

THE STATE OF NEW HAMPSHIRE

DE 12-262

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October 15, 2013

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

Re: DE 12-262 2013-2014 CORE Electric Energy Efficiency and
Gas Energy Efficiency Programs
Staff's Response to Northern's Request to Increase Gas Networks Budget

Dear Ms. Howland:

By way of background, on October 11, 2013, Northern Utilities, Inc. (Northern) requested an increase of \$70,000 to its 2013 residential gas energy efficiency budget for the ENERGY STAR Appliance Program (Gas Networks). The proposed increase includes an additional \$58,333 available for rebates, \$6,481 for internal and external implementation, and \$5,185 estimated for performance incentive (PI) calculated at 8%. Northern will provide updated Local Delivery Adjustment Charge (LDAC) schedules with its updated Cost of Gas filing, to be submitted prior to the Cost of Gas hearing scheduled for October 23, 2013 in Docket DG 13-257. To afford Northern an opportunity to expend the funds on program activities during the 2013 program year, the assenting parties and Staff request that an order on this request be issued as soon as possible, but no later than November 1, 2013.

Staff's recommendation is as follows: Staff is generally supportive of Northern's proposed increase to the Commission's approved annual 2013 budget; however, Staff believes that Northern's proposal raises broader issues (see below), including issues regarding PI, that need to be explored more fully. Staff believes that these issues can be explored in the context of Quarterly Core Team meetings. In the meantime, Staff recommends that the Commission approve Northern's proposal for an additional \$58,333 for rebates and \$6,481 for internal and external implementation only. Northern is aware of Staff's position.

Some of the broader issues Staff wishes to bring to the Commission's attention and that Staff wishes to discuss with Northern and the other parties at a later time include:

1. Budget Discipline: The purpose of setting budgets and targets is to set challenging targets at the beginning of the year and allow the utilities an opportunity to earn performance incentives if they meet or surpass their targets. Additional spending that is identified after the original budget is approved, particularly late in the year, as is the case with Northern's request, raises the question of whether such requested increases are consistent with

the process of setting challenging budgets and targets.

Staff notes that Northern already has the flexibility to transfer monies between programs within a sector; and Northern's request is more than a transfer, it is an increase to the overall approved budget. As such, Staff believes a precedent could be set whereby Northern could seek increases to its approved annual budgets for late year increases beyond the 5 percent cap that was first set in Order No. 25,189 and continued in to the present programs.

2. HEA Low Income Budget: The Commission approved the present budgets which allocate 15 percent of the budget to the HEA Low Income Programs. See Order No. 25,462 (February 1, 2013). In the instant budget request, Northern is not allocating 15% of the proposed budget increase to the HEA Low Income program. Staff questions whether this is appropriate and whether this creates a precedent that requests for budget increases could potentially by-pass the 15 percent requirement.

3. Planning Issue: The unexpected increase in 2013 appears to be similar to the unexpected increase in 2010. See, Docket No. DG 09-053, Order No. 25,136 at page 2 which states: "Northern testified that the after-the-fact nature of customers submitting rebates also explains why there were many more open projects than Northern expected when it sought to wind down the program in February."

In conclusion, Staff is generally supportive of the proposed increase to the approved budget because Staff believes that the proposed increase avoids potential customer disappointment, lost opportunities and other disruptions related to program delivery. The broader issues, however, need to be explored more fully, including PI, as noted above. Staff recommends, as was mentioned by Northern in its letter, that these issues be explored by stakeholders in the context of quarterly Core Team meetings. Further, until we've explored the issues underlying this proposal more fully with Northern and other parties, Staff recommends that the maximum performance incentive that Northern may earn for its residential sector programs, one of which is the Gas Networks program, be based on the spending cap for the residential sector that was approved by the Commission in Order No. 25,189. That is, the maximum performance incentive that Northern can earn for the residential sector in 2013 is based on 105 percent of the original Commission-approved budget for 2013. After more fully reviewing the specific issues that led to Northern's need to request a budget increase, Staff will make a recommendation concerning that part of the budget request that seeks approximately \$5,000 in PI associated with this 2013 additional budget increase.

Sincerely,



Marcia A Brown
Staff Attorney

cc: Docket Related Service List