

## **Summary**

The Electric Assistance Program Advisory Board (Advisory Board) recommends the Commission approve an increase to the Electric Assistance Program (EAP) income eligibility guidelines, from 200% of the Federal Poverty Guidelines (FPG) to 60% of the state median income (SMI) for New Hampshire. The recommended program design change raises the EAP eligibility threshold to the same level used to determine eligibility for the Low Income Home Energy Assistance Program (LIHEAP) and reduces potential confusion for customers. The increase in the number of eligible customers is not projected to affect the sustainability of the EAP and will provide low-income households not currently eligible with a much needed benefit.

## **Background**

The EAP provides targeted benefits to low-income customers through a discount on electric bills. There are five discount tiers ranging from 8% to 76%; those households with the lowest poverty levels receive the highest discount. Eligibility for the program is determined using the federal poverty guideline issued annually by the federal Department of Health and Human Services. The goal of the EAP is to provide bill discounts that reduce, on average, participant electric bills to between 4% and 5% of the average income for the discount tier. The bill discount applies to the first 750 kWh of electricity used per month; usage above 750 kWh is billed at the non-discounted rate, serving as an incentive for energy efficiency and conservation.

The Commission created the Advisory Board to assist the Commission in monitoring the EAP. The Advisory Board is comprised of representatives from the four electric utilities, the Office of Strategic Initiatives, the Office of Consumer Advocate, the Community Action Agencies, the New Hampshire Municipal Welfare Directors Association, The Way Home, and Commission Staff. The diverse nature of the Advisory Board ensures that all interests are well represented when program changes are proposed.

The EAP was first approved by the Commission in Order No. 23,573 (November 2000), pursuant to RSA 374-F, which created the system benefits charge (SBC), the funding source for both the EAP and the Core energy efficiency programs, now the Energy Efficiency Resource Standard. Specifically, RSA 374-F:3, V (a) states, “. . . 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 the Commission to “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.

The SBC is a per kilowatt-hour charge collected from all electric utility customers. On a monthly basis, utilities use the revenue from the low-income portion of the SBC (LI-SBC) to credit the applicable EAP discount to participant bills and reimburse the community action agencies and themselves for administrative costs incurred. A utility with monthly LI-SBC

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revenues in excess of monthly EAP expenses remits any remaining LI-SBC funds to the State Treasurer for deposit in the EAP Fund. A utility with monthly EAP expenses in excess of its monthly LI-SBC revenues submits a request for payment to the Commission; reimbursement is authorized by the Commission, and the State Treasurer makes payment from the EAP Fund. RSA 374-F:4, VIII, (c) requires the Commission to suspend collection of some or all of the LI-SBC for a reasonable period, if the EAP fund accumulates an excess of \$1,000,000 and that excess is not likely to be substantially reduced over the next 12 months.

The Advisory Board regularly reviews the balance in the EAP Fund. Over the past year, the Advisory Board has undertaken discussions regarding program changes that would either provide additional benefit to current EAP participants or expand the population of customers eligible for EAP. The Advisory Board has evaluated several possible program changes and carefully considered the impact of those changes on the sustainability of the EAP. Specifically, the Advisory Board discussed the following options:

- increasing the usage cap;
- using EAP funds to provide arrearage forgiveness to program participants;
- increasing discount percentages;
- transferring funds from the EAP to low-income energy efficiency programs;
- targeting EAP assistance to customers who use electric heat or who have medical certifications; and
- increasing the income eligibility threshold.

As part of its consideration of the above options, the Advisory Board took into consideration anticipated future costs associated with the replacement of the software used by the community action agencies to store and manage program data for the EAP and the federally funded LIHEAP, also known as the Fuel Assistance Program or FAP. For several years, the Advisory Board has discussed the Office of Strategic Initiatives' (OSI) planned purchase of new software for the FAP, driven in part by new federal reporting requirements for LIHEAP. In addition to its limited reporting capabilities, the existing shared software is outdated technologically, having been put into service in early 2003. In the context of those discussions, the Advisory Board has considered whether the EAP should continue to share software with FAP, and partner with OSI in the development of new software, or remain the sole program utilizing the current software. OSI's investment in new FAP software could provide a cost-effective opportunity for the EAP to replace its own software, by sharing the costs with the FAP. Costs associated with the replacement of the EAP software, even if shared with the FAP, are likely to reduce the EAP Fund considerably. The total cost for the EAP/FAP software in 2002 was \$254,492. Adjusted for inflation, the cost today for the same project would be \$364,049. While the development of new software for the EAP would only occur following a recommendation from the Advisory Board to the Commission, and subsequent Commission approval for such a project, the Advisory

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Board has kept that potential future expense in mind when considering changes that would increase benefits and thus reduce the balance in the EAP Fund.

After discussing the various options, the Advisory Board recommends increasing the income eligibility threshold for EAP from 200% of the FPG to 60% of the SMI. The FAP uses an income eligibility threshold of 60% of the SMI, and using the same income threshold for the EAP aligns the programs in that regard. The community action agencies have a common application process for households applying for the FAP and the EAP; increasing the income eligibility threshold for the EAP to match that of the FAP creates further consistency between the two programs, eliminating confusion among those customers approved for FAP but not currently eligible for EAP.

Advantages of the program change also include the expansion of access to the EAP to customers with incomes falling between 200% of the FPG and 60% of the SMI. Sixty percent of the SMI corresponds to approximately 230% to 240% of the FPG. Approximately 3,000 households qualified for the FAP during the 2018-2019 program year, but did not qualify for the EAP because of its lower income eligibility threshold. A household of two at or below 200% of the FPG would have monthly income less than or equal to \$2,780. The monthly income for the same household at 60% of SMI would be less than or equal to \$3,543, a \$763 difference. For a household of four, the difference would be \$977.

For ease of implementation and provision of a more meaningful benefit to low-income households with income levels between 200% of the FPG and 60% of the SMI, the Advisory Board recommends the income limit for the Tier 2 discount be increased from 200% of FPG to 60% SMI. The Tier 2 discount level provides an 8% bill discount.

To evaluate the impact of the recommended program change on the long-term sustainability of the EAP, the Advisory Board reviewed projected effects of the change on the average annual benefit level, enrollment levels, and the EAP Fund balance. The following assumptions were used in developing the projections:

- A current average monthly EAP enrollment of 30,300 customers;
- A current average monthly EAP benefit of \$37.64;
- A current average monthly EAP benefit to Tier 2 customers of \$8.50; and
- 2,973 households who qualified for FAP but not EAP during the 2018/2019 FAP season.

The Advisory Board's projections indicate that the recommended increase to the income eligibility threshold for the EAP would reduce the balance in the EAP fund by \$240,643 over the first twelve months. Once enrollment has ramped up to include all newly eligible households, the projections reflect an annual reduction to the EAP fund of \$303,246. As of November 1, 2019, the balance in the EAP Fund is \$2.9M. While the estimated annual increase in benefits of \$303,246 may not qualify individually as a "substantial" reduction to the EAP fund, as required

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by RSA 374-F:4, VIII, (c), the Commission also approved an expansion to the EAP discount in 2018, providing for the application of the EAP discount to the energy portion of the bill when energy was supplied by a competitive supplier. Further, as discussed previously, the EAP software will need to be replaced in the near future. Accordingly, the Advisory Board recommends that the Commission view this recommendation as a part of a multipronged solution to the EAP Fund surplus.

The Advisory Board is keenly aware of its responsibility to balance recommendations for program changes to better enable residential customers with low incomes to manage and afford essential electricity requirements with the financial sustainability of the EAP. More than 29,000 households currently rely on their EAP discounts to manage their electricity costs; however, according to census data, the number of eligible households is three times that number. EAP enrollment patterns have fluctuated over the time, and there have been periods when the EAP had a large enrollment wait list. However, sharp increases in enrollment are not typical, and are not expected at this time. In an effort to avoid a wait list situation in the future, the Advisory Board proceeds cautiously when recommending program changes.

While the impact to the EAP fund from the higher income eligibility threshold is projected to be modest, the change is expected to increase the number of EAP participants. The Advisory Board will closely monitor increased enrollment and benefits paid resulting from the move to an income eligibility threshold of 60% SMI.

The Legislature's overriding directive for the EAP is to "design low income programs in a manner that ... maximize[s] the benefits that go to the intended beneficiaries of the low income program." RSA 369-B-1, XIII. Using a portion of the balance in the EAP Fund to increase the income eligibility cap supports that goal. In addition, the recommended program change, when viewed with the 2018 program design change mentioned earlier as part of a multi-faceted solution, is consistent with the two laws governing the EAP fund surplus, which allow the Commission to reduce the surplus by spending it for the benefit of EAP participants. Together, the program changes use EAP funds "needed for program purposes", RSA 369-B:3, IV(b)(6), and are likely to substantially reduce the balance in the EAP fund over the next 12 months. RSA 374-F:4, VIII (c).

Accordingly, the Advisory Board respectfully requests that the Commission approve its recommendation to increase the income eligibility threshold for the EAP from 200% of the FPG to 60% of the SMI.