

DG 20-013

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: January 23, 2020

AT (OFFICE): NHPUC

FROM: Al-Azad Iqbal, Utility Analyst – Gas & Water Division 

SUBJECT: Recommendation Regarding Residential Low Income Customer Assistance Program for natural gas customers (RLIAP)

TO: Commissioners
Debra Howland, Executive Director

CC: Stephen Frink, Director, Gas & Water Division
Amanda Noonan, Director Consumer Services & External Affairs
Mary Schwarzer, Staff Attorney

SUMMARY OF STAFF RECOMMENDATIONS

In Docket DG 17-048, *Liberty Utilities (Energy North Natural Gas) Corp. d/b/a Liberty Utilities, Request for Change in Rates*, and DG 17-070, *Northern Utilities, Inc., Request for Change in Rates*, Commission Staff raised concerns regarding certain aspects of that utilities' Residential Low Income Assistance Program for natural gas customers (RLIAP), and suggested program changes to address those concerns. *See Direct Testimony of Stephen P. Frink* in DG 17-048 (November 30, 2017) and in DG 17-070 (December 20, 2017). In Order 26,122 at 50 (April 27, 2018), the Commission declined to make any changes to RLIAP and ruled that a separate docket be opened to consider RLIAP changes. Accordingly, Commission Staff (Staff) recommends that the Commission open a generic docket at this time to consider changes to the RLIAP. Staff further recommends that New Hampshire's gas utilities be made mandatory parties.

BACKGROUND

On May 12, 2005, the New Hampshire Public Utilities Commission (Commission) opened a docket to consider whether a low income bill assistance program for natural gas customers should be established. *See Order 24,508 at 1* (September 1, 2005).

On September 1, 2005, the Commission approved an RLIAP Pilot Program for New Hampshire natural gas utilities: Liberty Utilities (Energy North Natural Gas) Corp.

(Liberty) and Northern Utilities, Inc. (Northern). *See Id.* at 14. Qualifying customers were expected to see overall bill savings of approximately 15 percent, with the cost of the pilot program (primarily the benefits provided to customers) to be recovered from all customers through the Local Distribution Adjustment Charge (LDAC). It was expected that the target overall bill savings would be achieved through a 50 percent discount on each utility's residential heating delivery service base rates for qualifying customers. (Base rates defined as inclusive of customer and delivery charges). One of the parameters of the proposed pilot program was that cost be limited to no more than one percent of each utility's annual gross revenue. The RLIAP pilot program also required gas utilities to file quarterly reports.

On September 22, 2006, the Commission approved the continuation of the RLIAP, with one modification, a 10 percent increase in the discount on base rates, moving the rate from 50 percent to 60 percent. *See* Order 24,669 at 5 (September 22, 2006). This change was expected to increase the overall bill reduction for EnergyNorth (now Liberty) RLIAP customers from 12.8 percent to 15.4 percent and increase the cost of the program, as a percentage of gross revenues, from 0.59 percent to 0.71 percent. *See id.* For Northern the change was expected to increase low income customer savings from 14.7 percent to 17.6 percent and increase the cost of the program as a percentage of gross revenues from 0.26 percent to 0.31 percent. *See id.*

As part of its analysis in DG 17-048, Staff reviewed Liberty's RLIAP Quarterly Report for the 2016-2017 RLIAP program year (November 1, 2016, through October 30, 2017). *See* Stephen Frink Testimony (November 30, 2017). Staff determined that Liberty's Quarterly Report showed customer overall bill savings of 33 percent and program costs as 1.34 percent of annual gross revenue.

As part of its analysis in DG 17-070, Staff reviewed Northern's RLIAP Quarterly Report for the 2016-2017 RLIAP program year (November 1, 2016, through October 30, 2017). *See* Stephen Frink Testimony (December 20, 2017). Staff determined that Northern's Quarterly Report showed customer overall bill savings of 35 percent and program costs as 0.59 percent of annual gross revenue.

The overall bill savings for low income customers and the cost of the program have nearly doubled from what was anticipated when the RLIAP was approved as a pilot program in 2005 and for continuation in 2006. The increased overall bill savings percentage and cost of the program as a percentage of gross revenues is primarily due to increases in base rates and a decrease in supply (cost of gas) rates related to increased natural gas production from shale gas fields beginning in 2007. Since the low income rate is a fixed percentage discount on just the residential heating base rate, and the total bill consists of both delivery and supply charges, the market conditions described resulted in greater savings for low income customers than predicted and the increased cost of the program as a percentage of gross revenues.

Staff believes that RLIAP should be redesigned to bring it back in line with the original program parameters. A re-evaluation of the RLIAP program will also permit the parties to explore improvements and potential increased efficiency through collaboration with similar programs in the state.

STAFF RECOMMENDATIONS

Liberty and Northern implemented the RLIAP in 2005. The program design has not been revised since 2006. A new docket will provide Staff and interested stakeholders with an opportunity to evaluate and consider changes based on the relevant experiences and changed circumstances. Accordingly, and as the Commission ruled in Order 26,122, Staff recommends the Commission open a generic docket at this time to consider changes to the RLIAP. Staff further recommends that Liberty and Northern be made mandatory parties to that generic docket.