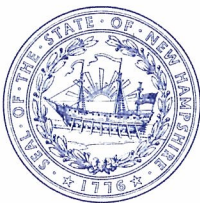


THE STATE OF NEW HAMPSHIRE

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May 14, 2010

Debra Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-7319



RE: DG 09-053 Northern Utilities Energy Efficiency Programs

Dear Ms. Howland:

On February 17, 2010, Northern Utilities, Inc. ("Unitil" or the "Company") notified the Commission that it had exceeded its approved budget for the Residential GasNetworks® program component of its Energy Efficiency Programs approved in Order No. 24,968 (Docket DG 09-053). The Company requested approval from the Commission to exceed its original budget by more than 20 percent, and to meet the budget increase by transferring \$70,000 from the Energy Star Homes Program to the Residential GasNetworks® program. The Company also proposed to close the Residential GasNetworks® program at the end of February, 2010 to prevent further over-spending in the program.

On March 26, 2010, Staff issued a set of Data Requests to the Company seeking additional information about the Company's proposal and potential impacts on the EE Programs. The Company provided responses on April 2, 2010. A copy of those questions and the Company's responses is included as Attachment A to this letter.

The OCA is concerned about several issues, including:

1. The Company states that continuing the program would have a substantial budget impact¹ but has provided neither an estimate of the additional cost nor an estimate of the rate impact of continuing the program for the entire year.
2. The Company indicates that current GasNetworks® rebates are no longer consistent with those approved by the Commission in Order 24,968. The OCA has reviewed this issue and believes that any differences that exist may not be as significant as the Company represents.
3. The Company has not provided any information about the relative success of these energy efficiency program activities in relation to the achievable levels as

¹ See Attachment A – Company Response to Staff Data Request # 1-3.



described in the January 2009 Final Report titled “Additional Opportunities for Energy Efficiency in New Hampshire” prepared for the Commission by GDS Associates, Inc. (“GDS Study”).

The OCA provides additional information on each of these issues below.

ISSUE 1

The Company’s Energy Efficiency Programs approved by the Commission in DG 09-053 included a total budget of \$141,136 (including shareholder incentive) for the Residential GasNetworks® program. The Company’s February filing indicates that it has spent \$193,570 through January, 2010. Using this nine month spending level to estimate the 20 month budget yields a budget of \$430,155. This spending level represents an incremental increase of \$289,019 required to sustain the program and meet current demand.

The Company’s original program filing included an Appendix C, Schedule 1 which showed an estimated Residential Conservation Charge (CC) needed to recover costs of the Company’s Energy Efficiency Programs to be \$0.0113 per therm. The corresponding value for the C&I sector was \$0.0107 per therm. If we assume that the Residential CC is sufficient to recover costs including the Residential Program Budgets and roughly 40% of the Low Income Program budget, the Residential CC must generate approximately \$514,296 ($= .4 \times \$122,141 + \$465,440$). If the Residential GasNetworks® program budget were to increase by \$289,019 as calculated by the OCA, we estimate that the Residential CC would need to increase to approximately \$0.0177 per therm to recover the additional costs.

It is then appropriate to determine whether a Conservation Charge at this level is reasonable and necessary to achieve energy efficiency goals in order to allow the program to continue. The OCA believes that it is. We suggest that one method to consider the reasonableness of this charge is to compare it, on a BTU equivalent (or therm equivalent) basis, to the current SBC charge assessed on electric customers for energy efficiency programs. The SBC for EE is currently 1.5 mils or \$0.0015 per kWh. The OCA calculates that this SBC level is equivalent to \$0.044 per therm². Comparing this to the OCA’s estimate of a Residential CC of \$0.0177 per therm to fund the Company’s Residential GasNetworks® program at an increased funding level, this does not seem unreasonable.

Therefore, the OCA respectfully requests that the Commission reject the Company’s proposal, and instead require it to at least temporarily increase the Conservation Charge in order to support the demand for the program in this program year.

² \$0.0015 per kWh = \$0.0015 per 3413 BTU = \$0.044 per 100,000 BTU = \$0.044 per therm.

ISSUE 2

The following table shows the currently approved rebates for the Company's Residential GasNetworks® program in New Hampshire and the updated 2010 rebate levels in Massachusetts³.

