

**THE STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 10-188**

**ELECTRIC AND GAS UTILITIES  
2011-2012 CORE Electric Energy Efficiency Programs and Natural Gas Energy Efficiency  
Programs**

**REBUTTAL TESTIMONY OF**

**ERIC STANLEY ON BEHALF OF  
ENERGYNORTH NATURAL GAS, INC. D/B/A NATIONAL GRID NH**

**AND THOMAS PALMA ON BEHALF OF  
NORTHERN UTILITIES INC.**

**DECEMBER 19, 2011**

<b>ORIGINAL</b>	
N.H.P.U.C. Case No.	Dg 10-188
Exhibit No.	#22
Witness	Page 3
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**I. INTRODUCTION AND PURPOSE OF REBUTTAL TESTIMONY**

**(Northern and National Grid NH ("the Companies"))**

**Qualifications of Eric Stanley**

**Q. Please state your name, position business address, and professional background for the record.**

A. My name is Eric Stanley. My business address is 9 Lowell Road, Salem, New Hampshire 03079. I have more than ten years of experience delivering energy products and services to homeowners, businesses, trade and channel partners. I have an extensive background in customer and energy markets, including business and strategy development, energy program management and evaluation, natural gas sales, customer segmentation, advertising and marketing implementation. I have been employed by National Grid since 2001, and currently serve as a Manager of Energy Efficiency and Customer Programs, which includes responsibility for EnergyNorth Natural Gas, Inc. d/b/a National Grid NH's energy efficiency programs. My prior positions with National Grid include Manager of Market Strategy, Manager of Residential Advertising and Senior Account Executive for Gas Sales. I hold a Bachelor of Science Degree in Business Administration from the University of New Hampshire and I am currently an MBA candidate at Southern New Hampshire University.

**Q. Have you previously testified before this Commission?**

A. I have participated in various meetings, and settlement and technical conferences at the Commission on matters pertaining to energy efficiency in this docket, but have not previously testified before the Commission

1 **Qualifications of Thomas Palma**

2 **Q. Please state your name, position, business address, and professional background**  
3 **for the record.**

4 A. My name is Thomas Palma. I am the Manager of Distributed Energy Resources,  
5 Planning and Design, for Unitil Service Corp. My business address is 325 West Road,  
6 Portsmouth, New Hampshire 03801. I have been employed by Unitil Service Corp. since  
7 November, 2009. As part of my responsibilities, I perform work for Northern Utilities, Inc.'s  
8 ("Northern" or the "Company") and Unitil Energy Systems, Inc.'s ("Unitil" or "UES") energy  
9 efficiency programs. Previously I worked for the New Hampshire Electric Cooperative. During  
10 my career I have gained extensive knowledge of energy efficiency systems and renewable  
11 energy systems. I have created energy efficiency and renewable energy programs and researched  
12 energy efficiency and renewable energy technologies. I have also managed projects regarding  
13 the above-mentioned topics. I hold a Bachelor of Science Degree in Mechanical Engineering  
14 from the University of Massachusetts, Amherst and a Juris Doctorate Degree from Suffolk  
15 University. I am also a member of the Massachusetts Bar.

16 I have also been active in leadership roles in various organizations including the New  
17 Hampshire Sustainable Energy Association, the Northeast Sustainable Energy Association, and  
18 the Cooperative Research Network.

19 **Q. Have you previously testified before the Commission?**

20 A. Yes. I testified on March 2, 2010 in Docket DE 09-137: Investment in and Rate  
21 Recovery of Distributed Energy Resources, on July 13, 2010 in Docket DG 09-053: Request to

1 Modify Energy Efficiency Components, and on December 16, 2011 in Docket DE 10-188: 2011  
2 CORE Electric Programs and Natural Gas Energy Efficiency Programs.

3 **Purpose of Testimony**

4 **Q. What is the purpose of your testimony?**

5 A. The purpose of our rebuttal testimony is to respond to some issues that have been  
6 raised in the testimony submitted by James Cunningham and Al-Azad Iqbal on behalf of  
7 Commission Staff, the testimony submitted by Stephen Eckberg on behalf of the Office of  
8 Consumer Advocate ("OCA"), as well as some issues that have arisen during the discovery  
9 phase of this proceeding.

10 The issues we will address in this testimony include:

- 11 • The carryover of unspent energy efficiency funds from the 2011 program year, the  
12 Commission's Orders in the 2011-2012 winter Cost of Gas Proceedings, and efforts  
13 undertaken to spend the carryover funds in the 2011 and 2012 program years;
- 14 • Northern's New Home Construction with ENERGY STAR® ("ENERGY STAR  
15 Homes") program; and
- 16 • National Grid NH's Low Income Benefit to Cost Ratio.

