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December 7, 2007

Honorable Philip Bartlett III, Senate Chair
Honorable Lawrence Bliss, House Chair
Joint Standing Committee on Utilities and Energy
115 State House Station
Augusta, ME 04333

Re: Annual Report on Gas Conservation Programs

Dear Senator Bartlett and Representative Bliss:

Title 35-A M.R.S.A. § 4711 establishes energy efficiency programs for customers of natural gas utilities with more than 5,000 residential customers. Subsection 4711(5) requires the Public Utilities Commission (Commission) to report annually to the Utilities and Energy Committee on actions taken by gas utilities regarding conservation programs. The report must include a description of actions taken by gas utilities pursuant to § 4711, including descriptions of all conservation programs implemented during the prior 12 months and all conservation programs that the gas utilities plan to implement during the next 12 months. The report must also include a description of how the Commission determines the cost effectiveness of each conservation program and its assessment of the cost effectiveness of programs implemented during the prior 12 months. The report must indicate, for each gas utility to which the section applies, total expenditures for the past year and projected expenditures for the next year. Finally, the report must include any recommendations for statutory changes related to energy conservation by gas utilities.

Northern Utilities (Northern) is the only natural gas utility in Maine with more than 5,000 customers. Northern's gas conservation programs are modeled after cost effective programs it runs in New Hampshire and Massachusetts. In January 2007, the Commission approved Northern's comprehensive Energy Efficiency Program Proposal for the period January 1, 2007 through April 30, 2010 along with an Energy Efficiency Rate Assessment (EERA) calculated to cover projected program costs through October 31, 2007. Northern's comprehensive Proposal built upon interim programs implemented in September 2005.

On July 31, 2007, Northern filed a document titled "Northern Utilities, Energy Efficiency 'Partners in Energy' Program" (Report). The Report summarizes the results of Northern's energy efficiency program during the period May 1, 2006 through April 30, 2007. The Report provides an overview of seventeen energy efficiency programs serving 445 participants with an expenditure of \$130,189. Gas savings through the programs were purchased at a cost of \$.51 per therm compared to the \$1.54 per therm cost of supply for residential customers,

representing a net annual savings of \$129,975. A copy of the Report is attached to this letter.¹

A copy of the Commission's Chapter 480 rule that describes how the Commission evaluates program cost effectiveness is also attached for the Committee's review.

The Commission approves adjustments to the Energy Efficiency Rate Assessment for effect each November 1st based on spending projections for the next 12 months. The most recent adjustment decreased the rate, reflecting lower costs due to lower-than-projected customer participation.² Northern filed information supporting the basis for its program budget and proposed rate change on September 27, 2007 and October 12, 2007.

The Commission has no recommendations for changes to § 4711 at this time. We expect increasing participation as customers become more aware of the programs conducted by Northern. However, even with lower participation than projected to date, there are notable savings in gas usage. According to Northern's Report, the total lifetime therm savings achieved for measures installed from May 1, 2006 through April 30, 2007 is sufficient to provide heat and hot water to approximately 200 typical homes for a year.

This letter and the attached two documents, Northern's Report and the Commission's Chapter 480 Rule, constitute the Commission's second annual report pursuant to § 4711. We look forward to working with the Committee regarding natural gas conservation issues. If you have any questions or comments regarding the report, please contact us.

Sincerely,

Kurt Adams, Chairman

On behalf of

Sharon M. Reishus
and
Vendean V. Vafiades

Commissioners
Maine Public Utilities Commission

Attachments

cc: Utilities and Energy Committee Members
Lucia Nixon, Legislative Analyst

¹ Northern's Report is 36 pages long and includes two attachments. Attachment 1 is a 45-page compilation of marketing materials relating to Northern's programs and Attachment 2 is a 37-page report prepared by RLW Analytics titled "Validating the Impact of Programmable Thermostats." We have not included these two attachments because of their length. If you would like to review these two attachments, please let us know and we would be happy to provide copies.

² The residential rate was reduced from \$0.0366 per ccf to \$0.0234 per ccf and the Commercial & Industrial rate was reduced from \$0.0084 per ccf to \$0.0078 per ccf.



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July 31, 2007

VIA E-FILE AND OVERNIGHT COURIER

Ms. Karen Geraghty
Administrative Director
Maine Public Utilities Commission
242 State Street, 18 State House Station
Augusta, Maine 04333

Re: Northern Utilities, Inc. Annual Energy Efficiency Program Achievements and Results Report

Dear Ms. Geraghty:

In accordance with Commission Docket No. 2006-728 approving Northern Utilities, Inc.'s ("Northern") Energy Efficiency Programs, enclosed please find one original and two copies of the Northern's Energy Efficiency PARTNERS IN ENERGY Program Achievements and Results report. The document includes program participation levels, forecasted energy savings and expenditures for Program Year 2006-2007 (May 1, 2006 – April 30, 2007).

Northern will file revised Energy Efficiency Program tariff pages reflecting any changes approved by the Commission upon issuance of the Order related to this filing.

We look forward to discussing the contents of this report with Staff and any other interested parties.

Please feel free to call me with any questions you may have.

Very truly yours,

A handwritten signature in black ink, appearing to read "D. Buchler", with a stylized flourish at the end.

Derek Buchler,
Manager, Demand Side Management

cc: Denis Bergeron – Maine PUC
Carol A. MacLennan, Esq. – Maine PUC
Richard Davies, Public Advocate

NORTHERN UTILITIES

Energy Efficiency “PARTNERS IN ENERGY” Program

**Maine Public Utilities Commission
Docket No. 2006-728**

ACHIEVEMENTS & RESULTS May 1, 2006 – April 30, 2007

July 31, 2007

Filed with the
Maine Public Utilities Commission
July 31, 2007

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I. EXECUTIVE SUMMARY

On December 11, 2006, Northern Utilities (“Northern” or the “Company”) filed with the Maine Public Utilities Commission (“Commission”) a proposed Energy Efficiency Program Proposal (“Partners In Energy” or the “Plan”) for the period January 1, 2007 through April 30, 2010. The Plan built upon the success of regional gas energy efficiency programs already in existence and approved by the PUC in Docket 2005-466 as well site specific and custom energy efficiency program components offered in Northern’s service territory in New Hampshire and its affiliate service territory in Massachusetts. On January 30, 2007, the Commission issued an Order in Docket No. 2006-728 approving the Plan.

Through this filing, Northern is pleased to present the results and achievements of the Plan for the period of May 1, 2006 through April 30, 2007. This period represents activities associated with the programs approved in 2005-466 and programs in 2006-728 which were in the ramp-up phase through April 30, 2007.