Table 1. GasNetworks® Rebates

	AFUE	NH Rebate Approved in Order 24,968	MA 2010 Approved GasNetworks® Rebates ⁴
Furnace (Forced Hot Air)	92% or greater	\$100	NLA*
Furnaces w/ECM	92% or greater	\$400	\$500
Boilers (Forced Hot Water)	85% or greater	\$500	\$500
Boilers (Forced Hot Water)	90% or greater	\$1,000	\$1,000
Combined Boiler & DHW	90% or greater	\$1,300	\$1,600
Boiler (Steam w/ Elec. Ign.)	82% or greater	\$200	\$200

*NLA = No Longer Available. MA does have additional Rebate Level of \$650 for Furnace w/ECM and AFUE >= 94%.

While the Company's program delivery partner, GasNetworks®, has increased some of its rebates for 2010, it is clear that not all of the rebates have increased. The Company has not provided detailed information about how many rebates it has processed in each of the categories shown in Table 1, so it is not possible to assess the potential impact of the increased rebate levels. The OCA also wonders if there are a significant number of new natural gas heating customers being added as a result of fuel-switching. The Company has not provided any information about the percentage of rebates that are for upgrades to existing natural gas heating systems versus the number of rebates provided for new natural gas heating systems replacing fuel oil (or other) heating systems. Clearly, an increase in the number of residential gas heating customers will result in additional program funding through the application of the existing (or increased) Conservation Charge to an increased volume of gas sales. However, the OCA believes that it would be appropriate to discuss, during the 2011 docket, the use of ratepayer energy efficiency funds to engage in fuel-switching.

Notwithstanding these concerns, the OCA believes that it is appropriate to increase funding for the reasons discussed above in Issue 1. In addition, the OCA respectfully suggests that the Commission include consideration of these issues in the 2011 combined electric and natural gas efficiency docket to be filed by the utilities by August 1, 2010.

ISSUE 3

The OCA believes that prior to developing its 2011 programs, the Company should review the GDS Study and provide the Commission with an estimate of the Maximum Achievable Cost Effective energy efficiency potential and the Potentially Obtainable level, as

³ These rebates also applied to GasNetworks programs in Rhode Island until suspended in April 2010. See http://gasnetworks.com/efficiency/resid_heating.asp for additional details.

⁴ <http://gasnetworks.com/efficiency/pdf/high-efficiency-heating-rebate.pdf>.

defined in the Study on pages 11-12, for residential gas heating systems in its franchise area. This estimate could be used to assess where the Company's efforts through the residential GasNetworks® rebate program are on the continuum of efficiency efforts. For example, if the program has achieved a significant portion of the Potentially Obtainable level of savings for this technology sector, this may provide useful information to the Commission in its decision regarding the Company's request to suspend the Program, as well as in the review of the upcoming 2011 program year. As with Issue 2, the OCA believes that notwithstanding these concerns, the program budget should be increased in order to meet customer demand.

CONCLUSION

The OCA is pleased that there has been "overwhelming positive response to the program over the past several months" as reported by the Company in its letter of February 17, 2010 to the Commission. It is for that very reason that we respectfully request that the Commission require the Company to appropriately fund its programs rather than cut them back in a time of increasing customer willingness to invest in energy efficiency. We believe that premature closing of programs also has negative effects on the delivery infrastructure in the state, including the contractors who have ramped up efforts in order to meet increasing demand.

Thank you for your consideration of this letter. Please do not hesitate to contact us if you require further information.

Respectfully,



Meredith A. Hatfield
Consumer Advocate

cc: Service list



April 2, 2010

BY OVERNIGHT and ELECTRONIC MAIL

Marsha Thunberg, Staff Attorney
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: Northern Utilities, Inc. Gas Energy Efficiency Proposal
Responses to Staff Data Requests
Docket No. DG 09-053

Dear Attorney Thunberg:

On behalf of Northern Utilities, Inc., d/b/a Unitil, ("Unitil" or the "Company") enclosed for filing please find Unitil's responses to the Commission Staff's first set of data requests. Copies are being provided as directed.

If you should have any questions, please do not hesitate contact me. Thank you for your attention to this matter.

Sincerely,

/s/ Gary Epler

Gary Epler
Attorney for Northern Utilities, Inc.

cc: Service List (by e-mail only)

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NORTHERN UTILITIES, INC.

