Public Service of New Hampshire

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The Northeast Utilities System

Gerald M. Eaton
Senior Counsel

June 12, 2009

Deborah Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: 2009 CORE ENERGY EFFICIENCY PROGRAMS
Docket No. DE 08-120

Dear Secretary Howland:

As directed by the Commission's Order No. 24,970 of June 4, 2009, Public Service Company of New Hampshire has caused to be published a legal notice relative to the above-captioned docket. The legal notice appeared in The Union Leader on Monday, June 8, 2009.

Enclosed is the required affidavit of publication with a copy of the legal notice attached.

Very truly yours,

Gerald M. Eaton
Senior Counsel

GME:acm

Enclosure

I hereby certify that the foregoing notice was published in The Union Leader and/or New Hampshire Sunday News, newspapers printed at Manchester, N.H., by the Union Leader Corporation on the following dates, Viz: June 8, 2009

(Signed) Nathalie Lavallee

UNION LEADER CORPORATION

State of New Hampshire,
Hillsborough, SS. (Dated) June 11, 2009

Subscribed and sworn to by the said Nathalie Lavallee

Before me Marsha A. McGinnis

MARSHA A. McGINNIS NOTARY PUBLIC NEW HAMPSHIRE

Marsha A McGinnis
Notary Public
State of New Hampshire
My Commission Expires 04/19/2011

Legal Notice

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
DE 08-120
2009 CORE ENERGY EFFICIENCY PROGRAMS
Proposed Fuel Blind Home Energy Solutions Pilot Program
Order Nisi Approving Modified Fuel Blind Program
ORDER NO. 24,970
June 4, 2009

I. BACKGROUND

In Order No. 24,930 (January 5, 2009) in the instant docket, the Commission decided against approving a fuel-blind pilot program to the Home Energy Solutions (HES) program as proposed by Public Service Company of New Hampshire (PSNH) and Unitil Energy Systems, Inc. (UES) (collectively, Joint Petitioners) for the 2009 CORE Energy Efficiency Programs (CORE Programs). The Commission concluded that it was not precluded as a matter of law from using the SBC funds for energy efficiency programs such as a fuel neutral pilot, however, the Commission noted the pilot program presented in the 2009 CORE filing was not fully developed. Order No. 24,930 at 19. The Commission identified twelve issues needing further work before the Commission would consider approving the program. The Commission also stated: "Notwithstanding these concerns, we believe the concept of a fuel-blind pilot has some potential ... We encourage the Utilities and the parties to continue to consider these issues ... and note that PSNH and UES may petition at any time to modify their Home Energy Solutions program when they have a more fully developed proposal." Id. At 22

On April 9, 2009, PSNH and UES filed a joint petition for approval of amended design in the Home Energy Solutions Program and a description of a Fuel Neutral Home Energy Solutions Program Proposal to be operated by PSNH and UES. The filing included a (1) new applicant screening tool, (2) revisions to the 2009 CORE Program Filing Appendices F, G and H, (3) changes to budgets, benefit/cost ratios, and goals associated with the HES Pilot and (4) responses to each of the twelve issues noted by the Commission in Order No. 24,930.

B. Commission Staff

In its April 30, 2009 letter, Staff recommends that the Commission not approve the use of SBC funds for the HES Pilot because the SBC has historically been used for purposes of benefiting electric customers and the electric system. Staff notes that the HES Pilot proposal estimates that only 6.3 percent of the total energy savings in PSNH's program, and 11.5 percent of the savings in UES' program, would be electric savings. Staff also questions whether the benefit/cost ratios calculated by the Joint Petitioners are valid. Staff asserts that PSNH and UES do not provide sufficient details for the HES Pilot evaluation plan. Staff states that, should the Commission approve the HES Pilot, the performance incentive formula should be revised to ensure that the performance incentive is based on the budget for electric-related benefits. In support of this position, Staff notes that, if performance incentives are calculated on both the electric and non-electric energy savings of the HES Pilot, the result would be a significant wealth transfer from ratepayers to shareholders. Staff also points out that, because the use of SBC funds for the HES Pilot would not, except for a small portion, benefit the timates that the reduced electric savings would decrease the amount of payments made to the CORE programs from the Forward Capacity Market.

