

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: September 20, 2011**AT (OFFICE): NHPUC****FROM:** Amanda O. Noonan **SUBJECT:** 11-168 Electric Assistance Program**TO:** Commissioners
Executive Director**CC:** Alexander Speidel

In accordance with Commission Order 23,980, Public Service of New Hampshire, National Grid, New Hampshire Electric Cooperative, Unil Energy Systems and the Office of Energy and Planning filed their budgets and sales forecasts for the upcoming electric assistance program (EAP) 60 days or more in advance of October 1, 2011, the start of the 2011-2012 program year. National Grid filed an amended budget on August 8, 2011.

There are three components to the EAP budget: Community Action Agency administrative costs, utility administrative costs and Office of Energy and Planning (OEP) administrative costs. The EAP budgets submitted by the utilities consist of the utilities' incremental costs to administer the EAP and the Community Action Agency (CAA) administrative costs. The EAP budget submitted by OEP reflects costs incurred by OEP to monitor the EAP and participate in quarterly meetings of the EAP Advisory Board.

As program administrator, the CAA performs activities such as client outreach and intake, application processing, enrollment of participants, and periodic review of ongoing program eligibility. The CAA also conducts compliance monitoring to ensure program guidelines are being adhered to. Utility incremental costs generally include expenses for the production and printing of educational materials such as posters and brochures, customer service, legal services and IT support and represent those expenses that would be reasonably incurred as part of the utility's administration of the EAP but would not be incurred absent EAP. Expenses included in OEP's budget relate to OEP's participation in EAP advisory board meetings and other EAP related discussions.

In March 2011, the Commission issued Order No. 25,200 modifying the EAP program design through the elimination of one tier and the establishment of a cap on the usage to which the EAP discount percentage would apply. As a result of the change to the program design, the number of households that could be served by the EAP on a sustainable basis increased by approximately 5700 households or 20%.

The proposed budget for the 2011-2012 EAP program year is shown below. Overall the 2011-2012 program year budget is 3.39% higher than the 2010-2011 program year budget.

**2011-2012 EAP Program Year
Overall Budget**

	CAA Costs	Utility Costs	OEP Costs	Total
2011-2012	\$1,772,539	\$64,944	\$ 7,000	\$1,844,483
Change over 2010-2011 PY	3.50%	.07%	7.69%	3.39%

CAA administrative costs have increased for upcoming program year driven in part by increases in healthcare and other benefits. Additionally, personnel costs have increased to accommodate the increased program participants and caseload to be managed.

Utility budget increases, while small, are due in large part to the increased costs of printing EAP program brochures. The OEP budget increase reflects an adjustment for retirement contribution rates and projected increases in healthcare and dental benefits.

The budgets for the 2011-2012 EAP program year were provided to all members of the EAP Advisory Board. The Advisory Board has reviewed the budgets, and an informal discovery process was used to ensure all members had an opportunity to ask questions and discuss the budgets. While questions arose regarding the indirect cost rates used by the CAAs and OEP, the Advisory Board does not object to the rates used in the budget calculations. The Advisory Board does intend to discuss the indirect cost rates used by the CAAs and OEP, including how those rates are calculated, prior to submittal of the 2012-2013 program year budgets to determine if it is appropriate to cap or limit those rates in any way.

Following its review, the Advisory Board concluded that the expenses included in the budgets submitted for the 2011-2012 EAP program year are those which would be reasonably incurred in the administration of the electric assistance program. Accordingly, Staff recommends the Commission approve the 2011 – 2012 EAP program year budgets as filed.