

# Orr&Reno

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***VIA HAND DELIVERY & ELECTRONIC SERVICE***

Debra A. Howland, Executive Director and Secretary  
 New Hampshire Public Utilities Commission  
 21 S. Fruit Street, Suite 10  
 Concord, NH 03301-2429

***RE: Northern Utilities, Inc. Gas Energy Efficiency Programs  
 Docket No. DE 12-262  
 2013 Gas Networks Budget Increase***

Dear Director Howland:

Please accept this letter on behalf of Northern Utilities, Inc. (“Northern” or the “Company”). The purpose of this letter is to request an increase in Northern’s 2013 residential gas energy efficiency budget by \$70,000 for the ENERGY STAR Appliance Program (“Gas Networks”). The Company, the assenting parties, and Staff request that an order on this request be issued as soon as possible, but no later than November 1, so that the Company has an opportunity to expend the funds on program activities during the 2013 program year.

The Gas Networks Program was approved in Commission Order No. 25,462 and offers incentives to residential customers for ENERGY STAR heating, hot water equipment and controls. It encourages consumers to choose ENERGY STAR high efficiency options by providing mail-in rebates on a variety of equipment.<sup>1</sup> This program has been exceedingly popular in 2013. Customers are purchasing more ENERGY STAR-rated equipment and requesting more rebates than the Company had originally anticipated.<sup>2</sup> As a result of this success, the Company’s budget

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<sup>1</sup> The gas utilities’ rebate program is affiliated with the regional collaborative known as “Gas Networks.” The Gas Networks consortium provides consistent rebates on high efficiency gas appliances and technology for residential and commercial utility customers throughout New Hampshire, Massachusetts, and Rhode Island. Heating contractors utilize the rebate program to promote high efficiency equipment to their customers. Customers participate in the program by working with contractors to purchase and install equipment that qualifies for a rebate. Once the equipment is installed, the customer seeks a rebate for their purchase. In order to administer the residential program efficiently and cost-effectively, most of the gas utilities in New Hampshire, Massachusetts, and Rhode Island, including Northern, employ a rebate fulfillment vendor to fulfill rebates using this implementation methodology. At regular intervals, the vendor invoices the utility.

<sup>2</sup> The Company’s 2013 budget was developed in September of 2012, a year in advance of the 2013 heating season. This lag time between budget development and program delivery makes it difficult to accurately anticipate the demand for rebates in the marketplace. To respond to the demand for Gas Networks rebates the Company has

for the Gas Networks Program has been expended and the program will have to turn away customers unless additional funding is approved. The company is filing the instant proposal to avoid losing opportunities to incentivize its customers to purchase efficient equipment purchased in anticipation of the 2013/2014 heating season and to avoid further disruption in program implementation that may cause lost confidence in the program by the trade allies essential to promoting the program.

Over the course of this year, the Company has taken several steps to respond to the unexpected demand for the Gas Networks program without resorting to a budget increase. On April 25, 2013, the Company notified the Commission that the Gas Networks funds were running low, and that when funds ran out customers would be directed to the Electric Utilities' ENERGY STAR appliance program, which provides rebates to electric customers replacing oil, propane, and gas HVAC appliances. On August 21, 2013, recognizing reduced demand in another of Northern's residential gas energy efficiency programs, the Company notified the Commission that pursuant to Order No. 25,462, it would transfer \$27,000 from the Home Performance with Energy Star Program ("HPwES") to Gas Networks. At this juncture, the funds in the Gas Networks budget have been exhausted. Due to success of the Electric Utilities' fuel neutral ENERGY STAR Appliance program, there are insufficient funds remaining in that program to meet expected Gas Networks demand.

Because the Company's previous efforts are not sufficient to meet demand, the Company is now seeking a budget increase of \$70,000 to permit it to continue to fulfill customer rebate requests via the Gas Networks Program during the 2013 program year. The budget increase is based on its estimated demand for the program through the end of 2013.

As set forth in the attached amended budget and amended goals, the Company's proposal includes an additional 20,086 lifetime MMBtu savings. The proposed budget include an additional \$58,333 available for rebates, \$6,481 for internal and external implementation, and \$5,185 estimated for performance incentive calculated at 8%. Updated Local Delivery Adjustment Charge ("LDAC") schedules will be provided with the 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. I understand that the Company will estimate in that docket that a typical residential heating customer over the course of the winter season consuming 743 therms during the 2013/ 2014 Winter Season will see a bill increase of \$2.50 as a result of this request.

The parties to the Core Docket discussed the Company's proposal at the quarterly meeting on September 16, 2013, and the parties have had ongoing discussions regarding the request since that time. The stakeholders at the quarterly meeting generally supported an increase to the 2013 budget.

The following parties assent to the Company's proposal as set forth herein, including the Performance Incentive: Office of Consumer Advocate, Department of Environmental Services, the Office of Energy and Planning, and the Jordan Institute. The Public Utilities Commission

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increased the program budget in the updated filing concerning program year 2014, which will be considered by the Commission in Docket DE 12-262 this fall. The proposed 2014 Gas Networks budget has been increased to \$400,000, a 45% increase compared to the originally approved 2013 budget of \$275,000.

Staff supports the proposal to increase the Gas Networks budget but believes late-year budget increases to address demand raise questions about a number of broader issues, including performance incentive, that need to be considered. Staff would rather see the performance incentive issue addressed later when Staff has had an opportunity to explore the broader issues associated with this request to increase the budget so late in the budget year as well as whether it is appropriate to award performance incentives outside of the normal budgeting paradigm.

The Company agrees that if the Commission grants the full budget amount requested in its proposal, the Commission's decision may not stand as precedent for a future late-in-the-year budget increase request. The Company continues to endeavor to estimate future program demand so that budget increase requests are unnecessary. Furthermore, the Company acknowledges that over the past several years, estimating demand for the Gas Networks program in particular has been a challenge. The Company will initiate discussions with Staff and any interested parties regarding the design of the Gas Networks program for the 2015-2016 program years to address these issues in advance of the filing due in 2014. Furthermore, the Company agrees to participate in a discussion regarding recovery of an earned performance incentive associated with budget increase requests when such requests are filed in the fourth quarter of a year, and to work with Staff to address the issues it has identified.

In conclusion, time is of the essence to permit the Company to incentivize efficient customer choices this fall. An approval will result an increase of the lifetime MMBtu savings *goal* for the Gas Networks program by nearly 65%, and that increased goal requires that additional efficiency measures be completed before the end of this year. As stated above, the Company, the assenting parties and Staff all request that the Commission issue a decision on the instant request before November 1, 2013.

Please do not hesitate to contact me with any questions or concerns about this matter.

Yours truly,



Rachel Aslin Goldwasser

cc: Electronic Service Lists for Docket DE 12-262 and DG 13-257

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