

EAP Advisory Board
Recommendations for Changes to EAP Discounts and Eligibility Level
March 18, 2014

The Electric Assistance Program (EAP) was first approved by the Commission in November 2000 in Order No. 23,573. The EAP was created pursuant to the Electric Restructuring law, RSA 374-F, which created the system benefits charge (SBC), the funding source for both the EAP and the Core Energy Efficiency Programs. Section 374-F:3 V (a) states that "...Programs and mechanisms that enable residential customers with low incomes to manage and afford essential electricity requirements should be included as a part of industry restructuring." In addition, RSA 369-B:1, XIII requires that "the Commission should design low income programs in a manner that targets assistance and has high operating efficiency, so as to maximize the benefits that go to the intended beneficiaries of the low income program." The EAP was designed with these principles in mind, and all subsequent program changes have been similarly consistent.

In January 2010, the New Hampshire Legislature passed SB 300 which changed, on a temporary basis, the allocation of the SBC funding so that 1.8 mils went to fund the EAP and 1.5 mils went to energy efficiency programs. In December 2010, the EAP Advisory Board submitted to the Commission recommended program design changes to the EAP to enable the program to provide a meaningful benefit to low income households while minimizing the number of customers on a wait list when the SBC allocation reverted back to 1.5 mils to fund EAP and 1.8 mils to fund energy efficiency on July 1, 2011.

In March 2011, the Commission issued Order No. 25,200 in DE 10-192, adopting the EAP design changes recommended by the Advisory Board in December 2010. Those changes included the phase out and elimination of the discount tier for households with income levels between 175% and 185% of the federal poverty guidelines (FPG) and the introduction of a cap on the usage to which the EAP discount would apply.

In June 2013, the EAP Advisory Board advised the Commission of an accumulated balance in the EAP fund held by the State Treasurer's Office and recommended EAP design changes to increase the benefit to EAP participants thereby decreasing the accumulated balance in the EAP fund. At the time the Board made those recommendations, it believed that the changes would significantly reduce the balance in the EAP over the following twelve months and that the accumulated balance would be depleted within twenty four months. The Commission adopted those changes in July 2013 via Order No. 25,544 in DE 13-180. The changes were implemented by the utilities in August 2013 and have increased the average benefit provided to EAP customers. Continued fluctuations in EAP enrollment levels have caused a continued accumulation of the balance in the EAP fund held by the State Treasurer. As of the end of January 2014, a balance of \$3.27M had accumulated in the EAP fund.

The EAP Advisory Board has considered the Commission's obligations under 369-B:3, IV, (b), (6)¹ and RSA 374-F:4, VIII, (c)² and the needs of EAP program participants and low-income households in general. The Advisory Board considered a number of different options for program design changes including a reduction in the EAP portion of the SBC, an increase to the number of kWhs to which the discount applies, and modifications to discounts to achieve various bill to income ratios. After considering the effects of the various options on the average annual benefit level, enrollment levels, and the EAP fund balance as well as the duration for which the program could sustain the design changes, the Advisory Board reached consensus on changes intended to increase the number of low-income households eligible to participate in the EAP and increase the benefit to many of the households participating in the EAP. Based on the best estimates of the utilities' energy sales predictions, related SBC revenues and other factors, the Board estimates that the two recommended changes would reduce the balance in the EAP fund by \$1.52M within twelve months of implementation, a substantial reduction in the EAP fund consistent with the statutory language in RSA 374-F:4, VIII, (c). Additionally the Board estimates a substantial reduction will also occur in the second year following the implementation of these recommended program design changes, which will likely negate the need for further Commission action next year.

The Board recommends two actions: 1) that the income eligibility level for the EAP be increased to 200% of the FPG, and 2) that the discounts for tiers 2, 3 and 4 be increased. The federally funded Low Income Home Energy Assistance Program (LIHEAP), referred to in New Hampshire as the Fuel Assistance Program, provides assistance to households with incomes at or below 200% of the federal poverty guidelines. As the Community Action Agencies have a common application process for low income households applying for LIHEAP and EAP, increasing the eligibility for EAP would create more consistency between the two programs and would eliminate confusion among customers approved for LIHEAP but not EAP. The change in the eligibility level would also restore eligibility for electric bill assistance benefits to those customers formerly in tier 1, the discount tier eliminated in March 2011. For ease of implementation and to provide a more meaningful benefit to low-income households with incomes between 176% and 200% of FPG, the Board recommends that low-income households with incomes between 176% and 200% of FPG be placed in the same discount tier (Tier 2) and receive the same discount level as households with incomes between 151% and 175% of FPG.

The second design change is targeted at increasing the benefit level. The Board reviewed the current benefit levels to determine the bill to income ratio of the discount provided to each tier. EAP discount levels have been set, historically, to bring the bill to income ratio for low

¹ 369-B:3, IV,(b),(6) The total system benefits charge shall be no greater than \$0.003 per kilowatt-hour for 33 months from competition day divided between low-income assistance and energy assistance and energy efficiency/conservation programs. In the event that the commission finds that a significant amount of unencumbered dollars have accumulated in either program, and are not needed for program purposes, the commission shall refund such unencumbered dollars to ratepayers in a timely manner.

² 374-F:4, VIII, (c) The portion of the systems benefits charge due to programs for low-income customers shall not exceed 1.5 mils per kilowatt hour. If the commission determines that the low-income program fund has accumulated an excess of \$1,000,000 and that the excess is not likely to be substantially reduced over the next 12 months, it shall suspend collection of some or all of this portion of the system benefits charge for a period of time it deems reasonable

income customers to between 4 and 5%. The Board looked at the discount levels and recommends the discounts be increased for three of the discount tiers to bring the estimated average household electric bill to 4.5% bill to income ratio. The three tiers for which the board recommends increasing the discount levels are: tier 2, 151% to 175% FPG; tier 3, 126% to 150% FPG; and tier 4, 101% to 125% FPG. Tiers 5 and 6, which represent households with incomes between 76% and 100% FPG and 0% and 75% FPG respectively, would not see an increase to the discount percentages as those two tiers currently have bill to income ratios which are below 4.5%. The proposed changes to the eligibility level and discount percentages are shown in the table below.

Proposed Changes to EAP Eligibility and EAP Discount Percentages					
	Tier 2 151% to 200% FPG ³	Tier 3 126% to 150% FPG	Tier 4 101% to 125% FPG	Tier 5 76% to 100% FPG	Tier 6 <= 75% FPG
Current Bill Discount Level	8%	20%	36%	53%	77%
Proposed Bill Discount Level	9%	23%	37%	53%	77%

The EAP design changes adopted by the Commission in Order 25,544 in DE 13-180 raised the kWh cap from 700 kWh to 750 kWh on a permanent basis and increased the discount percentages for each tier by 10% for a 24 month period. In addition to the above proposed recommendations, the Board asks the Commission to modify Order 25,544 such that the discount levels remain at the current, higher level for period of 24 months following implementation of the program design changes recommendation contained in this correspondence. The Utilities are prepared to implement the design changes within 30 days of Commission approval. The Advisory Board will monitor the effect of changes adopted by the Commission and submit recommendations to the Commission in advance of the conclusion of the 24 month period. Those recommendations would propose any necessary adjustment to the EAP program design to ensure meaningful electric bill assistance to New Hampshire low income as well as the financial sustainability of EAP and would be sufficiently in advance to accommodate review and approval by the Commission.

³ Currently the eligibility level for tier 2 is 151% to 175% of FPG.