BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

In Re.	)	
	)	
Public Service Company of New Hampshire d/b/a Eversource Energy Notice of Intent to File Rate Schedules	)	**Docket No. DE 19-057**

DIRECT TESTIMONY OF

ROGER D. COLTON

ON BEHALF OF THE

The Way Home

December 20, 2019

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Roger Colton. My business address is 34 Warwick Road, Belmont, MA 02478.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am a principal in the firm of Fisher Sheehan & Colton, Public Finance and General Economics of Belmont, Massachusetts. In that capacity, I provide technical assistance to a variety of federal and state agencies, consumer organizations and public utilities on rate and customer service issues involving water/sewer, natural gas and electric utilities.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of The Way Home.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.

A. I work primarily on low-income utility issues. This involves regulatory work on rate and customer service issues, as well as research into low-income usage, payment patterns, and affordability programs. At present, I am working on various projects in the states of Washington, New Hampshire, Maryland, Pennsylvania, Michigan, and Illinois, as well as in the provinces of Ontario and British Columbia. My clients include state agencies (*e.g.*, Pennsylvania Office of Consumer Advocate, Maryland Office of People's Counsel, Illinois Office of Attorney General), federal agencies (*e.g.*, the U.S. Department of Health and Human Services), community-based organizations (*e.g.*, New Hampshire Legal Assistance, Action Centre Tenants Ontario, BC Public Interest Advocacy Centre), and

private utilities (*e.g.*, Unitil Corporation d/b/a Fitchburg Gas and Electric Company, Entergy Services, Xcel Energy d/b/a Public Service of Colorado). In addition to state- and utility-specific work, I engage in national work throughout the United States. For example, in 2011, I worked with the U.S. Department of Health and Human Services (the federal LIHEAP office) to create the Home Energy Insecurity Scale and to advance its utilization as an outcomes measurement tool for LIHEAP and other low-income utility bill affordability programs. In 2016, I was part of a team that engaged in a study for the Water Research Foundation (the research arm of the American Water Works Association) on how to reach "hard to reach" customers. A description of my professional background is provided in Appendix A.

Q. PLEASE EXPLAIN YOUR PREVIOUS WORK ON LOW-INCOME BILL ASSISTANCE.

A. Over the course of the past 35 years, I have frequently been involved with the planning, implementation and evaluation of bill assistance programs for low-income households. In the past year, I have designed a water affordability program for the City of Baltimore and consulted with the California Public Utilities Commission in its consideration of how to address affordability in that state. I am now also working for the state association of Community Action Agencies ("CAAs") in Washington State on design and implementation issues involved with the implementation of a new legislative mandate for utilities to adopt low-income affordability programs. In 2019, I worked for the Pennsylvania Office of Consumer Advocate in the Pennsylvania PUC's generic proceeding reviewing the bill affordability programs in that state. In past years, amongst

other activities, I was the consultant for the Staff of the New Hampshire PUC in its development of an Electric Assistance Program (EAP); for the Maryland Office of Peoples Counsel in that state's design of its Electric Universal Service Program (EUSP); for the New Jersey Division of Ratepayer Advocate in that state's design of its Universal Service Fund (USF); and for the staff of the Ontario Energy Board in that province's development of its Ontario Electricity Support Program (OESP). I consulted with and for the Philadelphia City Council on the development of that city's water affordability program, and was named the Detroit City Council's representative to the Detroit Blue Ribbon Panel on Water Affordability. I was hired as the evaluator of low-income assistance programs by Missouri Gas Energy, Public Service Company of Colorado, and Empire District Electric. A complete listing of my publications and testimonies can be found in Appendix A.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. After receiving my undergraduate degree in 1975 (Iowa State University), I obtained further training in both law and economics. I received my law degree in 1981 (University of Florida). I received my Master's Degree (Regulatory Economics) from the MacGregor School, Antioch University, in 1993.

Q. HAVE YOU EVER PUBLISHED ON PUBLIC UTILITY REGULATORY ISSUES?

A. Yes. I have published three books and more than 80 articles in scholarly and trade journals, primarily on low-income utility and housing issues. I have published an equal

number of technical reports for various clients on energy, water, telecommunications and other associated low-income utility issues. My most recent publication is a chapter in the book "Energy Justice: US and International Perspectives," published by Edward Elgar Publishing in London. My chapter was titled 'The equities of efficiency: distributing usage reduction dollars." It offers an objective definition of "equity" based on legal and economic doctrine. A list of my publications is included in Appendix A.

Q. HAVE YOU EVER TESTIFIED BEFORE THIS OR OTHER UTILITY COMMISSIONS?

A. Yes. I have submitted testimony to the New Hampshire PUC in numerous proceedings over the past 30+ years regarding rates, the structure and funding of New Hampshire's bill assistance programs, and low-income energy efficiency investments. In addition, I have testified in more than 270 regulatory proceedings in more than 30 states and various Canadian provinces on a wide range of utility issues. A list of the proceedings in which I have testified is listed in Appendix A.

Q. PLEASE EXPLAIN THE PURPOSE OF YOUR DIRECT TESTIMONY.

A. In this proceeding, my objective is to review the following issues:

- The structure of the Eversource Energy (hereafter "the Company") arrearage management ("New Start") program;
- Implementation issues involved with the Company's proposed arrearage management program;

- Cost recovery issues presented by the Company's proposed arrearage management program;
- Specific customer service issues that should be resolved as part of this rate proceeding; and
- The reasonableness of the Company's proposed "fee free" program.

Q. PLEASE SUMMARIZE THE RECOMMENDATIONS YOU MAKE THROUGHOUT YOUR TESTIMONY BELOW.

A. In my testimony below, I make the following recommendations:

- The Company's New Start Program should be approved (page 8).
- The Company's New Start Program should use a minimum arrears of $120 to establish eligibility (page 9).
- The Company should, for Hardship customers with an arrearage balance less than that qualifying them for New Start, forego its existing internal rule denying customers the opportunity to enter into Budget Billing so long as they carry an arrearage balance (page 17).
- The Company should provide a pro rata credit toward New Start arrears upon receipt of each complete payment, even if that payment is not made by the billing due date (page 19).
- The Company should eliminate its proposal to "remove" a low-income customer from New Start if the customer misses two payments (page 25).
- The Company should apply LIHEAP benefits to the asked-to-pay amount rendered to program participants. When LIHEAP benefits are applied in this fashion, they should be "counted" as a complete payment of a customer's bill for purposes of earning arrearage credits (page 29).
- Customers who enroll in the Company's New Start Program should be encouraged, though not required, to also enroll in Budget Billing. To the extent that they do enroll in Budget Billing, their complete payment of a

Budget Billing amount should be deemed a complete payment for purposes of earning an arrearage credit, irrespective of whether the Budget Billing plan is carrying a debit balance or a credit balance relative to the customer's annual bill to date. Moreover, to the extent that a customer ends a Budget Billing year with a bill credit, the amount of that credit should be applied in a manner that will earn the customer an equivalent amount of arrearage credits as if those payments had constituted individual monthly payments (page 31).

- The Company should extend the New Start Program to Hardship customers who have already experienced a disconnection of service (page 34).

- The Company should adopt a system of "express lane eligibility" (also sometimes known as "adjunctive eligibility") to qualify low-income customers for its New Start Program. The Company should use a joint application form with the following state-administered programs: TANF, Medicaid, SNAP (Food Stamps), WIC, and Free and Reduced School Breakfast/Lunch programs (page 39). To the extent possible, the Company should use an identical application form or procedure as used by Community Action Agencies who administer EAP/LIHEAP and WAP.

- Hardship eligibility should be extended so as not to require annual income reverification or recertification (page 42).

- The Company should, as it implements this program, also constitute an ongoing "Advisory Committee" or "Advisory Panel," comprised of Company staff and various stakeholders (*e.g.*, Staff, The Way Home, Office of Consumer Advocate, Community Action Agencies) to regularly meet during the first three or four years of the program. The Advisory Panel should be consulted not only on ongoing implementation issues as they arise, but it should also be charged with reviewing the ongoing operations and outcomes of the program (page 45).

- The costs associated with the New Start Program should not be included in the DRAM as an automatic adjustment clause. In the absence of extraordinary circumstances, program costs should be exclusively reflected in distribution base rates (page 47).

- The Company should not be reimbursed for 100% of the arrearage credits that it provides through the New Start Program. Instead, the expense reimbursement should be adjusted to take into account those revenues that

would not have been collected even in the absence of the program as well as for reduced operating expenses (page 51).

- The Company should adopt an exemption for certain service charges (Disconnect/Reconnect fee; New Service Fee; Field Collection Fee) for customers who would otherwise be subject to an exemption from the Company's late payment charge for income-related reasons. (page 61).

- The Company should add a fourth exemption from late payment charges. The Company should exempt customers participating in the New Start Program from being charged late payment fees (page 62).

- The Company should be directed that it shall not threaten to disconnect service when it has no present intent to disconnect service on the date noticed or when actual disconnection is prohibited. The Company should be ordered to provide a notice of the intent to disconnect service ***only*** as a warning that service will in fact be disconnected on the date published in the notice in accordance with the procedures of the Commission, unless the customer remedies the situation which gave rise to the enforcement efforts. A disconnect notice should be issued if, but only if, a disconnection of service has been scheduled for implementation (page 74).

- The Company should be directed to conduct an appropriate assessment of language translation and interpretation needs based on the geographic areas they serve to ensure that the requirements of Title VI regarding document translation are fulfilled. The Company should adopt a policy to ask callers – either directly or through the use of a call-in prompt - whether they would like an interpreter at the start of a call to ensure that all LEP individuals are provided with meaningful access to interpretation services. At a minimum, the information about the availability of an interpreter should be in Spanish, the dominate language spoken by LEP individuals. However, if the Company conducts a more appropriate assessment of language needs in the geographic region, and finds that other languages are also prominent, those languages should also be included in the information provided to callers about the availability of interpreter services (page 81).

- The Company should be directed, within 90 days of a final order in this proceeding, to submit to the Commission and all relevant stakeholders (*e.g.*, The Way Home, Staff, OCA) a comprehensive review of how it complies with PUC regulation 1203.07(c). In particular, the Company should be directed to

demonstrate how, if at all, it is explicitly taking into consideration the size of the arrearage; the reasons why the arrearage is outstanding and whether those reasons will or will not continue during the course of payment, and the customer's ability to pay (page 92).

- The Company's "fee free" proposal should be approved (page 94).

Part 1. Structure of Arrearage Management Program.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I recommend the following discrete modifications to the structure of the New Start Program.

- The demarcation of the minimum arrears for New Start participation;
- The proposed treatment of hardship customers with arrears under those circumstances in which the level of arrears does not meet the New Start minimum threshold;
- The removal of New Start participants for nonpayment;
- The intersection of LIHEAP and New Start;
- The intersection of Budget Billing and New Start; and
- The New Start treatment of customers who have had service disconnected for nonpayment.

Before I begin my discussion of the modifications I recommend for the New Start program, however, I wish to make clear that I recommend that the Company's New Start Program should be approved with the modifications I propose.

A. Minimum Level of Arrears for New Start Participation.

Q. PLEASE COMMENT ON THE PROPOSED MINIMUM ARREARS REQUIRED TO PARTICIPATE IN THE NEW START PROGRAM.

A. The proposed minimum arrearage of $300 is excessive. I recommend a minimum arrearage of $120. I base my recommendation on the following data and analysis.

First, setting the minimum arrears at $300 will, on average, nearly always exclude non-heating customers. Schedule RDC-1 presents the average arrears (of accounts in arrears) for heating (page 1 of 2) and non-heating (page 2 of 2) accounts for the months of October 2016 through July 2019.[1] The heating data (page 1 of 2) shows that over the 34-month period, in two months, the average arrears was less than $300, while in four more months, the average arrears was more than $300 but less than $317. On average, New Start would reach heating customers in arrears in most months.

In contrast, however, for *non*-heating accounts (page 2 of 2), during the same 34-month period, the average arrears was less than $300 in 26 months with the average exceeding $300, but being less than $319, in six more months. On average, in other words, in most months, the New Start Program as proposed by the Company would *not* reach EAP customers who do *not* heat with electricity.

Q. IS THERE A FLAW IN LIMITING YOUR ANALYSIS TO ACCOUNTS "ON AVERAGE"?

[1] The data set begins in October to allow the discussion to incorporate the full heating season. In contrast, data that is limited to calendar years splits the heating season both beginning the data set (January through March) and at the end of the data set (November-December).

A. No. The exclusion of low-income accounts from the New Start Program does not lie simply in the averages. Schedule RDC-2 presents monthly data on the size of arrears distributed to allow a determination of the proportion of accounts in arrears that, in fact, have arrears less than $300. Again, the study period is October 2016 through July 2019 (34 months).

The two charts below summarize this data. Chart 1 shows the *number* of EAP accounts that had arrears of between $1 and $300 (the dashed line) and would thus *not* be eligible for the New Start Program as proposed. In contrast, the dotted line in Chart 1 shows the number of EAP accounts that have arrears of more than $300 and *are* eligible. As can be seen, the number of *in*eligible accounts (between roughly 7,000 and 8,000 accounts each month) is from two to four times higher than the number of *eligible* accounts (between roughly 2,000 and 3,000 accounts per month). This data is not disaggregated into heating and non-heating accounts.

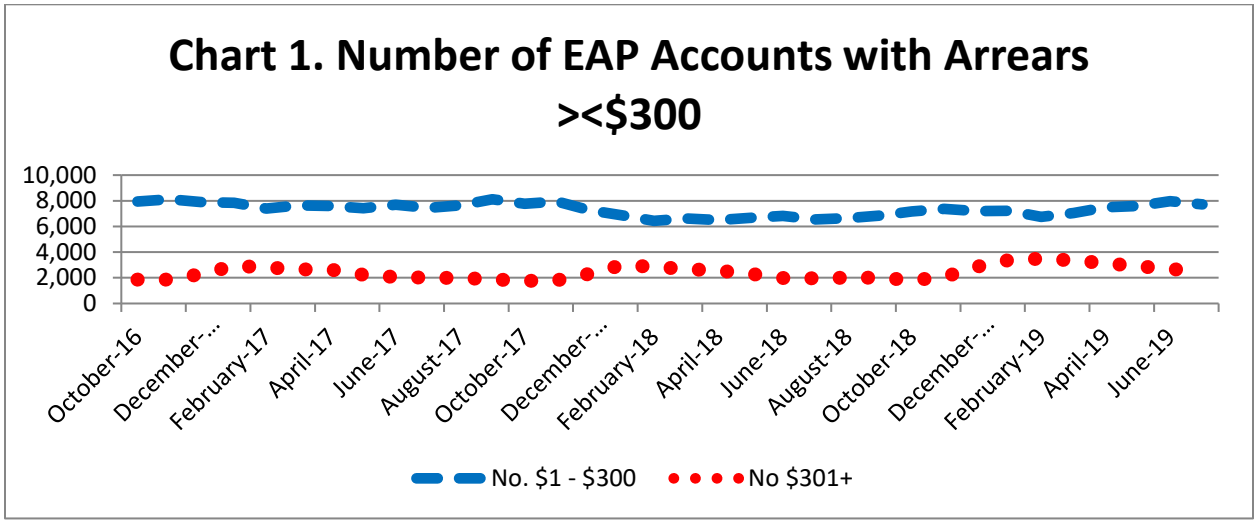
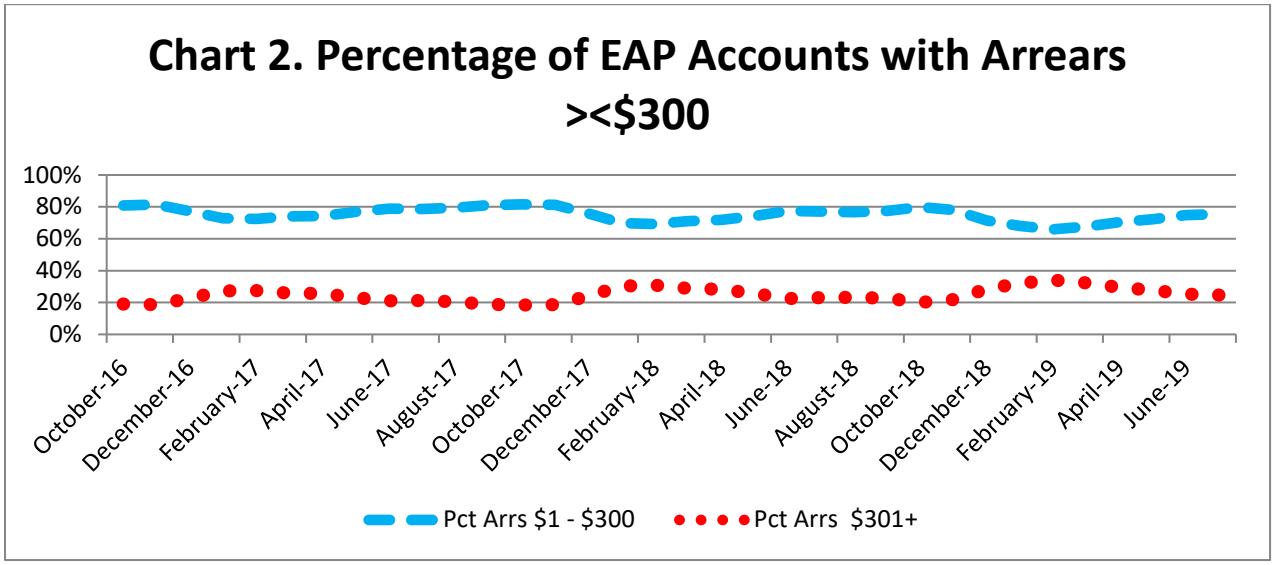


Chart 2 below converts these numbers into percentages. Chart 2 shows that the Company's proposed minimum threshold of $300 would consistently exclude (dashed

line) between 70% and 80% of all EAP customers in arrears from participating in the New Start Program.