DG 09-053

DATA REQUESTS FROM COMMISSION STAFF - SET #1

GAS ENERGY EFFICIENCY PROGRAM

Data Request Received: March 26, 2010 Date of Response: 4/01/10

Request No. Staff 1-1 Witness: Deborah A. Jarvis

REQUEST:

Staff 1-1

Northern Utilities is planning to transfer \$70 thousand from the Energy Star Homes Program to the Gas Networks® program and shut down the Gas Networks® program at the end of February. Given that the Energy Star Homes Program has a remaining budget of only \$70 thousand, wouldn't such a transfer effectively shut down the Energy Star Homes Program as well as the Gas Networks® program? Please explain.

RESPONSE:

Yes. The Energy Star Homes program would be effectively shut down following the transfer of funds from that program into Gas Networks®. However, this program has seen limited activity given the state of the economy.

NORTHERN UTILITIES, INC.

DG 09-053

DATA REQUESTS FROM COMMISSION STAFF - SET #1

GAS ENERGY EFFICIENCY PROGRAM

Data Request Received: March 26, 2010 Date of Response: 4/01/10

Request No. Staff 1-2 Witness: Deborah A. Jarvis

REQUEST:
Staff 1-2

The approved 20-month budget for the Gas Networks® program is \$130 thousand. By comparison, the actual spending for the first 9 months is \$193 thousand. What factors contributed to such a positive response? Please explain.

RESPONSE:

The GasNetworks® incentives are immensely popular across the several states that are part of the utility network that makes up GasNetworks®. As a result of ongoing evaluations, the list of available rebates has continued to expand to cover incremental costs of high efficiency equipment. Additionally, contractor training and utility marketing efforts have “put the word out there” for customers wishing to upgrade their heating and water heating systems. We suspect that the economic downturn has also made this program a very useful tool for participating contractors to generate business.

NORTHERN UTILITIES, INC.

DG 09-053

DATA REQUESTS FROM COMMISSION STAFF - SET #1

GAS ENERGY EFFICIENCY PROGRAM

Data Request Received: March 26, 2010 Date of Response: 4/01/10

Request No. Staff 1-3 Witness: Deborah A. Jarvis

REQUEST:
Staff 1-3

Given the strong demand for the Gas Networks® program, did the Company consider continuing the Gas Networks® program? If continued, what rate impact would the Company expect on the Energy Efficiency component of the LDAC?

RESPONSE:

Yes, the Company considered continuing the program but concluded that the overall budget impact would have been substantial and would have resulted in the need to increase the Energy Efficiency component of the LDAC during the current program year in order to avoid significant rate impacts in the following year. However, we have not attempted to estimate the rate impact that would have resulted from continuing the program for the entire year.

A second, unrelated factor also led to the Company's conclusion that closing the program at the end of February was a preferable course of action. At the end of 2009, in response to ongoing program design activity in Massachusetts, the Consortium changed rebate levels for all participants, resulting in a set of rebates that were no longer consistent with those that had been approved for implementation in New Hampshire in DG 09-053. Continuing the Gas Networks® program would have required a regulatory filing relative to the program design changes in any event.

NORTHERN UTILITIES, INC.

DG 09-053

DATA REQUESTS FROM COMMISSION STAFF - SET #1

GAS ENERGY EFFICIENCY PROGRAM

Data Request Received: March 26, 2010 Date of Response: 4/01/10

Request No. Staff 1-4 Witness: Deborah A. Jarvis

REQUEST:
Staff 1-4

The Gas Networks Program® just started in May of 2009, what are the consequences of "starting and stopping" this program?

RESPONSE:

Starting and stopping a program can result in confusion or uncertainty for customers and contractors. In order to avoid as much frustration and confusion as possible, the Company has proceeded deliberately in the process of closing the program. The Company immediately notified the contractor who handles all Gas Networks® program processing and took steps to eliminate program marketing such as website information. It also issued notification to contractors working in New Hampshire that the program was closed. At the same time, the Company has continued to honor commitments that were "in the pipeline".

Given the extended period the program is expected to be closed (through year end), the Company also recognizes the need to prepare customers and contractor networks for reintroduction of the program in the coming year, in order to mitigate future confusion and uncertainty.