



LDCs/The Challenge of Retail Conversions from Oil to Natural Gas

Jerry Livengood, Bangor Gas

Peter Bottomley, MNG

Stacey Fitts, Summit Utilities

Mark Lambert, Unitil

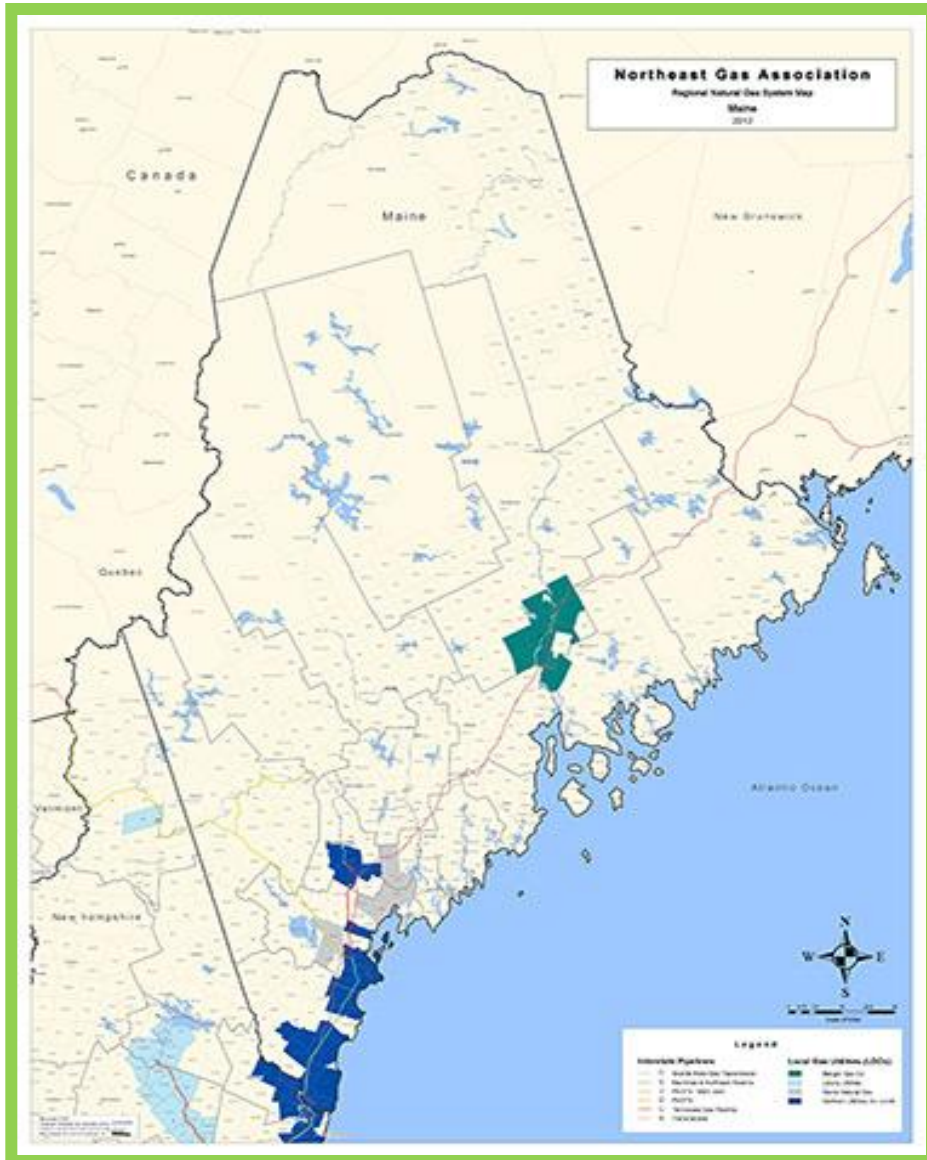
Wayne Jortner, Office of Public Advocate

Tony Fontaine, Fontaine HVAC

Sarah Tracy, Pierce Atwood



Bangor Natural Gas



- Serving Central Maine
- Add 900 to 1,000 Customers in 2014
- 5,400 customers YE
- Acquired by EWST, 2008
- Lowest delivery rates
- Loring Corridor 2012
- Lincoln Maine 2014
- Hampden in 2015

