Public Utility Law Project of New York, Inc.

National Grid Rate Case Talking Points

- Each "customer" represents a "household"—a home that includes about 2.6 people—2.6 children, grandparents, disabled people, veterans—our families. Therefore, we must take the number of "customers" noted and multiply it to get a more complete view of how many actual people are, and will be, hurt by National Grid's rates, by some of its questionable practices, and by its new proposals if approved. And given that in many low-income homes there are often several families, even that number is likely an undercount.

National Grid's Contributions to Growth in the Unaffordability Crisis

- PULP's analysis indicates that core aspects of National Grid's rate design and structure are driving the affordability crisis facing their low-income customers, including: inadequate targets for, actual enrollment in, and inadequate funding of the Reduced Rate Plans; insufficient access to deferred payment agreements; and sharply increasing surcharges to pay for cleaning up environmental problems they have not caused.
- Almost 50 percent of National Grid's customers cannot afford their utility bills. Residential customers' total debt in 2015 was more than double what was in 2003. The strain per customer in 2003—$195 each—has increased 128 percent.
- In 2015, Grid sent over 808,000 final shut-off notices to residential customers, more than double the nearly 400,000 issued in 2003.
- As of December 2015, nearly 155,000 residential customers—16% of Grid's total residential customers—were 60+ days late paying their bills; in December 2003, that number was nearer 130,000.
- In December 2015, residential customers owed approximately $69 million, or $445 per customer; in 2003, that number was only $31 million, or $195 on average per customer.
- During 2015, the average number of accounts in arrears grew by nearly 5,000. Clearly customers were having a harder time paying their utility bills. Yet, at the same time, the average number of deferred payment agreements made, or DPAs, slowed 11.5% from 2014 to 2015. Yet, over 8,000 <u>fewer</u> DPAs were made in 2015—during a year when the number of arrears was increasing. Does that make sense?

Comment [RB1]: querying Bill about this; below and in testimony it says that per customer cost was $445 in 2015—that's more than 128%

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- In 2013 National Grid began ramping up an extreme bill-collection practice—meter seizures—for which customers themselves pay in their rates. It has begun nearly 25,000 removals over these 2.5 years.
- PULP's analysis leads us to the conclusion that the affordability problems hurting a large number of National Grid's customers will cause the average customer 60-plus days behind on their bills to keep rising, and yielding approximately an 18% increase by December 2018.
- By PULP's analysis, rates for low-income customers under the current proposal would increase 17% (heating) and 19.8% (non-heating) if they are participants in Grid's Reduced Rates Plans, and 19.7% (heating) and 25.6% (non-heating) if they are not eligible or are eligible but not enrolled.

Failures of National Grid's Reduced Rate Plans

- National Grid's eligibility for its Reduced Rate Plans is fairly broad—anyone participating in one of 8 government benefit programs. However, the plan does not target nor enroll all who are likely eligible.
- National Grid currently budgets $10.4 million for and has a target enrollment of 60,000 customers. Using data from the Food Stamps program, or SNAP, one of the most widely enrolled public assistance programs that National Grid uses to determine eligibility, PULP has found that Grid has failed to enroll over 100,000 presumptively eligible and needy customers.

National Grid Failures Concerning Deferred Payment Agreements (DPAs)

- Among PULP's key findings concerning deferred payment agreements is significant evidence that National Grid may have violated the Home Energy Fair Practices Act (HEFPA).
- There appear to be clear indications that National Grid has not followed required procedures for negotiating, enacting, and following the DPAs that would allow low-income consumers to fulfill their responsibilities and maintain their service.
- Since the peak of the financial crisis and Great Recession in 2009, the average number of DPAs has gone down. The total dollar amount, including down payments, covered by those agreements has decreased.
- Since 2012 the total arrears for residential customers has increased. This doesn't make sense: The more someone owes, the more likely they should be to enter into a DPA. Instead, fewer did. No one chooses to stay in debt when there's a way out.

- As of December 2015, many customers who fell into arrears without securing a DPA found their accounts "eligible for field action"; that is, for shut off—the meter removals their rates are paying for.
- The total number of accounts eligible for shut off was higher in December 2015 than in any other between 2003 and 2015.

<u>Impact on Low-Income Consumers of Increasing Surcharges to Recover Environmental Clean-up Costs</u>

- All environmental clean-up costs—most of them due to long-closed manufactured gas plant sites—are paid for by customers through a "Site Investigation and Remediation," or "SIR," charge on the customers' bill that the PSC included for National Grid in a 2007 Order.
- The SIR cost to consumers was $5 million in 2008, with $5 million increases added each year through 2012, the year it expired; this gave Grid $25 million, for a total of $75 million—paid by customers for pollution they did not cause. This $25 million annual surcharge continued until November 2015.
- In November 2015 a new PSC Order more than doubled it—to $62.5 million.
- Grid has proposed increases to its "base rate" increases—the charge all consumers pay regardless of usage—to customers' bills to replace the $62 million SIR charge they are currently allowed for cleaning up toxins.
- This SIR charge has been accelerating: Between 2010 and 2014 ur cost $155 million. Grid's 2015 to 2019 projections are nearly $219 million—a 41% increase. It is proposed to "make room" for a <u>new</u> SIR charge: having customers pay more for the cleanup of two specific Superfund sites: the Gowanus Canal and Newtown Creek. Grid has not provided an estimated clean-up cost for these two sites.
- The consumers in National Grid's service territories were both powerless to escape the toxins and are now paying to clean them up.
- Grid's shareholders, who benefited by the activities that caused this pollution, bear none of these costs, despite their fiduciary and other oversight responsibilities for the management and staff who created these toxic conditions. This relieves shareholders of any responsibility for having created these liabilities in the first place.
- Because of the magnitude of these costs, and to make clear to management their fiscal and moral responsibility to diminish such hazards, shareholders should bear 20 percent of future SIR costs.

Comment [RB2]: Need info on proposals for SIR charges in current proposal

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- In its November 2012 Order, the PSC indicated that it had the legal authority to require shareholders to bear some of the costs "under specific company and rate case circumstances."

Impacts of National Grid's Proposal on Low-Income Consumers

- The total proposed increase in annual low-income assistance for Grid's current 60,000 consumer target is approximately $3 million for heating and $0.5 million for non-heating.
- The total annual incremental assistance is nearly $3.5 million, which could increase further if efforts to expand auto-enrollment through collaboration with New York City's HRA is successful.
- PULP's analysis puts the number of customers in Grid's service area having difficulty paying their housing cost bills—including for utility service—at over 450,000. If these problems make it impossible for them to pay 25% of the additional utility costs proposed by Grid, the result would be that customers would owe nearly $24 million ***more*** in each year.
- In addition, these increased utility costs would now cause difficulties for some customers not currently having problems paying their housing costs.
- The incremental low-income assistance Grid has proposed would help offset additional arrears by perhaps $3.5 million each year.
- The net increase owed by low-income customers would be $20.5 million each year.

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