

**THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 09-053

NORTHERN UTILITIES, INC. d/b/a UNITIL

Request to Modify Energy Efficiency Program Components

Order on Residential Gas Networks Program

ORDER NO. 25,136

August 11, 2010

APPEARANCES: Northern Utilities, Inc. by Susan S. Geiger, Esq., of Orr & Reno; New Hampshire Legal Assistance by Alan Linder, Esq., on behalf of Mary Polcheis; Office of Energy and Planning by Eric Stelzer; 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. INTRODUCTION

The history of this proceeding is more fully described in Order No. 25,112 (June 11, 2010). Briefly, on May 21, 2009, the Commission issued Order No. 24,968 approving the 20-month energy efficiency program proposed for May 1, 2009 through December 31, 2010 by Northern Utilities, Inc. (Northern). On February 18, 2010, Northern filed a request to modify its energy efficiency program by transferring \$70,000 from its Energy Star Homes program to its Residential Gas Networks® program. On May 5, 2010, Staff filed a letter recommending that the Commission grant Northern's request. On May 14, 2010, the Office of the Consumer Advocate (OCA) filed a letter recommending that Northern temporarily increase the Residential Conservation Charge (RCC) to fund an increase in the budget for the Residential Gas Networks® program. The Commission scheduled a technical session for June 30, 2010 and a hearing on July 13, 2010. On July 9, 2010, Northern filed prefiled testimony of Thomas Palma, Esq., Manager of Distributed Energy Resources, Planning and Design for Unitil Service Corp.

II. POSITIONS OF THE PARTIES

A. Northern

At hearing, Northern withdrew its request to transfer funds from the Energy Star Homes program to its Residential Gas Networks® program. Hearing Transcript of July 13, 2010 (7/13/10 Tr.) at 10. Northern stated that a project in the Energy Star Homes program that had been uncertain was in fact going forward, thus eliminating funding available to transfer to the Residential Gas Networks® program. Mr. Palma testified that, with respect to the GasNetworks® Collaborative, it did not withdraw from GasNetworks®, rather, it continued to offer its 2009 rebate levels even though GasNetworks® rebates changed on February 1, 2010. *Id.* at 8. Mr. Palma testified that Northern over-spent its \$130,000 GasNetworks® budget by about \$190,000, or 245.60%, through July 1, 2010. *Id.* at 15 and Exh. 9 at 15. Northern attributes the over-spending to increased awareness and demand for the program and to the existence of contractors trained to install high-performance equipment. *Id.* at 16. Northern testified that the after-the-fact nature of customers submitting rebates also explains why there were many more open projects than Northern expected when it sought to wind down the program in February. Exh. 10 at 6. Northern stopped issuing rebates in its GasNetworks® program after February 17, 2010, and now refers customers to the American Recovery and Reinvestment Act (ARRA) funded Appliance Program. 7/13/10 Tr. at 23.¹

When questioned by the OCA, Mr. Palma agreed that there may be extra funding in the Residential Conservation Services program but Northern was not proposing to shift those funds to GasNetworks® because it was uncertain whether a funding shift would cause it to run out of funding for that program. 7/13/10 Tr. at 20. Northern stated it could consider shifting funds after November 1, 2010, when reconciling the program. *Id.* Northern calculates that reconciling

¹ Issues of program design, oversight and monitoring of amounts budgeted versus amounts expended will be evaluated as part of Docket DE 10-188 addressing both gas and electric CORE energy efficiency programs.

the GasNetworks® budget component would result in an annual rate increase of \$9.23 for the average Northern residential meter. Exh. 10 at 14.

Northern estimates that if it were to reopen the program from September 1, 2010, through the end of the year, it would need to increase the budget by \$80,000 to fund 75 more projects, which would necessitate an annual rate increase of \$12.92 for the average Northern residential meter. 7/13/10 Tr. at 26. Northern testified that, if it were to seek recovery of these additional costs in the current Local Distribution Adjustment Charge (LDAC) period through an out-of-cycle rate increase, the impact on the future Conservation Charge would be eliminated but the current period rate increase would be significant as the increase would only apply for two or three months during a low-use period of the year. Exh. 10 at 7.

Northern testified that its decision not to seek a rate increase to fund the GasNetworks® program was based on present economic conditions, the effect a rate increase would have on residential customers, and its competitiveness with the fuel oil industry, which does not have a system benefits charge or conservation charge. 7/13/10 Tr. at 35. Northern urged the Commission to reject OCA's recommendation that Northern's Conservation Charge be increased. Northern stated that comparing gas and electric rates is difficult and that electricity is mostly used for appliances, not heat. Exh. 10 at 8. Northern stated that the energy efficiency charges as a proportion of total expenditures for the average customer is \$9.88 for electric customers and \$13.78 for Northern customers on an annual basis using 2009 actual sales. Exh. 10 at 10.

Northern stated it expects to file for a rate increase in its energy efficiency rates that will become effective November 1, 2010. Northern stated that it would be inappropriate to raise rates to cover programs as suggested by OCA and then to raise rates again in November. Northern has already wound down its GasNetworks® program and ramping up that program again for the

duration of the program year would cause customer confusion. Instead, it would be more appropriate to institute the program that begins January 1, 2011, which is now under review in Docket DE 10-188.

Northern also took issue with OCA seeking a rate adjustment simply by filing a letter. N.H. Code Admin. R. Puc 203.06 requires persons petitioning for a rate adjustment to submit prefiled testimony and exhibits which, Northern points out, OCA did not do.