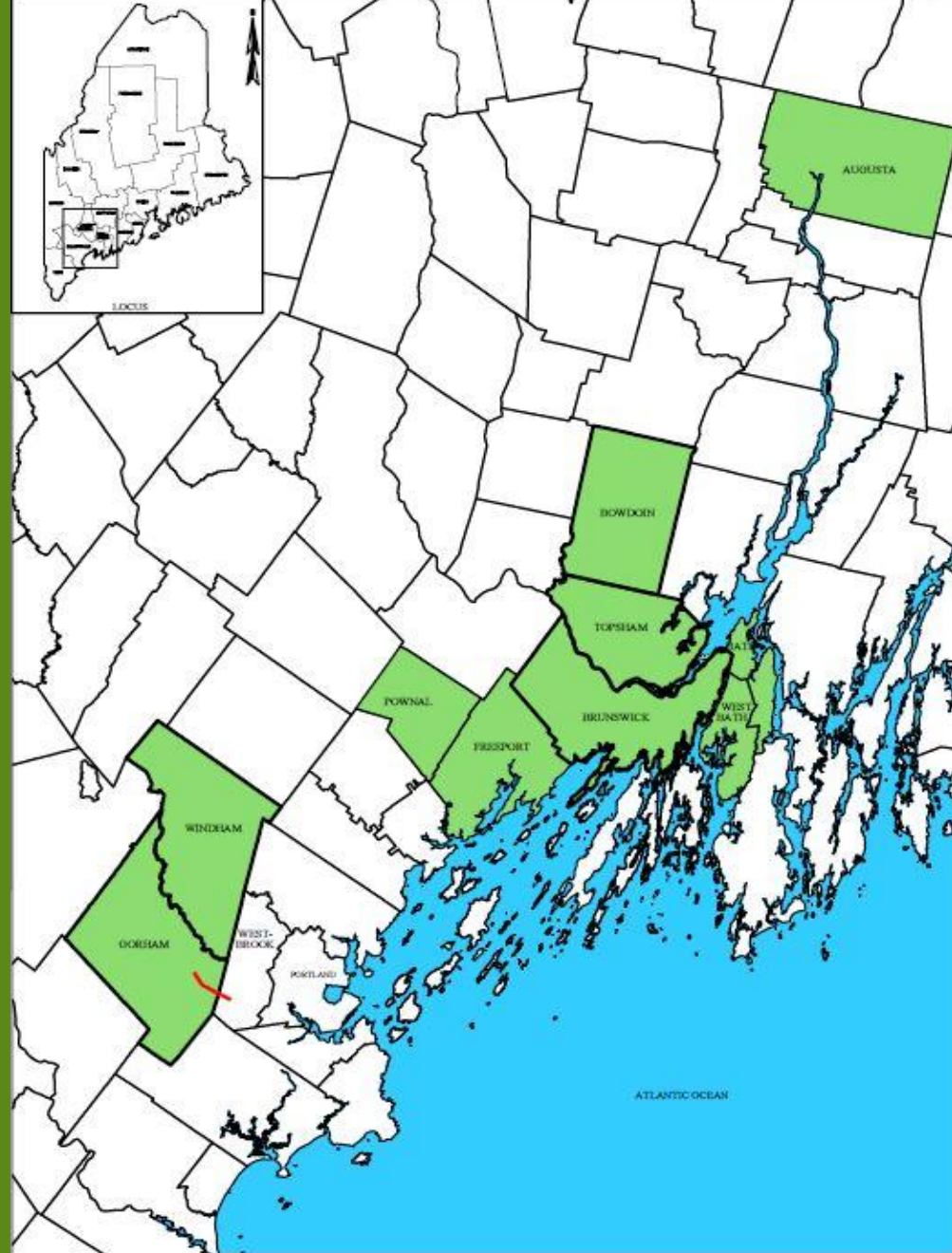
Maine Natural Gas

*Maine's Local
Gas Company*



Maine Natural Gas

Maine's Local Gas Company

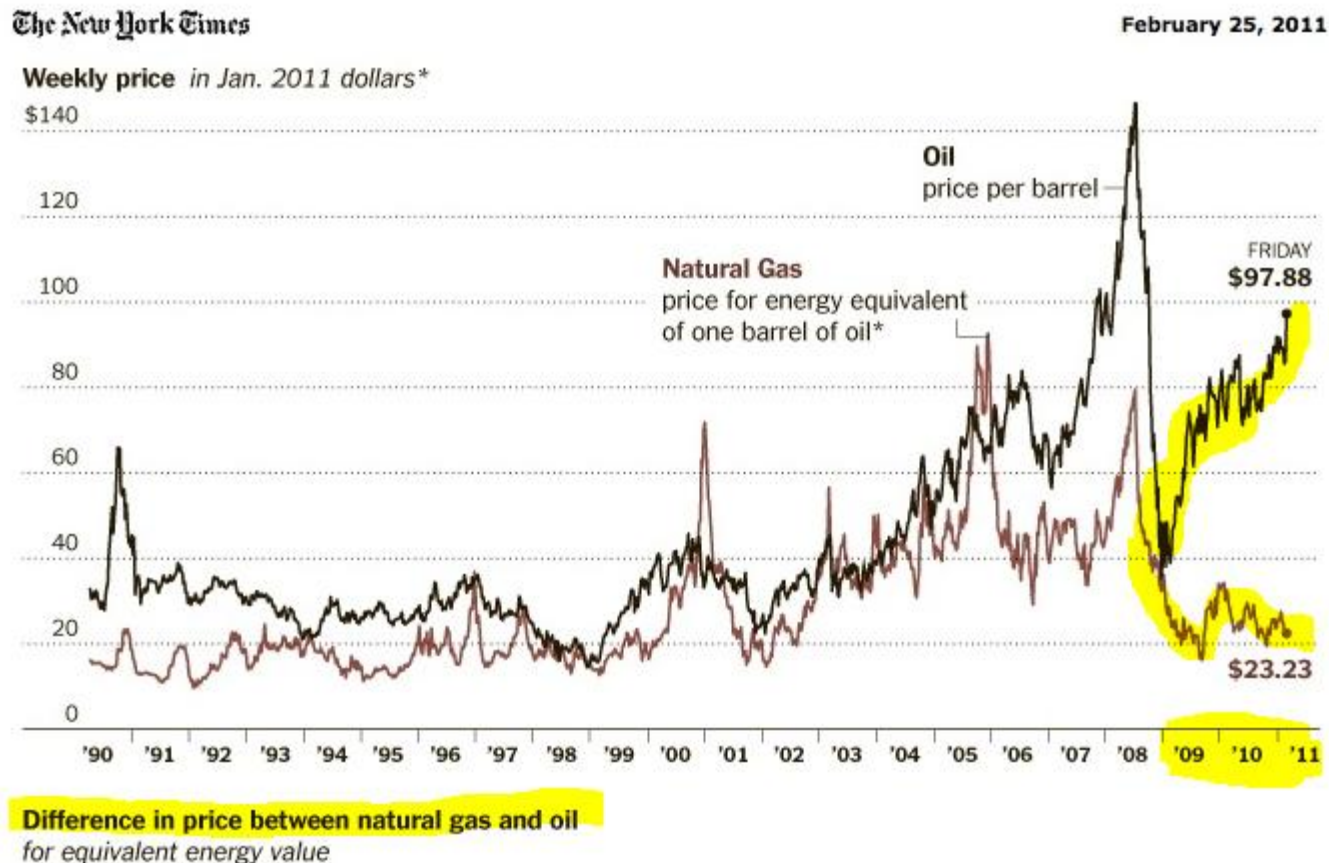


Maine Natural Gas
Service Areas

LEGEND
SERVICE AREA
CALPINE TRANSMISSION LINE

The MNG gas distribution model

- The Maine energy market is unpredictable. We maintain low delivery rates to stay competitive with alternatives.



The Marketing Challenge

- New gas markets may develop slowly for many reasons
 - **Natural gas is a new idea for many Maine consumers**
 - Aversion to change – wait and see attitude
 - Intimidated by conversion learning curve / gas pricing
 - Safety concerns
 - **Cost of conversion** – Some cannot afford upfront costs
 - Conversion from propane = about \$500
 - Conversion from oil
 - \$2,000 – \$3,000 for burner conversion
 - \$6,000 – \$12,000 for high efficiency replacement
 - **Alternative Fuel Competition** – Mixed messages about savings cause confusion and decision inertia
 - **Loss of supplier alternatives**
 - Many customers value the flexibility of being able to purchase oil, propane and pellets from a variety of suppliers
 - Concerns that gas prices will rise after committing



Natural Gas: Continued Growth in Maine?

Presentation by Stacey Fitts

October 9, 2014

Project Overview

2013

- * Take station, 66 miles of steel transmission, 6 regulating stations and over 34 miles of HDPE distribution backbone

2014