Q. WHAT IS THE SECOND REASON WHY YOU OBJECT TO A MINIMUM THRESHOLD OF $300 IN ARREARS AS A PREREQUISITE TO PARTICIPATING IN THE NEW START PROGRAM?

A. Setting the minimum arrears at $300 creates a significant exposure of customers to the disconnection of service for nonpayment long before these customers would be eligible to participate in New Start. Schedule RDC-3 presents the average arrears of heating (page 1 of 2) and non-heating (page 2 of 2) EAP accounts at the time of disconnection for nonpayment. For heating accounts (page 1 of 2), the average arrears at the time of disconnection was less than $300 in six (6) of the 34 study months (October 2016 through July 2019). For non-heating accounts (page 2 of 2), however, the average arrears at the time of disconnection was less than $300 in eleven (11) of the 34 months, and more than $300, but less than $320, in five (5) more of the 34 months.

Q. WHY ARE THESE AVERAGE ARREARS OF SIGNIFICANCE TO EAP PARTICIPANTS?

A. The average arrears set forth in Schedule RDC-3 is the average arrears *at the time of disconnection for nonpayment*. If the average arrears is less than $300, therefore, when the New Start minimum is $300, these customers will have their service disconnected for nonpayment before being given the opportunity to enter into New Start.

The Company reports that it "follows the minimum arrears and age requirements" as defined in the NH regulations under PUC 1203.11(g)(1), which regulation states that "[a] utility shall not disconnect a residential customer's service and a notice of disconnection shall not be sent to a residential customer if any of the following conditions exist: (1) the customer's arrears is less than 60 calendar days outstanding, and is less than $50." (TWH-1-052). Schedule RDC-4 shows the data on the number of EAP accounts that have arrears that are 61 or more days outstanding. While Schedule RDC-4 does not show the average arrears by age of arrears in dollar terms, the combination of average arrears in total, along with the average bill of accounts in arrears, would indicate that by the time an account incurs a past-due balance 60 or more days outstanding, that arrearage balance is overwhelmingly likely to also be more than $50. Moreover, the Company reports that only 43% of its *total* arrears (*i.e.*, arrears of all ages) are less than *$100*. (TWH-1-051). It is thus reasonable to conclude that accounts with an arrearage balance outstanding for 61 or more days are likely also to have an arrearage balance of $50 or more (and thus be subject to disconnection). In other words, a substantial portion of low-income customers

would still be eligible for the disconnection of service under the Company's proposal. In light of the aforementioned data, low-income customers should have the opportunity to participate in an arrearage management program with a minimum arrears of $120.

Q. WOULD IT NOT BE REASONABLE TO EXPECT AN EAP CUSTOMER WITH AN ARREARAGE OF $300 OR LESS TO BE ABLE TO RETIRE THAT ARREARAGE WITHOUT ENTERING INTO THE NEW START PROGRAM?

A. No. Let me focus for now simply on the downpayments. Schedule RDC-5 sets forth the average residential downpayments for payment plans when the underlying arrears were less than $300. The Company provided data in three ranges: (1) $1 - $100; (2) $101 - $200; and (3) $201 - $300. According to the Company:

- For arrearages of $0 to $100: In 15 months, the average downpayment was between $100 and $150; in 17 months, the average downpayment was between $150 and $200; and in two (2) months, the average downpayment was $200 or more.[2]
- For arrearages of $101 - $200: In two (2) months, the average downpayment was between $92 and $100; in nine (9) months, the average downpayment was between $126 and $150; in 20 months, the average downpayment was between $150 and $200; and in three (3) months, the average downpayment was $200 or more.
- For arrearages of $201 to $300: In seven (7) months, the average downpayment was between $100 and $150; in 22 months, the average

[2] No explanation was provided by the Company as to how or why the average downpayment on a payment plan would exceed the underlying arrearage.

downpayment was between $150 and $200; and in five (5) months, the average downpayment was $200 or more.

The size of these downpayments largely makes payment plans unavailable to low-income customers as being unaffordable.[3] For a $100 downpayment to be affordable at a 3% annual home energy burden, a household would need an annual income of $40,000. That income would be required with*out* the additional income needed to pay the payment plan installment plus the current bill. In contrast, in 2019, 200% of the Federal Poverty Level was: $24,980 for a household with one (1) person; $33,820 for a household with two (2) persons; and $42,660 for a household with three (3) persons. The downpayments standing alone, let alone the downpayments plus any additional payments toward current bills plus payment plan installments, would exceed an affordable burden for households at 200% of Poverty Level.

Q. HAVE YOU CONSIDERED THE AFFORDABILITY OF A PAYMENT PLAN OVER TIME TO EAP PARTICIPANTS?

A. Yes. Schedule RDC-6 shows that at the level of average arrears for each month October 2016 to July 2019, with limited exceptions, retiring arrears over a three-month payment plan, while also being required to pay the current monthly bill, would result in an unaffordable payment to nearly all low-income customers. In Schedule RDC-6 (page 1 of 2), I included the average monthly arrears plus three consecutive months of bills[4] for

[3] When asked to provide procedural manuals regarding payment plans, the Company said in relevant part: "A down payment may be required based on the customer's account history. The minimum amount of a down payment is a percentage of the delinquent balance. The down payment can be *increased* (emphasis in original) per the customer's request, to help reduce the monthly payment amount." (TWH-1-055).

[4] For example, for October 2016, I included the arrears of $245.19 plus the bill for current service (reduced by 25% to qualitatively account for EAP) for the months of October through December 2016.

current service for non-heating accounts.[5] If the average arrears exceeded $300, I excluded that month since, on average, the accounts in that month would qualify for the New Start Program as proposed, with a minimum arrearage of $300. I defined an affordable annual home energy burden to be 5% (page 1 of 2) and determined what level of income would be required to achieve that burden. As can be seen, the "necessary income" for bills to be affordable given a three-month payment plan is clearly higher than households with incomes that would qualify for EAP.[6]

To test this conclusion against a different (and higher) definition of an "affordable" home energy burden, Schedule RDC-6 (page 2 of 2) performs the same calculation, while setting the affordable burden at 7% rather than 5%. Even allowing for a higher burden deemed to be "affordable," the incomes that would be required to allow the repayment of arrears along with the current bill exceed the incomes that would be available to customers enrolled in EAP.

Q. DO YOU HAVE ANY FINAL OBSERVATION ABOUT SETTING THE MINIMUM ARREARS FOR NEW START AT $300?

A. Yes. The Company provided a distribution of the existing levels of arrearages for EAP participants, by month, for the months October 2016 through July 2019. I have previously set forth that data in Schedule RDC-2. Over the 34-month period as a whole, on average, 2,433 EAP accounts had an arrearage of $301 or more. Over the most recent

[5] I did not perform a similar analysis for heating accounts. In only two months of the 34 months of data provided (November 2016, December 2016) did the average arrearage for heating accounts fall below $300. Even in those months, the average arrearage was $290.04 (November 2016) and $297.86 (December 2016).

[6] Between Schedules RDC-5 and RDC-6, I show a range of energy burdens, from 3% to 7%. I do this to demonstrate that the results of my analysis do not depend on a specific choice of energy burden.

twelve-month period, on average, 2,687 EAP accounts had an arrearage of $301 or more. These numbers stand in contrast to the expected New Start participation articulated by Witness Conner of 3,153. (Conner Direct, at 38). Given the minimum arrearage balance of $300 proposed by the Company needed to enter into the New Start program, in other words, there are not sufficient numbers of EAP (Hardship) customers with sufficiently high arrearage balances to populate the program at the level the Company proposes. In contrast, as I discuss below, given the minimum arrearage I recommend, there would be sufficient customers to populate the program at the level the Company proposes.

Q. WHAT DO YOU CONCLUDE?

A. I conclude that the minimum arrearage of $300 proposed for the Company's arrearage management program is too high. Low-income customers with arrears of less than $300 are likely not to be able to afford to repay those arrearages while paying a discounted EAP bill. Moreover, while at the same time being unable to retire their arrearages, many Hardship customers with arrearages less than $300 would have their service disconnected for nonpayment before becoming eligible for the New Start program. Therefore, I recommend a minimum arrearage of $120.

B. Treatment of Hardship Customers with Arrears Less than New Start Minimum.

Q. DO YOU HAVE A SECOND RECOMMENDED CHANGE IN THE COMPANY'S PROPOSED ARREARAGE MANAGEMENT PROGRAM?

A. Yes. While the Company and I have proposed different minimum threshold for the arrearages necessary to enter the proposed New Start Program, we both agree that there

should be *some* minimum threshold. What the Company does *not* do is to propose any change in the way in which to treat Hardship customers who have arrears, but whose arrears are of an insufficient balance to qualify the customer for participation in New Start. I recommend that the Company also adopt a new process for treating these lower levels of arrears. I recommend that for these Hardship customers, the Company forego its existing internal "rule" (or procedure) that denies residential customers the opportunity to enter into Budget Billing so long as they carry an arrearage balance.

Q. WHAT DO YOU UNDERSTAND THE COMPANY'S PROCEDURES TO BE WITH RESPECT TO BUDGET BILLING AND ARREARAGES?

A. In response to a request from The Way Home to explain its procedures regarding the ability to enroll in Budget Billing, the Company explained, in relevant part, as follows:

> Accounts Eligible: Active Residential & Small Organization accounts that are not in CACS (Computer aided collections system). The customer should only owe their current bill or have a zero balance (or full payment on it's (sic) way). We can not (sic) 'roll in' the customer's current balance into a 'new' budget plan. You can however, determine if the customer is eligible for a payment plan and then once they are current we can enroll them on the budget.

(TWH-1-018). The Company specifically describes "accounts NOT eligible" (emphasis in original) for Budget Billing as including: "Cannot be in CACS (Computer aided collections system) Active" and "Cannot have an active payment arrangement." (TWH-1-018). I recommend that Hardship customers with arrears, when those arrears are of an insufficient level to qualify them for New Start, be allowed to roll those arrears into a new Budget Billing plan.

Q. PLEASE EXPLAIN WHY BUDGET BILLING WOULD BE HELPFUL IN ALLOWING HARDSHIP CUSTOMERS WITH ARREARS TO RETIRE THEIR ARREARS.

A. Budget Billing customers have a demonstrably improved bill payment record when compared to residential customers in general. The data is presented in Schedule RDC-7. The data show that the portion of Budget Billing customers that is removed from the Budget Billing program in any given month for credit related reasons is a fraction of one percent in most months. Within the 34-month study period, the highest rate that was experienced for Budget Billing customers being removed for credit reasons was 1.7% (December 2017). Budget Billing customers, in other words, demonstrate extraordinarily good payment patterns. Indeed, Schedule RDC-7 shows that the number of customers removed from Budget Billing for credit-related reasons is a fraction of the total number of customers removed from Budget Billing for *any* reason. In only 13 of the 34 study months (October 2016 through July 2019) were credit-related removals more than half of total removals for any reason. In contrast, in 14 months, credit-related removals were less than 30% of total removals for any reason.

Given that the Company agrees that placing low-income customers on Budget Billing would assist those customers in paying their bills for purposes of earning arrearage credits through the New Start Program, the same Budget Billing would also help low-income customers in paying their bills even when their arrearages are not of sufficient size to qualify for forgiveness in the New Start Program. I recommend that the Company

relax its internal regulation barring customer in arrears from entering into Budget Billing for Hardship customers whose level of arrears is less than that which would qualify them for New Start.

C. Arrearage Credits for Complete Payments as they are Made.

Q. DO YOU HAVE A THIRD RECOMMENDED CHANGE IN THE COMPANY'S PROPOSED ARREARAGE MANAGEMENT PROGRAM?

A. Yes. The Company proposes that a low-income customer be granted a pro rata credit toward his or her pre-existing arrearage for each payment that is *both* complete *and* on-time. That proposal should be modified. In its place, the Company should provide a pro rata credit toward a program participant's pre-existing arrearage as each complete payment is made, even if that payment is not made before the billing due date.

Q. PLEASE EXPLAIN THE POLICY RATIONALE FOR YOUR PROPOSED CHANGE.

A. Arrears credits should be earned as bills are paid over time, whether or not those payments are made in a "timely" fashion. The offer of an arrearage credit should not be viewed as an "incentive" to make a prompt bill payment. Customers should not need "incentives" to make prompt payments. Rather, the philosophy of the program is as follows: we realize that you may not have made payments in the past when bills were unaffordable. We have agreed to address (and redress) that problem. Having done our part by making bills affordable, we need you to now do *your* part by making your payments. Accordingly, we will match your payments as they are made with arrearage

credits. However, if you do *not* make your payments, the consequence is not simply the loss of arrearage credits. The consequence is that you will go into the collection cycle, as would anyone else who has received an affordable bill.

Stated another way, from a policy perspective, we have learned that creating layer upon layer of "incentives" for payments clouds the fundamental underlying proposition. That proposition posits that, in recognition of the underlying unaffordable burden posed by utility bills at fully-embedded rates, the low-income customer is allowed to take service under the low-income program. Given that public/utility response to unaffordability, customers then have the responsibility to make full and timely payment of their bills irrespective of any further "incentive."

Q. WHAT OCCURS TO A NONPAYING PARTICIPANT IN THE ARREARAGE MANAGEMENT PROGRAM IF THEY DO *NOT* MAKE THEIR BILL PAYMENTS?

A. There is no special provision for arrearages accumulated after the customer enters the New Start Program. Nonpayment for service provided under the provisions of the arrearage management program will be met by placing the customer into the same collection process as that which would be faced by any other customer. Nonpayment does not result in suspension from the program; it does not result merely in the denial of an arrearage credit. The customer continues to receive his or her arrearage credits when earned, but sufficient nonpayment of the customer's payment obligation would

eventually (based on service termination regulations and the Company's collections practices) place the program participant in the collection process.

Q. IS THERE ANY EMPIRICAL BASIS FOR NOT CONDITIONING ARREARAGE CREDITS ON PAYMENTS THAT ARE BOTH COMPLETE AND TIMELY?

A. Yes. There is also an empirical basis for not conditioning the grant of arrearage credits on "prompt" (or "timely") payments. New Jersey data shows that it is reasonable to expect participants in a bill assistance program --particularly a program which ties the assistance to an affordable percentage of income-- to pay 90% or more of their bills over an annual basis. We must recognize, however, that while that will be the *annual* result, low-income customers may miss an occasional payment and then make that payment up the next month. The important lessons to be teaching are two-fold. First, it is important to make *some* payment even if the customer cannot make the *entire* payment. If the customer cannot pay an entire $80 bill, he or she should make the $40 payment they *can* make, so that the first $40 in the next month gets them their arrearage credit. Second, it is important to continue making regular payments even if those payments don't always cover the entire current month's bill. Both of these "lessons" are directed toward communicating and understanding the importance for a customer to avoid falling into a hole and becoming stuck there.

The policy basis for this approach has been discussed above. In addition, however, there are programmatic/administrative aspects to this recommendation. Enforcing customer payment obligations should occur through the same credit and collection activities

directed toward any other residential customer. If a customer receiving service through an affordable rate, with complete payments earning arrearage credits, does not make appropriate payments, that customer enters the collection cycle with the same rights and responsibilities as any other customer. In this fashion, no new or special administrative process is or should be created for the rate affordability participants. To the extent that the Company can avoid the need to invent special processes solely for the low-income program, the low-income program works more efficiently and more effectively.

Q. DO YOU HAVE REASON TO BELIEVE THAT THE COMPANY'S CUSTOMERS MAY MISS OCCASIONAL PAYMENTS ONLY TO MAKE THOSE PAYMENTS REASONABLY QUICKLY?

A. Yes. Two lines of analysis lead me to this conclusion. First, Chart 3 below shows the number of EAP accounts that are 0 to 30 days in arrears by month. From October 2016 through August 2018, there was a clear decline in the number of EAP accounts in this aging bucket. Even as the number of EAP accounts in this aging bucket increased from October 2018 through March 2019, however, there were some downward fluctuations in the number of accounts in this aging bucket in individual months.[7]

[7] It is not clear from this data whether there is an increase in the number of accounts in this aging bucket because there is a higher proportion of EAP accounts falling into the bucket, or whether there is simply an increase in the overall number of EAP accounts.

