New York State
Public Service Commission

Proceeding on Motion of the Commission to Examine
Programs to Address Energy Affordability for Low Income Utility Customers.

CASE NO: 14-M-0565

INITIAL COMMENTS OF THE BROOKLYN UNION GAS COMPANY D/B/A NATIONAL GRID NY, KEYSPAN GAS EAST D/B/A NATIONAL GRID, AND NIAGARA MOHAWK POWER CORPORATION D/B/A NATIONAL GRID

March 4, 2015
INITIAL COMMENTS OF THE BROOKLYN UNION GAS COMPANY D/B/A NATIONAL GRID NY, KEYSPAN GAS EAST D/B/A NATIONAL GRID, AND NIAGARA MOHAWK POWER CORPORATION D/B/A NATIONAL GRID

I. INTRODUCTION

The Brooklyn Union Gas Company d/b/a National Grid NY (“KEDNY”), KeySpan Gas East Corporation d/b/a National Grid (“KEDLI”), and Niagara Mohawk Power Corporation d/b/a National Grid (“NMPC”, together with KEDNY and KEDLI, ”National Grid” or “Company”) hereby submit these initial comments in response to the New York State Public Service Commission’s (the “Commission’s”) Utility Low Income Programs, Order Instituting Proceeding, issued January 9, 2015 (the “Order”), as modified by the Notice, issued February 12, 2015, in the above-entitled proceeding. As noted in the Order, the primary purposes of this proceeding are to provide the opportunity to standardize utility low income programs to reflect best practices where appropriate, streamline the regulatory process to conserve administrative resources, and ensure that low income programs continue to be consistent with the Commission’s statutory and policy objectives.¹

National Grid has made a long-standing commitment to low income assistance programs and working proactively to protect our most vulnerable customers. National Grid was one of the first utilities to offer comprehensive low income programs designed to protect

¹Case 14-M-0565, Utility Low Income Programs, Order Instituting Proceeding, Order at p. 1.
a diverse customer demographic with varying needs across New York State. National Grid has also provided emergency financial and other assistance for our hardest hit customers during times of severe stress, such as the winter of 2013-2014 (the “Polar Vortex”), flooding in the Mohawk Valley and Hurricanes Irene and Sandy. In addition to providing emergency financial assistance, the Company reached out to impacted customers, donating batteries, blankets, electric heaters, flashlights, bottles of water, and going door-to-door with information brochures, handing out supplies and looking for those who may have experienced a health or safety impairment.

National Grid’s employees and shareholders have also done their part. Since the 1990s, National Grid’s Care and Share program and Neighborhood Heating Funds have provided approximately $14 million in benefits and served nearly 70,000 customers. As part of the National Grid’s Care and Share Program, the Company’s employees and shareholders provided another $1 million in aid in the form of Care and Share Grants to assist another 5,000 customers with last year’s high winter bills.

National Grid’s commitment to serve vulnerable customers is also reflected in the continuing efforts and accomplishments of our Consumer Advocates. National Grid’s Consumer Advocates assisted over 22,000 households in 2014, an increase of 242% over the number of households served during the economic downturn in 2008. The holistic approach of our Consumer Advocacy and Low Income Team is designed to reinforce and expand the safety net for low income customers by providing specialized repayment programs based on a customer’s needs and circumstances. The Company’s advocates collaborate with social services and human service agencies to provide financial and social support to households in crisis and will intervene on a customer’s behalf to assist in receiving assistance.
National Grid launched the first Customer Assistance EXPOs across upstate New York in 2014. The EXPOs connect the Company’s most vulnerable customers with programs and resources that could help them prepare for and manage upcoming winter energy bills and provide an opportunity to meet with human and social services agencies to assist with food, housing, insurance and other necessities, all in one place in one day. So far, more than 1,200 National Grid customers have attended the EXPOs, learning about company sponsored programs and connecting with 90 community assistance groups and social service agencies.

The Order asserts that the purposes of this proceeding are to standardize utility low-income programs to reflect best practices and to streamline the regulatory process to conserve administrative resources. With regard to standardizing low income programs, the diversity of demographics, energy usage profiles, localized weather, housing, and varying cost of living across National Grid’s service area suggests that there is no single solution that would work best for all utilities. Indeed, National Grid’s examination of programs across New York State and in other jurisdictions highlights the need for programs that are individualized for each utility. National Grid is committed to finding the right balance between administrative costs to implement low income assistance programs and casting a wide net to provide benefits to customers with the greatest need. This balance can best be achieved by recognizing the differences among customers and customer needs and providing programs that can tailored to individual service territories and administered in the most cost effective fashion.

Based on the Company’s experience with low income assistance programs, use of categorical eligibility criteria and automatic enrollment minimizes the cost of administering
low income assistance programs, and thus, maximizes the amount of benefits available to actually reduce eligible customers’ bills. This cannot be said for programs that are designed to provide arrears forgiveness. The Company’s experience with these programs, which may be shared by other utilities within the state, indicates that the programs are resource intensive, and of limited benefit. These programs expend considerable resources to provide limited benefits, and thus, do not contribute to the goal of maximizing benefits to customers in the most need. Other processes within the Company utilize automated eligibility criteria, or systems carefully tailored to provide efficient enrollment of eligible customers, and thus, tend to maximize the amount of benefits provided compared to total program funding. Notwithstanding, improvements in low income assistance may be possible within National Grid’s service territory by building on existing systems to expand the categories that can be addressed by the Company’s systems, and by varying the amount of benefits provided to better reflect customer need.

While streamlining the regulatory process is in everyone’s best interest, implementing changes to existing low income assistance programs that require increased funding would also require development of an alternate funding mechanism. Alternatively, such changes would need to be held and addressed in the context of a utility’s next rate proceeding.

II. DISCUSSION

1. Overall Policy

   1-a. How do we achieve the goal of affordability most effectively, and at minimum cost?

   Within National Grid’s New York service territories, the most effective and least cost method to achieve the goal of affordability is through the use of categorical eligibility, such
as HEAP eligibility, with automatic enrollment. This approach benefits all customers by minimizing utility administrative costs and maximizing the amount of program funding used to assist low-income customers in paying their energy bills. Automatic enrollment eliminates the need for customers to apply and for the utility to certify eligibility, thereby reducing administrative costs, providing easy access and eliminating a potential barrier to low-income customer participation.

**1-b. What is the level of affordability that should be achieved? How should the appropriate “energy burden” (i.e., the percentage of a customer's income that is spent on energy) or level of affordability be determined?**

Energy burden is the share of the annual household income that is used to pay annual energy bills. Once measured, benefits go solely to those households with the highest difference between their utility bills and their income. National Grid has experience with this type of program as it was formerly used by a National Grid company in another jurisdiction. Based on that experience, the energy burden approach was found to be difficult and administratively burdensome to implement and manage. For these reasons, National Grid does not recommend that such a model be adopted for New York. As discussed more fully in response to Question 1-e, below, National Grid suggests an alternate approach, based on varying levels of HEAP assistance that could provide a better way to address varying customer need, but still maximize the provision of aid to customers.

Under the energy burden approach, customers with the highest energy burden may not always be the most in need of assistance, as customers with relatively higher incomes could score higher than customers with low or fixed incomes, due in part to variations in cost of living, larger or poorly insulated homes, and even localized harsh climates. Furthermore,
the Company’s prior experience with such a program resulted in a lengthy waiting list for participation, in part because available funding limited the number of customers able to participate.

Should the Commission determine that the “energy burden” approach be adopted in New York, National Grid believes that while utilities can provide billing data, they are not equipped to gather and validate individual customer data on income, cost of living, and household expenses that are necessary to measure energy burden to qualify customers and determine appropriate levels of assistance. Rather, if an energy burden approach were utilized, eligibility and benefit levels would need to be set by a governmental entity or community-based low-income advocacy organization based on an established certification process.

1-c. **What is the appropriate level of funding? How much assistance should be provided by ratepayers, in light of taxpayer and privately funded assistance?**

Funding is a policy matter that may best decided within the proceeding with input from all interested parties. Utilities have traditionally provided assistance to low-income customers where taxpayer and privately funded assistance was not sufficient to ensure that low-income customers could afford to pay for electric and gas service. Utility-funded programs can also result in cost-benefits accruing to all customers from avoided collections costs and public policy benefits. Both should be considered in this discussion.

