

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-262

ELECTRIC AND GAS UTILITIES

2013-2014 Core Electric Energy Efficiency and Gas Energy Efficiency Programs

Order Approving Energy Efficiency Programs

ORDER NO. 25,462

February 1, 2013

APPEARANCES: Matthew J. Fossum, Esq. for Public Service Company of New Hampshire; Rachel Aslin Goldwasser, Esq. for Unutil Energy Systems; Sarah B. Knowlton, Esq., for Granite State Electric Company d/b/a Liberty Utilities, Inc.; Mark W. Dean, Esq. for New Hampshire Electric Cooperative; New Hampshire Legal Assistance by Alan Linder, Esq. for The Way Home; Ryan Clouthier for the Community Action Association; Dana Nute for The Jordan Institute; Brandy Chambers for the Office of Energy and Planning; Rebecca E. Ohler for the New Hampshire Department of Environmental Services; Office of Consumer Advocate by Susan W. Chamberlin, Esq. on behalf of residential ratepayers; and Marcia A. Brown, Esq. on behalf of Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 17, 2012, the electric and gas utilities jointly filed their proposed Core Energy Efficiency Programs for the 2013-2014 program years. The electric and gas utilities are: Granite State Electric Company d/b/a Liberty Utilities (GSEC); the New Hampshire Electric Cooperative, Inc. (NHEC); Public Service Company of New Hampshire (PSNH); and Unutil Energy Systems, Inc. (UES) (collectively, the Electric Utilities); EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities (ENGI); and Northern Utilities, Inc. d/b/a Unutil (Northern) (collectively, the Gas Utilities) (the Electric Utilities and Gas Utilities are together referred to as the Core Utilities).

On October 11, 2012, the Office of the Consumer Advocate (OCA) filed its notice of participation. The New Hampshire Community Action Association (CAA), The Jordan Institute,

The Way Home (TWH), Office of Energy and Planning (OEP), TRC Energy Services, Department of Environmental Services (DES), and New Hampshire Community Loan Fund filed petitions to intervene, which the Commission granted at the prehearing conference held on October 24, 2012.

The Commission approved the procedural schedule recommended by Staff and the parties by way of a secretarial letter dated November 1, 2012. Thereafter, Staff and the parties engaged in rounds of discovery and technical sessions. On December 4, 2012, Staff, OCA, and DES filed direct testimony. On December 14, 2012, PSNH filed rebuttal testimony which was corrected on December 17, 2012.

Also on December 14, 2012, Staff and many of the parties filed a settlement agreement. Staff and the settling parties attached to the settlement agreement a copy of the Core Energy Efficiency Program filing as originally filed, corrected pages of the filing, Power Point slides demonstrating how the utilities would separately track and report System Benefits Charge (SBC) and Regional Greenhouse Gas Initiative (RGGI) funds,¹ and a schedule demonstrating how non-electric expenses will be tracked by project. On December 18, 2012, PSNH filed revised Attachment H schedules to supplement schedules filed with the original filing. The Commission held a hearing on the merits on December 21, 2012.

¹ Historically, the Gas Utilities' energy efficiency programs have been funded by an energy efficiency charge included as a line item in the Local Distribution Adjustment Charge (LDAC). Also, the Electric Utilities' energy efficiency programs have been historically funded from various sources including: the SBC pursuant to RSA 374-F:4, VIII(c); forward capacity market (FCM) payments administered according to the FCM rules of the Independent System Operator-New England (ISO-NE); and the RGGI Greenhouse Gas Emissions Reduction Fund under RSA 125-O:23. A more detailed description of the funding sources and timing of funds can be found at pages 4-6 of the utilities' filing. The SBC rate for energy efficiency is presently 1.8 mills per kWh which is assessed on electricity consumed and collected as part of electric distribution rates. Pursuant to 2012 N.H. Laws Chapter 281, effective January 1, 2013, a new Energy Efficiency Fund will replace the Regional Greenhouse Gas Emissions Reduction Fund. All auction proceeds over a dollar per allowance are to be refunded to default service customers; the remaining proceeds will supplement the Core programs, after payment of administrative expenses. Allowance proceeds are expected to increase funding to Core Energy Efficiency Programs by approximately \$3 million to \$6 million annually.

