

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 09-049

ENERGYNORTH NATURAL GAS, INC. D/B/A NATIONAL GRID NH

Proposed Energy Efficiency Plan

Order Approving Energy Efficiency Plan

ORDER NO. 24,995

July 31, 2009

APPEARANCES: McLane, Graf, Raulerson & Middleton, P.A. by Sarah B. Knowlton, Esq. for EnergyNorth Natural Gas, Inc. d/b/a National Grid NH; The New Hampshire Community Action Association by Dana Nute; Office of Energy and Planning by Eric Steltzer; New Hampshire Legal Assistance by Alan Linder, Esq. for The Way Home; Office of Consumer Advocate by Meredith Hatfield, Esq. on behalf of residential ratepayers; and Marcia A.B. Thunberg, Esq. for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 12, 2009, EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (National Grid) filed with the Commission an energy efficiency program proposal covering the twenty (20) month period from May 1, 2009 to December 31, 2010. If approved, the energy efficiency programs for the natural gas customers of National Grid and the electric customers of Granite State Electric Company, an affiliate of National Grid, would run concurrently starting with the next review cycle. On March 24, 2009, the Commission issued an order of notice scheduling a hearing for April 23, 2009. By Secretarial Letter the hearing date was changed to April 22, 2009.

On March 26, 2009, the Office of Consumer Advocate (OCA) filed a notice of its intent to participate in the docket on behalf of residential ratepayers consistent with RSA 363:28. On April 2, 2009, the New Hampshire Community Action Association (CAA) and the Office of

Energy and Planning (OEP) filed petitions to intervene. On April 13, 2009, The Way Home filed a petition to intervene.

On April 21, 2009, National Grid filed an assented-to motion to continue the hearing in order to give parties the opportunity to review revisions to its plan. By Secretarial Letter the Commission continued the hearing and provided that National Grid would continue the operation of its current energy efficiency plan until the new plan could be approved. By letter of May 6, 2009, the Commission rescheduled the hearing for May 12, 2009. On May 8, 2009, National Grid filed its revised energy efficiency plan (Plan). A hearing on the merits of the Plan was held as scheduled. At the hearing, National Grid presented a settlement agreement, entered into by itself, Staff, N.H. Community Action Association, and The Way Home, as well as the revised Plan.

II. SUMMARY OF ENERGY EFFICIENCY PROGRAMS

National Grid proposes to provide a number of energy efficiency programs to its low-income and non-low-income residential, multi-family, and commercial and industrial (C&I) customers in New Hampshire. An overview of the Plan's programs is included in Table II in the settlement agreement and the specific programs are set forth in detail in the Plan.¹ Most of these programs were previously approved in some form by the Commission.

¹ The Residential Programs are: (a) Residential High Efficiency Heating Program; (b) Residential High Efficiency Water Heating Program; (c) Residential High Efficiency Controls Program; (d) New Construction and Energy Star Homes Program; (e) Energy Star Windows Program; (f) Residential Weatherization Program; (g) Residential Low Income Program; (h) Residential Energy Audit and Home Performance Program; (i) Building Practices and Demonstration Program; and (j) Energy Analysis: Internet Audit Program. The Multifamily and Commercial and Industrial (C&I) Programs are: (a) Commercial High Efficiency Heating Program; (b) Commercial Energy Efficiency Program; (c) Multifamily Housing Program; (d) Building Practices and Demonstration Program; (e) Business Energy Analyzer; (f) Economic Redevelopment Program; and (g) Building Operator Certification. In addition, the Plan provides for outreach and communication, administration and evaluation, and National Grid collaboration with natural gas and electric utilities.

The settlement agreement supplements the Plan in certain ways, including National Grid's undertaking, in collaboration with GasNetworks, a collaborative of local natural gas companies serving residential, commercial, and industrial customers throughout New England, to expand its training for various construction services. The purpose of this expanded training would be to increase the awareness of National Grid's trade allies of the benefits of energy efficiency and to provide those trade allies with the tools and training necessary to install and maintain energy efficient products. Exh. 1 at 53-54.

The settlement agreement also contemplates a few significant departures from the previously approved plan. Specifically, National Grid will be using the cost categories employed in the electric energy efficiency program filings and this program will be for a shorter period than previously approved programs. These changes are meant to aid National Grid in simplifying coordination of the gas and electric energy efficiency programs beginning with its 2008 data. Additionally, the Plan will provide the Commission with quarterly reports pertaining to program costs and savings as compared to annual budgets and savings goals by month, consistent with the format of the electric CORE quarterly reports.

With respect to other programs, the parties and Staff acknowledged that as market conditions evolve, program parameters such as rebate levels would be adapted and adjusted pursuant to Section II D of the settlement agreement. National Grid agreed to provide the Commission with 30 days' notice of such changes, with such changes becoming effective unless ordered otherwise within the 30 days by the Commission. In the event of building code changes or the adoption of new or revised energy efficiency standards or legislative changes relating to minimal efficiency of building materials, appliances or equipment, National Grid would be required to reassess the potential of the programs in the Plan to achieve the projected energy

savings goal. If such exogenous changes were to impact the cost-effectiveness of the programs, or National Grid's ability to meet its target goals, then it would identify these changes and impacts and make any necessary recommendations for program adaptations in its quarterly and annual reports to the Commission.

The settling parties also agreed that National Grid's proposed program budgets are reasonable and prudent and that the total annual budgets, exclusive of the dollar amount of incentives earned by National Grid, will not be increased or decreased except as provided for in the settlement agreement. Exclusive of performance-based incentives, the budget for May 1, 2009 through December 31, 2009 is \$2,815,786, with \$1,579,226 going to residential programs and \$1,236,560 going to commercial and industrial programs. For the calendar year 2010, the budget is \$4,986,415, with \$2,575,126 going to residential programs and \$ 2,411,290 going to commercial and industrial programs. The total budget for the 20-month period is approximately \$7,800,000.

At the hearing, National Grid stated that, although its budget assumed a start date of May 1, 2009, it could still expend the budgeted amounts once it received Commission approval. The settlement agreement permits National Grid, at its discretion, to transfer up to 20% of the budget for any approved non-low income energy efficiency program to one or more non-low income programs without Commission approval, so long as the transfer remains in the same customer sector, and National Grid must provide 30 days' notice of any transfer. National Grid, however, is not permitted any discretion to transfer funds to or from the low income programs without Commission approval. Other budget changes, such as budget transfers from the residential class to the commercial and industrial class, require Commission review and approval. Energy efficiency funding and expenditures will be reconciled each year within a customer sector and

any over- or under-expenditures will be carried forward to the subsequent year's budget for that customer sector.

Under Section II, F of the settlement agreement, National Grid would be entitled to cost recovery of all prudent internal and external costs incurred for its energy efficiency programs through the per therm conservation charge set forth in National Grid's local distribution adjustment clause (LDAC). These costs would be subject to annual reconciliation and recovery as approved by the Commission with the annual LDAC filings made for the subsequent winter seasons beginning with the 2009-2010 winter season. Costs associated with the residential low income programs would be recovered from all firm customers while costs associated with the non-low income residential programs and the multi-family and commercial and industrial programs would be recovered on a sector-specific basis.

Under the settlement agreement, National Grid would be entitled to collect a performance-based shareholder incentive award annually on a retroactive basis. The incentives are to be calculated in accordance with the guideline established in *Electric Utility Restructuring – Energy Efficiency Programs*, Order No. 23,574, 85 NH PUC 684 (2000) and *Core Energy Efficiency Programs*, Order No. 23,850, 86 NH PUC 804 (2001). Performance-based incentives are initially set at 8% of the budget with a cap of 12% by sector. These incentives are intended to reward National Grid for creating and implementing successful energy efficiency programs that otherwise decrease the Company's volumetric sales and resulting profit margins.

The settling parties have also agreed to work to develop a common format for budget and reporting purposes that can be used in the future by both electric and gas utilities. National Grid would evaluate the programs and provide certain reports as described in the settlement agreement and the Plan. Program evaluation would be done, in part, by independent evaluators

in order to take advantage of the economies of scale by having affiliated companies use the same evaluators. Exh. 1 at 57. After consultation with parties and Staff, National Grid will file, before August 31, 2009, updated program descriptions, benefit-cost analyses, program budgets and program goals for Program Year Two and will file its next multi-year Plan proposal before August 31, 2010. This multi-year plan will be a combined plan for natural gas and electric utility energy efficiency programs. Also, while not in the Plan, National Grid has agreed to continue to provide various reports to CAA, OEP and The Way Home, and to continue to meet regularly with those and other parties to discuss the reports and the progress of the low income programs.

Finally, the parties and Staff agreed to maintain ongoing collaboration as necessary and appropriate concerning National Grid's energy efficiency programs. National Grid agreed to provide timely access for the parties and Staff to all market research, consultant products and internal analyses conducted with the use of program funds or relied on for program decision making, under an appropriate confidentiality agreement. In coordination with New Hampshire electric utilities, National Grid plans to include information about the Plan on the website of the electric utilities' CORE energy efficiency programs, www.nhsaves.com.

III. POSITIONS OF THE PARTIES

A. National Grid, Staff, N.H. Community Action Association, and The Way Home

National Grid, Staff, N.H. Community Action Association and The Way Home's positions are represented in the terms of the settlement agreement described above.

B. Office of the Consumer Advocate

OCA expressed its appreciation for National Grid's willingness to propose a 20-month gap filing and its willingness to combine the electric and gas filings for the programs beginning in 2011. OCA also expressed its support for changes to the residential program to increase

diagnostics and air sealing, which are critical components of the weatherization programs. OCA further expressed its appreciation for National Grid's focus on the multi-family area and the Company's work to bring new technologies to New Hampshire.

OCA stated it was concerned that the requirement that residential customers pay for the total cost of a weatherization job up front would be a barrier for some customers. OCA contended that the electric program approach in this area is more helpful to customers. OCA also stated that it was concerned that ratepayer funds were being used to train contractors and to purchase efficiency equipment for the contractors. OCA stated that if a contractor receives training, and especially equipment, using ratepayer funds, there should be a requirement that ratepayers benefit from the purchase of that equipment.

Finally, OCA stated its opposition to any wholesale changes to the low income programs at this time and urged that further discussions take place regarding how the electric and gas programs fund the low income programs. Overall, OCA stated it supports National Grid's proposed programs and did not object to the settlement agreement.

C. Office of Energy and Planning

OEP stated that it supports the energy efficiency plan proposed by National Grid. OEP supported the expansion for solar thermal projects in the state and the expansion of the multi-family program. OEP stated that it had a concern with the Home Performance and ENERGY STAR® Program as well as a concern that the \$4,000 up-front cost to residential customers would be a barrier for them to take action. OEP stated that it will be pressing this issue during the quarterly meetings with National Grid.

IV. COMMISSION ANALYSIS

In evaluating the settlement agreement and the revised Plan, we employ the standard provided by New Hampshire Code of Administrative Rules Puc 203.20(b). We approve disposition of contested cases by settlement if we determine that the result is “just and reasonable and serves the public interest.” *See also* RSA 541-A:31, V(a). Further, even where all parties enter into a settlement agreement, we cannot approve it “without independently determining that the result comports with applicable standards.” *Unitil Energy Systems, Inc.*, Order No. 24,677, 91 NH PUC 416, 425-426 (2006) (quotation omitted).

The settlement agreement and the Plan provide for energy efficiency programs that are largely similar to the programs approved by the Commission in *EnergyNorth Natural Gas, Inc., d/b/a KeySpan Energy Delivery New England*, Order No. 24,636, 91 NH PUC 273 (2006) and *Energy-Efficiency Programs for Gas Utilities*, Order No. 24,109, 87 NH PUC 892 (2002). In updating the prior programs, National Grid proposes a few changes and enhancements. With respect to its residential programs, National Grid proposes a new energy efficient Storage Water Heater program and a new program element to address individually metered natural gas multi-family buildings (five or more units) in both the Weatherization program and the Energy Audit and Home Performance program. Also, the Low Income program will be expanded to serve individually metered natural gas multi-family facilities. With respect to Commercial and Industrial program offerings, new initiatives include the Steam Savings program and enhancements to the Commercial Kitchens program.

Also, National Grid proposes a 20-month time period for this plan, as compared to the 3-year time period used previously. Further, the Company is updating the cost categories and providing definitions for these cost categories in order to capture similar costs for reporting

purposes by the electric and natural gas companies. This consistency will allow the reader of the reports to compare the costs incurred by electric companies and natural gas companies.

Having carefully considered the settlement agreement and Plan, we conclude that they are just and reasonable and will serve the public interest. First, we note that the parties to this proceeding represent a broad spectrum of interests and all generally support the settlement agreement and Plan. Each of the programs passes the cost-effectiveness screening test such that the net present value of the total program benefits is greater than the total program costs. In addition, energy efficiency measures have the ability to provide public benefits during times of supply constraint, high demand, or other economic difficulty. It is reasonable to conclude that the effects of the new Plan will be substantially similar to those of past plans.

Because the programs are largely a continuation of programs that have been in effect for a number of years, with proposed incremental improvements, and are similar to programs offered by National Grid elsewhere, they can be operated in an administratively efficient manner. For instance, to decrease costs, National Grid works collaboratively with other industry partners such as GasNetworks to monitor and evaluate the energy efficiency programs. Exh. 2 at 61. National Grid also uses the same employees to manage the operations of its Massachusetts and New Hampshire programs.

National Grid's proposal for a twenty-month filing will set the stage for further efficiencies. Starting with calendar year 2011, National Grid anticipates filing a single energy efficiency plan that will include both electric and natural gas energy efficiency programs. National Grid stated that having a single plan can lower the portion of the budget devoted to administrative costs, thereby resulting in more efficient program implementation. As a step toward the 2010 filing, National Grid's gas energy efficiency cost categories will mirror the cost

categories used by the electric companies in the CORE reports, which will allow for easier comparisons and evaluations of the electric and natural gas programs. It will also simplify program accounting, reporting, and auditing. We find these changes to the program to be reasonable.

The Plan provides for increased training and education for National Grid's trade allies to improve their ability to provide energy efficient products and services. Under the Plan, contractors taking advantage of the training offered by National Grid would be eligible for reimbursements of up to 90% of the cost of the training and 50% of equipment costs up to \$3,000. We agree that this training and equipment reimbursement will help to ensure that there will be a sufficient number of trained contractors available to install and maintain the energy efficiency equipment.

OCA raised a concern that there should be a mechanism in place to ensure that those contractors utilizing the rebate from National Grid actually provide services to customers of National Grid. National Grid testified that no such mechanism was in place but that it considered the training and tools to be beneficial since all consumers in the state could receive the services, regardless of whether the services were provided through National Grid's specific programs. Hearing Transcript of May 15, 2009 (5/12/09 Tr.) at 91 lines 14 – 24. National Grid noted that it performs this training in conjunction with the electric utilities. 5/19/09 Tr. at 91 lines 1-6. There is little evidence in the record beyond this exchange to substantiate the need for such a mechanism and thus we will defer requiring National Grid to track the funding of the training and tools to projects performed on homes of National Grid gas customers. We do, however, encourage the parties to discuss this concern in the collaborative meetings contemplated by the settlement agreement. Exh. 3 at 22.

Another concern raised by OCA and OEP is that customers are generally required to pay the entire cost of a project up front, which could be as high as \$4,000, and then await a rebate. OEP and OCA stated that for many customers this process may create a barrier to implementation of energy efficiency measures. OCA questioned whether the program could be more like the electric energy efficiency programs where customers do not have to pay for the entire cost of the project up front. At hearing, National Grid testified that the average job runs about \$1,500 to \$2,000 and that rebates are processed in 45 days. 5/12/09 Tr. at 94 lines 2-13 and at 95 line 5. National Grid stated that it considered the program to be robust but that in the event cost is determined to be a barrier, it would propose an alternative way of dealing with disposition of the rebate. Id. We find this approach to be reasonable and note that National Grid has committed to continuing to collaborate with parties to this docket. National Grid has also committed to submitting quarterly reports which will document whether programs are meeting intended goals. We believe that between the reporting and continued collaboration, the parties have sufficient mechanisms in place to evaluate barriers to implementation and propose an appropriate resolution.

As to the proposed budgets, we note that the costs have increased since the last approved program. National Grid attributes the cost increases to its attempt to serve a similar volume of participants as it has done in the past two years, as well as to the overall increased cost to provide these programs and services. Having reviewed the budgets, we find the amounts proposed by National Grid to be reasonable and appropriate. As to the shareholder incentives, we find that they reflect the approved mechanism and that the related budgeted amounts are reasonable.

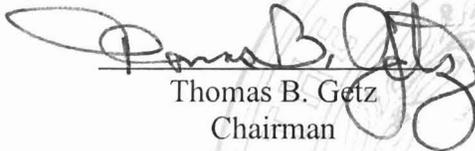
In all, the settling parties have proposed a reasonable plan for the implementation of these energy efficiency programs with a goal of coordinating them with the electric programs. It has

been, by all accounts, a collaborative effort demonstrating the willingness by all parties to find appropriate ways to continue and to update these programs. Based upon the above, we find the settlement agreement and Plan to be in the public interest and affirm the plan for effect as of May 1, 2009.

Based upon the foregoing, it is hereby

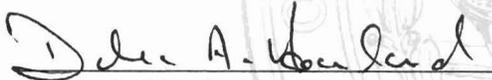
ORDERED, that the terms of the settlement agreement and National Grid's Plan incorporated therein are hereby adopted and approved as discussed herein.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2009.


Thomas B. Getz
Chairman


Clifton C. Below (KMS)
Commissioner

Attested by:


Debra A. Howland
Executive Director