1-d. **How can benefits be maximized and costs minimized?**
As discussed further in the responses to Question 1 (a-b) and 1(e), reliance on categorical eligibility and automation is the most effective way to maximize program benefits for low-income customers while minimizing administrative costs.

For example, elements of National Grid’s Low Income Discount programs are automated, qualifying customers for a discounted rate when a HEAP grant is received and credited to a customer’s account. NMPC’s low income discount program is fully automated with the receipt of a HEAP payment. KEDNY and KEDLI’s Residential Reduced Rate service classifications are automated with the receipt of a HEAP payment, however customers must be enrolled manually for other qualifying programs such as SNAP, Healthcare Plus, Medicaid, etc. Notwithstanding, the manual process for enrolling and recertifying eligible customers for KEDNY and KEDLI programs has been set up in a way that utilizes 1 FTE to maintain programs that serve over 70,000 eligible customers.

Conversely, KEDNY and KEDLI customers who participate in the On Track Program and customers that participate in NMPC’s arrears forgiveness program must be manually processed. Four FTEs are required to administer the AffordAbility program and one FTE is required for the KEDNY and KEDLI On Track programs. On Track is an arrearage forgiveness management program designed to help customers understand how to manage their finances. Program elements include: Deferred Payment Agreement, money management education, account management and arrears forgiveness for payments made on time and completion of program. In 2014, the completion or success rate was 27%, another 6% asked to be removed from the program and the remainder 67% defaulted from the program. It is not known how many customers purposely defaulted in order to become eligible for HEAP.
The AffordAbility program, NMPC’s arrears forgiveness and energy efficiency referral program, has a completion rate of 23%. The largest number of defaults occurs between September and February, which could possibly mean that customers may be defaulting in order to become eligible for HEAP assistance.

i. **What approaches maximize the benefits to participating customers?**

Several approaches benefit customers:

- Programs that allow the funding to be used for the customer’s energy bill rather than program administrative costs.
- Ease of application – to maximize the benefits, the program should minimize administrative burdens and avoid burdening customers with a complicated application process that requires the customer to provide documented income statements and other supporting information. This could be further complicated by the customer’s lack of transportation, access to the internet, or ability to fax necessary paperwork.
- Using existing data and eligibility for existing programs to qualify customers for enrollment.

ii. **Can waste and administrative costs be further reduced?**

Any program design should include a mechanism to periodically evaluate the process and look for opportunities to increase efficiency and lower costs. See also, responses to Questions 1 (a-d), above.

1-e. **How specifically can utility programs be better coordinated with the Home Energy Assistance Program (HEAP), fuel funds, and/or other forms of assistance?**

National Grid currently leverages low income programs with internal and external programs and services to assist our low income customers. Customers are automatically
enrolled in several programs once the HEAP payment is received. The Company believes its automated system that detects incoming HEAP payments and uses that information to automatically determine eligibility for low income assistance could also be used to establish different levels of assistance for customers in the greatest need. In accordance with HEAP eligibility criteria, recipients may be eligible for differing levels of HEAP assistance based on need and household circumstances. To illustrate, for basic HEAP eligibility, current recipients are eligible for a payment in the amount of $350. If these recipients also have a household income below the poverty line, they might also be eligible for an additional payment of $25, which results in a total payment of $375. Further, customers that meet these two criteria who also have a vulnerable person (e.g., an elderly, blind, disabled or child) in their household may qualify for an additional $25 payment, which would result in a total payment of $400. These varying levels of HEAP payments reflect increased need for these households (e.g., as a consequence of household income below the poverty line and the presence of a vulnerable person). These criteria provide a direct connection to increased need for benefits. Leveraging these varying payment levels and the automated enrollment process could provide a cost effective means to provide varying levels of assistance for customers that need help most.

Ideally, to maximize customer eligibility, it would be beneficial to receive information from counties on other forms of assistance such as SNAP, SSI, Medicaid, Temporary Assistance to Needy Families, etc. However, the forty one counties that National Grid serves may have technological difficulties providing the information electronically with a secure file transfer protocol or other secure means. In the past, certain counties have
specifically denied National Grid access to this information, based on concerns with customer privacy and confidentiality.

Although not within the purview of this proceeding, OTDA could undertake changes to improve efficiency and make HEAP more readily available to eligible recipients.

In order to maximize efficiencies for customers and utilities, county DSS and OTDA should consider reverting back to the coupling of regular and emergency grants. This would help encourage participation and retention in utility low income programs.

The current system and decoupling policy is not the most efficient mechanism to provide benefits to those in need. National Grid low income customers have advised our consumer advocates that it is difficult making multiple trips to the local HEAP office to apply for the separate benefits programs, particularly for the elderly and disabled. Customers who previously received both benefits together may now be forced to take another day off work, pay for transportation and/or parking, or withstand long waits on the phone. These burdens can be a barrier for low income customers who often have low paying jobs with little or no paid time off.

Emergency HEAP eligibility requires a utility to first issue a termination notice. For this reason, many low income program participants opt out or intentionally default on utility service in order to receive an emergency grant. This is a long term concern because it risks interruption of service and has the effect of incenting these customers to not pay their energy bill.

1-f. Are there barriers to non-utility entities offering assistance programs which are not funded by ratepayers, and if so, how can they be removed?
National Grid is not aware of any specific barriers that would prevent non-utility entities from offering assistance programs. The Company works with a number of low income assistance organizations and has accepted contributions from such organizations on behalf of customers.

2. General Program Design Issues

2-a. Should a uniform statewide program be created? If not, to what extent should diversity among utilities in the design of affordability programs be allowed?

While a uniform statewide program would provide all low-income customers access to the same benefits, given the very diverse nature of each utility’s service area and customer needs, individualized utility programs that are designed to respond to the unique needs of low-income customers have been important to ensure affordable, safe and reliable service and thus, should be retained. Even within National Grid’s New York service areas, each of our operating companies has a different and unique program based on our customers’ needs. For instance, in upstate New York, many of our gas customers are heating customers living in single family homes. Downstate we have many more low-income customers who reside in multi-family homes and use gas for cooking only. Additionally, the cost of living varies by region with the downstate metropolitan area being more expensive. Program benefits need to consider cost of living in differing service territories as well as customer usage.

2-b. What additional benefits and costs are introduced by implementing a portfolio of assistance programs to address a range of customer-specific needs, as opposed to a single program?
A portfolio of different programs may be helpful in addressing the individual specific needs and challenges of low income households. As the number of programs increases however, the cost to monitor and administer these programs also increases. As further discussed in the Introduction Section, above, the Company is involved in a number of efforts to provide a broad range of services to low income and vulnerable customers. These programs leverage the Company’s existing resources, such as Consumer Advocates, to provide benefits to customers that go beyond just low income. The Consumer Advocacy team works with internal and external partners to assist our vulnerable customers with the daily challenges they face. They use a holistic approach focused on meeting a broad range of customer needs, including food, rental assistance, healthcare referrals, energy efficiency referrals and general energy saving tips. Advocates leverage the use of demographic information and resources in an effort to optimize the management of protected class customers; identifying new segments of low income customers and developing unique treatment paths correlated to their needs. For example, the number of military families receiving LIHEAP has increased 156% since 2008 and advocates now partner with various federal, state and local veteran and military agencies to help assist both veterans and active military families, particularly with families who have a member of their household overseas. Advocates attend Yellow Ribbon ceremonies providing information on how to get help when a family member is deployed.

2-c.  What is the appropriate level of benefit per participant?

The level of benefit provided to participants needs to be designed in such a way as to provide maximum value to the widest number of low income customers, while controlling
the amount of funding consumed by program administration and ensuring overall ratepayer equity and taking into account energy needs, such as heating or cooking only, and regional cost of living differences.

2-d. **Should a basic level of assistance be provided to all eligible households (i.e., broad-based approaches), or should more assistance be directed to those most in need (i.e., targeted approaches)?**

Over the years, utilities and low-income consumer advocates have struggled with the question as to which is more meaningful – smaller benefits to a large number of customers or large benefits to a smaller number of customers. Utilities have implemented both approaches. As discussed above, National Grid has both approaches in place today.

2-e. **If funds are targeted, is it more important to direct funds to households with the lowest incomes, the highest bills, the largest arrears, or those at greatest risk of termination?**

An ideally functioning targeted approach would bring varying levels of assistance to households that are most in need due to limited household income and the presence of vulnerable persons within the household as described in 1-d through the utilization of the HEAP payment amount. This approach would tend to focus on households with the lowest incomes and greatest needs (which would correlate to the greatest risk of termination). Providing varying levels of assistance would reduce high arrearages and mitigate the risk of termination over time through increased assistance to households most in need, budget billing arrangements, energy efficiency programs, payment agreements and public assistance.

2-f. **What are the least-cost approaches to administering targeted programs?**
The least-cost approach in administering targeted programs where individual customers receive different levels of benefit based on their income and annual energy consumption would involve utilizing already collected data to make a determination on program eligibility such as income data and household information previously validated by public agencies as part of the public assistance application process or HEAP application process. Implementing programs that add additional layers of complexity to consider annual income, energy consumption and household expenses to determine the amount of the benefit would be inefficient and costly to administer. The costs of such a program would directly reduce funds available to provide direct assistance to customers, and thus, would not be a least-cost method to administer the program.

The number of different benefit levels should be limited and the program designed in such a way that funding would be available to all income qualifying customers, avoiding the need for the administration of “wait-lists”, and potential denial of benefits to similarly situated customers.

3. Program Type

3-a. Comments are solicited on the advantages and disadvantages of each of the following approaches:

i. Fixed Discount

Fixed Discounts have low administration costs, are easy to design, clearly understandable on a bill, and provide an equal benefit to all qualifying customers. A single fixed discount does not take into account disparity in income, household size and energy usage and may not provide a meaningful benefit to certain low income households. Utilizing
fixed discounts that vary depending upon household income and circumstances provides an alternative that could provide a greater benefit for customers most in need.

**ii. Percentage Discount**

Percentage Discounts are also low cost administratively, and provide the advantage of according a greater benefit to higher energy use households. This type of benefit, however, also does not take into account available household income and may provide a disincentive to energy usage management (the higher the energy use, the greater the benefit). To the extent criteria can be established to permit varying levels of percentage discounts (to reflect, for example, simple criteria such the presence of a vulnerable person within the household), a varying percentage discount would be another way to provide greater benefits to the households most in need.

National Grid’s Massachusetts Low Income Discount Rate Program provides eligible customers a credit based on 25 percent of the total charges reflected on their bill. This program has been very successful in terms of cost effectiveness and reaches a large number of low income customers.

**iii. Volumetric Discount, including whether volumetric discounts should be capped; and if so, at what level (e.g., providing a discounted block reflecting average usage for low income households, with subsequent usage blocks at full rate).**

National Grid’s gas companies have block rates in place for gas service that facilitate a volumetric based discount. Such a rate structure does not exist for electric rates, which charge the same rate for every kilowatt hour consumed within each rate class. While they may work for gas customers, volumetric discounts would be difficult or impractical to implement for electric customers. Where feasible, volumetric discounts may be advantageous in that they encourage household energy usage management and use of energy
efficiency and weatherization programs. Volumetric Discounts do not take household income into consideration and may tend to penalize larger households and those where medical machinery drives up monthly usage. To the extent they are feasible, Volumetric Discounts are more complicated to fund and administer, require a more complicated billing system investment to work properly and may lead to more confusing bills as energy cost calculations change over the course of a billing period.

iv. Percentage of Income Payment Plan (PIPP)

A Percentage of Income Payment Plan (PIPP) may come close to matching monthly energy costs with available household income, but these programs can be complicated and costly to administer. Frequent and/or significant variation in monthly income and energy usage, as well as system design capabilities, make it impractical to implement individualized PIPP programs based on unique household characteristics. Where this approach has been implemented in other jurisdictions, it has provided a sliding percentage benefit based on varying “tiers” of household income. The burden of validating household income and the frequent adjusting of “tiers” based on changes in income is labor intensive and expends considerable resources that might otherwise be available to provide benefits to low income customers. Because tier assignment numbers can change quickly and are difficult to forecast, PIPP programs have also resulted in the need to administer “waiting-lists” for program initiation based on available funding, which raises questions as to how enrollment should be prioritized, to the lowest incoming households or to provide the greatest possible enrollment. To the extent PIPP programs result in waiting-lists or exhaustion of available benefits, these programs may also result in similarly situated customers receiving different benefits.