- * Regulating station and 44 miles of HDPE distribution backbone throughout Cumberland, Falmouth and Yarmouth (CFY)
- * Regulating station to serve the SAPPI mill in Skowhegan, distribution network build-out totaling 53 miles of new HDPE piping across Kennebec Valley

Future Expansion Details

- * Backbone located in corridors critical for overall future system development
- * Pipe sized to accommodate anticipated demand
- * Future build-out follows expressed demand
- * Natural gas infrastructure is a linear infrastructure – need to be able to ‘link’ demand to get to other areas
- * Augusta is a unique system due to dual utilities

Obstacles to Conversion

- * Culture/knowledge of customer base
- * Demographics
- * Cost of conversion
- * Ability of conversion network to meet demand
- * Technical familiarity of the existing conversion network with options
- * Attempts at regulatory limitations on equipment

Formation of a Conversion Affiliate

- * Maine PUC issued order on 9/15/2014 approving the formation of “Natural Gas Conversion Company” Docket No. 2014-00190
- * NGCC is a subsidiary of Summit Utilities Inc.
- * NGCC will fill additional demand for conversion services being created by natural gas expansion

Summit Rebate Incentives Administered by Efficiency Maine

- * Up to \$1,500 for a qualifying replacement boiler, \$1,125 for qualifying furnace
- * \$375 for a replacement burner
- * \$375 for certain appliance conversions/replacement
- * \$560 for 6 hours of energy sealing and an energy audit approved by Efficiency Maine

Thanks for Listening

Stacey Fitts

Director, Governmental and Regulatory Affairs

Summit Natural Gas of Maine
442 Civic Center Drive Suite 100
Augusta, Maine 04330
207-621-8000 ext. 457
sfitts@summitnaturalgas.com



Natural Gas: Continued Growth in Maine

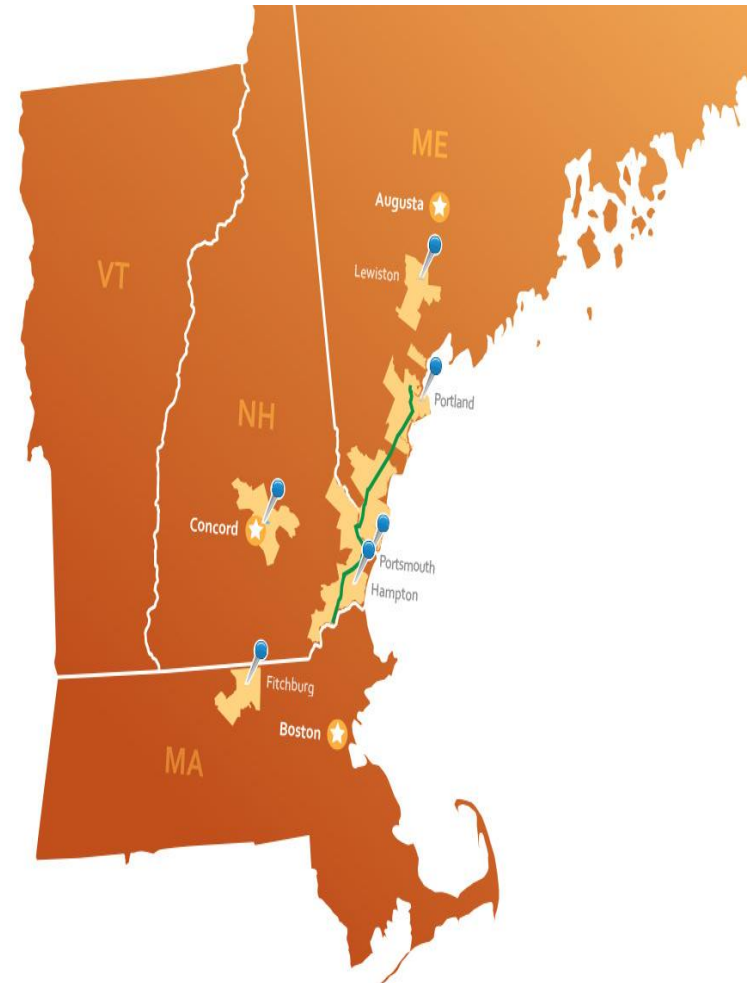
The Challenge of Retail Conversions
From Oil to Natural Gas Panel

October 9, 2014

About Unitil



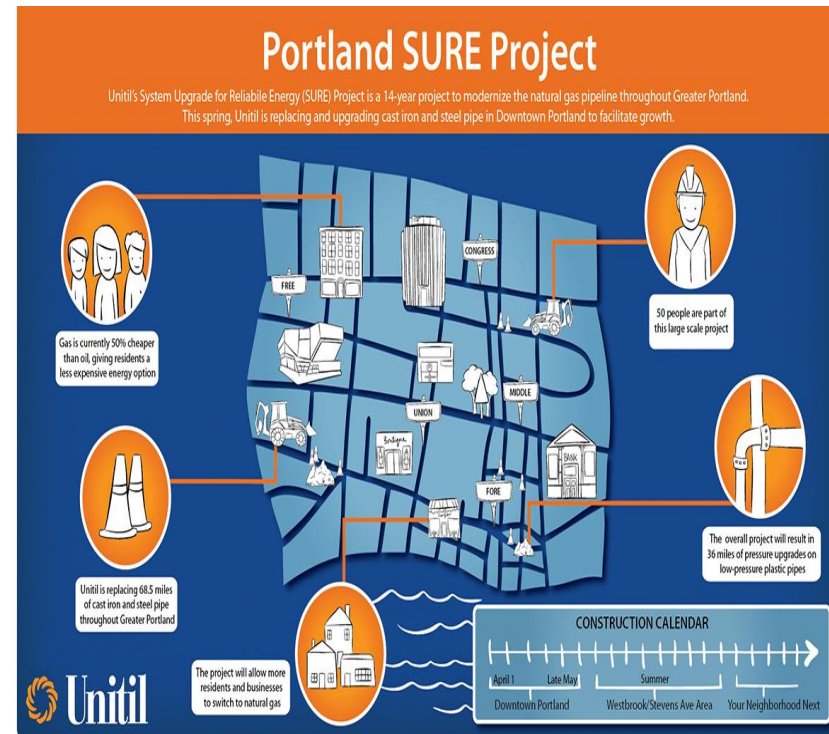
- Headquartered in Hampton, NH serving electric and natural gas services in Maine, New Hampshire, Massachusetts
 - 103,000 Electric Customers
 - 76,000 Natural Gas
- Committed to the Safe and Reliable delivery of natural gas and electricity
- Maine Natural Gas Operations
 - Acquired Northern Utilities, December, 2008
 - Largest Maine Gas Utility
 - 22 Communities along the coastline from Kittery to Portland, Westbrook, Lewiston and Auburn
 - \$125MM investment over next 5 years



SURE Project



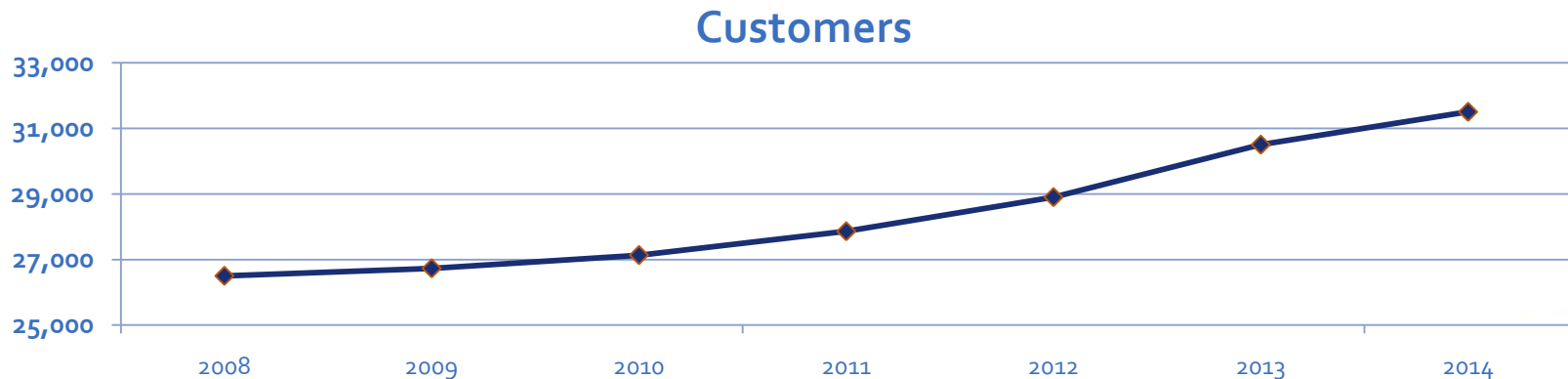
- Accelerated 14-year Cast Iron and Bare Steel Replacement Plan
- 120 miles Cast Iron/Bare Steel replacements and pressure upgrades.
- Modernizes the system allowing for increased pressures to serve more customers
- Total planned investment - \$70 million.
- Crucial partnerships with local communities.



Distribution Growth



- Long Term commitment to Maine.
- Fastest growing gas utility in Northeast.
 - 31,500 Customers
 - 3.5% Annual Growth
 - 20% growth since 2009
 - \$7.5MM annual savings back to the local economy
 - Environmental benefits equivalent to 3,100 cars off the road



- Proximity to a gas main
- Conversion Costs
- Useful remaining “Life” of the existing boiler
- Adverse publicity

The Challenge of Retail Conversions from Oil to Natural Gas

Wayne Jortner
Senior Counsel for
the Office of the Public Advocate



CHAPTER 820 (MPUC RULE) ADDRESSES:

- ❖ **NON-CORE BUSINESS ACTIVITIES OF PUBLIC UTILITIES**
- ❖ **TRANSACTIONS BETWEEN A UTILITY AND ITS NON-CORE BUSINESSES**

PURPOSE OF CHAPTER 820 -- TWO SIDES OF THE SAME COIN:

- ❖ **PROTECT RATEPAYERS FROM SUBSIDIZING NON-UTILITY SERVICES**
- ❖ **PROTECT COMPETITORS IN THE MARKET FROM A UTILITY-SUBSIDIZED COMPETITOR**



MECHANISM OF CHAPTER 820

- ❖ **REQUIRES A SEPARATE CORPORATE ENTITY TO PROVIDE NON-CORE BUSINESS OR USE OF AN EXISTING AFFILIATE**
- ❖ **GOODS AND SERVICES (INCLUDING GOOD WILL IN SOME CASES) TRANSFERRED BETWEEN A UTILITY AND ITS NON-CORE AFFILIATE MUST BE AT MARKET PRICE, TARIFFED RATE, OR USING A FULLY DISTRIBUTED COST METHODOLOGY.**
- ❖ **RESULTS OF NON-CORE BUSINESS ARE SEGREGATED FROM UTILITY RATEMAKING**
- ❖ **CODES OF CONDUCT THAT PREVENT A UTILITY-AFFILIATED NON-CORE BUSINESS FROM COMPETING UNFAIRLY IN A MARKET WITH NON-UTILITY PARTICIPANTS**

SUMMIT CONVERSION COMPANY STIPULATION SOUGHT TO ADDRESS EACH OF THESE REQUIREMENTS OF CHAPTER 820.



