

Low Income Program Implementation Plan - Niagara Mohawk

Pursuant to the Commission's May 20, 2016, *Order Adopting Low Income Program Modifications and Directing Utility Filings* in Case 14-M-0565, Proceeding on Motion of the Commission to Examine Programs to Address Energy Affordability for Low Income Utility Customers, (the "Order"), Niagara Mohawk Power Company d/b/a National Grid ("Niagara Mohawk," "National Grid" or "Company") submits the following Implementation Plan.

Executive Summary

The Company appreciates the considerable effort invested by Staff and the Commission to develop a comprehensive and creative approach to respond to the views and recommendations of the various stakeholders in the above proceeding.

National Grid embraces the idea of using a more standardized approach and efforts to streamline the regulatory process and increase consistency with the Commission's statutory and policy objectives. The Company has worked to develop best practices and actively participated in the various proceedings and collaboratives, recommending, among other things, the use of varying HEAP payment amounts to identify customers most in need.

The Company has benefitted from the collaborative efforts in this proceeding, along with insights from Staff's Report and Straw Proposal issued on June 1, 2015 (the "Straw Proposal") and our own efforts to identify differences between the various service territories and demographics, and to look for solutions that would work for each of our individual service territories.

The Order provides a framework for a tiered approach discount based on the customer's income and energy burden. The Company's current low income programs will be retired and be replaced with a new Low Income Discount Program designed to conform to the recommendations and framework described in the Order. Because of the need for customer and billing system changes necessary to implement the new programs, the Company currently plans to implement the full program, including tiered benefits, on January 1, 2018.

Implementation of the new framework and Low Income Discount Program will require additional resources and development of new customer and billing system functionality. In its Implementation Plan, the Company has included estimates of the costs to implement required system enhancements and ongoing operations and maintenance expenses. Niagara Mohawk requests Commission approval to defer the costs to implement the requirements of the Order, including outreach and education, Information Systems ("IS") costs, and costs to implement a file matching process with the Office of Temporary and Disability Assistance ("OTDA").

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Existing Programs:

NMPC Low Income Discount Program:

The Company's Low Income Discount Program offers discounted rates to income eligible customers. Residential non-heating electric receive a \$5.00 monthly discount while heating customers receive an additional \$10.00 discount for a total of \$15.00 each month off the basic service charge. Gas heating and non-heating customers receive \$11.00 per month discount on the basic service charge. Combination gas and electric customers receive a \$16.00 each month, and electric heating customers with gas receive \$26.00 per month.

The current low income discount program will be retired on December 31, 2017. Existing customers will be transferred to the new tiered discount structure as described below. Existing monthly reporting will be discontinued after the December 2017 report when the Company transitions to the new report format required by the Order.

NMPC AffordAbility Program:

The AffordAbility program will discontinue new enrollments January 1, 2017. Existing customers on the program will continue in the program until they complete, default or voluntarily remove themselves from the program.

New Tiered Structure Program:

In the Order, the Commission adopts fixed discount levels and establishes a default process with varying levels of discounts based on need. To achieve the varying levels of discounts, the Commission directs utilities to implement tiered discounts based on the level of need, with the level of need demonstrated by receipt of a Home Energy Assistance Program ("HEAP") grant and receipt of any HEAP "add-on" benefits.

Consistent with the Commission's Order and Staff's Straw Proposal, the Company's program uses the receipt of a HEAP grant, along with indications of add-ons, to determine appropriate tiers for participants. Customer may also be placed in a tier if they self-identify and provide appropriate documentation of low income discount program eligibility. Further, OTDA may identify customers to the Company for placement in a tier, where the Company does not receive a HEAP payment on the customer's behalf (such customers are considered "non-utility HEAP" customers). The placement of newly identified customers in appropriate tiers based on file matching OTDA is expected to begin in January 2018.

Eligibility/Enrollment:

Enrollment in the new tiered structure program can be achieved in the following ways:

- Enrollment is provided automatically to customers when the Company receives and posts a HEAP benefit and/or HEAP add-ons on the customer's behalf; or
- A customer is enrolled through the identification of OTDA's non-utility file matching mechanism; or
- A customer self identifies and provides documentation of a HEAP payment paid to another vendor or utility and not matched on the OTDA file matching mechanism.

Benefit Levels:

The Company's program utilizes a fixed discount model as recommended in Staff's Straw Proposal.

Customers who received a HEAP grant that has posted as received on the customer's behalf are automatically enrolled in the new program. The amount of the HEAP benefit determines which Tier level discount the customer is entitled to receive:

Regular HEAP Payment	Tier 1
Regular HEAP Payment plus 1 add-on	Tier 2
Regular HEAP Payment plus 2 add-ons	Tier 3
DSS Direct Voucher/Guarantee	Tier 4
Non-utility HEAP, OTDA & Emergency HEAP only	Tier 5

A customer receiving the Regular HEAP benefit of \$350.00 (the level of a Regular HEAP grant in the most recent heating season) would be placed in the Tier 1 discount level. An additional amount of \$25.00 is currently given to those households whose income is at or below 130% of the Federal Poverty Level (FPL). This additional amount is called an add-on. Customers receiving a Regular HEAP benefit plus one add-on will receive the Tier 2 discount amount.

If the same household has a member who is age 60 or older, under the age of 6, or permanently disabled, the customer is eligible for the second add-on, which is currently an additional \$25.00. Customers receiving a Regular HEAP benefit plus two add-ons will receive the Tier 3 level discount amount.

The amount of a Regular HEAP payment and the additional add-on amounts may vary year to year as determined and communicated by OTDA.

As directed by the Commission, higher levels of discounts are reserved for National Grid's Regular HEAP and HEAP add-on payment recipients.

Customers who are receiving DSS direct vendor or guarantee will be tracked in Tier 4 and will not receive a benefit until they are no longer on public assistance. At that time, they will be placed in an appropriate tier as follows. Those who received a HEAP

payment will be placed in the proper tier based on the amount of the HEAP payment; otherwise they will be placed in Tier 5 and receive the minimum \$3.00 monthly discount.

Non-utility HEAP customers are those who do not receive a Regular HEAP payment, but were identified through the OTDA file matching mechanism, or who self-identified and provided documentation of a HEAP payment paid to another vendor or utility or those who receive Emergency HEAP only. Customers who fall into these categories will receive the Tier 5 minimum discount of \$3.00.

Customers receiving an Emergency HEAP payment only (without a Regular HEAP benefit) will receive the Tier 5 minimum discount of \$3.00.

The Company used the methodology adopted by the Commission to calculate the energy burden and corresponding Tier Level benefits as described in the Order.

Energy Burden Calculations per Tier:

In the Low Income Order, the Commission adopted the policy that an energy burden (i.e., utility costs) at or below 6% of household income would be the target level for all low income customers. The New York State Median Income (SMI) as reported by the U.S. Census is \$58,003, and 60% of SMI is \$34,802, which is a monthly income of approximately \$2,900. This monthly income calculation closely corresponds to a two person household's income under the HEAP guidelines of \$2,869. At a 6% energy burden, this household's energy burden would be \$172 monthly. The household energy cost is adjusted to account for the \$350 HEAP payment received by the customer, or \$29 per month, which is added to the customer's allowed energy burden, increasing the monthly 6% energy burden of \$172 to \$201. An illustration of how the calculation is performed for each Tier is shown below.

1) Tier 1 - The monthly energy burden in the Order is calculated by taking 6% of a two person household's income (\$2,869) under the HEAP guidelines for 2014-2015 and adjusting for a Regular HEAP payment of \$350 to get the net allowable energy burden of \$201.31.

$$\$172.14 (\$2,869 \times 6\%) + \$29.17 (\$350/12) = \$201.31$$

2) Tier 2 - The monthly energy burden is calculated by taking 6% of the median (\$2286.50) of a two person household income in Tier 2 under the HEAP Guidelines for 2014-2015 (\$2869) and the two person household income in Tier 1 under the HEAP Guidelines (\$1,704), adjusting for a Regular HEAP payment plus one add-on (\$375) received by the customers to get the net allowable energy burden of \$168.44.

$$\$137.19 (\$2,286.50 \times 6\%) + \$31.25 (\$375/12) = \$168.44$$

3) Tier 3 -The monthly energy burden is calculated by taking 6% of a two person household's income in Tier I (\$1,704) under the HEAP guidelines for 2014-2015 and adjusting for a Regular HEAP payment plus two add-ons (\$400) to get the net allowable energy burden of \$135.57.

$$\$102.24 (\$1,704 \times 6\%) + \$33.33 (\$400/12) = \$135.57$$

4) Tier 4 – Discount Level is set at \$0.

5) Tier 5 – Non-Utility Minimum Discount Level is set at \$3.

For gas customers (whether designated as heating or non-heating) the target gas bill is 50% of the monthly energy burden. If the average high monthly bill for gas heat or non-heating customers is higher than the target bill, the appropriate discount is applied. If the average high monthly bill is lower than the target bill, the Order provides that any eligible customer would still receive a minimum monthly discount of \$3. Thus, a \$3 discount would be applied to such customers and the target bill amount adjusted accordingly. For Niagara Mohawk, gas non-heating customers receive a \$3 discount in Tiers 1, 2 & 3.

For electric heat customers the electric bill is considered to be the customer's total home energy burden. If the average high monthly bill is higher than the energy burden, the appropriate discount is applied. However, as set forth in the order, the discount provided electric heat customers cannot be less than the company's electric non-heating discount. For Niagara Mohawk, the electric heat discounts calculated would be less than the electric non-heat discounts so the non-heat discount would be applied for Tiers 1, 2 & 3.

Electric Non-Heat Customers – The target bill is 50% of the total energy burden. If the average high monthly bill is higher than the target bill, the appropriate discount is applied. The discounts provided for Tier 1, 2 & 3 would be the difference between the average high monthly bill and the target bill.

Customers who receive both electric and gas service will receive both the electric and gas discount on the monthly bill.

Based on the above methodology, the benefit amounts for each Tier are as follows:

Niagara Mohawk Low Income Discount Program – Tiered Benefit Levels			
<u>Tier Description</u>	<u>Tier</u>	<u>Electric</u>	
		<u>Heat Discount</u>	<u>Non-Heat Discount</u>
Regular Heap Payment	Tier 1	\$11.00	\$11.00
Heap payment + 1 add-on	Tier 2	\$27.00	\$27.00

Heap payment + 2 add-ons	Tier 3	\$44.00	\$44.00
DV / GU	Tier 4	\$0.00	\$0.00
Non-Utility	Tier 5	\$3.00	\$3.00
Gas			
<u>Tier Description</u>	<u>Tier</u>	<u>Heat Discount</u>	<u>Non-Heat Discount</u>
Regular Heap Payment	Tier 1	\$3.00	\$3.00
Heap payment + 1 add-on	Tier 2	\$16.00	\$3.00
Heap payment + 2 add-ons	Tier 3	\$33.00	\$3.00
DV / GU	Tier 4	\$0.00	\$0.00
Non-Utility	Tier 5	\$3.00	\$3.00

Customers remain in the program for 14 months following receipt of the last HEAP grant. Customer accounts identified or removed from eligibility by the OTDA file matching process will be updated as part of each file matching cycle, which will begin after the January 1, 2018, when the new program is implemented.

Program Budget:

For Niagara Mohawk electric customers, the costs of the low income program are included in the revenue requirement and recovered in base rates from all customers. Niagara Mohawk gas customers currently pay a per therm surcharge for the cost of the existing low income programs. In the next rate filing for Niagara Mohawk gas customers, the Company anticipates including low income program costs in the revenue requirement and base rates for all gas customers.

In the original budget calculation provided by Staff in connection with the Order, 55,195 customers would be added to the electric non-heat category, presumably with the assumption these customers would be added via the OTDA file match. The original spreadsheet utilized by Staff to calculate program costs also used the statewide averages for the number of HEAP customers expected in each tier. These averages were 18% for Tier 1, 38% for Tier 2, 35% for Tier 3 and 9% for Tier 4. Based on these criteria, Staff projected the annual budget would be:

Electric	\$53,672,258
Gas	\$12,569,997
Total Annual Budget	\$66,242,256

<u>NIMO</u>	<u>Staff %</u>		<u>gas</u>	<u>electric</u>
Tier 1	18.00%	heat	57,533	23,157
Tier 2	38.00%	non-heat	3,589	137,760