Highlights include:

- 445 participants (individuals and businesses) installed energy saving measures in Northern’s service territory
- Total lifetime therms savings achieved for measures installed from May 1, 2006 through April 30, 2007 is 254,855 therms and is sufficient to provide heat and hot water to approximately 200 typical homes for a year
- The Company expended \$130,189¹ to provide energy efficiency programs and services to its customers, equating to a cost of \$.51 per lifetime therm saved compared to \$1.54 per ccf for the assumed residential average retail cost of gas
- The overall cost effectiveness of the portfolio of energy efficiency programs is 1.26.
- The Company continued its regionally recognized and award-winning rebate programs for the installation of high efficiency space and water heating equipment for both residential and small commercial customers
- The Company introduced additional rebate programs targeting specific technologies and customer sectors
- The Company established the working parameters to offer a Low-Income Residential Weatherization program in coordination with one of its two local Community Action Agencies
- The Company is a member of GasNetworks[®], a collaborative of natural gas utilities offering common energy efficiency programs in four New England states
- Extensive marketing materials and outreach activities were launched and pursued throughout the year

¹ These expenditures represent all costs incurred for the previously approved Interim Programs as well as costs incurred during the “ramp-up” period in the currently approved Program, all which occurred during the period of May 1, 2006 through April 30, 2007.

II. PROGRAM ACTIVITIES AND ACHIEVEMENTS

Northern first began the rollout and implementation of Commission-approved interim gas energy efficiency programs and market transformation initiatives targeting residential, low-income and small C&I customers on September 21, 2005. The Company expanded its programs, as detailed below on February 1, 2007. These programs represent a concerted effort by the Company to offer a portfolio of services that: provide customers with safe reliable service at affordable prices; increase awareness of the benefits of energy efficiency products, services and practices; partner with customers to provide cost-effective energy efficiency products and services; partner with installation contractors and other market actors to transform markets for energy efficient products and services and induce lasting changes; and achieve these objectives through economical, efficient and effective program design and delivery. The cost effectiveness of the entire portfolio of programs over the past year is 1.26 using the Total Resource Cost Test.

1. Program Promotions

Table II-1 itemizes marketing and outreach activities undertaken in support of the Company's energy efficiency programs in the State of Maine since August of 2005.

**Table II-1
Program Marketing & Outreach Activities**

Date	Activity Description
Ongoing	Meetings with C&I customers to promote customer participation
Ongoing	Distribution of promotional materials and rebate forms to local supply houses
May 2007	Direct mail postcard to 6,140 residential heating customers promoting residential programs
April 2007	Collaborative marketing initiative with Maine Home Performance Program
March 2007	Maine Home and Garden Show in Gorham, ME
March 2007	Maine Plumbing and Heating Contractor (PHCC) trade show
March 2007	Hosted contractor training session in Lewiston, ME
March 2007	Maine Food and Lodging Exposition
February 2007	Direct mail campaign to residential customers promoting Self-Install Weatherization Rebate program
December 2006	Bill insert promoting GasNetworks and Self-Install rebates to all customers
November 2006	South Coast Maine / New Hampshire Seacoast Chamber of Commerce Event
November 2006	Energy Efficiency Low-Income program outreach brochure
November 2006	Northern Utilities brochure including information on payment options, fuel assistance, energy efficiency services/programs, and energy tips
October 2006	Letters and brochures sent to local retailers announcing the Self-Install Weatherization Rebate program
October 2006	NU volunteers for KeepMEWarm campaign
October 2006	Bill insert promoting Partners in Energy Program sent to Maine customers

October 2006	Company participates in WB “Whole House” television program promoting energy efficiency programs
September 2006	GasNetworks Annual Conference event
September 2006	Direct mail campaign to residential customers promoting Self-Install Weatherization Rebate program
June 2006	Meeting with Low Income Program Stakeholders
May 2006	GasNetworks Newsletter features article on Maine
April 2006	GasNetworks participates in New England Food Show
March 2006	Maine Energy Code Training Event
March 2006	Maine Plumbing and Heating Contractor’s Trade Show
February 2006	Hosted GasNetworks training for contractors in Portland, ME
January 2006	Featured article in Company newsletter to residential customers
December 2005	Letters and brochures sent to local retailers announcing the Self-Install Weatherization Rebate program
December 2005	Letters to contractors announcing Partners in Energy Program
November 2005	Company formally admitted as a new member of the GasNetworks collaborative
November 2005	Company web site updated to include energy efficiency program descriptions and offerings
November 2005	Company bill insert announcing rebate programs
November 2005	GasNetworks rebate forms and promotional materials redesigned to include Maine
October 2005	Launched Fuel Assistance Campaign including posters to low-income agencies and legislators and newspaper ads
October 2005	South Coast Maine/New Hampshire Seacoast Chamber of Commerce Trade Show
August 2005	Organized meeting with People’s Regional Opportunity Program (PROP), Community Concepts (CCI) and Maine State Housing Authority (MSHA) in Portland, ME

Northern also distributed program-related printed materials to all potential program participants who inquired about the Programs when they contacted Northern’s Partners in Energy Intake Center.

2. Program Achievements

Tables II-2 through II-18 present summaries of Northern's achieved expenditures, savings and participation levels for the Company's energy efficiency programs through April 30, 2007.

Table II-2
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006 - 2007 Results

Name	Residential Conservation Services Program
Target Market	Residential heating customers seeking energy efficiency education and guidance applicable to their place of residence.
Eligible Program Participants	Homeowners and landlords of 1-4 family homes on the Company's residential rates that heat their homes with natural gas.
Qualifying Measures	<p>There are no quantifiable energy saving measures associated with this Program. This Program is educational/informational in nature and offers:</p> <ul style="list-style-type: none">• Rebates for home energy assessments ("Assessments") performed by an independent contractor selected by the customer• Site-specific home energy savings opportunities report• Energy efficiency publications and educational materials• Access to technical information• Information on how and where to find a quality energy efficiency improvement contractor

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$3,182	\$93	\$3,048	\$219	\$0	\$6,541	0	N/A	N/A

Cost Effectiveness

This program meets and is offered under the Unquantifiable Cost Effectiveness test requirements as detailed in Docket 2006-129 and approved on July 26, 2006.

**Table II-3
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program**

PY 2006 - 2007 Results

Name	Residential Custom Measures Program
Target Market	Residential heating customers with the intent to increase energy efficiency and reduce the energy cost burden.
Eligible Program Participants	Homeowners and landlords of 1-4 family homes on the Company's residential rates that heat their homes with natural gas.
Qualifying Measures	Custom measures include: <ul style="list-style-type: none"> • Attic insulation • Wall insulation • Basement/Crawl space insulation • Rim joist insulation • Duct insulation • Pipe insulation • Ductwork leakage testing/sealing • Air infiltration measurements/sealing

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$3,705	\$100	\$2,902	\$237	\$0	\$6,945	N/A	N/A	N/A

Cost Effectiveness

This program was approved on January 30, 2007 and in ramp-up mode through April 30, 2007. During this short period, there is insufficient data to screen for actual cost effectiveness. Its anticipated benefit cost ratio is 1.67. The Company will calculate the cost effectiveness of this program in its next annual report which will incorporate a full year of program activity.

