

July 18, 2017

To the EESE Board:

The EERS Committee has conducted an extensive review of the May 31, 2017 draft “2018-2020 New Hampshire Statewide Energy Efficiency Plan” (Draft Plan) via a series of seven weekly meetings that concluded on July 18. These were robust and productive meetings, publicly noticed pursuant to RSA 91-A, and well-attended by all EESE Board EERS Committee members, representatives of the utilities, other interested stakeholders and the PUC Staff. Christine Donovan, Team Lead from the Vermont Energy Investment Corporation (VEIC), served in the role of “EERS Planning Expert” hired by the PUC. She and 16 other VEIC subject matter experts provided review comments on each section of the Draft Plan and facilitated committee discussion on key elements of the plan.

The Settlement Agreement approved by the PUC in Docket No. DE 15-137 paves the way for the implementation of the Energy Efficiency Resource Standard (EERS). The agreement requires the utilities, as the administrators of New Hampshire’s ratepayer-funded energy efficiency programs, to file a three-year plan for the first triennium of the EERS by September 1, 2017 after developing the plan “in consultation and collaboration” with the EESE Board. The EESE Board, in turn, created the EERS Committee and tasked it with the detailed work necessary for such consultation and collaboration.

The resolutions that follow are some, but not all, of the fruits of this labor. They do not purport to be a comprehensive assessment of the Draft Plan and each of the parties represented on the Committee reserves the right to raise additional issues, or take different positions, when the Plan is subject to formal adjudication later this year. Rather, what follow are recommendations to the EESE Board with respect to positions the Board could usefully take in the fulfillment of its consultation and collaboration responsibilities, on areas of general consensus, and on issues that are particularly consequential and/or controversial.

In considering these recommendations, the Committee hopes the Board will keep in mind that many of the benefits of the seven weeks of intense deliberations are intangible, coming in the form of increased understanding among the stakeholders and the further development of trust and mutual respect among those whose work will be essential to making the EERS a success.

I. GENERAL OBSERVATIONS

The Committee recommends that the EESE Board commend the utilities for their effective collaboration given that it is evident they have increased both their degree of coordination and integration and their use of knowledge and experience gained in light of the Eversource, Unitil and Liberty presence in Massachusetts, and Eversource’s additional presence in Connecticut. The Committee further recommends that the Board ask the utilities to include additional details in the Plan to be submitted in September. These additional details should include specific actions and the sequence in which they should take place, with benchmarks to measure achievement wherever possible. Finally, the Committee recommends that the Committee ask the utilities to include a more comprehensive explanation of the reason for an

Energy Efficiency Resource Standard, and clear objectives for each program, as designed, in the Plan.

II. INCLUSION OF NON-ENERGY IMPACTS IN COST/BENEFIT SCREENING

On page 34 of the Draft Plan, the utilities recommend that when applying the applicable cost-benefit test (i.e., the Total Resource Cost test) to energy efficiency measures to determine their eligibility for ratepayer funding, a ten percent “add” be applied on the ‘benefits’ side of the calculation to account for non-energy impacts (NEIs).

Consistent with its previous resolution recommending an “evidence-based approach” to NEIs, the Committee recommends that the Board endorse the ten percent adder approach, provided that:

1. The utilities treat the ten percent adder as a conservative, evidence-based placeholder to be revised and refined through the Evaluation, Measurement and Verification (EM&V) process to be established in the three-year Plan;
2. The utilities verify and document more New Hampshire-specific empirical evidence of specific NEIs and/or document evaluation results from other jurisdictions or participate in regional evaluation studies that can be reasonably adapted for use in New Hampshire;
3. The utilities include, in the final edition of the Plan to be filed at the PUC on September 1, 2017, an additional placeholder adder, supported by similar empirical evidence to that relied upon for the ten percent adder used in No.1 above, when analyzing measures for inclusion in the Home Energy Assistance program, to account for impacts that are unique to this program serving low income households in New Hampshire;
4. The utilities likewise consider including in the September 1, 2017 filing a potentially higher placeholder adder for energy efficiency measures deployed by natural gas utilities, reflecting an evidence-based approach to NEIs that is distinctive to the natural gas context;
5. The utilities include in their September 1, 2017 filing empirical analyses of NEIs from other jurisdictions, similar to the evidence provided by the utilities in their June 20, 2017 presentation to the Committee, and which demonstrates that the proposed placeholder adders have a sound evidentiary basis and are not subject to double counting; and
6. The utilities demonstrate that the inclusion of NEIs in the relevant cost-benefit calculations have a sound evidentiary basis, both in connection with the formal submission of this plan to the Commission and thereafter, with the evaluation, measurement and verification process.

