

Summary of Fuel Switching Programs Offered by Other Electric Utilities

Puget Sound Energy

Program Offering

In December 2008, Puget Sound Energy (“PSE”) implemented a tariff in Washington that created an incentive for residential customers to convert from electric service to natural gas. PSE electric customers are eligible for the incentive whether they are switching to PSE natural gas service or Cascade Natural Gas service. These programs are consistent with PSE’s 2007 Integrated Resource Plan, in which the company determined that it could meet electric energy efficiency goals in part through fuel conversion to natural gas. PSE estimates that it can save 8,760 MWh in 2010 and 2011 through fuel conversion, which is enough electricity to power 730 average homes. This savings represents approximately 0.037 percent of total MWh in 2009.¹

PSE offers one-time cash payments to existing residential customers (one to four units)² who convert to highly efficient natural gas space heating or domestic water heating equipment or both. The Company provides incentives for replacing existing electric forced-air or baseboard space heating equipment or tank style water heating equipment with high efficiency natural gas space heating equipment or high efficiency natural gas domestic water heating equipment, or a combination of such equipment.

PSE offers the following rebates to single-family electric customers:

- ✓ Water heating only: \$950
- ✓ Home heating only: \$500 to \$2,500³
- ✓ Home and water heating: \$1,950 to \$3,950

However, the rebate amount is limited to 75% of the total equipment and installation cost.

Budget and Cost Recovery

PSE proposed an annual 2010/2011 budget for the fuel switching program of about \$4.5 million, 2.7 percent of the electric energy efficiency program budget of \$167 million. PSE expects to conserve approximately 1.7 MWs through the gas conversion program. The fuel switching incentive represents about 6 percent of the existing residential program in terms of dollars spent and approximately 5.3 percent in terms of megawatts saved. PSE is allowed to recover the costs for this fuel switching program through its Electric Conservation Rider, which is assessed on all electric customers. PSE expects the gas conversion program will have a benefit/cost ratio of 2.66 using the

¹ According to Puget Sound Energy’s 2009 FERC Form 1, their total MWh in 2009 were 23,926,211.

² Puget Sound Energy multi-family program, which serves buildings with five or more units, is also listed under the residential class in the company’s report to the Idaho PUC.

³ Rebate level is inversely proportional to energy usage. The logic is that customers with higher KWH usage have a natural incentive to convert to natural gas, while customers with lower KWH usage – and therefore a longer payback period - would require more financial incentive.

TRC test and 5.65 using the Utility Cost test.⁴ Both ratios are the highest of any energy efficiency program offered by PSE to residential customers.

Customer Participation

During 2009, 434 customers participated in the fuel switching rebate program, with 85% of customers choosing to participate only in the water heating conversion program. Based on the \$950 rebate for water heating conversions, PSE would have spent approximately \$350,000 on this program element during 2009. PSE's program goals for 2010 and 2011 are for conversion of 1,500 water heaters and 300 space heaters.

CenterPoint - Texas

Program Offerings

In response to 1999 electric restructuring legislation in Texas that required electric utilities to reduce peak demand by at least 15% of projected annual load growth, CenterPoint ("CNP") developed a market transformation program that was intended to increase awareness of alternatives to electric water heating and space heating in multi-family residences. In 2007, Texas revised its energy efficiency goals for electric utilities in Texas through the passage of House Bill 3693, which required each investor-owned electric utility to reduce Texas customers' energy consumption by a minimum of 20% of the utility's annual growth in 2010.

CNP determined that in the single-family residential sector, natural gas water heating and space heating systems already were preferred by homebuyers because of their lower operating costs. However, a 2005 market research study indicated that Houston area developers used electric resistance water heating and space heating in over 95% of affordable, low-rise multi-family properties primarily because of the lower installation costs. The Multi-Family Water and Space Heating program provides incentives to multi-family project developers who facilitate the installation of non-electric water heating in both market rate and affordable rate multi-family projects within CNP's electric distribution service territory. These financial incentives are available to customers served either by CNP or Texas Gas Services. In addition to water heating, CNP has attempted to encourage the adoption of alternatives to electric resistance space heating in these same projects. The principal target of the program is new construction. Existing multi-family projects may receive incentives for other measures under CNP's existing standard offer incentive programs.

