

**THE STATE OF NEW HAMPSHIRE**  
**before the**  
**PUBLIC UTILITIES COMMISSION**

**CORE Energy Efficiency Program**  
**Home Performance with Energy Star**

**Docket DE 10-188**

**UNITIL ENERGY SYSTEMS, INC.'S CLOSING ARGUMENT**

Now Comes Unitil Energy Systems, Inc. ("Unitil" or the "Company") and submits the following closing statement in the above-captioned matter:

**INTRODUCTION**

In this proceeding, Public Service Company of New Hampshire ("PSNH") and Unitil (together the "Companies") seek full approval for an innovative, award winning program which has the support of all of the active parties to the CORE docket except Staff of the NH Public Utilities Commission ("Staff"). The Commission has already determined that the Home Performance with Energy Star ("HPwES") program, a fuel neutral residential energy efficiency program, is a legal use of System Benefits Charge ("SBC") funds. *Order Approving Settlement Agreement*, Order No. 24,930 at 19 (Jan. 5, 2009) ("We conclude that we are not precluded as a matter of law from authorizing the use of SBC revenues for energy efficiency programs such as the proposed fuel blind pilot."). The Commission has consistently facilitated and encouraged investment in this program. *Order Nisi Approving Modified Fuel Blind Program*, Order No. 24,974 (June 4, 2009); *see also Order Approving Settlement Agreement*, Order No. 25,062 (Jan. 5, 2010) (approving pilot HPwES program in Docket DE 09-170); *Order Approving Settlement Agreement*, Order No. 25,189 (Dec. 30, 2010) (approving the pilot HPwES program for 2011 in Docket DE 10-188); *Order Approving 2012 Energy Efficiency Program Updates*, Order No. 25,315 (Jan. 9, 2012) (approving the pilot HPwES program for 2012 in Docket DE 10-188).



The HPwES program is a whole-house energy efficiency program which includes an energy audit, as well as insulation, air sealing, ENERGY STAR rated space heating and water heating upgrades, and replacement of inefficient appliances and lighting upgrades for qualified residential customers. Ex. 29 at 5:7-20 (Gelineau-Palma joint testimony). For three years, the parties have worked together to develop a successful and cost-effective program that meets the legal and practical requirements for the CORE programs. Failing to move forward with the program at this juncture could result in increased market barriers and in missing an important opportunity to secure energy efficiency for New Hampshire residents.

**I. Relying on the Commission's Findings Regarding a Fuel Blind Home Energy Efficiency Program, the Companies Have Developed an Award-Winning Program Which Meets the Needs of New Hampshire's Residential Ratepayers.**

Approval of the HPwES program at this juncture follows directly from the Commission's previous decisions regarding the purpose and goals of the CORE energy efficiency programs and from previous proceedings regarding the fuel neutral program.

The Commission has long valued fuel neutral savings within the CORE programs. The cost-effectiveness test, which applies to all CORE programs, includes quantifiable benefits from non-electric resources to determine whether an energy efficiency program is cost effective and should move forward. *Order Establishing Guidelines for Post-Competition Energy Efficiency Programs*, Order No. 23,574 at 4, 14 (Nov. 2000) (approving the cost-effectiveness test proposed in *Final Report of the New Hampshire Energy Efficiency Working Group*). If the benefit/cost ratio for a program's electric measures is not greater than 1.0, the program can still go forward if "quantifiable benefits and costs associated with other resources in addition to electricity (e.g., water, gas, oil)" cause the program to surpass the threshold. *Id.* at 4; Ex. 52 (OCA Data Response to Staff 5-5 describing the Total Resource Test); Tr. (Day 2) at 158:2-16. In addition, the Commission has long approved fuel neutral application of SBC funds for the Energy Star



Homes program and the Home Energy Assistance (low income) program. *See, e.g., Order Approving Settlement Agreement and Joint Request for Modification of Previous Commission Determination*, Order No. 23,850 (Nov. 29, 2001).

