THE STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

Low-Income Electric Assistance Program

2022 – 2023 Program Administrative Budgets

Docket No. DE-22-043

October 31, 2024

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Technical Statement of Roger D. Colton

Consultant for the New Hampshire Department of Energy[1]

My name is Roger D. Colton. I am the same Roger Colton who authored the September 2022 report titled "New Hampshire Electric Assistance Program (EAP): Review of Performance / Future Directions" (hereafter "Colton Report") for the EAP Advisory Board of the New Hampshire Department of Energy.[2] The discussion below is presented on behalf of the New Hampshire Department of Energy.

This Technical Statement explains why the New Hampshire Public Utilities Commission (Commission) has misunderstood or overlooked information provided in the September 2022 Colton Report. In addition, this Statement provides further information in support of maintaining Tier 2 income eligibility up to and including 60% of New Hampshire's State Median Income (SMI).

This Technical Statement is presented in the following parts:

- Part 1 explains how a 6% home energy burden defines affordability for total home energy, not for electricity standing alone.
- Part 2 explains how reducing the maximum EAP income eligibility to 200% of Federal Poverty Level (FPL) is inefficient.
- Part 3 examines how reducing the maximum EAP income eligibility to 200% of FPL overlooks those sections of the Colton Report which demonstrate the payment difficulties facing households with income between 200% of FPL and 60% of SMI.

[1] The vitae of Roger Colton is available as Exhibit 1 in this docket.

[2] See Colton Report (Exhibit 3 in this docket).

- Part 4 explains how a reduction in maximum EAP income eligibility to 200% of FPL inadvertently punishes the "working poor."
- Part 5 explains how, given today's economic environment and an adequately funded EAP, now is not the time to reduce maximum EAP income eligibility.
- Part 6 explains that the New Hampshire EAP discount levels are not larger than recently adopted tiered discount levels in other states.

Part 1. A 6% Energy Burden Defines Affordability for Total Home Energy, not for Electricity Standing Alone.

In the Commission's Order No. 27,031 (July 9, 2024) (EAP Order), subject to rehearing pursuant to Order No. 27,048 (August 21, 2024), the Commission stated that its recommended change to Tier 2 was based, at least in part, on the following observation: "With respect to Tier 2, the Colton Report shows that the average total energy burden for New Hampshire ratepayers is approximately 5 percent, the 'commonly accepted definition of an affordable percentage of income [is] 6%,' and 'statewide data shows that the bulk of the total home energy burdens in New Hampshire can be attributed to electric bills'. . ."[3]

The citation to the Colton Report, however, is somewhat incomplete. The Colton Report stated that "In contrast to [. . .] low-income burdens are the burdens faced by New Hampshire's *residential customer base as a whole*. (emphasis added) For the state as a whole, *at all income levels (i.e., total population)* (emphasis added), *total* energy burdens (emphasis in original) do not substantially exceed the burden which the State has defined as affordable exclusively for electricity."[4] The affordability of *electricity* bills to EAP participants should not be measured by reference to existing burdens for *total home energy bills* to *all* households. As the Colton Report noted, the citation of burdens for total home energy bill for the population as a whole was not to establish 6% as a new demarcation of affordability for electricity bills, but was rather to create a "context."

> As can be seen, total home energy burdens for New Hampshire's lowest income households (with income below 100% of Poverty) can be five to ten times higher than the average total home energy burden of the state's residential population as a whole.
>
> [Table omitted]

[3] EAP Order, at 12.

[4] Colton Report, at 4.

> This is the context that New Hampshire's EAP is offered. In the absence of EAP, electricity burdens for the lowest income households in the State are substantially higher than the burden targeted as affordable by the New Hampshire PUC.[5]

Existing electricity affordability for EAP participants should not be measured by reference to a bill-to-income ratio of 6% for total home energy. The 6% burden has become the standard most frequently relied upon by policymakers with respect to affordable home energy in the United States.[6] The 6% burden has been frequently adopted,[7] including in the states of Washington,[8] New York,[9] New Jersey,[10] Colorado,[11] and Illinois.[12] Most recently, the Connecticut Public Utilities Regulatory Authority (PURA) held that a 6% burden for total home energy costs was the appropriate definition of affordability.[13] Non-governmental organizations have also widely adopted this affordability measure.[14]

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[5] Colton Report, at 5.

[6] There are, however, nuances. For example, the Canadian measure is based on after-tax income, while the U.S. measures are based on gross household income.

[7] Six percent is based on the recognition that total shelter costs are generally deemed to be unaffordable to the extent that they exceed 30% of income. Moreover, total home energy costs (including both heating costs and non-heating electricity) tend to equal 20% of total shelter costs. A multiplication of those two data points (20% times 30%) yields the 6% figure.

[8] WASH ADMIN. CODE § 194-40-030 (2021) ("'Energy assistance need' means the amount of assistance necessary to achieve an energy burden equal to six percent for utility customers").

[9] New York Pub. Serv. Comm'n, Case 14-M-0565, *Order Adopting Low Income Program Modifications and Directing Utility Filings*, 7–48 (effective May 20, 2016) (favoring a 6% home energy burden level, including both heating fuels and non-heating electricity).

[10] New Jersey Dep't of Community. Affairs, *Universal Service Fund (USF)*, https://www.state.nj.us/dca/divisions/dhcr/faq/usf.html#q1 (last visited Mar. 24, 2023). (requiring USF customers who use natural gas for heating and electricity to pay 2% for their natural gas service and 2% for their electricity service. If, however, the customer uses electricity for heating, the entire 4% is devoted to the electricity service. The discount provided to customers is based on the difference between their annual utility bill (after LIHEAP is applied) and the required percentage of household income.).

