

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: Initial: September 25, 2020

Revised: October 6, 2020

AT (OFFICE): NHPUC

FROM: Liz Nixon, Utility Analyst, Electric Division

RC

SUBJECT: Docket No. DE 20-097
Unitil Energy Systems, Inc.
Request to Amend Tariff and Provide a Non-Residential Energy
Efficiency Loan to the City of Concord
Staff Recommendation

TO: Commissioners
Debra Howland, Executive Director

CC: Tom Frantz, Director, Electric Division
Rich Chagnon, Assistant Director, Electric Division
Jay Dudley, Utility Analyst, Electric Division
Brian Buckley, Staff Attorney

Summary

On June 16, 2020 Unitil Energy Systems, Inc. (Unitil) filed a request to amend the portion of its tariff governing its non-residential energy efficiency loans and to provide an energy efficiency loan to the City of Concord (the City) pursuant to the revised tariff.

Following the recommendation of Staff and a subsequent Commission Secretarial Letter, the revised tariff language is now in effect.

Staff issued information requests to Unitil regarding the proposed loan to the City of Concord and all parties to the proceeding participated in a technical session on Thursday July 30, 2020 to discuss the Company's responses.

Staff recommends that the Commission approve Unitil's request contingent upon the term of the on-bill financing loan being for no more than 60 months.

Unitil's On Bill Financing Offering

Unitil's tariff allows the customers who install energy efficiency measures to finance a portion or the entire cost of those measures using a loan from the Company that the customer repays through an additional charge on their monthly electric bill. The

Company offers these loans, known as “on-bill” loans, at a zero percent interest rate, subject to certain conditions. These conditions are meant to ensure finite on-bill loan funding is allocated efficiently and fairly. For non-residential customers, these conditions limit the Company’s ability to provide a loan of more than \$50,000 for any one project, or more than \$150,000 to any one customer, in a given year. The tariff allows the Company to petition the Commission to authorize exceptions to the above-described loan limitations. The relevant tariff pages are provided as Attachment A to this memorandum.

Unitil’s Potential On-Bill Loan to the City of Concord

Unitil and the City of Concord have signed a Memorandum of Understanding (MOU) where both parties commit to future actions intended to facilitate conversion of the City’s existing street lighting to energy efficient Light Emitting Diode (LED) fixtures. The MOU describes Unitil’s willingness to offer energy efficiency program incentives up to 50% of the installed cost of the LED fixtures, or \$325,000, whichever is less. The MOU also describes Unitil’s willingness to offer on-bill financing to the City at 0% interest for some or all of the conversion costs not covered by the energy efficiency program incentives, up to \$325,000 and with a loan term of up to 120 months. The MOU is provided as Attachment B to this memorandum.

Staff Recommendation

Staff recommends that the Commission approve Unitil’s request contingent upon the term of the on-bill financing loan being for no more than 60 months, rather than 120 months. In support of this recommendation, Staff observes the following:

- The conversion is projected to be cost-effective under the Granite State Test approved in Order No. 26,322 (December 30, 2019) and will therefore provide a net benefit to New Hampshire ratepayers. (Carroll Testimony at 11)
- The full cost of the conversion will not be known until it is completed, but the City of Concord has provided Unitil with a preliminary and non-binding estimate that the installed cost of the fixtures will be approximately [REDACTED]. (Attachment C)
- The City of Concord’s bill savings that result from the conversion will not be known until the conversion is completed, but the City has provided Unitil with an estimated annual bill savings of approximately [REDACTED] (Attachment D)
- The balance of the revolving loan fund Unitil uses to provide non-residential on-bill loans is \$540,000 as of June 2020. The proposed loan to the City of Concord would use 60% of the available loan funds, potentially limiting the Company’s ability to offer similar opportunities to other customers. (Carroll Testimony at 12)
- Reducing the loan term from ten years to five years would not adversely affect the economics of the project and ensure that the funds are cycled back into the revolving loan fund in a reasonable amount of time, so that funds are available for use by other nonresidential customers.

