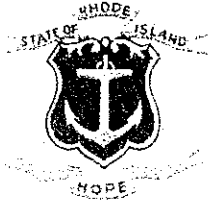


#380443806

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



OFFICE OF ENERGY RESOURCES

One Capitol Hill
Providence, RI 02908-5850

Phone: (401) 222-7524

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Andrew C. Dzykewicz

Chief Advisor To The Governor On Energy
Director, Office of Energy Resources

March 1, 2007

The Hon. Joseph A. Montalbano
President of the Senate
318 State House
Providence, RI 02903

The Hon. William J. Murphy
Speaker of the House
323 State House
Providence, RI 02903

Gentlemen:

The Rhode Island Office of Energy Resources (the OER) is pleased to submit its plan for the usage of the Rhode Island Energy Affordability Fund. This plan was prepared in fulfillment of the requirements of R.I.G.L. § 42-141-3. The statute directs the OER to "develop a state strategic plan for energy affordability on or before March 1, 2007, and each March 1 thereafter, until March 1, 2019, which plan shall include strategies and actions to make energy affordable by low-income and, especially, very low income households, through a combination of energy efficiency, weatherization, and energy price mitigation measures, supported by resources from federal, state, and other sources, including LIHEAP and contributions made in support of LIHEAP under the provisions of state law, regulation, or order."

By copy of this letter to the Rhode Island Public Utilities Commission, the OER is notifying the Commission of the amounts allocated to the various purposes in accordance with R.I.G.L. § 42-141-5 (2).

Sincerely,

Andrew C. Dzykewicz

Chief Advisor to the Governor on Energy

- cc: The Hon. Theresa Paiva-Weed – Senate Majority Leader
- The Hon. Gordon Fox – House Majority Leader
- The Hon. William A. Walaska - Chairman, Senate Corporations Committee
- The Hon. Brian Patrick Kennedy - Chairman, House Corporations Committee
- F. Kenneth Payne – Senate Policy Office
- Beth Cotter – House Policy Office
- RIPUC (Original and nine copies)
- Ronald Gerwatowski – National Grid
- Ted Garille – Pascoag Utility District
- Michael McElroy – Schact & McElroy
- David Sterns - RIDPU
- Henry Shelton – The George Wiley Center
- Matt Gugliemetti - RIOER

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
OFFICE OF ENERGY RESOURCES

Strategic Plan for:

RHODE ISLAND ENERGY AFFORDABILITY FUND USAGE

March 1, 2007



Introduction

The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006 (the Act) requires that the Office of Energy Resources (the OER) develop a strategic plan (the Plan) for the uses of the Energy Affordability Fund.

If the OER determines that it is in the public interest to allocate funds for the purposes set forth in the Act, the OER is to notify the Rhode Island Public Utilities Commission (the PUC) of the amounts allocated for the specific period. This report is submitted in accordance with the requirements of the Act.

The Act sets forth three purposes:

1. Provide the ability for very low-income consumers with arrearages to enter into affordable repayment plans.
2. Provide for cost-effective energy efficiency and conservation.
3. Fund the newly created Office of Energy Resources (the OER) adequately to effectuate purposes 1 and 2 above.

The Act requires that the preparation of the Plan be in consultation with the Rhode Island Energy Efficiency and Resources Management Council (the Council). The timing of the passage of the Act and the requirement for this Plan has precluded the ability for the Council to be appointed and confirmed in time to have input into this plan. The OER has taken the liberty to prepare this plan in the absence of a Council, in order to meet the statutory requirement for the date of its completion.

As a surrogate for the Council, the OER met with stakeholders including Block Island Power, the George Wiley Center, the Rhode Island Division of Public Utilities, National Grid and the Pascoag Utility District. Concurrence was achieved on the allocations presented herein.

Energy Affordability

The Act diverts half of the revenues from the gross receipts tax on electricity and natural gas, as well as a portion of the sales tax on home heating oil to the Fund (§ 42-141-5) . Based on prior years' receipts, the revenue to the Fund is projected to be approximately \$15 million. Revenues from 1% out of the 2% gross receipts tax on electricity and natural gas would provide an anticipated \$14 million and 2% from the sales tax on heating oil would provide an anticipated \$1 million.

As part of a strategy to alleviate the FY08 budget shortfall, the Governor's proposed budget includes provisions to phase in the Fund over three years. For FY08, ½ of 1% from the gross receipts on electricity and natural gas would go to the fund; for FY09, ¾ of 1% would go to the fund and for FY10 and beyond, 1% would go to the fund. Similarly, for FY08, 1% from the sales tax on heating oil would go to the fund; for FY09, 1 1/2% would go to the fund and for FY10 and beyond, 2% would go to the fund. This would yield approximately \$7.5 million to the Fund in FY08.



The Act empowers the OER to specify the allocation from the fund to various allowable categories of expenditures, including:

“(i) Support weatherization and energy conservation educational programs and weatherization and energy conservation services for low-income and very low income households;

(ii) Compensate electric and gas distribution companies for revenues lost due to the reductions in distribution and customer charges, in accordance with a plan approved by the commission, to very low income households, and if feasible to low income households, which shall, as a first priority, be used to provide up to a fifty percent (50%) reduction in the distribution and customer charges for a reasonable and prudent use by very low-income households of gas and electricity that does not exceed average use for comparable dwelling units.

(iii) Defray the cost of heating fuel delivered to very low income households by an amount not to exceed twenty-five percent (25%) of the allowable cost of heating fuel and a total usage by the household, supported assistance from all sources overseen by the commissioner, that is reasonable and prudent and does not exceed average use for comparable dwelling units.”

The Act further requires that electric and gas distribution companies file plans for the use of the monies allocated from the fund by January 2, 2007 (§ 39-1-27.10). The Block Island Power Company (BIPCO), National Grid (Grid), and the Pascoag Utility District (PUD) have done so, and These plans have been included as Appendices I, II, and III, respectively, and are summarized below;

Utility Plans

Block Island Power Company Plan

BIPCO’s plan includes the following elements:

BIPCO proposes a discounted rate for electricity for low income and very low income households that includes:

1. 50% reduction in charges for electricity at a monthly use not to exceed 500kW-h per month.
2. 50% reduction in the unpaid balance of past due charges as long as monthly payments are made in accordance with the Company’s plan to which the household had agreed. This reduction will take the form of a 50% reduction in the monthly charge to which both of the above parties had agreed.
3. BIPCO will apply to the fund for money to assist in weatherization for dwellings occupied by low income or very low income households that have electricity as the main supply of heat for the colder weather.



