

**Home Performance with ENERGY STAR (“HPwES”)
Program Modifications to Allow For the Participation of Additional
NH RESIDENTIAL NATURAL GAS and ELECTRIC CUSTOMERS
May 20, 2015**

Introduction

The 2015-2016 New Hampshire Statewide CORE Energy Efficiency Plan (“Plan”) submitted by the CORE Utilities states, “The focus of the Home Performance with ENERGY STAR Program is to improve the efficiency and comfort of New Hampshire’s existing single-family housing stock by assisting customers with improvements to the energy efficiency of their homes. Multi-family homes can also receive services under this program. Basic services include air sealing, insulation, and cost effective appliance and lighting upgrades.

The Home Performance with ENERGY STAR Program is designed to encourage customers to improve the efficiency of their homes. Customers who qualify can receive an incentive of approximately 50% of the cost of weatherization services up to a \$4,000 cap.”

Situation

Liberty Utilities (Energy North Natural Gas) Corp. and Liberty Utilities (Granite State Electric) Corp. both d/b/a Liberty Utilities, Northern Utilities, Inc. Natural Gas) and Unitil Energy Systems, Inc. (Electric) (“Combined Natural Gas & Electric Companies”) are experiencing the challenge of having committed 100% of their HPwES rebate budgets at the end of April 2015. Both utilities have started a waiting list for HPwES participants for 2016. These projected waiting lists are currently large enough to meet over 50% of 2016 participation goals and budgets.

The New Hampshire Electric Cooperative (NHEC) and Public Service Company of New Hampshire d/b/a Eversource Energy (“Electric Only Companies”) have not exhausted HPwES budgets and do not anticipate they will be ending their 2015 program intake until the end of the year. The Electric Only Companies and the Combined Natural Gas & Electric Companies (“Companies”) are all supportive of continuing to offer a consistent HPwES program throughout New Hampshire.

Background

The demand for the HPwES program has grown over the past year. Reasons for this growth include a number of factors, including:

1. Increases in supply cost of electricity and natural gas during winter season - The supply rate increases, particularly for Unitil and Liberty Utilities customers, has caused many customers to call and request assistance with possible solutions to reduce their energy bills. One of the solutions offered to qualified customers by customer service is weatherization through the HPwES program.

2. Marketing Outreach - Over the past several years, the Companies have expanded their marketing of the HPwES program and are now seeing the results of that effort. This expanded marketing includes print and email newsletter articles, program specific bill stuffers, a redesigned NHSaves web site, ButtonUp NH workshops, Home Show exhibits, marketing collaboration with HPwES Participating Contractors, and a number of other initiatives. Also, during the past winter heating season, Liberty Utilities mailed a Home Energy Report (HER) to 25,000 Natural Gas customers comparing their gas usage to that of their neighbors. In the January HER mailings, Liberty Utilities specifically promoted the HPwES program. This promotion helped to drive even more customers to apply for HPwES.
3. Colder than normal temperatures and higher levels of snow fall - When customers are cold in their homes, have high heating bills, and have icicles and ice dams, we find they are more motivated to invest in energy efficiency. Extra cold and snowy winter weather is not predictable but the increased customer demand for the HPwES program is in part related to this.
4. Ongoing success of the program generating additional demand - Many of the satisfied HPwES participants share their experience with their family and friends and some of those family and friends then choose to apply for the program. These referrals are noted on the applications and continue to make up a larger part of the intake.

Solutions

Liberty Utilities, Northern Utilities, Inc. and Unitil Energy Systems, Inc. propose taking the following actions to meet the increased customer demand:

1. Liberty Utilities Electric proposes directly allocating approximately \$74,000 of unspent 2014 residential program funds to the 2015 HPwES electric program budget. Liberty Utilities Electric will formally issue this budget transfer request after finalization of its 2014 annual performance incentive report.
2. Liberty Utilities Gas continues to pursue multi-family HPwES projects as approved. If some of these projects do not come to fruition, the Company will allocate multi-family funds towards single family home projects. Liberty Utilities Gas will decide in late summer the amount of multi-family rebate funds that are not committed and then begin to clearing their single family waiting list.
3. Northern Utilities, Inc. will transfer natural gas HPwES projects to Eversource in their joint territories, those areas served by Northern Utilities, Inc. and Eversource.
4. Unitil Energy Systems, Inc. will utilize up to \$20,000 (originally set aside for interest buy-down) for more HPwES projects. These funds will be replaced with funds from

the Office of Energy and Planning (Better Buildings program), when available. Likewise, Liberty Utilities Electric will utilize up to \$7,500.

5. Liberty Utilities, Northern Utilities, Inc. and Unitil Energy Systems, Inc. will monitor other Residential programs throughout the year and if demand is lower than planned, will shift funds to HPWES to allow more customers to be served.
6. Customers on the waiting list at the end of 2015 will be served in 2016 as funds allow. Electric heat customers will be given priority.
7. Unitil Energy System, Inc. will propose allocating excess funds from its Revolving Loan Fund to the HPWES program in the 2016 Update Filing. With the launch of the 2% third party financing initiative, there will be excess funds in the on-bill finance Revolving Loan Fund pool as the average loan will be less per customer.