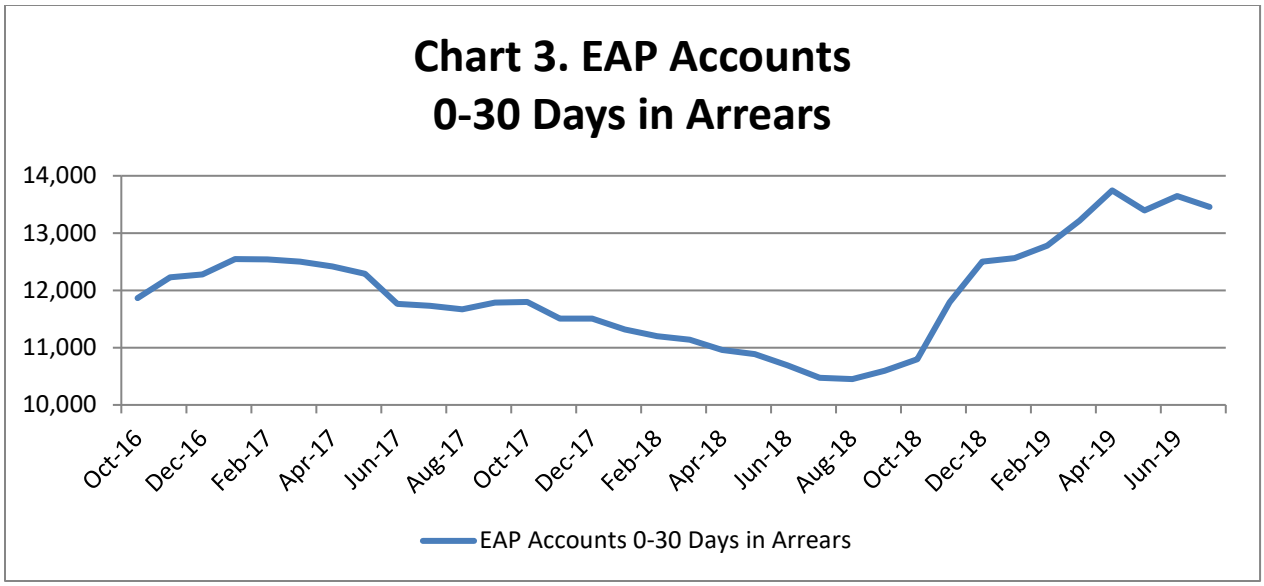
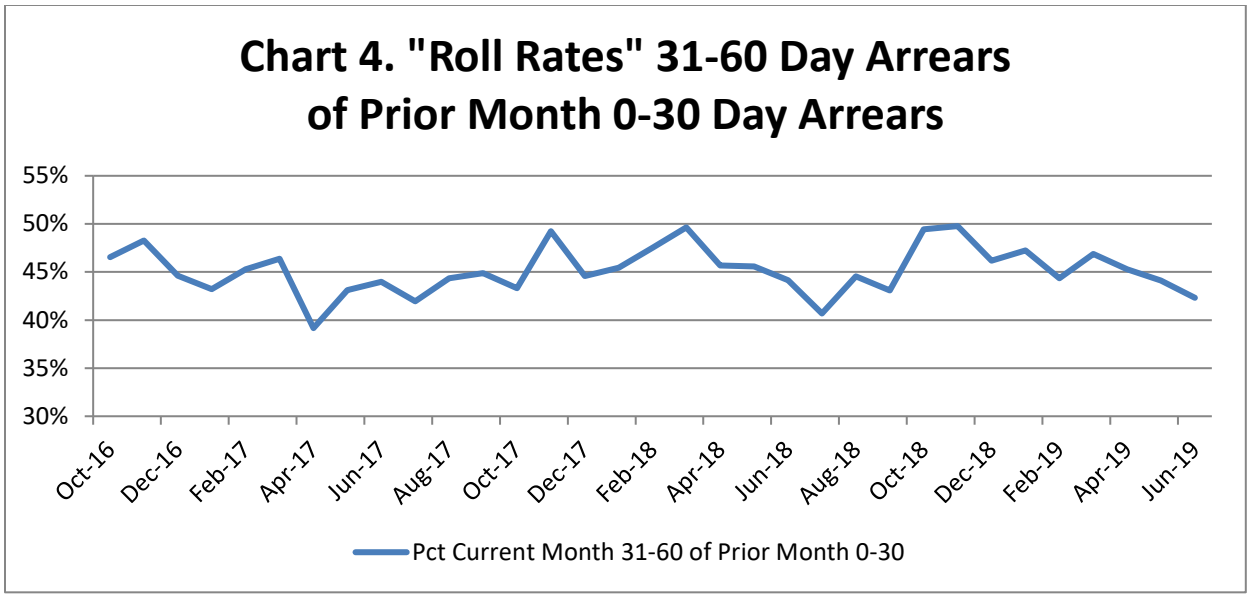


Chart 4 shows to an even greater extent the likelihood that EAP customers who miss payments will quickly make those payments up and retire their arrears. Chart 4 shows the roll rates for EAP participants. A "roll rate" is the rate at which the previous month's aging bucket rolls into the subsequent month's next aging bucket (*i.e.* isn't paid).[8] The "roll rate" in which we are interested here is the roll rate from the 0 – 30 day aging bucket to the 31 – 60 day aging bucket. The roll rate for EAP accounts (0 – 30 days to 31 – 60 days) consistently runs between 40% and 50% for the 34-month period October 2016 through June 2019.[9] Indeed, Chart 4 documents that for the Company's EAP customers, consistently more than half of customers who miss one payment have made up that payment by the next month and thus do not fall into the next month's older arrearage aging bucket. To deny these program participants the ability to earn a month of arrearage credit would be unfair and, for the reasons outlined above, counterproductive.

[8] For example, if there are 100 accounts in the 0 – 30 day aging bucket in July 2018 and 40 accounts in the 31 – 60 day aging bucket in August 2018, there is a "roll rate" of 40% (*i.e.*, 40% of accounts remain unpaid in the next month).

[9] July 2019 is excluded since there is no data for August 2019.



Q. DO YOU HAVE ANY FINAL COMMENTS ON THE PROPOSED REQUIREMENT THAT PAYMENTS BE COMPLETE *AND* ON-TIME TO EARN ARREARAGE CREDITS?

A. Yes. The Company should not require of participants in the New Start Program that performance which it does not routinely receive from residential customers in general. Schedule RDC-8 sets forth the percentage of customers making payments by day, with Day 1 being the day a bill is first issued. Note that the Company's data shows that by Day 22, it has received payments from less than half of its residential customers.[10] Indeed, by Day 30 after a bill is first issued, the Company has received payment from only 67.69% of its customers. The rate at which it receives payment continues at a reasonably steady, albeit slightly declining, percentage of accounts through Day 60. In fact what the Company data set forth in Schedule RDC-8 shows is that while the Company receives payments from 49.80% of its residential customers by the billing Due

[10] The Company notes in its response to the discovery, that the high rate of accounts paying on Day 22 (15.72%) is attributable to the fact that those customers who have enrolled in auto-pay are automatically scheduled to pay on Day 22.

Date (*i.e.*, Day 22), it receives payments from an additional 21.15% of its residential customers by Day 35 (*i.e.*, the day on which a Shut-off Notice for Non-Payment is mailed (TWH-1-001). While the Company receives payments from 49.80% of its residential customers by the billing Due Date (*i.e.*, Day 22), it receives payment from an additional 26.34% by Day 49 (*i.e.*, the first day the account is eligible for a Shut-off Non-payment in the field [TWH-1-001]). As can be seen, in other words, a substantial proportion of residential customers make payments after the Due Date with no real consequences.

It would be unreasonable to require of participants in the New Start Program that which is not required of residential customers generally. Program participants should be allowed to earn their arrearage credits as they make complete payments, even if those payments are not made in a "timely" fashion.

D. Removal of New Start Participant for Nonpayment.

Q. IS THERE A FOURTH MODIFICATION YOU RECOMMEND TO THE COMPANY'S ARREARAGE MANAGEMENT PROGRAM?

A. Yes. I recommend that the Company eliminate its proposal to "remove" a low-income customer from the program if and when that customer has missed two payments. Company witness Conner proposes that "A customer will be removed from the program after missing two consecutive monthly budget payments." (Conner Direct, at 37-38). In lieu of this decision-rule, I recommend that the Company not remove customers from the New Start Program for missing payments. Instead, New Start participants should be subject to the same credit and collection practices to which any other residential

customers are subject. Complete payments should earn arrearage credits. Nonpayments should place a program participant into collections.

I reiterate what I stated above with respect to the grant of arrearage credits. The offer of an arrearage credit should not be viewed as an "incentive" to make a prompt bill payment. Customers should not need "incentives" to make payments. Rather, the New Start Program recognizes that low-income customers may well have incurred arrearages at a time when their bills were unaffordable. The presence of those arrearages, unto themselves, frequently becomes an insurmountable barrier to low-income customers making bill payments. Accordingly, the program offers to help customers retire those arrears in exchange for continuing bill payment. However, and it is a big "however", if you do *not* make your payments, the consequence is not simply the loss of arrearage credits. The consequence is that you go into the collection cycle, as would anyone else who has received an affordable bill.

Q. IS THERE ANY OTHER REASON NOT TO RESPOND TO BILL NONPAYMENT BY REMOVING CUSTOMERS FROM THE NEW START PROGRAM?

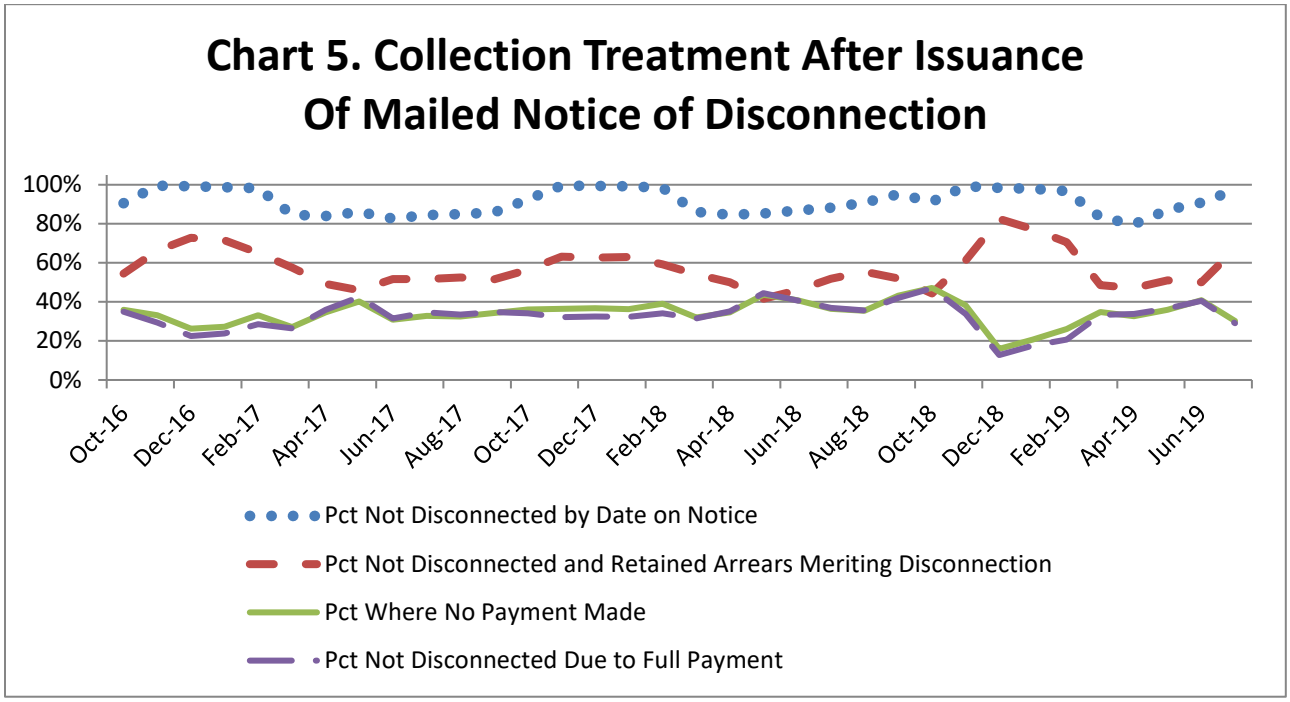
A. Yes. Not all missed payments are equal in the eyes of the Company. Pursuant to Commission regulation (PUC 1203.11(g)(1)), for example, "a utility shall not disconnect a residential customer's service and a notice of disconnection shall not be sent to a residential customer if any of the following conditions exist: (1) The customer's arrearage is less than 60 calendar days outstanding and is less than $50." (TWH-1-052). Even then,

the Company does not pursue a shutoff in all instances where a customer is otherwise eligible to have service disconnected for nonpayment. Consider the treatment of residential customers generally. And remember that, by virtue of PUC regulation, a notice of disconnection for nonpayment may not be issued unless the customer's arrearage is at least 60 calendar days outstanding (*i.e.*, the customer has missed two payments). Even after a notice of disconnection is issued, the actual disconnection of service is reasonably infrequent, even when the customer fails to respond to the disconnect notice by paying his or her bill. The data is set forth in Schedule RDC-9. This data documents that the overwhelming majority of customers who receive a mailed notice of disconnection, in fact, do ***not*** have their service disconnected. Moreover, the failure to have service disconnected is ***not*** because they make a payment sufficient to retire their arrearage. Chart 5 summarizes the data presented in Schedule RDC-9 in terms of percentages. Note that the percentage of accounts that did not have their service disconnected because they paid their bill in full is nearly identical to the percentage of customers who received a disconnection notice and made no payment on their bill.

Overall, as Chart 5 clearly demonstrates, while between 80% and 100% of all accounts receiving a mailed notice of disconnection are not disconnected,[11] between 40% and 60% of all accounts receiving a mailed notice of disconnection did not have their service disconnected even though they retained an account arrearage of sufficient age and dollar amount to merit the disconnection of service. Chart 5 shows that far more accounts did not have their service disconnected, even though they retained an arrearage of sufficient

[11] It is evident that the 100% months fall during the months of winter shutoff restrictions.

age and dollar amount to merit disconnection, than did not have their service disconnected because they made a full payment on their bill.



Q. HOW IS THIS RELEVANT TO WHEN, OR WHETHER, LOW-INCOME CUSTOMERS SHOULD BE REMOVED FROM NEW START FOR TWO CONSECUTIVE NONPAYMENTS?

A. Low-income customers participating in New Start should not be treated in a stricter fashion from a collections perspective than residential customers in general. As can be seen above, most residential customers, who must have an arrearage of a minimum dollar amount and age (including being at least 60-days behind) with which to begin before even receiving a notice of disconnection will, nonetheless, still not have service disconnected even if they retain a sufficient arrears to merit such disconnection. To automatically remove low-income customers from receiving the New Start arrearage credits based on a stricter decision rule is neither fair nor reasonable.

Q. WHAT DO YOU RECOMMEND?

A. What I recommend is consistent with what I recommend above. Removal from the New Start Program should not be a device that is used to respond to nonpayment. A low-income customer should either be a participant in the New Start Program or not. If a low-income customer is a New Start participant, the appropriate response to nonpayment is to place that participant in the same collection process as any other residential customer is placed. If the customer misses a sufficient number of payments, or incurs a sufficient dollar amount of in-program arrears, the response should be for the customer to be subject to the potential loss of service for nonpayment. Moving customers "on" and "off" the program serves no function other than to confuse the "message" to be delivered ("you are expected to make your payments") and to delay any day of reckoning for non-payment.

E. LIHEAP and New Start.

Q. IS THERE A FIFTH MODIFICATION YOU RECOMMEND TO THE COMPANY'S ARREARAGE MANAGEMENT PROGRAM?

A. Yes. I recommend that the Company apply LIHEAP benefits to the asked-to-pay amount rendered to program participants. When LIHEAP benefits are applied in this fashion, they should be "counted" as a complete payment of a customer's bill for purposes of earning arrearage credits. This recommendation not only makes good policy sense, it is required by Federal statute. Company Witness Conner did not address the question of how LIHEAP benefits are to be treated.

Pursuant to the federal LIHEAP statute, two principles are applicable to the Company's New Start Program. On the one hand, the LIHEAP statute provides that LIHEAP benefits are not to be considered "income or resources" under any state program. Ratepayer-funded bill assistance programs approved by a state utility regulatory commission have been declared to be such a "state program." Accordingly, if a customer receives a LIHEAP benefit of $300, it must be applied against the customer's asked-to-pay amount in the New Start Program. For each bill completely paid by that LIHEAP benefit, the New Start credit associated with that complete bill payment should be granted.

Moreover, the federal LIHEAP statute provides that the receipt of LIHEAP assistance should not give rise to any discrimination against the LIHEAP recipient. Accordingly, if a LIHEAP benefit of $300 is applied against a low-income customer's account, that $300 payment should be considered in the identical way a $300 customer payment, or a $300 fuel fund payment, or any other type of payment is considered. Each LIHEAP benefit that results in a complete payment for a LIHEAP recipient must, under the federal statute, result in the same arrearage credits as any other type of payment made on a New Start participant's account.

F. New Start and Budget Billing.

Q. IS THERE ANOTHER CONCERN YOU HAVE WITH THE ADMINISTRATION OF THE ARREARAGE MANAGEMENT PROGRAM?

A. Yes. Customers who enroll in the Company's New Start Program, should be encouraged, though not required, to also enroll in Budget Billing. To the extent that they do enroll in Budget Billing, their complete payment of a Budget Billing amount should be deemed a complete payment for purposes of earning an arrearage credit, irrespective of whether the Budget Billing plan is carrying a debit balance or a credit balance relative to the customer's annual bill to date. Moreover, to the extent that a customer ends a Budget Billing year with a bill credit, to the extent applicable, the amount of that credit should be applied in a manner that will earn the customer an equivalent amount of arrearage credits as if those payments had constituted individual monthly payments.

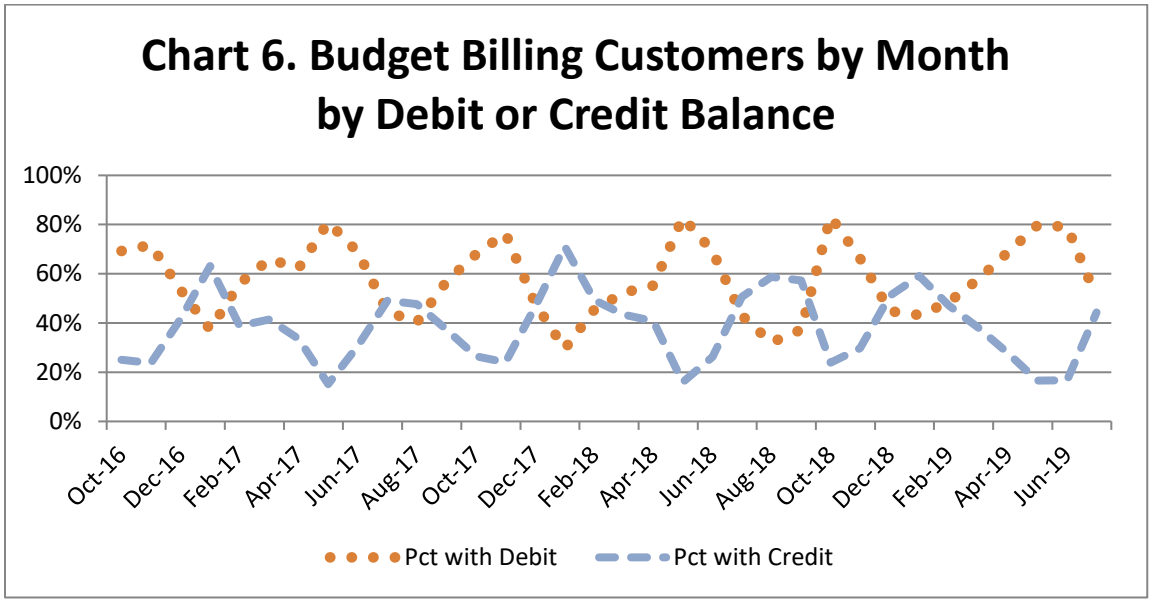
Company Witness Conner testified that the way New Start will operate is as follows:

> The Company reviews a customer's account history and sets a monthly budget payment based on the average of the customer's regular monthly bill over the prior 12 months. This monthly budget amount replaces the customer's regular monthly bill and participants are obligated to pay the monthly budget amount on-time each month over the 12-month term of the program.

(Conner Direct, at 37). It is appropriate for the Company to enroll customers in the Budget Billing program as part of the New Start Program. Budget Billing levelizes seasonal bill fluctuations and has repeatedly been found to help low-income customers remain current on their bills. It does, however, present some challenges that should be addressed.

The very nature of Budget Billing is that while a customer's levelized billings may be "ahead" or "behind" on their bill for current service in any given month, over the course

of a year, the budget billing amounts will closely approximate their annual bill. In fact, it is more likely that a Budget Billing customer will carry a credit on their account than carry a debit. Schedule RDC-10 presents the data. That data is summarized in graph form in Chart 6 below. The dotted line represents the percentage of Budget Billing accounts that are carrying a credit balance in that month, while the dashed line represents the percentage of Budget Billing customers who are carrying a debit balance.



As Chart 6 shows (summarizing the data from Schedule RDC-10), the percentage (and thus the number) of Budget Billing accounts carrying a credit balance (*i.e.*, they are "ahead" in paying their annual bill) is far higher than the percentage with debit balances except in those months with extremely high seasonal bills. Seasonal bills can be either cold weather or warm weather months. Of the 34 month study period (October 2016 through July 2019), more than 50% of Budget Billing accounts carried credits in 22 months. Indeeed:

- In four of those 34 months, more than 80% of the Budget Billing accounts carried a credit balance;

- In seven of the 34 months, more than 70% of the Budget Billing accounts carried a credit balance; and
- In 15 of the 34 months, more than 60% of the Budget Billing accounts carried a credit balance.

In those months where customers carried a debit balance, the numbers were not quite so pronounced. In only seven of the 34 months did more than 50% of Budget Billing accounts carry a debit balance. Of those seven months, in two of them, the percentage carrying a debit was only 51%, while in three more months, the percentage was higher than 51% but lower than 60%.

The fairness question posed by the Company's proposed New Start Program rule --to remove low-income customers from New Start if they miss two consecutive payments— is whether it is fair to remove a customer from New Start if they happen to be carrying a credit balance on their Budget Billing plan. To do so would, in effect, remove a low-income customer from the New Start Program even if/when they are ahead in paying their annual bill.

The remedy to this unfairness is to adopt the recommendation I have made above. The response to nonpayment of a New Start bill should not be removal of the low-income customer from the New Start Program at all. Rather, the appropriate response to nonpayment of New Start bills is to place the program participant in the same collection process to which any other customer is placed. Response to nonpayment should be

placement in the otherwise applicable collection processes, not removal from the program. In addition to the reasons I first state supporting this procedure, this procedure *also* helps the Company avoid a situation where a customer is removed from New Start despite having paid a sufficient amount of dollars to be current on their actual current service to date even if they may have happened to miss two consecutive Budget Billing payments.

G. Extend New Start to Disconnected Hardship Customers.

Q. PLEASE STATE YOUR FINAL CONCERN WITH THE PROPOSED STRUCTURE OF THE NEW START PROGRAM.

A. I recommend that the Company ensure that it extends the New Start Program to Hardship customers who have already experienced a disconnection of service. All of the reasons for enrolling low-income customers in New Start extend to low-income customers who have previously been disconnected for nonpayment. The fact that the collection process caught up with those customers prior to the Company proposing, and gaining approval of, New Start should not have the effect of excluding these customers from New Start. The balances which these low-income customers are responsible for, compounded by reconnection fees, become an insurmountable barrier for these customers to restore service and to become good paying customers.

I have previously discussed the average arrears of EAP customers at the time they are disconnected. Schedule RDC-3 demonstrates the barrier that would be presented to Hardship customers once they are disconnected.

Q. DOES THE COMPANY OPPOSE EXTENDING NEW START TO DISCONNECTED CUSTOMERS?

A. The Company did not address the extent to which New Start would be extended to disconnected customers. However, Company Witness Conner not only favorably cites National Consumer Law Center attorney Charles Harak in support of New Start, but it also attaches a publication of Harak in support of the Company's program (Attachment PMC-8). Harak also recommends extending arrearage management to customers who have been previously disconnected for nonpayment. (PMC-8, at 29).

Part 2. New Start Program Implementation.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I recommend modifications to specific aspects of the implementation of the New Start Program. There are three aspects of the implementation of the New Start Program for which I recommend modifications.

A. Hardship Determination.

Q. PLEASE EXPLAIN THE FIRST MODIFICATION YOU RECOMMEND FOR NEW START.

A. I recommend changes to the determination of Hardship eligibility. A determination of Hardship eligibility is the door through which the Company proposes to allow low-

income customers to enter the New Start Program. According to Company witness Conner:

> The Company proposes the following eligibility criteria for New Start in New Hampshire: . . .(3) The household income meets the eligibility criteria for New Hampshire Low Income Home Energy Assistance Program (LIHEAP) assistance (established at 60% of the State Median Income (SMI). *The customer would follow the Company's current process for hardship protection certification to meet the requirements of item 3 above.*

(Conner Direct, at page 37, emphasis added). Given the importance of the New Start Program, it is critical to consider not only how the program operates, once a customer is enrolled, but it is also important to consider how a customer is found to be eligible to enroll in the program with which to begin.

Q. PLEASE EXPLAIN HOW A CUSTOMER IS CURRENTLY FOUND TO BE A HARDSHIP CUSTOMER FOR THE COMPANY.

A. According to the Company, in order to be identified as a "hardship customer," "a residential customer can apply for the Electric Assistance Program (EAP) by contacting a Community Action Agency to verify eligibility which is based on the gross annual income and household size." (TWH-1-096). The outreach material provided by the Company states that "the electric utilities are working with the five Community Action Agencies (CAAs) in the state to identify and enroll eligible customers." Moreover, that outreach material responds, in relevant part, to the question "how do I apply" by stating "**call your local CAA office**. They will tell you what to bring to your appointment." (Attachment TWH-1-096) (emphasis in original). The important message to take away

from this information is that being deemed a "Hardship" customer by the Company involves a specific application process.

The problem with the Company's Hardship eligibility process is that it will invariably *miss* low-income customers in need. According to the Company, for example, over the past four years, nearly 1,300 low-income Company customers (n=1,286) received "a benefit"[12] without being enrolled as a "Hardship" customer. (TWH-1-097). In the 2018-2019 program year alone, there were 438 benefit recipients who were not identified as a Hardship customer. The Company, in other words, was failing to identify nearly four percent (4%) of benefit recipients as Hardship customers.

Q. PLEASE EXPLAIN THE COMMISSION RULE REGARDING FINANCIAL HARDSHIP.

A. It is not even clear that the Company is in full compliance with the PUC's regulation defining financial hardship. Regulation 1202.10 states:

> "Financial hardship" means a residential customer has provided the utility with evidence of current enrollment of the customer or the customer's household in the Low Income Home Energy Assistance Program, the Electric Assistance Program, the Neighbor Helping Neighbor Program, the Link-Up and Lifeline Telephone Assistance Programs, their successor programs or any other federal, state or local government program or government funded program of any social service agency which provides financial assistance or subsidy assistance for low income households based upon a written determination of household financial eligibility.

While the Community Action Agencies (CAAs) verify eligibility for some "federal, state or local government program or government funded program of any social service

[12] The Company does not categorize such customers by the type of benefit received. (TWH-1-097).

agency" (*e.g.*, LIHEAP, WAP), the CAAs do *not* verify eligibility for many other government programs (*e.g.*, SNAP, TANF, Medicaid). The Company's Hardship eligibility process artificially limits designation as a Hardship customer. In this proceeding, given that New Start eligibility is tied to Hardship designation, this limitation on Hardship eligibility determinations should be corrected.

Q. IS THERE A BROADER PROBLEM WITH THE APPLICATION PROCESS?

A. The problem which exists does not lie with the specific application process, itself, but rather with the fact that there is an application process at all. While the notion that "if you build it, they will come" may apply to fantasy baseball parks, it does not apply to programs offering financial assistance to lower income residents.

Considerable work has been performed in recent years to identify enrollment barriers to a whole host of public assistance programs, including federal fuel assistance (known as LIHEAP), Medicaid, CHIP, Medicare, Food Stamps (SNAP), and other similar programs. Barriers that have been identified include: (1) lack of information about the program's existence and benefits; (2) lack of information, or erroneous information, about a household's eligibility; (3) complicated enrollment processes, including income verification; (4) enrollment processes and locations that are inconvenient in time and/or location; (5) the social stigma that often accompanies a view of benefits as welfare; and (6) the confusion inherent in the need to access different benefits through different offices, filling out different forms, and meeting different eligibility requirements. The

Company would be well-served to take notice of these barriers and to seek to overcome them in its outreach and enrollment processes.

The U.S. General Accounting Office once said about Food Stamp enrollment: "From a policy viewpoint, an informed decision on the part of an eligible household *not* to participate in the program is not an issue. Lack of information about the program, however, and at least some program and access problems can and should be remedied."[13] The same can and should be said about the Company's Hardship program, particularly given how much is riding on program participation.

Q. WHAT DO YOU RECOMMEND?

A. The Company should adopt a system of "express lane eligibility" (also sometimes known as "adjunctive eligibility") to qualify low-income customers for its New Start Program. Express Lane Eligibility has been shown to accelerate enrollment for low-income households in a variety of benefit programs, when those households are already enrolled in other income-comparable publicly funded programs. The simple notion is that households who have met the income test for income-comparable programs should have their eligibility expedited and should not need to provide duplicative income information to qualify for additional benefits. Express Lane Eligibility can cut administrative red-tape while streamlining the application process.

[13] General Accounting Office, Food Stamp Program: A Demographic Analysis of Participation and Nonparticipation, at 22 (January 1990).

Q. PLEASE EXPLAIN HOW THIS WOULD OPERATE FOR THE COMPANY'S NEW START PROGRAM.

A. Express Lane Eligibility can be operationalized in several different ways. I recommend two specific ways for the Company's New Start Program. First, the Company should work with external agencies to use the same application for the New Start Program as well as the relevant public assistance programs. With a single application, families are required to fill out and submit information only once. In particular, I recommend that the Company use a joint application form with programs administered by a state or local agency *(e.g.*, TANF, Medicaid, SNAP [Food Stamps]), WIC, and Free and Reduced School Breakfast/Lunch programs). Second, the Company should seek authorization from public benefits administrators for information about the fact of participation (no additional information other than the fact of participation need be included) to be released to the Company. This authorization can be accomplished as simply as having a check-off box on the application or through a separate consent form attached to the relevant application.

Q. ARE YOU SUGGESTING THAT THE COMPANY AND EVERY PUBLIC ASSISTANCE PROGRAM HAVE THE IDENTICAL APPLICATION FORM?

A. No, that's not necessary. New Hampshire's Community Action Agencies ("CAAs") currently do the screening for several utility-related public assistance programs, *e.g.*, EAP, LIHEAP (FAP) and Weatherization. I would recommend that those programs have an identical application form as a matter of good practice (whether or not directed to do so by the PUC). However, other state and local programs—such as SNAP, WIC,

Medicaid and the like—need not have an identical application form. All that is necessary is an authorization on (or associated with) each form that the fact of an applicant's participation be released to the Company exclusively for the purpose of enrolling the customer with the Company as a Hardship customer (with the utility programmatic implications flowing therefrom).

Q. WHY WOULD ADJUNCTIVE ELIGIBILITY WORK BETTER FOR NEW START ENROLLMENT THAN IT WOULD WORK FOR EAP ENROLLMENT?

A. With enrollment in EAP, it is necessary for the utility to know the specific household income (or at least the specific income as a percent of Federal Poverty Level) in order to place a customer in the appropriate EAP discount range. In contrast, New Start need not know that same information. With New Start, eligibility is simply a yes/no toggle. A customer is either eligible or he/she is not eligible. The Company need not know the same level of income detail.

Q. ARE THERE PRIVACY CONCERNS THAT ARISE IN YOUR RECOMMENDATION FOR AN AUTOMATIC ENROLLMENT PROGRAM?

A. No. Since there would need to be no disclosure of utility data to the state government, there is no privacy concern from the perspective of the utility. Conversely, from the client's perspective, under federal privacy laws, state agencies may lawfully release client information when such release is a "routine use" of that information. When such information is used to qualify households for additional public assistance, it falls within this "routine use" construct. There are reasonable restrictions placed upon this release of

information: (1) the data exchanged through this process may not be *redisclosed* to other parties; (2) the data exchanged through this process is for the *exclusive* purpose of "verifying and recertifying" the eligibility of public assistance recipients for the utility program; and (3) the data exchanged through this process will convey only the fact of eligibility. If, however, privacy is a policy concern rather than a legal concern, the relevant programs could include a client consent procedure in the application process.

B. Periodic Income Recertification.

Q. DO YOU HAVE A SECOND RECOMMENDATION FOR THE COMPANY'S DETERMINATION OF "HARDSHIP" STATUS FOR PURPOSES OF ELIGIBILITY FOR THE NEW START PROGRAM?

A. At present, it appears that the Company will require a new assessment of "Hardship" eligibility on an annual basis. Over the past several years, however, it has become increasingly evident that the low-income status which underlies a determination of Hardship eligibility lasts for longer than a twelve-month period. Accordingly, I recommend that Hardship eligibility be extended so that customers need not have their Hardship status re-verified any more frequently than on a periodic basis that mirrors the Pennsylvania timing discussed immediately below.

The importance of extending Hardship eligibility is that one of the primary losses of Hardship status is not that a customer stops being "low-income." Rather, the customer loses his or her Hardship status because, for all the administrative (non-substantive) reasons I outline above, a household fails to reapply for benefits (and to have their low-

income status re-verified). Based on these concerns, for example, in the September 19, 2019 order in its comprehensive review of Pennsylvania's low-income bill assistance programs, the Pennsylvania PUC decided to:

> Establish new maximum recertification timeframes for CAPs and strive to minimize disruptions in CAP participation.
>
> - CAP households reporting no income should be required to recertify at least every six (6) months regardless of LIHEAP participation;
> - CAP households with income that participate in LIHEAP annually should be required to recertify at least once every three (3) years;
> - CAP households whose primary source of income is Social Security, Supplemental Security Income (SSI), or pensions should be required to recertify at least once every three (3) years; and
> - All other CAP households should recertify at least once every two (2) years.[14]

The Pennsylvania PUC found that "The most common reason customers are removed from CAPs is due to failure to recertify.[15] The more frequent the recertification, the more likely it is that households will be removed from the program for failing to send in required documentation." In this proceeding, the Company would be well-served to follow this same reasoning and to reach this same decision.

[14] "CAP" is Pennsylvania's ratepayer-funded bill assistance program ("Customer Assistance Program") for low-income customers.

[15] For example, *see* FirstEnergy 2017 APPRISE Universal Service Impact Evaluation at 22. http://www.puc.pa.gov/general/pdf/USP_Evaluation-FirstEnergy.pdf. Of customers removed from FirstEnergy CAPs in 2013-2015, 63% were removed for failing to recertify, and 8% were removed because their income was too high, on average.

Q. WHY IS THERE A NEED FOR *ANY* RECERTIFICATION GIVEN THAT THE PROPOSED NEW START PROGRAM GRANTS ARREARAGE CREDITS OVER A 12-MONTH PERIOD?

A. Two reasons exist to address this issue. First, Hardship status qualifies a low-income customer for the New Start Program, but it also qualifies the customer for more than the New Start Program. Hence, the Hardship eligibility certification (and reverification) should not by limited by the timing which inheres in New Start. Second, even with New Start, the Company's proposal does not address what occurs if a New Start participant does not earn 100% of the potential New Start credits in a 12-month period. The Company, for example, does not indicate whether the New Start participant simply "loses" the credits not earned; whether the participation will continue for a sufficient number of months to allow the participant to earn all potential credits; or something else. Whatever occurs, however, if the participant does not earn 100% of his/her credits in the first 12-month period, it will be important for the customer to remain a Hardship customer in the next 12-month period. My recommendation addresses what occurs for Month 13 and beyond.