BIPCO estimates that there are 15 very low or low income families that use about \$100 of electricity per month. A 50% reduction in charges would result in a \$9,000 loss to the Company that would then seek relief from the established fund.

BIPCO is unaware of any dwelling occupied by a low income or very low income household that has electricity as the main supply of heat for the colder weather. Therefore, BIPCO does not include weatherization funding in its plan.

National Grid Plan

National Grid's plan includes the following elements:

1. Low Income Gas Distribution Rate
2. LIHEAP Supplement Program
3. Arrearage Forgiveness Enhancements
4. Energy Efficiency and Weatherization

Grid has filed a comprehensive plan, which is included in its entirety as Appendix II. Elements of the Grid Plan that will be funded from the Fund include:

- Grid's low-income gas distribution rate, which would require \$3.5 million from the fund. Additional Grid electric distribution discounts were not included, because the Act limits subsidy to 50% and the A-60 low-income rate is already subsidized by 80%.
- National Grid's arrearage forgiveness enhancement, which would not occur until after customers have complied with repayment plans for two years. No allocation from the FY08 would be required for the reimbursement of such forgiveness.

Pascoag Utility District Plan

PUD's plan includes the following elements:

Pascoag Utility District proposes a discounted rate for electricity to qualifying households that includes:

1. 50% reduction of the distribution charge for monthly electric use not to exceed 500 kWh.
2. 50% reduction of the customer charge per month
3. If there are unpaid balances that are past due, Pascoag agrees to enter into a payment plan with the customer. If the monthly payments are made in accordance with the payment plan, the Company will reduce the unpaid balance by 50% of the distribution charge (of up to 500 kWh per month) and 50% of the customer charge.



4. Pascoag will apply to the fund for money to assist in weatherization for dwellings occupied by qualifying customers that have electricity as the main supply of heat for the colder weather. However, the District is unaware of any dwelling occupied by qualifying customers that has electricity as the main supply of heat for the colder weather.

Estimated Impact of the Plan:

Pascoag Utility District estimates that there are 31 customers that qualify for a reduction in their monthly electric rates. A 50% reduction in distribution charges and customer charges would result in an annual revenue loss of approximately \$4,600 to the District. Pascoag would then seek relief from the established fund. This includes a reduction on a going forward basis as well as the reduction of past due amounts.

LIHEAP Supplements

The balance of the fund will be used to supplement the federal LIHEAP allocation. Because of the supplemental allocation from federal LIHEAP funds received in FY07, received after the heating season, this supplement can be small, and can be taken from the Fund balance remaining after the other expenditures. This subsidy would be allocated partially to defraying the cost of heating oil, and the balance to serving additional LIHEAP clients.

Low-Income Energy Efficiency (Weatherization)

Low-income energy efficiency and weatherization provisions are already funded through the National Grid Demand Side Management program, US DOE grants and LIHEAP monies to a greater amount than the capacity of existing contractors to perform the work. It is intended that for FY08, the OER in partnership with the Community College of Rhode Island, will dedicate Fund monies to developing a larger contractor base. \$500,000 would be allocated to this purpose.

Energy Efficiency and Conservation

The Act contains many provisions to enable energy efficiency and conservation projects (§ 42-140-3). This is a critically important consideration, given the predicted shortfall in electric energy production capacity over the next ten years.

In doing so, it places responsibilities on the OER including, but not limited to:

“ (1) Develop and put into effect plans and programs to promote, encourage, and assist the provision of energy resources for Rhode Island in a manner that enhances economic well-being, social equity, and environmental quality;”

“ (3) Develop and to put into effect plans and programs to promote, encourage and assist the efficient and productive use of energy resources in Rhode Island, and to coordinate energy programs for natural gas, electricity, and heating oil to maximize the aggregate benefits of conservation and efficiency of investments;”



“ (6) Develop, recommend and, as appropriate, implement integrated and/or comprehensive strategies, including at regional and federal levels, to secure Rhode Island's interest in energy resources, their supply and efficient use, and as necessary to interact with persons, private sector, non-profit, regional, federal entities and departments and agencies of other states to effectuate this purpose;”

and;

“ **39-1-27.8 Supply procurement portfolio.** – Each electric distribution company shall submit a proposed supply procurement plan or plans to the commission not later than March 1, 2009, and each March 1, thereafter through March 1, 2018. The supply procurement plan or plans shall be consistent with the purposes of least-cost procurement and shall, as appropriate, take into account plans and orders with regard to system reliability and energy efficiency and conservation procurement. The supply procurement plan or plans will include the acquisition procedure, the pricing options being sought, and a proposed term of service for which standard offer service will be acquired. The term of service may be of various, staggered term lengths and acquisitions may occur from time to time and for more than one supplier for segments of standard offer load over different terms, if appropriate. There also may be separate procurement plans for residential and non-residential classes or separate plans among non-residential classes. All the components of the procurement plans, shall be subject to commission review and approval. Once a procurement plan is approved by the commission, the electric distribution company shall be authorized to acquire standard offer service supply consistent with the approved procurement plan and recover its costs incurred from providing standard offer service pursuant to the approved procurement plan. The commission may periodically review the procurement plan to determine whether it should be prospectively modified due to changed market conditions. The commission shall have the authority and discretion to establish eligibility criteria by rate class, and approve special tariff conditions and rates proposed by the electric distribution company that the commission finds are in the public interest, including without limitation: (1) short and long term optional service at different rates; (2) term commitments or notice provisions before individual customers leave standard offer service; (3) standard offer service rates for residential or any other special class of customers that are different than the rates for other standard offer customers; (4) time of use commodity pricing for specified classes of customers, except residential customers; provided, however, that the commission may establish pilot programs for time of use commodity pricing for residential customers; and/or (5) standard offer service rates that are designed to encourage any class of customers to purchase supply directly from the market.

§ **39-1-27.9 Office of energy resources participation.** – In any commission inquiry into, or examination of matters that relate to or could potentially impact any programs, functions or duties of the office of energy resources and/or the energy efficiency and resources management council, including, but not limited to, those programs, functions and duties pursuant to this chapter and chapters 42-140, 42-140.1, 42-140.2, and 42-141, the office of energy resources and the energy resources council shall be deemed, upon the formal request of the office or the council as appropriate, to be an interested party for all



purposes, and as such, shall receive all notices and may file complaints, institute proceedings, participate as a party in administrative hearings.”

