

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 08-097**

**Statewide Low-Income Electric Assistance Program**

**2008-2009 Program Year Budgets and System Benefits Charge**

**Order Approving Budgets and Increase to the System Benefits Charge**

**ORDER NO. 24,903**

**September 30, 2008**

**APPEARANCES:** Gerald M. Eaton, Esq. for Public Service Company of New Hampshire; Alexandra E. Blackmore, Esq. for Granite State Electric Company d/b/a National Grid; Gary M. Epler, Esq. for Unitil Energy Systems, Inc.; Mark W. Dean, Esq. for New Hampshire Electric Cooperative, Inc.; Alan Linder, Esq., of New Hampshire Legal Assistance, for The Way Home; Shannon Nolin, Program Director of the Low-Income Electric Assistance Program, for the Community Action Agencies; Rorie E.P. Hollenberg, Esq., of the Office of Consumer Advocate, on behalf of residential utility ratepayers; and Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

**I. PROCEDURAL HISTORY**

The Commission opened this docket to review and consider (i) the 2008-2009 program year budgets and sales forecasts filed by Public Service Company of New Hampshire (PSNH), Unitil Energy Systems, Inc. (Unitil), Granite State Electric Company d/b/a National Grid (National Grid), New Hampshire Electric Cooperative (NHEC), Community Action Program Belknap—Merrimack Counties, Inc., the lead agency for the New Hampshire community action agencies (Community Action Agencies), and the State of New Hampshire Office of Energy and Planning (OEP) in connection with the statewide low-income electric assistance program (EAP) established pursuant to *Statewide Low-Income Electric Assistance Program*, Order No. 23,980 87 NH PUC 349 (2002), (ii) the EAP Advisory Board's recommendation that the Commission increase the low-income portion of the system benefits charge from 1.2 mills to 1.5 mills per

kilowatt hour effective October 1, 2008, the start of the 2008-2009 EAP program year, pursuant to RSA 374-F: 4, VIII(c), and (iii) the status of implementation of the various EAP programmatic recommendations approved in *Statewide Low-Income Electric Assistance Program*, Order Nos. 24,795 (2007) and 24,820 (2008). Among the issues to be considered is the justness and reasonableness of the proposed rate increase and the proposed budgets. The electric utilities identified above were made mandatory parties to this proceeding and participation by the members of the EAP Advisory Board was requested.

Between July 25, 2008 and August 1, 2008, the electric utilities filed their proposed budgets and forecasted sales for the 2008-2009 program year. The Community Action Agencies filed their proposed budget on July 28, 2008 and OEP filed its budget on August 1, 2008. Unifil also filed an updated sales forecast on September 15, 2008.

On August 8, 2008, the Office of Consumer Advocate (OCA) notified the Commission of its participation in the docket on behalf of residential ratepayers consistent with RSA 363:28. New Hampshire Legal Assistance petitioned to intervene on behalf of The Way Home on September 17, 2008.

On August 13, 2008, the EAP Advisory Board recommended to the Commission that the funding level be increased from 1.2 mills to 1.5 mills per kilowatt hour due to higher costs in electric rates, increases in the number of households needing assistance, and a shifting of the participation levels within the discount tiers. On September 4, 2008, the Commission issued an order of notice scheduling a hearing. On September 22, 2008, Staff filed a memorandum recommending that the Commission approve the 2008-2009 EAP program year budgets as filed. At the hearing on September 23, 2008, the Commission granted The Way Home's petition to intervene.

## II. HEARING RECORD

A panel of three witnesses, Gil Gelineau, the Manager of Marketing Support for PSNH, Amanda Noonan, Director of Consumer Affairs at the Commission, and Shannon Nolin, EAP Program Director, testified regarding the three matters set forth in the order of notice. Three exhibits were introduced into evidence.

### A. RECOMMENDATION TO INCREASE THE LOW-INCOME PORTION OF THE SYSTEM BENEFITS CHARGE

Mr. Gelineau discussed the Advisory Board's recommendation that the Commission increase the low-income portion of the system benefits charge from the existing level of 1.2 mills to 1.5 mills, effective October 1, 2008. He stated that the Commission previously set three key EAP objectives: (1) provide benefits to approximately 30,000 customers, (2) minimize the waiting list, and (3) target the greatest benefit to those customers most in need.<sup>1</sup>

When the Advisory Board met in July 2008, approximately 28,000 customers were enrolled in the EAP, with a waiting list of approximately 3,000 households, compared to a waiting list of approximately 1,200 households in October 2007. Since July, the waiting list has increased from approximately 3,000 households to a current level of approximately 4,200 households, a number which is expected to increase.