II. SUMMARY OF THE CORE UTILITIES' 2013-2014 ENERGY EFFICIENCY PROGRAMS

In general, the Core Utilities propose continuing the previously-adopted and implemented Core Energy Efficiency Programs. The Core Utilities state that they have incorporated into their filing a number of the recommendations contained in the Commission-contracted energy efficiency study issued by Vermont Energy Investment Corporation (VEIC) on September 30, 2011. The proposed programs are as follows:

Residential – income qualified

Home Energy Assistance Program (an income qualified weatherization program)

Residential – non-income qualified

ENERGY STAR® Homes Program, NH Home Performance with ENERGY STAR® Program (HPwES), ENERGY STAR® Lighting Program, ENERGY STAR® Appliance Program, and the Residential Building Practices and Demonstration Program (Gas Companies). NHEC also offers a High Efficiency Heat Pump Program. PSNH also offers an ENERGY STAR® Homes Program Enhancement: Geothermal and Air Source HP Option; and a Customer Engagement Pilot Program.

Commercial and Industrial

Large Business Energy Solutions Program, Small Business Energy Solutions Program, and Educational Programs. NHEC and PSNH also offer a Smart Start Program. PSNH offers its programs to all commercial and industrial customers except for those taking service under rates for which no SBC revenues are collected such as the Backup Delivery Service Rate B, and certain customers who generate electricity on the customer's side of the meter. PSNH also offers an Education Enhancement – C&I Customer Partnership program, and a RFP Program for Competitive and Economic Development. Until also offers a Combined Heat and Power (CHP) C&I Pilot Measure.

All of these programs have previously been approved by the Commission. The Gas Utilities will also offer a Residential Building Practices and Demonstration Program as a pilot program. Its goals are to explore and demonstrate new or under-utilized energy efficiency practices and equipment that can enhance a home's overall energy savings

potential. The Gas Utilities plan to explore early retirement of boilers and the use of WiFi thermostats.

The Core Utilities propose no change to the budget adjustment guidelines. Once budgets are approved, no funds may be shifted between residential and commercial sectors without prior Commission approval except for transfers to or from individual programs of up to 20% of the individual program's budget, which can be made simply upon notice of the transfer to the Commission Staff and interested parties. For budget transfers to or from individual programs that are greater than 20% of the individual program's budget, the Core Utilities shall seek prior Commission approval. No funds shall be transferred out of the Home Energy Assistance Program without prior Commission approval. *See*, Exh. 1 at 46.

The Core Utilities propose no changes to the performance incentive. The performance incentive will be based on actual spending rather than budget spending to avoid potential double counting. The Core Electric Utilities will not include non-electric savings associated with the HPwES program in their calculation of the performance incentive. In Order No. 25,402 dated August 23, 2012, the Commission directed Staff and the parties to collaborate in a working group for the purpose of developing a performance incentive proposal and that working group's proposal is anticipated during 2013.

In response to the VEIC report, the Core Utilities are working with the OEP to plan and deliver training programs applicable to the home weatherization staff. Exh. 1 at 33-35. The Core Utilities and the OEP are implementing a common weatherization project database and shared software for assessing energy savings potential, program administration, and reporting. This shared database is expected to be operational in January 2013. *Id.* The Core Utilities have set more aggressive program goals by using historical kWh savings trends as a baseline and

adjusting the baseline for changing factors such as available funding, measure costs, measure life, measure mix, and energy codes. *Id.* The Core Utilities will be working with state and local governments to take advantage of legislative changes that allow state and local governments to enter into energy performance contracts for terms of up to 20 years. *Id.* The Core Utilities are adding to their education and training program a topic specifically identified in the VEIC report, new home construction techniques supporting the new ENERGY STAR® 3.0 standard and energy code training. *Id.* The Core Utilities are also including multi-family dwellings in both the HPwES and ENERGY STAR® Homes Programs. The HPwES program will focus on electrically-heated multi-family homes and the ENERGY STAR® Homes Program will be fuel-neutral. The Core Utilities have also increased their budgets by \$6 million to reflect additional RGGI funds and have set aside 15% of their budget for the Low-income Home Energy Assistance Program. *Id.*

III. SUMMARY OF THE SETTLEMENT TERMS

The following parties entered into a settlement agreement: GSEC; NHEC; PSNH; UES; ENGI; Northern; The Way Home; The Jordan Institute; CAA; New Hampshire Community Loan Fund; and Staff (Settling Parties). OCA, OEP, DES and TRC Energy Services did not join in the settlement agreement (Non-Settling Parties).