Staff also recommends that a survey be incorporated into the HES Pilot to ascertain income data from those customers who choose to participate to help determine if there is a "middle income" barrier because of the inability of customers to afford the up-front 25 percent payment required for participation in the program. Staff letter at 7. Staff said that if a middle income barrier exists, an on-bill financing program could overcome this barrier.

III. COMMISSION ANALYSIS

At the outset, we note that in Order No. 24,930 we said that a fuel-blind proposal had some potential and we encouraged PSNH and UES to file a more fully developed program as a pilot for the fuel-blind HES. While we acknowledge the utilities' further refinement of this HES Pilot, we will approve the HES Pilot subject to certain additional modifications set out below.

We note that the Joint Petitioners entitle their filing as "Joint Petition for Approval of Amended Design in the Home Energy Solutions Program" and the request for relief is for the Commission "to approve the design and budget changes in the Home Energy Solutions program operated by Unitil and PSNH proposed herein." Petition at 2. PSNH and UES are proposing to amend the HES program by concerting the entire program to a fuel-blind program with no further services to be targeted to homes heated primarily by electricity.

We find it appropriate to reduce the size of the HES Pilot program by limiting the number of participants to 100 UES customers and 200 PSNH customers. Limiting the size of the pilot will assist in allowing the completion of the pilot in 2009 and permit more timely evaluation of the cost and electric and non-electric energy savings, and related cost-effectiveness of the pilot program. PSNH and UES shall file a revised budget for the HES Pilot program based on this change. With respect to the remaining funds in the 2009 HES Program, we direct the participants in the CORE quarterly meetings to determine an appropriate use of the money in the 2009 CORE residential programs. We urge that primary consideration be given to the cost-effectiveness of any proposed alternative use(s).

We agree with Staff that, based on the information provided by PSNH and UES, it may be difficult to determine whether the HES Pilot is a cost effective program that merits continuation beyond 2009. Therefore, when PSNH and UES file their revised budgets, they shall also file a complete description of the methodology and measures by which they will evaluate the performance of the HES Pilot. We also agree that it is inappropriate to give PSNH and UES the standard performance incentive for a pilot program. Therefore, we will accept Staff's recommendation that PSNH and UES receive a performance incentive based on the electric-related portions of the fuel neutral HES Pilot budget. The cost of the performance incentive should be included as a cost for benefit/cost analysis.

Finally, one of the questions raised in Order No. 24,930 was "[w]hether the 25% up-front customer co-payment might prove to be a market barrier for moderate income customers in light of economic conditions." Order No. 24,930 at 22. The response by PSNH and UES noted the benefit associated with a $100 energy audit and concluded by saying that the '[u]tilities will monitor the impact of the co-payment on this objective and make adjustments as appropriate." Petition at 11. The response does not address the question of whether customers will have to pre-pay the cost of installed measures and seek reimbursement of the utility incentive or whether the lack of a financing mechanism for the measures co-payment, which could be as much as $1,333, may prove to be a barrier to households on a tight budget, even if future energy savings would more than recoup the up-front investment over time. This question deserves further attention because it directly impacts the level of participation in the HES Pilot program. We will not require PSNH and UES to provide us further detailed response at this point; however, the Companies are on notice that we will expect them to address this issue, including whether to provide alternative financing to assure adequate participation, in any proposal to implement the HES Pilot beyond the 2009 pilot program.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, and to the modifications herein, the Joint Proposal by Public Service Company of New Hampshire and Unitil Energy Systems, Inc. to conduct a 2009 Home Energy Solutions Pilot Program on a fuel-blind basis is hereby APPROVED; and it is

FURTHER ORDERED, that PSNH and UES file revised budgets and an evaluation program for the HES Pilot program consistent with the terms of this Order by June 30, 2009; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than June 8, 2009 and to be documented by affidavit filed with this office on or before June 15, 2009; and it is

FURTHER ORDERED, that all persons interested in responding to this Order Nisi be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than June 10, 2009 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than June 12, 2009; and it is

FURTHER ORDERED, that this Order Nisi shall be effective June 15, 2009, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this fourth day of June, 2009.

Thomas B. Getz, Chairman
Graham J. Morrison, Commissioner
Clifton C. Below, Commissioner
Attested by: Kimberly Nolin Smith
Assistant Secretary

[1]HPwES has a primary mission of improving the energy performance and comfort of existing homes. The program design offers a "whole house" approach to improve energy efficiency.

(UL – June 8)