Addressing Month 13 and beyond is important because, as even the Company notes in response to Staff discovery (Staff 9-027), only 16,029 New Start participants of 32,642 total participants (49.1%) "remain current" in the Company's corresponding programs in its affiliated programs in Connecticut and Massachusetts. Given this number, 100% of the possible New Start credits will not be earned in the first twelve months of participation.

C. **Ongoing Monitoring and Assessment.**

Q. PLEASE EXPLAIN YOUR FINAL RECOMMENDATION REGARDING THE IMPLEMENTATION OF THE PROPOSED NEW START PROGRAM.

A. While arrearage management programs have been successful in other jurisdictions in helping low-income customers address arrearages that, in the absence of such a program, provide insurmountable barriers to future bill payments, it should not merely be assumed that that success will transfer to New Hampshire as well. The Company should, as it implements this program, also constitute an ongoing "Advisory Committee" or "Advisory Panel," comprised of Company staff and various stakeholders (*e.g.*, Staff, The Way Home, Office of Consumer Advocate, Community Action Agencies) to regularly meet during the first three or four years of the program. The Advisory Panel should be consulted not only on ongoing implementation issues as they arise, but it should also be charged with reviewing the ongoing operations and outcomes of the program to determine the extent to which, if at all, the program is achieving the outcomes intended to be achieved.

To the extent, if at all, the Program is ***not*** achieving its desired outcomes, the Advisory Panel should be charged with reviewing the Program's performance and determining whether the problem was with how the program was designed, or with how the program was implemented (or for some other reason).

The Advisory Panel should finally be charged with helping to guide the New Start program implementation to make mid-course corrections to the extent necessary, if at all, to respond to exigencies as they arise in the initial years of program operation.

New Hampshire's use of such an Advisory Panel is not a new concept. Such panels have been used for EAP, as well as for low-income energy efficiency programs, as long as I have been involved with the design and implementation of low-income programs in New Hampshire. Such panels are not only effective in providing substantive input on program design and implementation, but are also frequently effective in achieving conflict resolution over disputes that may arise.

My recommendation is that the New Start program merits its own Advisory Panel separate and apart from similar existing panels.

Part 3. Cost Recovery for Arrearage Management Program.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I explain two changes that should be made in the proposed cost recovery for the Company's New Start Program. These changes should be made to bring the cost recovery of the program into line with traditional ratemaking principles.

The Company proposes as follows for the New Start Program: "Consistent with its approach in Massachusetts, the Company is seeking to recover 100 percent of the forgiven past due balance amounts for customers enrolled in the New Start Program through the DRAM." (Direct Testimony of Chung and Dixon, at page 116). This proposed cost recovery should be modified as recommended below.

A. Excluding New Start Program Costs through DRAM.

Q. WHAT IS THE FIRST CHANGE YOU RECOMMEND IN THE PROPOSED COST RECOVERY FOR THE PROPOSED ARREARAGE MANAGEMENT PROGRAM?

A. First, the costs associated with the New Start Program should not be included in the DRAM, as an automatic adjustment clause. New Start Program cost recovery should operate within traditional ratemaking principles to the maximum extent feasible. The primary ratemaking principle to be applied to program costs is that, in the absence of extraordinary circumstances, program costs should be exclusively reflected in distribution base rates.

Collection of costs through distribution base rates creates an incentive for the Company to be efficient in the expenses that it incurs. For those costs that are both controllable and not difficult to predict, this is appropriate regulatory policy. For several reasons, it is inappropriate to deviate from this basic ratemaking principle for New Start. First, as a general rule, it would be inappropriate to allow the Company to collect its entire New Start credits in the absence of a full rate inquiry into the costs and revenues of the

Company. To the extent that New Start credits assist the Company in the effective and efficient collection of low-income bills, in addition to causing the utility to incur the costs of the additional discounts, the arrearage credits will generate offsetting expense savings to the Company as well. One of the most significant aspects of those cost savings will be the reduction in working capital associated with the arrears that are avoided by the arrearage credits. It is improper to isolate one component of a utility's cost-of-service for special rate recovery without considering the corresponding cost savings.

Second, it is standard regulatory practice that a utility should only be provided a reasonable opportunity to earn a fair rate of return. The expenses upon which the revenue requirement is based will change the day the rates go into effect. Even then, some costs will go up while others will go down. Consider, for example, any increased postage rates placed into effect during the term rates are in effect. Even if postage costs increase substantially, with those increased expenses not having been included in the immediately preceding base rate case, the utility is not *automatically* allowed to pass those costs through to ratepayers. Indeed, total postage expenses may actually go down as businesses use more electronic mail.

Third, in a related vein, recovery of expenses from ratepayers is merely the means to allow the Company a reasonable opportunity to earn an adequate rate of return, not to allow specific dollars to be passed through to ratepayers. The Company is not entitled to institute a separate charge to collect some discrete expense component that it has segregated out for individual analysis. Increased New Start arrearage credits do not necessarily threaten the ability of the Company to earn an adequate rate of return. The

various individual cost and revenue components of the Company's cost of service are constantly increasing and decreasing. The cost recovery question is not whether any specific identifiable dollars of cost are recovered, but rather whether the Company continues to have the opportunity to earn an adequate rate of return.

Fourth, merely because certain expenses increase does not mean that the relationship between costs and revenues has changed. Even if dollars of New Start credits exceed the dollar amount that was included in cost-of-service in the most recent base rate case, in other words, it cannot be automatically concluded that the Company is not recovering its costs. New Start credits might, for example, increase due to severe weather but retain the same overall relationship to total revenues found in the base rate case. Even if New Start credits increase for electric heating customers due to cold weather, for example, total revenues to the Company would also increase. It is not *ipso facto* evident that the increase in New Start credits attributable to the cold weather would result in a deterioration in the Company's ability to earn its allowed rate of return.

Finally, New Start arrearage credits should not *a priori* be considered the last costs incurred in a utility's total cost of service. Even in those instances where the Company is *not* earning an adequate rate of return, one cannot *a priori* assign the cause of the revenue deficit to the New Start Program. Even if the Company is not earning an adequate rate of return, in other words, it cannot be *a priori* argued that it is the arrearage credits of the New Start Program that are the incremental costs that are causing the income deficit. If the utility determines that its return is insufficient, it should file a base rate case.

Accordingly, if the Company's New Start Program arrearage credits exceed those found in the last base rate case, at a time when the Company is not earning an adequate rate of return, it is the decision of the Company whether to accept those continuing circumstances or whether to seek base rate relief. In either case, it is *not* appropriate to isolate New Start Program arrearage credits for single issue rate recovery. It cannot simply be assumed that any earnings deficit is caused by a New Start Program arrearage credits.

The following conclusions follow from the above discussion relative to cost recovery:

1) New Start arrearage credits should, in the absence of extraordinary circumstances, be collected through base rates;

2) To the extent that the Company is earning its allowed rate of return, it has no claim for recovery of additional New Start arrearage credit costs, irrespective of the relationship of actual costs to those included in base rates in the Company's most recent base rate case.

3) If New Start Program arrearage credit costs exceed those identified in the last base rate case, those costs should not be subject to a between-rate-case adjustment. If the Company is under-earning under such circumstances, it is not appropriate to assign the under-earnings to the single issue of New Start Program costs. It is up to the utility to determine whether to seek base rate relief in an under-earning situation.

4) Finally, only the incremental arrearage credits should be subject to rate recovery. To the extent that the New Start Program generates expense reductions, such as the working capital associated with arrearages that are forgiven, those expense reductions should be netted against the New Start credits prior to being recovered through rates. Such a netting process cannot occur through an automatic adjustment clause process.

Q. ISN'T THERE CONSIDERABLE UNCERTAINTY ABOUT POSSIBLE NEW START PROGRAM PARTICIPATION THAT WOULD UNDERLIE NEW START PROGRAM COSTS?

A. No. The Company explains in its New Start Program proposal that it proposes to tie New Start eligibility and intake to its existing processes for identifying "hardship" customers. (Conner Direct, at 37). As the Company's hardship program matured it has become more stabilized. As a result the costs that the Company incurs as a result of program participation can be determined with more certainty at the time of a base rate case. New Hampshire is, in other words, no longer in the position of ramping-up a new program with little or no notion of the extent to which, if at all, enrollment will or will not succeed or the extent to which expected enrollment figures will or will not occur in fact. As this uncertainty goes out of the development of the Company's Hardship enrollment, the justification for allowing between rate case rate adjustments has dissipated as well.

B. Ensuring Cost Recovery only for Incremental Costs.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I explain why the Company should not be reimbursed for 100% of the arrearage credits that it provides through the New Start Program. Instead, the expense reimbursement should be adjusted to take into account those revenues that would not have been collected even in the absence of the program as well as for reduced operating expenses. These embedded lost revenues are already collected in base rates.

To provide for a 100% reimbursement of all New Start arrearage credits would, therefore, allow the Company to double-collect the same expense.

Q. WHAT DO YOU RECOMMEND?

A. There should be a bad debt cost offset applied to the dollars that are delivered to low-income customers through the New Start Program when those dollars are passed on to nonparticipants. As I note above, Company witnesses Chung and Dixon testify that "the Company is seeking to recover *100 percent of the forgiven past due balance amounts* for customers enrolled in the New Start Program. . ." (Direct Testimony of Chung and Dixon, at page 116) (emphasis added). Rather than approving this proposal, my recommended bad debt offset should first be applied to the "forgiven past due balance amounts."

The reason for the offset is clear. The Company proposes to quantify the amount of the low-income arrearage credit as if 100% of the low-income bills would have been collected in the absence of the discount. We know, however, that that assumption is not true. While the Company should be reimbursed for money that it would have collected in the absence of the New Start Program, the Company should not be allowed to be reimbursed for dollars that it would not have collected even had no arrearage credit existed.

Q. CAN YOU FURTHER EXPLAIN HOW THE COMPANY WOULD BE OVER-COMPENSATED IN THE ABSENCE OF A BAD DEBT OFFSET?

A. Yes. Even as participation in New Start begins, base rates remain the same. It is important to remember that the Company has already set its base rates taking into account the unpaid bills from low-income customers. Through its base rates, the Company will continue to collect that uncollectible expense as though no net addition to New Start participants has occurred.

As the Company implements its New Start Program, it proposes to collect the entire amount of arrearage credits associated with any increased participation as though that additional shortfall is a "new" expense. Even though the Company makes an *upward* adjustment in the costs it collects as a result of the New Start Program, it is not required to make a corresponding *downward* adjustment to base rates to remove those dollars that were already included in base rates, but are now instead being collected through the New Start Program as part of the arrearage credits.

In fact, however, the participation by low-income customers in New Start does not create "new" costs. Instead, participation in the New Start Program simply *moves* the unpaid bills out of the group of customers known as "residential" customers and into the group of customers known as "New Start participants." To allow the dollars of arrearages to be added to the New Start Program costs, therefore, without correspondingly adjusting for those dollars that already have been included in base rates, allows the Company to collect those dollars in *both* places.

Q. HAS ANY OTHER UTILITY COMMISSION RECOGNIZED THE NEED TO IMPLEMENT SUCH A COST OFFSET?

A. Yes. The Pennsylvania Public Utility Commission ("PUC") set forth its policy on bad debt in its CAP Policy Statement.[16] According to the Commission's CAP Policy Statement:

> In evaluating utility CAPs for ratemaking purposes, the Commission will consider both revenue and expense impacts. Revenue impact considerations include a comparison between the amount of revenue collected from CAP participants prior to and during their enrollment in the CAP. CAP expense impacts include both the expenses associated with operating the CAPs as well as the potential decrease of customary utility operating expenses. *Operating expenses include. . .uncollectible accounts expense for writing off bad debt for these customer**s***. When making CAP-related expense adjustments and projections, utilities should indicate whether a customer's participation in a CAP produced an immediate reduction in customary utility expenses and a reduction in future customary expenses pertaining to that account.

Pennsylvania PUC, CAP Policy Statement, Section 69.266, 52 Pa. Code §69.266 (Supp. 389, April 2007) (emphasis added). Moreover, in examining a proposed bad debt offset in a rate case involving the Philadelphia Gas Works ("PGW"), the PUC reiterated that "the Commission's CAP Policy Statement provides that the cost offset at issue should be considered."[17]

[16] "CAP" is Pennsylvania's "Customer Assistance Program," the low-income bill affordability program mandated by the PUC.

[17] Pennsylvania PUC v. Philadelphia Gas Works, R-0006193, slip opinion, at 39, citing CAP Policy Statement (Order entered September 28, 2007). In reviewing the ALJ opinion, the Commission noted: "The ALJs also found that PGW never addressed whether double recovery is or is not possible when participation exceeds projections in CRP. Rather, PGW makes generalities of other reasons for increases in the CRP expense. The ALJs believe that the OCA made a convincing argument that double recovery is a possibility and can be alleviated by implementing a mechanism for reconciliation and that PGW did not provide a persuasive argument that the current practice guards against double recovery. " *Id.* The Commission held: "We find the ALJs recommendation to be supported by the record as well as Section 1408 of the Code. Accordingly, we find OCA's argument to be convincing. Double

Q. IS THERE A SPECIFIC DOLLAR OFFSET TO BE APPLIED AGAINST NEW START ARREARAGE CREDITS THAT YOU PROPOSE IN THIS PROCEEDING?

A. No. Instead of making a single dollar adjustment, the over-recovery should be prevented by adopting a percentage offset to the New Start credits. The offset should be equal to the bad debt percentage for payment-troubled low-income customers.

According toEversource, the net bad debt ratio for residential customers used in this proceeding is 0.6571%. (Att. EHC/TMD-1, Schedule EHC-TMD-8, page 2, line 26). Applying this Company-wide residential rate to low-income customers in arrears, however, would be inappropriately lower than reasonable. Low-income customers would have a higher uncollectible rate than would residential customers generally. Moreover, low-income customers in arrears would have a higher uncollectible rate than would low-income customers generally. The net uncollectible rate I recommend as the offset for the Company's New Start Program is thus 2.628%.

Q. IS THE USE OF THIS OFFSET A CONSERVATIVE ESTIMATE OF THE OFFSETS THAT SHOULD BE APPLIED?

A. Yes. This offset considers only my recommended bad debt offset. In seeking cost recovery for the arrearage credits granted through the New Start Program, in addition to these bad debt offsets, there should be a working capital offset as well. By granting the

recovery of uncollectible accounts expense is a possibility and can be alleviated by implementing a mechanism for reconciliation. " *Id.*, at 42.

arrearage credits, the amount of arrearage credit will be removed from the Company's accounts receivable on a dollar-for-dollar basis. Removing these dollars from the Company's accounts receivable will also remove these dollars from the Company's receivables contributing to its working capital. However, given the lack of data upon which to calculate a working capital offset, I have not recommended such an offset in this proceeding. Accordingly, the bad debt offset I recommend is considerably lower than the actual offsets that the Commission would be justified in applying to the New Start arrearage credit cost recovery.

Q. IS THERE ANY OTHER EXPENSE OFFSET THAT SHOULD BE TAKEN INTO ACCOUNT IN ASSESSING THE NEW START PROGRAM?

A. Yes. The Company estimates that the New Start program will result in "total annual avoided costs" of collection of $97,000. (Staff 9-020). These are expenses that would be incurred in the absence of New Start. The Company should not be allowed to collect 100% of the cost of the arrearage forgiveness credits without reducing the increased costs by the dollar amount of these reductions in normal operating costs.

C. Bill Impacts of New Start Cost Recovery.

Q. HAVE YOU HAD OCCASION TO CALCULATE THE BILL IMPACTS OF RECOVERING THE COSTS OF NEW START?

A. Yes. I have considered the bill impacts of the New Start program with a minimum arrears of $300. I have, in the alternative, also considered the bill impacts of the New Start program with a minimum arrears of $120.[18]

Q. WOULD SETTING THE MINIMUM ARREARAGE AT $120 RATHER THAN AT $300 SUBSTANTIALLY INCREASE THE COST OF THE NEW START PROGRAM?

A. No. The Company does not set forth an expected cost of the forgiven arrears of the New Start program, other than to note that a similar program in "its Western Massachusetts affiliate's service territory" cost $1.6 million while serving 3,153 delinquent customers. I have, therefore, developed my own cost estimate. Using the distribution of EAP customers by arrearage balance provided by the Company (TWH-1-051), I calculate an average arrearage for EAP accounts with balances exceeding $300 (average = $890) and for EAP accounts with balances exceeding $100 (average = $494).[19]

Multiplying the $890 by 3,200 (the participation cited by the Company rounded up to the next 100), the total arrears subject to forgiveness if 100% of the arrears were forgiven would be $2,848,175. However, we know that not all arrears subject to forgiveness will be forgiven since not all New Start customers will make their bill payments. Thus, using the same proportion of participants who remain "past due" as the Company cites for its

[18] The arrearage data provided by the Company was in increments of $100, so my calculation of the lower minimum arrearage is actually based on a minimum arrears of $100 rather than $120. I do not believe the difference would be significant.

[19] Even if I limited the calculation to those EAP accounts in arrears within the most recent twelve months, the average would not substantially change. The average balance for accounts with balances exceeding $300 would be $886, while the average balance of those exceeding $100 would be $501.

corollary programs in Massachusetts and Connecticut (12,665 of 32,642) (Staff 9-027), the total expected arrearage forgiveness cost would be $1,743,092. This is close to the cost cited by Company Witness Conner ($1.6 million).

The calculation differs somewhat if the minimum arrears is reduced to $120. The participation would need to be adjusted upwards to account for the broader eligibility. Multiplying the 3,200 by the ratio of the total number of underlying accounts in arrears, the expected participation would be 7,100 (7,072 rounded up to the next 100).[20] At an average arrears of $494, the total arrears subject to forgiveness, if 100% of the arrears were forgiven, would be $3,504,882. Adjusting downward in the same fashion as above, to account for those accounts with past due balances, the total expected arrearage forgiveness cost would be $2,144,988.

