

**National Fuel Gas Distribution Corporation
Conservation Incentive Program
Process Evaluation Summary
Revision Date: September 17, 2013**

Evaluation Conducted by: The Cadmus Group, Inc (“Cadmus”), in December 2011

PROGRAM SUMMARY

National Fuel Gas Distribution Corporation’s (“Distribution” or “the Company”) Conservation Incentive Program contains four components:

- **Low-Income Usage Reduction Program (LIURP)**, implemented by NYSERDA, through which National Fuel provides eligible low-income customers with energy education, an energy audit (including a blower-door test), and installation of appropriate conservation measures in their homes.
- **Residential Rebate Program (Res. Rebates)**, through which National Fuel offers prescriptive rebates to residential customers for purchases of high-efficiency gas appliances.
- **Non-Residential Rebate Program (NRCIP)**, implemented by NYSERDA, through which National Fuel offers rebates for high-efficiency gas equipment to small commercial customers, with annual usage of 12,000 Mcf or less. The program offers two participation avenues: a custom path and a prequalified path.
- **Outreach and Education (O&E)**, a broad-based outreach and education program that promotes energy efficiency through various efforts including the NEED Energy Detectives Program, the distribution of CIP Kits, and the Savings Card program.

EVALUATION OBJECTIVE AND HIGH LEVEL FINDINGS

The process evaluation objective was to assess program processes and provide recommendations for improving program operations. The evaluation was from program inception (November 2007) through the end of program year four (December 2011).

Evaluation findings and recommendations for this process evaluation were created by program component. Specific findings and recommendations for LIURP, Res. Rebates, NRCIP and O&E are summarized in detail below. The Company is accepting each of the 23 recommendations made by Cadmus, and has found a way to embrace the intent of each recommendation, in order to achieve successful and sustainable results, in a cost effective manner. A complete listing of recommendations and their current status is provided in the Evaluation Recommendations and Program Administrator Response section of this Process Evaluation Summary.

LIURP

Through LIURP, implemented by NYSERDA, National Fuel provides eligible low-income customers with energy education, an energy audit (including a blower-door test), and installation of appropriate conservation measures in their homes.

Cadmus’ process evaluation found that, overall, LIURP’s Year 4 operated smoothly, reflecting improvements made over the previous three implementation years. Communication has proved effective

between National Fuel, NYSERDA, and Honeywell in implementing the program and addressing customer recruitment. Opportunities remain for further streamlining program implementation processes, particularly in data tracking. Based on these findings, Cadmus recommended the following actions:

- Investigate adopting a tracking system to allow real-time or near-real time project tracking and shared access by NYSERDA, Honeywell, and National Fuel. This would allow National Fuel to better respond to customer inquiries and reduce data entry errors.
- Investigate the feasibility of designating project completion for individual funding organizations, indicating when all measures funded by one organization have been completed. This would eliminate delays in National Fuel's ability to record savings for LIURP jobs with outstanding work funded by other groups.
- Consider increasing targeted outreach to rental property owners and tenants to address lower participation among these customers.

RES. REBATES

Through Res. Rebates, National Fuel offers prescriptive rebates to residential customers for purchases of high-efficiency gas appliances. The process evaluation found this well-established program ran smoothly. Participation met expectations, and program and spending goals were achieved or surpassed annually. Trade allies and customers expressed high satisfaction with the program. Communication and coordination works well between National Fuel, CSG, and EFI. Although efforts to improve processing time are always advisable, rebate processing runs smoothly, with over 98 percent of customers satisfied with the time required to receive their rebates. Additionally, the QA system in place has worked well, with minimal quality issues reported from CSG and EFI. Incentive levels presented the primary concern about the program. About half of the trade allies expressed frustration over reduced incentives from Year 3 to Year 4. Cadmus recommended National Fuel should consider the following:

- Continuing to reach out to trade allies through mass mailings and e-mail blasts, prior to incentive level or measure changes, so trade allies have sufficient time to prepare for the changes.
- Holding meetings in addition to mailing out letters; so trade allies have an opportunity to ask questions and fully understand the reasoning behind program changes. Although this did occur in past program years an annual meeting was not held in Year 4. Based on feedback from trade allies this was a valuable activity, especially in years when incentive levels are adjusted, and should be reinstated.
- Reassessing incentive levels for Year 5. The slow economy and loss of federal incentives may compound effects of reduced incentives levels in Year 4, potentially leading to lower participation levels in Year 5.