Office of Energy Resources Funding

The Act as written recognizes the need for resources to accomplish the above, and allows the use of 10% of the Fund to the OER. However, a 50% budgeted funding level in the critical first year of this program means that the 10% allocation to operate the OER needs to increase. Although spending through the fund can begin at a 50% level and still accomplish the purposes of the Act, it is not possible to reduce the OER funding by 50% and still carry out the responsibilities assigned to the OER through the Act.. Accordingly, it will be necessary to fund the OER at the full amount anticipated by the Act. Even with maintaining the FY08 and FY09 level of funding to the OER as originally contemplated in the Act, the OER can accomplish the purposes set forth in the Act with currently budgeted funds.

Allocation Process

Recognizing the substantially larger customer base of National Grid, the OER met several times with that utility while its plan was being developed. In this manner, National Grid and the OER were able to pursue parallel efforts and to provide Grid with some guidance regarding anticipated funding levels for its January 1, 2007 filing.

After the three utilities filed their individual plans, the OER prepared a draft Strategic Plan. The OER then convened a meeting with the utilities, the Division of Public Utilities, the Attorney General’s Office, and the Wiley Center to discuss the draft plan.

Based upon the filings and discussions among the stakeholders, the following uses have been allocated by the OER for the Rhode Island Energy Affordability Fund.

Allocations for FY08 are shown in the table below:

| FY08 Allocations | |
|--|-------------|
| Item | Amount |
| Block Island Power Low-Income Plan | \$9,000 |
| National Grid Low-Income Natural Gas Distribution Rate | \$3,500,000 |
| Pascoag Utility District Low-Income Plan | \$4,600 |
| LIHEAP Supplement | \$1,986,400 |
| Arrearage Forgiveness Enhancement | \$0 |
| Weatherization Contractor Recruiting and Training | \$500,000 |
| OER Funding | \$1,500,000 |
| Total | \$7,500,000 |

For FY09, low-income plan costs are assumed to escalate by 3% over the year, and allotments over FY08 amounts are adjusted accordingly. With the development of additional weatherization contractors, and the potential lack of supplemental federal LIHEAP monies in FY09, the FY09 proposed allocations are as shown below:



| Preliminary FY09 Allocations | |
|--|--------------|
| Item | Amount |
| Block Island Power Low-Income Plan | \$9,270 |
| National Grid Low-Income Natural Gas Distribution Rate | \$3,605,000 |
| Pascoag Utility District Low-Income Plan | \$4,738 |
| LIHEAP Supplement | \$3,437,500 |
| Arrearage Forgiveness Enhancement | \$0 |
| Weatherization Contractor Recruiting and Training | \$3,000,000 |
| OER Funding | \$1,545,000 |
| Total | \$11,587,500 |

Allocations for FY10 and beyond are shown below:

| Preliminary FY10 Allocations | |
|--|--------------|
| Item | Amount |
| Block Island Power Low-Income Plan | \$9,548 |
| National Grid Low-Income Natural Gas Distribution Rate | \$3,713,150 |
| Pascoag Utility District Low-Income Plan | \$4,880 |
| LIHEAP Supplement | \$7,504,572 |
| Arrearage Forgiveness Enhancement | \$1,000,000 |
| Weatherization | \$3,090,000 |
| OER Funding | \$1,591,350 |
| Total | \$15,913,500 |

Administrative Plans and Standards

The act requires, under R.I.G.L. § 42-141-3 (d) that the strategic plan includes “plans and standards for fair, effective and efficient administration of energy affordability activities and assistance to low income and very low income households that make use to the extent reasonable and practicable community organizations serving such households.”

The OER has extensive experience working with Rhode Island’s Community Action Agencies (CAA’s) to administer the funding provided under the LIHEAP, USDOE and utility programs. The OER will build upon its existing relationships with the CAA’s in the administration of the Energy Affordability Fund monies allocated to supplementing the federal LIHEAP program and weatherization activities.

In determining allocations by fuel type, the program has been designed to allocate funds appropriately. Natural gas and oil users will receive approximately the same benefit. Clients heating with electricity will receive additional funds to account for higher costs. Appropriate adjustments will be made should existing conditions change.

The OER is reorganizing its low-income staffing to enable better monitoring of CAA activities. OER monitors will conduct periodic reviews of CAA activities to assure that funds provided are utilized most effectively and that clients are uniformly treated from one CAA to another.

An effort is underway with the Community College of Rhode Island to train and certify weatherization contractors, adding a standardization of work to be performed under this program.



In addition, other training activities are underway to upgrade the training of CAA personnel in program requirements to enable “one stop shopping” for all low-income energy efficiency programs. This will add efficiencies to serving clients by minimizing the number of visits to accomplish full benefit from available programs.

Metrics

The effectiveness of the plan is determinable by the following parameters:

1. Number of customers maintaining payback arrangements.
2. Amount of arrearage dollars.

The number of customers maintaining their payback arrangements will need to be tracked on an individual basis. This will distinguish whether an increase or decrease in the number of customers is attributable to additional customers being served, customers working their way out of arrearages early, or customers unable to maintain repayment plans.

Similar considerations will need to be made for the amount of arrearage dollars.

On a yearly basis, a report will be prepared tabulating these results, and providing analysis thereof.

Appendix I

**Block Island Power Company
Low-Income Plan**

Schacht & McElroy

Robert M. Schacht
Michael R. McElroy

Attorneys at Law

(401) 351-4100
fax (401) 421-5696

Members of Rhode Island
and Massachusetts Bars

21 Dryden Lane
Post Office Box 6721
Providence, Rhode Island 02940-6721

email: RMSchacht@aol.com
McElroyMik@aol.com

January 12, 2007

Luly Massaro
Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Block Island Power Company – Affordable Energy Plan

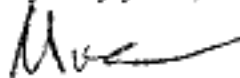
Dear Luly:

Enclosed please find ten (10) copies of Block Island Power Company's affordable energy plan filed in compliance with R.I.G.L. § 39-1-27.10(a) of the Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006.

We apologize for the delay in getting this plan filed.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:rmg

BIPCo8 Energy-Massaro

cc: BIPCo owners
Walter Edge, Jr.
Steven Scialabba
Paul Roberti, Esq.
Block Island Town Clerk (certified mail)

Block Island Power Company

**AFFORDABLE ENERGY PLAN FOR
ELECTRIC SERVICE**

JANUARY 2, 2007

Submitted to:
Rhode Island Public Utilities Commission

During 2006, the Rhode Island General Assembly passed "The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006" that was signed into law by the Governor. This Act establishes a fund from which monies will be used to assist low income customers of utilities. BIPCO is required and is filing with the Commission an Affordable Energy Plan.

