

DE 04-198

STATE-WIDE LOW INCOME ELECTRIC ASSISTANCE PROGRAM

2004-2005 Program Budgets

Order Nisi Approving 2004-2005 Program Budgets

ORDER NO. 24,399

November 12, 2004

I. BACKGROUND

On May 21, 2004, the New Hampshire Public Utilities Commission (Commission) issued Order No. 24,329 in Docket No. DE 03-195, which approved a Settlement Agreement regarding the operation of the State-Wide Low Income Electric Assistance Program (EAP). The EAP is operated by Granite State Electric Company (GSEC), 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 (CAAs), the Office of Energy and Planning (OEP) and the Staff of the Commission (Staff). During the first week of August 2004, the Utilities, CAAs, and OEP submitted their estimated on-going administrative costs to provide services associated with the EAP for the program year beginning October 1, 2004 and ending September 30, 2005. On October 15, 2004, Staff filed a memorandum with the Commission recommending approval of the proposed budgets subject to Commission review and approval of actual expenses incurred upon completion of the 2004-2005 program year.

The budgets submitted by the Utilities identify the incremental costs incurred for the administration of the EAP. The budgets show each utility's ongoing administrative costs separately from the utility's allocation of the CAA's ongoing administrative costs. Utility

administrative costs include information technology (maintenance and support), customer service (both administration as well as maintenance and support), and marketing support (which includes costs related to brochures and posters). For NHEC and Unitil, legal costs associated with EAP are included in the budget as well.¹

For each utility, the bulk of the incremental costs are the CAAs' ongoing administrative costs, paid for through contracts between each utility and the CAAs and recovered from the EAP Fund by the Utilities. The cost breakdown for 2004-2005 is as follows:

Proposed EAP Utility Budgets for 2004-2005

Company	Sub-Total Annual Administration Costs for Utility Co. (as budgeted)	CAAs Ongoing Administrative Costs (as budgeted)	Total
GSEC	\$6,736	\$87,995	\$94,731
NHEC	\$5,500	\$113,725	\$119,225
PSNH	\$48,570	\$1,067,024	\$1,115,594
UES	\$10,250	\$152,818	\$163,068
Total	\$71,056	\$1,421,562	\$1,492,618

The budget submitted by OEP pertains to the monitoring and evaluation function performed by OEP. In accordance with the Memorandum of Understanding entered into between the Commission and OEP, OEP will provide ongoing program analysis, provide program reports as outlined in the EAP Monitoring and Evaluation Procedures Manual, and perform periodic assessments of the effectiveness of the EAP. OEP's proposed budget for the

¹ The Commission previously stated, in Order No. 23,945, that the “[p]roper allocation of recoverable costs and businesslike operation of the fund, including the avoidance of ‘double recoveries’ and improper cost-shifting, are necessary for achieving the legislative goals of ‘maximiz[ing] benefits that go to the intended beneficiaries of the low income program’ and ‘enabl[ing] residential customers with low incomes to manage and afford essential electricity requirements.’ . . . We clarify that directly assignable costs, for which no other purpose can be identified, *and which are not otherwise being recovered in base rates or other charges* (such as the restructuring surcharge) fall within the category of costs specific to the program. Order No. 23,945 at p. 18, (*emphasis supplied*)

2004-2005 program year is \$25,771, slightly less than the budget proposed by OEP for the 2003-2004 program year.

II. COMMISSION ANALYSIS

In its October 15, 2004 recommendations, Staff compared the proposed budgets submitted by the Utilities and OEP to those originally proposed for the program year now concluded. Because the EAP has reached maturity and has passed the “ramp up” phase, the budget for 2004-2005 is very similar to the budget that was proposed during the 2003-2004 program year.

Comparison of EAP ‘03-‘04 and ‘04-‘05 Program Year Proposed Budgets

Company	2003-2004 Program Year			2004-2005 Program Year			Percent Change Total Budget
	Utility	CAA	Total Budget	Utility	CAA	Total Budget	
CVEC	\$2,500	\$5,327	\$7,827	--	--	--	--
GSEC	16,260	74,659	90,919	\$6,736	\$87,995	\$94,731	4.19%
NHEC	10,000	104,388	114,388	5,500	113,725	119,225	4.23%
PSNH	56,700	1,117,849	1,174,549	48,750	1,067,024	1,115,774	-5.00%
UES	15,000	119,339	134,339	10,250	152,818	163,068	21.39%
Subtotal	100,460	1,421,562	1,522,022	71,236	1,421,562	1,492,798	-1.92%
OEP	--	--	26,504	--	--	25,771	-2.77%
Total	100,460	1,421,562	1,548,526	71,236	1,421,562	1,518,569	-1.93%

Source: 2003-2004 Data, Stipulation in Docket No. DE 03-195; 2004-2005 Data, August 2004 budget filings.

For the purposes of this comparison, the marginal impact of the CVEC asset acquisition by PSNH² was ignored because the percentage impact was minimal. It is also worth noting that the CAAs’ administrative budget, which was closely scrutinized in DE 03-195, shows no increase over the 2003-2004 program year budget.

² Effective January 1, 2004, customers of CVEC are now served by PSNH.

While the Utilities' overall budgets show increases and decreases, this is due primarily to changes in the percentages used to allocate the CAAs' budget. The increase in the UES 2004-2005 budget, for example, is due to a greater than two percent increase in its allocation factor from 2003-2004. The portion of the CAAs' costs allocated to each utility is based on a pre-determined revenue allocation formula and changes annually as utility revenues change. As a result, while there was no change in the CAA budget from the 2003-2004 program year to the 2004-2005 program year, the amount of the CAA budget allocated to each utility did change, as reflected in the following table.

Revenue-Based Allocation Factors Used to Allocate CAA Budget to Utilities			
	Program Year 02/03	Program Year 03/04	Program Year 04/05
CVEC	1.38642	1.49902	0
GSEC	5.56034	5.25189	6.19
NHEC	6.59347	7.34319	8.00
PSNH	78.32599	77.51101	75.06
UES	8.13377	8.3949	10.75

The OEP budget for the 2004-2005 program year is \$25,771. More than 95 percent of the OEP budget is for personnel salaries and benefits, with the remainder allocated to phone, office supplies, and rent. OEP's proposal for the 2004-2005 budget is 2.8% below the OEP budget originally proposed for the 2003-2004 program year and reflected in the Settlement Agreement approved in Order No. 24,329. We continue to find OEP's expenses to be reasonable for performing monitoring and evaluation functions on a program that currently provides benefits to more than 22,000 customers across the state.

Based upon our analysis of the proposed 2004-2005 budgets in comparison to the budgets proposed for the prior period, we find that the proposed budgets are a reasonable projection of anticipated expenses and we will therefore approve them. The Commission Staff will conduct a review of actual expenses incurred following the completion of the 2004-2005

program year. As noted in Order No. 23,945, we will scrutinize legal expenses to assure that they are properly allocated and not being recovered in base rates as well as through this program.

The Commission's authority to impose a System Benefits Charge (SBC) to fund programs for low-income customers terminates on June 30, 2005. *See* RSA 374-F:4, VIII(c). Thus, our approval is subject to the extension of our authority to impose the low-income portion of the SBC at its current level beyond the June 30, 2005 date.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that the proposed EAP budgets for the 2004-2005 program year (from October 1, 2004 through September 30, 2005) are hereby APPROVED; and,

FURTHER ORDERED, that the Commission Staff will conduct a review of the EAP's actual incurred expenses following the completion of the 2004-2005 program year.

FURTHER ORDERED, that the Executive Director and Secretary shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than November 22, 2004 and to be documented by affidavit filed with this office on or before December 13, 2004; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than November 29, 2004; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than December 6, 2004; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective December 13, 2004, unless the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this twelfth day of November, 2004.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Attested by:

Kimberly Nolin Smith
Assistant Secretary