

DE 09-224 – Unitil Energy Systems, Inc.
Renewable Source Option - Annual Review

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I. Introduction

In Order No. 25,102 issued May 7, 2010 in Docket DE 09-224, the New Hampshire Public Utilities Commission (the "Commission") approved a partial settlement agreement between Unitil Energy Systems ("UES") and the Commission's staff regarding implementation of UES's proposed Renewable Energy Service Rate Option. The partial settlement required that after the program had been in place for twelve months, UES would provide details of program participation in each of the three rate options, including details for all incremental marketing and promotion costs associated with the program. UES's Renewable Source Option ("RSO") program became effective on September 4, 2009. This report complies with the reporting requirements contained in the partial settlement agreement.

II. Program Participation by Customer Class

The Monthly Participation by Customer Class and the associated kWh are provided in the tables below:

Residential Customers - Monthly Totals									
25% Partipation Level			50% Partipation Level		100% Partipation Level		Total Residential RSO Partipation		
	# Customers	KWH	# Customers	KWH	# Customers	KWH	# Customers	KWH	Revenue
Sep-10	0	0	0	0	0	0	0	0	\$0.00
Oct-10	0	0	1	224	3	475	4	699	\$12.41
Nov-10	4	2,175	5	2,698	12	5,200	21	10,073	\$150.03
Dec-10	4	2,515	6	3,066	14	6,358	24	11,939	\$180.22
Jan-11	4	3,859	6	3,295	14	7,287	24	14,441	\$209.42
Feb-11	5	4,492	7	3,292	16	7,348	28	15,132	\$214.03
Mar-11	5	3,425	7	2752	13	6,075	25	12,252	\$175.73
Apr-11	5	3,008	7	3340	13	5,392	25	11,740	\$149.84
May-11	4	2,370	7	3098	13	5,113	24	10,581	\$153.41
Jun-11	6	2,818	8	3210	13	5,968	27	11,996	\$174.86
Jul-11	6	2,028	8	4161	13	7,749	27	13,938	\$218.26
Aug-11	3	1,545	8	4353	14	7,777	25	13,675	\$218.49
Totals		28,235		33,489		64,742	25	126,466	\$1,856.70

G2 Customers - Monthly Totals									
	25% Participation Level		50% Participation Level		100% Participation Level		Total G2 RSO Participation		
	# Customers	KWH	# Customers	KWH	# Customers	KWH	# Customers	KWH	Revenue
Sep-10	0	0	0	0	0	0	0	0	\$0.00
Oct-10	0	0	0	0	0	0	0	0	\$0.00
Nov-10	0	0	0	0	0	0	0	0	\$0.00
Dec-10	0	0	0	0	1	39	1	39	\$0.82
Jan-11	0	0	0	0	1	40	1	40	\$0.85
Feb-11	0	0	0	0	1	39	1	39	\$0.82
Mar-11	0	0	0	0	1	40	1	40	\$0.85
Apr-11	0	0	0	0	1	42	1	42	\$0.89
May-11	0	0	0	0	1	38	1	38	\$0.80
Jun-11	0	0	0	0	1	39	1	39	\$0.82
Jul-11	0	0	0	0	1	25	1	25	\$0.53
Aug-11	0	0	0	0	1	24	1	24	\$0.53
Totals		0		0		326	1	326	\$6.91

As of the end of the first year of operation, 25 residential customers and 1 commercial (G2) customer are participating in the RSO. There are 60,981 eligible residential customers and 9,644 eligible commercial customers. These numbers translate to a participation rate of 0.04% of the eligible residential customers. The resulting participation rate for the commercial customers is 0.01% of eligible customers.

III. Renewable Energy Certificates

Under UES' Renewable Source Option tariff, UES purchases and retires renewable energy certificates ("RECs") from renewable generation that are certified as Class I (new) and Class II (solar) facilities pursuant to RSA 362-F, New Hampshire's Electric Renewable Portfolio Standard ("RPS") law. These RECs are purchased to match either all or a portion of the participating customer's actual energy use, depending on the participation level chosen by the customer. Participating UES customers offset a total of 88,871 kWh during the 12-month period of September 2010 – August 2011. The table below summarizes the monthly and calendar year totals of kWh and RECs required.

	Total Customer RSO Participation - Monthly Totals			Calendar Year Cumulative Totals			
	# Customers	KWH	Revenue	KWH	Revenue	Number of NH Class I RECs Needed	NH Class II RECs Needed
Sep-10	0	0	\$0.00	0	\$0.00	0	0
Oct-10	4	699	\$12.41	587	\$12.41	1	0
Nov-10	21	10,073	\$150.03	7,680	\$162.44	7	1
Dec-10	25	11,978	\$181.04	16,239	\$343.48	16	1
Jan-11	25	14,481	\$210.27	9,939	\$210.27	10	1
Feb-11	29	15,171	\$214.85	20,095	\$425.12	19	1
Mar-11	26	12,292	\$176.58	28,443	\$601.70	27	2
Apr-11	26	11,782	\$150.73	36,299	\$752.43	35	2
May-11	25	10,619	\$154.21	43,591	\$906.64	42	2
Jun-11	28	12,035	\$175.68	51,908	\$1,082.32	50	2
Jul-11	28	13,963	\$218.79	62,269	\$1,301.11	60	3
Aug-11	26	13,700	\$219.02	72,633	\$1,520.13	70	3
Totals		126,793	\$1,863.61	88,871	\$1,863.61	86	4

As shown above, during the first year of operation, the RSO resulted in UES purchasing 86 Class I RECs and 4 Class II RECs. In comparison, for the 2010 RPS compliance year, UES's Class I and Class II REC obligations were 8,386 and 335 respectively¹. Thus, the RSO program provided for incremental purchases of between 1.0% and 1.5% of UES's RPS obligations for Class I and Class II RECs.

IV. Marketing and Promotional Costs

UES developed a marketing campaign intended to inform and attract eligible customers to participate in this optional program, which was marketed as the Green Neighbor Program. UES promoted the program to eligible employees during the months of July and August 2010 to set the program in motion. UES also used testimonials and pictures of willing employees who enrolled in the program in its web-based and print collateral. A social media campaign centered on a dedicated Facebook page was developed as part of the marketing efforts. The Green Neighbor Program was officially launched on September 4, 2010 through a press release that went to all major media outlets in UES' service territory. Additional marketing efforts included magnetic signs for UES service

trucks (which serve as moving billboards), new customer service messaging and customer bill inserts. Welcome kits, in both electronic and paper form were created to recognize a customer's participation in the program. Window clings (decals), postcards and electronic badges (that can be used for email or social media pages) are among the contents of the welcome kits.

UES continues to promote participation in the RSO program. The Company's Interactive Voice Response messaging featured the RSO program since the program kicked off in early September and ran through December 2010. In response to a media advisory issued by the Company, the *Union Leader* featured an article about the Green Neighbor Program on September 9, 2010. Approximately 65,000 UES customers were mailed a brochure for the Green Neighbor Program, which was delivered along with October 2010 bills.

On April 22, 2011 in conjunction with Earth day, UES sent out the following tweet on its Twitter account: "Happy Earth Day. Show your support by signing up for our NH Green Neighbor program. Details here on Facebook: <http://ow.ly/4F1w4>". The Company featured the RSO program in its May 2011 customer newsletter, which went to all UES electric customers. On May 5, 2011 UES sent another tweet that said "If you're looking to support renewable energy our NH Green Neighbor Program is an option. Details here on Facebook <http://ow.ly/4Niyp>".

During the summer of 2011 Unitil updated its Facebook page: <https://www.facebook.com/reqs.php?type=1#!/pages/NH-Green-Neighbors/137113346309070>. UES also plans to post a bill message on its September electric bills that go out to all eligible New Hampshire customers.

UES incurred a total of \$18,311 in administrative, marketing and promotional costs related to the RSO program during its first twelve months of operation.² The following table below itemizes the expenses.

¹ Per UES's Form E-2500, Annual Renewable Portfolio Standard Compliance Filing for 2010 Compliance Year.

² These are all external costs and this total does not include any costs associated with Unitil resources required to operate the program.

Date	Vendor	Amount	Description
7/1/2010	Pixels and Pulp	\$6,138	50% deposit for website design, development, messaging, logo design; welcome package concept design, content
9/9/2010	Northeast Creations	\$1,027	Decal printing
9/9/2010	Pixels and Pulp	\$6,563	Remainder of deposit for design, concept and development
9/20/2010	Vinyltech Graphics	\$940	Moving billboard (truck magnets)
9/20/2010	Vinyltech Graphics	\$118	Moving billboard (truck magnets)
10/5/2010	RAM Printing	\$3,526	Printing of brochures and postcards
Total		\$18,311	

UES will continue to actively market the RSO tariff, with a cap on external marketing expenditures of \$20,000 per program year, as agreed to in the partial settlement order³.

V. Conclusion

During the first year of operation, UES spent \$18,311 on external marketing efforts and customers responded by contributing \$1,864 under the program. Thus, the marketing dollars spent were ten times higher than the revenue received to apply toward REC purchases in support of the renewable market. Based on this result, customers do not appear to value the opportunity provided by the program to support renewable generation at levels higher than already required under the RPS legislation. While UES will continue operating the program until ordered to do otherwise by the Commission, UES

does not believe that continuing to aggressively market the program will attract enough participation to justify the expense of the RSO program. Rather, UES proposes that if the program is continued, marketing efforts be reduced to low cost means such as continued use of the magnets on Company trucks (moving billboards) and messages on the Company's website, IVR system and new customer welcome packages that would keep customers aware of the opportunity to participate while not creating a cost burden that produces no value.

³ State of New Hampshire Public Utilities Commission Order Number 25,102 dated May 7, 2010.