

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 07-009

STATEWIDE LOW INCOME ELECTRIC ASSISTANCE PROGRAM

Investigation into Administrative Costs and Review of Annual Budgets

ORDER NO. 24,820

January 30, 2008

I. PROCEDURAL HISTORY

This docket was opened to address ways of streamlining the administrative processes of the statewide low income Electric Assistance Program (EAP) and to determine the issue of the recoverability of \$40,968.75 by the community action agencies incurred during the 2005-2006 EAP program year for software modification. Another purpose was to consider the amounts and types of administrative costs incurred in connection with the EAP since October 1, 2003. During the proceedings, the scope of the docket was expanded to include a review of the annual program and budget for the 2007-2008 program year.

In Order No. 24,795 (October 24, 2007), we approved the recommendations contained in Staff's July 27, 2007 report regarding the streamlining of EAP policies and procedures and the additional recommendations presented at hearing, except to the extent noted in the Order. We also approved recovery by the community action agencies of the \$40,968.75 and the budget for the 2007-2008 program year.

We deferred ruling on program evaluation matters until after we had the opportunity to consider the parties' report on the subject, which was to be filed on November 16, 2007. We requested that this report address the expected cost of a process evaluation and the recommended start date for conducting process evaluations as well as the goals and outcomes to be reviewed in

an impact evaluation, the start date for impact evaluations and how impact evaluations are to be conducted. We further requested that (1) the EAP Advisory Board keep the Commission informed regarding the parties' progress in implementing the recommendations, including but not limited to the parties' further consideration of the utilities' automation of the enrollment process, the feasibility of eligibility referral determinations and updates to the program manuals, (2) the community action agencies file a status report by November 16 regarding the functionality of the Microsoft SQL Server 2005 in providing ad hoc data reports and their training initiatives, and (3) the community action agencies file a proposed schedule by November 16 for performing the program compliance reviews on each of the community action agencies. We indicated that a status report regarding the other recommendations submitted at the same time as the 2008-2009 EAP budgets would be sufficient unless the Advisory Board determines that an earlier submission is appropriate.

On November 16, 2007, the community action agencies filed a report regarding a proposed schedule for onsite compliance monitoring and the ad hoc data reporting and training initiatives undertaken by them since the October 24 order.¹ On the same date, Staff requested an extension of time until November 20, 2007 to file the report regarding program evaluation matters, which was granted by secretarial letter. On November 20, Staff filed the recommendations of the parties and Staff regarding program evaluation. On December 4, 2007, Staff filed updated versions of the fiscal procedures manual, utility procedures manual and the community action agencies' procedures manual. On January 9, 2008, the community action

¹ Among other things, they reported that the Microsoft 2005 SQL Reporting Services software has been installed and the community action agencies' EAP director has been trained in how to generate basic reports. To maximize the reporting system to the fullest extent, the community action agencies are in the process of compiling the complete list of data tables and fields how they related to each other.

agencies filed a clarification of its proposed schedule for program compliance reviews as described in Order No. 24,795.

II. RECOMMENDATIONS OF THE PARTIES AND STAFF REGARDING PROGRAM EVALUATION

In the November 20 report, the parties and Staff 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. They also developed measurable outcomes against which the EAP would be evaluated, as detailed in the monitoring and evaluation manual attached to the recommendations. According to the parties and Staff, the outcomes are consistent with N.H. Laws 2005, Chapter 298 and Order No. 24,664 in DE 06-079. The outcomes are: (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.

The parties and Staff agreed that an impact evaluation, as described by Staff in its testimony and many of the parties in their written comments, is not necessary to determine if the EAP has met the measurable outcomes listed above, since the impact of the EAP can be assessed through the reports discussed in the monitoring and evaluation manual. While this is a departure from the position which the parties and Staff took at the hearing, they stated that it appropriately recognizes the fiscal constraints of the program and the outcomes earlier identified by the Commission and the Legislature.

The report noted that the EAP is already subject to considerable review on a regular basis. Staff prepares monthly fiscal reports and regular projections on EAP funding and enrollment levels. The Advisory Board meets quarterly to discuss the operation of the EAP and review data collected from the utilities and the program administrator regarding payment performance of customers on the program, the distribution of benefits by town, the EAP enrollment, and the waiting list. The program administrator conducts compliance monitoring at each of the six community action agencies on an annual basis to ensure compliance with program policies and regulations, and the program administrator will report on this review annual to the Advisory Board pursuant to Order No. 24,795. The community action agencies are also subject to regular fiscal audits by independent auditors, and the Commission Staff audits the utility expenditures related to the program.

In addition, a process evaluation will now be conducted every three years to determine whether the EAP has met the level of need, within the limits of the available System Benefits Charge funds, whether the EAP conforms to the program design guidelines, and whether the program operates efficiently. The parties and Staff agreed that the review of the program conducted in this proceeding served as a preliminary process evaluation. As a result, they recommended that the first process evaluation coordinated by the Office of Energy and Planning (OEP) take place no later than 2009 with a final report of the evaluation submitted to the Commission no later than April 1, 2010. OEP has provided a cost estimate of \$17,675 for the process evaluation.

In conclusion, the parties and Staff requested that the Commission approve the program goal and outcomes described above and the procedures for monitoring and evaluation described in the procedures manual attached to the report.

III. SCHEDULE OF PROGRAM COMPLIANCE REVIEWS PROPOSED BY THE COMMUNITY ACTION AGENCIES

The program compliance reviews referenced in Order 24,795 relate to the requirement that all the community action agencies be subject to the major programs provisions of OMB Circular A-133 audit requirements. These generally will be conducted on a three-year schedule once established. The schedule of program compliance reviews proposed by the community action agencies is as follows:

<u>Agency</u>	<u>Audit Fiscal Year</u>
Belknap-Merrimack CAA	FY 07/08
Tri-County CAA	FY 08/09
Southwestern Community Services	FY 09/10
Strafford County CAA	FY 09/10
Southern NH Services	FY 07/08
Rockingham CAA	FY 10/11

IV. COMMISSION ANALYSIS

We rule on two matters in this supplemental order: (1) the program goal, outcomes and procedures set forth in the EAP monitoring and evaluation manual dated November 20, 2007 proposed by the parties and Staff and (2) the program compliance review audit schedule proposed by the community action agencies.

In Order No. 24,795, we approved a number of the recommendations of the parties and Staff, including the performance of additional program compliance reviews of all the community action agencies consistent with the procedures and timing set forth in OMB Circular A-133.²

² The two community action agencies administering EAP funds in excess of \$300,000 on an annual basis already arrange for OMB Circular A-133 audits of the EAP, referred to in the Order as program compliance reviews. In

The parties and Staff suggested that these reviews be conducted on a rotating basis, with one or two being conducted each year. The schedule proposed by the community action agencies calls for one or two such reviews to be conducted each year, commencing with the current program year. The proposed schedule is consistent with the previous recommendations of the parties and Staff and is otherwise appropriate.

The final recommendations regarding monitoring and evaluation differ in certain respects from the preliminary ones presented at the September 7, 2007 hearing. Most important, the parties and Staff are no longer recommending that impact evaluations be conducted. The parties and Staff believe questions such as whether the EAP has achieved the goals set for it, and at what cost, can be answered instead through a review of the reports and data required by the updated EAP monitoring and evaluation manual.

As indicated in Order No. 24,795, the first step of an impact evaluation would be to determine the goals and outcomes for the EAP in order to establish the benchmark for measuring results. The recommended program goal set forth in the proposed monitoring and evaluation manual is to “enable 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.” In section 3.1.2 of the manual, the intended results (outcomes) of the EAP include: (1) providing benefits to approximately 30,000 customers, (2) minimizing the waiting list to the extent possible within the limits of the system benefits charge and the program design, (3) targeting the greatest benefit to those customers most in need with need being determined by the customer’s federal poverty guideline ranking, and (4) balancing the need for electric assistance with the need for administrative efficiency.

view of the relatively small cost of such reviews, the parties and Staff recommended that the other four community action agencies administering EAP funds also conduct such reviews even though they administer less than \$300,000 of EAP funds on an annual basis.

At hearing, the parties and Staff provided an estimated cost of performing a formal impact evaluation of approximately \$50,000 to \$100,000, substantial amounts that would not be available for EAP participant benefits. The parties and Staff stated that their recommendation not to perform formal impact evaluations appropriately recognizes the fiscal constraints of the program as well as the outcomes earlier identified by the Commission and the Legislature.

We agree that the recommended goal and outcomes are consistent with the Commission's prior orders regarding the EAP and the legislative guidance given to the Commission. *See e.g., Statewide Low-Income Electric Assistance Program*, Order No. 23,980 at 43-45 (2002) (discussing the goal of enabling low-income customers to manage and afford essential electricity requirements under RSA 374-F:3,V(a) and the importance of a high level of operating efficiency, including cost efficiency, for the EAP under RSA 369-B:1, XIII); *Statewide Low-Income Electric Assistance Program*, Order No. 24,329 at 14 (2004) (emphasizing the need to maximize EAP program efficiency and minimize administrative costs); *Statewide Low-Income Electric Assistance Program*, Order No. 24,664 at 10 (2006) (approving the expansion of the EAP to 30,000 households, initially set forth as a desired outcome on a temporary basis in 2005 N.H. Laws Ch. 298 (S.B. 228); *Statewide Low-Income Electric Assistance Program*, Order No. 24,795 (2007).

Even without a costly impact evaluation, a substantial amount of information will still be available for assessing the EAP through the data collection and numerous periodic reports described in the monitoring and evaluation manual. For example, in order to inform future decisions, data will be collected regarding whether program participants have improved their payment performance, on a bills-behind basis, and whether program participants have improved their performance relative to the disconnection of utility service, and the Commission may from

time to time determine that data should be collected on other outcomes. Periodic reports will be generated regarding the total number of accounts, total revenue, arrearages and disconnections and reconnections. Periodic reports are also to be provided regarding enrollment, ratio of electric bills to income, program participants by poverty level and participant demographics, program participation, including participants making timely payment, complete payments, partial payments and no payments, distribution of participants by number of "bills behind," program benefits paid to counties and towns, regularity of payments, denials and waiting list. In addition, with implementation of the computer improvements and community action agency staff training provided for in Order No. 24,795, it now appears that ad hoc data reporting will be feasible.

In these circumstances, we are persuaded that the program goal and outcomes set forth in the EAP monitoring and evaluation manual are appropriate and that a separate impact evaluation is not necessary for the sound operation and evaluation of the EAP. We also conclude that the procedures set forth in the EAP monitoring and evaluation manual provide the basis for an appropriate evaluation of the EAP.

Based upon the foregoing, it is hereby

ORDERED, that the program goal, outcomes and procedures set forth in the EAP monitoring and evaluation manual dated November 20, 2007 are approved; and it is

FURTHER ORDERED, that the audit schedule proposed by the community action agencies for program compliance review is approved.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of
January, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary