

**The New Hampshire Electric Utilities'
recommended budget adjustments
due to the passage of Senate Bill 300 on January 14, 2010**

Consistent with the Commission's Supplemental Order of Notice issued on January 22, 2010 in DE 09-170, Granite State Electric Company d/b/a National Grid, New Hampshire Electric Cooperative Inc., Public Service Company of New Hampshire and Unitil Energy Systems, Inc. submit the following recommendations and proposed budget revisions to the 2010 CORE NH Energy Efficiency Programs due to the passage of Senate Bill 300 which shifted a portion of the System Benefits Charge (SBC) funds from Energy Efficiency to the Electric Assistance Program.

In its Supplemental Order of Notice, the Commission identified options to be considered, including:

- implementing a pro-rata reduction across the board for all Core programs,
- reducing funding on a program-by-program basis, and
- allocating funds from the Greenhouse Gas Emissions Reduction Fund to support the planned 2010 Core programs

In Order No. 25,062, approving the 2010 Core Programs, the Commission directed interested parties and Staff to immediately reconvene to determine how to address the reduction in Core program funding should SB 300 be enacted. As a result, at the monthly CORE Energy Efficiency meeting held on January 25, 2010, the parties discussed a number of options to address the reduction in available funds caused by the passage of SB 300. These options were incorporated into the following recommendations

1. Quantify the shortfall.
2. Allocate 14.5% of the budget to the Home Energy Assistance Program as agreed to in the Settlement Agreement and NHPUC Order No. 25,062.
3. Review the 2009 results and estimate any carry forward amount that could be used to make up the shortfall.
4. Propose any other opportunities to fill the shortfall.

In revising the 2010 budgets, the electric utilities used a combination of the Commission's three identified options based on each utility's unique circumstances. Cutting the 2010 budget by 0.3 mills/kWh as required by SB300 results in a shortfall of \$3.2 million. As detailed in the revised budgets, the Electric Utilities have proposed steps that will reduce this shortfall to approximately \$730,000; however, these cuts will have significant consequences. Specifically, the revised budgets will result in reduced services, a potential loss of jobs, and will require that some programs be closed beginning in the second quarter of this year. In its Supplemental Order of Notice, January 22, 2010, the Commission indicated that in addition to cutting budgets, consideration should also be given to allocating funds from RGGI. The Electric Utilities believe that this is an option that should be pursued and recommend that RGGI funds be allocated to make up the shortfall in the revised budgets.

First, the electric utilities addressed Senate Bill 300 by changing the allocation of SBC funds such that 1.8 mills per kWh of the SBC be used to support the EAP and 1.5 mills per kWh be used to support the Core energy efficiency programs, effective January 14th, 2010.

Second, the utilities looked for other ways to offset this reduction, including estimating any carry over/under from 2009 into 2010 based on 2009 preliminary results. Other adjustments were made based on a review of other revenue sources. These carryovers and adjustments are shown in the following chart:

	NGRID	NHEC	PSNH	Unitil	Total
1. 2010 Forecasted Sales	850,613,514	713,446,427	7,828,388,828	1,219,513,167	10,611,961,936
\$0.0018	1,531,104	1,284,204	14,091,100	2,195,124	19,101,531
\$0.0015	<u>1,275,920</u>	<u>1,070,170</u>	<u>11,742,583</u>	<u>1,829,270</u>	<u>15,917,943</u>
SB 300 Reduction Results	-255,184	-214,034	-2,348,517	-365,854	-3,183,589
Recommended Budget Adjustments					
2. Estimated 2009 Carryover	\$204,632	\$41,000	\$680,000	\$149,947	\$1,075,579
3. FCM Adjustments	\$0	\$0	\$0	\$254,245	\$254,245
4. PSNH "2% Funds"	\$0	\$0	\$500,000	\$0	\$500,000
5. SmartStart Revolving Loan Fund	\$0	\$0	\$894,487	\$0	\$894,487
Total Adjustments	<u>\$204,632</u>	<u>\$41,000</u>	<u>\$2,074,487</u>	<u>\$404,192</u>	<u>\$2,724,311</u>
2010 Budget Change	-\$50,552	-\$173,034	-\$274,030	\$38,338	-\$459,278

1. **2010 Forecasted Sales**

National Grid revised its 2010 forecasted sales with more current numbers. This new forecast is lower than what was used in the original budget by 36,869 MWHs.