v. Arrears Forgiveness
Arrears Forgiveness Programs can provide customers who experience a temporary financial set back the opportunity to reestablish control of their utility bills, and provide discouraged customers with an incentive to make forward payments on their bills in order to receive the benefit of forgiveness. Arrears Forgiveness Programs by themselves do not address more chronic or recurring household conditions that lead to the accumulation of arrears in the first place, such as a basic inability to meet existing energy costs with available income. Arrears Forgiveness Programs must be designed carefully so as to control costs and not create a disincentive to making payments against monthly energy usage. National Grid’s Arrears Forgiveness Programs require considerable resources to administer and thus, may be a less than optimal way to provide benefits to customers. Dedicating these resources to other, less administratively burdensome programs, would result in increased benefits to customers that need assistance most.

vi. Reconnection Fee Waiver

Reconnection Fee Waivers can encourage customers to take whatever required steps necessary to restore service without the discouragement of additional fees. While they may benefit households with no discretionary income, they do so at the expense of failing to offset utility costs incurred in the termination. Reconnection Fee Waivers by themselves do not address the conditions that led to the service termination and may not provide a meaningful benefit to financially stressed households.

4. Determining Eligibility/Enrollment

4-a. How can eligibility for utility affordability programs best be determined?
Eligibility for utility affordability programs is most cost-effectively determined through confirmed participation in other income-validated qualifying programs (Such as HEAP eligibility, Public Assistance eligibility, etc.)

i. **Who should determine eligibility?**

Eligibility is most cost-effectively determined by those organizations dedicated to administering and determining eligibility for participation in such programs, and organizations that already have the functional capacity to validate and re-certify customer income levels.

ii. **Should eligibility consider other financial assets, in addition to income?**

These are determinations best made by organizations dedicated to administering and determining eligibility for such programs. These organizations are best suited to evaluate the type of program, participant demographics, need, available aid, and other considerations affecting eligibility.

iii. **Should current eligibility criteria be expanded to encompass more households?**

At some point the burden such programs impose on other rate payers will create a barrier for expansion of existing programs. To avoid reducing this pool further, expansion of such programs should only occur where eligibility could be determined through confirmed participation in other income-validated qualifying programs (e.g., SNAP, DSS eligibility, etc.).

iv. **What improvements should be made to eligibility criteria?**

See response to Questions i-iii, above.
4-b. If enrollment is not automatic, how can the number of eligible households enrolled be maximized? Can better ways be found to reach more of the eligible population, and if so, what are they?

Failing to implement an automatic enrollment mechanism will increase program administrative costs, decrease funds available to households, and reduce the number of eligible households. For this reason, the Company does not believe there is a way to increase or maximize enrolled households – without adopting an automatic enrollment mechanism.

4-c. How can it be ensured that benefits are only paid to customers who are eligible?

Absent a workable automatic enrollment mechanism (and validation of current eligibility), customers should be required to provide periodic recertification of their continued eligibility for program enrollment or be subject to cancellation of their participation.

5. Program Evaluation

5-a. What are the criteria the Commission should use to evaluate the effectiveness of different approaches? Some potential criteria for consideration include the following:

Programs should be designed and reviewed to ensure they are achieving the highest level of participation possible, with “automatic enrollment” utilized wherever practicable, avoiding the need for customers to initiate an application process. Rather than attempt to respond to the specific individual questions in 5 (a)(i)-(ix), the Company suggests that criteria used to evaluate the effectiveness of these programs are best decided based on the collaboration of all interested parties.
5-b. How should utility benefits (e.g., reduced arrears, collection costs, write-offs, etc.) be weighed relative to participant benefits (e.g., maintaining service/reductions in terminations, increased affordability, and reduced energy burden)?

The Company believes individual rate proceedings provide an appropriate opportunity to address the balance between benefits and costs for low income assistance programs. With regard to the overall level of benefits or cost of programs, these may be best decided on the collaboration of all interested parties taking into account the diverse nature of each utility’s service area and customer needs.

III. CONCLUSION

National Grid appreciates the opportunity to provide the comments contained herein. National Grid respectfully requests the Commission consider the comments and responses to the questions provided herein in connection with its ongoing review of affordability programs.

Respectfully submitted,

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