Table II-4
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006 - 2007 Results

Name	Residential Low-Income Weatherization Program
Target Market	Residential low-income heating customers with the intent to increase energy efficiency and reduce the energy cost burden.
Eligible Program Participants	Fuel assistance and low income customers that heat their homes with natural gas and with annual incomes at or below 150% of the federal poverty guidelines or incomes at or below 170% of federal poverty, if that household has an elderly member or a child under 24 months of age.
Qualifying Measures	Weatherization measures including but not limited to: <ul style="list-style-type: none"> • Attic insulation • Wall insulation • Floor insulation • Pipe insulation • Attic hatch • Pull down attic hatch/stairway • Kneewall access • Caulking • Weather-stripping • Door sweep • Heating system repair and replacement on a case by case basis

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$5,565	\$91	\$4,882	\$215	\$0	\$10,753	0	0	0

Cost Effectiveness

This program meets and is offered under the Unquantifiable Cost Effectiveness test requirements as detailed in Docket 2006-129 and approved on July 26, 2006. This program is offered in conjunction with the People's Regional Opportunity Program (PROP), the CAP agency in York and Cumberland counties. Northern Utilities and PROP have had difficulties identifying viable and eligible candidates for the program's services. PROP and Northern continue to work together to identify potential candidates for the program.

**Table II-5
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program**

PY 2006 - 2007 Results

Name	Residential Self-Install Weatherization Rebate Program
Target Market	Residential customers (including low-income customers and landlords) who heat their homes with gas, can identify opportunities to save energy, and self-install low cost weatherization and water saving materials.
Eligible Program Participants	Existing residential heating customers that purchase and self-install low cost weatherization and water savings materials.
Qualifying Equipment	<ul style="list-style-type: none"> • Weatherstripping • Caulking • Foam insulation spray • Door sweeps and kits • Faucet aerators • Low-flow showerheads • Poly wrap for windows • Pipe insulation • Rigid board insulation • Garage door seals

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$877	\$26	\$12,508	\$60	\$3,219	\$16,689	145	1,450	14,500

Cost Effectiveness

Based on the expenditures and participation levels above, this program yields a cost effectiveness value of 0.65 using the Total Resource Cost Test.

**Table II-6
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program**

PY 2006 - 2007 Results

Name	Residential High Efficiency Heating Equipment Rebate Program
Target Market	Residential customers (including low-income customers and landlords) who heat their homes with gas, the builders/developers and heating/plumbing contractors who plan/install these systems, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing residential heating customers, residential non-heating customers (whom will become heating customers upon participation), residential non-customers who become gas heat customers as a result of installation of qualifying equipment and participating in the program, and builders.
Qualifying Equipment	High efficiency furnaces, water boilers, steam boilers used for space conditioning.

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$2,944	\$878	\$3,741	\$894	\$20,050	\$28,507	42	6,142	122,840

Cost Effectiveness

Based on the expenditures and participation levels above, this program yields a cost effectiveness value of 2.37 using the Total Resource Cost Test.

Table II-7
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006 - 2007 Results

Name	Residential High Efficiency Water Heating Equipment Rebate Program
Target Market	Residential customers (including low-income customers and landlords) who use natural gas water heating equipment, the builders/developers and heating/plumbing contractors who plan/install these systems, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing residential heating customers, residential non-heating customers, residential non-customers who become gas customers as a result of installation of qualifying equipment and participating in the program, and builders.
Qualifying Equipment	Indirect water heaters and tanks connected to natural gas fired boilers, high efficiency on-demand water heaters

Program Expenditures and Participation²

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$1,189	\$408	\$1,185	\$361	\$9,300	\$12,443	31	2,359	47,180

Cost Effectiveness

Based on the expenditures and participation levels above, this combined residential and small commercial program yields a cost effectiveness value of 1.60 using the Total Resource Cost Test.

² Data includes small commercial and industrial customers that participated in the program.

**Table II-8
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program**

PY 2006- 2007 Results

Name	Residential ENERGY STAR® Thermostat Rebate Program
Target Market	Residential customers (including low-income customers and landlords) who heat their homes with gas, the builders/developers and heating/plumbing contractors who plan/install these thermostats, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing residential heating customers that do not already use a programmable thermostat and builders.
Qualifying Equipment	ENERGY STAR® Labeled Programmable Thermostats

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$311	\$141	\$310	\$94	\$665	\$1,521	27	1,188	11,880

Cost Effectiveness

Based on the expenditures and participation levels above, this program yields a cost effectiveness value of 4.87 using the Total Resource Cost Test.

Table II-9
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Residential ENERGY STAR® Windows Rebate Program
Target Market	Residential customers (including low-income customers and landlords) who heat their homes with gas, as well as the manufacturers, distributors, and wholesalers who bring this product to market.
Eligible Program Participants	Existing residential gas heating customers that install qualifying windows in existing residential homes
Qualifying Equipment	ENERGY STAR® labeled windows with a 0.35 U-factor or less

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$241	\$173	\$241	\$73	\$1,850	\$2,578	185	361	12,635

Cost Effectiveness

Based on the expenditures and participation levels above, this program yields a cost effectiveness value of 3.15 using the Total Resource Cost Test.

Table II-10
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Residential ENERGY STAR [®] Homes Program
Target Market	All stakeholders in the residential new construction market, including homebuilders and buyers, contractors, and other trade allies throughout Maine.
Eligible Program Participants	Homebuilders and buyers of residential natural gas heated homes that intend to design and construct homes that are more energy efficient than homes built to standard code.
Qualifying Measures	<ul style="list-style-type: none"> • Certification of homes built to ENERGY STAR standards <ul style="list-style-type: none"> ○ More often ENERGY STAR homes will incorporate variety of energy-efficient features, such as effective insulation, high performance windows, tight construction and ducts, efficient heating and cooling equipment and ENERGY STAR qualified lighting and appliances. ○ These features contribute to improved home quality and homeowner comfort, and to lower energy demand and reduced air pollution. ENERGY STAR also encourages the use of energy-efficient lighting and appliances, as well as features designed to improve indoor air quality.

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$291	\$8	\$105	\$20	\$0	\$424	N/A	N/A	N/A

Cost Effectiveness

This program was approved on January 30, 2007 and in ramp-up mode through April 30, 2007. During this short period, there is insufficient data to screen for actual cost effectiveness. Its anticipated benefit cost ratio is 2.39. The Company will calculate the cost effectiveness of this program in its next annual report which will incorporate a full year of program activity.

Table II-11
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Multifamily Custom Measures Program
Target Market	Multifamily (greater than four dwelling units), master-metered customers and landlords on the Company's commercial rates.
Eligible Program Participants	Existing residential multifamily building owners, operators and customers; public housing authorities; residential multifamily non-customers who become customers as a result of installation of qualifying equipment and participating in the program. Participants must be on the Company's commercial rates.
Qualifying Measures	<ul style="list-style-type: none"> • Attic/roof/wall insulation (R-19 or less existing) • Floor/basement/ceiling insulation • Low-E with Argon gas filled replacement windows • Heating pipe/duct insulation • Hot water pipe insulation • Energy Management Systems (including automatic temperature controls) • Burner replacement/upgrade including boiler controls • Water heating system improvements • Gas-fired steam absorption chillers • Heat recovery measures and systems • Whole heating plant replacement (does not include distribution system) • Direct-fired make up air systems • Cogeneration and other combined heat and power systems (where the heat recovered offsets a lower efficiency heat generating source) • Other measures determined on a site-specific basis

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$8,719	\$674	\$3,136	\$600	\$0	\$13,129	N/A	N/A	N/A

Cost Effectiveness

This program was approved on January 30, 2007 and in ramp-up mode through April 30, 2007. During this short period, there is insufficient data to screen for actual cost effectiveness. Its anticipated benefit cost ratio is 1.79. The Company will calculate the cost effectiveness of this program in its next annual report which will incorporate a full year of program activity.

Table II-12
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Small Commercial & Industrial Custom Measures Program
Target Market	Small commercial and industrial customers with total annual consumption less than 40,000 therms (or equivalent for other fossil fuels) on the Company's commercial rates.
Eligible Program Participants	Existing commercial and industrial customers, commercial and industrial non-customers who become customers as a result of installation of qualifying equipment and participating in the program, and builders.
Qualifying Measures	<ul style="list-style-type: none"> • Attic/roof/wall insulation (R-19 or less existing) • Floor/basement/ceiling insulation • Low-E with Argon gas filled replacement windows • Heating pipe/duct insulation • Hot water pipe insulation • Energy Management Systems (including automatic temperature controls) • Burner replacement/upgrade including boiler controls • Water heating system improvements • Gas-fired process equipment improvements • Gas-fired steam absorption chillers • Heat recovery measures and systems • Whole heating plant replacement (does not include distribution system) • Infrared heating systems • Direct-fired make up air systems • Cogeneration and other combined heat and power systems (where the heat recovered offsets a lower efficiency heat generating source) • Other measures determined on a site-specific basis

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$6,587	\$612	\$2,369	\$453	\$0	\$10,022	N/A	N/A	N/A

Cost Effectiveness

This program was approved on January 30, 2007 and in ramp-up mode through April 30, 2007. During this short period, there is insufficient data to screen for actual cost effectiveness. Its anticipated benefit cost ratio is 1.85. The Company will calculate the cost effectiveness of this program in its next annual report which will incorporate a full year of program activity.

Table II-13
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Large Commercial & Industrial Custom Measures Program
Target Market	Large commercial and industrial customers with total annual consumption greater than 40,000 therms (or equivalent for other fossil fuels) on the Company's commercial rates.
Eligible Program Participants	Existing commercial and industrial customers, commercial and industrial non-customers who become customers as a result of installation of qualifying equipment and participating in the program, and builders.
Qualifying Measures	<ul style="list-style-type: none"> • Attic/roof/wall insulation (R-19 or less existing) • Floor/basement/ceiling insulation • Low-E with Argon gas filled replacement windows • Heating pipe/duct insulation • Hot water pipe insulation • Energy Management Systems (including automatic temperature controls) • Burner replacement/upgrade including boiler controls • Water heating system improvements • Gas-fired process equipment improvements • Gas-fired steam absorption chillers • Heat recovery measures and systems • Whole heating plant replacement (does not include distribution system) • Infrared heating systems • Direct-fired make up air systems • Cogeneration and other combined heat and power systems (where the heat recovered offsets a lower efficiency heat generating source) • Other measures determined on a site-specific basis

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$8,272	\$241	\$2,976	\$569	\$0	\$12,058	N/A	N/A	N/A

Cost Effectiveness

This program was approved on January 30, 2007 and in ramp-up mode through April 30, 2007. During this short period, there is insufficient data to screen for actual cost effectiveness. Its anticipated benefit cost ratio is 1.87. The Company will calculate the cost effectiveness of this program in its next annual report which will incorporate a full year of program activity.

Table II-14
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Commercial High Efficiency Heating Equipment Rebate Program
Target Market	Commercial and master-metered multifamily customers (who heat their buildings with gas, the builders/developers and heating/plumbing contractors who plan/install these systems, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market. Due to the size of qualifying equipment, most installations will occur in smaller businesses or multifamily buildings.
Eligible Program Participants	Existing commercial and master-metered multifamily customers, commercial and master-metered multifamily non-heating customers (whom will become heating customers upon participation), commercial and master-metered multifamily non-customers who become customers as a result of installation of qualifying equipment and participating in the program, and builders.
Qualifying Equipment	High efficiency furnaces, water boilers, steam boilers used for space conditioning.

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$529	\$230	\$527	\$160	\$6,100	\$7,546	15	2,291	45,820

Cost Effectiveness

Based on the expenditures and participation levels above, this program yields a cost effectiveness value of 2.77 using the Total Resource Cost Test.

Table II-15
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Commercial High Efficiency Water Heating Equipment Rebate Program
Target Market	Commercial and master-metered multifamily customers who use natural gas water heating equipment, the builders/developers and heating/plumbing contractors who plan/install these systems, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing commercial customers, commercial non-customers who become customers as a result of installation of qualifying equipment and participating in the program, and builders.
Qualifying Equipment	Indirect water heaters and tanks connected to natural gas fired boilers, high efficiency on-demand water heaters

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
Results reported in Residential High Efficiency Water Heating Equipment Rebate Program								

Cost Effectiveness

Based on the expenditures and participation levels above, this combined residential and small commercial program yields a cost effectiveness value of 1.60 using the Total Resource Cost Test.

Table II-16
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Commercial High Efficiency Infrared Heating Equipment Rebate Program
Target Market	Commercial customers who heat their buildings with gas, the builders/developers and heating/plumbing contractors who plan/install these systems, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing commercial customers, commercial non-customers who become customers as a result of installation of qualifying equipment and participating in the program, and builders.
Qualifying Equipment	Natural gas-fired, low intensity infrared units

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$263	\$58	\$262	\$80	\$0	\$663	0	0	0

Cost Effectiveness

Based on the expenditures and participation levels above, this program yields a cost effectiveness value of 0 using the Total Resource Cost Test. No customers have elected to participate in this program to date.