Staff asserts that the HPwES program is an inappropriate use of SBC funds because it will result in a shifting of costs between customers who heat with regulated forms of energy (i.e. electricity and gas) and those who heat with unregulated forms of energy (e.g., oil, kerosene, and wood). Ex. 35 at 11:9-13 (Staff direct testimony). However, the Commission has heard these arguments before and has indicated that the proposed program is an appropriate use of SBC funds. For example, the December 11, 2008 hearing in Docket DE 08-120, PSNH and Unitil requested approval to go forward with a fuel-blind component for the Home Energy Solutions program. As a result of this request, the Commission sought legal briefs on whether it had the authority to approve the proposed pilot. *Hearing Tr.*, (Docket DE 08-120) at 98:6-22 (Dec. 11, 2008). Staff submitted an analysis which, among other things, asserted that the proposed pilot would unfairly shift costs between electric heat and baseload customers. *See Staff Legal Analysis on the Proposed Use of Systems [sic] Benefit Charge Revenues for a Fuel-Blind Pilot Program in Home Energy Solutions*, Docket DE 08-120 at 5 (Dec. 17, 2008) (stating that the Companies propose to “shift the costs of Core energy efficiency measures from homeowners who heat with natural gas, propane, or oil to electric customers.”); *see also* Tr. (Day 2) at 253:21-254:6. The Commission ruled that the proposed program was consistent with the purpose of RSA 374-F, outlined twelve issues to be addressed by the utilities, and stated that “the concept of a fuel-blind pilot has some potential” but required further development. Order 24,930 at 22. In accordance with this ruling, the Companies filed an updated and more detailed plan. *Joint Petition for Approval of Amended Design in the Home Energy Solutions Program*, Docket



DE 08-120 (April 9, 2009). In response, Staff again asserted that the program should not be approved due to the proposed level of electric savings. *Letter from J. Cunningham to D. Howland in DE 08-120* at 1 (April 30, 2009); Tr. (Day 2) at 254:7-15. Again, the Commission ruled that the program had merit and should go forward, this time in Order Number 24,974. As a result of these proceedings, the Commission addressed the cost-shifting arguments raised by staff, and indicated to the Companies that they should go forward, investing ratepayer funds in the development of the fuel blind HPwES program. Given the evidence before the Commission, there is no reason to depart now from these findings.

Evidence before the Commission demonstrates that actual electric savings in the HPwES program comport with the projected electric savings relied upon by the Commission in Docket DE 08-120. Tr. at 141:13-15, 145:4-6; *Compare* Exhibit 50 (Record Request in Docket DE 08-120 indicating that PSNH anticipated a seven percent electric savings rate in the HPwES program in 2009) *with* Exhibit 49 (Pages 1-3 of the CORE year-end report for 2011, indicating that eight percent of actual savings in the program were electric in 2011). Furthermore, as a result of the Commission's findings, the parties have invested significant time, effort, and money in the HPwES program over the course of the past three years. Independent studies by Kema and Cadmus have not only demonstrated program success, but they have also demonstrated the Companies' willingness to make changes and improvements as the program develops.<sup>1</sup> *See, e.g.*, Tr. 255 (Day 2) at 255:10-21 (testimony by Staff that "the studies found that this program is a very good program"); Ex. 29 at 16:7-18:13 (Gelineau-Palma joint testimony). The program meets identified needs in the residential energy efficiency market. *See, e.g.*, Ex. 46 (stating, in the VEIC Report, that "if efficiency programs are offered solely for regulated electric and gas customers, there is the potential to forego crucial cost-effective energy savings for customers of

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<sup>1</sup> In their testimony and on the stand, Staff indicated no concerns regarding these reports.



unregulated fuels”). In fact, several other states have implemented several programs. *Id.* (showing that of the five example states, Massachusetts, Rhode Island, and Wisconsin have fuel neutral programs funded entirely by electric and/or gas ratepayers, and fourth state (Vermont) funds low income weatherization with an oil and propane SBC). The program has also been nationally recognized for its success in targeting high energy use homes and in accomplishing efficiency goals. Ex. 29 at 18:21-19:2 (Gelineau-Palma joint testimony). The result of the Commission’s decisions and the parties’ hard work is a successful program which should continue to operate.

## **II. Staff’s Concerns About Fairness are Not Borne Out in the Record**

Staff asserts that the HPwES program is unfair because customers who heat with regulated sources of energy (electricity and natural gas) pay more in SBC and energy efficiency charge revenues than power and light customers, but they do not receive an increased benefit. However, Staff’s conclusions are based on faulty logic.

Analysis of actual use data demonstrates that the number of customers who use and rely on electric heat is miniscule, and these customers participate in the HPwES program at relatively high levels. The Companies’ analysis of actual billing data indicated that less than 1.5% of customers heat with electricity.<sup>2</sup> Ex. 30 at 4:14-15 (Gelineau-Palma rebuttal testimony); Tr. (Day 1 AM) at 52:18-53:18; 88:4-9 (“I have electric heat in my home. I did not use it all winter long. So, I would answer to a survey ‘yes, I have electric heat.’ But I would not show up in the analysis that PSNH did for identifying our electric customers that actually use electric heat”) (testimony by Mr. Gelineau). Corroborating the Companies’ conclusions, a telephone survey of

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<sup>2</sup> This distinction is supported by common sense. While some customers may have electric heat, they may not use it, and/or with respect to self-reporting, it may not account for a significant portion of electricity use. Tr. (Day 2) at 23:20-24:3. Further, some homes, for example, camps, may have electric heat, but it may be *actually used* very infrequently. Tr. (Day 1 AM) at 88:4-9.



New Hampshire residents performed by GDS for the purpose of energy efficiency analysis (and upon which the rest of the GDS study is based) determined that less than 4% of New Hampshire's electric residential customers heat their homes with electricity. Ex. 42; Tr. (Day 2) at 22:2-12. As Mr. Gelineau and Mr. Palma indicated in their testimony, approximately 4.5% of PSNH customers in the 2010 and 2011 HPwES programs were electric heat customers.<sup>3</sup> Ex. 29 at 9: 6-9 (Gelineau-Palma joint testimony). Therefore, electric heat customers are participating at a rate higher than their proportion of the customer base.<sup>4</sup>

In addition, Staff's reliance on the GDS study to indicate that the HPwES program is an ineffective use of funds is misplaced. First, as referenced in footnote 9 of Exhibit 45, the lighting savings in the GDS study are overstated due to the changes in the lighting market over the past several years. Ex. 45; *see also* Tr. (Day 2) at 107:2-10. Second, the HPwES program targets approximately eighty five percent of the savings technologies referenced in Exhibit 45, including efficiency measures for hot water systems, lighting, and appliances.<sup>5</sup> *See Attach. GEG/TP-1* at 3; *see also* Ex. 44 (stating OEP's concern that basing program development on a single criteria, such as the GDS report "would result in ineffective programs"). Reliance on the GDS study, which enumerates types of savings by end use, to dictate design (e.g., that there should be a hot water-only rebate program) is misguided.<sup>6</sup> *Id.* The Companies also are continuously seeking

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<sup>3</sup> In their testimony, Mr. Gelineau and Mr. Palma also indicate that approximately 21% of Unitil's HPwES in 2010 and 2011 participants were electric heat customers. Ex. 29 at 9:9-11 (Gelineau-Palma joint testimony); Ex. 30 at 5:18-5 (Gelineau-Palma joint rebuttal testimony). Upon further review, Unitil has determined that the number of electric heat customers participating in the HPwES program is closer to PSNH's calculation of 4.5%.

<sup>4</sup> As discussed below, Unitil is open to program changes to further encourage electric heat customer participation in the HPwES program.

<sup>5</sup> On the stand, Staff stated that only one PSNH water heating customer was served via HPwES. Tr. (Day 3) at 27:11-15. However, the HPwES program results in water saving measures at *every* home it touches (as part of the obligatory audit), and cost-effective hot water-related energy efficiency measures are often recommended to participants. Many of the hot water measures listed in the GDS study are approved measures in the HPwES program.

<sup>6</sup> For example, Mr. Eckberg testified that there may be some technological difficulties with certain types of hot water technologies, but that the utilities are investigating options. Tr. (Day 2) at 187:1-18. Again, the GDS study identified the measures which could result in efficiency savings, but it did not design the programs to achieve those



additional technologies to include in the suite of cost effective HPwES measures and to develop programs which meet the market transformation goals of the CORE programs. Tr. (Day 2) at 190:20-192:11. While there are other programs that seek lighting and appliance efficiency measures in isolation, HPwES pursues whole-house savings, educating and encouraging participants to undertake multiple savings measures which they may otherwise fail to pursue.

Staff's reliance on the natural gas energy efficiency programs to support its fairness argument is also misplaced. The question before the Commission is whether the electric SBC may be used for a fuel blind residential energy efficiency program. Gas customers pay a separate energy efficiency charge, and have separate programs (including, but not limited to, a gas-heat only HPwES program) available to them. These programs are unrelated to the instant issue before the Commission.<sup>7</sup> To the extent the Commission determines that the natural gas program is relevant to its analysis of the electric program, Schedule 1 to Staff's direct testimony fails to consider the benefits resulting from the gas program. Ex. 30, Sch. 1; Tr. (Day 2) at 249:13-250:13. These data points demonstrate that the HPwES program is fair and should be permitted to operate as a full program.

Staff also asserts that ancillary savings are insignificant in the current HPwES program. Tr. (Day 3) at 48:3-6. However, as explained by the utilities, while ancillary savings are not fully understood by the studies currently available and therefore are not captured via the CORE docket electric savings measurements, ancillary savings, and savings associated with air

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savings. It does state, however, that "Expanding the number and types of products and services available through the existing residential energy efficiency programs, and promotion of those programs to include a larger number of potential participants may lead to increased overall energy savings. It is important to recognize that such expansion would require providing services to customers that heat with fuels other than electric on natural gas. Issues regarding who would pay for the provision of services to such customers would need to be addressed." Ex. 41.

<sup>7</sup> In addition, if a company's gas HPwES program closes due to lack of funding, qualifying natural gas customers may benefit from an electric fuel neutral program because they can participate in their electric utility's HPwES program.



conditioning, are intrinsic to the HPwES program. Unitil adopts by reference the analysis of ancillary savings in PSNH's closing.

Finally, with respect to any program design concerns, Unitil would welcome further efforts to attract and prioritize electric savings via the HPwES program, including a commitment to working with the CORE stakeholders to develop modifications to the HPwES program to permit multi-family electric heat projects to go forward without requiring a waiver request from the requirements of the Home Heating Index (HHI) or other program adjustments. While Unitil is committed to actively seeking additional electric heat customers – both single family and multi-family – a whole home energy efficiency program cannot be built on these customers alone. *See* Ex. 30 at 6:27-31.

**III. Eliminating the Fuel Neutral Weatherization Program Will Unduly Influence the Market for Energy Efficiency Programs in Contravention of the Requirements in RSA 374-F:3, X.**

Staff's contention that the utilities should perform electric-only measures disregards the realities of on-the-ground energy efficiency programs in New Hampshire and the effect of artificially distinguishing between electric- and non-electric measures on the market for energy efficiency services.

RSA 374-F:3, X dictates that "restructuring should be designed to reduce market barriers to investments in energy efficiency" and that "utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers" Thus, design of the CORE programs must include consideration of market factors. The Commission considered this issue in Order Number 24,930, in which the Commission stated:

Running programs that attempt to isolate and target energy efficiency to a single fuel source, such as electricity, may in itself be a market barrier when energy efficiency measures delivered as a comprehensive package, such as systematic whole house retrofits



that reduce multiple energy uses and costs, including the size and cost of high efficiency replacement HVAC systems, may be the overall most cost-effective approach to achieving energy efficiency and conservation of all fuel sources. We find it consistent with the purpose of RSA 374-F to broadly construe our authority to approve utility sponsored energy efficiency programs in the state of New Hampshire.

*Order Approving Settlement Agreement*, Order No. 24,930 at 19 (Jan. 5, 2009). During the above-captioned proceeding, the Commission heard extensive testimony from both the Office of Consumer Advocate and the Office of Energy and Planning that the market for residential energy efficiency programs does not distinguish between electric and non-electric measures, and that creating an artificial distinction within the CORE programs in this situation could create, in and of itself, a market barrier. Tr. (Day 2) at 28:3-29:10, 30:15-24 (testimony by Mr. Steltzer: “the market is transforming to look at all energy use within a home, not just the electric portion”); Tr. (Day 2) at 162:4-163:4 (testimony by Mr. Eckberg: “trying to structure an energy efficiency program that delivered measures or efforts to save only one type of fuel within the home could [be] reasonably construe[d] to be a market barrier, by those people who are in the field trying to deliver that program”). Furthermore, significantly complicating a whole-home energy efficiency program could result in a less effective program which fails to meet the goal of eliminating market barriers. *See, e.g.*, Tr. (Day 2) at 121:5-123:8.

#### **IV. The HPwES Program Should be Treated Like All Other CORE Programs for Performance Incentive Purposes.**

The current performance incentive, which is applied to all other CORE programs, should be applied to the fuel neutral HPwES program.<sup>8</sup>

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<sup>8</sup> Staff asserted, *inter alia*, that the current performance incentive is more than sufficient, attempting to compare New Hampshire’s incentive with other states’ incentive mechanisms. *See, e.g.*, Tr. (Day 3) at 36:10-22. At the onset, the Commission noted the narrow question regarding the performance incentive in this proceeding and that later dockets may address changes to the incentive mechanism as a whole. Tr. (Day 1 PM) at 32:17-33:5; Day 1 (AM and early PM) at 15:19-16:7. The record in this matter includes an incomplete analysis of the New Hampshire



The purpose of the Performance Incentive “is to motivate the utilities to aggressively pursue achievement of the performance goals of their energy efficiency programs.” *Report to the New Hampshire Public Utilities Commission on Ratepayer-Funded Energy Efficiency Issues in New Hampshire*, Docket No. DR 96-150, at 20 (July 6, 1999) (shareholder incentive analysis adopted in *Order Establishing Guidelines for Post-Competition Energy Efficiency Programs*, Order No. 23,574 at 4, 14 (Nov. 2000)).<sup>9</sup> In Order Number 23,574, the Commission clarified that it would not, barring extenuating circumstances, provide the utilities with recovery on lost revenues. Instead, it sought to encourage and motivate utility performance of energy efficiency. The same reasoning results in the conclusion that the performance incentive should apply to all elements of the HPwES program – the goal is not to reimburse the utilities for lost electric revenues, but is instead to incentivize exactly the type of work being performed via HPwES. Further, the utilities have earned the full performance incentive for the other fuel blind programs for well over the past decade. The Companies are not asking for a change to the performance incentive system, instead they are merely asking that the HPwES program be treated like all of the other programs. This program should motivate energy savings associated with the CORE programs, and should not be limited to a subset of those savings.

## CONCLUSION

The Commission has already determined that a fuel neutral home weatherization program is legal. Over the past several years, the parties have developed an award-winning and successful program which has received excellent reviews. Eliminating the utilities’ ability to operate within the real world market for energy efficiency programs will result in creating, rather

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performance incentive and any alternatives to our current system and those issues are not ripe for consideration at this time.

<sup>9</sup> The Report is available at [http://www.puc.nh.gov/Electric/96-150%20%20NH%20Energy%20Efficiency%20Working%20Group%20Final%20Report%20\(1999\).pdf](http://www.puc.nh.gov/Electric/96-150%20%20NH%20Energy%20Efficiency%20Working%20Group%20Final%20Report%20(1999).pdf)



than reducing market barriers to energy efficiency. In the spirit of continuing to improve this program and seek out electric savings, Unitil is committed to working with Staff, interested parties, and with its contractors to prioritize electric savings via a fuel blind HPwES program should it be approved in this docket.

For all of these reasons, Unitil respectfully requests that the Commission approve a full fuel blind Home Performance with Energy Star program beginning in 2013 and that it permit the full performance incentive to apply.

Respectfully submitted,

UNITIL ENERGY SYSTEMS, INC.

By their Attorneys,

ORR & RENO, PROFESSIONAL ASSOCIATION

Date: July 9, 2012

By:



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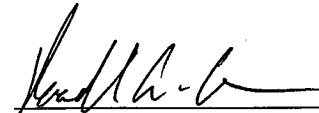
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**Certificate of Service**

A copy of this Closing in Docket DE 10-188 has been served by electronic mail this 9th day of July, 2012 to each of the parties on the service list in this docket.



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