

**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. 24,795

October 24, 2007

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I. PROCEDURAL HISTORY

The Commission opened this docket on January 17, 2007 to address ways of streamlining the administrative processes of the statewide Energy Assistance Program (EAP), in order to reduce unnecessary administrative costs, and to determine the recoverability of \$40,968.75 by the community action agencies incurred during the 2005-2006 EAP program year for software modification in connection with the temporary emergency assistance program authorized by Chapter 298 of the New Hampshire Laws of 2005. Another purpose was to consider the amounts and types of administrative costs incurred in connection with the EAP since October 1, 2003.

The utilities operating the program -- Granite State Electric Company d/b/a National Grid (National Grid), New Hampshire Electric Cooperative (NHEC), Public Service Company of New Hampshire (PSNH) and Unitol Energy Systems, Inc. (Unitil) – were made parties to the

proceeding. In addition, participating as intervenors were the Office of Consumer Advocate (OCA) on behalf of residential consumers, The Way Home (TWH) (a nonprofit organization that concerns itself with housing affordability), the New Hampshire Community Action Association on behalf of the state's six community action agencies, and the Office of Energy and Planning (OEP). Following the prehearing conference, Staff filed a memorandum with the Commission recommending that the Commission employ Roger Colton, an outside consultant familiar with the EAP, to review the existing monitoring and evaluation function. On April 5, 2007, the Commission issued a pre-hearing conference order, Order No. 24,738, which contains, among other things, particulars of the procedural history to that time and authorization for Staff to contact Mr. Colton and engage his assistance through a short term service agreement. On April 20, 2007, the OCA filed a status report regarding monitoring and evaluation on behalf of the EAP Advisory Board subcommittee on monitoring and evaluation.

On May 4, 2007, Staff filed a status report on process issues and a procedural schedule in accordance with the pre-hearing conference order. On the same day, TWH filed a letter expressing disagreement with the Commission's decision not to hire a consultant regarding administrative costs. On May 17, 2007, Staff filed a recommended procedural schedule on behalf of the parties which was revised and updated by Staff letters filed on June 28, July 13 and July 19, 2007. On July 18, 2007, the Commission issued a supplemental order of notice in accordance with the pre-hearing conference order expanding the docket to include a review of the annual program and budget for the upcoming 2007-2008 program year.

On July 27, 2007, Staff filed a detailed description of the recommendations of the parties and Staff for streamlining EAP policies and procedures, including those contained in a software assessment report prepared for the community action agencies and OEP. Staff's letter also

identified several issues which the parties and Staff were continuing to discuss. Between July 30 and August 1, 2007, the utility parties and OEP filed their budgets. Between August 20 and August 24, 2007, the parties and Staff filed position statements regarding the unresolved issues identified by Staff in its July 27 filing. On September 5, 2007 a settlement conference was held to further narrow the unresolved issues. The Commission held a hearing on the recommendations of the parties and Staff, including recent updates, on September 7, 2007. On October 10, 2007 Staff filed a memorandum with the Commission correcting certain figures in a table included with its August 24 position statement.

II. RECOMMENDATIONS OF THE PARTIES AND STAFF

The parties and Staff request that the Commission approve the agreed-to recommendations listed in Staff's July 27 report and the additional recommendations presented at hearing, including a recommendation to defer a decision regarding impact evaluations. The recommendations are as follows:

A. Recertification of Program Participants

Under current procedures, EAP participants under age 65 recertify their eligibility for the program every 12 months while participants age 65 and over recertify every 24 months. Prior to recertification, the community action agencies notify participants of the need to recertify by letters sent to the participant 97 days and 30 days prior to the expiration of their eligibility and a telephone call to the participant is made 67 days prior to the expiration of eligibility.

The parties and Staff proposed that the community action agencies send one letter to participants 45 days prior to the expiration of their eligibility and continue to place a subsequent reminder telephone call to participants. The estimated net cost savings of eliminating one letter is \$22,400 which is already reflected in the utilities' proposed 2007-2008 program year budgets.

In order to further reduce administrative costs, the parties and Staff also explored the idea of recertifying households all of whose members are age 65 and older less frequently than every 24 months. The supposition was that elderly people may tend to have less variable incomes, justifying an extension of their eligibility period. As a result of their discussions, the parties and Staff agreed that the benefits of recertifying elderly EAP participants every 24 months outweigh any potential savings and therefore recommended no change in the recertification period for elderly participants.