CHAPTER 820 PROVIDES THAT GOODS AND SERVICES MUST BE CHARGED TO THE NON-CORE AFFILIATE IN THE AMOUNT OF:

- ❖ TARIFFED RATE, IF IT EXISTS**
- ❖ MARKET RATE, IF AVAILABLE, OR**
- ❖ FULLY DISTRIBUTED COST METHODOLOGY (PURSUANT TO FCC PRINCIPLES) (ALLOCATED TIME OF KEY PERSONNEL IS THE MOST LIKELY ITEM TO BE ALLOCATED).**

APPROVED STIPULATION AUTHORIZING SUMMIT'S CONVERSION COMPANY

❖ REITERATION OF MAJOR APPLICABLE REQUIREMENTS OF CHAPTER 820

❖ SPECIFIC TERMS AND CONDITIONS”

- **NO JOINT BILLING FOR UTILITY AND CONVERSION SERVICES.**
- **NO JOINT MARKETING OR PROMOTIONAL ACTIVITIES.**
- **SUMMIT TO PROVIDE TO CUSTOMERS AN UPDATED LIST OF QUALIFIED CONVERSION PROVIDERS IN THE AREA, USING EFFICIENCY MAINE'S LIST OF REGISTERED VENDORS AND OTHER VENDORS WHO ARE QUALIFIED AND REQUEST TO BE ON THE LIST. SUMMIT MAY NOT HIGHLIGHT ITS OWN CONVERSION SERVICE.**
- **SPECIAL LIST OF CONTRACTORS TO WHOM SUMMIT MAY PROVIDE THE IDENTITY OF THE CUSTOMER NEEDING CONVERSION SERVICE, IF THEY AGREE TO LIMITED USE OF THE CUSTOMER INFORMATION AND PROVIDE CONFIDENTIALITY. SUMMIT MUST OBTAIN EXPLICIT CUSTOMER CONSENT BEFORE PROVIDING THE IDENTITY OF THE CUSTOMER TO THESE CONTRACTORS.**

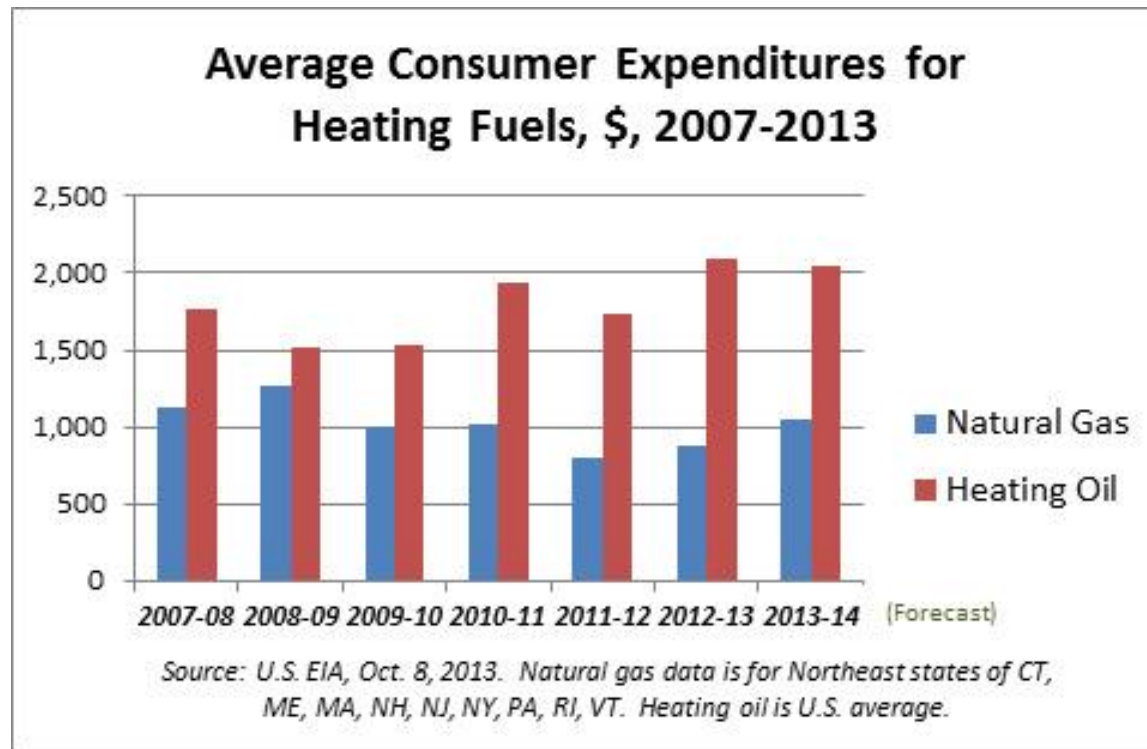
CONTINUED...

