

THE STATE OF NEW HAMPSHIRE

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March 22, 2017

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Re: DG 16-827 Concord Steam Customer Transition Fund
Customer Responses to Potential Grant Program
Staff Summary and Recommendation

Dear Ms. Howland:

On February 10, 2017, the Commission declined to approve a grant program for the protection of a certain Concord Steam customers who have not yet converted from steam to gas heat. As proposed, the grant program would have paid part of the costs of outfitting these customers' businesses and homes with natural gas heating equipment and associated expenses. The Commission did not approve the grant program because it required the creation of a "regulatory asset." The Commission determined that a regulatory asset could not be created because customer heating equipment is not used and useful in the provision of natural gas utility service.

Concerned with the potential hardships imposed on Concord Steam customers as a result of the termination of steam service, the Commission set a technical session and Status Conference for March 2, 2017, for the parties to discuss alternative proposals that they might present to the Commission. The Commission outlined several guiding principles for future proposals which included several possible programs that might be instituted, such as new energy conservation programs, loans, on-bill financing measures, and equipment leasing. The letter also encouraged Liberty to consider other programs of general applicability as well as special contracts to assist new gas customers with conversion costs.

At the technical session and Status Conference, Direct Energy, a natural gas competitive supplier, presented an option whereby Commercial & Industrial (C&I) customers converting to natural gas could bundle their cost of conversion into their commodity bill and pay back conversion costs through energy savings (Status Conference Transcript p. 6-8). Staff and the parties discussed alternative payback periods, how energy savings could be calculated, conversion costs that could be eligible

for grant funding and rate recovery if Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty) were to finance a fund. Liberty stated that 48 percent have either converted to natural gas or are simply waiting for their plumber to finish installing the boiler, 36 percent are actively working with Liberty and are in various processes of converting and 2 percent have chosen another fuel, leaving 14 percent (approximately 14 customers) whose status is unknown (Transcript p. 60).

There was general agreement that additional data would be useful in considering the need and structure of a grant program and that the issue should be resolved as expeditiously as possible. On March 9, 2017, the Commission issued Secretarial Letters to the 60 Concord Steam customers owning buildings that had been receiving Concord Steam service as of July 1, 2016. The letter stated if a grant program is approved, eligibility is expected to include a means test that takes into consideration conversion costs and energy savings. The letter also included an estimate of each customer's annual energy savings once on natural gas supply and requested that customers provide conversion cost estimates.

Summary of Responses

In response to the 60 letters sent, 9 customers provided the information requested, summarized in following table:

Concord Steam Customer Data				
Customer	Number of		Payback	
Type	Customers	Repsonses	> 5 years	> 10 years
Businesses	46	4	0	0
Non-Profits	12	5	3	1
Residential	2	0		

Staff Recommendation

It is unclear whether the low number of responses to the letter is an indication of the level of interest in a grant program that includes a means test. It is clear, however, that if there is a means test based on a payback period of 10 years as proposed by the Commission, then very few Concord Steam customers would qualify. A few more but not many customers would qualify if the payback period for qualification were lowered to 5 years. That is particularly true for businesses, which typically have more resources and options in meeting energy requirements, such as the ability to negotiate a favorable rate with a competitive natural gas supplier or directly with the utility serving the franchise area. Staff believes this additional data supports its initial position that most, if not all, Concord Steam customers will quickly benefit economically from the closing of Concord Steam, even if the transition to another fuel source may be difficult in the short term.

Businesses should not be eligible for grants to convert from steam to natural gas for the following reasons: (1) the responses received indicate there is a very short

payback for businesses; (2) businesses have more resources and options available to finance conversions, such as entering into an arrangement with either a competitive natural gas supplier or Liberty; and, (3) providing grants to businesses could create a competitive advantage relative to other businesses that are, or have, converted from steam to natural gas without the benefit of a grant.

Given the limited number of non-profits and residential customers (14 in total) that may need financial assistance and the impending termination of steam service, the Staff and parties should be given until March 31, 2017, to identify the financial needs of those customers, how best to assist those customers and, to file a modified program proposal if Staff and parties determine that one is necessary and appropriate. The Commission should issue a secretarial letter that sets March 31, 2017, as a deadline to file a settlement agreement and schedule a hearing date for Staff and the parties to present the settlement agreement. Absent a settlement agreement, the Commission should issue a final order on the proposed modified transition as soon as practicable.

Sincerely,



Stephen P. Frink
Assistant Director, Gas & Water Division

cc: service list