2. **Estimated 2009 Carryover (All utilities)**

Based on preliminary results, the utilities made their best effort to estimate their year-end results, reviewing over/under collections, over/under spending by program, estimated performance incentive, etc.

3. **FCM Adjustments (Unitil only)**

The FCM reduction reflects the addition of ISO's Forward Capacity Market (FCM) proceeds into the Core energy efficiency programs' reconciliation mechanism pursuant to Staff's recommendation during the 2008 Core Program Audit.

4. **PSNH "2% Funds" (PSNH only)**

The enabling language contained in New Hampshire statute RSA 125-O: 5 authorizes PSNH to utilize a portion of the funds collected from the System Benefits Charge (SBC) to fund energy efficiency projects and energy saving measures at Company facilities. PSNH is proposing to take \$500,000 of this fund and reallocate it to the CORE Energy Efficiency Programs for 2010.

5. **SmartStart Revolving Loan Fund (PSNH only)**

PSNH has a revolving loan fund of \$2,894,487. Current obligations total \$1.8 million and annual re-payments on outstanding loans is approximately \$600,000. Because of the extenuating circumstances associated with SB 300, PSNH is recommending that \$894,487 be transferred from the SmartStart revolving loan fund to the CORE Energy Efficiency Programs to help address the SB 300 shortfall. Based on historical usage of the fund, PSNH believes it is unlikely that municipal customers will be impacted by this change.

Based on these budget changes, National Grid, NHEC, and PSNH will still have budget shortfalls. The following is a description of how each utility proposes to adjust their budgets.

National Grid

Program Expenses (\$)	2010 Plan		
	As filed	Revised	Variance
Energy Star Homes	\$200,777	\$162,345	(\$38,432)
Home Performance w/Energy Star	\$62,296	\$50,371	(\$11,925)
Home Energy Assistance	\$190,939	\$191,294	\$355
Energy Star Lighting	\$59,459	\$48,078	(\$11,381)
Energy Star Appliances	\$64,528	\$52,177	(\$12,351)
Small Business Energy Solutions	\$286,419	\$297,046	\$10,627
Large C&I Retrofit	\$229,114	\$237,615	\$8,501
New Equipment & Construction	\$270,317	\$280,347	\$10,029
Educational Programs	\$0	\$0	\$0
Total	\$1,363,849	\$1,319,272	(\$44,577)

The impact of SB 300 on National Grid's Energy Efficiency programs will result in an overall net reduction in funding of \$50,552. The reduction of the SBC results in a decrease of funding of \$255,184. An update to the sales forecast yields an additional decrease of \$66,365. However, National Grid estimates that it will have a carryover balance of \$270,996 that can be incorporated into the 2010 budget to make up some of the shortfall. At this time, National Grid is not seeking funds from additional sources to fill the budget gap.

To address the net funding reduction, National Grid proposes program budget adjustments. This set of adjustments is recommended as a one-time effort to address the funding changes and the marketplace conditions. The proposed budget changes were influenced by initially implementing an across the board funding reduction for all sectors equal to the SBC decrease. Following that, HEA was allocated 14.5% of the net additional funds resulting from the sales forecast update, fund balance surplus, and additional funding updates referenced above. The balance of the remaining funds was allocated to the Commercial and Industrial sector.