As is evident, the cost of adding the affordability protections for nearly 4,000 additional low-income Company customers (7,100 – 3,200 = 3,900) is only $400,000 ($401,906).

The bill impact of the New Start program proposal is thus minimal. Calculating the impact on price in the same fashion the Company does for the total rate change (*see*, EAD-5, page 1 of 3), I divide the total arrearage cost by the Test Year Billed Sales of 7,954,422 mWh (EAD-5, page 1 of 3). The price impact of the $1.743 million arrearage forgiveness cost would be $0.00022 per kWh (22 one-thousandths of a cent per kWh).

[20] This number does not assume any particular participation rate. Rather, it begins with the Company's stated expected participation of 3,200 and adjusts it upwards proportionately based on the number of EAP accounts with $120 in arrears (or more) to the number of EAP accounts with $300 in arrears (or more).

Similarly, the price impact of the $2.145 million arrearage forgiveness cost would be $0.00027 per kwh (27 one-thousandths of a cent per kWh).

Q. HAVE YOU TRANSLATED THAT INTO A BILL IMPACT?

A. Yes. According to the Company, the combined residential billed sales (Rate R and Rate R-TOD) is 3,144,971 mWh. (Attachment EAD-5, page 1 of 3). The average number of residential customers is 439,078 for Rate R and Rate R-TOD. The average annual usage is thus 7,163 kWh. Given an arrearage forgiveness cost of $0.00022 per kWh, the annual cost of the arrearage forgiveness program at the average residential consumption would be $1.56 (or roughly $0.13 per month). Given an arrearage forgiveness cost of $0.00027, the annual cost of the arrearage forgiveness program at the average residential consumption would be $1.93 (or roughly $0.16 per month). Neither these costs, nor these bill impacts, take into account the proposed cost offsets I recommend in my testimony. In fact, therefore, the bill impacts would be somewhat less than that which I identify here.

Part 4. Customer Service.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I address several aspects of the Company's provision of customer service. I include within this discussion of "customer service" my recommendation that Hardship customers be exempted from certain customer service fees imposed by the Company.

Q. WHY IS IT APPROPRIATE TO CONSIDER CUSTOMER SERVICE ISSUES IN A RATE CASE?

A. The adequacy of customer service is considered a legitimate rate case issue primarily because ratepayers have *paid* for reasonably adequate customer service through their rates. Having paid for such service, the Company's customers have the right to be assured that they are receiving the service for which they have paid before they are called upon to pay even more. Moreover, the Commission has established explicit customer service standards in its regulations and orders. Company customers have a reasonable expectation that when the Commission has promulgated particular customer service processes, the utility will fully implement those processes and/or comply with those regulatory directives. In each of these respects, an inquiry into the Company's customer service is an integral part of any inquiry into what constitutes a just and reasonable rate.

Q. CAN YOU DEFINE WHAT YOU MEAN TO INCLUDE WHEN YOU USE THE TERM "CUSTOMER SERVICE"?

A. Yes. The "service" provided by the Company (or any utility) involves the entire range of supplier-consumer transactions throughout the customer cycle. That cycle begins with an application to become a customer; continues through the delivery of the physical goods; continues with the metering and billing of those physical goods; continues through the conversion of those billings into revenue (including collections as well as addressing customer inquiries and disputes); and ultimately ends when the customer leaves the Company's system.

A. Exemption from Designated Customer Service Fees.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I recommend that Hardship customers be exempted from the Company's Field Collection fee and any Reconnection fee.

Q. WHAT SERVICE CHARGES IS THE COMPANY PROPOSING IN THIS PROCEEDING?

A. The Company proposes the following fees:

- Reconnect during normal hours: $35.00
- Reconnect at meter: $35
- Reconnect after work hours: $80
- Initiate service fee: $10
- Collection charge: $26

(*See, e.g.*, Attachment EHC/TMD-1 (Perm), Schedule EHC/TMD-4 (Perm), page 2 of 3, November 4, 2019 update).

Q. WHAT DO YOU RECOMMEND?

A. The Company's late payment charge tariff (Electric delivery tariff No. 9, 5th Revised page 23) states that "the late payment charge is not applicable to a) residential Customers who are taking service under the statewide Electric Assistance Program (EAP) as approved by the Commission; b) residential Customers receiving protection from disconnection of service under any enhanced winter protection programs offered by the

Company; c) residential Customers whose electric bill is paid on their behalf (whether in part or in whole) through the Low Income Home Energy Assistance Program (LIHEAP). . .” I recommend that the additional fee exemptions listed above be listed along with the late payment charge.

Q. DO YOU ALSO PROPOSE AN EXPANSION OF THE LOW-INCOME EXEMPTION FROM LATE PAYMENT CHARGES?

A. Yes. I recommend that the Company add a fourth exemption from late payment charges. I recommend that the Company exempt customers participating in the New Start Program from being charged late payment fees. The New Start Program is *sui generis* programs such as LIHEAP, EAP and winter protections. In the event that a customer may happen to qualify for New Start without being a participant in one of the three listed programs, that customer should, for the same reasons as the three listed programs are included, be exempt. According to the data I outline above (*i.e.* over the past four years, nearly 1,300 low-income Company customers (n=1,286) received “a benefit”[21] without being enrolled as a “Hardship” customer. (TWH-1-097)), while there is an implicit assumption that the participation in one of these programs means that all customers would be covered, that implicit assumption is not always correct. Low-income customers should not be excluded from these protections because of definitional reasons.

Q. PLEASE EXPLAIN THE PURPOSE BEHIND EXEMPTING THESE LOW-INCOME CUSTOMERS FROM THESE SERVICE CHARGES?

[21] The Company does not categorize such customers by the type of benefit received. (TWH-1-097).

A. The Company is pursuing two major initiatives to address the unaffordability of electric bills to its low-income customers. On the one hand, the Company has adopted the Electric Assistance Program ("EAP") to address the unaffordability of current bills. On the other hand, in this proceeding, the Company has proposed the New Start Program to address the unaffordability of pre-existing arrearages. Exempting the income-eligible customers from the late payment charges helps to facilitate the achievement of the same objectives of these two programs. In contrast, however, imposing the service charges I have identified above serves to impede the objectives sought by both of the Company's affordability programs. For the same reasons that income-eligible customers should be exempt from Late Payment Charges, they should be exempted from these service charges as well.

Q. DON'T THESE SERVICE CHARGES HAVE A COST BASIS THAT SHOULD BE COVERED BY THE REVENUE FROM THE CHARGES?

A. The Company's late payment charge revenue is more than adequate to cover the cost of exempting income-eligible customers from this limited number of service charges. According to the Company, it collected $3.11 million in residential late fees in 2017; $1.953 million in residential late fees in 2018; and $1.490 million in residential late fees simply through July 2019. (TWH-1-003). In contrast, the Company reports that the "total NH Disconnect Notice Expense" was $98,358 in 2017; $97,690 in 2018; and $52,581 through July 2019. In addition, the "total NH field collection expenses" were $1.338 million in 2017; $1.237 million in 2018; and $673,465 through July 2019. (TWH-1-012).

	Disconnect Notice Expense	Field Collection Expense	Disconnect Notice + Field Collection Expenses	Actual NH Collection Costs[22]	Late Charge Revenue
2017	$98,358	$1,338,451	$1,436,809	$2,831,193	$3,111,611
2018	$997,690	$1,237,227	$2,234,917	$2,247,420	$1,952,877
2019 (July)	$52,581	$673,465	$726,046	$1,262,669	$1,489,847

Three observations stand out from the above data. First, the Late Charge Revenue, standing alone, is more than adequate to cover the "actual NH collection costs" in each time period reported by the Company, even without taking into account any revenue from the stand alone service charges for reconnection fees, collection charges, or initiate service charges. Second, the combined collection charges (disconnect notice expense, field collection expense) are by far the largest portion of the total "actual NH collection costs" reported by the Company. Yet, despite the fact that the late payment charge more than covers the "actual NH collection costs," the Company charges a stand-alone service charge for field collections and disconnection/reconnection.

Q. BASED ON THE ABOVE, DO YOU PROPOSE A MODIFICATION IN EITHER THE LATE PAYMENT CHARGE OR ANY OF THE CUSTOMER SERVICE CHARGES?

A. No. My recommendation is limited to the following. To be consistent with previous decisions not to have miscellaneous fees such as the Late Payment Charge impede accomplishing the objectives of the Company's affordability initiatives (*i.e.*, EAP, New Start), fee exemptions for these specific fees should be extended to the same income-eligible customer population which is exempted from the late payment charge.

[22] TWH-1-023.

B. Over-Noticing of Shutoffs.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I assess the Company's actions taken in response to residential bill nonpayment to determine whether the Company is providing a "clear and believable" notice of an impending disconnection of service for nonpayment. I conclude that the Company is over-noticing its nonpayment disconnections, to the detriment of both the utility and its customers.

Q. WHAT DO YOU ADDRESS IN THIS SECTION OF YOUR TESTIMONY

A. The Company routinely "over-notices" the possible disconnection of service. Information it provided in response to discovery in this proceeding indicates that from October 2016 through July 2019, the Company issued more than seven (7) disconnect notices for every disconnection it actually implements. During this 34-month time period, while the Company issued 452,397 disconnection notices, it actually disconnected service to only 62,575 customers. (TWH-1-024).

Q. IS THE COMPANY NOT DISCONNECTING ACCOUNTS BECAUSE CUSTOMERS MAKE PAYMENTS IN RESPONSE TO DISCONNECT NOTICES?

A. No. As I discuss elsewhere in this testimony, the Company reports that during the period October 2016 through July 2019,[23] 409,221 accounts to whom disconnect notices were issued did not have their service disconnected by the date included on the notice.[24] Only 141,460 (34.6%), however, did not have service disconnected because they made a full payment. In contrast, 248,163 accounts did not have service disconnected even though they retained an arrearage of a sufficient age and dollar amount that would qualify them for disconnection. In addition, 161,058 accounts were not disconnected even though they made $0 in payments after receiving the disconnect notice. (TWH-1-046).

Q. DOES THE COMPANY INTEND TO DISCONNECT ALL ACCOUNTS TO WHICH IT ISSUES A DISCONNECT NOTICE?

A. No. Even factoring out that number of accounts that the Company can reasonably expect to pay their arrearages in full, the Company does not have the resources to disconnect every account to which it issues a disconnect notice. Factoring out the proportion (and thus number) of accounts that experience counsels will pay their bills after receipt of a disconnect notice, the Company sent 310,397 (452,397 disconnect notices – 141,460 disconnections) written disconnect notices over the 34-month study period that would not be paid in full. According to the Company, it assigns roughly 6.8 disconnects per day to its field employees (during the period where no cold weather restrictions are in play) (April through October). (TWH-1-005). During those non-cold weather months from

[23] This is a duplicated count. Any given customer may have received a disconnect notice in more than one month.
[24] Note the difference between data reported in TWH-1-024 and TWH-1-046. TWH-1-046 is the number of disconnections for nonpayment. RRQH-1-046 is the number of accounts not disconnected *by the date included on the notice*.(emphasis added). So, the fact that the number of disconnect notices minus the number of disconnections (452,397 – 62,575 = 389,822 [TWH-1-024]) does not equal the number of disconnect notices issued which did not result in disconnections by the date on the notice (409,221 [TWH-1-046]) are not in conflict.

October 2016 through July 2019, the Company issued 253,922 written disconnect notices. (TWH-1-046). At the historic rate of staffing to perform nonpayment service disconnections (TWH-1-031), the Company had roughly 9,700 employee-days devoted to staff assigned the task of nonpayment disconnections during these non-cold weather months. At the rate of 6.8 disconnections per day, therefore, the Company had the resources to disconnect fewer than 66,000 accounts during a time period in which it issued almost 254,000 disconnect notice.[25] Clearly, the Company issues disconnection notices that it does not intend to follow-up on whether or not any payment is made. This lack of an intent to disconnect even in the event of nonpayment is evidenced by the data presented above regarding the number of accounts receiving disconnect notices, but not being disconnected even when their account balances would otherwise merit such disconnection as well as by the lack of resources available to disconnect anywhere close to the number of accounts to whom disconnect notices are sent and the Company would not ordinarily expect payment from.

Q. PLEASE EXPLAIN WHY THE OVER-NOTICING OF SHUTOFFS SHOULD BE OF CONCERN TO THE COMMISSION IN THIS PROCEEDING.

A. There is a business cost to over-noticing threats of service disconnection for nonpayment. A study by the New York Public Service Commission staff, for example, reported that:

> The effectiveness of Final Termination Notices as a means to encourage payments or to make payment arrangements prior to field action has deteriorated. The rate of customer non-responses to Final Termination Notices has increased from 33% in 1983 to 46% in 1987. This may result in part from customer perception that utilities threaten to terminate service, but rarely do. In 1983, 16% of the customers who did not make arrangements on

[25] This calculation is consistent with the actual 62,575 nonpayment disconnections which the Company performed as documented above. (TWH-1-024).

their arrears in response to a termination notice had their service terminated; in 1987, only 9% of those customers had their service terminated.[26]

While the Company appears to take it as an article of faith that shutoffs, and thus shutoff notices, are necessary to control any growth in arrears (and thus ultimately bad debt), that assumption is not supported by any empirical data. Indeed, the evidence is to the contrary. As the New York study found, over-noticing disconnections results in a deterioration in, rather than an improvement in, the extent to which customers make payments in response to those notices.

The counter-productive nature of over-noticing shutoffs has been recognized by the federal courts as well. When a utility repeatedly issues shutoff notices warning customers of an imminent pending service disconnection unless bills are paid in full, without following up those notices by performing the threatened collection activity, it conveys the message that customers may ignore the shutoff notice with no adverse result arising. Sending multiple shutoff notices when the Company has no present intent to disconnect results in a "wolf-like" notice being issued.[27]

Q. CAN YOU SUMMARIZE THE COUNTER-PRODUCTIVE IMPACT OF OVER-NOTICING SHUTOFFS?

[26] Sawyer and Teumin, Gas and Power Utility Uncollectibles and Collection Activity, A Report by the consumers Services Division of the New York State Public Service Commission.

[27] In *Palmer v. Columbia Gas*, 479 F.2d 153 (6th Cir. 1973), the court found that the company issued between 120,000 and 140,000 notices per year, only about 4% of which were followed by actual terminations. The Federal Circuit Court held that "it is clear that the flood of final notices sent out by the company was, as the District Court expressed it, "a wolf kind of notice" which does not conform to the constitutional requirements that notice be truly informative and be given at a meaningful time." As the *Palmer* court noted: "what we have here is a wolf kind of notice that is very convenient for the computer to issue, but is not, I think, what the statute contemplates, which. . .is a meaningful notice that applies to the person who is going to be affected by it and will be followed by some action."

A. Yes. The provision of a notice of a service disconnection when there is no present intent to engage in the disconnection is counterproductive to the entire purpose of notice. The purpose of a notice is to provide a clear and believable warning that a service termination is about to occur. In response to such a notice, the customer must either take the steps necessary to prevent the service termination or take those steps needed to protect himself or herself against the dangers to life, health and property that might result from the loss of service.

My experience over more than three decades of working with payment-troubled customers counsels that the customer receiving a wolf-like notice has no basis upon which to make a decision as to which notice requires a response. The result is a tendency to delay. Delay occurs because, after sending multiple notices falsely warning of an impending disconnection of service if payment-in-full is not made by a date certain, the utility does not send a notice saying "*this* time, we really mean it" or "this time, we really, *really* mean it." Notices lose their believability. When a disconnection actually does occur, it thus often comes as a surprise. The customer is never placed in the position of responding to a notice of a pending disconnection with the notice saying that "*<u>this</u>* time, it's real."

Recognizing the decreasing efficacy of a shutoff warning when that warning is repeatedly given without follow-through does not require a familiarity with childhood fables, however. The impact is referred to as "psychological habituation" (becoming inured to a stimulus after repeated exposure with a resulting decrease in response).[28] When the

[28] W. Frost and E. Megalou (2009). Encyclopedia of Neuroscience. ("Habituation is a universal form of nonassociative learning. In habituation, behavioral responsiveness to a test stimulus decreases with repetition. It has

Company sends out "false" shutoff notices on which it has no intention of following through, people learn to ignore those notices.

To effectively engage in the distribution of disconnection notices, the Company should provide a clear and meaningful notice of a pending shutoff. The Company's shutoff notices should be made at a meaningful time, in a meaningful manner, and provide accurate information as to what the customer must do to avoid shutoff.. To fulfill this standard that the notice be meaningful, the Company should give a clear and believable warning that termination is about to occur. The failure to meet this standard means that the Company is not engaging in the effective provision of disconnection notices.

Q. IS YOUR RECOMMENDATION THAT THE COMPANY INCREASE THE NUMBER OF DISCONNECTIONS IT PERFORMS SO AS TO MATCH THE NUMBER OF DISCONNECT NOTICES IT ISSUES EACH MONTH?

A. No. There is no necessary relationship between increasing the number of service disconnection notices and the extent to which either arrearages or uncollectible accounts are reduced. Nor is there any relationship between the number of disconnection notices and either the acceleration of, or increase of, customer payments. The Company certainly cannot establish such a relationship. Consider that:

- The Company was asked to "provide all written studies currently within the custody or control of the Company, whether or not prepared by or for the Company, that explicitly assess the relationship between the number of, or rate at which, the Company issues disconnect notices and the reduction of residential bad debt," but responded that it had no such information. (TWH-1-065).

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the important function of enabling us to ignore repetitive, irrelevant stimuli so that we can remain responsive to sporadic stimuli, typically of greater significance.")