[11] Code of Colorado Regulations, 4 CCR 723-3, Rule 3412(e)(1) ("Participant payments for electric bills rendered to participants shall not exceed an affordable percentage of income payment. The percentage of a participant's household income for which the participant is responsible shall be determined as follows: (A) for electric accounts for which electricity is the primary heating fuel, participant payments shall be no lower than three percent and not greater than six percent of the participant's household income; however, if the participant also has natural gas service from a regulated utility, participant payments shall not be greater than five percent of the participant's household income; and (B) for electric accounts for which electricity is not the primary heating fuel, participant payments shall be no lower than two percent and not greater than three percent of the participant's household income.")

[12] 305 ILL. COMP. STAT. 205/18(c)(2) (2022) (Illinois administers a percentage of income plan (PIP) that charges customers a maximum of 6% of their income for gas and electric service.).

[13] Connecticut Pub. Util. Reg. Auth., Dkt. No. 17-12-03RE11, Decision, 2 (Oct. 19, 2022).

[14] *See e.g.*, Am. Council for an Energy-Efficient Economy, Understanding Energy Affordability, available at https://aceee.org/sites/default/files/energy-affordability.pdf (last accessed May 2, 2023); Sierra Club, Calculate Your Energy Burden, available at https://www.sierraclub.org/energy-burden-calculator (last accessed May 2, 2023).

When the 6% burden is used to measure affordability, however, that 6% figure is applied to ***total*** home energy burdens. The total home energy burden captures both heating and non-heating energy consumption. It is not appropriately applied to electricity bills standing alone, unless those electricity bills include both heating and non-heating electric consumption.

When New Hampshire's EAP was created, the Commission decided to define its targeted electric burden as being a burden between 4% and 5% of household income. This decision was based on the observation that few New Hampshire households heat with electricity. Accordingly, the Commission concluded that applying a full 6% burden to electricity standing alone would be inappropriate.

As recently as 2023, the Commission's observation that few New Hampshire households heat with electricity remains correct. According to the 2023 American Community Survey (ACS), only 11% of New Hampshire households heat with electricity.

Housing Units by Home Heating Fuels
(New Hampshire 2023) (American Community Survey, Table B25040)

	Number of Households	Percent Households
Utility gas	118,533	21%
Bottled, tank, or LP gas	112,909	20%
Electricity	64,436	11%
Fuel oil, kerosene, etc.	221,554	39%
Coal or coke	320	0%
Wood	35,424	6%
Solar energy	1,544	0%
Other fuel	10,170	2%
No fuel used	4,603	1%
Total:	569,493	100.0%

As shown in the Table above, the primary heating fuel in New Hampshire is fuel oil/kerosene(39%), followed by utility gas (21%) and Bottled, Tank, or LP gas (20%). Assuming an affordable total home energy burden of 6%, setting the target affordable electricity burden at between 4% and 5% still remains within a zone of reasonableness. Setting a 6% home energy burden for non-heating electricity, however, crosses the line beyond that zone of reasonableness. According to the most recent Residential Energy Consumption Survey (RECS) published by the U.S. Department of Energy's Energy Information Administration (EIA/DOE),[15] home energy bills

[15] 2020 RECS, information released in June 2023.

in New Hampshire by fuel (for households using each fuel) range from $820 (natural gas) to $1,312 (electricity), to $1,042 (for propane), to $1,430 for fuel oil/kerosene.

Annual Household Fuel Expenditure by Fuel (of households using the fuel) (New Hampshire 2020) (EIA/DOE Residential Energy Consumption Survey, Table CE2.6.ST)				
Total	Electricity	Natural Gas	Propane	Fuel Oil/Kerosene
$2,530	$1,312	$820	$1,042	$1,430

As can be seen, particularly adopting the principle that I (Mr. Colton) articulated at the EAP April 18, 2024 Hearing, "affordable burdens" should be defined in terms of "whole percentages" to avoid implying a level of precision that does not really exist, it is evident that allocating the total 6% burden as 4% for electricity and 2% for non-electric heating is more appropriate than dividing the 6% burden 50-50 (3%/3%) between electricity and non-electric heating. See April 18, 2024 Hearing Transcript at 52-53. (If a home heats with electricity, one would use the 6% burden for total home energy, however EAP records do not indicate which homes heat with electricity.)

The discounts recommended by me tend to result in "modified" EAP burdens at the high end of electric affordability. For Tier 6, for example, even an 86% discount results in an electric burden of 5.0% on average for that income tier. The discounts recommended for Tiers 3, 4 and 5 all result in expected electric burdens of 5.1%. Exhibit 3, (Colton Report, at Table 31, page 47). Only Tier 2, which the Commission chooses to modify, has a discount that results in an electricity burden lower than the rest and squarely in the middle of the affordable range of 4% to 5% (4.5%).

Splitting Tier 2 into two sub-tiers was not the recommendation advanced in the Colton Report. Indeed, I stated that it might *appear* reasonable to split Tier 2 into two sub-tiers[16] "at first blush." (Colton Report, at page 55). However, I went on to condition my discussion of limiting the maximum income for EAP to 200% of Federal Poverty Level on two observations: (1) if "there is a *need to reduce program costs* in some aspect of the program, *in order to have sufficient funds to provide adequate discounts to the lower income Tiers*", and (2) even then doing so only "*rather than reducing the discounts to the lower EAP Tiers*." Exhibit 3 (Colton Report, at 55) (emphasis added). In addition, as stated below, other alternate approaches may be available and preferable.

