



David A. Paterson
Governor

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
CONSUMER PROTECTION BOARD

Mindy A. Bockstein
Chairperson and Executive

May 30, 2008

Jaclyn Brilling
Secretary
New York State Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350

Re: Case No. 01-M-0075 – In the Matter of the Petition of Niagara Mohawk Power Corporation d/b/a National Grid for Approval to Make Certain Modifications to the Low Income AffordAbility Program

Dear Secretary Brilling:

On March 28, 2008, Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid” or the “Company”) formally requested that the Public Service Commission (“PSC” or “Commission”) approve certain modifications to the Company’s Low-Income AffordAbility Payment Agreement Program (“AffordAbility Program” or “Program”).¹ In an April 16, 2008 Notice in the New York State Register, the PSC invited comments on that proposal. The New York State Consumer Protection Board (“CPB”) submits this letter in response to that invitation, recommending that the PSC approve the Petition in its entirety. The proposed changes will help maximize the benefits to Program participants, thereby assisting National Grid’s low-income customers.

The Affordability Program

The Company’s AffordAbility Program assists low-income customers unable to pay their monthly bills in full, through payment agreements, arrears forgiveness and energy efficiency tools and services. Customers approved for the federal Home Energy Assistance Program (“HEAP”) are eligible to participate if they are referred by local human service agencies and/or Company consumer advocates, or if they are in arrears, have a history of broken payment arrangements and have a negative monthly cash flow.

¹ Case 01-M-0075, Petition of Niagara Mohawk Power Corporation d/b/a National Grid for Approval to Make Certain Modifications to the Low Income AffordAbility Program, March 28, 2008 (“Petition”).



Program participants are placed on a twelve-month payment agreement under which they are responsible for paying a certain percentage of their total average bill each month. The remaining bill amounts are deferred to the customers' arrears. The customers are also referred to the New York State Energy Research and Development Authority's ("NYSERDA") Empower NY Program, which provides energy efficiency tips, energy efficient light bulbs and other assistance in reducing energy costs. Customers receiving weatherization services and appliance replacement from NYSERDA are provided a reduction of up to 35% in their monthly bill, with the difference deferred to their arrears balance.

The Program also includes an arrears forgiveness component, which permits participants who complete twelve monthly payments and receive a Home Energy Assistance grant applied to their National Grid account, to eliminate up to 50% of their total arrears up to \$250. Customers may enroll in the Program each year as long as they have satisfied their payment agreements. Currently, approximately 5,400 customers participate.

Program Review

The CPB, Company, Department of Public Service Staff ("DPS Staff") and Public Utility Law Project ("PULP") reviewed the AffordAbility Program over the past year, to determine whether it is achieving its objectives in the most cost-effective manner and how it might be improved. Principle concerns raised by the parties were the high rate of default and the increase in arrears of Program participants. The CPB commends the Company for recognizing the importance of maximizing the customer benefits of the AffordAbility Program and working with all interested parties to consider improvements. The Petition reflects these collaborative efforts.

The Petition

The Company requests approval to make three modifications to the Program to increase benefits to participants and improve the Program's overall success: replace the annual arrears forgiveness credit with a monthly credit, eliminate the second weatherization discount deferral to participants' arrears balances, and limit participation in the Program to twenty-four months. The CPB supports these recommendations.

The first proposed change is intended to increase the incentive for Program participants to remain in the program and obtain its benefits. Currently, participants must make twelve payments before receiving any forgiveness of their arrears. Approximately one-half of participants default out of the Program. The recommendation is to provide \$20.00 of arrears forgiveness for each month in which a participant makes the required payment. It is estimated that this will approximately double the dollar amount of arrears that are forgiven and decrease the default rate of Program participants from 50% to 37.5%.²

² Petition, pp. 8-9.

It is also recommended that the 35% bill deferral that is applicable to participants obtaining weatherization services be removed. Originally, this deferral was designed to reflect the reduction in electricity usage that participants would achieve. However, recent analysis shows that the actual reduction in usage resulting from these weatherization services is approximately 16%. Therefore, the current 35% bill deferral causes customers' arrears to increase, a result which is contrary to the Program's objectives. Of course, participants obtaining weatherization services would continue to enjoy the real bill reductions resulting from these energy savings measures.

Finally, it is also proposed that participation in the AffordAbility Program be limited to twenty-four months. Participants who default off of the Program within two years can re-enter the Program within the initial twenty-four month period. This will not impede achievement of the Program's objectives because the proposals discussed above will serve to reduce arrears and help participants eliminate them within the two-year period. It will, however, enable more low-income customers to participate in the Program over time.

Conclusion

The CPB urges the Commission to adopt the modifications to the AffordAbility Program identified in National Grid's March 28, 2008 Petition. These proposed changes are expected to increase retention in the program, reduce customer arrears and allow more eligible customers to participate. They should be adopted as soon as possible, in view of the burden low-income customers are experiencing from record high energy prices and difficult economic conditions. We also recommend that the PSC require that the Company provide quarterly reports to interested parties identifying the number of Program participants, the total amount arrears forgiveness and the default rate, to facilitate future monitoring and review of this initiative.

Thank you for your consideration of our comments.

Sincerely,



Mindy A. Bookstein
Chairperson and Executive Director

Douglas W. Elfner
Director of Utility Intervention

Gregg Collar
Project Manager

cc: National Grid (Keri Sweet Zavaglia)
DPS Staff (Jane Cicerani, Len Silverstein)
PULP (Louis Manuta)