- The Company was asked to "provide all written studies currently within the custody or control of the Company, whether or not prepared by or for the Company, that explicitly assess the relationship between the number of, or rate at which, the Company issues disconnect notices and the reduction of residential arrears," but responded that it had no such information. (TWH-1-066).

- The Company was asked to "provide all written studies currently within the custody or control of the Company, whether or not prepared by or for the Company, that explicitly assess the relationship between the number of, or rate at which, the Company issues disconnect notices and any increase in residential payments," but responded that it had no such information. (TWH-1-067).

Given that the existing research and data documents that over-noticing shutoffs is *counter-productive* as a process by which to collect unpaid accounts, and that the Company concedes that it has no basis for asserting that its issuance of disconnect notices results in a reduction of bad debt, a reduction of arrears, or an increase or acceleration of payments, I urge the adoption of the recommendation immediately below.

Q. PLEASE DESCRIBE THE GENERAL PRINCIPLE INVOLVED WITH THREATENING A CUSTOMER WITH A COLLECTION ACTIVITY THAT THE ENTITY TO WHOM MONEY IS OWED DOES NOT INTEND TO TAKE.

A. Mass-generated (or computer-generated) collection notices are particularly apt to run afoul of prohibitions on unfair and deceptive collection practices. For example, mass mailing of dunning letters on an attorney's letterhead without a prior legal review of the debtor files by the attorney is a deceptive practice. Similarly, a mass mailing of a threat to disconnect service without a prior review of the accounts by those authorized to determine whether, and when, a disconnection will actually occur would also be

deceptive. The fact that a practice is "customary" does not prevent it from being deceptive.

Consider threats of repossession. Circumstances that have led courts to find such a threat to be deceptive (and thus unlawful) include circumstances which indicate the threatened action is unlikely. Such circumstances might involve the fact that the debt is relatively small or the fact that the creditor has in the past exhibited a policy or tendency not to pursue such an action. In general, as the National Consumer Law Center (NCLC)[29] has noted:

> Nor can collectors misrepresent the imminency or probability of legal action. Debt collectors may not threaten that nonpayment "will" result in legal action unless suit is filed in all cases, can not (sic) threaten that nonpayment "may" result in litigation unless suit is the ordinary response to nonpayment, and cannot threaten that if payment is not made immediately or in a specific number of days, specified action will be initiated, if the decision to take that action at that time has not been made.[30]

In contrast to this established legal doctrine, note that the Company's notice of disconnection contains the following language: "How to continue your electric service: We must receive at least $681.24 or you must contact Eversource to make a payment arrangement **before the date of disconnect** shown or the Company will act on this notice." (TWH-1-070, Attachment B) (emphasis in original). The Company's statement that "[w]e must receive at least [dollar amount] . . ." is clearly not true. The data provided by the Company demonstrates the emptiness of this threat. Moreover, the

[29] It is important to note that the Company considers NCLC to be an authoritative source. Not only does the Company cite NCLC in its testimony, but it has also attached an NCLC publication as an exhibit of its own witness in this proceeding.

[30] NCLC (2004). Unfair and Deceptive Acts and Practices, at Section 5.1.1.1.4 (misrepresentations concerning imminency of threatened actions, damage to consumer's credit rating).

Company's threat that in absence of receipt of the prescribed amount, or a contact to make a payment arrangement must occur "or the Company *will* act on this notice" (emphasis added) is also shown by the above data to be an empty threat. More specifically:

- The Company is misrepresenting the imminency or probability of collection action (*i.e.*, service termination);
- The Company is falsely threatening that the identified action (*i.e.*, service termination) "will" occur even though it does not happen in all cases;
- The Company is falsely threatening that the identified action (*i.e.*, service termination) will occur if payment is not made immediately or in a specific number of days even though the decision to take that action at the time the threat is made has not been made.

The over-noticing of shutoffs is a serious breach of providing a clear and believable warning of a disconnection, a notice of an impending disconnection at a meaningful time and in a meaningful manner, and a serious breach of bans on engaging in false and deceptive collection methods.

Clearly, with the Company's notices of disconnection, the tests to demonstrate a compliance with prohibitions on unfair and deceptive threats cannot be met. The Company issues more disconnect notices than it has resources to implement. The number of customers who receive a notice threatening a disconnection but who are *not* disconnected (even when they retain an arrearage of an age or balance that would merit disconnection) exceeds the number of customers who actually *are* disconnected. Indeed,

the number of customers who were not disconnected, even though making *no* payment, exceeds the number of customers who were not disconnected because they made a full payment.

Add these observations to the fact that over-noticing disconnections has been found to be counter-productive, as well as to the fact that the Company cannot show that over-noticing disconnections has any impact at all on reducing bad debt, reducing arrearages, or increasing or accelerating payments, it is clear that my recommendation below should be adopted.

Q. WHAT DO YOU RECOMMEND?

A. I recommend that the Company be directed that it shall not threaten to disconnect service when it has no present intent to disconnect service on the date noticed or when actual disconnection is prohibited.[31] The Company should be ordered to provide a notice of the intent to disconnect service *only* as a warning that service will in fact be disconnected on the date published in the notice in accordance with the procedures of the Commission, unless the customer remedies the situation which gave rise to the enforcement efforts. A disconnect notice should be issued if, but only if, a disconnection of service has been scheduled for implementation.

[31] Whether someone has a "present intent" to engage in a particular collection activity is a concept well-defined in the law. Accordingly, noting that definition, I do not include a specific definition or explanation of that concept in this testimony.

C. Non-English Language Communications.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I review the Company's actions in ensuring that adequate effort is made to address the needs of non-English language customers.[32] I conclude that the Company should do more.

Q. PLEASE EXPLAIN YOUR UNDERSTANIDNG OF WHAT PUC REGULAIONS REQUIRE AS TO NON-ENGLISH SPEAKING CUSTOMERS?

A. The PUC's regulations provide that "All information required under PUC 1203.02 shall also be provided in a particular foreign language when 25% or more of the population within the utility's franchise area speaks that particular foreign language as its primary language. The determination of the percentage shall be made by the commission based upon data obtained from the New Hampshire office of state planning." (PUC 1203.02(k)).

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF WHAT THE COMPANY DOES WITH RESPECT TO TRACKING NON-ENGLISH LANGUAGE CUSTOMERS?

A. When the Company was asked to "identify any clusters of English as a Second Language ("ESL") customers that exist in the Company service territory by community, zip code, Census Tract, or other geographic region or area by which ESL is tracked" and

[32] Throughout my testimony, the term English as a Second Language ("ESL") household and Limited English Proficiency ("LEP") household are intended to be coterminous.

"[s]eparately provide a detailed explanation of how clusters of ESL customers are identified," it responded that "The Company does not track this type of information." (TWH-1-098).

Q. IS THIS COMPANY INACTIVITY APPROPRIATE OR LAWFUL?

A. No. This inaction, and inattention, is a breach of the Company's obligations under Federal law, even setting aside any obligation imposed pursuant to the PUC's regulations.

Q: HOW WILL THE COMPANY'S PROPOSED RATE INCREASE AFFECT IMMIGRANT POPULATIONS IN THE COMPANY'S SERVICE TERRITORY?

A. On average, limited English proficient individuals earn lower wages than their English proficient counterparts.[33] Thus, any rate increase would have the tendency to disproportionately affect immigrant communities in which there are significant numbers of limited English proficient individuals.[34]

Q. CAN YOU SUMMARIZE THE FEDERAL LAW YOU REFERENCE IN YOUR RESPONSE ABOVE?

A. Yes. I am aware that the Company receives federal funds through the Low-Income Home Energy Assistance Program (LIHEAP). (TWH-1-097). As a recipient of these federal LIHEAP dollars, the Company's language access responsibilities are more

[33] "In 2013, about 25% of LEP individuals lived in households with an annual income below the official federal poverty line – nearly twice as high as the share of English-proficient persons (14 percent)." Jie Zong & Jeanne Batalova, *The Limited English Proficient Population in the United States*, Migration Policy Institute Journal (July 8, 2015), http://www.migrationpolicy.org/article/limited-english-proficient-population-united-states.

[34] *Id.* ("In 2013, about 50% of immigrants (20.4 million) were LEP, compared to 2 percent of the U.S.-born population.")

extensive than the requirements contained in the PUC's regulations. Title VI of the Civil Rights Act of 1964 provides:

> No person in the United States shall, on the ground of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance.[35]

The Title VI protection against discrimination based on national origin applies when an individual is unable or has a limited ability to speak, read, write or understand English – in other words, the person is limited English proficient or LEP.[36] Title VI responsibilities extend to contractors and grant recipients of federal programs,[37] such as LIHEAP. As a LIHEAP vendor, the Company is required to "take reasonable steps to ensure meaningful access" its services.[38] The steps that are "reasonable" for a covered entity vary, depending on the size of the population served and frequency in which they have or should have contact with an LEP person of that population. Critical to this determination is an assessment of the consequences of not providing adequate language access services.[39] In this instance, the Company's service is an essential component to a healthy, safe home, and the consequences of providing insufficient access to service may be severe, so the requirements of Title VI are great.[40]

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[35] 42 U.S.C. § 2000d.

[36] *Lau v. Nichols*, 414 U.S. 563, 569 (1974); *Sandoval v. Hagan*, 197 F.3d 484, 510-11 (11th Cir. 1999) (holding that English-only policy for driver's license applications constituted national origin discrimination under Title VI), rev'd on other grounds, 532 U.S. 275 (2001); *Almendares v. Palmer*, 284 F. Supp. 2d 799, 808 (N.D. Ohio 2003) (holding that allegations of failure to ensure bilingual services in a food stamp program could constitute a violation of Title VI).

[37] 45 C.F.R. § 80.3(b)(2).

[38] Dep't Health & Human Services (HHS), Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons, http://www.hhs.gov/civil-rights/for-individuals/special-topics/limited-english-proficiency/guidance-federal-financial-assistance-recipients-title-VI/index.html.

[39] *Id.*

[40] *Id.*

Q. WHAT DOES IT MEAN TO PROVIDE "LANGUAGE ACCESS"?

A. There are two main components to providing language access: (1) oral interpretation, and (2) written translation. With respect to oral interpretation, the Department of Health and Human Services (HHS) provides that use of bilingual employees to interpret is acceptable, but explains that employees should be qualified to provide interpretation services.[41] Hiring staff interpreters or contracting for in-person interpreters are also viable options to meet the requirement. Use of telephone interpreter lines may be used, too, but nuances in language and non-verbal communication can be lost. HHS warns in guidance that "where documents are being discussed, it may be important to give telephonic interpreters adequate opportunity to review the document prior to the discussion and any logistical problems should be addressed."[42]

With respect to written translation, the general rule is that covered entities must provide written translation of any vital documents "for each LEP language group that constitutes five percent or 1,000, whichever is less, of the population of persons eligible to be served or likely to be affected or encountered."[43]

Q. DOES TITLE VI EXTEND TO ALL OF THE COMPANY'S SERVICES OR ONLY TO ITS SERVICES RELATED TO LIHEAP?

A. Title VI requirements apply to all services provided by the Company. HHS explains: "Coverage extends to a recipient's *entire* program or activity, *i.e.*, to all parts of a

[41] *Id.*
[42] *Id.*
[43] *Id.*

recipient's operations. This is true even if only one part of the recipient receives the federal assistance." (emphasis added)[44]

Q. IS THE COMPANY SUBJECT TO TITLE VI WHEN IT DELEGATES WORK TO CONTRACTORS OR SUBCONTRACTORS?

A: Yes. Recipients cannot evade Title VI's requirements by delegating work to contractors or subcontractors.[45] A recipient remains responsible for compliance, even if it hires subcontractors.

Q. HAS THE COMPANY CONDUCTED ANY NEEDS ASSESSMENTS OF ITS LEP POPULATION?

A. As I noted immediately above, the Company states that it "does not track" clusters of LEP customers. (TWH-1-098).

Q. IS THIS AN ADEQUATE ASSESSMENT OF THE NEED FOR LANGUAGE SERVICES?

A: No. The Company should base its language access needs on data from the geographic area it serves. Basing language needs only on affirmative statement from an external third party, even if that third party is a state agency,[46] obscures the real need for services. Moreover, compliance with Title VI cannot be achieved by a consideration of whether

[44] *Id.*; U.S. Dep't of Justice, Title VI Legal Manual, at § VI, https://www.justice.gov/crt/title-vi-legal-manual#VI (defining and explaining the definition of a recipient under Title VI.)
[45] 45 C.F.R. § 80.3(b)(1)
[46] "The determination of the percentage shall be made by the commission based upon data obtained from the New Hampshire office of state planning." (PUC 1203.02(k)).

the Company complies with the PUC's regulatory threshold of 25%. The PUC threshold differs sharply from the Title VI requirements.

Q. HOW DOES THE COMPANY'S SERVICE FALL SHORT?

A. There are critical issues with respect to the Company's language access procedures which require revision to meet the minimum language access requirements in Title VI. First, it is unclear how LEP individuals are identified for translation services. It is not at all evident that there is an affirmative notice that interpretation services are available to callers. For example, the illustrative shutoff notices provided by the Company (TWH-1-070) do not affirmatively refer to the availability of translation services. Nor do the notices of payment arrangements. (TWH-1-055; see also, TWH-1-071).

Q. WHY IS THIS COMPANY FAILURE OF CONCERN?

A. In addition to the association between ESL status and lower income status that I documented above, the Company has a substantial ESL population in its service territory. The Company provided a list of the communities which comprise its service territory. (TWH-1-085, TWH-1-086). To the extent that the Census Bureau reported data on individual communities –some are too small for the Census to provide information consistent with statistical validity and privacy concerns—it is possible to review whether there is an ESL population served by the Company. Of the 73 communities for which the Census Bureau reported data in its most recent American Community Survey (2017), I found that seven (7) had 100 or more ESL households. In those 73 communities, there are nearly 5,900 households (2.5%) who are not proficient with English. Twelve of the

Company's 73 communities for which data is reported have more than two percent of their total households as ESL households. Several (Colebrook, Manchester, Nashua, Newmarket, Plainfield) have ESL penetrations of between 3.5% and 5.3%. As can be seen, the presence of Limited English Proficient ("LEP") households in the Company's service territory presents a serious issue, particularly when judged in light of its potential impact on a life-sustaining service such as electricity. Moreover, the 5,900 households identified above are well above the Title VI threshold of 1,000, irrespective of whether the Title VI 5% threshold is reached. As I note above, Title VI applies "for each LEP language group that constitutes five percent or 1,000, *whichever is less*. . ." (emphasis added).

Q. WHAT DO YOU RECOMMEND?

A. I recommend that the Company be required to conduct an appropriate assessment of language translation and interpretation needs based on the geographic areas it serves to ensure that the requirements I outlined above regarding non-English language services are fulfilled. The Company should adopt a policy to ask callers (either directly or through the use of a call-in prompt) whether they would like an interpreter at the start of a call to ensure that all LEP individuals are provided with meaningful access to interpretation services. At a minimum, the information about the availability of an interpreter should be in Spanish, the dominate language spoken by LEP individuals. However, if the Company conducts a more appropriate assessment of language needs in the geographic region, and finds that other languages are also prominent, those languages should also be included in the information provided to callers about the availability of interpreter services. In

addition to language translation services, the Company should ensure that all of its documents (*e.g.*, shutoff notices, program outreach, payment plan notices) are available in appropriate non-English languages.

In addition to performing this needs analysis, the Company should perform and present to the Commission and other stakeholders a comprehensive review of how it provides an availability of interpretation services.

Finally, the Company should assure that the contract agencies that administer the Company's low-income programs are able to access the Company's interpretation services. The Company should present, as part of its comprehensive review, the oversight mechanism by which it will ensure that its contractors are otherwise providing an interpreter for universal service applicants in need of such services. Community based organizations (CBOs) are responsible for processing enrollments in the Company's low-income programs, and are critical to utility affordability for a significant segment of the LEP population. To ensure that these agencies are able to appropriately serve LEP applicants and customers in accord with Title VI, the Company should be required to monitor its administering agencies' access to its telephonic language interpretation services or should otherwise ensure that each of its contracted agencies have access to similar language interpretation services. Further, enrollment documents for all universal service programs, in addition to EAP and New Start, should be translated into Spanish and should be available to administering agencies.

D. Deferred Payment Arrangements.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I examine whether the Company is adequately complying with New Hampshire PUC regulations requiring the Company to offer deferred payment plans taking into account a customer's ability to pay. I conclude that the Company is not adequately complying with this regulatory directive.

