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**BILL: SB 4 Eliminates universal energy charge funding low-income energy assistance and conservation programs**

**NEVADA STATE WELFARE DIVISION**

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Good morning Chairman Townsend and members of the Committee. I am Nancy Ford, Administrator of the State Welfare Division. I am here to provide information on the universal energy charge, also known as UEC. SB4 eliminates the UEC funding for low-income energy assistance and conservation programs. Before consideration of this bill is taken, I would like to share some facts.

As the Committee may recall, the Welfare Division was given the responsibility to administer the UEC funds collected by the Public Utility Commission. I am only going to address the use of UEC funds received by the Welfare Division for the Energy Assistance Program. A representative from the Housing Division will address UEC funds used for energy conservation. It is my understanding some information on the Energy Assistance Program was provided to the Legislative Counsel Bureau, Research Division, which has been shared with you. This included a spreadsheet on Energy Assistance Program receipts from July 1, 2001 through June 30, 2002 (\$6,824,492 plus \$25,126 in interest for a total of \$6,849,618), the FY 2003 payment ranges and the FY 2003 administrative costs. It is also my understanding you have received copies of the first evaluation covering FY02 and the first half of this fiscal year.

FY 2002 was the first year the UEC funds were collected and obligations incurred using these funds (\$2,051,303) with an average payment of \$293. For the FY 02 program year, the old Low Income Home Energy Assistance (LIHEA) rules (points for income, household size, fuel types and vulnerability) were used. A copy of the matrix showing the rules is attached to the evaluation as Attachment 10. A total of 15,665 low-income households received energy assistance in FY 02 - up from 9,025 in FY01, an increase of 74% due to the availability of the UEC funds. Without these funds, the program would have exhausted the LIHEA funds by January 2002.

The fixed annual credit (FAC) benefit method was implemented starting with FY 03. The FAC is a much more complicated method of determining what an energy assistance benefit might be. The FAC is the amount of money sufficient to reduce the applying household's percentage of income spent on natural gas and electricity (household's energy burden) to the median percentage of household income spent on natural gas and electricity statewide (median energy burden). The FY 03 Nevada median energy burden for electricity and heating fuel is 4.27% of a household's income.

A complex computer system has been developed to help determine the FAC benefit. This system came online July 1, 2002. The FAC benefit is computed by:

1. Identifying the household's annual income and applying the 4.27% to determine the amount the household is expected to pay for their energy.

2. Identifying the household's annual usage in dollars from all energy sources (electricity, gas, propane, oil, etc.) and,
3. Comparing the 4.27% figure to the household's annual dollar usage.
  - a. If the household's annual dollar usage is greater than 4.27% of the household's income, the difference is the FAC.
  - b. If the household's annual dollar usage is less than 4.27% of the household's income, the household does not receive a FAC.

To help determine the FAC, the energy assistance computer program interfaces with the three major utilities (Sierra Pacific Power Company, Nevada Power and Southwest Gas) allowing for an electronic integration of the 12-month historic utility bill and energy usage data with applicant's income. Households identified with energy assistance benefits at or above \$600 are referred to the Housing Division for prioritization of weatherization and energy efficiency improvements. The FAC payment range to date is far greater than payments made through the old LIHEA system, ranging from less than \$120 to \$3500. Currently, the average benefit is \$474.

For FY 03, the energy assistance program year has been extended from a nine-month program to a 12-month program starting each year on July 1. A total of 14,027 applications for energy assistance have been received as of February 28, 2003 and there are four more months before the program year ends. It is anticipated approximately 20,000 applications may be received by June 30, 2003 and the average benefit will be \$500. The evaluation, which was issued at the beginning of last month, reflected there were about 6,000 pending applications. I am pleased to report the pending applications

have been reduced to below 2,000 and we will be able to conduct additional outreach at the end of this month.

FY 03 is a start-up year for the FAC both with a new computer system and a new benefit program. With any new system or program, there are glitches that must be resolved. The Division has been working out issues such as stabilizing the Energy Assistance computer system, interfaces with the utility companies, contract staffing issues, administrative costs to run the program, working through negative unintended consequences of the FAC, and attempting to balance outreach with application processing time.

Continuous efforts are made each day to improve in all these matters for a better outcome for all Nevadans. This program has not had an opportunity to stabilize as yet and so has not realized its full potential for assisting those in need. It is believed the program will stabilize during the next biennium and a more accurate assessment of its impact can then be conducted. In closing, just a short statement - the FAC has made a positive difference in many low-income families' lives by reducing their energy burden.

It should be noted that if SB4 passes, there will be a fiscal impact in the Division. The energy assistance program will revert to funding solely with LIHEA dollars. Administrative costs are limited to 10% of the federal LIHEA dollars. It is likely we will have to close the Las Vegas office as there will be insufficient funds to maintain that office. In addition, there may be additional costs should the computer system need to be changed to a different benefit structure.

I would be pleased to answer any questions the committee may have.

**FY 2003 FAC PAYMENT RANGES**  
 July 1, 2002 through January 7, 2003

<u>PAYMENT RANGE</u>	<u>TOTALS PER RANGE</u>
PAYMENTS \$11 - \$119	493
PAYMENTS AT \$120	1,910
PAYMENTS \$121 - \$300	454
PAYMENTS \$301 - \$599	853
PAYMENTS \$600 - \$900	697
PAYMENTS \$901 - \$1200	425
PAYMENTS \$1201 - \$1500	236
PAYMENTS \$1501 - \$1800	101
PAYMENTS \$1801 - \$2100	54
PAYMENTS \$2101 - \$2500	43
PAYMENTS \$2500 - \$3500	13
PAYMENTS \$3501 +	0
<b>TOTAL PAYMENTS</b>	<b>5,279</b>