Table II-17
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Commercial ENERGY STAR® Thermostat Rebate Program
Target Market	Commercial and master-metered multifamily customers who heat their buildings with gas, the builders/developers and heating/plumbing contractors who plan/install these thermostats, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing commercial heating customers that do not already use a programmable thermostat and builders.
Qualifying Equipment	ENERGY STAR® Labeled Programmable Thermostats

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$67	\$15	\$66	\$20	\$0	\$168	0	0	0

Cost Effectiveness

Based on the expenditures and participation levels above, this program yields a cost effectiveness value of 0 using the Total Resource Cost Test. No customers have elected to participate in this program to date.

Table II-18
Maine PUC Docket 2006-728
Northern Utilities
Partners in Energy Program

PY 2006- 2007 Results

Name	Commercial & Industrial Efficient Food Service Equipment Rebate Program
Target Market	All food service operations that provide fried hot food, including restaurants, schools, institutional kitchens, office cafeterias and catering establishments. Additionally, customers who utilize natural gas fired heating equipment in commercial and/or industrial kitchens, the builders/developers and heating/plumbing contractors who plan/install these systems, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing commercial and industrial customers, commercial and industrial non-customers who become customers as a result of installation of qualifying equipment and participating in the program, and builders.
Qualifying Equipment	ENERGY STAR [®] labeled high efficiency “Hot Oil” fryers

Program Expenditures and Participation

Internal Admin	External Admin	Marketing Training	Monitoring & Eval.	Customer Incentives	Total Expend.	Participants	Annual Savings	Lifetime Savings
\$79	\$18	\$79	\$24	\$0	\$200	0	0	0

Cost Effectiveness

Based on the expenditures and participation levels above, this program yields a cost effectiveness value of 0 using the Total Resource Cost Test. No customers have elected to participate in this program to date.

3. Program Changes

Table II-19 presents the planned and proposed changes for seven of the regional/collaborative programs for the upcoming program year. The revised Program Terms and Conditions for the planned changes are provided in Tables II-20 through II-23 with changes set in bold.

3.1 Planned Program Changes

Table II-19
Maine PUC Docket 2006-728
Northern Utilities
Energy Efficiency Program Changes

Planned Residential Program Changes

<u>Program Name</u>	Program Year (2006)	Modifications Planned for Program Year (2007)
High Efficiency Heating Rebate	<p>A \$100-\$800 mail-in rebate for high efficiency heating equipment.</p> <ul style="list-style-type: none"> • Hot Water Boilers \$500 (min 85% AFUE) • Hot Water Boilers \$800 (min 90% AFUE condensing) • Steam Boilers \$200 (min 82% AFUE) • Warm Air Furnace \$100 (min 90% AFUE) • Furnace w/ ECM* \$400 (min 92% AFUE) <p><i>*Electronic Commutated Motor</i></p>	<p>The Company and GasNetworks plan to modify rebate criteria for furnaces (non-ECM models) and modify the rebate level for condensing boilers effective September 1, 2007.</p> <p>The 90% AFUE furnace rebate level will remain at \$100; however, the minimum efficiency will be raised to 92% AFUE. Raising the minimum AFUE is a result of the sustained and continued growth of high-efficiency furnaces (non-ECM models) in the marketplace, thereby signifying continued success in transforming these markets. The 92% AFUE minimum will now exceed ENERGY STAR® minimums.</p> <p>The Company and GasNetworks plan to increase the 90% AFUE High Efficiency Hot Water Boiler rebate level by \$200 per boiler effective September 1, 2007. The purpose of modifying the 90% AFUE condensing boiler rebate level is two-fold; first, to recognize the significant incremental costs between ENERGY STAR® rated boilers (85% AFUE) and 90%+AFUE condensing boilers; and secondly, to increase the market share of super high-efficiency models.</p>

<u>Program Name</u>	Program Year (2006)	Modifications Planned for Program Year (2007)
High Efficiency Water Heating Rebate	The Company and GasNetworks currently provide a \$300 mail-in rebate for the purchase and installation of indirect fired water heaters and tankless, on-demand (also known as instantaneous) natural gas water heaters equipped with an electronic pilot having a minimum Energy Factor (EF) of .82.	The Company and GasNetworks plan to research recent data regarding savings and incremental costs of both water heating technologies and could potentially make mid-year adjustments to rebate levels based on the data.
ENERGY STAR[®] Thermostat	The Company and GasNetworks currently provide a \$25 mail-in rebate for the purchase and installation of an ENERGY STAR [®] thermostat.	Savings for ENERGY STAR [®] thermostats have been adjusted from 44 to 75 therms per year based on the results of a comprehensive evaluation titled <i>Validating the Impact of Programmable Thermostats</i> , RLW Analytics; January 2007. The RLW Analytics evaluation is attached as Attachment 2 to this report. The company will use these updated savings figures in all future filings related to savings from the installation of ENERGY STAR [®] thermostats.

Planned Commercial & Industrial Program Changes

<u>Program Name</u>	Program Year (2006)	Modifications Planned for Program Year (2007)
High Efficiency Heating Rebate	<p>A \$100-\$800 mail-in rebate for high efficiency heating equipment.</p> <ul style="list-style-type: none"> • Hot Water Boilers \$500 (min 85% AFUE) • Hot Water Boilers \$800 (min 90% AFUE condensing) • Steam Boilers \$200 (min 82% AFUE) • Warm Air Furnace \$100 (min 90% AFUE) • Furnace w/ ECM* \$400 (min 92% AFUE) <p>* <i>Electronic Commutated Motor</i></p>	<p>The Company and GasNetworks plan to modify rebate criteria for furnaces (non-ECM models) and modify the rebate level for condensing boilers effective September 1, 2007.</p> <p>The 90% AFUE furnace rebate level will remain at \$100; however, the minimum efficiency will be raised to 92% AFUE. Raising the minimum AFUE is a result of the sustained and continued growth of high-efficiency furnaces (non-ECM models) in the marketplace, thereby signifying continued success in transforming these markets. The 92% AFUE minimum will now exceed ENERGY STAR[®] minimums.</p> <p>The Company and GasNetworks plan to increase the 90% AFUE High Efficiency Hot Water Boiler rebate level by \$200 per boiler effective September 1, 2007. The purpose of modifying the 90% AFUE condensing boiler rebate level is two-fold; first, to recognize the significant incremental costs between ENERGY STAR[®] rated boilers (85% AFUE) and 90%+AFUE condensing boilers; and secondly, to increase the market share of super high efficiency models.</p>