		<u>Bill</u>	<u>Target Bill</u>	<u>Discount</u>	<u>Customers</u>	<u>Customers</u>	<u>Cost-gas</u>	<u>Cost-elec</u>
Tier 3	35.00%							
Tier 4	9.00%							
Tier 1	gas ht	\$100.31	\$97.31	\$3	10,356		\$372,814	
\$201.31	gas n/h	\$60.75	\$57.75	\$3	646		\$23,257	
	elec ht	\$142.20	\$131.16	\$11		4,168		\$552,244
\$197.96	elec n/h	\$111.69	\$100.65	\$11		24,797		\$3,285,278
		<u>Bill</u>	<u>Target Bill</u>	<u>Discount</u>	<u>Customers</u>	<u>Customers</u>	<u>Cost-gas</u>	<u>Cost-elec</u>
Tier 2	gas ht	\$100.31	\$84.22	\$16	21,863		\$4,220,957	
\$168.44	gas n/h	\$60.75	\$57.75	\$3	1,364		\$49,098	
	elec ht	\$142.20	\$114.72	\$27		8,800		\$2,901,142
\$168.44	elec n/h	\$111.69	\$84.22	\$27		52,349		\$17,258,767
		<u>Bill</u>	<u>Target Bill</u>	<u>Discount</u>	<u>Customers</u>	<u>Customers</u>	<u>Cost-gas</u>	<u>Cost-elec</u>
Tier 3	gas ht	\$100.31	\$67.79	\$33	20,137		\$7,858,651	
\$135.57	gas n/h	\$60.75	\$57.75	\$3	1,256		\$45,221	
	elec ht	\$142.20	\$98.29	\$44		8,105		\$4,270,401
\$135.57	elec n/h	\$111.69	\$67.79	\$44		48,216		\$25,404,426
		<u>Bill</u>	<u>Target Bill</u>	<u>Discount</u>	<u>Customers</u>	<u>Customers</u>	<u>Cost-gas</u>	<u>Cost-elec</u>
Tier 4	gas ht	\$100.31	\$100.31	\$0	5,178		\$0	
\$135.57	gas n/h	\$60.75	\$60.75	\$0	323		\$0	
	elec ht	\$142.20	\$142.20	\$0		2,084		\$0
	elec n/h	\$111.69	\$111.69	\$0		12,398		\$0
Totals:					61,122	160,917	\$12,569,997	\$53,672,258

The Company applied the specified non-utility HEAP monthly benefit of \$3.00 per month for the estimated 55,195 customers enrolled through the OTDA file match, and recalculated program costs based on the actual percentages in each tier level (rather than the statewide averages). NMPC's actual tier percentages are 7% in Tier 1, 32% in Tier 2, 61% in Tier 3 and 0% in Tier 4. Based on these numbers, the projected annual budget is:

Electric	\$48,100,419
Gas	\$17,525,183
Total Annual Budget	\$65,625,602

<u>Level</u>	<u>NIMO%</u>				gas	electric			
Tier 1	7.00%				heat	57,533	23,157		
Tier 2	32.00%				non-heat	3,589	82,565		
Tier 3	61.00%								
Tier 4	0.00%								
		<u>Bill</u>	<u>Target Bill</u>	<u>Discount</u>	<u>Customers</u>	<u>Customers</u>	<u>Cost-Gas</u>	<u>Cost-Elec</u>	
Level 1	gas ht	\$100.31	\$97.31	\$3	4,027		\$144,983		
\$201.31	gas n/h	\$60.75	\$57.75	\$3	251		\$9,044		
	elec ht	\$142.20	\$131.16	\$11		1,621		\$214,762	
\$197.96	elec n/h	\$111.69	\$100.65	\$11		5,780		\$765,721	
		<u>Bill</u>	<u>Target Bill</u>	<u>Discount</u>	<u>Customers</u>	<u>Customers</u>	<u>Cost-Gas</u>	<u>Cost-Elec</u>	
Level 2	gas ht	\$100.31	\$84.22	\$16	18,411		\$3,554,490		
\$168.44	gas n/h	\$60.75	\$57.75	\$3	1,148		\$41,345		
	elec ht	\$142.20	\$114.72	\$27		7,410		\$2,443,067	
\$168.44	elec n/h	\$111.69	\$84.22	\$27		26,421		\$8,710,621	
		<u>Bill</u>	<u>Target Bill</u>	<u>Discount</u>	<u>Customers</u>	<u>Customers</u>	<u>Cost-Gas</u>	<u>Cost-Elec</u>	
Level 3	gas ht	\$100.31	\$67.79	\$33	35,095		\$13,696,506		
\$135.57	gas n/h	\$60.75	\$57.75	\$3	2,189		\$78,814		
	elec ht	\$142.20	\$98.29	\$44		14,126		\$7,442,699	
\$135.57	elec n/h	\$111.69	\$67.79	\$44		50,365		\$26,536,530	
		<u>Bill</u>	<u>Target Bill</u>	<u>Discount</u>	<u>Customers</u>	<u>Customers</u>	<u>Cost-Gas</u>	<u>Cost-Elec</u>	
Level 4	gas ht	\$100.31	\$100.31	\$0	0		\$0		
\$135.57	gas n/h	\$60.75	\$60.75	\$0	0		\$0		
	elec ht	\$142.20	\$142.20	\$0		0			
	elec n/h	\$111.69	\$111.69	\$0		0		\$0	
Level 5	Non-Utility			\$3		55,195		\$1,987,020	
					total cust.	61,122	160,917	\$17,525,183	\$48,100,419

