

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-188

**2011-2012 CORE ELECTRIC PROGRAMS AND
NATURAL GAS ENERGY EFFICIENCY PROGRAMS**

Order Approving Revised Natural Gas Energy Efficiency Budgets for 2012

ORDER NO. 25,365

May 15, 2012

I. BACKGROUND

In this proceeding on December 30, 2010 in Order No. 25,189, the Commission approved CORE energy efficiency programs for electric and gas utilities for the period 2011-2012. In Docket No. DG 11-192, EnergyNorth Natural Gas, Inc., d/b/a National Grid NH's (National Grid NH) winter 2011-2012 cost of gas (COG) proceeding, the record revealed that National Grid NH had significantly underspent its energy efficiency budget. The energy efficiency budget is collected through the local distribution adjustment clause (LDAC) which the Commission reviews as part of the company's COG proceeding. In Order No. 25,286 (Oct. 31, 2011), the Commission directed National Grid NH to seek recommendations from the parties in the CORE docket regarding how to treat the underspent energy efficiency funds. The Commission stated that "benefits would accrue to customers if the Company were able to make cost effective use of already budgeted energy efficiency funds over the upcoming months." Order No. 25,286 at 14. The Commission further directed National Grid NH to reflect the over or under recovery as of December 31, 2011 in its energy efficiency rate calculation in its LDAC in the event there was no agreement among the parties in the CORE docket on how to spend the unspent funds. *Id.* at 13.

In Docket No. DG 11-207, Northern Utilities, Inc.'s (Northern) winter 2011-2012 COG proceeding, the record revealed that Northern had underspent a portion of its energy efficiency budget. As with National Grid NH, the Commission, in Order No. 25,282 (Oct. 28, 2011), directed Northern to seek recommendations from the parties in the CORE docket regarding how to treat the underspent energy efficiency funds. Order No. 25,282 at 9.

On January 9, 2012, in Order No. 25,315, the Commission approved electric and gas utility updates to the program year 2012. The Commission also approved Staff and the parties' recommendation on use of the unspent energy efficiency budgets for National Grid NH and Northern. The Commission authorized National Grid NH and Northern to carryover the unspent energy efficiency funds and to report by March 12, 2012 on how each would use the funds. National Grid NH and Northern filed their proposed 2012 budgets on March 12, 2012. On March 26, 2012, National Grid NH filed additional supporting material and on March 28, 2012, Northern filed additional supporting material.

National Grid NH calculated its 2011 carryover funds to be approximately \$1.2 million from the Residential Sector and approximately \$1.9 million from its Commercial & Industrial Sector. Concerning its residential carryover, National Grid NH proposes to increase its 2012 budget for one of its programs, the Residential Low Income program, by approximately \$287,118. It proposes to credit the remaining \$898,000 to residential customers when it recalculates the LDAC in its 2012-2013 Winter Cost of Gas proceeding. Concerning the carryover for its commercial and industrial customers, National Grid NH stated that despite its increased marketing efforts, it did not believe it could spend the approximately \$1.9 million in carryover funds. National Grid NH explained that it had held a number of meetings with the Jordan Institute to identify potential qualifying commercial and industrial energy efficiency

projects in an effort to spend the unspent funds. National Grid NH thus proposes to credit \$1,932,288 to commercial and industrial customers when it reconciles the LDAC in its 2012-2013 Winter Cost of Gas proceeding.

Northern calculated its 2011 carryover funds to be approximately \$90,000 from its Residential Sector and \$60,000 from its Commercial & Industrial Sector. Northern believes it can utilize these funds with the respective residential and commercial and industrial sectors and has revised its 2012 energy efficiency budget to incorporate those funds. It has increased its residential New Home Construction with Energy Star program by \$50,000; Residential High-Efficiency Heating, Water Heating, and Controls program by \$15,000; and residential Income-Eligible program by \$25,000. Northern plans to increase its commercial programs as follows: New Equipment and Construction by \$45,000; and Large Commercial & Industrial by \$15,000. Northern does not propose to credit any of the funds back to the LDAC during its reconciliation in the 2012-2013 COG proceeding.

On April 19, 2012, Staff filed a letter stating that it had reviewed the filings and believed that the proposed budget adjustments were reasonable. Staff recommended that the Commission approve the budgets. The Commission received no other comments from parties on this issue.

II. COMMISSION ANALYSIS

Since 2001, the Commission has approved ratepayer-funded energy efficiency programs for electric and gas utilities and in Order No. 25,189, the Commission approved energy efficiency programs for electric and gas utilities for the period 2011-2012. The Commission reviews the energy efficiency programs, pursuant to RSA Chapter 374-F:3,X, to ensure that the programs are designed to reduce market barriers to investments in energy efficiency and provide

incentives for appropriate demand-side management without reducing cost-effective consumer conservation.

In Order Nos. 25,286 and 25,282, the Commission deferred inclusion of carryover funds in National Grid NH and Northern's reconciliation of their respective LDAC rates in their COG proceedings so that each company could attempt to use the funds to increase budgets for their 2011-2012 energy efficiency programs. National Grid NH and Northern filed revised budgets. Northern plans to spend all of the 2011 carryover funds and will distribute the funds among residential and commercial and industrial programs. National Grid NH plans to spend a portion of the carryover funds and proposes to credit the remaining to its customers. It seeks to increase the budget for its residential low income program with a portion of the carryover funds, and leave its commercial and industrial program budgets unchanged. We recognized in Order No. 25,286 that it would "be a challenge for [National Grid NH] to spend both its 2012 budget and the 2011 over recovery." Order No. 25,286 at 14. We also said that attempts to spend the carryover funds could benefit customers if the companies made cost effective use of already budgeted energy efficiency funds over the upcoming months.

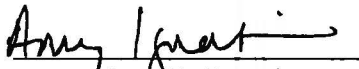
Having reviewed National Grid NH and Northern's proposals to increase certain energy efficiency program budgets, we find that they are reasonable, that they will be a benefit to customers, and that they are consistent with the objectives of RSA Chapter 374-F. The increased budgets still make the programs cost-effective and we find that the programs will continue to reduce market barriers to investments in energy efficiency and provide incentives for appropriate demand-side management. As contemplated in Order No. 25,286, any rate impact caused by the credit back to National Grid NH's customers will be addressed in the 2012-2013 COG proceedings.

Finally, given the drop in natural gas prices, we direct the parties and staff to consider whether the design of any of the natural gas programs should be altered, such as by changing the level of rebate or program budget overall. Any recommendations should be incorporated into the 2013-2014 energy efficiency programs' proposal for the next budget cycle.


Based upon the foregoing, it is hereby

ORDERED, that EnergyNorth Natural Gas, Inc. d/b/a National Grid NH and Northern Utilities, Inc.'s proposed budget revisions for the unspent 2011 carryover funds are hereby APPROVED.


By order of the Public Utilities Commission of New Hampshire this fifteenth day of May, 2012.



Amy L. Ignatius
Chairman



Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director