Program Name	Program Year (2006)	Modifications Planned for Program Year (2007)
High Efficiency Water Heating Rebate	The Company and GasNetworks currently provide a \$300 mail-in rebate for the purchase and installation of indirect fired water heaters and tankless, on-demand (also known as instantaneous) natural gas water heaters equipped with an electronic pilot having a minimum Energy Factor (EF) of .82.	The Company and GasNetworks plan to research recent data regarding savings and incremental costs of both water heating technologies and could potentially make mid-year adjustments to rebate levels based on the data.
High Efficiency Food Service Equipment Rebate	A \$300-\$500 mail-in rebate for high efficiency commercial fryers.	The Company and GasNetworks plan to modify the current two-tiered level of fryer rebates into a single rebate level. This modification is based on a recent assessment of equipment types and overall strategy to increase rebate participation.
ENERGY STAR[®] Thermostat	The Company and GasNetworks currently provide a \$25 mail-in rebate for the purchase and installation of an ENERGY STAR [®] thermostat.	Savings for ENERGY STAR [®] thermostats have been adjusted from 44 to 75 therms per year based on the results of a comprehensive evaluation titled <i>Validating the Impact of Programmable Thermostats</i> , RLW Analytics; January 2007. The RLW Analytics evaluation is attached as Attachment 2 to this report. The company will use these updated savings figures in all future filings related to savings from the installation of ENERGY STAR [®] thermostats.

3.2 Revised Program Terms and Conditions

Tables II-20 through II-23 provides the revised program terms and conditions for only those programs modified since the approval in 2006-728. Changes appear in bold text.

Table II-20
Maine PUC Docket 2006-728
Northern Utilities
Revised Program Terms and Conditions

Name	Residential High Efficiency Heating Equipment Rebate Program			
Target Market	Residential customers (including low-income customers and landlords) who heat their homes with gas, the builders/developers and heating/plumbing contractors who plan/install these systems, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.			
Eligible Program Participants	Existing residential heating customers, residential non-heating customers (whom will become heating customers upon participation), residential non-customers who become gas heat customers as a result of installation of qualifying equipment and participating in the program, and builders.			
Qualifying Equipment and Rebate Levels	Equipment Type	AFUE Rating	Incentive Level	Energy Savings
	Furnaces (forced hot air)	92% or greater	\$150	185 therms
	Furnaces (ECMs)	92% or greater	\$400	185 therms, 600 KWh
	Boilers (forced hot water)	90% or greater	\$1000	141 therms
	Boilers (forced hot water)	85% or greater	\$500	141 therms
	Boilers(steam/electronic ignition)	82% or greater	\$200	141 therms

Guidelines and Restrictions	<ul style="list-style-type: none"> • Must be installed by a licensed contractor and/or plumber. • All installations must conform to all applicable codes and be installed in accordance with all rebate Program Guidelines. • Proof of purchase receipts, work orders or other documentation must include the contractor name/license #/address/phone number, installation cost, and an itemized description of the equipment, including manufacturer, model number, and AFUE. • Installations are subject to on-site verification that the equipment has been installed and is operational. The site visit is not a safety review, nor is it intended for any other purpose. • Incentives offered for equipment purchases and installations made on or after September 1, 2007. • Rebate form must be filled out completely, signed and accompanied by dated receipts, and received at Northern Utilities within 90 days from installation date. • Rebate forms available by calling Northern Utilities at 800-232-0120 or at www.gasnetworks.com.
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Forecasted Program Expenditures and Participation

Internal Admn	Marketing/ MT Development / Training	External Admn	Evaluation & Market Research	Customer Incentives	Total Expenditures	Annual Therm Savings	Participants	Benefit Cost Ratio
6,438	10,439	1,308	2,180	31,554	51,918	17,810	107	4.37

Table II-21
Maine PUC Docket 2006-728
Northern Utilities
Revised Program Terms and Conditions

Name	Residential ENERGY STAR® Thermostat Rebate Program
Target Market	Residential customers (including low-income customers and landlords) who heat their homes with gas, the builders/developers and heating/plumbing contractors who plan/install these thermostats, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing residential heating customers that do not already use a programmable thermostat and builders.
Qualifying Equipment, Rebate Levels and Savings	<p>ENERGY STAR Labeled Programmable Thermostats which require following features:</p> <ul style="list-style-type: none"> • Separate weekday and weekend programs, each with up to four customized temperature settings: two for occupied and in use periods and two for energy-saving periods when the house is unoccupied or at night • An advanced recovery feature that can be programmed to reach desired temperature at a specific time in a way to minimize system “on” time and auxiliary heat use • The ability to maintain room temperature within 2 degrees (F) of the desired temperature • A hold feature that allows users to temporarily override automatic settings without deleting programs (For example, programming can be adjusted to maximize savings during a vacation or extended absence) <p>\$25 maximum rebate per qualified thermostat 75 annual therm savings per unit installed</p>

Guidelines and Restrictions	<ul style="list-style-type: none"> • Thermostats may be installed by heating contractors, homeowners, or energy auditors. • All installations must conform to all applicable codes and be installed in accordance with all rebate Program Guidelines. • Proof of purchase receipts must include: installation cost, an itemized description of the equipment, manufacturer and model number. • Installations are subject to on-site verification that the equipment has been installed and is operational. The site visit is not a safety review, nor is it intended for any other purpose. • Incentives offered for equipment purchases and installations made on or after May 1, 2007. • Rebate form must be filled out completely, signed and accompanied by dated receipts, and received at Northern Utilities within 90 days from installation date. • Rebate forms available by calling Northern Utilities at 800-232-0120 or at www.gasnetworks.com. • There is a two-rebate limit per account, and the rebate amount cannot exceed the purchase price of the thermostat.
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Forecasted Program Expenditures and Participation

Internal Admn	Marketing/ MT Development / Training	External Admn	Evaluation & Market Research	Customer Incentives	Total Expenditures	Annual Therm Savings	Participants	Benefit Cost Ratio
802	1,300	163	271	2,943	5,479	4,470	102	9.53

Table II-22
Maine PUC Docket 2006-728
Northern Utilities
Revised Program Terms and Conditions

Name	Commercial High Efficiency Heating Equipment Rebate Program			
Target Market	Commercial and master-metered multifamily customers (who heat their buildings with gas, the builders/developers and heating/plumbing contractors who plan/install these systems, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market. Due to the size of qualifying equipment, most installations will occur in smaller businesses or multifamily buildings.			
Eligible Program Participants	Existing commercial and master-metered multifamily customers, commercial and master-metered multifamily non-heating customers (whom will become heating customers upon participation), commercial and master-metered multifamily non-customers who become customers as a result of installation of qualifying equipment and participating in the program, and builders.			
Qualifying Equipment, Rebate Levels and Savings	Equipment Type	AFUE Rating	Incentive Level	Energy Savings
	Furnaces (forced hot air)	92% or greater	\$150	185 therms
	Furnaces (ECMs)	92% or greater	\$400	185 therms
	Boilers (forced hot water)	90% or greater	\$1000	141 therms
	Boilers (forced hot water)	85% or greater	\$500	141 therms
	Boilers (steam / electronic ignition)	82% or greater	\$200	141 therms

Guidelines and Restrictions	<ul style="list-style-type: none"> • Must be installed by a licensed contractor and/or plumber. • All installations must conform to all applicable codes and be installed in accordance with all rebate Program Guidelines. • Proof of purchase receipts, work orders or other documentation must include the contractor name/license #/address/phone number, installation cost, and an itemized description of the equipment, including manufacturer, model number, and AFUE. • Installations are subject to on-site verification that the equipment has been installed and is operational. The site visit is not a safety review, nor is it intended for any other purpose. • Incentives offered for equipment purchases and installations made on or after September 1, 2007. • Rebate form must be filled out completely, signed and accompanied by dated receipts, and received at Northern Utilities within 90 days from installation date. • Rebate forms available by calling Northern Utilities at 800-232-0120 or at www.gasnetworks.com. • Due to the size of qualifying equipment (implied by AFUE rating), most installations will occur in smaller businesses or multifamily buildings.
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Forecasted Program Expenditures and Participation

Internal Admn	Marketing/ MT Development / Training	External Admn	Evaluation & Market Research	Customer Incentives	Total Expenditures	Annual Therm Savings	Participants	Benefit Cost Ratio
2,812	1,500	108	400	4,500	9,320	2,740	15	3.5

Table II-23
Maine PUC Docket 2006-728
Northern Utilities
Revised Program Terms and Conditions

Name	Commercial ENERGY STAR® Thermostat Rebate Program
Target Market	Commercial and master-metered multifamily customers who heat their buildings with gas, the builders/developers and heating/plumbing contractors who plan/install these thermostats, as well as the manufacturers, distributors, and wholesalers who bring this equipment to market.
Eligible Program Participants	Existing commercial heating customers that do not already use a programmable thermostat and builders.
Qualifying Equipment, Rebate Levels, and Savings	<p>ENERGY STAR Labeled Programmable Thermostats which require following features:</p> <ul style="list-style-type: none"> • Separate weekday and weekend programs, each with up to four customized temperature settings: two for occupied and in use periods and two for energy-saving periods when the house is unoccupied or at night • An advanced recovery feature that can be programmed to reach desired temperature at a specific time in a way to minimize system “on” time and auxiliary heat use • The ability to maintain room temperature within 2 degrees (F) of the desired temperature • A hold feature that allows users to temporarily override automatic settings without deleting programs (For example, programming can be adjusted to maximize savings during a vacation or extended absence) <p>\$25 maximum rebate per qualified thermostat 75 annual therm savings per unit installed</p>

Guidelines and Restrictions	<ul style="list-style-type: none"> • Thermostats may be installed by heating contractors, building owners, or energy auditors. • All installations must conform to all applicable codes and be installed in accordance with all rebate Program Guidelines. • Proof of purchase receipts must include: installation cost, an itemized description of the equipment, manufacturer and model number. • Installations are subject to on-site verification that the equipment has been installed and is operational. The site visit is not a safety review, nor is it intended for any other purpose. • Incentives offered for equipment purchases and installations made on or after May 1, 2007. • Rebate form must be filled out completely, signed and accompanied by dated receipts, and received at Northern Utilities within 90 days from installation date. • Rebate forms available by calling Northern Utilities at 800-232-0120 or at www.gasnetworks.com. • There is a two-rebate limit per account, and the rebate amount cannot exceed the purchase price of the thermostat.
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Forecasted Program Expenditures and Participation

Internal Admn	Marketing/ MT Development / Training	External Admn	Evaluation & Market Research	Customer Incentives	Total Expenditures	Annual Therm Savings	Participants	Benefit Cost Ratio
370	250	80	100	375	1,175	660	15	5.85

Attachment 2
MPUC Rule Chapter 480

65 - INDEPENDENT AGENCIES - REGULATORY

407 - PUBLIC UTILITIES COMMISSION

CHAPTER 480 -NATURAL GAS ENERGY CONSERVATION PROGRAMS

SUMMARY: This Chapter describes how natural gas utilities serving more than 5,000 residential customers must implement natural gas energy conservation programs.

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§ 1 PURPOSE

The purpose of this Chapter is to implement the requirements of 35-A M.R.S.A. § 4711. Section 4711 requires all natural gas utilities in the State that serve 5,000 or more residential consumers to implement gas conservation programs.

This Chapter describes how and for whom natural gas utilities must implement cost effective gas conservation programs. The Chapter also defines the standards by which the Commission will judge programs to be cost effective.

§ 2 DEFINITIONS

A. Gas conservation programs. "Gas conservation programs" means programs developed by an affected gas distribution utility pursuant to 35-A M.R.S.A. § 4711 and this Chapter.

B. Gas Distribution Utility. "Gas distribution utility" means a gas utility as defined in 35-A M.R.S.A. § 102(8) that serves 5,000 or more residential consumers.

C. Low-income residential consumer. "Low-income residential consumer" means a customer of a gas utility living in a household that would qualify to receive assistance through the Low Income Home Energy Assistance Program (LIHEAP), as those qualifications are established in rule by Maine State Housing Authority from time to time. If a customer has not applied for authorization to receive LIHEAP benefits but conforms to the criteria established by Maine State Housing Authority, he or she shall be considered a low-income consumer for purposes of this Chapter.

D. Measure. "Measure" means a device or an application installed or implemented as a result of a program and that improves energy efficiency.

E. Participant. "Participant" means a customer who directly takes part in a gas conservation program.

F. Small business consumer. "Small business consumer" means a commercial customer of a gas distribution utility that has an annual usage of 40,000 ccf or less.

§ 3 GAS CONSERVATION PROGRAMS

A. Criteria for Conservation Programs
Gas distribution utilities adopting and implementing gas conservation programs shall seek to encourage efficiency in natural gas use, provide incentives for the development of new, energy-efficient business activity in the State and take into

account the costs and benefits of energy efficiency and conservation to existing business activity in the State.

1. Program Design. Gas distribution utilities shall design and implement conservation programs that:

- (a) increase consumer awareness of cost-effective options for conserving energy;

- (b) create more favorable market conditions for the increased use of efficient products and services; and

- (c) promote sustainable economic development and reduced environmental damage.

2. Program Targets. The gas distribution utilities shall:

- (a) target at least 10% of available funds to programs for low-income residential consumers;

- (b) target at least 20% of available funds to programs for small business consumers; and

- (c) To the greatest extent practicable, apportion remaining available funds among customer groups and geographic areas in a manner that allows all other customers to have a reasonable opportunity to participate in one or more conservation programs.

3. Program Cost Effectiveness. Programs shall meet the cost effectiveness tests established in Section 4.

4. Program Funding Levels. Programs shall be deliverable within the funding level established pursuant to section 5.

B. Terms and Conditions. As required by 35-A M.R.S.A. § 304, gas conservation programs shall be implemented as part of the gas distribution utility's schedules on file with the Commission. New gas conservation programs and changes to existing gas conservation programs shall be filed with the Commission as a change in the gas distribution utility's schedules pursuant to 35-A M.R.S.A. § 307.

1. Information to be Submitted. A gas distribution utility submitting a gas conservation program shall file the following information with the Commission and the Office of the Public Advocate:

- a. Proposed new or revised Terms and Conditions describing the proposed gas conservation program, and a schedule of any new or revised rates or charges proposed in conjunction with the program.

b. A description of the proposed gas conservation program, including its target group, schedule, projected gas savings, avoided costs, participant costs and savings, program costs and benefits, rate impacts and impacts on end uses and amenity level.

c. An analysis of the proposed gas conservation program showing that it is reasonably likely to be cost effective as defined in this Rule.

d. Any other information the gas utility believes will assist the Commission in reviewing the cost effectiveness of the proposed program and the justness and reasonableness of the proposed terms and Conditions.

2. Delegation of Authority. The Commission delegates its authority to review, suspend, approve and order changes to gas utility schedules related to energy conservation programs, including terms and conditions, to the Director of Energy Programs.

3. Effect of Commission Approval. The Commission's approval of a gas conservation program shall be a determination that the program is just and reasonable on the basis of the information available as of the date of approval. Any gas distribution utility implementing such a program has a continuing obligation to monitor, evaluate and review the program to determine whether the program as implemented is cost effective and whether continuation of the program as approved is reasonable.

§ 4 COST EFFECTIVENESS TESTS

The following tests will be used to determine whether a program is cost effective.

A. Modified Societal Test. Programs that are reasonably likely to satisfy the Modified Societal Test are cost effective. The Modified Societal Test is satisfied when the program benefits exceed the program costs. Costs and benefits shall be considered in the Modified Societal Test regardless of whether they are paid or experienced by the program participant or by the natural gas distribution utility or any other individual, business, or government agency.

1. Program benefits. Program benefits will include the following:

a) Avoided natural gas commodity costs. These estimates may be differentiated by time periods that influence market prices, including but not limited to peak and off-peak periods and summer and winter periods.

b) Avoided natural gas transportation, distribution, and storage costs, using estimates of gas transportation marginal costs. These estimates may be differentiated by time periods that influence costs.

c) Avoided electric costs including any energy, capacity, and transmission and distribution costs avoided as a result of program implementation.

d) Other resource benefits, such as reduced water and sewer costs.

e) Non-resource benefits, including customer benefits such as reduced operation and maintenance costs, deferred replacement costs, productivity improvements, economic development benefits and environmental benefits, to the extent such benefits can be reasonably quantified and valued.

2. Program costs. Program costs will include the following:

a) Direct program costs, including program design, administration, implementation, marketing, evaluation and other reasonably identifiable costs directly associated with the program.

b) Measure costs. For new construction programs, measure costs are the incremental costs of the energy efficiency measure, including installation, over an equivalent baseline measure. For retrofit programs, measure costs are the full cost of the energy efficiency measure, including installation, less any salvage for the replaced measure.

c) Ongoing customer costs, including costs such as increased operation and maintenance costs, reduced productivity, and lost economic development opportunities, and environmental degradation, to the extent such costs can be reasonably quantified and valued.

3. Discount rate assumption. The discount rate used for present value calculations shall be the gas distribution utility's most recently established weighted cost of capital.

4. Net present value. Cost effectiveness of a gas efficiency measure will be calculated based on the net present value of the costs and benefits over the expected life of the measure.

5. Post-program effects. For programs expected to influence the development of self-sustaining markets, program cost effectiveness will be calculated for a reasonable additional period after the program is terminated in order to capture post-program market effects.

6. Incentive Level Limitation. When developing a program that satisfies the Modified Societal Test, the gas distribution utility shall consider the value of the program savings associated with natural gas production and delivery when setting incentive levels.

B. Unquantifiable Cost Effectiveness Test. Gas distribution utilities may implement a program without satisfying the Modified Societal Test if approved by the Commission based on a demonstration that:

1. program benefits are known to exist but cannot be quantified with sufficient accuracy to conclude that program benefits exceed program costs;
2. the program satisfies some unquantifiable statutory criterion or an unquantifiable goal or objective established by the Commission in implementing 35-A M.R.S.A. § 4711; and
3. the entire portfolio of gas conservation programs taken together and including the cost of the unquantifiable program produces quantifiable benefits that substantially exceed total portfolio program costs.

Gas distribution utilities shall not spend or commit to spend more than 5% of the annual conservation budget on any program found to be cost effective under this Subsection B without express Commission approval of the spending level.

§ 5 FUNDING LEVEL

Gas distribution utilities shall undertake energy efficiency programs designed to operate within an annual budget upon full program implementation that is no less than 3% of the utility's annual delivery revenue. For purposes of this Chapter, delivery revenue means all revenue received by the gas distribution utility from the application of its delivery service base rates, which are exclusive of those revenues generated from the application of the utility's Cost of Gas Factor and any other tariff surcharges additional to the base rates.

§ 6 COST RECOVERY

To the extent prudently incurred, all costs incurred by a gas distribution utility implementing gas conservation programs will be included in rates. Gas conservation costs shall be reconciled for differences between actual and estimated revenue and expenses annually in conjunction with the gas distribution utility's summer cost of gas adjustment filings.

§ 7 REPORTS

Gas distribution utilities shall report by July 31st of each year to the Commission a description of actions taken and progress made in the implementation of programs in the twelve month period ending on the prior April 30th. Reports shall include at a minimum:

- 1) a description of each program offered;
- 2) the program's projected cost effectiveness;

- 3) the program's calendar year annual expenditures;
- 4) the number of customers who participate;
- 5) the estimated annual energy savings; and,
- 6) expenses incurred in overall program administration.

§ 8 WAIVER OR EXEMPTION

Upon the request of any person subject to the provisions of this Chapter or upon its own motion, the Commission may waive any of the requirements of this Chapter that are not required by statute. Where good cause exists, the Commission or its designee may grant the requested waiver, provided that the granting of the waiver would not be inconsistent with the purposes of this Chapter of Title 35-A.

BASIS STATEMENT: The factual and policy basis for this rule is set forth in the Commission's Order Adopting Rule, Docket No. 2006-129, issued on **July 26, 2006**. Copies of this Statement and Order have been filed with this rule at the Office of the Secretary of State. Copies may also be obtained from the Administrative Director, Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018.

AUTHORITY: 35-A M.R.S.A. §§ 4711

EFFECTIVE DATE: This Chapter was approved as to form and legality by the Attorney General on 8/3/06. It was filed with the Secretary of State on 8/8/06 and will be effective on 8/13/06 2006.