The undepreciated value of the legacy fixtures is not included in the installed cost figure described above. Until's street lighting tariff Schedule LED provides that the Company and customer shall enter into a service agreement that governs disposition of the undepreciated value of the existing fixtures and any equipment that will be removed. Staff understands that the Company and the City are developing a payment plan and service agreement for this undepreciated value. While the Service Agreement and treatment of the undepreciated value is not at issue in this on-bill loan request, Staff intends to review the fairness of any such service agreement or payment plan in the Company's forthcoming rate case.

NON-RESIDENTIAL ENERGY EFFICIENCY LOAN PROGRAM

AVAILABILITY

Subject to the Terms and Conditions of the Tariff of which it is a part, this program shall allow Customers installing energy-efficiency measures under an energy efficiency program offered by the Company and approved by the Commission ("Participating Customers") to borrow all or a portion of the Customer's share of the installed cost of the energy-efficiency measures ("Customer Loan Amount") through an additional charge on their monthly electric service bill issued by the Company. It is available to Participating Customers who meet the following qualifications:

1. The Customer must own or lease the property where the energy-efficiency measures are installed; and
2. For leased property, the Repayment Term of the loan cannot exceed the months remaining on the lease. Lease option months will be considered remaining months; and
3. The Customer must have an active Delivery Service account with the Company for the property where the energy-efficiency measures are installed and receive retail delivery service General Delivery Service Schedule G; and
4. The Customer must have good credit with the Company, which is defined as a Customer that has not received a disconnect notice from the Company during the twelve months preceding the Customer's request for service under this program; and
5. The Customer Loan Amount must be greater than or equal to \$500 and less than or equal to \$50,000 per project and must not exceed the Customer's share of the installed cost of the energy-efficiency measures installed under the Company's approved energy-efficiency program; and
6. A Customer is limited to \$150,000 per year in loan funds with no limit on the number of projects at the sole discretion of the Company based on program demand; and
7. The Company may petition the Commission to allow a Customer Loan Amount in an amount exceeding \$50,000 per project and / or to allow a particular Customer to receive more than \$150,000 in loan funds in a given year.

At its sole discretion, the Company shall determine eligibility for service under this program subject to the availability of program funds.

Any Customer taking service under this program must remain a General Delivery Service Customer of the Company at the property where the energy-efficiency measures are installed. In the event the Customer does not remain a General Delivery Service Customer of the Company at the property where the energy-efficiency measures are installed, any remaining charges under this program shall immediately become due and payable.

Authorized by NHPUC Secretarial Letter in Case No. DE 20-097 dated July 29, 2020.

Issued: August 12, 2020
Effective: July 29, 2020

Issued by: Robert B. Hevert
Sr. Vice President

NON-RESIDENTIAL ENERGY EFFICIENCY LOAN PROGRAM (continued)

CUSTOMER LOAN AGREEMENT

Participating Customers shall be required to execute a separate Customer Loan Agreement for each project which will specify the fixed monthly charge and the terms of the payment period, however, the Company may consolidate loans for projects with the same Repayment Term. A Customer can choose to pay the remaining balance owed to the Company at any time. A late payment charge as described in the Terms and Conditions for General Delivery Service section of the Company's Tariff is applicable to the monthly charges rendered under this program. Participating Customers are not subject to disconnection of electric service for nonpayment of the charges under this program.

The Customer Loan Amount shall be paid to the Company by Participating Customer through a fixed monthly charge applied over a term of months as established in the Customer Loan Agreement. Participating Customers may specify the repayment term of the Customer Loan Amount subject to the maximum repayment term limitations as specified below:

<u>Customer Loan Amount</u>	<u>Maximum Repayment Term (in Months)</u>
Greater than or equal to \$500 and less than or equal to \$2,000	24
Greater than \$2,000 and less than or equal to \$3,000	36
Greater than \$3,000 and less than or equal to \$4,000	48
Greater than \$4,000 and less than or equal to \$5,000	60
Greater than \$5,000 and less than or equal to \$6,000	72
Greater than \$6,000 and less than or equal to \$7,500	84
Greater than \$7,500	120

Authorized by NHPUC Secretarial Letter in Case No. DE 20-097 dated July 29, 2020.