This Affordable Energy Fund money will be used to compensate Utility Companies for revenues lost due to the reductions in customer charges in accordance with a plan approved by the Commission. These reductions in charges will be given to very low income households and if feasible to low income households to provide up to a 50% reduction in customer charges for households that do not exceed the average use of comparable dwelling units. The Office of energy Resources must develop a strategic plan to provide money to increase energy efficiency and weatherization in dwelling units occupied by very low and low income households.

The Proposed Affordable Electric Energy Plan:

BIPCO proposes a discounted rate for electricity for low income and very low income households that includes:

1. 50% reduction in charges for electricity at a monthly use not to exceed 500kWh/ mo.
2. 50% reduction in the unpaid balance of past due charges as long as monthly payments are made in accordance with the Company's plan to which the household had agreed. This reduction will take the form of a 50% reduction in the monthly charge to which both of the above parties had agreed.
3. BIPCO will apply to the fund for money to assist in weatherization for dwellings occupied by low income or very low income households that have electricity as the main supply of heat for the colder weather.

Estimated Impact of Plan:

BIPCO estimates that there are 15 very low or low income families that use about \$100 of electricity per month. A 50% reduction in charges would result in a \$9,000 loss to the Company that would then seek relief from the established fund.

BIPCO is unaware of any dwelling occupied by a low income or very low income household that has electricity as the main supply of heat for the colder weather.

Appendix II

**National Grid
Low-Income Plan**



Laura S. Olton
General Counsel
Rhode Island

January 2, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: National Grid Affordable Energy Plan

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's Affordable Energy Plan for gas and electric service, filed in compliance with Rhode Island General Laws §39-1-27.10(a) of "The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006".

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,

Laura S. Olton

Enclosure

cc: Steve Scialabba, RI Division
Paul Roberti, Esq.

NATIONAL GRID

**AFFORDABLE ENERGY PLAN FOR
GAS AND ELECTRIC SERVICE**

January 2, 2007

Submitted to:
Rhode Island Public Utilities Commission

nationalgrid

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This document contains National Grid's¹ Affordable Energy Plan (also referred to herein as the "Plan"), filed with the Rhode Island Public Utilities Commission ("Commission") in compliance with Section 39-1-27.10(a) of Rhode Island General Laws. This Plan describes the pertinent provisions of the law and proposes programs for implementation, as more fully set forth below.

I. Introduction

In 2006, the Rhode Island General Assembly passed "The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006" (the "Act"), which was signed into law by the Governor. One part of the Act relates to the establishment of an Affordable Energy Fund (also referred to as the "Fund") to be administered by the Office of Energy Resources ("OER").² The Act contemplates the Fund being used for various programs to assist low income customers of utilities, among other activities.

As will be more fully described below, the Act establishes the following sequence with regard to implementation of an affordable energy program, using monies from the Affordable Energy Fund:

- (1) National Grid shall file with the Commission an Affordable Energy Plan by January 2, 2007;³

¹ The filing is submitted by The Narragansett Electric Company, d/b/a National Grid ("National Grid or the "Company") for both gas and electric distribution service.

² Pertinent excerpts of the Act are contained in the Appendix to this Plan (pp. 16-18).

³ R.I.G.L. §39-1-27.10(a).

- (2) The OER shall develop a state strategic plan by March 1, 2007 (“Strategic Plan”), setting forth the amount of dollars being allocated from the Fund (the source of which is a portion of gross earnings taxes paid by utilities);⁴
- (3) The Commission is directed to issue an order regarding the Affordable Energy Plan proposed by the Company by May 31, 2007, taking into account the dollars allocated by the OER to the programs;⁵ and
- (4) The Commission-approved Plan would be implemented on or before November 1, 2007.⁶

II. Legislative Provisions Relating to the Affordable Energy Fund

As summarized above, the Act contemplates the establishment of the Affordable Energy Fund and provides for the monies collected in the Fund to be under the control of the OER and used for the following purposes, to:

- (i) Support weatherization and energy conservation educational programs and weatherization and energy conservation services for low-income and very low income households;
- (ii) Compensate electric and gas distribution companies for revenues lost due to the reductions in distribution and customer charges, in accordance with a plan approved by the commission, to very low income households, and if feasible to low income households, which shall, as a first priority, be used to provide up to a fifty percent (50%) reduction in the distribution and customer charges for a reasonable and prudent use by very low-income households of gas and electricity that does not exceed average use for comparable dwelling units. [and]

⁴ R.I.G.L. §§ 42-141-3, 5.

⁵ R.I.G.L. § 39-1-27.10(b).

⁶ R.I.G.L. § 39-1-27.10(c).

(iii) Defray the cost of heating fuel delivered to very low income households by an amount not to exceed twenty-five percent (25%) of the allowable cost of heating fuel and a total usage by the household, supported assistance from all sources overseen by the commissioner, that is reasonable and prudent and does not exceed average use for comparable dwelling units.⁷

As described above, the Act requires gas and electric distribution companies to file an Affordable Energy Plan for low income households with the Commission on or before January 2, 2007. Specifically, “[t]he plan shall provide for the implementation of the affordable energy fund and shall include provisions for discounted distribution rates and customer charges, payments on arrearages and unpaid balances by low income households, and energy efficiency and weatherization, to the extent that funding is allocated by the commissioner pursuant to subsection 42-141-5(d).” R.I.G.L. § 39-1-27.10(a)

At the same time, the Act requires the OER to develop a Strategic Plan by March 1, 2007, which must include the following:

- (a) proposed activities to increase energy efficiency and weatherization in dwelling units occupied by low income and very low income households;
- (b) proposed allocations of funds from the affordable energy fund to be used for the purposes of reductions in electric and gas distribution rates and customers fees charged to such households, in accordance with subdivision 42-141-5(d)(2);
- (c) estimates of revenues to the fund and expenditures from the fund to support the purposes of the fund during the next fiscal year;
- (d) plans and standards for fair, effective and efficient administration of energy affordability activities and assistance to low income and very low income households that make use to the extent reasonable and practicable community organizations serving such households.⁸

⁷ R.I.G.L. § 42-141-5(d). Subsection (iii) is not pertinent to this filing, but is quoted here for the convenience of the Commission.

⁸ R.I.G.L. § 42-141-3.

Finally, on or before April 30, 2007, the Commission is required to review the Affordable Energy Plan and issue an order by May 31, 2007.

The filing of this Plan complies with Section § 39-1-27.10(a). However, as set forth above, the OER needs to take action to publish the Strategic Plan before the Commission can act upon the Company's Plan. All programs proposed herein are contingent upon allocation of funds by the OER.

III. The Proposed Affordable Energy Plan

The Company proposes four components for the Affordable Energy Plan:

- (1) a discounted low income rate for gas distribution customers;
- (2) an allocation of dollars that would be used to supplement the existing LIHEAP program, from which the OER can draw upon to assist very low income customers in managing their arrears;
- (3) a proposal to enhance the arrearage forgiveness program that is set forth in R.I.G.L. § 39-2-1(e) of the existing law; and
- (4) weatherization programs that simply "piggy-back" pre-existing programs that have been proposed to the Commission in both the electric and gas energy efficiency or demand-side management ("DSM") dockets.

Each of the components is more fully described below.

A. Low Income Gas Distribution Rate

Unlike some of the other programs contemplated by the Act, the law establishes some limitations regarding discounted gas and electric distribution rates being funded from the Affordable Energy Fund. Specifically, the Act states that there may be a discount of “up to a fifty percent (50%) reduction in the distribution and customer charges for a reasonable and prudent use by very low-income households of gas and electricity that does not exceed average use for comparable dwelling units.” R.I.G.L. §42-141-5(d)(1)(ii).

Currently, there is no discounted low-income rate for gas distribution customers. Accordingly, in this Plan, National Grid proposes to implement a low income gas discount rate, as more fully explained below. The current Low Income Rate A-60 for electric retail delivery service provides an electric service discount for low income customers using 500 kWh per month equal to approximately 80% of distribution charges. Because National Grid already has a discounted electric service rate for low income customers that provides for discounts far in excess of 50% of the distribution charges, the Plan does not contain any further enhancements to the electric service discounted rate.

The Company’s Plan seeks to establish a low income discounted rate available to any gas delivery customer who receives LIHEAP assistance. Based on data from November 2005 through October 2006, we estimate that the rate class would include approximately 16,000 households. The Plan focuses on LIHEAP customers as the eligible group because this group of low income customers is easy to identify and is

consistent with the intent of the law. The size of the discount, by law, would be capped at 50% of gas distribution charges. The discount also is contingent upon the amount allocated from the Fund by the OER in the Strategic Plan to support such a discounted rate program.

Schedule 1 (page 11) to this Plan contains a chart showing the forecasted cost of the low income gas discount program depending upon the amount of discount. This Schedule provides the cost of the program for discounts in 5% increments, enabling the OER to target a specific percentage discount with an allocation of a specified amount of dollars. As can be seen in Schedule 1, a rate that discounts distribution charges up to the 50% cap is forecasted to require an allocation of approximately \$3.5 million from OER.

Consistent with the Act, the Company will not propose any amendments to its tariffs until the OER allocates funds. The Act provides:

If the commissioner [of OER] determines it is in the public interest to allocate funds for the purposes set forth in subparagraph (1)(ii) above, the commissioner shall notify the [public utilities] commission of the amount of funds to be allocated for a specified period. The commission shall then direct the electric and/or gas distribution companies to file amendments to the appropriate tariffs to implement rate reductions designed to provide the rate reduction consistent with the amount allocated for the period designated, which amendments are subject to the review and approval of the commission.⁹

Thus, the Company will file amended tariffs after the OER allocates funds targeted for the low income discount, and the Commission shall review such tariff amendments after the filing.

⁹ R.I.G.L. §42-141-5(d)(2).

B. LIHEAP Supplement Program

The Company believes that the current LIHEAP program provides a very manageable and effective means for low income service agencies to assist customers in paying down arrears. While it appears that there is a significant amount of LIHEAP dollars available for the winter of 2007, it is not clear how much will be available for the winter of 2008, which would be the first winter after the Affordable Energy Plan takes effect. For that reason, as part of the Plan, the Company recommends that the OER allocate a portion of the Affordable Energy Fund dollars to supplement its traditional LIHEAP program. These dollars can be made available for discretionary use to assist customers most in need for the winter of 2008.

C. Arrearage Forgiveness Enhancements

Regarding arrearage forgiveness, the Company proposes to enhance the pre-existing arrearage forgiveness program that was created by the Act and is set forth in Section 39-2-1(e) of Rhode Island General Laws. Specifically, the law states, in pertinent part:

... a very low income customer who is terminated from gas and/or electric service shall be eligible one time to have electric and/or gas utility service restored provided the following conditions are met:

- (i) the customer pays twenty-five percent (25%) of the customer's unpaid balance;
 - (ii) the customer agrees to pay one thirty-sixth (1/36th) of one half (1/2) of the customer's remaining balance per month for thirty-six (36) months;
 - (iii) the customer agrees to remain current with payments for current usage;
- and

(iv) the customer has shown, to the satisfaction of the division, that the customer is reasonably capable of meeting the payment schedule provided for by the provisions of subdivision 39-2-1(e)(1)(i) and (ii) in this section.

The Company proposes to enhance the existing program in three ways.

First, any customer on the program who fulfills the payment obligations of the program for 24 months would have 100% of his or her arrears forgiven after only 24 months, rather than 36 months.

Second, the Company proposes to accelerate the forgiveness in increments. Specifically, one-quarter of 67% of the remaining arrears balance¹⁰ will be forgiven at six-month intervals as long as the customer stays current with the payments required under the provisions of R.I.G.L. § 39-2-1(e)(ii) and (iii). Thus, the customer would begin to see the reward of arrearage forgiveness much sooner under the Company's proposed enhancements. This accelerated forgiveness component of the program would not commence, however, until November of 2007, when all other programs from this Affordable Energy Plan would become effective.

The Fund would be used to cover any arrears forgiven for all customers participating in the program. Updates of the number of customers on the program would be provided to OER periodically for budgeting purposes.

The Company further proposes that all customers enrolled in the program as of July 1, 2007 pursuant to Section 39-2-1(e) of the law, as well as customers who are continuing to make payments pursuant to R.I.G.L. § 42-141-12 (Transitional Provision),

¹⁰ The remaining arrears balance is defined as the Customer's unpaid balance less 25% of the unpaid balance as required in R.I.G.L. § 39-2-1(e)(i) upon enrollment.

who have been able to maintain compliance with payments be automatically eligible for the enhancements proposed in the Company's Plan. The specific provisions that will apply to these customers will be outlined in more detail during the course of this proceeding. Prior to November 1, 2007, the Company would notify OER as to the number of customers who have been able to maintain compliance with payments in the existing plans. The Company will also work with the OER to estimate of the number of additional customers likely to be enrolled in the plan during the first year so that the OER may reserve the appropriate funding to apply from November 2007 through October of 2008.

Finally, the Company proposes that a customer may become enrolled in this program prior to service actually being shut off, provided that the OER confirms eligibility as a "very low income customer." While the law assumes that service has already been terminated before the customer becomes eligible for the special program, the Company will allow customers to be eligible for the program after a notice of termination has been issued, but before service actually is terminated, provided the required down payment is made. (All other provisions set forth in that section of the law will continue to apply to the special program.)

The Company believes this program can be further enhanced by the application of funds set aside by OER for supplementing the LIHEAP program. Such supplemental funds can be used to assist customers in meeting the up front obligation to make a payment of 25% of the arrears balance, in the discretion of the OER.

D. Energy Efficiency and Weatherization

The Act also contemplates allocating dollars from the Fund to apply toward energy efficiency and weatherization programs. For this component of the Affordable Energy Plan, the Company refers to its existing electric DSM program and its newly proposed gas energy efficiency program. Both programs contain specific components for low income households. The Company believes that the existing programs provide significant benefits for low income customers within the proposed budgets.

Nevertheless, to the extent that the OER desires to allocate dollars from the Affordable Energy Fund for more energy efficiency and weatherization benefits for low income households, the Company recommends that the dollars be applied to increase activity already planned and approved by the Commission. If more dollars are allocated, the Company can adjust its DSM budgets and plan accordingly. Precisely how the dollars would be administered between the Company and OER for weatherization can be coordinated with OER.

For the Commission's reference, Schedule 2 to this Plan contains a summary of the approved electric DSM programs for 2007 and the pending gas energy efficiency programs for low income customers.

SCHEDULE 1

**Range of Forecasted Costs for the Low Income Rate for
Gas Delivery Service**

| Percentage Reduction to Gas Distribution Charges | Estimated Cost of Discounted Rate Plan |
|--|--|
| 50% | \$3,457,932 |
| 45% | \$3,112,139 |
| 40% | \$2,766,346 |
| 35% | \$2,420,552 |
| 30% | \$2,074,759 |
| 25% | \$1,728,966 |
| 20% | \$1,383,173 |
| 15% | \$1,037,380 |
| 10% | \$691,586 |
| 5% | \$345,793 |

SCHEDULE 2

Summary of Low Income Energy Efficiency Programs

A. Electric DSM Programs

The table below provides information regarding the Company's low income electric energy efficiency programs proposed for low income customers for 2007. These programs were filed with the Commission on November 1, 2006, and were approved by the Commission at an open meeting on December 19, 2006.

Projected Low-Income Participation in 2007 Programs and Participation History

| Program | 2007 projected participants | Percentage of Total Participants in 2007 | Number of low income participants 2002-2005 |
|-----------------------------------|-----------------------------|--|---|
| Single Family Low Income Services | 1,180 | 100% | 3,289 |
| EnergyWise Multifamily | 779 | 16% | 8,096 |
| ENERGY STAR® Homes | 90 | 40% | 494 |

Projected Low-Income Expenditures in 2007 Programs and Expenditure History

| Program | 2007 Proposed Low Income Expenditures | Percentage of Total Budget | Low Income Spending for years 2002-2005 |
|-----------------------------------|---------------------------------------|----------------------------|---|
| Single Family Low Income Services | \$1,953,274 | 100% | \$4,317,246 |
| EnergyWise Multifamily | \$445,000 | 15% | \$2,841,857 |
| ENERGY STAR® Homes | \$286,000 | 40% | \$1,046,608 |

Each of the programs identified in the table above are summarized below:

1. Single Family Low Income Services Program

Customers who are eligible for the Low Income Heating Assistance Program (LIHEAP), also known as fuel assistance, and live in one to four unit buildings, are eligible for the Single Family Low Income Program. There is no co-payment requirement; the Company pays all costs through energy efficiency funds. On average, customers save \$130 per year by participating in the program.

The Single Family Low Income Services Program provides for the installation of ENERGY STAR® refrigerators and lighting, and cost-effective custom measures to replace inefficient equipment and help lower customers' electric bills. In addition, the Company installs electric water heating energy efficiency measures at no cost for participating customers. The Company also funds weatherization work for these customers in one to four unit homes where the primary heating fuel is electricity, oil, propane or wood and the replacement of inefficient oil heating systems.

2. Low Income Participation in the ENERGY STAR® Homes Program

The Company works closely with the Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”)¹¹ and developers of affordable housing in Rhode Island to encourage participation in the ENERGY STAR® Homes program, National

¹¹ Rhode Island Housing’s mission is to assist Rhode Islanders who, by reason of income, special need or circumstance, are unable to fairly obtain and sustain a healthy, affordable home. As such, this agency influences many of the arenas that are targeted by the Company’s low income services programs.

Grid's New Construction Program. Currently, Rhode Island Housing encourages developers to build to ENERGY STAR® Home standards. About 30% of the homes completed each year through the ENERGY STAR® Homes program are for low income families.

3. Low Income Services through the EnergyWise Program

The EnergyWise Program also serves Public Housing Authority properties and other low income, multi-family buildings. Depending on income eligibility of the tenants, co-payments may be reduced or waived for these larger facilities. If the facility contains 50% or more tenants who are considered low income, co-payments are waived on all measures except refrigerators. There is no co-payment required on any measure for Public Housing Authorities or other low income state and federally funded facilities. Elderly housing projects are eligible to participate through the EnergyWise Program and many have participated. Over the last four years, National Grid has served over 8,000 low income dwelling units through the EnergyWise Program.

B. Gas Energy Efficiency Programs for Low Income Customers

The Company made a filing with the Commission on December 1, 2006, proposing the commencement of Gas Energy Efficiency Programs. A follow-up filing, which shall contain itemized budgets, is scheduled for not later than February 1, 2007. At this time, the Company is proposing to offer weatherization services to income qualified gas heating customers eligible for fuel assistance benefits, who live in

one to four unit buildings. As had previously been the case with New England Gas in Rhode Island, the Company will contract with the OER and local weatherization agencies for the delivery of energy efficiency services to eligible customers. This is the same program model of serving low income customers currently employed by National Grid for its electric efficiency programs.

Eligible measures provided through the program will include an energy audit, attic insulation, wall insulation, air sealing, heating system repair/replacement (on a qualifying basis) safety inspections, low-flow showerheads and aerators, and funding the installation of carbon monoxide detectors when OER funds are not available.

Appendix

Excerpts from the Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006

PLEASE NOTE: These are excerpts only.

39-1-27.10. Electric and gas distribution companies required to file affordable energy plans. –

(a) On or before January 2, 2007, each gas and electric distribution company shall submit to the commission a plan for affordable energy for low income households, including very low income households as defined in section 42-141-3. The plan shall provide for the implementation of the affordable energy fund and shall include provisions for discounted distribution rates and customer charges, payments on arrearages and unpaid balances by low income households, and energy efficiency and weatherization, to the extent that funding is allocated by the commissioner pursuant to subsection 42-141-5(d).

(b) On or before April 30, 2007, the commission shall review the plan and issue an order with regard to the plan not later than May 31, 2007. The order shall be effective not later than November 1, 2007. The commission shall cause a review, and as appropriate an amendment, the plan at least every three (3) years between July 1, 2007, and July 1, 2016.

(c) On or before November 1, 2007, each gas and electric distribution company shall implement an affordable energy plan in accordance with the order of the commission.

42-141-3. Plan. – The commissioner, in consultation with the council, shall develop a state strategic plan for energy affordability on or before March 1, 2007, and each March 1 thereafter, until March 1, 2019, which plan shall include strategies and actions to make energy affordable by low-income and, especially, very low income households, through a combination of energy efficiency, weatherization, and energy price mitigation measures, supported by resources from federal, state, and other sources, including LIHEAP and contributions made in support of LIHEAP under the provisions of state law, regulation, or order. The state strategic plan shall include:

(a) proposed activities to increase energy efficiency and weatherization in dwelling units occupied by low income and very low income households;

(b) propose allocations of funds from the affordable energy fund to be used for the purposes of reductions in electric and gas distribution rates and customers fees charged to such households, in accordance with subdivision 42-141-5(d)(2);

(c) estimates of revenues to the fund and expenditures from the fund to support the purposes of the fund during the next fiscal year;

(d) plans and standards for fair, effective and efficient administration of energy affordability activities and assistance to low income and very low income households that make use to the extent reasonable and practicable community organizations serving such households.

42-141-5. Affordable energy fund. –

(a) Fund established. –

(1) A special account is hereby established in the state treasury to be called the "affordable energy fund."

(2) Money remaining in the fund at the end of a fiscal year shall remain available for expenditure in successive fiscal years.

(3) The fund shall be used for only those purposes enumerated in subsection (d).

(b) Financing of the fund. – The fund shall consist of the following sources:

(1) Sums the legislature may appropriate;

(2) Moneys received from federal, state, private donor or other sources for the purpose of energy affordability by low income households;

(3) Fees required pursuant to subsection (c); and

(4) Any interest earned on the moneys in the fund.

(c) Affordable energy fees.

(1) An affordable energy fee in an amount set forth in this subsection shall be imposed on gross receipts of electricity and gas companies and gross receipts on the sale of heating fuels not used for residential heating. The fee shall be remitted to the division of taxation according to the applicable schedule for the remission of the gross receipts tax as provided for in chapter 44-13 or the sales and use as provided for in chapter 44-18. The fees shall be as follows:

(i) Gas. One percent (1%) of the gross receipts of gas companies subject to the provisions of chapter 44-13, "Public Service Corporation Tax".

(ii) Electricity. One percent (1%) of the gross receipts of electric companies subject to the provisions of chapter 44-13. "Public Service Corporation Tax".

(iii) Heating fuel other than natural gas and electricity. Two percent (2%) of gross receipts from the sales and use of heating fuel subject to the provisions of chapter 44-18. "Sales and Use Taxes – Liability and Computation".

(2) Every person from whom an affordable energy fee is due shall be liable for the fee until it has been paid to the state.

(d) Purposes of the fund. –

(1) The commissioner may use money from the fund to:

(i) Support weatherization and energy conservation educational programs and weatherization and energy conservation services for low-income and very low income households;

(ii) Compensate electric and gas distribution companies for revenues lost due to the reductions in distribution and customer charges, in accordance with a plan approved by the commission, to very low income households, and if feasible to low income households, which shall, as a first priority, be used to provide up to a fifty percent (50%) reduction in the distribution and customer charges for a reasonable and prudent use by very low-income households of gas and electricity that does not exceed average use for comparable dwelling units.

(iii) Defray the cost of heating fuel delivered to very low income households by an

amount not to exceed twenty-five percent (25%) of the allowable cost of heating fuel and a total usage by the household, supported assistance from all sources overseen by the commissioner, that is reasonable and prudent and does not exceed average use for comparable dwelling units.

(iv) It is not the purpose of the fund to reduce the amount of assistance a household would otherwise receive from LIHEAP and other sources in the absence of the fund or to subsidize utility rates in effect as of July 1, 2006, and provided for by law.

(2) If the commissioner determines it is in the public interest to allocate funds for the purposes set forth in subparagraph (1)(ii) above, the commissioner shall notify the commission of the amount of funds to be allocated for a specified period. The commission shall then direct the electric and/or gas distribution companies to file amendments to the appropriate tariffs to implement rate reductions designed to provide the rate reduction consistent with the amount allocated for the period designated, which amendments are subject to the review and approval of the commission. Once approval is given, the allocated funds shall be transferred to the gas and/or electric distribution company. Any funds held after transfer shall accumulate interest at the customer deposit rate ("interest"). If, at the end of the rate reduction period, there are any unused dollars from the fund, such dollars shall be returned to the affordable energy fund with interest. Likewise, if at the end of the rate reduction period, there were not enough funds allocated to cover the rate reduction as designed, the shortfall will be reimbursed from the affordable energy fund with interest; provided, however, if there are no additional funds available from the fund, such shortfall or uncovered balance of such shortfall will be recovered with interest from all customers in a manner and over the period approved by the commission.

Appendix III

**Pascoag Utility District
Low-Income Plan**



PASCOAG
UTILITY DISTRICT

Pascoag Electric - Pascoag Water

#3806

253 Pascoag Main Street
P.O. Box 107
Pascoag, R.I. 02859
Phone: 401-568-6222
Fax: 401-568-0066
www.pud-ni.org

January 25, 2007

RECEIVED

2007 JAN 30 PM 2:53

PUBLIC UTILITIES COMMISSION

Steven Frias, Esquire
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02886

RE: AFFORDABLE ENERGY PLAN

Dear Mr. Frias:

This letter is being written to address the concerns of the Pascoag Utility District ("Pascoag") in complying with the affordable energy legislation that was enacted in 2006. Pascoag's plan is being submitted simultaneous with this letter; however, there are significant issues discussed below that will necessitate Pascoag's requesting an exemption from the requirements of G.L. §42-141-1 et seq.

The affordable energy legislation seeks to address the needs of low income energy inefficient households by, among other things, requiring utilities to reduce the price for energy delivered to these very low and low income households by up to 50% of the normal use charges. In order to reimburse the utilities for the losses incurred in reducing the charges for energy, the legislation created a fund entitled the "affordable energy fund". In large part, this fund's revenue is generated by a gross receipts tax imposed on regulated utilities. Although there are different rates of taxation for the various utilities under this scheme, the proceeds are all deposited into this fund.

In its present form, the legislation provides relief to those taxed utilities operating pursuant to their affordable energy plan by reducing the amount of tax imposed upon them. Hence, they are allowed to recapture their losses via a reduction in their gross receipt tax burden. Pascoag, however, has no mechanism by which it can recoup the losses incurred in participation in such a plan, for it is not now nor ever has been a contributor to the fund. It has been exempted from the gross receipts tax because of its non-profit, quasi municipal status.

Participation in this plan without a mechanism for reimbursement would result in catastrophic losses to Pascoag and would squarely place the burden of subsidizing this plan upon Pascoag's other rate payers. Clearly forced participation would have untoward results both for the utility and its ratepayers. For these reasons, Pascoag is requesting an exemption from implementing a plan pursuant to this legislation.

Very truly yours,

William L. Bernstein

William L. Bernstein

WLB:pb



PASCOAG
UTILITY DISTRICT

Pascoag Electric • Pascoag Water

253 Pascoag Main Street
P.O. Box 107
Pascoag, R.I. 02859
Phone: 401-568-6222
Fax: 401-568-0066
www.pod-ri.org

January 30, 2007

Rhode Island Public Utilities Commission
Ms. Luly Massaro
Commission Clerk
89 Jefferson Blvd.
Warwick, RI 02888

Re: Pascoag Utility District Affordable Energy Plan

Dear Ms. Massaro:

Enclosed please find an original and nine copies of Pascoag Utility District's Affordable Energy Plan, filed in compliance with Rhode Island General Laws 39-1-27.10(a) of "The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006".

If you have any questions, please do not hesitate to contact me.

Very truly yours,

Judith R. Allaire
Assistant General Manager

Cc: Steve Scialabba, RI Division of Public Utilities
William Lueker, Esq.

RECEIVED
2007 JAN 30 PM 2:59
RHODE ISLAND PUBLIC UTILITIES COMMISSION

Pascoag Utility District

AFFORDABLE ENERGY PLAN FOR
ELECTRIC SERVICE

January 30, 2007

Submitted to:
Rhode Island Public Utilities Commission

During 2006, the Rhode Island General Assembly passed "The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006" that was signed into law by the Governor. This Act establishes a fund from which monies will be used to assist low income customers of utilities. Pascoag Utility District is filing with the Commission an Affordable Energy Plan.

The Affordable Energy Fund money will be used to compensate utility companies for revenues lost due to the reductions in customer charges in accordance with a plan approved by the Commission. These reductions in charges will be given to very low income households and, if feasible, to low income households to provide up to a 50% reduction in customer charges for households that do not exceed the average use of comparable dwelling units. The Office of Energy Resources must develop a strategic plan to provide money to increase energy efficiency and weatherization in dwelling units occupied by very low and low income households.

The Proposed Affordable Electric Energy Plan:

Pascoag Utility District proposes a discounted rate for electricity to qualifying households that includes:

1. 50% reduction of the distribution charge for monthly electric use not to exceed 500 kWh.
2. 50% reduction of the customer charge per month
3. If there are unpaid balances that are past due, Pascoag agrees to enter into a payment plan with the customer. If the monthly payments are made in accordance with the payment plan, the Company will reduce the unpaid balance by 50% of the distribution charge (of up to 500 kWh per month) and 50% of the customer charge.
4. Pascoag will apply to the fund for money to assist in weatherization for dwellings occupied by qualifying customers that have electricity as the main supply of heat for the colder weather.

Estimated Impact of the Plan:

Pascoag Utility District estimates that there are 31 customers that qualify for a reduction in their monthly electric rates. A 50% reduction in distribution charges and customer charges would result in a revenue loss of approximately \$4,600 to the District. Pascoag would then seek relief from the established fund. This includes a reduction on a going-forward basis as well as the reduction of past due amounts.

The District is unaware of any dwelling occupied by qualifying customers that has electricity as the main supply of heat for the colder weather.

Appendix IV

DPU Recommendation BIPCO Allocation


Mail Message

Novell.

Close

Reply to Sender

Reply All

From: jim lanni
To: Matteo Guglielmetti
Date: Friday - February 23, 2007 1:31 PM
Subject: Fwd: Recommended BIPCo's Low-Income Discount Rate
 Pascoag Distribution Discount Proposal.xls (21504 bytes) [\[View\]](#) [\[Open\]](#) [\[Save As\]](#)
DPUC's Proxy Distribution Discount for BIPCo.xls (21504 bytes) [\[View\]](#) [\[Open\]](#) [\[Save As\]](#)

Matt:

I sent this to Andy but it did not go through, so may be you can relay this information.

>>> jim lanni 2/23/2007 1:26 PM >>>

Mike:

As we know, the Affordable Energy Act of 2006 requires electric companies to provide up to a 50% reduction in its low-income residential customer and distribution charges that does not exceed the average dwelling use (500 kWh).

BIPCo's residential rate schedule consists of a customer charge but not a distribution charge like National Grid and Pascoag Utility District. The BIPCo rate schedule also includes a system, energy, and fuel adjustment charge. The system charge (which is not a distribution charge) is applicable to "only" summer residential customers during the summer peak period of June through September and should not be use as a surrogate for the absence of a BIPCo distribution charge.

After Dave Stearn's, Division Rate Analyst, reviewed BIPCo's tarified rates and was unable to isolate the company's distribution costs, he suggested using Pascoag Utility District's distribution rate as a proxy for BIPCo's low-income discount.

I have attached a Pascoag worksheet calculating lost revenues from their proposed discount rate and also Dave's proxy calculations for BIPCo's discount rate with the associated net annual revenue lost.

The discount rate will consist of two components:

- (1) The proxy Pascoag factor of \$0.03464/kWh for 500 kWh (or \$8.66) and
- (2) 50% of BIPCo's tarified customer charge of \$11.00 (or \$5.50).

The total BIPCo discount would be \$14.16 for a typical 500 kWh electric residential usage.

The Division feels this is a reasonable approach to establishing an equivalent low-income discount rate to other electric utilities while complying with the intent of the Affordable Energy Act.

If you have any question, feel free to contact Dave Stern (780-2114)or myself (780-2120).