III. FINANCE AND FUNDING

Section 5 of the Draft Plan describes a scenario in which the utilities continue their current limited program of financing activities, to provide options to customers requiring assistance in

covering the co-payment portion of their energy efficiency installation projects, while researching the possibility of making existing loan programs more accessible to residential customers of moderate income. In addition, Section 3.5 of the Draft Plan includes discussion regarding “exploring ways to harness private investment opportunities and the secondary market in order to provide additional funding sources for energy efficiency programs.” The Committee recommends that:

1. The Board ask the utilities to make more explicit, in the Plan, the distinction between funding used to assist customers with the co-pay piece of their energy efficiency projects (i.e., loans, on-bill financing, etc.), and funding used directly by the utilities as an offset for or supplement to the rebate dollars (or upstream buy-downs) provided within individual utility programs;
2. That, regarding customer co-pays, the Board request the utilities provide more detail on how to enhance financing options to make energy efficiency improvements meaningfully accessible and affordable to New Hampshire utility customers;
3. Regarding utility rebate and buy-down funding, the Board seek a more detailed commitment for researching and identifying funding options, testing their applicability and workability, and pursuing/testing viable sources, with specific time frames and deliverables over the Plan’s three-year implementation period; and
4. As part of these considerations, and to encourage progress toward identifying and procuring viable finance and funding solutions for incorporation in the utilities’ next three year plan (2021-2023), the Board request that the utilities include commitments within the revised Plan to complete relevant research activities during 2018, with input from a group of knowledgeable and interested stakeholders, in time for incorporation and implementation of results into the utilities’ annual update filings for the 2019 and 2020 program years.

IV. EVALUATION, MEASUREMENT AND VERIFICATION (EM&V)

On Page 10, the DE 15-137 Settlement Agreement provides that the critical tasks of evaluation, measurement and verification (EM&V) will be “conducted by independent third parties supervised by the Commission with advice and participation from the Settling Parties and the EESE Board.” On Page 10, the Settlement also authorizes the Commission to hire an EM&V expert “to assist Staff, the Settling Parties, the EESE Board or successor, and others as determined by the Commission, in participating in EM&V activities.” On Page 109, the Draft Plan calls for the establishment of an EM&V Working Group “composed of relevant staff or designees of the Commission, and staff or designees from each of the NH utilities.” On Page 109, the Draft Plan states that Working Group decision-making authority will reside with the Staff but that the utilities may “bring . . . decisions with which it disagrees to the Commission for review and resolution.”

The Committee recommends that the Board:

1. Actively participate in the EM&V process as specified in the DE 15-137 Settlement Agreement;
2. Ask the utilities to revise the plan to describe how the stakeholder process adopted in the Settlement Agreement will enable meaningful input from the settling parties and the EESE Board;
3. Ask the utilities to broaden the make-up of the EM&V Working Group, beyond Commission and utility representatives, to include other interested and knowledgeable stakeholders;
4. Ask the Commission to accelerate the process for procurement of an EM&V expert so that the expert is hired to assist with formation of the EM&V Working Group as soon as possible so that activities can be initiated and priorities set during the first quarter of 2018; and
5. As a placeholder, ask the utilities to include in the revised Plan, an initial set of recommended 2018 priority evaluation activities, including identification of necessary baseline studies and TRM (technical resource manual) development efforts.

V. STOP/START PROBLEM

In the interest of achieving desired market transformation, the Committee recommends that the Board ask the utilities to modify the plan to explain in more detail their strategy for increasing the extent to which funding for each program will be consistently available throughout the year.

VI. PERFORMANCE INCENTIVE

The Commission's decision in Docket No. DE 15-137 contemplates that the utilities will continue to receive a performance incentive when the utilities achieve desired outcomes in their capacities as energy efficiency program administrators. However, because the utilities were authorized to implement a lost revenue adjustment mechanism (LRAM) beginning in 2017, a practice that will continue once the EERS is operational, the utilities agreed to reduce their target level of performance incentive to 5.5 percent of program spending, with a cap of 6.875 percent of spending, for 2018-2020.

As to how the incentive is calculated, on page 9 the Settlement Agreement states that “[t]he Settling Parties agree to review the existing . . . formula prior to the filing of the 2018 EERS filing, and the Settling Parties, individually or in a group or groups, may make recommendations in that filing or during the Commission's review of that filing of modifications to the current formula. Such review shall include consideration of the achievements of energy efficiency savings for low income customers.”

The Draft Plan proposes to maintain the currently applicable performance incentive calculation formula. During the Committee's deliberations the utilities made clear that significant revisions to the formula would, logically, require them to develop a quite different EERS implementation plan than what is reflected in the current draft (since it is, by definition, calculated to help the utilities achieve the incentivized performance).

The Committee recommends that the Board ask the utilities to revise the Plan to provide for the gradual revision and improvement of the performance incentive formula according to the following timeline:

2018 -- Utilities work with EESE Board and EERS Committee to identify what metrics should be included in the formula. A series of working group meetings with interested parties to review the PI take place, facilitated by the independent expert hired by the PUC.

2018-19 -- Utilities continue to use current performance incentive formula as proposed in Draft Plan.

2019 – Establish baselines and finalize new performance incentive formula.

2020 -- New performance incentive formula is effective.

VII. PILOT PROJECTS

The Committee recommends that the Board ask the utilities to consider adding certain pilot projects to the Plan, e.g., geo-targeting, strategic energy management, and connected devices & fixtures, and advise the utilities to review similar programs ongoing in other states to determine how the results of those pilot programs may inform efforts in New Hampshire.

VIII. CONCLUSION

Thank you for considering the above recommendations. The Committee reiterates its thanks to the utilities for engaging in such a useful and deep set of conversations about the Draft Plan. We are confident that the result will be an adjudicative process in the fall that is less contentious than it otherwise would have been – followed by a highly successful launch of New Hampshire's Energy Efficiency Resource Standard.

Respectfully submitted,

D. Maurice Kreis, Chair, EERS Committee