Issued: August 12, 2020
Effective: July 29, 2020

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Memorandum of Understanding

This Memorandum of Understanding ("MOU") is made on May 12, 2020, by and between Unitil Energy Systems, Inc., of 6 Liberty Lane West, Hampton, New Hampshire ("Unitil" or the "Company")) and the City of Concord, New Hampshire, 41 Green Street, Concord, NH 03301 (the "City") (each a "Party" and collectively, the "Parties") for the purpose of setting out the mutual roles and responsibilities that each Party agrees are necessary to effectuate the replacement of all existing outdoor lighting fixtures within the City with Light Emitting Diode ("LED") fixtures. Capitalized terms used in this MOU shall have the meaning ascribed to them as set forth herein.

WHEREAS, the City intends to replace existing outdoor lighting fixtures within the City with LED fixtures pursuant to the Company's Light Emitting Diode Outdoor Lighting Service Schedule LED ("Schedule LED"); and

WHEREAS, the City intends to undertake a single project to purchase LED fixtures to replace existing outdoor lighting fixtures in accordance with Schedule LED, and install such LED fixtures on poles owned by Company (the "Project"); and

WHEREAS, the Parties intend to execute an agreement in accordance with Schedule LED setting forth terms and conditions governing the conversion of the City's existing outdoor lighting fixtures to LED lighting fixtures; and

WHEREAS, Unitil is willing to provide a financial incentive to the City through the Commercial and Industrial and Municipal Energy Efficiency programs approved by the New Hampshire Public Utilities Commission (the "Commission") in docket DE 17-136, contingent upon the City applying for such an incentive and the availability of funding. The financial incentive is intended to enable the City to implement the conversion of existing outdoor lighting fixtures to LED fixtures, and the Company is willing to provide an incentive amount of up to 50% of the installed cost of the LED fixtures or \$325,000, whichever is less (contingent upon the City applying for such an incentive and the availability of funding); and

WHEREAS, Unitil is willing to allow the City to borrow some or all of the remaining installed cost of the LED fixtures, at an interest rate of 0%, pursuant to Unitil's Non-Residential Energy Efficiency Loan Program (Unitil Energy Systems, Inc. Tariff, First Revised Page 112 – Second Revised Page 113) after application of the above-described financial incentive with such loan to be paid back to the Company on recurring on-bill payments over a term not to exceed 120 months; and

WHEREAS, Unitil's Non-Residential Energy Efficiency Loan Program (Unitil Energy Systems, Inc. Tariff, First Revised Page 112 – Second Revised Page 113) allows a customer to borrow up to \$50,000 per project in loan funds from the Company, subject to an annual limit of \$150,000 in loan funds per customer; and



WHEREAS, Unitil is willing to loan the City up to 50% of the remaining installed cost of the LED fixtures or \$325,000, whichever is less; however, due to the above-described limits in the Company's tariff, Unitil's ability to loan the City any amount in excess of \$50,000 per project and \$150,000 per year is subject to the approval of the Commission; and

WHEREAS, Unitil is willing to petition the Commission for permission to provide a loan to the City to finance the Project at an interest rate of 0% and in an amount that exceeds the limitations prescribed in the Company's Non-Residential Energy Efficiency Loan Program; and,

WHEREAS, Unitil is willing to allow the City to pay for the cost of removal and expired life of any street and area lighting fixtures and brackets pursuant to Schedule LED through a recurring on-bill payment at 0% interest for a term not to exceed 60 months; and,

WHEREAS, it is not the intention of the Parties that this Memorandum of Understanding create a legally binding or formal agreement among the Parties; rather, the Parties intend that this Memorandum of Understanding set forth the mutual objectives of the Parties and memorialize the Parties' commitment to achieving those objectives.

