

THE STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION

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Concord, N.H. 03301-2429

ORIGINAL

P.U.C. Case No. DE 10-192

Exhibit No. #1

Witness Panel #1

DO NOT REMOVE FROM FILE

December 15, 2010

Debra Howland
NH Public Utilities Commission
21 South Fruit Street, Suite 10
Concord NH 03301



RE: Recommendations for EAP program changes

Dear Ms. Howland:

Attached please find a proposal from the EAP Advisory Board regarding recommended changes to the design of the EAP. These recommendations are being made to enable the EAP to stay within the budget for the program beginning July 1, 2011 when the low income portion of the system benefits charge returns to a 1.5 mil funding level. With the exception of the Office of Energy and Planning which takes no position on the recommendations, this proposal has the support of all members of the Advisory Board.

In order to allow sufficient lead time for programming changes by the utilities, the Advisory Board respectfully requests that the Commission consider this proposal as expeditiously as possible. In the event there are questions about this filing, please feel free to contact me.

Sincerely,

Amanda O. Noonan
Director, Consumer Affairs
on behalf of the EAP Advisory Board

**EAP Advisory Board
Proposal for EAP Program Changes
December 15, 2010**

Introduction

The purpose of this memorandum is to set forth a proposal of the EAP Advisory Board that recommends changes to the design of the EAP in an effort to meet the original program goals to the largest extent possible, while staying within the limited budget for the program. With the exception of the Office of Energy and Planning which takes no position on these recommendations, this proposal is supported by all members of the Advisory Board.

Background

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. The current law caps the EAP funding at 1.5 mils. While there is no statutory cap on the Core programs funding, the Commission has set the funding level at 1.8 mils. 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 2007, the EAP Advisory Board "identified the goal of the EAP as enabling residential electric customers with low incomes to manage and afford electricity, within the limits of available System Benefits Charge funds and the program design established by the Commission." The Board also developed the following measurable outcomes against which the EAP would be evaluated: (1) to provide benefits to approximately 30,000 customers, (2) to minimize the waiting list to the extent possible within the limits of the system benefits charge and the program design, (3) to target the greatest benefit to those customers most in need, with need determined by the customer's federal poverty guideline ranking, and 4) to balance the need for electric assistance with the need for administrative efficiency. See Order No. 24,820 in DE 07-009, January 30, 2008 at p. 3.

The current design of the EAP includes six tiers of eligible customers who are qualified for the program by the Community Action Agencies based on income and family size. The discounts range from 5% for tier 1 for customers, whose household income is between 175% and 185% of Federal Poverty Guidelines (FPG), to 70% for tier 6 for customers who are at or below 75% of FPG. The EAP discount is applied to a customer's bill by the electric utility, and EAP participants must re-certify each year through their local Community Action Agency (CAA).

Since March 2005, the EAP has experienced demand for its services that has exceeded its ability to meet the needs of the income-eligible population, given its funding. In 2006 and 2008, the Commission made changes to the program to increase the number of customers provided with benefits. Legislation in 2005 and 2010 increased the number of customers served through temporary additional funding. The EAP has a target of serving approximately 30,000 customers. As a result of SB300 in 2010, the program is currently able to serve more than 30,000 customers. That legislation, passed in January 2010, changed the SBC funding split so that efficiency programs are currently funded at 1.5 mils and the EAP is currently funded at 1.8 mils. The funding change resulting from SB300 is effective until June 30, 2011. As of December 6, 2010, the EAP served 34,364 customers, with an additional 3,850 customers on the waiting list.

Upon the reversion back to the 1.5 mil level of funding for the EAP on July 1, 2011, it is estimated that the EAP will be able to serve 28,100 customers with a projected wait list of 10,200 if no changes are made to the program. Program enrollment would need to be reduced sufficiently over the next few months to reach a sustainable enrollment level in anticipation of the reduced funding beginning July 1, 2011. As a result, the EAP Advisory Board has considered a variety of potential changes to the design of the EAP over the last few months in order to meet the program goals at the 1.5 mil funding level. One objective has been to reduce the waiting list while still providing a meaningful benefit. As enrollments from the waiting list are done based on need, with those customers with the lowest poverty levels enrolled first, many of the customers on the waiting list will never have the opportunity to come off the list and receive EAP benefits.

The Board considered a range of options, from maintaining the status quo, to reducing discount and benefits levels while serving the same number of customers, to reducing the household income eligibility level and placing a cap on the maximum amount of usage that would be eligible for the EAP discount. The Board spent significant time analyzing the possibilities, with the goal of meeting the original goals of the program to the greatest extent possible. Those goals are:

1. to bring the electric bills into the range of affordability;
2. to encourage conservation and the use of energy efficiency mechanisms to make electric bills manageable; and
3. to make the most effective use of limited funding.

Order No. 22,514, February 28, 1997, Final Plan at p. 95.