The first of these two preconditions (a need to reduce program costs in order to have sufficient funds) does not exist in New Hampshire at this time. Instead, there are sufficient funds in the EAP to fund the full discounts for all EAP tiers. *See*, Technical Statement of Amanda Noonan on behalf

[16] Tier 2A with income between 150% and 200% of Poverty and Tier 2B with income exceeding 200% of Poverty up to 60% of State Median Income.

of the New Hampshire Department of Energy filed this day. The second of these two preconditions is addressed in greater detail in the next section.

In sum, support for the elimination of discounts to households with income greater than 200% of FPL but less than 60% SMI, cannot be found in the Colton Report. Indeed, I recommend the contrary: "The recommendation is that no modification of Tier 2 occur at this time." Exhibit 3 (Colton Report, page 55). The fact that total home energy burdens for the population as a whole (all incomes) may be affordable does not detract from this conclusion.

Given the data and discussion above, I recommend that the New Hampshire EAP program retain its Tier 2 income levels as they currently exist.

Part 2. Reducing Maximum Income Eligibility to 200% of FPL Is Inefficient in that it Eliminates Benefits to Households in Need with Any Potential Savings Available for Redistribution to Lower Income Tiers Being Minimal at Best.

In the Commission's Order No. 27,031, subject to rehearing pursuant to Order No. 27,048, the Commission stated that its charge is 'to seek the most administratively efficient and best use of the EAP funds. . ."[17] The Commission cited a previous Commission order stating that it 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."[18] Rather than "maximizing benefits" to the intended beneficiaries, the Commission's decision provides $0 of benefits to some intended beneficiaries even though any savings that might be subject to redistribution would be minimal.

The Commission's Order 27,031 appears to have overlooked those sections of the Colton Report documenting the payment difficulties faced by households that fall between 200% of FPL and 60% of SMI. The Commission's decision in this proceeding to limit maximum income eligibility to 200% of FPL is inefficient because it eliminates benefits to households in need with any potential savings available for redistribution to lower income tiers being minimal at best.

While my EAP report was not couched in terms of the statutory language that EAP should be operated in an administratively efficient manner, my report addresses the substantive issue of efficient operations. According to my evaluation, setting the maximum income limit for EAP eligibility at 200% of FPL should occur *only* if there "is a need to reduce program costs in some aspect of the program in order to have sufficient funds to provide adequate discounts to the lower income Tiers." Exhibit 3 (Colton Report, at 55). As noted in Ms. Noonan's Technical Statement

[17] EAP Order, at 8.

[18] EAP Order, at 9.

(October 31, 2024), alternate options, including waiting lists could also be considered were there a need to reduce program costs.

According to New Hampshire's EAP Administrator, Liza Reynolds, as of July 2024, the distribution of EAP participants by income tier shows that 5,900 EAP participants would have discounts eliminated by setting the maximum eligible income limit equal to 200% of FPL rather than 60% of State Median Income. Assuming an annual electric bill of $1,300, elimination of the 5% bill discount to these 5,900 households would reduce the annual cost of the EAP by $383,500.[19]

Distribution of EAP Participants by Income Tier (July 2024)	
Tier 2 (total	12,730
Tier 2 (>200% FPL – 60% SMI)	5,900
Tier 2 (<60% SMI – 200% FPL)	6,830
Tier 3	4,598
Tier 4	4,766
Tier 5	4,935
Tier 6	4,928
Total	31,957

That savings would not generate "sufficient funds to provide adequate discounts to the lower income tiers," the potential justification I proffered in the Colton Report. Increasing the discount for each EAP tier (except the other Tier 2 sub-tier) by 1% would be financially feasible as shown in the Table below. However, this redistribution of EAP benefits does not achieve the sought-after objective, *i.e.*, sufficient funds to provide adequate discounts to the lower income tiers. Even after expanding the discount by 1% for each tier, the resulting electric burden remains at 5.0% for Tier 3 through Tier 5, and 4.8% for Tier 6.

[19] $1,300 annual bill x 5% discount = $65 program cost reduction per participant x 5,900 participants = $383,500.

Tiers	New Discount	Resulting Burden	EAP Households	EAP Bill	Additional Discount (%)	Additional Discount ($s)	Additional Cost
3	20%	5.0%	4,598	$1,300	1%	$13	$59,774
4	37%	5.0%	4,766	$1,300	1%	$13	$61,958
5	55%	5.0%	4,935	$1,300	1%	$13	$64,155
6	87%	4.8%	4,928	$1,300	1%	$13	$64,064
Total cost							$249,951
Dollars available for redistribution							$383,500

In contrast, if one were to expand the discounts in the lower income ranges by 2% each, as is shown in the Table below, the dollar cost of the expansion ($499,902) would exceed the dollars made available by reducing the maximum income eligibility ($383,500), while not appreciably further reducing the resulting electric burdens.

Tiers	New Discount	Resulting Burden	EAP Households	EAP Bill	Additional Annual Discount (%)	Additional Annual Discount ($s)	Additional Cost of Increasing Discount
3	21%	5.0%	4,598	$1,300	2%	$26	$119,548
4	38%	5.0%	4,766	$1,300	2%	$26	$123,916
5	56%	4.9%	4,935	$1,300	2%	$26	$128,310
6	88%	4.6%	4,928	$1,300	2%	$26	$128,128
Total cost of increasing each non-Tier 2 discount by 2%							$499,902
Available $ from reducing Tier 2 income eligibility							$383,500

At the same time this reallocation of funds is being pursued, with no appreciable improvement in affordability for the lower income tiers, 5,900 New Hampshire households would be completely denied the EAP assistance that they currently receive. In addition, this lack of ability to improve the affordability of bills to lower income households would come at the cost of increased difficulties (and increased costs) in administrating two separate programs (Fuel Assistance, EAP) with two different income eligibility standards.