Budget Cap:

The Order directs that a funding limit for the new low income programs be established such that the total budget for each utility may not exceed 2% of total electric or gas revenues for sales to end-use customers. The 2% budget caps for Niagara Mohawk electric and gas are \$64,309,210 and \$14,991,287, respectively. If enrollment is higher than expected during a given year and the budget limit is exceeded, there would be no change in benefit levels for that year, participation would not be capped, and the Company would defer any costs incurred above the budget limit for future recovery from customers. In the following year, the Company will adjust the energy burden target (*i.e.*, raising the 6% to a higher value) reducing the discounts until the amount expended is within the budget limit for that year. The Company will defer any amounts spent in excess of the rate allowance for future recovery from customers.

Should it be necessary to adjust the energy burden target, the Company will use the methodology adopted by the Commission to calculate a revised energy burden and Tier Level benefits as described in the Order.

Health and Human Services Performance Measures/OTDA File Match:

On June 6, 2013 the U.S. Department of Health and Human Services (HHS), Administration proposed legislation requiring collection of new information regarding the performance of Low Income Home Energy Assistance Programs (LIHEAP), which passed and became law in 2015. OTDA, which administers HEAP payments in New York, provided the data elements that New York State requires to comply with the LIHEAP Performance Measures law. In December 2015, the Company commenced efforts to make the necessary system modifications to report the information requested by OTDA.

As part of federal requirements, National Grid will be receiving a File Transfer Protocol (FTP) file in October 2016 containing information on low income customers. The file will include the name, service address, customer account number, the last four numbers of the social security number and a unique designated identification number. The file will be matched against active accounts in our customer system. If the primary account holder has resided in the dwelling and received utility service or received fuel deliveries from the same vendor for a period of 12 consecutive months, it will retrieve the information requested by OTDA and return the file to them by November 15, 2016. The following information will be returned to OTDA:

- Annual Electric Usage (kWh)
- Annual Electric Charge (\$)
- Annual Gas Usage (Therms)
- Annual Gas Charge (\$)
- The number of occurrences that a service termination notices was issued.
- The number of occurrences that the service was terminated
- The number of occurrences that the HEAP benefit prevented termination of service
- The number of occurrences that the HEAP benefit restored service

As directed in the Order, utilities are directed to begin using the data provided by OTDA to begin enrolling customers. To comply with this requirement, the Company is developing new customer and billing system functionality to enroll non-utility HEAP customers in the new low income program. This enrollment requirement is beyond the scope of the original project. The new OTDA file matching and enrollment process will be incorporated in system modifications for the Company's customer and billing systems, with an expected implementation date of January 1, 2018.

Budget Billing

Budget billing allows customers to budget their monthly energy expenses and avoid the "peaks and valleys" in winter and summer bills. It is a levelized payment program that bills customers a predetermined amount each bill. The budget payment amount is based on a customer's annual base. The annual base is the total charges for a specific service point over a one year period. This information is kept on the annual base table. All residential customers are eligible, except those on DSS Direct Voucher (DV), DSS Guarantee (GU) or Private Area Lighting (PAL). The customer billing system ("CSS") automatically reviews budget accounts every 3 months from the start of the budget year. During this review, if the difference between the new calculated budget amount and the current active budget amount is at least 10% and \$5 different than the original amount, the budget payment amount will automatically change.

At the end of the budget plan year, the 12th month is the "Settlement Month". If the customer paid more than what was actually used over the plan year, the Settlement Month payment will be reduced to bring the account to a zero balance. If the customer did not pay enough over the plan year to cover the actual cost of their electric service, the balance will be divided by 12 and included in the new budget amount for the new budget year.

