

**DE 05-124**

**STATE-WIDE LOW INCOME ELECTRIC ASSISTANCE PROGRAM**

**2005-2006 Program Budgets**

**Order Nisi Approving 2005-2006 Program Budgets**

**ORDER NO. 24,522**

**September 30, 2005**

**I. BACKGROUND**

In 2004, the New Hampshire Public Utilities Commission (Commission) approved certain costs, budgets and modifications as they related to the State-Wide Low Income Electric Assistance Program (EAP). *See State-Wide Low Income Electric Assistance Program, Order No. 24,329 in Docket No. DE 03-195 (May 21, 2004); see also State-Wide Low Income Electric Assistance Program, Order No. 24,399 in Docket No. DE 04-198 (November 12, 2004) (approving EAP budgets for the 2004-2005 program year).* 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 2005, 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, 2005, and ending September 30, 2006. On September 22, 2005, 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 2005-2006 program year.

The budgets submitted by the Utilities identify the incremental costs projected 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 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 2005-2006 is as follows:

**Proposed EAP Utility Budgets for 2005-2006**

	<b>Sub-Total Annual Administration Costs for Utility Co. (as budgeted)</b>	<b>CAA Ongoing Administrative Costs (as budgeted)</b>	<b>Total</b>
GSEC	\$6,286	\$88,510	\$94,796
NHEC	\$5,000	\$113,096	\$118,096
PSNH	\$50,450	\$1,141,991	\$1,192,441
UES	\$5,500	\$146,474	\$151,974
Total	\$67,236	\$1,490,071	\$1,557,307

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 provides ongoing program analysis and program reports as outlined in the EAP Monitoring and Evaluation Procedures Manual and performs periodic assessments regarding the effectiveness of the EAP. OEP's proposed budget for the 2005-2006 program year is \$16,993, over \$8,000 less than the budget proposed by OEP for the 2004-2005 program year.

## II. COMMISSION ANALYSIS

In its September 22, 2005 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 2005-2006 is very similar to the budget that was proposed during the 2004-2005 program year.

### Comparison of Proposed EAP Utility Budgets 2004-2005 and 2005-2006

	2004-2005 Program Year			2005-2006 Program Year			Percent Change Total Budget
	Utility	CAA	Total Budget	Utility	CAA	Total Budget	
GSEC	\$6,736	\$87,995	\$94,731	\$6,286	\$88,510	\$94,796	0.0%
NHEC	5,500	113,725	119,225	5,000	113,096	118,096	-0.0%
PSNH	48,750	1,067,024	1,115,774	50,450	1,141,991	1,192,441	6.8%
UES	10,250	152,818	163,068	5,500	146,474	151,974	-6.8%
Subtotal	71,236	1,421,562	1,492,798	67,236	1,490,071	1,557,307	4.3%
OEP	--	--	25,771	--	--	16,993	-34.1%
Total	71,236	1,421,562	1,518,569	67,236	1,490,071	1,574,300	3.7%

Sources: 2004-2005 Data, August 2004 budget filings; 2005-2006 Data, August 2005 budget filings.

There are two primary sources for the CAA budget increases. The first is the contractual costs incurred by the CAA for ongoing support for the software used to administer the EAP. Until the 2005-2006 program year, the CAA had other funds available to help pay for the software contractual support costs and hardware costs (web and database servers) used to provide EAP services. These funds were part of a three year special technology grant awarded to the CAA by the Federal government. This grant has expired; thus these direct program costs must now be borne in full by the EAP. This results in a one time 51% increase, year over year, for this particular budget item even though the actual contracted cost for software support and hosting has remained constant for the past three years. The second primary source of the CAA

budget increase is fringe benefit cost increases of 14% in the proposed budget, relating to increased health care and related costs for its employees.

While the Utilities' overall budgets show increases and decreases, this is due, in part, to changes in the percentages used to allocate the CAA budget. The portion of the CAA costs allocated to each utility is based on a pre-determined revenue allocation formula which 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. Allocation factors impact the 2005-2006 budget as well. Thus, PSNH's increased budget for the 2005-2006 program year is explained, in part, by the increase in its revenue allocation factor.

<b>Revenue-Based Allocation Factors Used to Allocate CAA Budget to Utilities (%)</b>			
	Program Year 03/04	Program Year 04/05	Program Year 05/06
CVEC	1.50	0	0
GSEC	5.25	6.19	5.94
NHEC	7.34	8.00	7.59
PSNH	77.51	75.06	76.64
UES	8.39	10.75	9.83

The OEP budget for the 2005-2006 program year is \$16,993. This amount is in line with the anticipated expenses for 2004-2005 and is well below the approved 2004-2005 budget of \$25,771. We find OEP's expenses to be reasonable for performing monitoring and evaluation functions.

Based upon our analysis of the proposed 2005-2006 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 2005-2006 program year and report the results back to the Commission. As noted in Order No. 23,945, we will review legal expenses in particular to assure that they are properly allocated and not being recovered in base rates as well as through this program.

**Based upon the foregoing, it is hereby**

**ORDERED *NISI***, that the proposed EAP budgets for the 2005-2006 program year (from October 1, 2005 through September 30, 2006) are hereby APPROVED; and it is

**FURTHER ORDERED**, that the Commission Staff will conduct a review of the EAP's actual incurred expenses following the completion of the 2005-2006 program year and report the results back to the Commission; and it is

**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 , such publication to be no later than October 10, 2005 and to be documented by affidavit filed with this office on or before October 24, 2005; and it is

**FURTHER ORDERED**, that all persons interested in responding to this matter be notified that they may submit their comments or file a written request for a hearing that states the reason and basis for a hearing no later than October 17, 2005 for the Commission's consideration; and it is

**FURTHER ORDERED**, that any party interested in responding to such comments or request for hearing shall do so no later than October 24, 2005; and it is

**FURTHER ORDERED**, that this Order *Nisi* shall be effective October 31, 2005, 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 thirtieth day of September, 2005.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Michael D. Harrington  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary