STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 20-013

GAS ASSISTANCE PROGRAM

Order on 2022-2023 Gas Assistance Program

O R D E R   N O. 26,662

August 4, 2022

In this order the Commission approves the current gas assistance program design for the winter 2022-2023 period, requires continued reporting on program expenditures and invites parties to recommend changes for the winter 2023-2024 period.

I. PROCEDURAL HISTORY

On August 27, 2020, in Order No. 26,397, the Commission approved proposed modifications to the residential low-income assistance program for natural gas customers, which was renamed as the Gas Assistance Program (GAP). The two regulated natural gas utilities in New Hampshire, Northern Utilities, Inc. (Northern) and Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (Liberty), administer the GAP. In Order No. 26,397 the Commission approved a change replacing the existing 60 percent bill credit on distribution rates (exclusive of the Local Distribution Adjustment Charge (LDAC)) with a 45 percent bill credit on distribution and supply rates (exclusive of the LDAC) during the winter months: November 1 to April 30. *Id.* at 6-8. The limit on the benefits to be paid to GAP participants remained at one percent of the utility's gross annual revenues, or one percent of a typical customer's annual bill. *Id.* at 7-8. In Order No. 26,397 the Commission ordered that, in the event costs exceed any of the one percent benchmarks, Staff and the parties shall make a further recommendation to the Commission in this docket no later than September 25, 2021.

On June 9, 2021, then Commission Staff (now with the New Hampshire Department of Energy (DOE)) filed a letter indicating that Northern and Liberty had exceeded the one percent benchmarks for GAP expenditures and requesting a technical session to be scheduled. Following a technical session scheduled on June 22, 2021, Commission Staff filed a request for additional process that included data requests and a further technical session. On July 20, 2021, the Commission approved the DOE's proposed procedural schedule.

On May 23, 2022, the Commission issued a procedural order requesting that, Northern and Liberty each file an accounting of GAP expenditures on a monthly basis beginning on November 1, 2020, and continuing through April 30, 2022, together with the corresponding gross utility revenues for both winter periods as well as a calculation of a typical customer bill for both winter periods. The Commission also requested comments concerning the administration of GAP and suggestions for changes in the GAP.

II. POSITIONS OF THE PARTIES

A. Northern

On June 23, 2022, Northern filed cost information demonstrating that its GAP costs have remained well below the one percent benchmark at all times. On June 30, 2022, Northern filed written comments with the Commission and asserted that it is administering the program in line with the program requirements. Eligible residential customers are enrolled into the GAP when they meet the program requirements by participating in one of the specified income eligible programs.

Northern noted that the one percent amount is not a cap. Rather, since the inception of the program as the Residential Low Income Assistance Program (RLIAP), the one percent levels were established as benchmarks or thresholds for triggering further examination and potential program revision. Northern stated that exceeding the one percent levels does not dictate any redistribution of funds or other specific outcome, but it does create circumstances for Commission review of the program parameters. Therefore, in Northern's view there should not be, any manner or method for returning funds expended for GAP over the one percent to customers. Instead, the one percent thresholds should continue to act as a trigger for evaluating the operation of the program and the propriety of any changes to the program on a prospective basis.

Northern stated that its GAP enrollment has been relatively consistent from month to month and across years. If enrollment were to substantially increase, then the costs would likewise increase. The level of enrollment in the program could shift substantially due to one or more of a number of factors, including: weather; the costs of the underlying gas supply; larger economic issues, such as a recession and/or pandemic; or the level of marketing of the GAP by the Community Action Programs. Thus, enrollment in the program will rise or fall based on broader factors substantially unrelated to Northern's administration of the program

Northern suggested that if enrollment rises and the costs exceed the one percent benchmarks, it should trigger a review of the program to determine whether adjustments are reasonable under the circumstances. Potential adjustments to consider could include changes to the level of credit, limiting the number of customers who could participate, or otherwise limiting program participation. Another potential adjustment could be moving the one percent threshold as the trigger for review. In Northern's view, the GAP provides substantial value to low-income gas customers and Northern cautions against reducing the monthly benefit and/or the number of customers who can participate and receive this helpful benefit.

B. Liberty

Liberty reported that its GAP costs exceeded the one percent benchmarks consistently throughout the November 2020 to April 2022 period. In its written comments Liberty asserted that it is administering the GAP consistent with Commission directives. Further, Liberty did not agree that amounts spent on the GAP in excess of the one percent cap should be returned to customers. According to Liberty, Order No. 26,397 did not impose a cap on the utilities' spending on GAP. Instead, Order No. 26,397 acknowledged that program costs have historically exceeded one percent of Liberty's gross revenue. Nonetheless, the Commission approved the GAP with the condition that, the parties review overall program costs over the coming year and if costs exceed any of the one percent benchmarks, Staff and the parties were to make a further recommendation to the Commission no later than September 25, 2021.

Liberty's GAP costs have remained above 1% of total revenue. Liberty states that this increase is a function of Liberty having a large, and growing, percentage of its customers being eligible for the discount. As for potential changes to the GAP, Liberty fully supports the DOE's proposals made in its letter filed on June 30, 2022, although Liberty proposes a 2.0% benchmark.

Liberty proposes a slightly higher benchmark due to the increased demand for the GAP in Liberty's service territory. As noted in the data Liberty filed June 23, 2022, the percentage of Liberty's customers participating in GAP increased from 6.1% during the 2020-2021 winter to 7.8% during the 2021-2022 winter. This resulted in a proportionate rise in GAP costs, to almost 1.8% of total revenues over the 2021-2022 winter. According to Liberty, the only way to lower these costs is to restrict eligibility or to reduce the discounts, neither of which Liberty believes is appropriate at this time.

C. DOE

On June 30, 2022, DOE provided its recommendations concerning the GAP program to the Commission. DOE pointed out that the demographics for the Northern and Liberty service area differed significantly impacting the amount of GAP spending needed. Eligibility for the federally funded LIHEAP is based on the 60 percent of New Hampshire State median income (SMI) threshold and most GAP customers become eligible through receiving LIHEAP benefits. Thus, according to DOE it is reasonable that Liberty's GAP expenditures would be higher than Northern's. DOE noted that the threshold percentages of gross revenues and customer bills is a target designed to trigger Commission review of GAP program design, however, should not result in any recovery of overspending from the utilities.

Given the high and volatile natural gas prices and the projected high winter prices, DOE recommended that the Commission make no changes for the coming 2022-2023 winter period. For the 2023-2024 winter period DOE recommended raising the 1 percent threshold of gross revenues for Liberty to 1.5 percent and eliminating the 1 percent of an average customer bill as a threshold. Depending on market conditions, DOE observed that the Commission could open a new docket to consider program changes to GAP following the results of 2023-2024 winter period. DOE represented that the Office of Consumer Advocate, the New Hampshire Community Action Agencies, joined in DOE's recommendations.

III. COMMISSION ANALYSIS

In reviewing the GAP expenditures, we consider whether the GAP program as currently administered results in reasonable rates for natural gas service to both the GAP program participants and the rest of the utility rate payers. RSA 374:1, 3, and 7 and RSA 378:7.

We appreciate the financial stress that current natural gas prices and price volatility impose upon all rate payers, including low-income rate payers. We approve the continuation of the current GAP program for the 2022-2023 winter in order to provide program stability during this uncertain market period. We will consider whether changes may be needed for the 2023-2024 winter during the summer of 2023. We will require that Northern and Liberty report results of the GAP for the 2022-2023 winter period to the Commission by May 31, 2023, together with any suggested changes to the GAP program.

We note that since its inception in 2005 as a pilot program the gas assistance program has included financial limits in order to maintain the costs of the program at less than 1 percent of the gas utilities' gross transportation and gas supply revenues. In the order approving the pilot program the Commission wrote:

> One of the parameters of the proposed Pilot Program is that cost shall be limited to no more than one percent of the gas utilities' firm gross sales and transportation revenues. The impact on a typical customer's bill in any firm sales or transportation class would also be limited to one percent of the total bill. If the Pilot Program costs exceed one percent, modifications would be proposed to the program to reduce the program costs on a going-forward basis so that the costs are forecasted not to exceed one percent.

Order No. 24,508 (September 1, 2005) at 11.

The reasons for this program cost limitation, which has been in place for nearly 17 years, are as valid now as they were in 2005. The Commission must limit the financial impact on all other customers who fund the assistance program through their LDAC charges. We believe that this program limitation is appropriate, and we will expect the parties to maintain this parameter as they develop proposals for the winter of 2023-2024. In addition, the GAP should dovetail with the federal fuel assistance program to provide reasonable assistance at a reasonable cost and avoid duplicative benefits or gaps in assistance.

As a result, we will not approve the DOE recommended changes at this time. Instead, we will wait for proposals from the parties before considering changes to GAP for program year 2023-2024.

Based upon the foregoing, it is hereby

ORDERED, that the GAP program will continue in its current design for the 2022-2023 winter period; and it is

FURTHER ORDERED, that Northern and Liberty shall report to the Commission in writing on or before May 31, 2023, the results of the GAP expenditures for the winter of 2022-2023 including management of the one percent limits for gross revenue and for average customer bills and an analysis of GAP's interaction with the federal fuel assistance program, and it is

FURTHER ORDERED, that Northern, Liberty and the parties shall make recommendations for program changes to the GAP for the winter of 2023-2024 to the Commission on or before May 31, 2023, keeping the GAP at no more than 1 percent of the gas utilities' gross transportation and gas supply revenues; and it is

FURTHER ORDERED, the parties shall file the reports and recommendations with the Commission in a new docket DG 22-046 to be opened for that purpose.

By order of the Public Utilities Commission of New Hampshire this fourth day of August, 2022.

Daniel C. Goldner
Chairman

F. Anne Ross
Special Commissioner

Service List - Docket Related

Docket# : 20-013

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Email Addresses

ClerksOffice@puc.nh.gov
jagri@bm-cap.org
Faisal.DeenArif@energy.nh.gov
rburke@nhla.org
pradip.k.chattopadh1@puc.nh.gov
demeris@unitil.com
dionne@unitil.com
fossumm@unitil.com
gouldingc@unitil.com
alazad.m.iqbal1@puc.nh.gov
maureen.karpf@libertyutilities.com
donald.m.kreis@oca.nh.gov
steven.mullen@libertyutilities.com
nawazelski@unitil.com
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
rorie.e.patterson@energy.nh.gov
vprovenzano@capbm.org
mary.e.schwarzer@energy.nh.gov
michael.sheehan@libertyutilities.com
david.simek@libertyutilities.com
karen.sinville@libertyutilities.com
taylorp@unitil.com
heather.tebbetts@libertyutilities.com
stower@nhla.org