

## OCA's Core Energy Efficiency Program Recommendations for 2011

### Background

In the Settlement Agreement in DE 09-170, the docket in which the Commission approved the 2010 Core Energy Efficiency Programs, the Parties agreed that planning for 2011 should begin earlier in 2010 than in prior years due to a variety of factors. Specifically, the Parties agreed:

During the spring of 2010 the Settling Parties and Staff will meet to discuss program planning for 2011 in order to allow the Electric Utilities to make the 2011 Core Program Filings no later than August 1, 2010. Any party seeking to suggest enhancements for the 2011 Core Programs shall do so by providing a copy of any such proposals with sufficient details to the Settling Parties and Staff no later than April 30, 2010. The Settling Parties and Staff agree to discuss the development of an integrated program proposal for the gas and electric utilities for future Core Program years. The Settling Parties and Staff further agree that any funds from the 2009 Core Programs that remain unexpended shall be carried forward to the Core Programs.

DE 09-170 Settlement Agreement, Section II.J, p. 11, December 18, 2010, approved in Order No. 25,062.

This filing represents the OCA's response to this opportunity in the Settlement Agreement to "suggest enhancements" for the 2011 program year.

### SB323

Before providing specific recommendations, we would like to briefly discuss pending legislation that we believe would be very helpful to aid in the improvement of the Core and gas energy efficiency programs. Senate Bill 323 requires that the PUC oversee a comprehensive, independent review of efficiency and sustainable energy programs in the state, including the Core programs and the ratepayer funded gas energy efficiency programs, in close consultation with the EESE Board. The OCA is hopeful that the legislation will be passed, as we believe that this type of in depth review of the Core and gas efficiency programs is needed, especially after eight years of implementation. Although the OCA, Staff and several intervenors participate actively in annual Core dockets, as well as gas efficiency dockets every three years, in an effort to improve the programs. However, those dockets do not provide sufficient time to address the many important issues involved in designing and managing effective energy efficiency programs that are responsive to changing needs, evolving technologies, and other new developments in the market. We believe that the study required by SB323 will provide important information about how the Core and gas efficiency programs could be improved, and we therefore respectfully suggest that the report findings and recommendations, due in November 2011, be considered in incorporation into a future combined Core and gas efficiency docket.

Notwithstanding the fact that the SB323 study could provide critical information to vastly improve the design and delivery of the programs, we believe that important changes can begin to be implemented on January 1, 2011. A major task that the Parties have committed to for that date is to integrate the gas efficiency programs in the Core programs. Some of this integration has started with the acquisition of Energy North by National Grid, and the acquisition of Northern Utilities by Unitil. However, much more work must be done to ensure that from a customer perspective, access to these efficiency programs are seamless. We look forward to a joint gas and electric filing on August 1, 2010 that achieves the goal of full integration.

### Recommendations

In terms of specific recommendations for enhancements for 2011 and beyond, the OCA would first like to incorporate the issues listed in the 2010 Settlement Agreement. Although we have begun to discuss some of these issues at our now monthly meetings, several will require much more focused efforts as we prepare for 2011 and beyond. They are:

- Select and work with a consultant on the development of a multi-year evaluation plan which may include reviewing the level of rebates and subsidies;
- Review of the performance incentive to ensure that incentives are appropriately aligned with Core Program goals;
- Marketing, education and outreach, including improvement of the NH Saves website, common web tools for all utilities, and the development of uniform materials to inform customers of energy efficiency opportunities;
- Reviewing the level of rebates and subsidies;
- Whether Core Programs vendor selection process should be modified; reviewing the findings of the 2009 Commission Staff audits, whether NHEC's Load Management System as described below in Section I(5) should be funded by the SBC; and planning for the 2011 integration of program delivery with the gas utilities' energy efficiency programs.

See id. at p. 4-5.

As stated above, some of these tasks are underway, but many require additional time and resources. It is our hope that we can take the time, and have access to the resources, to fully investigate these issues and make recommendations that will result in the most effective programs that reach the most customers.

In addition, the OCA recommends that the parties consider the following issues, some of which are subsets of those listed above:

- Review rebate levels and whether any, such as those for CFLs, are higher than necessary to motivate customer action in light of market transformation or other issues;
- Whether the goals of the programs should be more refined to go beyond spending available resources cost effectively and to prioritize market transformation;
- Whether the shareholder incentive mechanism actually incents the behavior we need from utilities, whether the 8-12% level is still appropriate, and whether more advanced metrics and goals are appropriate at this time (as well as other considerations detailed in Stephen Eckberg's testimony on behalf of the OCA in this docket);
- Whether the level of detail provided to the Commission and the parties is adequate to allow for a full review of the programs and spending (i.e. the lack of detailed plans and budgets for monitoring and evaluation (M&E) or marketing and education);
- Ensuring that PUC Audit Staff performs a financial audit of the programs each year;
- Establishing appropriate low income program funding levels in light of the continuing high levels of need for low income efficiency services to avoid repeating the contentious process in the last two dockets;
- Ensuring that all costs to the utilities of administering the Core and gas efficiency programs are charged to the SBC and the gas efficiency rate in order to have a complete understanding of those costs;
- Continue to explore how best to integrate "fuel blind" programs into the Core and gas programs to provide "whole building" services to customers;
- Remove programs that result in little or no energy savings (such as NHEC's current "Load Management Program" from the Core programs;
- Consideration of a more open and market based approach for consumers to participate in the program, so that a consumer could seek a rebate for qualifying work performed by the contract of their choice rather than being required to use only utility-chosen contractors;
- Ensuring that those contractors who deliver services are taking every opportunity to educate homeowners, businesses and other participants so that there is an understanding of the range of possibilities for efficiency investments beyond what the Core and gas efficiency programs can offer; and
- Investigate how many differences exist between utilities in the implementation and delivery of the programs, which are supposed to be statewide but which in reality have many variations.

## Resources

The OCA is concerned about the ability of the Staff and the parties to address all of these issues in the 2011 docket that will begin on August 1, 2010 with the utilities' filing. The OCA urges the Commission to consider allocating additional resources to the oversight of the Core and gas energy efficiency programs. With a combined total of approximately \$25 million annually in ratepayer funds being utilized for the Core and gas efficiency programs, and with all of the recent developments in the field, we believe that more specific energy efficiency expertise is needed in order to assist the Commission, Staff, OCA and the intervenors in determining the most cost effective, consumer-friendly programs possible. We believe that the recent RFP issued by the Commission seeking assistance for Staff in fulfilling its Monitoring and Evaluation role is an excellent example of how resources should be used to help the Commission and the parties fulfill their oversight roles. The OCA looks forward to working with Staff, the utilities, and other parties to implement the M&E plan developed by the consultant.

Similarly, another specific area that deserves special attention is marketing and education. It is our view that the utilities have underspent and underperformed in this area consistently over the life of the Core programs, in large part due to their fear of over-subscribing the programs. This approach will not help us reach our efficiency goals. While the OCA believes that we should not spend on marketing and education to the exclusion of actual program spending, we strongly believe that the utilities' approach to marketing and education is insufficient, and that if we continue their approach we will lose a tremendous opportunity to achieve the significant reductions that the state has identified as clear goals for the future. For example, we agree with the Office of Energy Planning that marketing and education programs must include focused efforts to pursue behavior change. This type of approach has the benefit of helping consumers understand why they should invest in efficiency, and we believe it can have the added benefit of reducing "free ridership" by motivating those who can afford to make efficiency investments without subsidies to do so. We understand that utilities have reason for not supporting aggressive efforts to reduce energy use, but we believe that those barriers must be overcome or addressed. Therefore, we respectfully suggest that the Commission look closely at how the utilities have been approaching marketing and education, and consider in the upcoming docket how those funds could be better utilized to meet the Core and gas efficiency goals, while also support the state's longer term efficiency goals.

## Other Initiatives

The OCA believes that these issues are appropriate to consider in the context of several other initiatives including ARRA funding, RGGI grants including "Re-Core," the state's Climate Change Action Plan, the work of the EESE Board, and other work that is aimed at meeting the state's larger efficiency goals. The Core and gas efficiency programs simply must be part of an integrated approach to meeting our future energy goals. It is a huge missed opportunity to not ensure full integration and coordination of all efficiency programs and funding to the extent possible.

### Conclusion

The OCA stands ready to assist in this important work. Although like many others we are constrained due to our limited resources, we will continue to endeavor to help create and oversee the most effective and accessible efficiency programs for the ratepayers of the state.