17 **II. CARRYOVER OF ENERGY EFFICIENCY FUNDS FROM 2011 TO 2012**

18 **Q. What are "carryover" funds?**

19 A. The term "carryover" refers to the difference between funds collected and funds  
20 spent for energy efficiency programs. Following the Cost of Gas proceedings for 2011-2012, the  
21 Public Utilities Commission ("PUC") in Order Numbers 25,286 and 25,282, directed the

1 Companies to attempt to reach some agreement with the parties in the CORE docket, DE 10-188,  
2 on the treatment of the Companies' unspent 2011 energy efficiency funds.

3 **Q. Did the parties in the CORE docket reach agreement with respect to the**  
4 **treatment of those funds?**

5 A. The Companies were able to reach agreement with Staff, the Community Action  
6 Association, and The Way Home<sup>1</sup>, whereby the Companies would carry the unspent 2011 dollars  
7 forward to 2012, set program budgets and goals by March 12, 2012, determine how much  
8 carryover can be spent in 2012, and aggressively market their efficiency programs. As provided  
9 by the Commission's Orders referenced above, the Companies will return any uncommitted 2011  
10 funds through the LDAC rate in their respective 2012-2013 winter Cost of Gas proceedings.

11 **Q. What level of carryover did the companies anticipate as of the time of their last**  
12 **LDAC filings?**

13 A. In its last LDAC filing, Northern reported a projected a carryover of \$240,000. At  
14 the time of its last LDAC filing, National Grid NH estimated the amount of unspent 2011 funds  
15 to be approximately \$1.5 million.

16 **Q. Did the Companies reduce their 2012 energy efficiency budgets as a result of**  
17 **their projection of carryover funds for the 2011 program year?**

18 A. No, the Companies' total budgets for 2011 and 2012 were established in the  
19 Companies' August 2010 CORE filing and were approved in Order No. 25,189 in DE 10-188,  
20 dated December 30, 2010. The 2012 budgets for both companies have not materially changed.

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<sup>1</sup> While The Way Home was not a signatory to the Settlement Agreement Part III, Paragraph G, it indicated its support for that Section of the Program Year 2012 Partial Settlement Agreement filed on December 15, 2011 in Docket DE 10-188 via electronic mail.

1 The only exception is that Northern increased its 2012 budget by \$40,000 to fund the ENERGY  
2 STAR Homes program.

3 **Q. What factors led to the carryover funds?**

4 A. There are several factors that ultimately contributed to a carryover of unspent funds  
5 for both companies. First, high unemployment and an unstable business climate helped create an  
6 environment where many homeowners and commercial and industrial customers were unwilling  
7 to take on efficiency projects. For example, National Grid NH has recently experienced the loss  
8 of a number of qualifying projects in the C&I sector due to businesses' reluctance to make  
9 investment in efficiency improvements at this time absent additional incentive measures.

10 The impact of the current economic environment on companies' reluctance to invest energy  
11 efficiency measures has not only been experienced and discussed at the regional level, but at the  
12 national level as well. As reported in the National Federation of Independent Business  
13 ("NFIB") December 2011 Small Business Economic Trends report (Dunkelbert, Wade), only  
14 eight percent of small businesses characterized the current period as a good time to expand  
15 facilities. Also according to NFIB, the weak economic recovery provides little incentive to  
16 borrow to support expansion or buy new equipment, even if interest rates are low, and only 24  
17 percent of owners are planning capital outlays in the next three to six months.<sup>2</sup>

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<sup>2</sup> Dunkelbert, W. & Wade, H. (2011, December). *NFIB Small Business Economic Trends*. Retrieved December 15, 2011, from <http://www.nfib.com/research-foundation/surveys/small-business-economic-trends>.

1 In November 2010, the National Association for Business Economics forecasted United  
2 States Gross Domestic Product growth at 3% (Rooney, 2010)<sup>3</sup>, however, as of November 2011  
3 that projection has been significantly downgraded to only 1.8% (Crutsinger, 2011).<sup>4</sup>

4 Moreover, according to the Energy Information Administration's ("EIA") latest Short  
5 Term Energy Outlook report on December 6, 2011, "the projected Henry Hub natural gas spot  
6 price averages \$4.02 per million British thermal units (MMBtu) in 2011, \$0.37 per MMBtu  
7 lower than the 2010 average. EIA expects that Henry Hub spot prices will continue to decline in  
8 2012, averaging \$3.70 per MMBtu, \$0.43 per MMBtu lower than in last month's *Outlook*."<sup>5</sup>  
9 These lower gas prices result in decreased interest in efficiency programs.

10 Finally, lower prices and difficult economic times have been coupled with an extremely  
11 warm fall. The average heating degree days over the past 5 years for September, October, and  
12 November was 1,486. The heating degree days for the same period this year was 1,296, 13%  
13 lower than the 5 year average. Typically, customers have associated making heating system and  
14 weatherization improvements with cold weather, and the companies have seen a decrease in  
15 interest in energy efficiency this year.