Proposal

The Board considered seventeen possible options for changing EAP (including maintaining the status quo), which are shown on the attached chart. As stated above, the options range from changing the eligibility criteria (eliminating the bottom one or two benefit tiers), to reducing the discount percentages, to capping the amount of kWh usage to which the EAP discount applies, to a combination of some of those approaches. The Board considered the following outcomes of each possible option: average annual benefit provided; the population of

eligible households; the number of households that could be served under the option; and the waitlist that would result. In considering whether to eliminate discount tiers, the Board took into account the fact that many of the eligible customers who enroll in the EAP, but who are in the bottom two tiers (and therefore have the highest household income for a given household size within the program), are placed on the waiting list when they enroll. Because customers are enrolled from the waitlist by need so that the lowest income customers (those in the highest discount tiers) are enrolled first, many of the customers in tiers 1 and 2 (those with the smallest discounts) have very little likelihood of ever being enrolled due to the size of the waitlist. Therefore, there is a consensus among the Board members that the program eligibility criteria for the Program should be reduced from 185% FPG to 175% FPG, thus eliminating tier 1 from the program. This results in the EAP eligibility being reduced from 185% of FPG (\$40,793 for a household of 4) to 175% of FPG (\$38,588 for a household of 4).

The Board then focused on the issue of the size of the waiting list. While all Board members realize that some waiting list is likely at least at some times during the year, there was general agreement that it is a priority to minimize the waiting list. Therefore, the Board focused its attention on options that would minimize the waiting list.

The Board next addressed the issue of whether a cap on the amount of usage that qualifies for the EAP benefit would be an acceptable element of the program. In this discussion the Board was mindful of the second of the three EAP goals stated above - "to encourage conservation and the use of energy efficiency mechanisms to make electric bills manageable." The Board also reviewed information about average EAP customer electric usage. Analysis of program data showed that for approximately 14,000 households who were enrolled for 12 months in 2009, the average monthly usage was 588 kWh. The Board discussed the fact that EAP customers who are using above the average may be doing so due to large family size and/or medical needs. Though the Board understands those needs, most members of the Board feel strongly that the importance of conservation, the restructuring language quoted earlier about providing assistance with "essential electricity requirements," combined with the need to maximize the efficient use of limited funds for the program, make a usage cap appropriate at this time. The Board also considered the administrative and implementation-related impacts of each option.

As a result of this review and analysis, the Board recommends that the Commission modify the EAP by adopting option 12A on the attached spreadsheet.¹ This option would:

- Eliminate tier 1, thereby reducing the program eligibility level to 175% FPG;
- Maintain the same discount levels for tiers 2-6 (7%, 18%, 33%, 48% and 70%);
and
- Cap the amount of usage eligible for the EAP discount at 700 kWh per month.²

¹ NHLA on behalf of The Way Home (TWH) expressed a preference for option 10A on the attached chart but does not oppose option 12A. TWH supported 10A because it would serve more households while still providing a meaningful discount. Additionally, the usage cap and waiting list are lower with option 10A, both of which make Option 10A more attractive to TWH.

² Based on the usage data of the 14,000 EAP households enrolled for 12 months in 2009, 70% of the participants would have usage below the 700 kWh cap and so receive the discount on their entire bill.

Based on the best estimates of the utility's energy sales predictions, related SBC revenues and other factors, the Board estimates that implementing option 12A would result in an average annual benefit of \$388.00 (compared to the current average of \$468.50). The program would be able to serve 33,800 customers (out of a current eligible population of 36,300)³, and the projected waiting list would be approximately 2,500 customers (compared to the projected waitlist of approximately 10,200 under the status quo on July 1, 2011).

The Advisory Board is sensitive to the impact of any program change on EAP participants. If the program eligibility were reduced from 185% FPG to 175% FPG as the Board is recommending, approximately 1300 households⁴ currently receiving a 5% discount on their electric bill would no longer be income eligible for the program. The Board has considered the impact on these households and believes that under the current funding limitations it is appropriate to reduce the eligibility level despite these impacts.

The Board has also considered the impact of the usage cap on those EAP customers who use more than 700 kWh per month, particularly those who may have a medical necessity for electricity. We believe, however, that 700 kWh, which is higher than both the overall residential average monthly usage of approximately 650 kWh and the EAP average monthly usage of 588 kWh, provides a small cushion for EAP customers who have higher essential electric usage due to family size or health-related needs. Additionally, a usage cap sends a strong conservation message, and stretches limited program dollars to provide a benefit to more customers. For those customers using electric heat, the federally funded Low Income Heating Assistance Program, or LIHEAP, is available to provide assistance with heating bills. Further, the Board understands that in recent years electric customers have not used their full LIHEAP benefit. As the LIHEAP application process is a joint application process with EAP, most EAP customers also receive LIHEAP benefits, and all EAP applicants are asked whether they would like to receive weatherization services. There are more low-income households interested in weatherization services than can be served at the current weatherization program funding level, however. The Advisory Board recognizes that recommendations regarding funding for weatherization services are outside the scope of its responsibilities. Discussion regarding greater funding for weatherization services is most appropriate within the Core programs docket. That docket is nearing completion; however, quarterly meetings of the parties will continue over the next year. As many of the organizations represented on the EAP Advisory Board are also participants in the Core programs, the Advisory Board believes that the quarterly meetings conducted as part of the Core programs provide an opportunity for further discussion regarding possible adjustments to funding for weatherization services for low income households.

As was noted earlier, approximately 70% of EAP participants would fall below the 700 kWh cap and would therefore continue to receive a discount on their entire bill. Those EAP customers with usage above 700 kWh per month will receive a smaller benefit and thus will pay more for electricity than they have in the past if option 12A is adopted by the Commission.

³ The calculation of the eligible population is based on current enrollment and wait list data. The eligible population figure will increase or decrease as demand for the program changes.

⁴ As of the December 6, 2010 enrollment report produced by the CAA, there were 1384 participants in tier 1, the tier the advisory board is recommending be eliminated.

While it is difficult to quantify the impact on individual EAP customers, the average annual EAP benefit for the 2009 -2010 program year was \$482.87 while the average annual EAP benefit under the redesign being proposed by the Advisory Board would be \$388. Of those customers with monthly usage above 700 kWh, approximately 90% use less than 1500 kWh a month. For an EAP participant at the upper end of that range using 1500 kWh a month, the increase in the monthly electric bill would range from 4% to 124% depending on the discount tier. To help mitigate the impact on those EAP customers with monthly usage above 700 kWh, the Board recommends that weatherization and other efficiency and related education efforts be targeted towards these customers to the extent possible. The Board will work with the CAAs to ensure that educational materials about conservation and efficiency are available to be provided to all EAP applicants.

In evaluating the proposed changes to the EAP, the Advisory Board was also mindful of the interactions with other programs which provide support for the energy costs of low income households and those which provide weatherization services. These include the federally funded LIHEAP (Fuel Assistance Program) and the Weatherization Program, and the Core efficiency programs funded by the SBC. The Board reiterates its support for coordination of these programs in order to assist customers with both their energy bills and with weatherization efforts.

Implementation

To allow sufficient time for programming changes to utility billing systems, the Board recommends the 700 kWh cap for application of the EAP discount be implemented effective July 1, 2010. However, the Board does recommend that the income eligibility be reduced from 185% of FPG to 175% of FPG coincident with the Commission's approval of the proposed changes for those applicants on the waiting list and all new applicants. The Board further recommends that EAP customers in tier 1 currently receiving benefits be subject to the 700 kWh cap on July 1, 2010 and be removed from EAP at the time of their recertification.

EAP Options at a Glance

Option	Description	Avg Ann Benefit	Eligible Households	Households Served	WaitList*
1	Status Quo	\$ 468.50	38,300	28,100	10,200
2	Same Discounts. No Tier 1.	\$ 488.00	36,300	27,000	9,300
3	Same Disc. No Tier 1 & 2	\$ 555.00	30,500	23,700	6,800
4	4% Bill - Inc Ratio. Update Discs. No Tier 1	\$ 532.00	36,300	24,700	11,600
4A	4% Bill - Inc Ratio. Update Discs. No Tier 1 & 2	\$ 602.00	30,500	21,900	8,600
5	4.5% Bill - Inc. Update Discs. No Tier 1 & 2	\$ 520.00	30,500	25,300	5,200
5B**	4.75% Bill - Inc Ratio. Update Discs. No Tier 1 & 2.	\$ 479.00	30,500	27,500	3,000
6	5% Bill - Inc Ratio. Update Discs. No Tier 1 & 2	\$ 438.00	30,500	30,000	500
7	Same Discs. Keep all Tiers. Limit Discount to 500 kWh/mon.	\$ 319.00	38,300	41,000	-2,700
8	Same Discs. Keep all Tiers. Limit Discount to 600 kWh/mon.	\$ 356.00	38,300	36,800	1,500
9	Same Discs. Keep all Tiers. Limit Discount to 700 kWh/mon.	\$ 385.00	38,300	34,000	4,300
10	Same Discs. Eliminate Tier 1. Limit Discount to 600 kWh/mon.	\$ 358.00	36,300	36,600	-300
10A	Same Discs. Eliminate Tier 1. Limit Discount to 650 kWh/mon.	\$ 375.00	36,300	35,000	1,300
11	Same Discs. Eliminate Tiers 1 & 2. Limit Discount to 600 kWh/mon.	\$ 368.00	30,500	35,600	-5,100
12	Same Discs. Eliminate Tiers 1 & 2. Limit Discount to 700 kWh/mon.	\$ 398.00	30,500	32,900	-2,400
12A	Same Discs. Eliminate Tier 1. Limit Discount to 700 kWh/mon.	\$ 388.00	36,300	33,800	2,500
12B	Same Discs. Eliminate Tiers 1 & 2. Limit Discount to 650 kWh/mon.	\$ 385.00	30,500	34,100	-3,600

* Negative Waitlist indicates the number of additional households the program could serve at current funding level