The parties and Staff reported that although many of the elderly often do have more constant income levels, other factors in the household may change, such as the death of a spouse, or a child or another family member moving in to the home, all of which would impact the client's eligibility for EAP benefits. It was also pointed out that such a change could be detrimental to the elderly, as they would interact less frequently with the community action agencies, thus increasing the likelihood that other issues in the household, such as deteriorating mental and physical conditions, would go undetected.

B. File Format and Unique Identifier

When the community action agencies send enrollment information to the utilities, they send it as an e-mail attachment in CSV (comma separated value) format. It often happens that the file is opened in a different format, such as Excel, in which case the leading zeros and the letter E associated with the unique identifier assigned to each customer may be improperly displayed. This creates a high likelihood that the unique identifier or account number will be incorrectly entered by the utility and subsequent transmissions from the utility will be rejected by the EAP software. A rejected transmission requires manual research by the community action agencies and data corrections by the utilities.

To avoid these problems and streamline the administration of electronic communication between the community action agencies and the utilities, the parties and Staff recommended the lead community action agency, the Community Action Program Belknap-Merrimack Counties, Inc., work with its software vendor and the utilities to change the file format to an Excel file format compatible with the various versions of Excel being used by the utilities. They also recommended that testing occur prior to the implementation of the new file format to ensure that all file recipients can access the file as needed in order to accomplish the program enrollments.

While the parties and Staff agreed that this will make the administration of this function more efficient, they said it is unlikely to deliver any net cost savings. It could provide the community action agency staff with more time to assist EAP participants, however.

C. Relocation of Program Participants

The parties and Staff reviewed the procedures followed by the community action agencies when a participant moves from one location to another to determine if the procedures could be simplified and more fully automated. The procedures become complicated and cumbersome when the move is to a different utility service area or to a different community action agency service area, or both, and require a substantial amount of hands-on work by the community action agencies. The parties and Staff nevertheless concluded that the current procedures are the least disruptive to EAP participants and the most efficient method of managing participant moves.

D. Removal of Participants from Program Participation

A participant is removed from the EAP when the participant fails to complete the recertification process or is determined no longer to be income eligible as a result of the recertification process. In addition, a participant who has moved and does not notify the community action agency of the move will be removed from the program after the EAP software identifies that no bill, and therefore no EAP benefit, has been issued to the customer for two consecutive months. Once a determination is made that the participant is no longer eligible, the community action agencies manually compile a report of participants to be removed and send it to the utility for removal.

The parties and Staff agreed that the identification of participants to be removed requires manual review but after it has been noted in the EAP software that a participant is to be removed, the community action agencies' EAP software would generate the removal list to be electronically transmitted to the utilities. While the parties and Staff agreed that automating the removal process to this extent will make the administration of this function more efficient, they concluded it is unlikely to deliver any cost savings. On the other hand, it could provide the community action agency staff with more time to assist EAP participants and result in more timely removals.

E. Automation of Enrollment Process by Utilities

Currently, the utilities manually input information received from the community action agencies regarding enrollment and recertification. The parties and Staff considered whether automating the utility enrollment process would reduce data entry errors and, if so, whether the reduction would be significant enough to warrant the investment in such a process. There are three possible sources of data entry errors: (1) the community action agencies' transmission of

the information to the utilities using the CSV format described above, (2) use of unique identifiers with the number 0 (zero) and the letter O that are not read accurately due to font issues, and (3) human error in data entry.

The parties' recommendation for the transmission of enrollment files as Excel files rather than CSV files by the community action agencies is described above. The parties and Staff concluded that due to the extensive use of the number zero and the letter O on existing unique identifiers, eliminating their use going forward is not likely to generate significant benefits. Beyond that, the parties and Staff recommended that any system changes be postponed pending review of transmission errors during the next twelve months and further consideration of automating the utility enrollment process by the Advisory Board. PSNH and National Grid were in the process of changing their customer information systems, and both utilities reported that they were currently constrained in their ability to change their systems.

F. EAP Software and System Platform Measures

Based on the assessment report of WSB Technologies, a consultant working on behalf of the community action agencies and the OEP in connection with the computing systems and related software processes in use by EAP and the federal fuel assistance program, the parties and Staff recommended that the community action agencies implement changes in six areas.

In terms of data security, the utilities agreed to add a PGP file encryption step to the existing process of transferring monthly bill and information files to the EAP server using standard (non-secure) internet file transfer protocol (FTP). Prior to monthly processing of these files on the EAP server end, the community action agencies will decrypt the data. In addition, to improve the security of the daily enrollment transmission files, the community action agencies will use a PGP/FTP push method rather than e-mail distribution. The utilities will then be

responsible for file decryption and internal electronic distribution. These enhancements will be implemented during the 2007-2008 program year. Further, the community action agencies and the utilities studied the feasibility of encrypting e-mail communications among community action agency staff and between the community action agencies and the utilities, which may contain sensitive client information necessary to identify and resolve specific case problems. Due to concerns regarding the cost of this initiative, it had not yet been determined when or if this enhancement will be implemented. Finally, the community action agencies will replace their self-issued security certificates with validated internet security certificates acquired from a trusted, third party certifying authority such as Verisign or Network Solutions. The community action agencies reported at hearing that this measure has already been implemented.

To improve data integrity and computer backup mechanisms, the community action agencies have installed a replacement backup system and secured an off site back-up media storage site. To perform *ad hoc* reporting, i.e. the generation of reports beyond the basic reports designed into the system, the community action agencies plan to utilize their Microsoft SQL Server 2005 reporting system, which is already installed on the system and requires only minor modifications for its full utilization. Another *ad hoc* reporting product, Report Mill, is also available but the community action agencies anticipate delaying its final implementation in order to concentrate on the use of the Microsoft product. The community action agencies were in the process of identifying those individuals who will be trained to use the new reporting system. It was expected that the first group of in house users would be trained and able to use the reporting functions by the end of September 2007. The goal is to have a much more flexible reporting system in place that is able to query the database directly and does not rely on hard-coded reports.

Fourth, the community action agencies reported experiencing many problems in connection with implementation of the temporary emergency assistance program. According to the community action agencies, they have installed the necessary system hardware which has allowed the software vendor to complete the data fix process.

The company that has taken over for the original software manager is primarily a software developer rather than a systems manager. To establish internal and external service level agreements and a formal change management mechanism for ongoing maintenance and the provision of certain technical services, the community action agencies will establish three service level agreements, one for software support, another for system management (operations and design), and a third for hardware support. A service level agreement is already in place for hardware support and the negotiation of service level agreements for software support and system management was taking place at the time of the hearing with an anticipated completion date of early October.

Finally, the report recommended the consolidation of individual application data storage to a single shared platform such as the HP MSA1500 Storage Area Network (Modular Storage Array) with common drive components. The goal would be to remove some of the older equipment over time and eliminate at least three of the five file servers, and to rely instead on one web-based server and one database server. Depending on overall cost, the community action agencies expect to implement this recommendation in the 2007-2008 program year.

G. Role of Advisory Board

To date, the role of the EAP Advisory Board has been described as follows: "EAP Advisory Board - An Advisory Board will serve as a conduit between the parties involved in the program and the Commission. The Advisory Board's responsibilities will include long-term

oversight of the EAP, the drafting of policy recommendations and the provision of clarification and guidance to the parties responsible for administering the program.” *Electric Utility Restructuring-Energy Assistance Program*, 85 NH PUC 676, 679 (2000). The parties and Staff recommended a change to the description of the Advisory Board’s role and agreed to a further modification at hearing, so that the description would be as follows:

An Advisory Board will serve as a forum for the parties involved in the EAP and provide advice to the Commission. The Advisory Board’s responsibilities will include periodic/on-going review of the EAP, the drafting of policy recommendations and the provision of clarification and guidance to the parties responsible for administering the program.

These changes are intended to clarify that the Commission, rather than the Advisory Board, has the decision-making authority over the EAP and to more accurately reflect the functions which the Advisory Board actually performs.

In addition, the parties and Staff recommended that the Advisory Board meet quarterly rather than monthly. They stated that while it was appropriate for the Advisory Board to meet on a monthly basis in the early years of the EAP, less frequent meetings should now be necessary. Nevertheless, EAP fiscal reporting and distribution of financial reports to Advisory Board members would continue to take place on a monthly basis.

H. Eligibility Referrals

The parties and Staff discussed whether a “one-stop shopping” approach to eligibility determination might help reduce EAP administrative costs. Under the eligibility referral concept, if an individual contacted another social services agency, such as the local Department of Health and Human Services, Division of Family Assistance office, to apply for assistance, that agency would share its income determination with the community action agencies so that the individual could be enrolled in the EAP based on the same information.

The parties and Staff agreed that achieving such coordination between social service agencies was a worthwhile goal that might result in lower EAP administrative costs. At the same time, they agreed that bringing about such coordination would be a significant undertaking and could not happen within the timeframe of this docket. The parties and Staff recommended that the Advisory Board look into the feasibility of developing and implementing such a system and provide a report to the Commission within twelve months.

I. Updates to Program Manuals

Staff noted that as changes have been made to the EAP, updates have been made and distributed to the people responsible for administering the EAP. Staff agreed that, consistent with the findings of Staff auditors, the EAP program manuals themselves should be updated to reflect current practices and Commission requirements and the revised manuals should be filed with the Commission.

J. Monitoring and Evaluation

The parties agreed that the fiscal monitoring conducted by Commission Staff is appropriate. This includes a monthly review of EAP expenditures and periodic projections of EAP funding levels, as well as monitoring of enrollment levels. In addition, the lead community action agency, Belknap-Merrimack Counties, performs compliance monitoring on an annual basis in accordance with the monitoring and evaluation manual. The parties and Staff recommended one addition to the compliance monitoring procedures, namely, that the lead community action agency will provide a copy of its report to the Advisory Board each year.

The parties and Staff explored the adoption of a process evaluation as a formal part of the EAP. A process evaluation would address questions such as whether the EAP conforms to the design parameters and operates efficiently, and whether there are improvements that would

benefit the EAP. They recommended that a process evaluation consistent with the Headstart self-assessment tool be carried out every three years. They further recommended that OEP be responsible for coordinating and facilitating the process evaluation. The cost of a process evaluation was not known, but was not expected to be significant.

The Headstart self assessment relies on teams of individuals to review program procedures to determine whether they are still “best practices” and cost-effective. The teams include interested parties such as administrators, clients and community representatives. In the self assessment process, a dialogue is generated among those impacted by the program about whether there are other process issues that should be addressed by the program.

As applied to the EAP, the process evaluation would involve an in-depth review of the EAP procedures manuals, culminating in a report to the Commission that would include an assessment of whether the procedures are still adequate and meet the needs of the EAP, as well as recommendations for changes that would streamline the EAP. It was noted at hearing that the goals of such a self assessment are generally similar to the goals of the present docket.

The question of when the first process evaluation would be conducted was discussed at hearing. OEP cautioned that the cost of a process evaluation is not yet known with precision. OEP stated that it begins a new budgeting process in the fiscal year starting in July 2009 and, depending on the cost, a process evaluation could be commenced soon after that in order to coincide with the regular biannual budgeting process. Under these circumstances, OEP said it preferred that there be some flexibility regarding the commencement date of the process evaluations. OEP offered to work with the Advisory Board to get a more precise indication of the cost and report back to the Commission once the cost became clearer. The other parties and Staff did not disagree with OEP’s request for such flexibility.

The parties and Staff also explored the adoption of an impact evaluation, which would address questions such as whether the EAP has achieved the goals it has set for itself and at what cost. 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 measurement of results. The parties and Staff worked with Mr. Colton to define objectives and outcomes for the EAP and to provide some information and guidance about the structure and timing of impact evaluations. The parties and Staff recommended that an impact evaluation should be conducted on a six-year cycle so that an impact evaluation would occur at the same time as every second process evaluation. The parties and Staff did not object to having OEP be the lead in conducting or contracting for the impact evaluation, subject to review of the costs, which could be significant, and consideration of whether there is a more cost effective way of performing the evaluation.

The parties and Staff recommended that, for the time being, the Commission defer a ruling on the question of what the outcomes and objectives would be for an impact evaluation, in order to allow the parties and Staff additional time to discuss them and a proposed start date for the evaluation; they committed to submit a report to the Commission by November 16. They also suggested that the Commission keep this docket open for the purpose of considering the November 16 report.

K. Audits of the Community Action Agencies

As explained at hearing, each of the community action agencies is audited annually by an outside accounting firm. Each audit includes a report on the entity's financial statements and on its internal control over financial reporting, compliance, and other matters in accordance with government auditing standards, which include the standards contained in OMB Circular A-122. In addition, community action agencies that administer major programs exceeding \$300,000 in

operating funds are audited in accordance with Single Audits—OMB Circular A-133, even though Circular A-133 by its terms applies only to major federal programs. Audits of such major programs are performed every three years and include a program-specific report on expenditures, internal controls, and compliance with laws, regulations, contracts, and grant agreements. Two of the six community action agencies, Belknap-Merrimack Counties and Southern New Hampshire Services, administer EAP funds exceeding \$300,000 and arrange for OMB Circular A-133 audits of the EAP, referred to at hearing as program compliance reviews. The audit reports prepared on behalf of the community action agencies are forwarded to the Commission Staff auditors every year.¹ It was also recommended that the audit reports be submitted to the Advisory Board.

It was explained that the Commission Staff and most parties were comfortable with the existing audit process. A few parties, however, were concerned that program compliance reviews are not being performed by the other four community action agencies, i.e., Southwestern Services, Rockingham County Community Action, Strafford County Community Action, and Tri-County Community Action. The cost of performing a program compliance review was estimated to be approximately \$2,500 per agency, or about \$3,300 additional total cost on an annualized basis.

In view of the relatively small cost, the parties and Staff agreed to recommend that the four community action agencies not currently conducting program compliance reviews instruct their outside auditors to treat the EAP as if it exceeded the \$300,000 threshold and perform the additional program compliance review consistent with the procedures and timing set forth in

¹ In addition to reviewing the reports of the community action agencies' outside auditors, Commission Staff auditors review the utilities' EAP revenues and expenses.

OMB Circular A-133. The program compliance reviews would be conducted on a rotating basis, with one or at most two being conducted each year.

L. Program Costs

Staff presented the parties' recommendation regarding the temporary emergency assistance program costs. As explained by Staff, there is an outstanding cost item of \$40,968.75 associated with the implementation of the temporary emergency assistance program authorized by the Legislature in 2005. *See* Ch. 298, N.H. Laws of 2005. As part of its 2006-2007 program year budget, the community action agencies requested recovery of this amount, which it had expended for software development and modification needed 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. In Docket No. DE 06-079, the Commission deferred ruling on the recovery of the \$40,968.75, stating that the OCA and TWH had raised a legitimate question of legal interpretation which all the parties had not had the opportunity to address and noting its intent to include the issue, among others, in this proceeding. *Statewide Low Income Electric Assistance Program*, Order No. 24, 696 (November 8, 2006), slip op. at 7. In Docket No. DE 07-009, referencing a statement made on behalf of the community action agencies that they had asked members of the Legislature to provide greater clarification to the Commission regarding the definition of administrative costs as used in Chapter 298, N.H. Laws of 2005, the Commission expressed its intent to defer ruling on the recovery of the \$40,968.75 to allow for the possibility of a legislative resolution or clarification. *Statewide Low Income Electric Assistance Program*, Order No. 24, 738 (April 5, 2007), slip op. at 12.

On June 25, 2007, HB 119 was signed into law. *See* Chapter 208, N.H. Laws of 2007. Section 2 of the legislation provides that:

2005, 298:6, II is repealed and reenacted to read as follows: No 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, *and those costs directly associated with implementing software changes necessary to effectuate this emergency assistance program.*

(Emphasis added.) Based upon the clarification provided by the Legislature and the parties' agreement that the \$40,968.75 cost is reasonable, the parties and Staff recommended that the Commission allow its recovery, either by modifying the approved 2006-2007 program year budget to include recovery as part of 2006-2007 program year expenses or by including it in its approval of the upcoming 2007-2008 program year EAP budget.

M. EAP Budget

Staff presented the EAP budget and a review of prior period EAP expenses. The EAP budget consists of the utility's incremental costs to administer the EAP, OEP's costs, and the community action agencies' administrative costs. Utility incremental costs generally include the production and printing of educational materials such as posters and brochures, customer service, legal expenses and programming costs all of which are expenses that would be reasonably incurred as part of the utility's administration of the EAP. The community action agencies' costs for administering the EAP are initially paid by the utilities pursuant to contracts between the utilities and the Belknap-Merrimack County Community Action Program² and then recovered by the utilities from EAP revenues. OEP's costs are related to performing its role in monitoring and evaluating the EAP.

As shown below, during the past three program years, the actual utility incremental costs have been less than the budgeted costs by approximately 44 percent:

² In turn, the Belknap-Merrimack County Community Action Program subcontracts with the other five community action agencies to perform program services on a pass through basis.

PY 2003-2004		PY 2004-2005		PY 2005-2006	
BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
\$ 98,030	\$ 55,092	\$ 71,056	\$ 36,985	\$ 67,236	\$ 40,401
	-43.80%		-47.95%		-39.91%

During the same period, the actual administrative costs of the community action agencies have been consistently at or below budget. According to Staff, OEP's costs have remained relatively constant. While the total incremental utility costs for the 2006-2007 program year were not known at the time of the hearing because the program year did not end until September 30, Staff stated that it expected that actual utility costs would be less than budgeted costs this year as well.

According to Staff, the budgets submitted for the 2007-2008 program year are very similar to past budgets. The proposed budget for the 2007-2008 program year, excluding the \$40,968.75 of emergency assistance program costs, is shown below.³ Overall, the proposed budget is 2.46% higher than the budget for the 2006-2007 program year. With the removal of the one time information technology costs associated with the implementation of the EAP software recommendations outlined in Staff's July 27, 2007 report to the Commission,⁴ the 2007-2008 program year budget is 0.7 percent higher than the 2006-2007 program year budget.

2007/2008 PROGRAM YEAR				
	UTILITY ADMIN	CAA ADMIN	IT COSTS	TOTAL
PSNH	\$ 35,450.00	\$ 1,207,911.25	\$ 41,336.16	\$ 1,284,697.41
NHEC	\$ 6,000.00	\$ 103,477.10	\$ 3,541.11	\$ 113,018.21
National Grid	\$ 5,372.00	\$ 92,362.32	\$ 3,160.75	\$ 100,895.07
Unitil	\$ 5,200.00	\$ 161,712.33	\$ 5,533.99	\$ 172,446.32
OEP	\$ 20,510.00	\$ -	\$ -	\$ 20,510.00
Total	\$ 72,532.00	\$ 1,565,463.00	\$ 53,572.00	\$ 1,691,567.00

³ When the \$40,968.75 is included in the proposed 2007-2008 budget, the total budget comes to \$1,732,535.75. The \$40,968.75 would be allocated to PSNH (77.16 percent), NHEC (6.61 percent), National Grid (5.90 percent) and Unitil (10.33 percent) and recovered by the utilities from combined EAP revenues.

⁴ Community action agency one time information technology costs are the costs associated with implementing the recommendations in the WSB report.

The increase in the budget is attributable to a 2 percent increase in the community action agencies' budget. The 2 percent increase reflects increased community action agency health care benefit costs and cost of living salary increases. The 2007-2008 utility budgets are 28 percent lower than the 2006-2007 utility budgets. Staff supported approval of the 2007-2008 program year budgets as proposed and the parties did not object.

III. POSITIONS OF THE PARTIES AND STAFF

The positions of the parties were made known through filings with the Commission, and testimony and comments at hearing. PSNH stated that the parties thoroughly explored alternatives for streamlining the EAP and saving administrative costs without making fundamental changes in program design. A number of alternatives were not accepted since, in PSNH's view, the EAP works reasonably well and the parties did not want to harm the program simply to achieve administrative savings. PSNH recommended that the Commission adopt the recommendations set forth in Staff's July 27 submission and in the consensus items reported at hearing, and approve the budgets as presented except for the addition of the \$40,968.75 associated with the implementation of the emergency assistance program and possibly an additional amount to cover the first year of the comprehensive audits that will be performed on the four community action agencies.

NHEC stated that it either supports or does not object to the recommendations presented to the Commission. It said that the parties have yet to come to full agreement on the details of an impact evaluation and that is why it has been set aside for separate consideration. NHEC suggested that the outcomes and objectives of the impact evaluation to be discussed in the November 16 report to the Commission will significantly affect the estimated cost of performing the evaluation. Indicating its concern and reservations about the potential cost of an external

impact evaluation, the NHEC did not agree that \$100,000 is an accurate estimate of what needs to be spent on an impact evaluation.

