a competitive energy supplier, applying the discount to the energy supply portion of the bill for those EAP participants who have chosen competitive suppliers would increase monthly program costs by \$55,200. To accommodate the billing systems changes that will need to be made, the Advisory Board recommends an implementation date of October 1, 2018, the start of the 2018-2019 program year¹. Assuming the proposed change becomes effective on October 1, 2018, the charts below show the projected effect of applying the EAP discount to the competitive energy supply portion of a participant’s bill. Three scenarios are shown, one based on the 5 year average enrollment figure of 32,800, one based on an enrollment level of 30,800, the average enrollment during the 2016-2017 program year and the third based on an enrollment level of 31,800 customers, the midpoint of the 5 year average enrollment and the PY 16-17 average enrollment. The Advisory Board suggests using an enrollment level of 31,800 as a reasonable proxy for future EAP enrollment for the purpose of evaluating the financial impact of implementing the recommended program modifications.

5 year average enrollment of 32,800			
EAP Discount applied to competitive energy supply portion of bill effective October 1, 2018			
	PY 2017 – 2018 (4 months actual data)	PY 2018-2019	PY 2019-2020
Projected EAP Revenue	\$15,862,114	\$15,802,864	\$15,802,864
Benefits Paid	\$14,148,726	\$14,329,103	\$14,329,103
Discount to EAP Participants on Competitive Supply	\$0	\$662,397	\$662,397
Administrative Costs	\$1,891,513	\$1,891,513	\$1,891,513
Projected Expenses	\$16,040,239	\$16,883,013	\$16,883,013
Net Balance	(\$178,125)	(\$1,080,149)	(\$1,080,149)
Balance in EAP Fund at Start Of Program Year	\$2,136,122	\$1,958,141	\$878,157
Interest On EAP Fund	\$144	\$166	\$166
Balance in EAP Fund at End Of Program Year	\$1,958,141	\$878,157	(\$201,827)

¹ The utilities expect to implement the EAP design change approximately 6 months from the issuance of a Commission order with a target implementation date of October 1, 2018.

2016-2017 program year average enrollment of 30,800			
EAP Discount applied to competitive energy supply portion of bill effective October 1, 2018			
	PY 2017 – 2018 (4 months actual data)	PY 2018-2019	PY 2019-2020
Projected EAP Revenue	\$15,862,114	\$15,802,864	\$15,802,864
Benefits Paid	\$13,566,242	\$13,455,377	\$13,455,377
Discount On Competitive Supply	\$0	\$662,397	\$662,397
Administrative Costs	\$1,891,513	\$1,891,513	\$1,891,513
Projected Expenses	\$15,457,755	\$16,009,287	\$16,009,287
Net Balance	\$404,359	(\$206,423)	(\$206,423)
Balance In EAP Fund At Start Of Program Year	\$2,136,122	\$2,540,625	\$2,334,367
Interest On EAP Fund	\$144	\$165	\$166
Balance In EAP Fund At End Of Program Year	\$2,540,625	\$2,334,367	\$2,128,109

31,800 average enrollment (midpoint of 5 year average and PY 16-17 average)			
EAP Discount applied to competitive energy supply portion of bill effective October 1, 2018			
	PY 2017 – 2018 (4 months actual data)	PY 2018-2019	PY 2019-2020
Projected EAP Revenue	\$15,862,114	\$15,802,864	\$15,802,864
Benefits Paid	\$13,857,484	\$13,892,240	\$13,892,240
Discount On Competitive Supply	\$0	\$662,397	\$662,397
Administrative Costs	\$1,891,513	\$1,891,513	\$1,891,513
Projected Expenses	\$15,748,997	\$16,446,150	\$16,446,150
Net Balance	\$113,117	(\$643,286)	(\$643,286)
Balance In EAP Fund At Start Of Program Year	\$2,136,122	\$2,249,383	\$1,606,262
Interest On EAP Fund	\$144	\$165	\$166
Balance In EAP Fund At End Of Program Year	\$2,249,383	\$1,606,262	\$963,141

As shown by the above, EAP enrollment levels have a significant impact on the effect of this program change on the sustainability of the program. An enrollment level of 32,800 would result in the balance in the EAP Fund being exhausted by the end of the 2019-2020 EAP program year. Enrollment levels of 30,800 would not result in significant reductions to the balance in the EAP Fund while an enrollment level of 31,800 would reduce the balance to below \$1M over a two year period and maintain a positive balance in the EAP Fund². Any increases in the average EAP benefit resulting from utility rate increases, both for delivery service and energy service, would also affect the balance in the EAP Fund. The Advisory Board will carefully monitor EAP enrollment levels and benefits paid to ensure the continued financial sustainability of the EAP should the Commission approve the recommendation of the Advisory Board to apply the discount to the energy supply portion of the bill for EAP participants that have migrated to a competitive energy supplier.

A key component of the Advisory Board's proposal is a requirement that, to receive the discount on the competitive energy supply portion of the bill, only those EAP participants who have selected competitive suppliers that rely on consolidated billing would be able to receive the benefit on the competitive energy supply portion of the bill. Although the applicable rule, N.H. Code Admin. Rules Puc 2004.06, allows competitive suppliers to bill directly rather than relying on the distribution utility to bill on a consolidated basis, the Advisory Board believes it would be unworkable for a competitive supplier to provide the EAP discount and obtain reimbursement from the EAP fund. Alternatively, if the utility calculated the discount based on the usage, the applicable discount tier and its default energy service rate and applied that amount as a credit to utility bills of EAP participants where the selected supplier did not utilize consolidated billing, it is possible that the resulting balance on the utility bill would be a credit to the customer. The EAP is intended to help make electric bills affordable. As a credit balance on a customer's electric bill would not be transferable to a supplier that does not utilize consolidated billing, applying the discount to energy supply on utility bills where the supplier does not utilize consolidated billing would not be consistent with the goal of making electric bills affordable. The Advisory Board does not believe an amendment to Puc 2004 would be necessary to effectuate the requirement for consolidated billing inasmuch as it would be a component of individual customer eligibility rather than a directive to competitive suppliers.

A question that remains unresolved is the level of cost each utility would recover from the EAP Fund for changes to their billing systems to implement the recommended program change. Eversource and Liberty have provided estimates of \$180,000 and \$182,000, respectively, with Unitil and NHEC providing estimates of \$25,000 and \$20,000, respectively. The total estimated cost of the billing system changes is \$407,000, which is approximately equivalent to eight months of the appropriate EAP discount applied to the energy supply portion of the bills for those EAP participants who have chosen competitive suppliers.

The billing system changes associated with the Advisory Board's recommendation are costs that the utilities would not incur but for the EAP. The Board recognizes that it is appropriate for the utilities to recover costs associated with the billing system changes which the Commission determines to be reasonable and prudent. There is a significant difference in the estimated IT costs, from a low of \$20,000 to a high of \$182,000. The Advisory Board supports moving ahead

² The estimated program implementation costs, together with the estimated annual costs of the expanded EAP discounts, also serve to address and reduce the current EAP Fund balance so as to expend these funds for other needed program purposes in accordance with the provisions of RSA 369-B:3,IV (b)(6) and RSA 374-F:4, VIII (c).

with the change to the EAP as the additional benefit that will be provided to EAP participants is anticipated to exceed the estimated IT costs within eight months following implementation of the change. The Advisory Board believes that matters related to each utility's costs to implement the recommended change to the program design are more appropriately examined in a Commission proceeding and looks forward to exploring the support for those costs as part of such proceeding.