- **SUMMIT EMPLOYEES MAY NOT SPECIFICALLY DISCUSS WITH CUSTOMERS THE TYPES AND COSTS OF CONVERSION SERVICES AVAILABLE. IF CUSTOMER SAYS HE OR SHE WANTS TO CHOOSE THE SUMMIT AFFILIATE, THE UTILITY EMPLOYEE MUST REFER THE CUSTOMER TO THE CONVERSION AFFILIATE FOR FURTHER DETAILS.**
- **PERSON DOING FINAL INSPECTION OF WORK OF SUMMIT AND CONVERSION COMPANY'S WORK MUST NOT HAVE BEEN INVOLVED IN THE ACTUAL CONVERSION WORK.**
- **THOUGH UNREGULATED, COMMISSION WILL HAVE ACCESS TO BOOKS AND RECORDS OF THE AFFILIATE**

Encouraging Residential Natural Gas Expansion in Maine

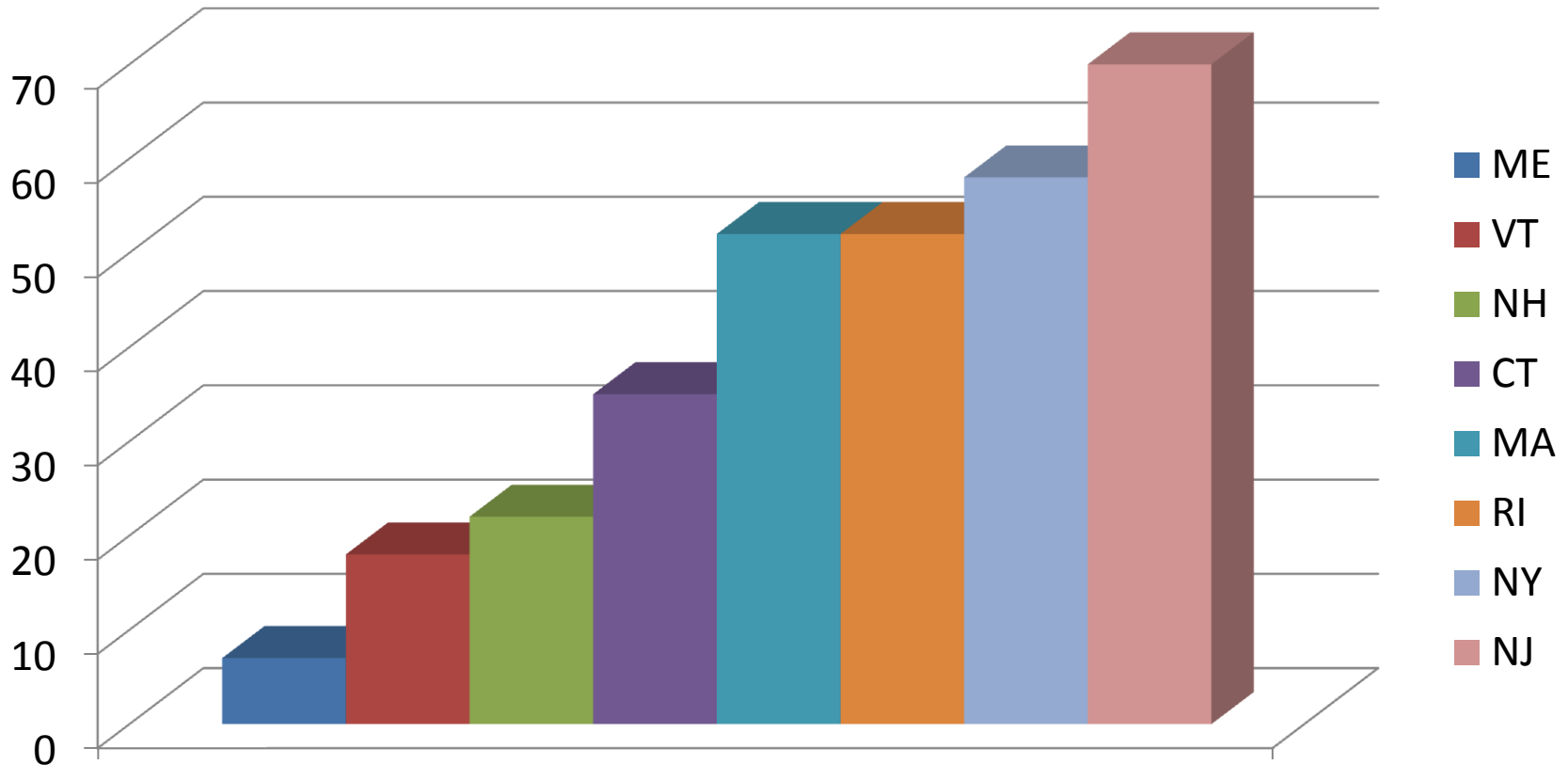
Sarah B. Tracy
Pierce Atwood LLP
October 9, 2014