Mr. Gelineau stated that the Advisory Board considered the projections of funding levels and concluded that the EAP would only support approximately 25,000 households in the future, resulting in a waiting list of 6,000 households. This means that two of the three program objectives would not be met, namely, the number of customers benefited and the size of the waiting list. According to Mr. Gelineau, the third objective, targeting benefits to customers most

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<sup>1</sup> See *Statewide Low-Income Electric Assistance Program*, Order No. 24,820 (January 30, 2008). In that order, the Commission approved a fourth outcome, balancing the need for electric assistance with the need for administrative efficiency, but that outcome is not implicated by the Advisory Board's recommendation.

in need, appears to be satisfied because within each discount tier the annual average benefit keeps customers' electric bills to approximately 4% to 5% of household income , a criterion established by the Commission in 2006.

The Advisory Board discussed the reasons why the EAP outcomes were not being achieved and why demand for EAP services is expected to increase in the future. First, electric rates have increased approximately 10% over the prior year. Second, there has been a shift in the number of customers in the smaller discount tiers to the larger discount tiers such that the average person enrolled in the EAP is receiving a higher discount. Both factors put pressure on the EAP in terms of its funding and ability to serve the requisite number of customers. The Advisory Board also considered the fact that energy prices have generally increased over the past year – heating oil prices are up approximately 71%, propane is up 32%, and gasoline is up 50% – and that applications for the federal fuel assistance program are up more than 30%, while the number of households being served is up approximately 20% compared to last year. Regarding the sources of the increased demand for EAP services, Ms. Nolin stated that the Community Action Agencies are seeing increases in the number of working, two-parent households seeking assistance.

The Advisory Board considered three solutions to the problem. First, the discount levels could be changed, but it concluded that aspect of the EAP is still working. Second, the number of participants served could be reduced, but it believed that would be contrary to EAP participation goals, which are already not being met. Third, the low-income portion of the system benefits charge could be increased from the existing level of 1.2 mills per kilowatt hour to the maximum of 1.5 mills permitted under RSA 374-F: 4,VIII(c). The Advisory Board calculated that an increase to 1.5 mills would generate about \$3.3 million in additional program

revenues, allowing the EAP to serve a total of approximately 34,000 households, including the existing 28,000 customers enrolled in the EAP, and the waiting list of approximately 3,000 households, with the ability to serve an additional 3,000 households in anticipation of increased demand this winter.

The Advisory Board estimated that the customer impact from increasing the low-income portion of the system benefits charge would be an increase to the monthly bill of a residential electric customer using 600 kwh of approximately 18 cents, or \$2.16 annually, a \$7.50 annual increase for an average small business customer, and a \$3,400 annual increase for the average large commercial/industrial customer.

Mr. Gelineau stated that due to circumstances peculiar to PSNH, it is requesting a waiver of the Commission's rule<sup>2</sup> requiring that rate changes be implemented on a service rendered basis, so that PSNH's change to its system benefits charge rate could be implemented on a bills rendered basis instead. He explained that although its new customer billing system is capable of performing service rendered billing, it is currently set up to operate on a bills rendered basis and testing still needs to be done for service rendered billing adjustments. He stated that PSNH did not anticipate the billing change when it installed the system and the system is in lock down mode until mid-October when the other operating companies will be moved onto the system. Ms. Noonan indicated that the Commission could accommodate PSNH's requested waiver without creating technical problems in the administration of the EAP and, because of the small bill impacts resulting from the rate increase, without materially disadvantaging customers of PSNH or the other utilities.

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<sup>2</sup> See N.H. Code of Admin. Rules Puc 1203.05 (b) and (c).

## B. EAP BUDGETS FOR 2008-2009 PROGRAM YEAR

Ms. Noonan discussed the proposed budgets of the electric utilities, the Community Action Agencies and OEP for the upcoming EAP program year. The utility budgets consist of incremental EAP expenses for things such as the production and printing of educational materials, including posters and brochures, customer service, legal services and IT/computer support. OEP's budget is based on its periodic evaluation functions, including a process evaluation 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 it operates efficiently, and on its on-going involvement in Advisory Board meetings and related discussions. The Community Action Agencies' budget is directly related to the administration of the EAP and includes expenses for such matters as client outreach, intake, application processing, and monitoring and compliance reporting.

Overall, the 2008-2009 program year budgets are 1.57% lower than the 2007-2008 program year budgets. When the one-time software development costs that were part of the 2007-2008 EAP budget are removed, the on-going administrative costs for the 2008-2009 program year are slightly (1.64%) higher than the ongoing administrative costs for the prior program year, as shown below.

### Proposed EAP Utility Budgets 2008-2009 Program Year

	Utility and OEP Administrative Costs	CAA Administrative Costs	Total
PSNH	\$35,800	\$1,185,285	\$1,221,085
NHEC	\$ 3,500	\$ 143,550	\$ 147,050
NG	\$ 3,149	\$ 101,555	\$ 104,704
UES	\$ 5,200	\$ 166,384	\$ 171,584
OEP	<u>\$20,510</u>	<u>\$ 0</u>	<u>\$ 20,510</u>
<b>Total</b>	<b>\$68,159</b>	<b>\$1,596,774</b>	<b>\$1,664,933</b>

**Proposed EAP Utility Budgets  
2008-2009 Program Year as Compared to 2007-2008 Program Year**

	Utility/OEP Admin. Costs 07-08	CAA Admin. Costs 07-08	Total 07-08	Utility/OEP Admin. Costs 08-09	CAA Admin. Costs 08-09	Total 08-09	Percentage Change
PSNH	\$35,450	\$1,207,911	\$1,243,361	\$35,800	\$1,185,285	\$1,221,085	-1.79%
NHEC	\$ 6,000	\$ 103,477	\$ 109,477	\$ 3,500	\$ 143,550	\$ 147,050	34.32%
NG	\$ 5,372	\$ 92,362	\$ 97,734	\$ 3,149	\$ 101,555	\$ 104,704	7.13%
UES	\$ 5,200	\$ 161,713	\$ 166,913	\$ 5,200	\$ 166,384	\$ 171,584	2.80%
OEP	\$20,510	\$ 0	\$ 20,510	\$20,510	\$ 0	\$ 20,510	0.00%
<b>Total</b>	<b>\$72,532</b>	<b>\$1,565,463</b>	<b>\$1,637,995</b>	<b>\$68,159</b>	<b>\$1,596,774</b>	<b>\$1,664,933</b>	1.64%

The EAP Advisory Board met to review and discuss the budgets on August 21, 2008.

The discussion focused primarily on the Community Action Agencies' portion of the overall budget. Their proposed budget represents an increase of 2% over the 2007-2008 program year.

According to Ms. Noonan, the budget increase is driven primarily by increased travel costs related to outreach, the need to replace aging computer equipment used to take EAP applications, an increase in the cost of providing health care benefits to employees, and increases in heating costs and rent. No objections to the budgets were raised at the Advisory Board meeting. Ms. Noonan noted that the overall utility budgets have decreased and there is no change in the OEP's budget. Based on her review and analysis, Ms. Noonan concluded that the proposed 2008-2009 EAP program year budgets are reasonable and recommended that the Commission approve them as filed.

Ms. Noonan and Ms. Nolin agreed that increasing the low-income portion of the system benefits charge would not materially affect the Community Action Agencies' budget. Thus, all additional revenues would go toward EAP benefits.

### **C. EAP ADMINISTRATIVE EFFICIENCY IMPROVEMENTS**

Ms. Nolin addressed the status of the implementation of the EAP administrative efficiency improvements mandated by the Commission in Docket No. DE 07-009, which investigated ways of streamlining EAP administrative processes.<sup>3</sup> Ms. Nolin reported that all the efficiency improvements have already been implemented or are in progress.

Regarding the items in progress, automation of the utility enrollment process is still under consideration but it has not been accomplished, in part because recent system conversions at two utilities precluded such changes from being made up to now. For similar reasons, automation of the enrollment removal process has been delayed pending final completion of the conversions. Ms. Nolin stated that the Community Action Agencies are on a working group that is part of an initiative sponsored by the Department of Health and Human Services called the “Front Door Access Project,” which is investigating technologically efficient ways of sharing welfare enrollment information.

Encryption of the electronic data being sent from the utilities to the Community Action Agencies has been implemented and data transmission from the Community Action Agencies to the utilities is being accomplished by a secure hyperlink. Discussions have also taken place regarding the cost effectiveness of the extra step of encrypting e-mail communications from the Community Action Agencies to the utilities, a step beyond what the Commission required.

The Community Action Agencies are to enter into three service level agreements in connection with their computer systems. According to Ms. Nolin, two agreements are in place for system management and hardware support. An agreement for software support is not currently in place because the former software vendor terminated its relationship with the

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<sup>3</sup> See *Statewide Low-Income Electric Assistance Program*, Order No. 24,795 (October 24, 2007) and Order No. 24,820 (January 30, 2008).

Community Action Agencies. Another vendor is currently working on a time and materials basis and the Community Action Agencies expect to issue a request for proposals for a software agreement within the next quarter.

Finally, Ms. Nolin stated that the periodic reporting contemplated by the monitoring and evaluation manual is being done. The accuracy of the information regarding timely payment, complete payments, partial payments and no payments still needs to be verified by reconciling it against information possessed by the utilities. Simple ad hoc reports are also generated. She stated that all the specified periodic reports and ad hoc reporting are expected to be in place by next fall.

### **III. POSITIONS OF THE PARTIES AND STAFF**

#### **A. PSNH**

PSNH stated that all parties agree with the Advisory Board that the recommended increase in the low-income portion of the system benefits charge is necessary to achieve the goals of the EAP and the rate impact is minimal. PSNH requested that the Commission grant its waiver request in order to allow the rate adjustment to become effective October 1 on a bills rendered basis. PSNH also stated that the proposed budgets are reasonable, noting that they are very little changed from last year.

#### **B. NHEC**

NHEC fully supported the recommended increase in the low-income portion of the system benefits charge. Stating that it does not take lightly the prospect of increased electric rates, given current energy costs, NHEC provided some historical context for the Commission's consideration.

NHEC noted that three years ago, the Legislature held a special session to pass a law augmenting the EAP on an emergency basis. A year ago, similar issues were before the Commission. At that time, NHEC recommended raising the low-income portion of the system benefits charge to 1.5 mills per kilowatt hour because the cost of energy and economic conditions warranted it. The Commission did not adopt NHEC's recommendation, opting instead to fine tune the discount tiers so that although the average program benefit was reduced, the program could continue to meet the affordability goal of limiting electric bills to 4%-5% of income. In addition, over the last year the Commission approved a number of program refinements in order to achieve greater efficiencies. NHEC concluded that past efforts to make the program as efficient as possible in order to avoid a rate increase for as long as possible have been successful, but under current circumstances there are no remaining alternatives to approving the recommended increase in the low-income portion of the system benefits charge, if program goals are to be achieved.

### **C. National Grid**

National Grid supported the Advisory Board's recommendation to increase the low-income portion of the system benefits charge in view of recent increases in heating costs, gasoline and other household expenses, and the increase in the number of households on the EAP wait list. National Grid also maintained that increasing EAP funding is consistent with the goals established for the EAP in Docket No. 06-079, in terms of the number of customers that can be served and the benefit levels that can be provided. Finally, National Grid expressed its support for the 2008-2009 EAP program year budgets.

**D. Unitil**

Unitil joined in the comments of the other electric utilities in favor of the Commission's approval of the Advisory Board's recommendation to increase the low-income portion of the system benefits charge.

**E. Community Action Agencies**

The Community Action Agencies supported the recommendation of the Advisory Board to increase the low-income portion of the system benefits charge.

**F. The Way Home**

The Way Home supported the recommendation of the Advisory Board to increase the low-income portion of the system benefits charge. The Way Home stated that the ever growing number of applications demonstrates the need to increase low income charge in order to achieve the goals established by the Commission in prior orders. The Way Home also supported the proposed budgets of the utilities, the Community Action Agencies and OEP, pointing out that all parties and Staff have worked to streamline the EAP. According to the Way Home, the Community Action Agencies have done their utmost to implement the recommendations and the action steps set forth in prior Commission orders and are continuing to fully implement all the action steps.

**G. OCA**

OCA supports the Advisory Board's recommended increase in the low-income portion of the system benefits charge. OCA takes no position on the budgets and it looks forward to working with the other members of the Advisory Board on the implementation of the administrative efficiency improvements.

## **H. Staff**

Staff supported the Advisory Board's recommended increase in the low-income portion of the system benefits charge and stated that the proposed budgets as filed are reasonable. Staff joined in the The Way Home's commendation of the Community Action Agencies in continuing to make progress on the administrative efficiency action steps outlined in prior orders.

## **IV. COMMISSION ANALYSIS**

The Advisory Board and the parties to this docket unanimously recommend that we increase the low-income portion of the system benefits charge from the existing level of 1.2 mills per kilowatt hour, which was approved by the Commission on November 1, 2000, to 1.5 mills per kilowatt hour, the maximum level permitted under RSA 374-F: 4, VIII(c). The record reflects that the Advisory Board carefully and thoroughly analyzed the situation, and the evidence introduced at hearing clearly demonstrates that there is a compelling basis for raising the low income charge.

As set forth in prior orders, the EAP is intended to serve approximately 30,000 households and to minimize the waiting list for program enrollment. Since there are currently about 28,000 households enrolled, and a waiting list of 4,200 households, the EAP is not meeting program objectives. Moreover, recent trends show that it will be increasingly more difficult to achieve program objectives inasmuch as electric rates have increased and the number of customers in the smaller discount tiers has shifted to the larger discount tiers, such that the average person enrolled in the EAP is receiving a higher discount. In addition, non-electric energy prices are increasing and demand for the services provided by the federal fuel assistance program is up, which is indicative of the difficult economic circumstances faced by low-income customers. Furthermore, the Community Action Agencies are witnessing an increased need for

EAP services, including increases in the number of working, two-parent households seeking EAP assistance.

As NHEC recounted, this is not the first time that changes related to the EAP have been considered, and that historical background informs our decision today. Notably, the Legislature held a special session three years ago and passed a law augmenting the EAP on an emergency basis; it is apparent that the difficult economic circumstances facing low-income customers in 2005 have hardly improved since then. Two years ago, similar issues were before us but we were able to find reasonable alternatives to raising the low income charge, without jeopardizing program objectives. We were able to fine tune the discount tiers so that, although the average program benefit was reduced, the program could continue to meet the affordability goal of limiting electric bills to approximately 4%-5% of household income. In addition, we approved a number of program refinements in order to achieve further administrative efficiencies and help ensure that program funds are being spent in the most cost-effective way. More recently, the Legislature passed, and Governor Lynch signed on September 24, 2008, a bill approving measures related to low income assistance programs for the upcoming winter.

The Advisory Board considered a range of alternatives but concluded, for good reason, that changing the discount tiers would undercut the aspect of the EAP that is still working – targeting the greatest benefit to those customers most in need and maintaining affordability of electric bills – while lowering the number of program participants would be contrary to EAP participation goals. Instead, it concluded that it was the appropriate time to raise the low income portion of the system benefits charge from the 1.2 mills per kilowatt hour level set by the Commission in 2000 to the 1.5 mills per kilowatt hour level permitted by the Legislature.

We are mindful that raising the low income portion of the system benefits charge represents a rate increase for a typical residential customer using 500 kwh monthly of 15 cents, or \$1.80 annually, while the annual bill impact for an average small business customer would be approximately \$7.50. However, when considering that the approximately \$3.3 million that would be made available for EAP benefits would serve an additional 6,000 customers, the bill impacts are reasonable. Furthermore, we find that the need for assistance is growing and that the objectives of eliminating the waiting list and serving 34,000 customers are sound. We also find that the best way to achieve these objectives is to raise the low income portion of the system benefits charge. Accordingly, we will adopt the Advisory Board's recommendation.

PSNH has requested that we waive our rule requiring that rate changes be implemented on a service rendered basis. Essentially, the company-wide conversion of Northeast Utilities' billing systems, which include PSNH's new billing system, has not yet progressed far enough to allow for PSNH to reliably make the rate change on a service rendered basis. We find that PSNH has presented sufficient reasons for granting the waiver in this instance and that any impact on customers of other utilities is negligible. We will therefore grant the request.

We will also approve the 2008-2009 EAP program year budgets, which we find to be reasonable and consistent with budgets presented and approved in past years. Overall, excluding one-time software development costs that were part of the 2007-2008 EAP budget, the on-going administrative costs for the 2008-2009 program year are slightly (1.64%) higher than the comparable administrative costs for the prior program year, but the increased amount is reasonable and expectable.

Finally, we are pleased that the efficiency improvements contemplated by prior orders have already been implemented or are in the process of being completed. It is essential that close

attention be paid to such matters, now and in the future, to assure that EAP program dollars are spent wisely.

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

**ORDERED**, in accordance with the Advisory Board's recommendation, that the low-income portion of the system benefits charge be increased from the existing level of 1.2 mills per kilowatt hour to 1.5 mills per kilowatt hour, effective October 1, 2008; and it is

**FURTHER ORDERED**, that the above described increase shall be made on a service rendered basis, except that with respect to PSNH the rate change may be made on a bills rendered basis; and it is

**FURTHER ORDERED**, that the 2008-2009 EAP program year budgets are approved as filed.

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

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Clifton C. Below  
Commissioner

Attested by:

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Kimberly Nolin Smith  
Assistant Secretary