NRCIP

Through NRCIP, implemented by NYSERDA, National Fuel offers rebates for high-efficiency gas equipment to small commercial customers, with annual usage of 12,000 Mcf or less. The program offers two participation avenues: a custom path and a prequalified path. The process evaluation found the program's prequalified portion has been a valuable addition, bringing large numbers of customers into the program. The custom program has experienced a slow launch, due to the weak economy and the hard-to-reach nature of the small commercial sector. Cadmus offered the following recommendations:

- National Fuel should consider partnering with a few trade allies serving small commercial customers to assist customers with the application process, including project design, savings calculations, and rebate forms.
- Communication between NYSERDA and National Fuel works well. Establishing a primary contact for TAs at National Fuel could be useful, increasing the efficiency of communication.
- Inconsistent analysis among the three TAs could cause variations in the types of projects approved through the program. This has not caused problems in program implementation, but NYSERDA should continue to work with TAs to standardize this process as much as possible.
- The application process can be cumbersome for customers. National Fuel and NYSERDA should consider revamping the application, making it shorter and more concise, and the application should be branded with National Fuel's logo to minimize customer confusion.
- National Fuel should focus on marketing the program's custom portion. Developing marketing collateral could potentially help draw more customers to the program. Specifically, Cadmus recommended National Fuel consider one or both of the following activities:
 - Provide case studies to highlight technical assistance, types of upgrades customers can make through the program, and resulting cost savings. These should be provided in print and through National Fuel and National Fuel for Thought Websites.
 - Better targeting of customer outreach by profiling energy usage and business types of existing customers and program participants. Partnering with trade allies to conduct direct outreach to top-priority customers.

O&E

O&E is a broad-based program that promotes energy efficiency through various efforts including the NEED Energy Detectives Program, the distribution of CIP Kits, and the Savings Card program. Based on the evaluation's findings, Cadmus offered the following recommendations:

- National Fuel should continue exploring options for NEED program expansion, particularly in low-income communities.
- National Fuel should consider providing additional guidance to prospective retail partners in the Savings Card program, encouraging them to offer discounts on measures conferring greater gas savings.
- Given the popularity of CIP Kits, National Fuel should continue kit distributions wherever possible, and consider expanding kit offerings to further promote conservation. For example, National Fuel could develop a CIP Kit targeting to small business customers for distribution at trade shows or other business-oriented events.
- Investigate opportunities to expand online outreach, including:
 - Updating the National Fuel for Thought Website to improve navigation and include relatable content. This could include testimonials from participant customers, and may help build awareness and understanding of program offerings.
 - Tracking Website traffic on a regular basis to inform marketing efforts.

- Explore adding social media outreach or expanding online outreach initiatives, such as creating and updating a Facebook page for the CIP. This would allow, for example, announcement of CIP kit distribution events, or promotions of rebate programs.

DETAILED PROCESS EVALUATION FINDINGS

As outlined above in the Evaluation Objective and High Level Findings section of this summary, evaluation findings and recommendations for this process evaluation were created by program component. Specific findings for LIURP, Res. Rebates, NRCIP and O&E are summarized in detail in Cadmus' process evaluation report. Detailed process evaluation findings are categorized as follows:

- Program Structure
- Outreach and Marketing
- Participant Experience and Satisfaction
- Communication and Data Reporting
- Quality Assurance
- Implementation Barriers
- Program Strengths and Areas for Improvement

EVALUATION METHODS AND SAMPLING

Through the process evaluation, Cadmus addressed the CIP overall and each of its components separately. This allowed for the evaluation of issues unique to each component, delivery method, and sector. The main process evaluation areas included:

- Process efficiency;
- Delivery infrastructure; and
- Customer response (including adoption of measures).

Cadmus tailored these process issues to each specific component and CIP target market. As detailed below, data was collected using surveys and interviews. Data collection activities included involvement from participant customers, trade allies, program staff, and implementation staff, detailed as follows:

- **Participants:** Residential National Fuel customers who purchased equipment eligible for a rebate under the program, and submitted a rebate application approved for payment. Cadmus identified participants through tracking records provided by National Fuel and created a random sample of those who participated during Year 4 of the program. Out of the total 3,360 customers who participated in Year 4, Cadmus surveyed 70, resulting in a 90 percent confidence interval with a 9.8 percent precision level.
- **Trade Allies:** Those delivering program services or otherwise associated with the program, including: retailers and installation contractors. Cadmus identified trade allies through customer applications and records maintained by National Fuel and created a sample of trade allies who participated during Year 4 of the Residential Rebate program. The sample was stratified by the number of rebates associated with the trade allies, ensuring that both small and large retailers/contractors were able to provide feedback about the program. The stratification and number of completed interviews is detailed in Table 1.

Table 1. Trade Ally Sample Stratification

Number of Rebates in Year 4	Trade Allies	Total Completes
100+	11	3
99 to 50	15	3
49 to 25	23	3
24 to 10	58	2
9 to 5	64	2
4 to 1	242	2

- **Key Program and Implementation Staff:** This group included:
 - National Fuel program staff;
 - New York State Energy Research and Development Authority (NYSERDA) staff involved in implementing the LIURP and nonresidential components;
 - National Energy Education Development Project (NEED) implementation staff involved in the Energy Detectives Program;
 - Residential Rebate Program implementation staff at Energy Federation, Inc. (EFI) and Conservation Services Group (CSG); and
 - Technical assistance (TA) contractors involved in reviewing nonresidential program applications.

Table 2 shows the number of surveys or interviews completed for each respondent group.

Table 2. Survey Respondent Groups by Program

Program	Respondent Group	Completed Interviews/Surveys
CIP Portfolio	National Fuel Staff	3
LIURP	National Fuel Staff	3
	NYSERDA Staff	1
Residential Rebate Program	National Fuel Staff	2
	EFI Staff	1
	CSG Staff	3
	Trade Allies	15 (5 CIP card participants 10 non-CIP card participants)
	Participants	70
Nonresidential Rebate Program	National Fuel Staff	2
	NYSERDA Staff	1
	Technical Assistance Contractors (TAs)	2
Outreach and Education	National Fuel Staff	3
	NEED Staff	1
	CIP Card Participants (Trade Allies)	5
	Savings Kit Recipients	Ongoing
	Energy Detective Participating Households	Ongoing

Through the process evaluation, Cadmus examined the following issues, addressing overall CIP operations:¹

- Program theory and logic model;
- Administrative and operational structure; and
- Program status and modifications.

For the process evaluation, we also reviewed, to the extent possible, the following items for each CIP component:

- Program roles and responsibilities;
- Program implementation processes; and
- Quality assurance and quality control.

Finally, Cadmus summarized key findings and provided recommendations (included in this report). These results are intended for incorporation into program delivery.

EVALUATION RECOMMENDATIONS AND PROGRAM ADMINISTRATOR RESPONSE

The following recommendations were made by the evaluators conducting this study. Distribution's initial response to these recommendations is summarized below. It is important to note that recommendations and company responses are grouped by program (LIURP, Res. Rebate, NRCIP or O&E). In conjunction with current EEPS reporting requirements, these recommendations will be tracked on a going-forward basis, through a quarterly recommendation tracking spreadsheet reported to Staff. It is important to note that the Company responses shown below are updated as of September 17, 2013.

LIURP

Recommendation 1: Investigate adopting a tracking system to allow real-time or near-real time project tracking and shared access by NYSERDA, Honeywell, and National Fuel. This would allow National Fuel to better respond to customer inquiries and reduce data entry errors.

Response to Recommendation 1: Accept – The Company will continue to work with Honeywell and NYSERDA to enhance precise monthly reporting. Initial enhancements were completed in January 2012 and effective monthly reporting continues on an on-going basis.

Recommendation 2: Investigate the feasibility of designating project completion for individual funding organizations, indicating when all measures funded by one organization have been completed. This would eliminate delays in National Fuel's ability to record savings for LIURP jobs with outstanding work funded by other groups.

¹ On September 20, 2007, the Commission issued an order directing National Fuel Gas Distribution Corporation to implement a Conservation Incentive Program. Once this program was implemented and was operational, the program was considered to be a stand-alone, outside of the Energy Efficiency Portfolio Standard (EEPS). Distribution's stand-alone Conservation Incentive Program has a number of goals for day-to-day program administration and for overall program effectiveness. In addition, the Commission has provided annual budgetary guidance for the Conservation Incentive Program. On January 1, 2012, the Conservation Incentive Program officially became part of EEPS, based on Commission order. Distribution received energy-savings targets for the Conservation Incentive Program, as part of EEPS. This process evaluation encompasses activity for program years one through four, before the company became part of EEPS. As a result, this process evaluation does not contain a discussion of formalized energy savings targets.

Response to Recommendation 2: Accept – The Company will continue to work with Honeywell and NYSERDA to identify jobs that NFGDC and other third parties jointly fund. In addition, the Company will assess potential reporting for jobs with NFGDC’s portion completed so that NFGDC can take credit for earned savings sooner. NFGDC began initial conversations with Honeywell and NYSERDA on this topic. These conversations have continued over time, as the program continues to be executed.

Recommendation 3: Consider increasing targeted outreach to rental property owners and tenants to address lower participation among these customers.

Response to Recommendation 3: Accept – In order to target rental tenants and low income families, NFGDC is partnering with Neighbors Connecting, which is a non-profit, City of Buffalo affiliated organization. The partnership, which began in 2012, is expected to target five block clubs/neighborhoods for the program launch.

RES. REBATES

Recommendation 4: This well-established program runs smoothly. Participation has met expectations, and program and spending goals have been achieved or surpassed annually. National Fuel should continue to implement the program as designed, given its success and positive reception by customers and trade allies.

Response to Recommendation 4: Accept – The Company will continue to execute the program as designed, given its success and positive reception by customers and trade allies. This recommendation will be on-going, as the Conservation Incentive Program continues under EEPS.

Recommendation 5: Trade allies and customers expressed high satisfaction with the program. National Fuel should continue to market the program using a variety of channels to maintain high awareness levels and engaged trade allies. National Fuel should also maintain the straightforward and simple application process.

Response to Recommendation 5: Accept – The Company will continue to execute the Outreach and Education plan for 2012 to 2015 in order to maintain high awareness levels while engaging trade allies. This recommendation will be on-going, as the Conservation Incentive Program continues under EEPS.

Recommendation 6: Communication and coordination works well between National Fuel, CSG, and EFI. Rebate processing runs smoothly, with over 98 percent of customers satisfied with the time required to receive their rebates. Additionally, the QA system in place has worked well, with minimal quality issues reported from CSG and EFI.

Response to Recommendation 6: Accept – The Company will continue to maintain on-going communication and coordination between Distribution, CSG, and EFI. This recommendation will be on-going, as the Conservation Incentive Program continues under EEPS.

Recommendation 7: Incentive levels presented the primary concern about the program. About half of the trade allies expressed frustration over reduced incentives from Year 3 to Year 4.

Response to Recommendation 7: Accept – The Company will request that Staff retain the current residential rebate schedule for Year 5 of the program. This was completed August 2011, as part of the Company’s program modification petition.

Recommendation 8: National Fuel should consider continuing to reach out to trade allies through mass mailings and e-mail blasts, prior to incentive level or measure changes, so trade allies have sufficient time to prepare for the changes.

Response to Recommendation 8: Accept – The Company will continue annual letters to contractors, notifying trade allies of program changes and modifications on an annual basis for all Conservation Incentive Programs, not just the Residential Rebate Program.

Recommendation 9: National Fuel should consider holding meetings in addition to mailing out letters; so trade allies have an opportunity to ask questions and fully understand the reasoning behind program changes. Although this did occur in past program years, an annual meeting was not held in Year 4. Based on feedback from trade allies, this was a valuable activity, especially in years when incentive levels are adjusted, and should be reinstated.

Response to Recommendation 9: Accept – The Company will reinstate contractor meetings for the Conservation Incentive Programs, including the Residential Rebate Program. Contractor meetings were held during late summer/early fall 2012, and were reinstated.

Recommendation 10: National Fuel should consider reassessing incentive levels for Year 5. The slow economy and loss of federal incentives may compound effects of reduced incentives in Year 5.

Response to Recommendation 10: Accept – The Company will request that Staff retain the current residential rebate schedule for Year 5 of the program. This was completed August 2011, as part of the Company's program modification petition.

NRCIP

Recommendation 11: The program's prequalified portion has been a valuable addition, bringing large numbers of customers into the program.

Response to Recommendation 11: Accept – The Company will maintain the prequalified rebate option as part of the NRCIP program. The prequalified rebate option is currently in place for NRCIP. Given the popularity of the prequalified option, it currently makes sense to continue to maintain this offering as part of NRCIP. This recommendation was completed for program years 5 and 6 of NRCIP.

Recommendation 12: The custom program has experienced a slow launch, due to the weak economy and the hard-to-reach nature of the small commercial sector. National Fuel should consider partnering with a few trade allies serving small commercial customers to assist customers with the application process, including project design, savings calculations, and rebate forms.

Response to Recommendation 12: Accept – As part of the Outreach and Education budget, the Company will hire an Outreach Administrative Coordinator that will focus on small business as well as potential custom rebate program participants, further engaging customers, while encouraging participation in the program. The Outreach Administrative Coordinator was hired and a kick off meeting for this newly created position was held in March 2013.

Recommendation 13: Communication between NYSERDA and National Fuel works well. Establishing a primary contact for trade allies at National Fuel could be useful, increasing the efficiency of communication.

Response to Recommendation 13: Accept – As part of the Outreach and Education budget, the Company will hire an Outreach Administrative Coordinator that will focus on small business as well as potential custom rebate program participants, further engaging customers, while encouraging participation in the program. The Outreach Administrative Coordinator was hired and a kick off meeting for this newly created position was held in March 2013.

Recommendation 14: Inconsistent analysis among the three TA's could cause variations in the types of projects approved through the program. This has not caused problems in program implementation, but NYSERDA should continue to work with TA's to standardize this process as much as possible.

Response to Recommendation 14: Accept – The Company will continue to maintain on-going communication and coordination between NFGDC and NYSERDA, helping to simplify the application and approval process for both trade allies and customers. The Company will also reinstate contractor meetings for the Conservation Incentive Programs, including the NRCIP program. The first part of this recommendation is on-going, as the Conservation Incentive Program continues under EEPS. Contractor meetings were held during late summer/early fall 2012, and were reinstated.

Recommendation 15: The application process can be cumbersome for customers. National Fuel and NYSERDA should consider revamping the application, making it shorter and more concise. Creating two applications, one for the prequalified option and one for the custom option, could be a solution to this problem, effectively reducing the number of pages for each application and the number of irrelevant fields.

Response to Recommendation 15: Accept – The Company will work with NYSERDA to maintain an on-going dialogue in order to keep the application process as simple as possible for customers, with a focus on the differences between prequalified and custom rebates. This recommendation will be on-going, as the Conservation Incentive Program continues under EEPS.

Recommendation 16: Customers may not understand National Fuel and NYSERDA's programs are one in the same. The application should be branded with National Fuel's logo to minimize customer confusion.

Response to Recommendation 16: Accept – The Company will continue to work with NYSERDA to explore co-branding opportunities on applications that are part of the NRCIP program. The Company began conversations with NYSERDA in 2012 regarding possibly co-branding applications. These conversations are on-going.

Recommendation 17: National Fuel should focus on marketing the program's custom portion. Developing marketing collateral could potentially help draw more customers to the program. Specifically, we recommend National Fuel consider one or both of the following activities: 1) provide case studies to highlight technical assistance, types of upgrades customers can make through the program, and resulting cost savings. These should be provided in print and through National Fuel and National Fuel for Thought Websites. 2) Better targeting of customer outreach by profiling energy usage and business types of existing customers and program participants. Partnering with trade allies to conduct direct outreach to top-priority customers.

Response to Recommendation 17: Accept – As part of the Outreach and Education budget, the Company will hire an Outreach Administrative Coordinator that will focus on small business as well as potential custom rebate program participants, further engaging customers, while encouraging participation in the program. The Outreach Administrative Coordinator was hired and a kick off meeting for this newly created position was held in March 2013.

O&E

Recommendation 18: Continue exploring options for NEED program expansion, particularly in low-income communities.

Response to Recommendation 18: Accept – The Company will place added emphasis on attracting low income school districts to agree to participate in the NEED program during the 2012-2013 school year, including those areas of western New York with the highest poverty levels. This added emphasis was put into place for the NEED program's 2012-2013 school year and continues for the upcoming 2013-2014 school year.

Recommendation 19: Consider providing additional guidance to prospective retail partners in the Savings Card program, encouraging them to offer discounts on measures conferring greater gas savings.

Response to Recommendation 19: Accept – The Company will reengage energy partners to spur participation in the Savings Card Program. The Savings Card program was reinvigorated for the 2012-2013 winter heating season.

Recommendation 20: Given the popularity of CIP Kits, National Fuel should continue kit distributions wherever possible, and consider expanding kit offerings to further promote conservation. For example, National Fuel could develop a CIP Kit targeting to small business customers for distribution at trade shows or other business-oriented events.

Response to Recommendation 20: Accept – The Company will utilize the Neighbors Connecting and Meals on Wheels partnerships to broaden the distribution of CIP Kits, especially in low income, high usage areas. In addition, the Company will partner with local small businesses to present CIP Kits at trade shows in NFGDC's service area (e.g., Buffalo Home and Garden Show). This recommendation will be on-going, as the Conservation Incentive Program continues under EEPS.

Recommendation 21: Updating the National Fuel for Thought Website to improve navigation and include reliable content. This could include testimonials from participant customers, and may help build awareness and understanding of program offerings.

Response to Recommendation 21: Accept – The Company will consider the use of customer and trade ally testimonials on the National Fuel For Thought Website. This consideration is still on-going and is being pursued in conjunction with the Outreach Administrative Coordinator.

Recommendation 22: Tracking Website traffic on a regular basis to inform marketing efforts.

Response to Recommendation 22: Accept – The Company will partner with Digital Media Networks to ensure that Conservation Incentive Program online banner ads are placed on websites that provide the greatest reach and frequency potential. Online banner ads were executed during the 2012-2013 winter heating season, as part of the Digital Media Networks partnership.

Recommendation 23: Explore adding social media outreach or expanding online outreach initiatives, such as creating and updating a Facebook page for the CIP. This would allow, for example, announcement of CIP Kit distribution events, or promotions of rebate programs.

Response to Recommendation 23: Accept – The Company will explore the use of e-mail blasts in conjunction with NFGDC's effort to urge customers to move towards paperless billing. E-mail blasts were utilized during the 2012-2013 winter heating season, and will be considered for future use on a going-forward basis.