

DE 06-079

STATE-WIDE LOW INCOME ELECTRIC ASSISTANCE PROGRAM

2006-2007 Program Budgets

Order Approving Budgets

ORDER NO. 24,696

November 8, 2006

I. BACKGROUND

On June 2, 2006, the New Hampshire Public Utilities Commission (Commission) opened this proceeding to consider possible changes to the statewide Low Income Electric Assistance Program (EAP), which provides for electric bill discounts to qualified low income consumers in New Hampshire, and to examine and address any effects created by the temporary emergency assistance program created by 2005 N.H. Laws Ch. 298. Among other things, the temporary emergency assistance program mandated assistance for up to 30,000 low income customers during the period January 1, 2006 through June 30, 2006. The EAP is operated by Granite State Electric Company dba National Grid (GRID), New Hampshire Electric Cooperative, Inc. (NHEC), Public Service Company of New Hampshire (PSNH), and Unitil Energy Systems, Inc. (UES) (together, the utilities) in conjunction with the Community Action Agencies (CAA), the Office of Energy and Planning (OEP) and the Staff of the Commission (Staff).

On July 26, 2006, the Commission issued a secretarial letter extending the time for submission of administrative cost budgets until after it rendered a decision on program design. On September 1, 2006, the Commission approved further modifications to the EAP, effective October 1, 2006, in *State-Wide Low Income Electric Assistance Program*, Order No. 24,664. On

September 11, 2006, the Commission issued a secretarial letter establishing September 22, 2006, as the deadline for submission of utility budgets, including the CAA's budget, for the 2006-2007 program year. In the secretarial letter, the Commission indicated that it would consider the CAA's September 1, 2006 request in Docket No. DE 05-124, for recovery of software costs related to the temporary emergency assistance program as part of the Commission's review of the 2006-2007 program year budgets. The utilities and the OEP timely filed their budgets with the Commission and, on October 20, 2006, OEP filed a corrected budget.

On October 25, 2006, the OCA and The Way Home, an intervenor, filed a letter requesting that the Commission consider the applicability of 2005 Laws of New Hampshire, Chapter 298, section 6, II to the CAA's budget request. The letter further requested that, in the event the Commission determined that the statute does not prohibit the recovery of expenses related to the implementation of the temporary emergency assistance program, the Commission make two additional determinations regarding the reasonableness of the expenses and the use of current program funds for past administrative costs. In a memorandum filed with the Commission on October 26, 2006, Staff recommended that the Commission approve the proposed budgets and direct the parties to explore ways to streamline the EAP administrative processes and reduce administrative costs. With the four years of experience gained in the administration of the EAP, Staff stated that it is appropriate to review EAP procedures in an effort to identify areas that may be problematic. In addition, Staff recommended that the Commission approve the CAA's request for recovery of software development costs incurred to implement and terminate the temporary emergency assistance program and to transition participants enrolled in the EAP or on the EAP waiting list to the new program design. Staff took the position that these costs are not administrative costs because they are neither ongoing

nor associated with the processing and approval of EAP applications. For this reason, Staff maintained that they are outside the purview of Chapter 298.

II. COMMISSION ANALYSIS

As reflected in Staff's memorandum, the utility budgets include the utilities' incremental costs for administering the EAP and each utility's share of the CAA's administrative costs. Utility administrative costs include certain marketing support and customer service costs. In addition, UES and NHEC include legal expenses incurred in connection with the EAP and GRID includes information technology (IT) costs. The bulk of the utilities' administrative costs reflect CAA administrative costs, which are flowed through to the utilities pursuant to contracts between each utility and the CAA and recovered from customers through the system benefits charge. The CAA's budget is made up of salaries and benefits of CAA staff administering the EAP, travel expenses, equipment, supplies, IT and certain indirect costs. In addition, the CAA's proposed budget for the 2006-2007 program year includes one-time costs for software development to implement and terminate the temporary emergency assistance program authorized by Chapter 298, and to accomplish the transition to the new EAP program design authorized by the Commission in Order No. 24,664. OEP's budget includes its costs for monitoring and evaluating the EAP.¹

¹ In accordance with the memorandum of understanding entered into between the Commission and OEP, OEP provides ongoing program analysis and program reports as outlined in the EAP Monitoring and Evaluation Procedures Manual, and performs periodic assessments of the effectiveness of the EAP.

The following table summarizes the proposed budgets for the 2006-2007 program year:

| | Utility Administrative Costs | CAA Administrative Costs | One-time Software Costs for Temporary Assistance Program | Total |
|--------------|------------------------------------|--------------------------------|--|--------------------|
| GRID | \$9,279 | \$85,487 | \$3,638 | \$98,403 |
| NHEC | \$6,500 | \$105,592 | \$4,493 | \$116,586 |
| PSNH | \$49,400 | \$1,200,037 | \$51,064 | \$1,300,502 |
| UES | \$7,500 | \$143,655 | \$6,113 | \$157,267 |
| OEP | \$19,095 | \$0 | \$0 | \$19,095 |
| Total | \$91,774 | \$1,534,771 | \$65,308 | \$1,691,853 |

As reflected in the table shown below, the total 2006-2007 program year budget is approximately 7.5 percent higher than the 2005-2006 program year budget. Excluding the one-time software development costs requested by the CAA, the ongoing administrative costs for the 2006-2007 program year are 3.32 percent higher than such costs for the 2005-2006 program year.

**Proposed EAP Utility Budgets
Ongoing Administrative Costs
2006-2007 Program Year as Compared to 2005-2006 Program Year**

| | Utility Administrative Costs 05-06 | CAA Administrative Costs 05-06 | Total 05-06 | Utility Administrative Costs 06-07 | CAA Administrative Costs 06-07 | Total 06-07 | Percentage Change |
|--------------|--|--------------------------------------|--------------------|--|--------------------------------------|--------------------|----------------------|
| GRID | \$6,286 | \$88,510 | \$94,796 | \$9,279 | \$85,487 | \$98,403 | 4.78% |
| NHEC | \$5,000 | \$113,096 | \$118,096 | \$6,500 | \$105,592 | \$116,586 | -5.08% |
| PSNH | \$50,450 | \$1,141,991 | \$1,192,441 | \$49,400 | \$1,200,037 | \$1,300,502 | -0.03% |
| UES | \$5,500 | \$146,474 | \$151,974 | \$7,500 | \$143,655 | \$157,267 | -0.54% |
| OEP | \$16,993 | \$0 | \$16,993 | \$19,095 | \$0 | \$19,095 | 12.37% |
| Total | \$84,229 | \$1,490,071 | \$1,574,300 | \$91,774 | \$1,534,771 | \$1,691,853 | 3.32% |

The majority of the 3.32% increase in the 2006-2007 program year budget is attributable to a 3 percent increase in the CAA's budget. According to Staff, the 3 percent CAA budget increase reflects the additional administrative costs resulting from increased caseload. More specifically, the CAA 2005-2006 program year budget was based on a caseload of 23,000 EAP participants

whereas the number of EAP participants is expected to be between 29,000 and 30,000 under the revised EAP program structure, a 25 to 30 percent increase in the CAA caseload.