RESPONSIBILITIES AND ROLES OF THE PARTIES

1. *The City's Role and Responsibilities.* The City shall be responsible for the following:
 - (a) Supporting, as necessary, Unitil's efforts to seek and obtain approval from the Commission to provide a loan at 0% interest through the Company's Non-Residential Energy Efficiency Loan Program in excess of the \$50,000 per project and annual \$150,000 per customer tariff limitation;
 - (b) Obtaining, as soon as practicable, an estimate of the installed cost of new LED fixtures to replace existing overhead lighting fixtures in the City, and providing such estimate to Unitil;
 - (c) Seeking and obtaining any and all necessary approvals, including but not limited to approval from the Concord City Council, to proceed with the conversion of the City's existing outdoor lighting fixtures to LED lighting fixtures.
 - (d) Applying to the Company for an available financial incentive through the Commercial and Industrial and Municipal Energy Efficiency programs;



- (e) Seeking and obtaining any and all necessary approvals, including but not limited to approval from the Concord City Council, to enter into an agreement with Unitil in accordance with Schedule LED setting forth terms and conditions governing the conversion of the City's exiting outdoor lighting fixtures to LED lighting fixtures.

2. *Unitil's Role and Responsibilities:*

- (a) Petitioning the Commission to permit Unitil to provide a 0% loan to the City for up to 50% of the total Project installed cost or \$325,000, whichever is less.

MISCELLANEOUS

1. *Amendments.* This MOU may be amended, modified or waived only by mutual agreement, evidenced by written instrument signed by authorized representatives of both Parties.
2. *Counterparts.* This MOU may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument.

Agreed to this 12th day of May, 2020.

Unitil Energy Systems, Inc.

City of Concord, NH

By: Cindy L. Carroll
Name:
Title: Vice President

By: [Signature]
Name: Thomas J. Aspell Jr.
Title: City Manager

REDACTED
Unitil Energy Systems, Inc.
Docket No. DE 20-097
UES Request to Amend Tariff and Provide a
Non-Residential Energy Efficiency Loan to the City of Concord
NHPUC Staff Set 1 Information Requests

Received: July 8, 2020
Request No. Staff 1-1

Date of Response: July 24, 2020
Witness: Cindy Carroll

Request:

Reference Carol Testimony at Bates Page 6, Lines 2-5 stating "The Company also seeks approval to make a one-time loan to the City of Concord in an amount up to \$325,000 pursuant to the amended tariff in connection with the City's planned conversion of existing streetlights to energy-efficient LED fixtures," and Unitil-City of Concord MOU at Bates Page 16 stating "Unitil is willing to allow the City to pay for the cost of removal and expired life of any street and area lighting fixtures and brackets pursuant to Schedule LED through a recurring on-bill payment at 0% interest for a term not to exceed 60 months."

- a. Please provide the undepreciated value of the legacy fixtures, how this value is determined, the cost for removal of the legacy fixtures, the cost for installation of the new LED fixtures, and the cost of the fixtures themselves.
- b. Please provide an itemized list of what is included in the \$325,000 loan amount plus the \$325,000, including whether any of the costs described in Response 1-1(a) are included.
- c. Please confirm that Unitil is only loaning \$325,000 for the installed cost of the new lights for up to 10 years through Unitil's Non-Residential Energy Efficiency Loan Program at 0% interest. If this is not the case, please explain why this is not the case.
- d. Please explain if Unitil is loaning the undepreciated value provided in Response 1-1(a) for up to 5 years at 0% interest through shareholder contribution or through other means. If not through shareholder contribution, please explain which provision in the Company's tariff allows for such an arrangement.

Response:

- a- To determine the net book value of an asset, the Company first determines the original installed cost of the asset as well as the appropriate depreciation rate approved by the New Hampshire Public Utilities Commission. The Company then calculates accumulated depreciation for the asset (original installed cost x depreciation rate x number of years in service). The net book value of the asset is the original installed cost less the accumulated depreciation. The Company's

REDACTED

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most recent calculation of the undepreciated value of the legacy fixtures in this case is approximately [REDACTED]. In its initial calculation, the Company determined the undepreciated value of the fixtures to be approximately [REDACTED], and provided this estimate to the City. The Company has since determined this estimate to be in error but is prepared to honor its original estimate of [REDACTED].

The Company will not purchase or install the new LED fixtures. Based on a preliminary estimate from the City, the Company understands the estimated cost of installation for the new LED fixtures to be [REDACTED]. Based on a preliminary estimate from the City, the Company understands the estimated cost of the new fixtures to be approximately [REDACTED]. The Company has not been provided an estimated cost of removal as a discrete portion of the total project cost at this time.

- b- The Company will not purchase or install the new LED fixtures. The City has provided to the Company a preliminary and non-binding estimate of the installed cost of the fixtures to be approximately [REDACTED]. If the Commission approves the Company's petition, it is the Company's understanding that the City will issue an Request for Proposals (RFP) for the project. The undepreciated value of the legacy fixtures is not included in these amounts. The cost of removal, installation cost of new fixtures, and the cost of the fixtures themselves are included in these amounts. To the extent the MOU states that the cost of removal will be recovered separately over 60 months, it is not accurate.
- c- The Company confirms that it intends to lend up to \$325,000 for the installed cost of the new lights for up to 10 years through Unitil's Non-Residential Energy Efficiency Loan Program at 0% interest. The actual amount may be less than \$325,000 depending on the results of the City's RFP.
- d- The Company is not loaning the undepreciated book value of the assets to the City. It is establishing a payment plan with the City for the repayment of the undepreciated value of the assets.

REDACTED

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SUPPLEMENTAL RESPONSE

Received: July 8, 2020
Request No. Staff 1-2

Date of Supplemental Response: August 11, 2020
Witness: Cindy Carroll

Request:

Reference Carol Testimony at Bates Page 11, Lines 5-7 stating "The City intends to replace its existing outdoor lighting fixtures with energy efficient LED fixtures pursuant to the Company's Light Emitting Diode Outdoor Lighting Service Schedule LED ("Schedule LED")."

- a. Please provide an estimate of the monthly and annual expected electric bill (\$) savings that will accrue to the City of Concord with the new Light Emitting Diode (LED) fixtures as compared to the legacy fixtures.
- b. Please provide the expected monthly and annual expected on-bill loan(s) repayment amount.
- c. If after accounting for the repayment of the on-bill loan(s), the result is a projected net positive bill savings to the City of Concord, please explain whether parties to the MOU contemplated a provision that would allow for bill-neutral repayment but an accelerated repayment duration.
- d. If Response 1-2(c) indicates the parties to the MOU did not contemplate the provision described in 1-2(c), please explain whether the parties to the MOU would be open to such a provision and why that is the case.
- e. If Response 1-2(d) indicates an openness of the parties to the provision discussed in response 1-2(c), please provide a draft of the MOU with new language accommodating such a provision.

Initial Response:

- a. The energy bill savings will be approximately [REDACTED] annually and [REDACTED] monthly.
- b. The monthly on-bill repayment amount would be approximately \$2,700 over a ten year period, or approximately \$32,500 per year.
- c. The Memorandum of Understanding ("MOU") is a non-binding document intended to set forth the mutual objectives of the parties and memorialize the parties' commitment to achieving those objectives. It is not a legally binding or formal agreement among the parties. The parties intend to execute an agreement setting forth the terms and conditions governing the conversion of the City's outdoor lighting fixtures to LED fixtures at a later time.

REDACTED

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- d. See response to (c).
- e. See response to (c).

Supplemental Response:

- a. As a result of an inadvertent miscalculation, the Company's initial response to subpart (a) indicated that the energy bill savings would be approximately [REDACTED] annually and approximately [REDACTED] monthly. The Company now provides this supplemental response to correct that miscalculation.

The energy bill savings will be approximately [REDACTED] annually and approximately [REDACTED] monthly.