If a customer does not make a budget payment by the due date, the account will be moved into the collections process. Customers will be sent a Budget Reminder Notice as well as a Budget Default Notice prior to being cancelled from the Budget. A budget billing payment arrangement will typically be canceled if the customer misses two full payments and their 3rd bill has been rendered. The Company intends to continue this practice, while also reviewing opportunities for low income customers to be re-instated after defaulting from the budget for nonpayment. Collection arrangements and suspended charges can also impact the budget billing process. When a budget defaults, an automatic Cancel/Rebill is generated to produce an updated bill to the customer.

Budget Billing Requirement with Opt Out Option:

Pursuant to the Order, customers enrolled in utility low income discount programs will be automatically enrolled in levelized or budget billing. The Order also directs that participants be permitted to opt-out of budget billing. The Company will send a letter to low income customers describing the new low income program and the budget billing requirement. The letter will explain the new program and provide information on how a low income customer may opt out of budget billing. The letter will contain an "opt out" stub that the customer may return by mail. The customer will also have the option to call a designated number to opt out of budget billing and to receive answers to their questions on the new program.

Current Budget Billing Calculation without 12 Months of History:

The Commission also directed each utility to include a detailed description of its budget billing plan, including a description of its method for estimating bills when 12 months of billing data are not available. For NMPC, if the current customer has been at a premise for less than 12 months, and there has been no previous customer at the premise, there is a default annual base which is derived from other accounts within the same rate class. Although this occurs only rarely, the default annual base is comprised of a query of annual averages of all like tariffs and service classes. As the customer's actual usage is gathered, the budget is adjusted quarterly to reflect actual usage.

Outreach and Education:

The Company has developed a strategic plan for Outreach and Education that incorporates stakeholder, community and customer engagement (Attachment 1). The Company believes that targeted outreach efforts to specific groups that are not usually present in the decision-making process will contribute to the success and increase awareness of the program. The Company is seeking to invest in opportunities that will attract and provide access to more participants by leveraging current outreach approaches with non-traditional methods which will demonstrate the benefits of the program and increase awareness and enrollment.

The plan incorporates 5 strategic goals as further described in the attached Outreach Education and Engagement Strategic Plan.

Strategic Goal 1: Broaden the scope of low income outreach that enhances the customer's ability to understand the new program and the budget opt-out option. The objective of this goal is to communicate the changes in the low income program to existing participants and raise awareness of the new program, the budget billing requirement, the ability to opt-out and how to learn more about the program.

Strategic Goal 2: Increase the impact of outreach efforts by engaging our low income partners and organizations that share the goal of serving low income and vulnerable customers. The objective is to communicate the new Low Income Discount Program through our Health, Human and Social service agencies that interact with our low income population. The Company will create educational and engagement opportunities and to raise awareness of the new Low Income Discount Program throughout our neighborhoods and communities.

Strategic Goal 3: Provide access to relevant resources and tools that meet the broad range of needs of our low income and vulnerable customers. The objective of this goal is to leverage traditional methods and non-traditional mechanisms to encourage action that increases the awareness of the new Low Income Discount Program. The Company will develop specific tools that customers and agencies can use to successfully engage them to seek more information on the new program.

Strategic Goal 4:

Implement an Advisory Panel to seek expertise outside of the Company.

The objective of this goal is to seek insights from experts from various health, human and social agencies of the low income population to effectively reach and communicate effectively with low income customers. The Company intends to draw on the knowledge and skills of advisors who have practical experience with interacting with low income customers.

Strategic Goal 5:

Implement benchmarking with other utilities within and outside of New York State to identify best practices in the utility industry for low income customers. The object of the goal is to measure National Grid's performance in outreach, education and engagement to low income customers to determine if the Company is functioning as effectively and efficiently as others in the industry.

Energy Efficiency & Future Program Proposals (REV)

The Company believes that improving energy affordability for low income customers involves not just low income discounts, but also improved energy choices, including energy efficiency, fuel conversion programs, and the possibility of distributed generation targeted to underserved customers and neighborhoods.

The Company recently received approval for the first community solar program in which the company will provide rooftop solar panels to qualified participants in the what is known as the "Fruit Belt" neighborhood in Buffalo. The goal is to install solar panels on 100 homes that meet established criteria and that have the consent of the homeowner. The power generated from the systems will be captured on the customer's side of the utility meter, aggregated collectively and essentially "sold back" to the electricity market. Proceeds from the electricity sales would benefit the 100 customers and up to 50 other residential customers.

The Fruit Belt neighborhood is served entirely by one electric substation, and the demonstration will test the impact of a concentration of solar units on the operation of the electric distribution network in that area. Additionally, the project will serve as a test of the financial model to support alternative energy options in under-served, low-adopting urban areas. Direct customer outreach is underway, and the first panels have been installed on a home in the neighborhood.

The Company also has initial approval to proceed with a demonstration project in Clifton Park that will explore various ways to control and reduce electricity demand through customer education. Participating customers will be provided with new metering equipment that will give detailed information on usage. With "smart metering" and a customer portal, customers will have direct access to their energy usage information, allowing them to make energy savings changes and earn points for rewards based on

reductions in usage. This project will provide an opportunity for low income customers to participate in retail choice via Community Choice Aggregation (CCA).

The Company will continue to monitor the REV proceeding and may include low income REV proposals in the future.

We plan to continue Energy Efficiency through the New York EmPower Program for Niagara Mohawk low income participants. Through the EmPower Program, participants are provided no-cost energy solutions regardless of whether they own or rent and live in a dwelling of 100 units or less. Beginning in the first quarter of 2017, the Company will begin mailing applications to 400 participants each month. The Company will identify and select customers with the highest usages first. When a completed application is received by the Company, the referral will be sent via an encrypted email to NYSERDA's contractor, Honeywell.

Reporting Requirements:

The Company will report quarterly on the program as outlined in Appendix D of the Order adopting low income program modifications.

The form of the report is contained in Attachment D of the Low Income Order, and includes the following components broken down by electric only, gas only and combination electric and gas customers and includes both heating and non-heating customers:

Numbers 1-4 pertain to the number of program participants.

- 1 a-d The number of participants who received a discount broken down by tier levels 1 through 4.
- 1.e The number of new participants who enrolled in the program for the quarter being reported.
- 1.f The number of participants who exited the program for the quarter being reported.

- 2.a-g Apply to the current AffordAbility Arrears Forgiveness Program

The Company plans to discontinue enrollment as of December 31, 2016. Participants will remain on the program until they complete, default or voluntarily withdraw from the program. Because the Company plans to phase out the program, the reporting regimen has less value than a full-fledged arrears forgiveness program. The Company is hereby seeking permission to report only the data that can be obtained without investing a significant amount in programming costs and omit the data point regarding the Affordability program that will require additional costs to implement.

- 3. The number of customers who have had a reconnect fee waived.

- 4.a. Total number of energy efficiency participant referrals
- 4.b. Number of EmPower NY referrals

Numbers 5 – 10 relate to dollars expended and program budget comparisons broken down by electric and gas:

- 5.a. Total amount of discounts (amount expended)
- 5.b. Total amount of over or under collection

- 6.a. Amount of arrears forgiveness applied
- 6.b. Total amount of over or under collection

- 7.a. Amount of Reconnect Fees waived
- 7.b. Total amount of over or under collection

- 8.a. The Amount of the Average bill – Heating Bill

- 9.b. The Amount of the Average Non-Heating Bill Average Bill

- 10.a. Total Over/Under Budget (for all programs)
- 10.b. Regulatory Asset/Liability Quarter End (for all programs)

Numbers 11-17 report the number of participants and the dollars associated with them.

- 11. Participant Arrears Total – The number of customers and associated dollars

- 12. Termination Notices sent to participants - The number of customers and associated dollars

- 13.a. Participants Terminated for Non Payment - The number of customers and associated dollars
- 13.b. Of the Participants Terminated the number and dollars associated with Heat Related Terminations for Non Payments

- 14. a. Participants Reconnected - The number of customers and associated dollars
- 14. b. Participants Reconnected Due to HEAP payment - The number of customers and associated dollars
- 14.c. Participants Reconnected Due to DPA - The number of customers and associated dollars

- 15.a. Active participants on DPA – beginning of the period (quarter) - The number of customers and associated dollars
- 15.b. DPAs made - The number of customers and associated dollars

- 15.c DPAs reinstated - The number of customers and associated dollars
- 15.d DPAs defaulted - The number of customers and associated dollars
- 15.e DPAs satisfied - The number of customers and associated dollars
- 15.f Active Participants DPAs – beginning of period - The number of customers and associated dollars
- 15.g Active Participants DPAs with arrears greater than 60 days - The number of customers and associated dollars

- 16. Participant uncollectibles - The number of customers and associated dollars

- 17. Budget Billing participants The number of customers and associated dollars
- 17.a Credit Reconciliations (over collected)
- 17.b Debit Reconciliations (under collected)

Costs:

Niagara Mohawk will incur costs to implement the requirements of the Order, including outreach and education, IS costs, and costs to implement the file match with HRA and OTDA. As part of this Implementation Plan, Niagara Mohawk is including an estimate of all such implementation costs, which the Company proposes to include in the low income deferral.

Niagara Mohawk Total Outreach, Education and IS Costs

	<u>2017</u>	<u>2018</u>
<u>Outreach & Education</u>		
Initial Mailing - 161,000 Customers@\$. 49086	\$79,028	
Annual Enrollment & Maintenance - 10,000 @ \$.49086		\$4,908
Brochures -30K (Initial) @\$0.230	\$6,900	
Brochures - Annually 10K@\$0.230		\$2,300
Posters - 500 @ \$.12	\$60	
<u>IS Costs</u>	<u>\$2,818,000</u>	
Total Costs:	\$2,903,988	\$7,208

IS System Change Costs (additional detail is provided in Attachment 2, “Sanction Document”).

- The IS system change costs include requirements definition, solution design, solution development, testing paths for quality assurance, implementation and post implementation support activities. The main areas of functional systems changes will center around the following areas:
 - Existing Low Income Programs retirement including AffordAbility
 - Low Income Discount Program creation
 - New Tiered Discount Structure implementation
 - Eligibility determination
 - Discount Levels calculations
 - Program Budget adjustments
 - HHS Performance Measurements/OTDA File Matching
 - Budget Billing Requirement with Opt Out Option
 - Current Budget Calculation without 12 months history
 - Reporting Requirements
 - Future Program Proposal (REV) inclusion

- The costs to implement this program for NMPC is estimated at \$2.818 million based on estimates of the potential system changes, along with the costs for 3 business resources backfills (FTEs) to support the project. Development costs will be shared among National Grid’s New York operating companies impacted by the Order.

Project Cost by Company:

Project Cost by Company	\$/M
KEDNY	\$3.302
KEDLI	\$0.889
NMPC	\$2.819
Total	\$7.009

NMPC Project Cost by Components

Project Cost Breakdown			
Cost Category	sub-category	\$ (millions)	Name of Firm(s) providing resources
Personnel	NG Resources	0.585	NG IS Resources & NG Business Backfills
	SDC Time & Materials	1.817	IBM & Wipro IS Resources
	SDC Fixed-Price	-	
	All other personnel	-	
	TOTAL Personnel Costs	2.402	
Hardware	Purchase	-	
	Lease	-	
Software		-	
Risk Margin		0.240	
Other		0.176	AFUDC
TOTAL Costs		2.818	

Project cost by CAPEX/OPEX, Fiscal Year & Project Phase components:

Cost Forecast and Investment Analysis											
(All figures in \$000s)		Fiscal Year							Project Phase		
		16/17	17/18	18/19	19/20	20/21	Yr. 6+	Total	Str.-Up	R&D	D&I
Personnel: NG	OpEx	76	-	-	-	-	-	76	6	69	-
	CapEx	148	361	-	-	-	-	510	-	148	361
Personnel: SDC T&M	OpEx	217	245	-	-	-	-	462	88	129	245
	CapEx	575	780	-	-	-	-	1,355	-	575	780
Personnel: Fixed Cost	OpEx	-	-	-	-	-	-	-	-	-	-
	CapEx	-	-	-	-	-	-	-	-	-	-
Hardware	OpEx	-	-	-	-	-	-	-	-	-	-
	CapEx	-	-	-	-	-	-	-	-	-	-
Software	OpEx	-	-	-	-	-	-	-	-	-	-
	CapEx	-	-	-	-	-	-	-	-	-	-
Other	OpEx	(0)	(0)	-	-	-	-	(0)	0	(0)	(0)
	CapEx	(0)	0	-	-	-	-	(0)	-	(0)	0
Shared & Financial Costs	OpEx	7	6	-	-	-	-	12	2	5	6
	CapEx	27	135	-	-	-	-	163	-	27	135
Risk Margin	OpEx	29	25	-	-	-	-	54	9	20	25
	CapEx	72	114	-	-	-	-	186	-	72	114
Asset Lease Costs		-	-	-	-	-	-	-	-	-	-
Total Investment		1,151	1,667	-	-	-	-	2,818	106	1,045	1,667
OpEx		328	275	-	-	-	-	604	106	222	275
CapEx		823	1,391	-	-	-	-	2,214	-	823	1,391