Unitil stated that it supports the recommendations set forth in Staff's July 27 submission and as discussed at hearing. National Grid stated that it supports or does not object to the recommendations. National Grid expressed support for a periodic review of both administrative and program design processes for the EAP at regular intervals. It contended that it is possible to conduct these reviews without necessarily retaining an outside consultant, which would accomplish a better use of limited EAP funds. The community action agencies stated that the parties who participated in the numerous technical session discussions accomplished what the Commission intended for this docket, a complete review of the EAP's policies and procedures. The community action agencies supported the recommendations.

The OEP also supported the recommendations and stated that the evaluations can be conducted effectively assuming the parties prepare for them and are diligent in performing them. At the same time, OEP urged that piecemeal changes to the EAP be resisted when the evaluations are not taking place. OEP stated that the process of making changes takes time away from the people administering the program and otherwise consumes EAP resources. In order to maximize the funds going to the beneficiaries of the EAP, OEP strongly maintained that a balance must be kept between sound program delivery and minimization of costs. Finally, OEP supported greater clarity regarding its role in the administration and evaluation of the EAP.

TWH stated that it supports the recommended program changes, including the recommendation that the four community action agencies be subject to the expanded external audit, and it also supports the proposed 2007-2008 program year budgets, including the cost of implementing the WSB software assessment report. TWH also supported the community action

agencies' recovery of the \$40,968.75 associated with implementation of the emergency assistance program. TWH agreed with OEP's entreaty to resist making changes when evaluations are not in progress but clarified that in its role as a member of the Advisory Board, TWH would fulfill its function and inform the Commission of matters that the Commission must address.

OCA stated that it was pleased that the parties agreed to propose that all the community action agencies be subject to the OMB Circular A-133 audit requirements on a three year schedule. OCA recognized that there is work to be done with respect to evaluations and agreed with Mr. Colton's recommendation that the impact evaluation be conducted by an external, independent third party.

Staff stated that it concurs with the recommendations and was hopeful that the changes will make the EAP more effective and successful. Staff noted that other changes can be considered on the schedules set forth in the recommendations.

IV. COMMISSION ANALYSIS

We express our appreciation to the parties and Staff for their thorough review of the EAP administrative processes and their development of detailed recommendations for us to consider. The breadth of the review and the thoughtfulness of the recommendations give us added confidence that the EAP has been and will continue to be properly and efficiently administered.

After careful consideration, we approve the recommendations contained in Staff's July 27 report and the additional recommendations presented at hearing, subject to our comments below regarding the evaluation recommendations. Although there appears to be agreement among the parties about a number of elements of the evaluation policies, other elements, particularly those relating to impact evaluations, are subject to further discussion by the parties and Staff. We will

defer ruling on the evaluation recommendations until after we have the opportunity to consider the parties' November 16 report. We request 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 ask that the EAP Advisory Board keep us 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. In addition, we request a status report from the community action agencies by November 16 on the functionality of the Microsoft SQL Server 2005 in providing ad hoc data reports and on their training initiatives. A status report regarding the other recommendations submitted at the same time as the 2008-2009 EAP budgets will be sufficient unless the Advisory Board determines that an earlier submission(s) is appropriate. Finally, we request that the community action agencies file a proposed schedule for performing the program compliance reviews on each of the community action agencies by November 16.

Furthermore, we approve the proposed 2007-2008 program year budgets. They are generally consistent with budgets we have approved in previous years and the modest increases in on-going administrative costs were sufficiently explained at hearing. Finally, the parties did not make a recommendation as to whether the \$40,968.75 associated with the implementation of the temporary emergency assistance program should be recovered by modifying the approved 2006-2007 program year budget to include recovery as part of 2006-2007 program year expenses or by including it in our approval of the upcoming 2007-2008 program year EAP budget. In

order to align the recording of the expenses more closely with the timing of their occurrence, we direct that the payment of the \$40,968.75 be reflected as part of the 2006-2007 program year EAP budget requests and treated as a 2006-2007 program year expense.

Based upon the foregoing, it is hereby

ORDERED, that the recommendations of the parties and Staff are approved except to the extent noted above, including the modified description of the role of the EAP Advisory Board as set forth on page 10 above; and it is

FURTHER ORDERED, that the parties and Staff submit a report regarding recommended evaluation procedures on or before November 16, 2007; and it is

FURTHER ORDERED, that the EAP Advisory Board and the community action agencies provide the additional information as described above; and it is

FURTHER ORDERED, that the proposed 2007-2008 EAP budgets are approved as set forth herein.

By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of October, 2007.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary