

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION**

**IN RE:            EXAMINATION OF THE FEASIBILITY            )  
                      OF IMPLEMENTING A DEBT                ) Docket No. 3400  
                      FORGIVENESS PLAN                                    )**

**ADDENDUM OF THE RHODE ISLAND DIVISION OF  
PUBLIC UTILITIES & CARRIERS**

The Rhode Island Division of Public Utilities & Carriers (“Division”) hereby submits this addendum to be included with the filed May 2003 Working Group report entitled “Long-Term Arrearage Management Solutions for Rhode Island” (hereinafter referred to as the “Plan”).

First, the Division concurs with the Rhode Island Public Utilities Commission’s (“Commission”) Order No. 16966 in Docket No. 3423 that established Docket No. 3400 and directed the parties in the proceeding to establish a “Working Group” that would propose a debt forgiveness plan. The Commission was very explicit in its directive to the Working Group that the forgiveness proposal “have an independent funding source that will not include socializing the costs of a debt forgiveness program among other utility ratepayers.”

The Working Group has been deliberating on the development of a forgiveness proposal through periodic meetings for about 18 months with the main objective of seeking a non-utility independent funding source. It is evident in the filed Plan that the Working Group was unsuccessful, by consensus, in recommending an outside funding source. The Division is on record in this docket as endorsing the proposed Plan to serve

as a reasonable starting point in the development of a long-term arrearage solution while reducing the energy burdens on low-income households. *The Division, however, would have rejected the generic Plan in its entirety had the independent funding source been identified as the utility ratepayer.*

It is apparent that the proposed Plan does not fully comply with the requirements of Docket No. 3400 since it does not identify an independent source of funding. The filed Plan addresses the overall objective to achieve manageable energy burdens for the low-income utility customers but the proposal is silent regarding the burden that will be imposed by the additional funding needed to implement a forgiveness program. The Plan also does not include a discussion of the estimated low-income arrearage debt, the program's administrative costs and the outside funding mechanism. Absent such relevant information, the Commission is placed in the difficult position of rendering a decision on the general framework of a basic forgiveness program without knowing the costs, source of funding or specifics of the program's application.

Moreover, the specific mandate contained in Order 16996 and the consensus of the Division and the regulated utilities that program costs should not be borne by utility ratepayers counsel against consideration of the Plan on a stand-alone basis without this essential information. Rather, the Plan should only be considered when all of the pertinent data has been supplied and assessed so that complete evaluation can be made of the proposal and its impacts.

The Division is statutorily mandated to balance the interests of all classes of utility ratepayers (residential, small business, commercial and industrial customers) in its policy decisions and recommendations. A special part of our responsibility is to evaluate

the financial impacts on all utility classes, and particularly, on those who do not directly benefit from a proposed program. The utility data compiled during the Working Group's meetings suggests that both business-sector electric and gas customers will subsidize almost 50% of the forgiveness program costs if utility volumetric surcharges are applied to cover such costs. Had the Plan contained a utility surcharge that resulted in a significant subsidy, then the Division would have rejected the Plan due to the adverse impact of the surcharge on various classes of utility ratepayers.

The Division is concerned that implementation of a forgiveness plan may cause increased participation of eligible Rhode Island households in the Low-Income Heating Assistance Program ("LIHEAP"), which, in turn, could result in premature depletion of its annual federal funding. An early exhaustion of the LIHEAP funds would create a spiraling effect, resulting in fewer eligible recipients taking advantage of heating assistance. It is a known fact that the federal money associated with LIHEAP does not reach all eligible Rhode Island households each and every year due to insufficient funds. The establishment of a forgiveness program could further reduce the participation in this program because the Plan specifically recommends that if there is a diminution of federal LIHEAP funding or a reduction in funding from other sources, the number of program participants will be reduced. As the number of eligible low-income households traditionally increases each year, a reduction in the number of program participants will run counter to the endeavor of reducing low-income households' energy burdens. It is the Division's opinion that if federal LIHEAP funds were decreased in ensuing years in conjunction with an increased participation of eligible households, then upward pressure will be placed on the forgiveness program to secure additional funding. The Division

believes that low-income organizations would challenge the recommended reduction in LIHEAP/forgiveness participants' funding, and that such groups would seek to increase the contribution from independent source(s). The Division believes that independent funding would have to be escalated in future years in order to meet the demand of additional participants in the program.

The implementation of a forgiveness program will be dynamic in nature, and greater targeted discounts to achieve affordable payments for low-income households in upcoming years will trigger rate increases. The establishment of a costly debt-arrearage program is a significant regulatory action that will most likely be assessed against the taxpayer or the ratepayer.<sup>1</sup> The State of Rhode Island's projected deficit, the recent escalation in electric and gas rates, and the general economy, however, all create a climate that is adverse to the funding of a debt forgiveness program through tax increases. Therefore, approval of the Plan without a funding mechanism may erroneously result in a legislative initiative aimed at funding the Plan by means of a ratepayer surcharge.

Given the absence of a specific funding mechanism in the Plan, the Division is opposed to approval of a generic plan. In fairness to all utility ratepayers, the Division is unable, at this time, to endorse passage of a forgiveness proposal that is incomplete and

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<sup>1</sup>According to Page 4 of the Plan, the total funding for Rhode Island Low Income Programs in 2002 is \$15,539,000. Any independent funding would supplement these monies.

cannot be decided on its entire merits. In view of the stated concerns, the Division recommends that the Public Utilities Commission stay further consideration of the Plan until a funding mechanism can be determined.

**DIVISION OF PUBLIC UTILITIES &  
CARRIERS**  
By its attorneys,

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