In short, eliminating EAP discounts for households with income in excess of 200% of FPL but below 60% of SMI simply does not provide adequate additional dollars to make a meaningful contribution to reducing electric burdens for remaining customers. If the program dollar reduction generated by the elimination of benefits to this group of EAP participants was distributed evenly

over all other EAP participants (outside of Tier 2), each participant would receive an additional benefit of only $1.66 per month (roughly $20 per year).[20]

Based on the data and discussion above, the Commission should reconsider and reverse its decision that the most efficient use of EAP funds is to reduce maximum EAP income eligibility to 200% of FPL. Reducing maximum income eligibility to 200% of FPL is inefficient in that it eliminates EAP benefits to households in need with any potential savings available for redistribution being minimal at best.

Part 3. Eliminating EAP Assistance to Households with Income Between 200% FPL and 60% SMI Overlooks the Aspects of the Colton Report Showing Payment Difficulties with Households at this Income Range.

In the Commission's Order No. 27,031, subject to rehearing pursuant to Order No. 27,048, the Commission concluded that reducing the maximum EAP income eligibility to 200% of FPL was needed "to achieve parity in energy burdens across tiers [and to] better align with energy burdens across the state. . ." amongst other things. Order No. 27, 031 at 12. The Commission seems to have overlooked, however, those portions of the Colton Report demonstrating the payment difficulties faced by households with income that falls between 200% of FPL and 60% of SMI.

Eliminating EAP assistance to households with income between 200% FPL and 60% SMI does not take into account the information first presented in the Colton Report documenting that these households continue to have payment difficulties, even when eligible for EAP benefits. The Colton Report examined data from the Census Bureau's Household PULSE Survey (HPS). While originally initiated to track the impacts of the novel coronavirus health pandemic (COVID-19), the Census Bureau has continued the HPS as a way to "quickly and efficiently deploy data collected on how emergent issues are impacting U.S. households from a social and economic perspective."[21] While the Colton Report used data for New Hampshire that was current at the time that Report was prepared, the discussion below builds on the Colton analysis, but uses the HPS data most recently reported.[22] The data reported in the HPS tables is presented on a state-specific basis. The discussion below examines New Hampshire-specific data.

The most recent HPS data for New Hampshire reports that more than 40% of New Hampshire households with an income of income up to $75,000 reported that paying their "usual household expenses" in the past seven days has been either "somewhat difficult" or "very difficult." Only when household income increased to more than $100,000 did more than half of households report that it was "not at all difficult" to pay their usual household expenses, and only when annual

[20] $383,500 / 19,227 (participants in Tier 3 – Tier 6).

[21] https://www.census.gov/programs-surveys/household-pulse-survey/data/tables.html

[22] The most recent HPS data is for the period August 20, 2024 through September 16, 2024.

income in New Hampshire increased to more than $150,000 did more than 90% of households report that it was either "not at all difficult" or only "a little difficult" to pay their usual household expenses.

Difficulty Paying Usual Household Expenses in the Last 7 Days, by Select Characteristics: New Hampshire (August 20, 2024 – September 16, 2024)

Household income	Not at all difficult	A little difficult	Somewhat difficult	Very difficult	Total
Less than $25,000	12.5%	17.7%	48.5%	21.3%	100.0%
$25,000 - $34,999	16.6%	34.8%	17.5%	31.1%	100.0%
$35,000 - $49,999	31.1%	23.2%	11.8%	33.8%	100.0%
$50,000 - $74,999	25.0%	33.9%	23.6%	17.5%	100.0%
$75,000 - $99,999	42.7%	33.5%	11.0%	12.8%	100.0%
$100,000 - $149,999	55.8%	22.1%	9.2%	12.9%	100.0%
$150,000 - $199,999	73.0%	22.9%	2.8%	1.3%	100.0%
$200,000 and above	81.0%	15.6%	3.3%	0.0%	100.0%

Similar results are seen when the HPS reports data on how much stress price increases have imposed on households. Only when annual incomes increase to more than $100,000 did the percentage of households for whom price increases were either "very stressful" or "moderately stressful" fall below 50%. Even households with income in the range of $75,000 to $99,999 reported that price increase were either "very stressful" (43.0%) or "moderately stressful" (25.9%) nearly 70% of the time. The difference between the percentage of households with income $100,000 or more, and those with income less than $100,000, reporting that price increases were "not at all stressful" is striking, with the higher income households reporting a lack of stress ("a little stressful", "not all stressful") between two and four times more frequently than did the lower income households.

Stress Caused by Price Increases, by Select Characteristics: New Hampshire (August 20, 2024 to September 16, 2024)					
Household income	Very stressful	Moderately stressful	A little stressful	Not at all stressful	Total[23]
Less than $25,000	64.4%	17.5%	13.3%	3.1%	98.4%
$25,000 - $34,999	57.1%	23.4%	17.4%	2.0%	100.0%
$35,000 - $49,999	51.2%	19.7%	26.9%	1.1%	98.9%
$50,000 - $74,999	49.6%	21.7%	27.5%	1.2%	100.0%
$75,000 - $99,999	43.0%	25.9%	24.7%	5.1%	98.7%
$100,000 - $149,999	24.5%	22.3%	43.2%	9.9%	100.0%
$150,000 - $199,999	14.1%	38.3%	33.2%	13.4%	99.0%
$200,000 and above	16.8%	21.6%	52.1%	4.5%	95.0%

The economic hardship, and household stress, reported above translates into unpaid utility bills in New Hampshire. According to the most recent HPS data, only when annual incomes exceeded $100,000 in New Hampshire did the proportion of households reporting that they were "unable to pay an energy bill or unable to pay the full bill amount" fall to 0%. In contrast, only when annual income increased to more than $75,000 did the proportion of households who reported that they "never" were unable to pay an energy bill or unable to pay the full bill amount increase to more than 80%. The New Hampshire HPS data reports a dramatic difference in the ability to pay an energy bill, or the full amount of an energy bill, between households with income exceeding $100,000 and households with lower incomes.

[23] Not all rows sum to 100% since some respondents did not provide data.

Household was unable to pay an energy bill or unable to pay the full bill amount: New Hampshire (August 20, 2024 – September 16, 2024)				
	Almost every month	Some months	1 or two months	Never
Less than $25,000	7.2%	20.4%	4.7%	67.7%
$25,000 - $34,999	4.1%	10.5%	12.4%	72.7%
$35,000 - $49,999	7.1%	6.6%	21.1%	65.2%
$50,000 - $74,999	3.7%	19.2%	14.0%	63.1%
$75,000 - $99,999	3.1%	10.5%	4.1%	82.3%
$100,000 - $149,999	0.0%	7.5%	5.5%	87.0%
$150,000 - $199,999	0.0%	3.5%	2.4%	94.1%
$200,000 and above	0.0%	0.0%	0.0%	100.0%

The HPS data discussed above is significant for purposes of EAP eligibility. The Table below shows the minimum and maximum income levels, by household size, for households with income between 200% of FPL and 60% of SMI. Households with five persons have income in this income tier (2024) of between $73,160 (200% FPL) and $92,880 (60% SMI).

The HPS data, current as of August/September 2024, in other words, documents that the income ranges for which the Commission has proposed to eliminate EAP benefits continue to have bill payment difficulties in 2024, even while eligible for EAP benefits.

Income at 200% FPL and 60% SMI by Household Size (1 – 5 person households) (2024) (New Hampshire)		
Household Size	200% FPL (2024)	60% SMI (024)
1	$30,120	$41,635
2	$40,880	$54,446
3	$51,640	$67,257
4	$62,400	$80,069
5	$73,160	$92,880

The data above documents that the New Hampshire households which the Commission is choosing to exclude from eligibility to receive EAP include households that are likely to report having difficulty paying their bills. This population includes households who are reporting that price increases in the late summer/early fall of 2024 are imposing substantial household "stress."

The fact that these payment difficulties also present themselves in terms of utility bill payment difficulties comes as no surprise. The Colton Report presented a distribution of all EAP accounts by the level of arrears.[24] The Table below expands that data by comparing a distribution of arrears for Tier 2 accounts, standing alone, to the distribution of arrears for all accounts for selected months. While the percentages are not identical, they are sufficiently similar to conclude that EAP is performing the function it is intended to perform for the Tier 2 households. It is not possible to examine the Tier 2 payment performance and conclude that bills are *more* payable at that income level than they are for the remaining Tiers of the EAP.

Percentage of All Accounts and Tier 2 Accounts by Level of Arrears[25]
(selected months from May 2021 to April 2022)[26]

Arrears	May-21		Jul-21		Oct-21		Jan-22		Apr-22	
	All EAP	Tier 2	All EAP	Tier 2	All EAP	Tier 2	All EAP	Tier 2	All EAP	Tier 2
Less than $0	9%	7%	9%	7%	7%	6%	12%	9%	11%	7%
Equal to $0	60%	59%	60%	60%	59%	59%	55%	58%	60%	63%
More than $0	31%	34%	31%	33%	34%	35%	32%	32%	29%	29%

If bill discounts were eliminated for the income range between 200% of FPL and 60% of State Median Income, it would be reasonable to expect payment performance to decline as a result. This result would not only generate adverse impacts to the households in this income range, but it would make it likely that utilities will experience an increase in costs associated with the poorer payment performance.

Given the data and discussion in this section, I recommend that the New Hampshire EAP retain its existing Tier 2 discounts in order to continue to address the payment difficulties faced by households with income falling between 200% of FPL and 60% of SMI.

Part 4. The Decision of the New Hampshire Commission to Eliminate EAP Benefits for Households with Income Exceeding 200% of Poverty Penalizes the State's "Working Poor."

In the Commission's Order No. 27,031, subject to rehearing pursuant to Order No. 27,048, the Commission found that while the average total energy burden for New Hampshire ratepayers is approximately 5 percent, the "'commonly accepted definition of an affordable percentage of

[24] Colton Report, Table 14, page 25.

[25] Totals may not add to 100% due to rounding.

[26] May 2021 through April 2022 was the time period studied in the Colton Report. The months selected represent arrears at the end of the winter heating season (May, April), in the middle of summer (July), at the beginning of the winter heating season (October), and in mid-winter (January).

income [is] 6%.'. . .[T]he Tier 2 burden is also lower than the burdens of the remaining EAP tiers."[27] The impropriety of comparing the *electric* burdens for Tier 2 standing alone to the total home energy burdens (heating plus electricity) for the total population (at all income levels) was addressed in more detail above.

In addition, however, the decision of the New Hampshire PUC to eliminate EAP benefits for households with income falling between 200% of FPL and 60% of SMI overlooks the harsh consequences which such a decision imposes on the State's "working poor." Households with income in this subset of Tier 2 (*i.e.*, exceeding 200% of FPL but below 60% of SMI) will be the working poor. They are not households who derive income from public assistance programs, but instead rely upon earned income. Despite their marginally higher incomes, these working poor households face difficulties not faced by households with lower income levels.

A. The problems of the "working poor" are frequently reviewed as "ALICE" households.

The particular problems of the "working poor" are frequently considered as comprising the "ALICE" population as examined by the United Way nationwide. ALICE is the acronym for "Asset-Limited, Income-Constrained, Employed" households. While the ALICE initiative has not (yet) prepared a report using data specific to New Hampshire, it has documented the problems facing these households nationwide. According to the most recent (2020) ALICE report:

> The core of the problem is a simple fact: The cost of household basics is higher than the wages of many of the most common occupations. The Household Survival Budget reports the cost of the essentials (housing, child care, food, transportation, health care, and a smartphone plan, plus taxes) needed to live and work in the modern economy. In 2018, the average annual budget for a family with two adults and two children in child care was $67,476 — three times the FPL ($25,100) and more than the median wages of each of the four most common occupations nationwide (Figure 1). For example, a family with both parents working full time — one in retail sales earning the median hourly wage of $11.63, and the other in food preparation earning $10.22 per hour — cannot afford this budget. A family with the next two most common occupations — office clerk ($15.74 per hour) and cashier ($10.78 per hour) — also falls short.[28]

[27] EAP Order, at 12.

[28] United for ALICE (December 2020). "On Uneven Ground: ALICE and Financial Hardship in the U.S," at 4. available at chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/file:///C:/Users/Roger/Dropbox/FSC%20directories/NH%20EAP%202024/2020AliceReport_National_Final.pdf

According to the 2020 ALICE Report, 35% of all New Hampshire households live below the ALICE threshold.[29]

From a utility perspective, one attribute of ALICE households is their inability to generate savings. The 2020 ALICE study reported:

> Low wages make it impossible to save, yet they are often just high enough to keep families from receiving public assistance. As a result, many ALICE families suffer from a vicious cycle of budget shortfalls: A failure to pay bills on time leads to fees, penalties, and low credit scores, which in turn increase interest rates, insurance rates, and costs for other financial transactions (from check-cashing to credit card fees). The costs of financial instability are cumulative and intensify over time.* * *If there is an emergency — anything from a car repair to a medical crisis — there is no savings safety net to fall back on. The lack of savings is widespread in the U.S: 42% of U.S. households had not set aside any money in 2017 that could be used for unexpected expenses or emergencies such as illness or the loss of a job.[30]

The problems identified in the ALICE report apply to customers of New Hampshire's electric utilities. Just as the ALICE Report states that "a failure to pay bills on time leads to fees [and] penalties," having difficulties paying electric bills in New Hampshire results in an increase in those bills as late payment charges are imposed. Just as the lack of savings would impede a household's ability to respond to "the costs of financial instability" (whether it be an unexpected expense or an unexpected loss of income), the lack of savings would impede a New Hampshire ALICE household's ability to make timely payment of the household's electric bills.

B. Eliminating EAP discounts to the "working poor" ignores income attributes not associated with the level of income.

A second attribute of the income of New Hampshire's working poor households that helps to explain the need for EAP assistance involves not merely the *level* of income but involves what is known as the *fragility* of income as well. Low-income workers can have their ability to pay utility bills threatened due to unavoidable disruptions in their economic lives. A personal illness requiring time off, or the illness of a child requiring time off, generally represents a permanent loss of income. The jobs of low-wage workers simply do not provide the paid leave required to respond to such circumstances.[31] The Chart below, for example, shows the percentage of workers with paid sick leave by wage level as reported by the U.S. Census Bureau. As can be seen, the

[29] Id., at 6.

[30] Id., at 11.

[31] Claxton and Levitt (March 2020). Paid Sick Leave is Much Less Common for Lower-Wage Workers in Private Industry, Kaiser Family Foundation.

percentage of workers with paid sick leave drops from three-quarters (77%) (for the second quartile) to fewer than half (first quartile). Fewer than one-third (30%) of workers in the lowest 10% of workers (by wage level) have access to paid sick leave.

The vulnerabilities faced by low wage workers to economic disruptions due to the lack of paid leave has been well-documented.[32] The difference is particularly evident for women. The Kaiser Family Foundation reports that "across the board, low-income women and those with part-time employment are less likely to be offered any of these benefits compared to their higher income and full-time counterparts."[33] The KFF data is set forth in the Table below. KFF reports that "low-income mothers who must miss work when their child is sick are far more likely to lose pay (75%) compared to higher income mothers (33%).[34]

Working Women who are low-income or in part-time jobs are less likely to be offered employer benefits such as paid sick leave and parental leave				
	Paid Vacation	Paid Sick Leave	Paid Parental Leave	Paid Family and Medical Leave
Income				
<200% FPL	51%	46%	27%	28%
=>200% FPL	74%	73%	48%	45%
Work Status				
Part-time	37%	35%	20%	19%
Full-time	78%	75%	50%	48%

[32] Claxton (March 2020). Paid Sick Leave is much less common for lower-wage workers in private industry, Kaiser Family Foundation (Lower wageworkers are much more likely to lack access to paid sick leave. "Among the 25% of private industry occupations with the lowest wages ($13.25 per hour or less) 47% have access to paid sick leave; for the 10% of private industry occupations with the lowest wages ($10.48 per hour or less), the percentage with access to paid sick leave falls to 30%. Workers in higher-wage occupations are much more likely to have access to this benefit. For example, 77% of private industry workers with occupations in the second wage quartile ($13.25 to $19.00 per hour) have access to paid sick leave, with the percentage rising up to 90% of private industry workers with occupations in the top wage quartile.") See also, Ranji, et al. (Dec. 2020). Coronavirus puts a spotlight on paid leave policies, Kaiser Family Foundation; Boyens, Karpman, and Smalligan (July 2022). Access to paid leave is lowest among workers with the greatest needs: Findings from the December 2021 well-being and basic needs survey, Urban Institute.

[33] Ranji, et al. (April 2021). Difficulty Tradeoffs: Key Findings on Workplace Benefits and Family Health Care Responsibilities from the 2020 KFF Women's Health Survey, Kaiser Family Foundation.

[34] Id.

It is not, however, simply the lack of paid leave that presents situations leading to a potential inability to pay utility bills at a particular time. It is the lack of ***flexible*** work arrangements. One study reports that "many lower-wage workers are caring for multiple children, generally in homes where both parents are working or in single parent homes. Many also are providing care to elderly relatives or other family members with significant health conditions. Yet others have acute or chronic medical conditions themselves that often require medical treatment or time away from work. Thus, unlike higher-wage workers, many lower-wage workers need flexible scheduling, alternative start and end times, compressed workweeks, and the ability to work some hours at home (providing the job can be done at home)."[35] Nonetheless, "lower wage and lower-income workers have fewer options and less access to flexible work arrangements than higher-wage and higher-income workers."[36]

Based on the data and discussion above, the Commission should reconsider and reverse its decision to reduce maximum EAP income eligibility to 200% of FPL. I conclude that the decision of the New Hampshire PUC to eliminate EAP benefits for households with income falling between 200% of FPL and 60% of SMI overlooks the harsh consequences which such a decision imposes on the State's "working poor." The Commission decision overlooks information documenting how, despite their marginally higher incomes, these working poor households face difficulties not faced by households with lower income levels.

Part 5. Now is Not a Good Time to Eliminate EAP Benefits to Any Low-Income Households Due to Today's Economic Environment and Given that the EAP is Fully-Funded.

In the Commission's Order No. 27,031, subject to rehearing pursuant to Order 27,048, the Commission eliminated EAP benefits to a significant segment of the population that is currently eligible for Tier 2 benefits without evidence regarding the current economic environment particularly affecting those households, and without evidence of the availability of adequate funding for the EAP.

In considering how to structure the EAP, the New Hampshire PUC should take into account not merely whether it believes there is a justification for modifying the program, but should consider, also, the timing of any such modifications. Today's economic environment, in which the impacts of inflation are still being disproportionately felt by low-income households, does not present a good time to reduce EAP benefits to a segment of those low-income households.

[35] Danziger and Boots (2008). Lower-Wage Workers and Flexible Work Arrangements, Urban Institute, Georgetown University Law Center.

[36] Id.

The impact of inflation is felt most severely by low-income households. Research by the U.S. Department of Labor's Bureau of Labor Statistics (BLS)[37] reports that "consumers with different incomes experience inflation quite differently."[38] According to this research, the lowest earning households spend a disproportionately higher share of their household budget on household necessities such as rent, food, and medical care.

Household budget shares of expenditure items for lowest and highest income quartiles, 2017–2018[39]

Expenditure	Lowest Income Quartile	Highest Income Quartile
Rent (including owner's equivalent rent)	34.93%	27.93%
Food at home	9.44%	6.58%
Medical care	8.36%	8.09%
Household utilities	4.36%	2.73%
Motor fuels	3.46%	3.42%
Motor vehicle operation	3.44%	3.40%
Telephone service	2.32%	2.00%

While low income households pay more of their budgeted income for this basket of essential goods, it is also important to note that the BLS researchers found that, "prices for motor fuel, medical care, fuel and utilities, and shelter rose faster than the overall average. . . ."[40] Thus, "[b]ecause the lowest income households dedicate more of their spending on these categories," the BLS researchers found, "their overall inflation rates grew faster than highest income households."

These differences in "budget shares" have an impact on the extent to which inflation adversely affects low-income households. Researchers at the Federal Reserve Bank of Dallas found that the "stress" being placed on households by high inflation is much greater for low-income households

[37] BLS is the agency that calculates and reports the "rate of inflation" (*i.e.*, the Consumer Price Index[CPI]) each month.

[38] Klick and Stockburger (December 2022). Spotlight on Statistics: Inflation Experiences for Lower and Higher Income Households, U.S. Department of Labor, Bureau of Labor Statistics, available at https://www.bls.gov/spotlight/2022/inflation-experiences-for-lower-and-higher-income-households/home.htm

[39] Id.

[40] Id.

and low-income households have fewer resources and fewer options to mitigate the impact of inflation. They explained:

> Prior research suggests that inflation hits low-income households hardest for several reasons. They spend more of their income on necessities such as food, gas and rent—categories with greater-than-average inflation rates—leaving few ways to reduce spending. When prices rise, middle-income households may react by consuming cheaper goods and buying more generic brands. Low-income households do not have the same flexibility; in many cases, they are already consuming the cheapest products.

Additionally, many low-income households lack the ability of higher-income households to stock up when prices are discounted, buy in bulk and save, delay purchases if there is an opportunity to save in the future or buy more cheaply online. Low-income households are also likely to have smaller cash buffers to tide them over a period of high inflation.[41]

The data is clear and consistent. Lower income families expend a greater share of their income on necessities which as a whole tend to have higher inflation rates; have smaller financial cushions to mitigate the impact of inflation; and may have less of an ability to switch to lower-priced alternatives. As Lael Brainard, a member of the Board of Governors of the Federal Reserve System, concluded, "All Americans are confronting higher prices, but the burden is particularly great for households with more limited resources."[42]

Given the data and discussion above, particularly given that EAP is currently fully funded, see Amanda Noonan Technical Statement (October 31, 2024) today's economic environment presents a less than ideal time for the Commission to eliminate the delivery of EAP benefits to any income tier within the EAP. Accordingly, I recommend that the Commission reconsider and reverse its decision to eliminate EAP benefits for Tier 2 households with income between 200% of FPL and 60% of SMI.

Part 6. The New Hampshire EAP Discounts Do Not Exceed Discount Benefits Provided in Other States.

In the Commission's Order No. 27,031, subject to rehearing pursuant to Order No. 27,048, the Commission found that "Tier 6 is the highest electric discount in the country. . ."[43] and the

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[41] Jayashankar and Murphy (January 2023). High inflation disproportionately hurts low-income households, Federal Reserve Bank of Dallas, available at https://www.dallasfed.org/research/economics/2023/0110#:~:text=Low%2Dincome%20households%20most%20stressed,few%20ways%20to%20reduce%20spending%20.

[42] Brainard (April 2022). Variations in the inflation experiences of households, available at https://www.federalreserve.gov/newsevents/speech/brainard20220405a.htm

[43] EAP Order, at 11, citing Colton, April 18, 2024, Tr. At pages 77 – 78.

Commission cited my April 18 2024 hearing testimony in support. The Commission construed that testimony as saying that outside of New Hampshire, ". . . the only region in the country that currently has low-income discounts in the 80-percent range. . .are gas companies in metropolitan Chicago."[44] While this statement does not directly relate to whether the Commission should reduce maximum EAP income eligibility to 200% of FPL, the discussion below responds to this Commission's conclusion with some clarification.

The first clarification is that my referenced testimony was limited to discounts provided by public utilities *offering a tiered discount* rate such as that offered by the New Hampshire EAP. States that offer percentage of income programs (*e.g.*, New Jersey, Colorado, Nevada, Pennsylvania) routinely offer discounts of 80% or more of the electric bill. In New Hampshire, the size of the Tier 6 discount is not because the EAP is being particularly generous, but rather because that is the discount that is needed to achieve an affordable electric burden. Thus, the willingness of a utility to offer a discount of a magnitude similar to the New Hampshire EAP if needed to achieve affordability already existed in percentage of income plans as of the April 18, 2024 Hearing.

In addition, in the months since the April 18, 2024 hearing, additional utilities have adopted tiered discount rates that are as high as New Hampshire's EAP. Most recently, on October 25, 2024, the Oregon Public Utilities Commission (OPUC) approved the settlement of a Northwest Natural Gas Company rate case which provides for the highest discount level (for the lowest income tier) to be 85%.[45] Moreover, in the October 24, 2024 Proposed Decision in the pending Illinois-American Water Company proceeding,[46] the Commission's ALJ adopted agreed-upon water and wastewater discounts with a maximum discount of 80% for customers with income at or below 50% of FPL.

Finally, Commonwealth Edison Company, the electric utility primarily serving the Chicago region, has proposed an electric tiered discount that largely mirrors the tiered discounts which the Illinois Commerce Commission directed be adopted by the natural gas utilities serving basically the same service territory.[47]

In sum, while not directly affecting the decision on whether to reduce the maximum New Hampshire EAP income eligibility to 200% of FPL, it should be noted that the Commission's observation is perhaps already somewhat dated with respect to tiered discount programs. Moreover, the Commission's observation that New Hampshire offered among the highest discount level nationally is incomplete to the extent that it does not acknowledge that discounts provided

[44] Id.

[45] Re. Northwest Natural Gas Company, Case UG-490, Oregon PUC Order, approving Second Partial Stipulation (July 24, 2024).

[46] Re. Illinois American Water Company, Docket No. 24-0097.

[47] Re. Commonwealth Edison Company, Illinois Commerce Commission Docket 24-0163, filed March 11, 2024 (Proposed Order due December 16, 2024).

through percentage of income programs routinely reach 80% or more of a program participant's bill.

Summary and Conclusions

The discussion above explains how the New Hampshire Public Utilities Commission has misunderstood or overlooked information provided in the September 2022 Colton Report when it decided to limit maximum income eligibility for the State's EAP to 200% of FPL. In addition, the discussion provides further information in support of maintaining Tier 2 income eligibility up to and including 60% of State Median Income (SMI).

My review of the data above concludes that support for the elimination of discounts to households with income greater than 200% of FPL but less than 60% SMI cannot be found in the Colton Report. Indeed, that Report recommends to the contrary: "The recommendation is that no modification of Tier 2 occur at this time." Exhibit 3 (Colton Report, page 55). The fact that total home energy burdens for the population as a whole (all incomes) may be affordable does not detract from this conclusion.

Moreover, my discussion above finds that the Commission's Order No. 27,031 appears to have overlooked those sections of the Colton Report documenting the payment difficulties faced by households that fall between 200% of FPL and 60% of SMI. The Commission's decision in this proceeding to limit maximum income eligibility to 200% of FPL is inefficient because it eliminates benefits to households in need with any potential savings available for redistribution to lower income tiers being minimal at best.

In its decision to eliminate EAP benefits for households with income that falls between 200% of FPL and 60% of SMI, the Commission seems to have overlooked those portions of the Colton Report demonstrating the payment difficulties faced by these households. Eliminating EAP assistance to households with income between 200% FPL and 60% SMI does not take into account the information first presented in the Colton Report documenting that these households continue to have payment difficulties, even when eligible for the EAP.

In addition, the decision of the New Hampshire PUC to eliminate EAP benefits for households with income falling between 200% of FPL and 60% of SMI overlooks the harsh consequences which such a decision imposes on the State's "working poor." Households with income in this subset of Tier 2 (*i.e.*, exceeding 200% of FPL but below 60% of SMI) will be the working poor. They are not households who derive income from public assistance programs, but instead rely upon earned income. Despite their marginally higher incomes, these working poor households face difficulties not faced by households with lower income levels.

Finally, in considering how to structure the EAP, the New Hampshire PUC should take into account not merely whether it believes there is a justification for modifying the program, but should

consider, also, the timing of any such modifications. Today's economic environment, in which the impacts of inflation are still being disproportionately felt by low-income households, does not present a good time to reduce EAP benefits to a segment of those low-income households.

Given the data and discussion presented above, I ultimately recommend that the New Hampshire EAP program retain its Tier 2 income levels as currently exist.