December 1, 2008

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 Section 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, 2008, 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, 2007 through April 30, 2008. The Report provides an overview of seventeen energy efficiency programs serving 599 participants with an expenditure of $442,041. Gas savings through the programs were purchased at a cost of $.11 per therm compared to the $1.91 per therm cost of supply for residential customers. Northern's Report may be viewed on the Commission's website, www.maine.gov/mpuc by clicking on the "Online Documents and Services" icon and then the "Virtual Case File" icon and entering

"2008431" in the Case ID box. Northern's programs, which are listed in the attachment to this letter, all meet the Commission's rule establishing cost effectiveness criteria, Chapter 480. The Rule may also be obtained from our website by clicking on the "Laws and Rules" icon, then "Rules" and then "Part 4."

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 an over-collection of $411,093 from the prior year.[1] Information supporting Northern's basis for its program budget and proposed rate change is contained in its Report.

The Commission has no recommendations for changes to Section 4711 at this time. We expect increasing participation as customers become more aware of the programs conducted by Northern. However, even with participation 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, 2007 through April 30, 2008 is sufficient to provide heat and hot water to approximately 3,035 typical homes for a year.

We look forward to working with the Committee regarding natural gas conservation issues. If you have any questions or comments, please do not hesitate to contact us.

Sincerely,

Sharon M. Reishus, Chairman

On behalf of

Vendean V. Vafiades
And
John A. Cashman
Commissioners
Maine Public Utilities Commission

Attachment

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

[1] The residential rate was reduced from $0.0234 per ccf to $0.0200 per ccf and the Commercial & Industrial rate was reduced from $0.0078 per ccf to $0.0014 per ccf.

Gas Conservation Report Attachment

Northern Utilities, Inc.'s Gas Conservation Programs for 2008-2009
Residential High Efficiency Heating Equipment Rebate Program
Residential High Efficiency Water Heating Equipment Rebate Program
Residential EnergyStar Thermostat Rebate Program
Residential EnergyStar Window Rebate Program
Commercial High Efficiency Heating Equipment Rebate Program
Commercial High Efficiency Water Heating Equipment Rebate Program
Commercial High Efficiency Infrared Heating Equipment Rebate Program
Commercial EnergyStar Thermostat Rebate Program
Commercial & Industrial Efficient Food Service Equipment Rebate Program
Residential Low-Income Weatherization Program
Residential Special Weatherization Rebate Program
Residential Conservation Services Program
Residential Custom Measures Program
Residential EnergyStar Home Program
Multi-family Custom Measures Program
Small Commercial & Industrial Custom Measures Program
Large Commercial & Industrial Custom Measures Program
Residential Self-Install Weatherization Rebate Program