B. Staff

In its letter filed on May 5, 2010, Staff recommended that the Commission approve Northern's request. Staff found Northern's request reasonable and stated that, in responses to Staff discovery, Northern had addressed Staff's concerns about any negative impacts of starting and stopping the GasNetworks® program. Staff observed that Northern had proceeded deliberately in closing the program, immediately notified contractors, and took steps to eliminate program marketing. Northern also honored rebate requests that were already "in the pipeline." Staff asked Northern whether it had considered continuing the GasNetworks® program and increasing the program budget. Northern responded that it considered raising rates to fund the program but demurred because of the potential rate impact to customers. Staff also recommended that the Commission approve Northern's request to transfer \$70,000 out of the Energy Star Homes Program to the GasNetworks® program, a request that has since been withdrawn.

C. OCA

In a letter filed on May 14, 2010, OCA requested that the Commission reject Northern's request and instead require Northern to temporarily increase the Conservation Charge to support the GasNetworks® program in this program year. OCA stated that premature closing of the programs would have a negative effect on the contractors who have ramped-up efforts to meet

the increasing demand. In support of its position, OCA calculated that continuing the program would require a budget increase of \$289,019 and that such an increase would necessitate an increase in the Residential Conservation Charge to \$0.0177 per therm. OCA stated that a Conservation Charge at that level is reasonable when compared on a BTU or per therm basis. OCA stated that the System Benefits Charge (SBC) for energy efficiency programs for electric customers is \$0.0015 per kWh, which is equivalent to \$0.044 per therm. OCA noted that \$0.0177 per therm is below the comparable SBC. OCA also observed that National Grid's Conservation Charge was higher than Northern's.

With respect to Northern's tariff containing rebates levels that are now inconsistent with the 2010 GasNetworks® Collaborative rebates, OCA stated that some rebates differ but that more information was necessary before it could assess the potential impact of the increased rebate levels. OCA questioned whether customers switching to natural gas would also be a factor since it would increase gas sales. OCA recommended that rebate levels be discussed in Northern's 2011 energy efficiency docket.

OCA recommended that Northern review the GDS Study, *Additional Opportunities for Energy Efficiency in New Hampshire*, in developing its 2011 energy efficiency program and provide the Commission with an estimate of the "Maximum Achievable Cost Effective" energy efficiency potential and the "Potentially Obtainable" level for residential gas heating systems. This information would indicate whether a program is achieving savings levels that would be useful in determining whether a program should be suspended.

At hearing, OCA stated that the ARRA Appliance Program is projected to end in the fall and that there will be a gap inasmuch as rebates will not be available at the beginning of the heating season. OCA stated that it had a productive discussion with Northern at the technical session and hoped to see a more robust 2011 energy efficiency filing that will respond to the

growing demand for these products. OCA stated that some of Northern's programs are only 25% obligated and that, even if the Conservation Charge is increased, the reconciliation will produce a smaller increase. OCA expressed concern about starting and stopping a program and asked that steps be taken to minimize ratepayer cost in order to promote program continuity and ensure that customers are not frustrated and are taking advantage of these programs.

III. COMMISSION ANALYSIS

Having reviewed the record and testimony provided at hearing, we decline to adopt OCA's suggestion to increase Northern's Conservation Charge to fund operation of the Residential GasNetworks® program through the end of 2010. We agree with Northern that increasing rates at this time, when overall gas sales are low, will result in a higher rate than if the recovery of these program costs occurred during the winter season, when overall usage is higher. Such an increase in rates now would disadvantage present customers inasmuch as the program is open to all residential customers but is being funded by fewer gas sales.

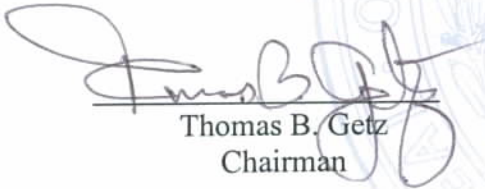
As to continuing the Residential GasNetworks® program, we are mindful that customers approaching the heating season may find that ARRA Appliance program funds have been exhausted and that, absent some action on our part, Northern's program will not offer rebates until January 1, 2011. Closing the Residential GasNetworks ® program during the fall of 2010, the start of the heating season, could mean a lost opportunity for some residential customers who would be investing in a new heating system and might make a more efficient choice if the rebate utility program were available. Northern estimated that it could fund an additional 75 projects if it were to continue the program. We find it reasonable to encourage Northern to reopen the program when the ARRA Appliance program closes and accept rebate applications for projects eligible for the Residential GasNetworks ® program. Rather than institute a rate increase as OCA would urge, however, we instruct Northern to assume that it will have at least the level of

funding for the Residential GasNetworks ® program for the year 2011 as it had this year, and it therefore may proceed to expend up to \$80,000 of those funds from the date the ARRA Appliance program closes. It may be, after the 2011 efficiency program budgets are approved, that the program is not able to extend for a full twelve months, if there is significant spending prior to January 1, 2011; those issues can be addressed in Docket DE 10-188.

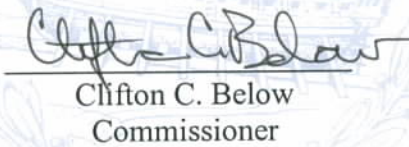
Based upon the foregoing, it is hereby

ORDERED, that Northern is hereby authorized and directed to reopen its Residential GasNetworks ® program upon the closing of ARRA Appliance rebate program through the remainder of 2010, with spending up to \$80,000, consistent with the terms of this order.

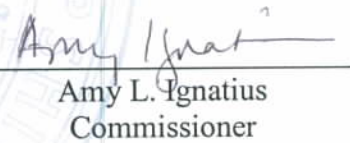
By order of the Public Utilities Commission of New Hampshire this eleventh day of August, 2010.



Thomas B. Getz
Chairman




Clifton C. Below
Commissioner



Amy L. Ignatius
Commissioner

Attested by:



Debra A. Howland
Executive Director