1. The reductions mandated by SB 300, combined with a reduction in forecasted electric sales, result in an overall reduction of \$321,549 to National Grid's 2010 Core Programs. National Grid has determined that it has \$270,996 in funds available from 2009 to carry over to substantially fill this budget gap. Thus, the net reduction in funds available for 2010 Core programs is \$50,552. At this time, National Grid is not seeking funds from additional sources to fill this budget gap.
2. The revised budget reflects an HEA budget increase of \$355 due to a change of 14% to 14.5% funding levels.
3. In assessing its budget in light of SB 300, the Company reduced its Program, planning, and administration expense by 18%, Marketing expense by 18%, and Evaluation expense by 3%. The Company increased customer incentives by 11% in the C&I sector.
4. Because National Grid's Commercial and Industrial sector is experiencing a very high demand for its commercial and industrial sector programs, the Company proposes to shift \$29,053 from the Residential to the C&I sector. The Company has also reduced incentive levels for the Small C&I Retrofit program to 50% so more customers can be served..

New Hampshire Electric Cooperative

Program Expenses (\$)	2010 Plan		
	As filed	Revised	Variance
Energy Star Homes	\$116,499	\$99,849	(\$16,650)
Home Performance w/Energy Star	\$143,030	\$125,062	(\$17,968)
Home Energy Assistance	\$171,354	\$154,683	(\$16,671)
Energy Star Lighting	\$93,810	\$79,140	(\$14,670)
Energy Star Appliances	\$96,810	\$82,139	(\$14,671)
Small Business Energy Solutions	\$95,872	\$83,680	(\$12,192)
Large C&I Retrofit	\$131,127	\$112,594	(\$18,533)
New Equipment & Construction	\$133,332	\$114,402	(\$18,930)
Educational Programs	\$35,566	\$31,257	(\$4,309)
Load Management	\$100,707	\$95,430	(\$5,277)
Smart Start Program	\$8,372	\$8,372	\$0
High Efficiency Heat Pump	\$97,482	\$80,173	(\$17,309)
Total	\$1,223,961	\$1,066,781	(\$157,180)

NHEC Budget Narrative

The impact of SB 300 on NHEC's Energy Efficiency programs will result in an overall reduction in funding of \$214,034. NHEC estimates that it will have a carryover balance of \$41,000 that can be incorporated into the 2010 budget, but without funding to make up this difference, the Company will still have a substantial budget shortfall. To address this, NHEC proposes to reduce the funding level for marketing, shifting those budget dollars into rebates, and proposes to also reduce the rebate budgets across the board in all programs. The cuts will result in a 26% reduction in participation and a 21% reduction in savings in 2010. The following summarizes the Company's budget adjustments.

1. Estimated carryover of \$41,000 added to offset the budget shortfall.
2. Recalculated the Home Energy Assistance Program funding at 14.5% of available funding. In spite of this, rebates to this program are reduced by \$22,791.
3. Remainder of funding available was allocated 62% residential, 38% commercial.
4. The marketing budget allocation was reduced and \$21,336 was shifted into program rebate budgets.
5. Monitoring and evaluation budget remains at 5% of total budget however is reduced by \$7,859 in proportion to budget reduction.
6. Remaining reductions were spread to rebate budgets in all programs in proportion to original budgets for a total of \$107,791 or an overall 20% reduction in rebates.

Public Service Company of New Hampshire

Program Expenses (\$)	2010 Plan		
	As filed	Revised	Variance
Energy Star Homes	\$945,047	\$945,047	\$0
Home Performance w/Energy Star	\$1,620,080	\$1,620,080	(\$0)
Home Energy Assistance	\$2,136,334	\$2,172,897	\$36,563
Energy Star Lighting	\$945,047	\$823,915	(\$121,132)
Energy Star Appliances	\$630,031	\$630,031	(\$0)
Small Business Energy Solutions	\$2,321,641	\$2,321,641	\$0
Large C&I Retrofit	\$2,466,743	\$2,466,743	(\$0)
New Equipment & Construction	\$1,958,884	\$1,769,423	(\$189,462)
Educational Programs	\$157,507	\$157,507	\$0
Smart Start Program	\$50,000	\$50,000	\$0
ES Homes - Geothermal	\$360,018	\$360,018	\$0
HEA - HEATSMART	\$0	\$0	\$0
C&I Customer Partnerships	\$30,000	\$30,000	\$0
C&I RFP Pilot Program	\$507,859	\$507,859	\$0
Total	\$14,129,191	\$13,855,161	(\$274,030)

The negative impact of SB 300 on PSNH's energy efficiency programs produced an overall reduction in funding of \$2.3M. PSNH recommends covering this shortfall by other means, which resulted in a smaller budget reduction. PSNH also recommends reducing one program in each sector rather than an across the board reduction. The following summarizes the Company's proposed budget adjustments.

1. Home Energy Assistance Program budget revised from 14% to 14.5% per Settlement Agreement and NHPUC Order. This increases the budget by \$36,563 from \$2,136,334 to \$2,172,897.
2. The HEA budget change (plus 0.5%) resulted in a decrease to the remaining program budgets by \$36,563.
3. The remaining shortfall of \$310,593 (\$36,563+\$274,030) was split 39% to Residential and 61% to Commercial, Industrial and Municipal.
Residential: (\$121,132)
C&I: (\$189,462)
4. For the residential sector, PSNH recommends only reducing the Energy Star Lighting Program by the \$121,131. Sales in retail stores were down somewhat in 2009, and it is likely to stay this lower in 2010.
5. For the Commercial, Industrial and Municipal sector, PSNH recommends only reducing the C&I New Equipment & Construction Program by the \$189,462. New Construction starts seems to have slowed a bit, is likely to stay lower in 2010, and PSNH believes reducing this budget might be more easily managed.
6. PSNH also recommends moving the \$30,000 marketing budget in the Home Energy Assistance Program for 2010 into the HEA rebate budget. We may have sufficient brochures and Energy Savers Guides to suffice for 2010.

Unitil Energy Systems, Inc.

Program Expenses (\$)	2010 Plan		
	As filed	Revised	Variance
Energy Star Homes	\$223,000	\$223,000	\$0
Home Performance w/Energy Star	\$234,270	\$234,270	\$0
Home Energy Assistance	\$371,514	\$371,514	\$0
Energy Star Lighting	\$220,000	\$220,000	\$0
Energy Star Appliances	\$223,003	\$223,003	\$0
Small Business Energy Solutions	\$442,374	\$442,374	\$0
Large C&I Retrofit	\$464,987	\$464,987	\$0
New Equipment & Construction	\$294,545	\$294,545	\$0
Educational Programs	\$40,000	\$40,000	\$0
EE Website & Home Energy Audit	\$44,500	\$44,500	\$0
ISO-Related Expenses	\$14,000	\$14,000	\$0
Total	\$2,572,194	\$2,572,194	\$0

The negative impact of SB300 on Unitil's energy efficiency programs produced an overall reduction in funding of \$366,000. Fortunately, the Company was able to cover the shortfall by other means and reducing program spending will not be necessary. While the following funds could have been used to generate more efficiency savings absent SB300, the Company will not need to cut program budget and services.

The following summarizes Unitil's proposed adjustments:

1. Net SBC Carry-forward from 2009: \$149,947
2. The FCM reduction reflects the addition of \$254,245 from ISO's Forward Capacity Market into the Core Energy Efficiency programs' reconciliation mechanism pursuant to Staff's recommendation during the 2008 Core Program Audit.

In addition, the Company took this opportunity to revise its budgets in light of the recent settlement in the 2010 Core Energy Efficiency Program Docket DE 09-170. Specifically, the changes include:

3. Low-Income Funding: Unitil's low-income sector's program funding has been increased from 14% to 14.5% of total program funding per the settlement agreement in DE 09-170. However, this increase together with the additional sector carry-forward was offset by the reduction in SBC revenue. As a result, the Company did not change the low income sector's program budget.
4. Shift from Marketing to Rebate Budgets: The Marketing budgets were reduced and approximately \$75,000 was shifted into program rebates budgets.