16 **Q. Please describe the marketing efforts the Companies have undertaken to**  
17 **overcome these external conditions.**

18 **A.** Since September, National Grid NH has launched a number of initiatives to drive  
19 market activity including a telemarketing campaign, periodic direct mail and electronic mail

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<sup>3</sup> Rooney, B. (2010, November 22). *Economists See 'Sub-Par' Growth Ahead*. Retrieved December 15, 2011, from [http://money.cnn.com/2010/11/22/news/economy/NABE\\_November\\_economic\\_outlook/](http://money.cnn.com/2010/11/22/news/economy/NABE_November_economic_outlook/).

<sup>4</sup> Crutsinger, M. (2011, November 21). *Economists forecast modest growth for next year*. Retrieved December 15, 2011, from <http://www.usatoday.com/money/economy/survey/story/2011-11-21/NABE-survey/51330428/1>.

<sup>5</sup> EIA (2011, December 6). *Short-Term Energy Outlook*. Retrieved December 15, 2011, from <http://www.eia.gov/forecasts/steo/>

1 campaigns, attendance at customer events, and street canvassing. These initiatives have resulted  
2 in over 450 leads and the installation of more than 130 qualifying product savings measures. In  
3 addition, National Grid NH has been more aggressively targeting key businesses, trade  
4 associations, builders, contractors, installers, architects and engineers. Both Companies have  
5 met with the Jordan Institute on numerous occasions and intend to continue to work in  
6 partnership with that organization in an effort to identify qualifying energy efficiency projects.  
7 Attachment D to the Partial Settlement Agreement identifies measures that have been undertaken  
8 or are being considered for the 2012 program year.

9 **Q. Do the Companies anticipate undertaking additional activities for its efficiency**  
10 **programs during the 2012 program year?**

11 A. Yes. In addition to the measures identified in detail in Attachment D to the Partial  
12 Settlement Agreement, the Companies continue to evaluate the potential effect of offering an  
13 “accelerator” incentive during the first half of 2012 in order to drive customer commitments  
14 earlier in the calendar year. The Companies are also considering offering an enhanced incentive  
15 for customers who install multiple measures at the same time, in order to encourage deeper  
16 savings investments. If either Company decides that such incentives would be appropriate, they  
17 will seek Commission approval before instituting any such measures. Finally, the Companies  
18 may utilize the budget transfer process described on page 10 of the Energy Efficiency Plan filed  
19 on August 3, 2010 in Docket DE 10-188, entitled “Changes in Program Budgets,” and as  
20 approved by the Commission in Order No. 25,189 in DE 10-188, dated December 30, 2010,  
21 pages 21 and 22.

**III. ENERGY STAR HOMES PROGRAM (Northern)**

**Q. Has Northern included an ENERGY STAR Homes Program in its 2012 proposal?**

**A.** Yes. While Northern did not offer an ENERGY STAR Homes program in 2011, it has proposed offering an ENERGY STAR Homes program in 2012 with a budget of \$80,000 (\$40,000 reallocated from the Residential High-Efficiency Heating, Water Heating and Controls Program ("HEHE") program and \$40,000 as a budget increase).

**Q. Please reference Mr. Eckberg's Direct Testimony at page 11, Line 4, which states that approximately twelve ENERGY STAR Home's projects will be built in Northern's service territory in 2011. Do you have any comments regarding this testimony?**

**A.** Yes. The twelve ENERGY STAR Homes built in Northern's territory during the 2011 program year participated in programs funded by the electric utilities. There is no evidence that any potential participants in the ENERGY STAR Homes program were turned away in 2011 due to the fact that Northern did not offer the program. I would also like to note that only two of the twelve homes are actually heated with gas. The Company has identified several projects that will likely be eligible to participate in the ENERGY STAR Homes program during 2012. Via Northern's proposed 2012 ENERGY STAR Homes program, these projects will hopefully be built to the ENERGY STAR standard.

**IV. NATIONAL GRID NH'S BENEFIT COST RATIO FOR HOME ENERGY**

**ASSISTANCE PROGRAM (National Grid NH)**

Q. Please reference Staff's Direct Testimony at page 23. Is Staff's Benefit/Cost Ratio for National Grid NH's Home Energy Assistance Program accurate?

A. No. Following the settlement conference in this docket in November, National Grid NH performed additional analysis of its benefit cost ratio for its Home Energy Assistance Program. After further review of its administrative costs and after further examination of actual vendor expenses, National Grid NH determined that its originally proposed External Administration budget for 2012 of \$269,193 was overstated, and a sizeable portion of that amount should be reallocated to Rebates/Services in order to serve more customers and generate greater savings. This reallocation of administration costs results in an increase in the program's B/C ratio from 0.82 to 1.00. The revised budget allocations and resulting B/C impact were detailed in the updated 2012 plan submission in National Grid NH Exhibit A: Projected Program Expenses and National Grid NH Exhibit B: Total Resource Benefit Cost Analysis, which was submitted to the Commission on December 8, 2011.

**V. CONCLUSION**

Q. Does that complete your testimony?

A. Yes.