The remaining portion of the increase results from changes in the utility portion of EAP administrative costs. Staff stated that the three main reasons for the increase in the utility portion of EAP administrative costs are legal expenses, printing costs for the EAP brochure and IT costs. For example, NHEC increased its legal expenses in its 2006-2007 program year budget due to anticipated billing from its outside counsel associated with the EAP re-design. UES increased its printing costs for the EAP brochure as it intends to include an EAP brochure with all disconnect notices sent to its customers in October and November 2006. Finally, GRID's budget reflects an increase in IT costs in anticipation of billing from its service company for the programming required to transition to the new EAP design. The table below summarizes the changes in the utilities' own administrative budgets from the 2005-2006 program year to the 2006-2007 program year.

| | PSNH | | | NHEC | | | NATIONAL GRID | | | UES | | |
|------------------------------|-----------|-----------|----------|-----------|-----------|----------|---------------|-----------|----------|-----------|-----------|----------|
| | 2005-2006 | 2006-2007 | % change | 2005-2006 | 2006-2007 | % change | 2005-2006 | 2006-2007 | % change | 2005-2006 | 2006-2007 | % change |
| MARKETING SUPPORT: | | | | | | | | | | | | |
| brochures and printing costs | 7,500 | 9,000 | 20% | 2,000 | 1,500 | -25% | 1,000 | 1,100 | 10% | 500 | 2500 | 400% |
| Employee expenses | 250 | 400 | 60% | - | - | - | - | - | - | - | - | - |
| LEGAL EXPENSES | - | - | - | 3,000 | 5,000 | 67% | - | - | - | 5000 | 5000 | 0% |
| CUSTOMER SERVICE | 42,700 | 40,000 | -6% | - | - | - | 3,791 | 2,854 | -25% | - | - | - |
| IT | - | - | - | - | - | - | 1,495 | 5,325 | 256% | - | - | - |
| TOTAL | 50,450 | 49,400 | -2% | 5,000 | 6,500 | 30% | 6,286 | 9,279 | 48% | 5500 | 7500 | 36% |

Based on Staff's review and analysis of the budgets, we find that they are reasonable and generally consistent with budgets we have approved in the past. Accordingly, we approve them,

except to the extent described below and subject to Commission review and approval of actual expenses incurred upon completion of the 2006-2007 program year.

Questions have been raised regarding recovery of the CAA's one-time software development costs incurred to implement and terminate the temporary emergency assistance program. Of the \$65,308 total requested amount for software development, \$40,968.75 is associated with the temporary assistance program authorized by Chapter 298, while the remaining \$24,339 is related to programming costs incurred to transition current EAP customers and EAP waiting list customers to the new EAP design² on October 1, 2006.

Inclusion of the \$24,339 in the CAA's budget does not appear to be disputed. However, the OCA and The Way Home question whether the Commission may allow recovery of expenses related to the implementation of the temporary emergency assistance program in light of Chapter 298:6, II, which provides that "[n]o funds made available in section 2 of this act shall be used by any community action agency to pay administrative costs except those administrative costs associated with providing electric assistance to more than 30,000 households." If the Commission were to determine that this provision does not prohibit the recovery of these expenses, they request that the Commission make two additional determinations: first, whether the expenses are reasonable, and second, whether it is reasonable to use current program funds for past administrative expenses. On the other hand, the CAA and Staff maintain that none of the \$40,968.75 is for payment of administrative expenses whose recovery is prohibited by the statute.

We will allow the \$24,339 of additional costs to be included in the CAA's budget for the 2006-2007 program year. These were unforeseeable costs completely outside the control of the

² According to Staff, this change required programming by CAA's vendor to identify the new tier for each enrolled and waiting list customers and then communicate that new information to the appropriate utility.

CAA, necessary for implementation of the revised EAP program approved on September 1, 2006, and they are not unreasonable in amount. We will not rule here on the recovery of the other \$40,968.75 because the OCA and The Way Home have raised a legitimate question of legal interpretation, which the parties have not all had the opportunity to address. Instead, we will include that issue, among others, in a separate proceeding regarding the recovery of administrative costs, which, among other things, will consider ways of streamlining administrative processes and reducing administrative costs.

Based upon the foregoing, it is hereby

ORDERED, that the proposed EAP budgets for the 2006-2007 program year are approved to the extent set forth herein.

By order of the Public Utilities Commission of New Hampshire this eighth day of November, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary