

DG 09-053

NORTHERN UTILITIES, INC. d/b/a/ UNITIL

Energy Efficiency Program Plan

Order Approving Energy Efficiency Program Plan

ORDER NO. 24,968

May 21, 2009

APPEARANCES: Unitil Corporation by Gary M. Epler, Esq.; New Hampshire Legal Assistance, by Alan Linder, Esq. and Daniel Feltes, Esq. on behalf of Mary Polcheis; New Hampshire Community Action Association by Dana Nute; Office of Energy and Planning by Eric Steltzer; Office of the Consumer Advocate by Meredith A. Hatfield, Esq. on behalf of residential utility ratepayers; and Marcia A. B. Thunberg, Esq. for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 17, 2009, Northern Utilities, Inc., d/b/a Unitil filed with the Commission an energy efficiency program proposal covering the 20-month period from May 1, 2009 through December 31, 2010. If approved, Unitil's energy efficiency programs for its natural gas and electric customers would run concurrently starting with the next review cycle. On March 19, 2009, the Commission issued an order of notice scheduling a hearing for April 21, 2009.

On March 26, 2009, the Office of the Consumer Advocate (OCA) filed a notice of its intent to participate in the docket on behalf of residential ratepayers pursuant to RSA 363:28. On April 2, 2009, the New Hampshire Community Action Association (CAA) and the Office of Energy and Planning, filed petitions to intervene. On April 13, 2009, Mary Polcheis, a low-income residential heating customer, filed a petition to intervene. The Commission held a hearing on April 21, 2009 and granted the petitions to intervene.

II. SUMMARY OF ENERGY EFFICIENCY PROGRAMS

Northern proposes to provide a number of energy efficiency and regional market transformation programs to its residential non-low-income, residential low income, multifamily, and commercial and industrial (C&I) customers in New Hampshire. Most of these programs were previously approved by the Commission in Order Nos. 24,109 (December 31, 2002) and 24,630 (June 8, 2006). These programs are summarized as follows:

A. Residential Programs

i. Residential Home Energy Assessment Program (RHEAP) – (referred to as the Residential Conservation Services in the 2006 Plan) offers customers in single family and 2-4 unit multifamily homes energy efficiency education and no obligation home-specific energy assessments at a reduced cost. The objective is to encourage behavioral modifications and installations of energy efficiency measures, including those available through other residential programs. Contractors must have Building Performance Institute, or similar training, or experience. Audits will comply with Residential Energy Services Network (RESNET) standards.

ii. Home Performance with ENERGY STAR® (HPwES) – (replacing Residential Custom Measures in the 2006 Plan) is modeled after a national effort sponsored by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE) that offers a comprehensive, whole-house approach to improving energy efficiency and comfort at home, while helping to protect the environment. This program will target existing residential housing.

iii. Residential ENERGY STAR® Homes Program – is another national effort sponsored by the EPA and DOE with the primary mission of improving the energy performance and comfort of new homes. The program design offers a comprehensive, whole-house approach to educating builders on energy efficient building techniques, provides incentives to encourage energy efficiency improvements and measures the proposed and actual energy performance of new homes.

iv. Residential GasNetworks® – (consolidation of the four individual residential GasNetworks programs included in the 2006 Plan) is a group of regional natural gas companies serving residential and commercial and industrial (C&I) customers throughout the region. Its mission is to work with governmental agencies and affiliates to promote energy efficient technologies, create common energy efficiency programs, educate consumers and promote contractor training and awareness of evolving natural gas technologies. The residential

GasNetworks® initiatives offer incentives to customers who install eligible heating and water heating equipment, programmable thermostats, and energy efficient windows.

v. Self Install Rebate Program – offers rebates to customers for self installation of immediate savings measures.

vi. Residential Low-income Program – offers low income eligible customers, in coordination with the fuel assistance and community action agencies (CAA), free energy audit services, installation of domestic hot water measures; building shell, duct and pipe insulation, clock thermostats, and gas-saving air sealing measures and other energy efficiency equipment. Northern will continue to leverage this program with other programs such as the federal weatherization assistance program and CORE electric utility programs to make the most efficient use of funds. Northern has increased funding for this program by approximately \$54,000 due to present demand. Northern is funding the increase through its LDAC conservation charge.

B. Commercial and Industrial and Multifamily Programs

i. Multifamily Custom Measures Program – offers multifamily buildings (greater than 4 dwelling units with a master-metered account) energy assessment services and multiple custom measure services on a site-specific basis.

ii. Small Commercial and Industrial Custom Measures Program – offers small C&I customers multiple basic and custom measure services on a site-specific basis.

iii. Medium and Large Commercial and Industrial Custom Measures Program – offers medium and large C&I customers incentives for independent engineering analyses and multiple custom measure services on a site-specific basis.

iv. Commercial and Industrial GasNetworks® – (consolidation of the four individual C&I GasNetworks initiatives included in the 2006 Plan) is a group of regional natural gas companies serving residential and C&I customers throughout the region. The C&I GasNetworks® initiatives offer incentives to customers who install eligible heating, infrared heating and food services equipment, as well as programmable thermostats.

C. Additional Market Transformation Activities

Northern will maintain memberships in energy efficiency organizations and collaboratives such as GasNetworks® in order to promote high efficiency natural gas

technologies and increased energy efficiency levels for targeted products and services. Northern will continue its education and outreach efforts by: offering training; attending trade-ally shows and home shows; distributing consumer brochures, direct mail pieces, and newsletters; and direct marketing.

D. Other Program Elements

Northern will maintain the option of adjusting program parameters such as rebate levels as needed. In such an event, Northern will provide the Commission with 30 days' notice of the proposed changes. These changes will become effective within 30 days unless otherwise ordered 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, Northern will reassess the potential of the programs in the plan to achieve the projected energy savings goal. If exogenous changes impact the cost-effectiveness of the programs or Northern's ability to meet its target goals, then Northern will identify these changes and impacts and make any necessary recommendations for program adaptations in its reports to the Commission.

For all of its programs, Northern will continue to track, monitor, evaluate, and assess progress toward the program goals. Northern will monitor the quality of program implementation through customer satisfaction surveys and on-site post-installation inspections. Northern will also specifically review a 2009 GDS Associates, Inc. report on additional opportunities for energy efficiency and identify future cost effective energy efficiency programs and initiatives as they relate to each of its existing programs. Northern will review the GasNetworks® market transformation scoping study. This study is currently underway but has two main goals: to identify all cost effective existing and emerging natural gas technologies that

offer site-specific gas savings regardless of current fuel source and identify promising technologies, initiatives, and opportunities for deploying cost effective programs. Northern expects that its review of these reports will assist it in determining expected savings in its programs, which programs are resulting in market transformation, and how its programs might be improved.

Northern will confer on a quarterly basis with the appropriate CAAs and OEP to review the status of the Home Energy assistance programs. In addition, Northern, the CAAs, and OEP will continue to implement utility-specific comprehensive plans to coordinate the delivery of the energy efficiency services and weatherization services.

Northern will be entitled to cost recovery of all prudent internal and external costs incurred related to its energy efficiency programs through the per therm Conservation Charge set forth in Northern's Local Distribution Adjustment Clause (LDAC). These costs will be subject to annual reconciliation and recovery as approved by the Commission and all approved costs will be recovered with the annual LDAC filings. Costs associated with the low-income energy efficiency programs will be recovered from all firm customers while costs associated with the non-low-income residential programs and the C&I and multifamily programs will be recovered on a sector-specific basis. Northern will reconcile energy efficiency funding and expenditures 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.

Northern will continue to employ the Total Resource Cost test, as required and approved by the Commission in Order No. 24,109, to analyze the cost-effectiveness of its gas energy efficiency programs. Northern also proposes to continue to collect performance incentives consistent with Order No. 24,109.

III. POSITIONS OF THE PARTIES

A. Mary Polcheis

Mary Polcheis expressed her appreciation for Northern's energy efficiency program and willingness to increase its budget for low-income programs. Ms. Polcheis supports Northern's filing and recommended the Commission approve it.

B. Office of Energy and Planning

OEP did not take a position on the filing. It stated that it remained interested in maintaining consistency between Northern's residential and business programs and in Northern's efforts to evaluate the effectiveness of its programs. OEP was concerned that Northern's budget included \$58,000 for reviewing evaluation reports and program effectiveness, which OEP considered high.

C. New Hampshire Community Action Association

The CAA supports Northern's filing and recommended the Commission approve it. CAA is pleased that quarterly meetings will be occurring and stated that these meetings are efficient and they work well for the company and interested parties. CAA will be watching Northern's low-income program carefully as it is synchronized with the electric program.

D. Office of the Consumer Advocate

OCA supports Northern's filing and recommends the Commission approve it. OCA is pleased with Northern's willingness to file a 20-month proposal with the intent to integrate the program with Unitil's electric program. OCA stated that it is important to continue to offer cost-effective gas efficiency programs. OCA supports Northern's increase to its residential low-income budget but expressed its concern that funding for this budget increase came solely from Northern's residential customers, when the program provides benefits to Northern's residential

and commercial customers. OCA agreed with EOP's concerns over the cost of review, but stated that measuring, verifying and reviewing the programs is important. OCA urged Northern to ensure that its energy audit reports and educational materials show customers the range of measures available for becoming more energy efficient.

E. Staff

Staff supports Northern's filing and recommends the Commission approve it. Staff stated that it believed the 20-month program was appropriate since it would facilitate synchronizing the program with Unitil's electric program, which would produce administrative efficiencies. Staff appreciated Northern's willingness to discuss possible program improvements, expansions, and in particular the low income budget for 2010. Staff appreciated Northern's willingness to also provide the simplified Staff template relating to performance incentives and reports on the cost-effectiveness of any solar or combined heat installations.

F. Northern

Northern stated that its 20-month filing was a compromise worked out by interested parties to improve coordination of the gas and electric programs. Northern has taken seriously the comments made by the parties concerning precise and improved measurements of the activities. Northern will work to improve its customer information to include tax credit and rebate information. Northern stated that it believed it had proposed a good program and recommended that the Commission approve it.

IV. COMMISSION ANALYSIS

Northern proposes a twenty-month program that is intended to extend the existing program to December 31, 2010, at which time Northern plans to integrate its electric energy efficiency programs with its natural gas programs. Northern states that this integration will

result in benefits including the reduction of administrative costs and an increase in program effectiveness.

Northern's goals in the instant programs remain the same: to increase awareness of the benefits of energy efficiency, induce lasting market changes, and realize energy efficiency savings that might not occur without the programs. Northern will continue to offer an array of traditional, custom, and regional market transformation energy efficiency programs to provide customers with safe and reliable service at affordable prices. It will continue to partner with local, state and federal entities and programs to provide customers with cost-effective energy efficiency products and services. Northern plans to continue to monitor and evaluate the energy efficiency programs and will meet with the Staff and other interested parties to discuss program performance. Northern will also continue to submit reports to the Commission including monthly reports on expenditures and annual reports on program results and performance incentives.

In Northern's most recent three-year plan, it set a goal to serve more than 3,300 customers, which represented approximately 13% of its approximately 25,000 customers. In this abbreviated plan, Northern has set a goal of serving 1,206 residential customers, 80 low-income customers, and 122 customers in its commercial and industrial sectors. For the 20 months of programs proposed in this filing, Northern calculates an annual savings of approximately 30,161 MMBtu and a lifetime savings of approximately 470,460 MMBtu. Exh. 2 at 49. The programs Northern will be relying upon to achieve these projected savings have an overall total resource benefit/cost ratio of 2.4, which is above the 1.0 minimum threshold. Thus, the net present value of the total program benefits is greater than the total program costs.

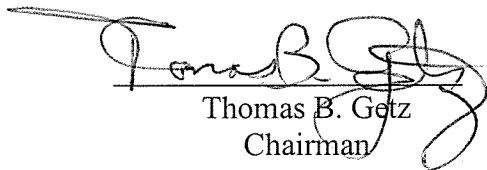
With respect to the program budget, we understand Northern has increased the low-income budget and decreased the non-low-income residential budget. It has not changed how the low-income budget is recovered from the residential and C&I sectors. At hearing, Northern explained that the budget increase was an effort to make the low income gas program reflect the same percentage of the budget as Until's CORE electric low-income program. Hearing Transcript April 21, 2009 at 79, lines 16-22. Northern testified that this funding method was not intended to be a precedent as to how Northern would fund the low-income programs in its next plan term. 4/21/09 Tr. at 62, lines 1-15. We note that Staff, OCA, and the parties do not object to how the low-income budget is funded and that Staff and the parties will continue to discuss what percentage of the residential budget should be allocated to residential low-income in the future. Additionally, this change does not change how the low-income budget will be recovered from all customers through the LDAC. We consider this increase in the low-income budget to be reasonable in light of the parties continued discussions and Northern's attempts to integrate the gas and electric programs.

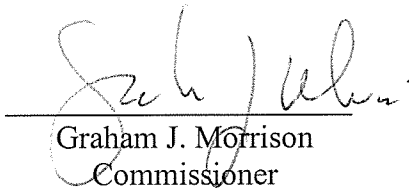
Having reviewed Northern's filing and testimony and evidence presented at hearing, we find that it is reasonable and in the public interest to approve the continuation and modification of Northern's energy efficiency programs for an additional twenty months as proposed in the April 7, 2009 revised filing.

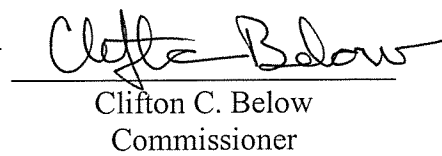
Based upon the foregoing, it is hereby

ORDERED, that Northern Utilities, Inc.'s May 1, 2009 through December 31, 2010 gas energy efficiency program proposal is hereby APPROVED.

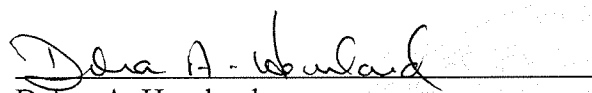
By order of the Public Utilities Commission of New Hampshire this twenty-first day of
May, 2009.

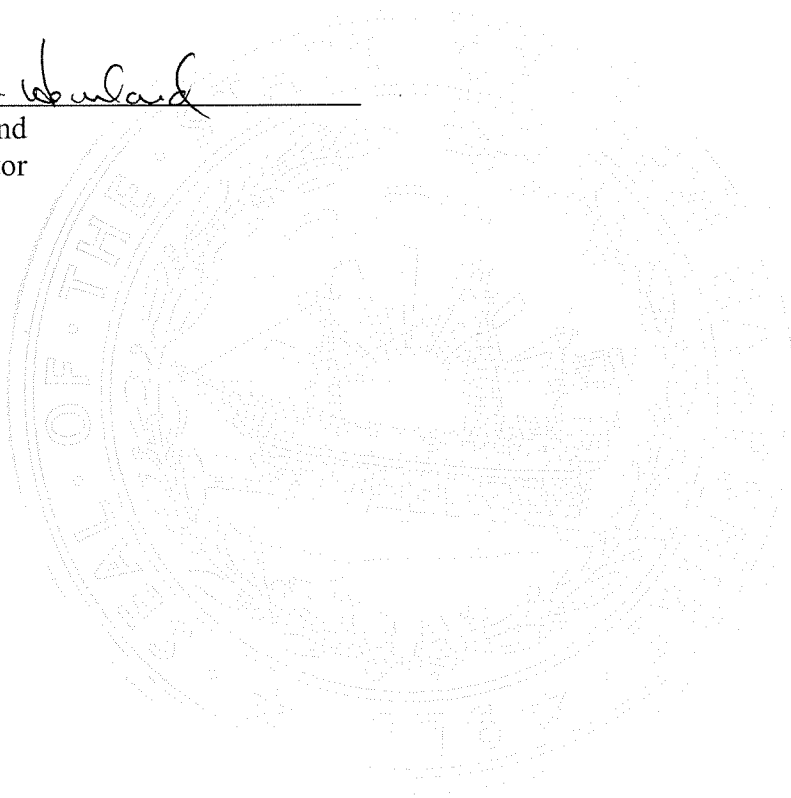

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Chairman


Graham J. Morrison
Commissioner


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05/21/09 Order No. 24,968 issued and forwarded to
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INTERESTED PARTIES

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