The primary barrier to the installation of non-electric technologies in multi-family properties is the higher initial cost associated with the installation of gas lines and gas appliances. The program addresses this barrier by offering incentives to project sponsors who install non-electric domestic water heating systems. For projects involving the installation of individual water heaters, the program provides different incentive levels for market-rate and affordable-rate projects. The incentive for market-rate projects is \$250 per unit, and the incentive for affordable-rate projects is \$450 per unit. The incentive amount is based on the PUC of Texas-approved deemed savings values for replacing an electric resistance water heater with a natural gas water heater which meets or exceeds minimum efficiency standards.

⁴ Puget Sound Energy, Appendix C: Program Cost Effectiveness, January 1, 2010, at page 4.

The installation of non-electric space heating equipment is also encouraged. While additional incentives are not available for the installation of space heating equipment, one of the application selection criteria is the residents' projected annual energy bill savings. Applications that include the installation of gas space heating are likely to be rated higher, based on this criterion.

CNP also offers incentives to certain mid- and high-rise new construction projects with central water heating systems. In order to be eligible for these incentives, the project sponsor must demonstrate that the installation of gas water heating systems would not have occurred in the absence of CNP's Multi-Family Water and Space Heating Program. For projects with central water heating systems, the incentives are based on the projected annual KWh and peak KW savings for the project. The incentive for market-rate projects is \$200 per unit, and the incentive for affordable rate projects is \$350 per unit.

Budget and Cost Recovery

The primary objective of the Multi-Family Water and Space Heating Program is to increase the market penetration of high-efficiency gas water and space heating in multi-family properties. The goal for the 2010 program is the installation of non-electric water and space heating systems in a minimum of 1,400 multi-family properties. The 2010 program budget is set at \$400,000 for customer incentives and \$52,700 for administration. This amount is collected through the Energy Efficiency Cost Recovery Factor, which is assessed to electric utility customers. In October 2009, CNP-TX was approved to recover energy efficiency costs of \$8 million through this tracking mechanism; however, recovery was deferred until July 2010 due to a rate freeze.

Customer Participation and Energy Savings

Over 7,200 units have been converted to natural gas since CNP started the Multi-Family Water and Space Heating Program in 2007. Verified energy savings in 2009 as a result of this program were 2,957 MWh and 0.63 MW. Verified energy savings for the Multi-Family program in 2008 were 3,174 MWh and 0.53 MW. For 2010, CNP forecasts energy savings of 2,176 MWh and demand reduction of 0.75 MW. The following table summarizes program results in 2009.

Program	Units	Average Rebate	2009 Spending
Houston Electric	1,274	\$361	\$460,050
Houston Gas	1,275	\$176	\$223,950

Avista Corporation

Program Offering

Avista offers a variety of fuel switching programs to residential, multi-family, and commercial and industrial customers. For residential electric customers, Avista offers \$750 to replace electric space heat system with natural gas heat (or an electric heat pump), and a \$250 rebate to replace an electric water heater with a natural gas model. Customers may also qualify for rebates for installing high efficiency appliances.

Avista offers a \$2,000 incentive to developers of multi-family projects for installing gas space heating and water heating rather than electric. This incentive applies to new construction projects only, and the developer may qualify as long as 75% of the multi-family project is heated by natural gas.

For commercial and industrial customers, Avista offers a rebate of \$150 for customers replacing an electric water heater with a natural gas model. The water heater must be 80 gallons or smaller, and the building must be 4,000 square feet or smaller. The water heater must have an Energy Factor greater than or equal to 0.60 and an AFUE of greater than or equal to 90%. This rebate is only available to those customers who purchase both electric and gas service from Avista.

In Washington, Avista's conservation programs are funded through a tariff rider, which collects \$10 million per year from electric customers and \$4 million per year from gas customers.

Philadelphia Electric Company

Program Offering

Philadelphia Electric Company ("PECO") offers a fuel switching program to residential customers in its service territory whereby the company offers a \$200 rebate for conversion from electricity to natural gas home heating. If the customer does not have a gas service line to their home, they can earn credits toward the installation cost of a gas line for each gas appliance they install. This program only applies to existing houses, not to new construction. The customer must be located in the PECO service territory for natural gas in order to qualify for the rebate. In 2008, PECO estimated that it had 154,000 electric space heating customers. Like other energy efficiency and conservation programs, the PECO fuel switching program for space heating is funded through a tariff rider/adjustment mechanism.

In addition, PECO offers residential customers a \$300 rebate for upgrading to an Energy Star qualified gas furnace with an efficiency rating of 90% or a gas boiler with an efficiency rating of 85%, and a \$50 rebate for upgrading to a high-efficiency natural gas water heater with an energy factor greater than or equal to 0.62.