Heating Homes with Natural Gas Would Save Mainers Money

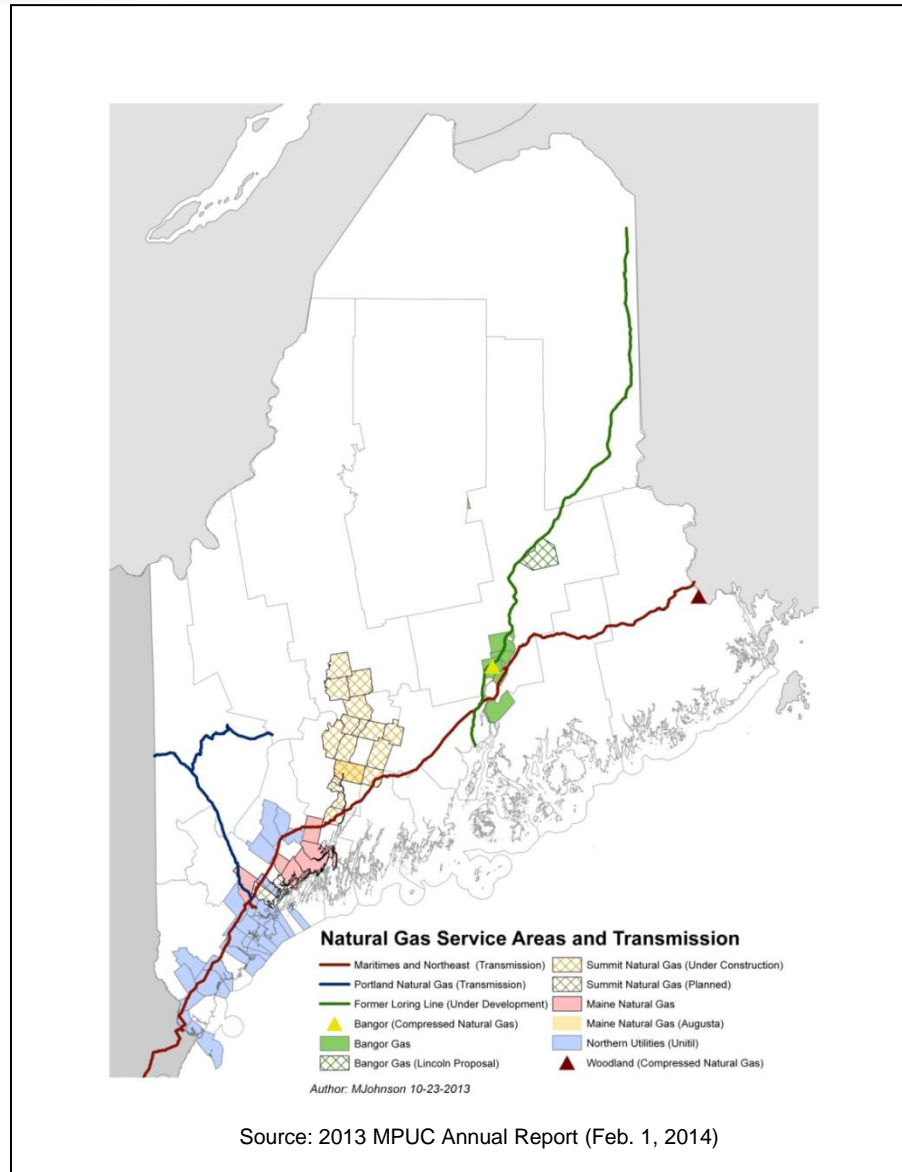


Source: Northeast Gas Association,
http://www.northeastgas.org/converting_gas.php

Percentage of Homes in Each State Using Natural Gas as Primary Heating Fuel



Sources: Energy Information Administration and Northeast Gas Association



Potential Ways to Encourage Expansion of Natural Gas

- Differentiated Natural Gas Rates
 - Cost of service basis
 - Charge higher rates in communities where it costs more to expand (phase out over time)
 - Reduces amount of Contribution in Aid of Construction (CIAC) payments by individuals
 - Allows residents to pay costs over time through distribution rates
 - Example: Portland Water District (non-member rates; town vs. city rates (superseded))

Potential Ways to Encourage Expansion of Natural Gas

- Community coordination to aggregate customer load
- Reduce costs of construction
 - Reduce permit fees
 - Reducing stringency of municipal requirements
 - Use of town or regional resources to offset construction costs (e.g. public works department, Community Development Block Grant funds)
- Low interest loans to finance natural gas conversion costs