Q. WHAT IS YOUR UNDERSTANDING OF THE PUC'S REGULATIONS REGARDING THE OFFER OF DEFERRED PAYMENT ARRANGEMENTS?

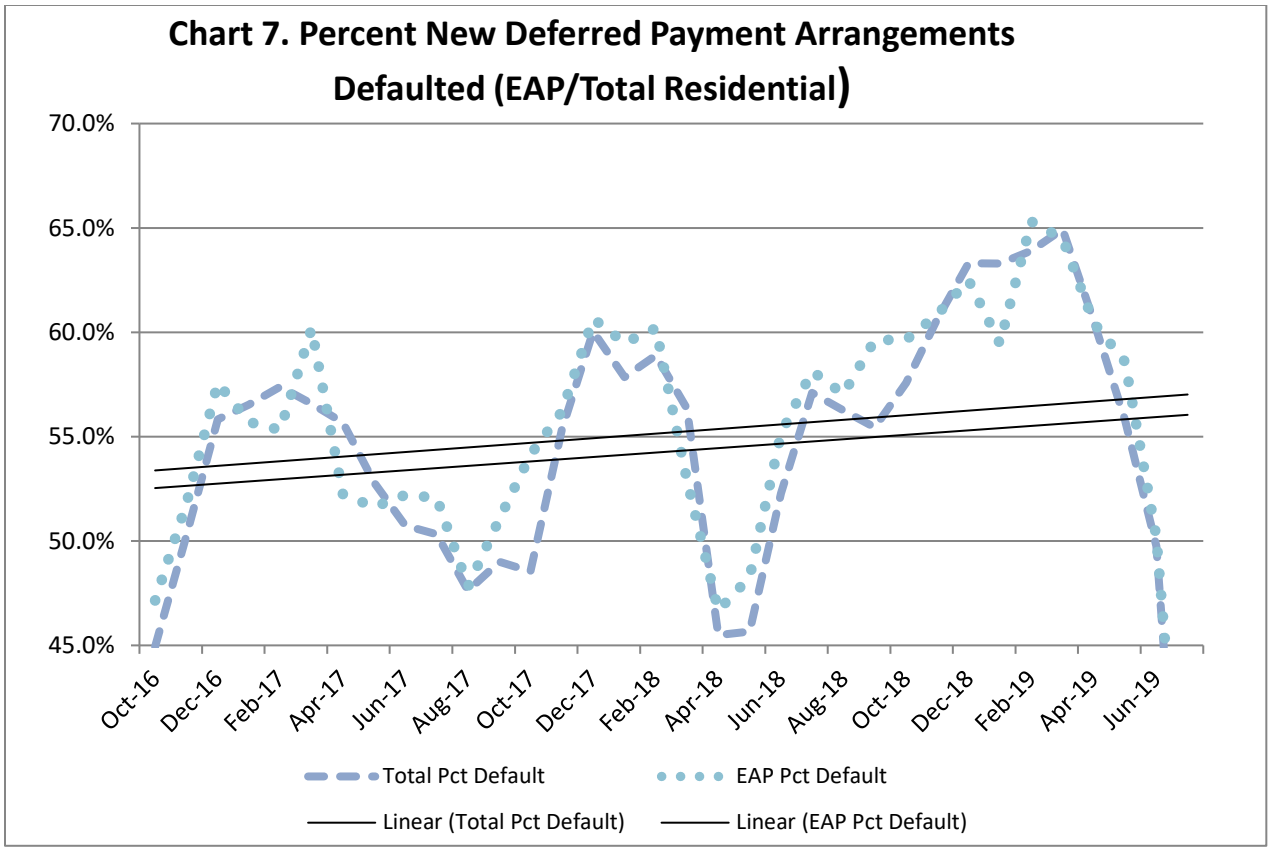
A. PUC regulations provide that a customer unable to pay an outstanding balance shall be given an opportunity to enter into a reasonable payment plan. The customer must pay a reasonable portion of the outstanding arrears (as a downpayment), make reasonable installment payments toward the balance, and pay current bills as they come due by the due date printed on the bill. (PUC 1203.07). In deciding upon a reasonable installment payment, the PUC regulation provides:

> (c) In deciding upon the reasonableness of a payment arrangement, the customer and the utility *shall* consider the:
> (1) Size of the arrearage;
> (2) Estimated size of the customer's future monthly bills;
> (3) Customer's payment history;
> (4) Amount of time that the arrearage has been outstanding;
> (5) Reasons why the arrearage is outstanding and whether those reasons will or will not continue during the course of payment; and
> (6) Customer's ability to pay.

(PUC 1203.07(c)) (emphasis added). The regulations provide further that a "utility may disconnect without additional notice any customer for failure to comply with a properly confirmed payment arrangement, except as provided for in PUC 1204 and PUC 1205." Regulation 1204 addresses winter protections. Regulation 1205 addresses medical emergencies.

Q. HAVE YOU HAD OCCASION TO REVIEW THE COMPANY'S SUCCESS RATE FOR ITS RESIDENTIAL DEFERRED PAYMENT ARRANGEMENTS?

A. Yes. More than half of all deferred payment arrangements ("DPAs") which the Company negotiated between October 2016 and July 2019 defaulted before they were completed. Chart 7 below presents the data. The percentage of defaults, of course, substantially declines in the most recent months, during which months there has been insufficient time for a payment plan to either succeed or default. The data on DPAs is set forth in Schedule RDC-11 (page 1 [Total Residential] and page 2 [EAP]).



The performance of Total Residential DPAs and DPAs for EAP customers was nearly identical, with 54.5% of the EAP DPAs defaulting in the 34-month period, compared to 54.1% of all residential DPAs. Over the 34-month study period (October 2016 through July 2019), the number of DPAs which defaulted exceeded the number of DPAs that succeeded in 29 months for the EAP population, and for 27 months for the total residential population.

Q. IS THERE A TREND IN THE PROPORTION OF THE COMPANY'S DEFERRED PAYMENT ARRANGEMENTS THAT ARE DEFAULTING?

A. Yes. As is evident in Chart 7 above, for both residential customers as a whole, and for EAP participants, there is a distinct increasing trend in defaulting DPAs over the 34-

month study period of October 2016 through July 2019. By 2019, nearly two-thirds (65%) of new DPAs that the Company enters into were defaulting.

The Company does not know why this increase in defaults is occurring. When asked for any studies or report on why customers do not complete their DPAs, the Company responded that "The Company does not have any report, evaluation, study or other written document within the custody or control of the Company dated within the last five years identifying, evaluating or otherwise discussing why residential customers do not successfully complete deferred payment plans in order to avoid disconnection of service for nonpayment." (TWH-1-084).

Q. HAVE YOU HAD OCCASION TO REVIEW ANY DATA ON DEFERRED PAYMENT ARRANGEMENTS THAT WOULD HELP INFORM WHY THE RATE OF PAYMENT PLAN DEFAULTS IS INCREASING?

A. Yes. The Company does not appear to vary the number of installments it allows a delinquent customer to use based on the dollar amount of outstanding arrears the customer brings to the table. The data is set forth in Schedule RDC-12. As is immediately seen, in the 34 months studied, the Company never allowed a payment plan to extend beyond nine months. For residential customers as a whole, this ceiling on the number of installments that the Company allows occurs despite the fact that the average delinquent balance for customers entering into DPAs has more than quadrupled from 2016 ($562) to 2019 ($2,413) ($2,413 / $562 = 4.29).[47] The lack of relationship between the underlying delinquent balance and the number of installment payments is particularly

[47] Remember, the study period is October 2016 through July 2019, so there is partial year data for 2016 and 2019.

evident for EAP participants. Schedule RDC-12 shows that the average delinquent balance for a payment plan with three installments is half the average delinquent balance for a payment with two installments ($838 vs. $1,654). The average delinquent balance underlying a payment plan with five installments ($618) is less than the average delinquent balance for payments plans with two ($1,654), three ($838) or four ($1,179) installments. The average delinquent balance for a payment plan with eight installments ($1,464) is less than the average delinquent balance of payment plans with two ($1,654), six ($1,898) or seven ($1,745) installments.

The problem posed by the ceiling on the number of installments allowed in any individual DPA (ceiling is nine installments) is that rather than seeking to negotiate DPAs that present affordable payments, the Company simply increases the average dollar amount for each installment payment that comprises the payment plan. The data is set forth in Schedule RDC-13. It is clear from this data that rather than adjusting the payment plans to allow them to present a reasonable opportunity for the customer to retire the arrears, the dollar amount of the installment payments have been dramatically increased. The table immediately below, for example, presents the 2019 installment payment amounts as a percentage of the 2016 installment payment amounts for both residential customers as a whole and for EAP participants in particular. In this table, in other words, the 2016 installment payment amount is the denominator while the 2019 installment payment amount is the numerator.

2019 Installment Payment Dollar Amounts as Percent of 2016 Installment Payment Amounts by Number of DPA Installments (Residential and EAP)							
2	3	4	5	6	7	8	9
Residential							
139%	111%	130%	154%	128%	138%	139%	123%
EAP Participants							
110%	114%	132%	149%	123%	168%	162%	118%

The DPAs with five installments are of particular interest. For residential customers in general, the 2019 installment payment for DPAs with five installments was 154% the 2016 installment payment for plans of the same length. For EAP participants, the 2019 installment payment for a DPA with five installments was 149% the corresponding 2016 installment payment for a five-payment DPA. The five-payment DPA is of particular interest because DPAs with five installments were 45% of *all* DPAs for residential customers, and 42% of all DPAs for EAP participants.

Overall, what the data in Schedule RDC-12 and Schedule RDC-13 shows is that five-installment plans had, for both residential customers and for EAP participants, amongst the highest dollar amount per installment payment (2019: $279 for residential customers; $248 for EAP participants), even though the average dollar amount of arrears brought into the plan was *not* amongst the highest (2019: $2,288 for residential customers; $618 for EAP participants) .

Q. IS THE COMPANY ALLOWING FOR LONGER PAYMENT PLANS GIVEN THE INCREASE IN THE DELINQUENT BALANCE MADE SUBJECT TO DPAS?

A. No. Data on the number of DPAs by the number of installments for each DPA for the months October 2016 through July 2019 is set forth in Schedule RDC-14. A summary of that data below sets forth the percentage of all DPAs, both for residential customers and for EAP participants, in the table immediately below. This table shows the percentage of all DPAs that are comprised of plans with 7-8-9 installments, with 8-9 instalments, or simply with nine (9) installments. As can be seen, the percentage of the total number of DPAs that represent DPAs of the three longest terms noticeably decreased in 2019 as compared to either 2017 or 2018.[48] For residential customers as a whole, while 26% of all DPAs in 2017, and 24% of all DPAs in 2018, had a term of 7, 8 or 9 months, in 2019, only 16% did. For EAP customers, while 26% of all DPAs in 2017, and 28% of all DPAs in 2018, had a term of 7, 8 or 9 months, by 2019, only 19% did. The same decline in the longer term DPAs can be seen if the inquiry is limited to DPAs of 8 or 9 months, or limited simply to DPAs of only nine (9) months. As is evident, longer term plans have become less and less prevalent.

[48] 2016 was omitted from this data since data only for October-November-December was available.

Percentage of Total DPAs by Selected Number of Installments			
	Number of Installments		
	7-8-9	8-9	9
	Residential Customers		
2017	26%	20%	15%
2018	24%	17%	13%
2019	16%	12%	8%
	EAP Participants		
2017	26%	20%	16%
2018	28%	21%	16%
2019	19%	15%	11%

The significance of this data is seen when one compares the two tables above. For residential customers as a whole on DPAs, while the DPAs with 9 installment payments experienced an increase in the dollar amount of the installment much less than the shorter term plans, only half as many customers were being offered such nine-month plans. For EAP participants, while the dollar amount of the DPA installment for a nine-month plan increased the least, only a third as many EAP participants (11% vs. 16%) were being granted such plans.

Q. IS THERE DATA ON WHICH PLANS ARE DEFAULTING MORE FREQUENTLY IN 2019 THAN IN PREVIOUS YEARS?

A. Yes. Before looking at this data, let me just review the fact that five-installment DPAs are, by far, the most common DPAs that are offered by the Company. Moreover, the average dollar installment of a five-installment DPA in 2019 had one of the highest increases (relative to 2016) of any of the DPA terms (154% for residential customers; 149% for EAP participants). Finally, the five-installment plans represented the DPAs with one of the highest average dollar amount per installment, even though these plans

did not represent amongst the highest dollar amount of arrears brought into a plan. With this in mind, it is instructive to review data on the number of defaulted DPAs by DPA term. This data is set forth in Schedule RDC-15.

Again setting aside the data from 2016 for the same reason it is set aside above (data is only for October through December), the percentage of total defaults distributed by the number of installments by year for DPAs with four or more installments is set forth immediately below. In particular, note the dramatic increase in the percentage of defaults represented by the DPAs with five installments. While in 2017, five-installment plans comprised 13.8% of all residential defaults, by 2019, they comprised 45.5% of all residential defaults. For EAP participants, while five-installment plans comprised 13.8% of all EAP defaults in 2017, five-installment plans comprised 43.2% of all residential defaults by 2019.

Percent of Defaulted DPAs by Selected Number of Installments by Year (Residential and EAP)[49]

	Number of Installments						
	4	5	6	7	8	9	Grand Total
	Residential Customers						
2017	13.0%	13.8%	11.3%	6.9%	6.0%	16.8%	100.0%
2018	16.2%	15.6%	7.9%	6.5%	5.0%	14.5%	100.0%
2019	9.8%	45.5%	5.8%	5.1%	4.9%	8.0%	100.0%
	EAP Participants						
2017	15.7%	13.8%	13.9%	5.9%	4.5%	18.5%	100.0%
2018	19.4%	13.9%	10.3%	7.2%	5.3%	17.3%	100.0%
2019	11.1%	43.2%	7.6%	5.4%	4.5%	10.5%	100.0%

[49] DPAs with1, 2 or 3 installments are omitted simply due to space limitations.

Q. WHAT DO YOU RECOMMEND?

A. I recommend that the Company be directed, within 90 days of a final order in this proceeding, to submit to the Commission and all relevant stakeholders (*e.g.*, The Way Home, Staff, OCA) a comprehensive review of how it complies with PUC regulation 1203.07(c). In particular, I recommend that the Company be directed to demonstrate how, if at all, it is explicitly taking into consideration the size of the arrearage; the reasons why the arrearage is outstanding and whether those reasons will or will not continue during the course of payment; and the customer's ability to pay. When nearly two-of-three (65%) of the Company's DPAs are defaulting, when the percentage of defaults is sharply increasing, and when the Company is responding to those trends by increasing the dollar payment amount for each installment, without knowing or seeking to learn why customers do not successfully complete DPAs, there appears to be a failure in the customer service being offered to residential ratepayers and a lack of any meaningful inquiry into the customer's "ability to pay."

Q. WHY DOESN'T THE COMPANY'S PROPOSED NEW START PROGRAM ADDRESS YOUR CONCERNS ABOUT THE ABILITY TO RETIRE PRE-EXISTING ARREARS?

A. While, as I have indicated above, I support the Company's proposed New Start Program, with certain modifications which I recommend, the New Start Program does not fully address the DPA problems I have identified above. First, as the data above indicates, the DPA problems I identify above extend to residential customers as a whole, not simply to low-income customers (as represented by EAP participants). Second, even EAP

participants do not fully reflect all low-income customers. For all the good that EAP extends to the Company's low-income population, EAP nonetheless still reaches only a small fraction of the Company's low-income customer base.

Part 6. Company's "Fee Free" Credit/Debit Card Payments.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF THE COMPANY'S "FEE FREE" PROPOSAL.

A. The Company has undertaken through a Request for Proposal ("RFP") process an inquiry to solicit the least-cost mechanism through which to manage credit and debit card transactions by which customers can pay their monthly utility bill. (Conner Direct, at 28). Witness Conner explained that "Although the Company's current practice is to have each customer that elects to use a credit card pay for the associated convenience fee (instead of socializing that cost onto all customers), this practice is outdated. Times have changed, customer expectations have increased, and customers have expressed a desire for more convenient bill payment options." (*Id.*). Conner explained further that the Company's proposal recognizes that "All areas of the economy are moving to a cashless platform. . ." (*Id.*).

Q. DO YOU AGREE WITH THE COMPANY'S PROPOSAL ALONG WITH ITS ACCOMPANYING PROPOSED COST RECOVERY?

A. Yes. The Company's proposal to move to a "fee free" system through which customers can make payments, and to socialize the cost of providing that "cashless platform" over

the entire customer base, is appropriate, and will benefit low-income as well as non-low-income customers. The Company's "fee free" proposal should be approved.

Data provided by the Company clearly supports its conclusion that the number of credit/debit card payments has noticeably increased in recent years.

Number of Credit/Debit Card Payments by Year		
	Annual	Through July
2016	134,509	77,407
2017	130,295	75,594
2018	173,000	99,070
2019 (through July)	N/A	96,491

(TWH-1-044).

Q. WHAT INSIGHTS CAN YOU PROVIDE INTO CREDIT CARD USE FOR BILL PAYMENTS BY LOW-INCOME HOUSEHOLDS?

A. I do not have specific information about credit card use by the Company's low-income customers. However, recent research "provides a glimpse of the role that credit cards play in the financial life of [Low and Moderate Income] households." The research concluded that "the data show that credit cards are now a major part of the economic life of the poorest U.S. households."[50] This research reports that credit card companies have tailored their fees, and their interest rates, to reach low-income customers. I conclude that given the high fees otherwise imposed by the credit card companies on low- and

[50] Ronald Mann (undated). Patterns of Credit Card Use among Low and Moderate Income Households. Columbia University Law School: New York (NY).

moderate-income ("LMI") households, it is beneficial to those LMI customers to be able to avoid the transaction fees heretofore required to use such credit cards to pay utility bills.

Moreover, a recent study by the U.S. Consumer Financial Protection Bureau ("CFPB") reports that one way for low-income customers to become "credit visible" is through the use of credit cards. While the over-use of credit cards will make "credit visibility" a negative credit factor, the proper use of credit cards helps low-income households to establish a beneficial credit record.[51] The Company's proposal to incorporate the transaction fees for using such bill payment mechanisms helps to eliminate one more barrier to establishing such a beneficial credit record. With a beneficial credit record, low-income customers will more capably be able to build personal assets. Even small levels of assets have been found to be beneficial to the sustainable payment of utility bills over the long-term.

Q. WHAT DO YOU CONCLUDE?

A. I conclude that the Company's proposal to incorporate the transaction fees for credit cards, ACH payments and related bill payment options is a reasonable proposal. This proposal will likely benefit rather than harm low- and moderate-income households. The "fee free" proposal should be approved.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

A. Yes, it does.

[51] Breevort, Kenneth and Michelle Kambara (2017). CFPB Data Point: Becoming Credit Visible.