A. Program Administration and Budgets

The Core Utilities request authority to manage the operation of the 2013-2014 Core Energy Efficiency Programs to achieve the budget and programmatic goals established by the Commission. The Core Utilities commit to carrying out the 2013-2014 Core Energy Efficiency Programs, to spend within the Commission-approved budgets, and to meet operational goals for

each program. The Settling Parties propose that the current budget adjustments guidelines remain in effect.

The Electric Utilities agree to budget for and track expenditures by funding source for each energy efficiency program and illustrated this tracking in Attachment C to the settlement agreement. Exh. 1. The Settling Parties agree and recommend that any updates to the amount of anticipated RGGI funds for the 2014 program year be provided with the Core Utilities' updated filing for the 2014 program year. The Settling Parties agree and propose that sector budgets (including LDAC, SBC, FCM, and RGGI funds) be allowed to exceed the originally filed budget (not including the performance incentive) by up to 5% without further review or approval by the Commission.

B. Quarterly Meetings and Reports

The Settling Parties agree to continue quarterly meetings. Staff will coordinate and manage the meetings. Topics will include: 1) the quarterly reports; 2) program implementation issues or concerns; 3) notable accomplishments or events from the prior quarter; and 4) future plans or events. The Settling Parties recommend the quarterly meetings be used to explore the possibility of doing cost-effective "deep dive" projects and retrofits and to discuss the possibility of adjusting rebate levels for the Home Energy Assistance program. Further, the Settling Parties agree and recommend that possible changes to the programs for the 2014 program year also be discussed.

The Core Utilities agree to file quarterly reports no later than 60 days after the end of each quarter and agree that the reports will include: 1) a summary of the highlights of the 2013-2014 Core Energy Efficiency Programs, including program expenses, participation, annual and lifetime kilowatt-hour (kWh), and million British Thermal Units (MMBtu) savings; 2) details of

the electric and gas program budgets, showing the expenses by activity with pie charts for each program and totals by customer sector; 3) an electric-related forward capacity market report; 4) monitoring and evaluation reports; 5) the percentage of program expenditures, savings, and participation attributable to SBC and RGGI funds for each utility; and 6) a summary of electric and gas highlights of the Home Energy Assistance Program.

The Settling Parties agree that the Core Energy Efficiency Program team be comprised of representatives from each electric and gas utility, continue to oversee all Core program activities and quarterly reporting, and resolve issues that arise by consensus where possible with one member specifically designated as the liaison consistent with *Core Energy Efficiency Programs*, Order No. 23, 850, 86 NH PUC 804, 810 (2001).

C. Home Performance with ENERGY STAR®

Originally, the Core Utilities proposed permitting gas customers to collect a rebate of up to \$4,000 from their electric utility, in addition to a \$4,000 rebate from their gas utility. The Settling Parties withdrew this recommendation and instead recommended the issue be discussed at the quarterly meetings. At hearing, as indicated below, the OCA and DES advocated for the additional rebate for gas customers.

D. Performance Incentives

The Settling Parties agree to continue to collaborate in a working group as contemplated in the settlement agreement approved by the Commission in Order No. 25,402, dated August 23, 2012, in Docket No. DE 10-188. In addition, the working group agreed to develop a proposal for non-electric savings as directed by the Commission in that order. The Settling Parties agree to develop a performance incentive proposal and effective date for the Commission's review by June 30, 2013. If agreement cannot be reached, members of the working group will develop

individual proposals for a performance incentive and will file such proposals by June 30, 2013. For the present, the Core Utilities recommend that the method of calculating the performance incentive approved in Order No. 25,315 (January 9, 2012) be used to calculate the performance incentive for all proposed 2013-2014 energy efficiency programs and funding sources, except for the HPwES program. The Settling Parties agree that the Core Utilities will not collect a performance incentive on the non-electric portion for the HPwES until such an incentive mechanism has been approved by the Commission. The Settling Parties further agree that actual expenses related to the non-electric portion of the HPwES program will be calculated by summing the customer rebates associated with the non-electric measures installed, and that the performance incentive will be based on actual spending as opposed to budgeted spending to avoid potential double-counting of budgets in the calculation of performance incentives. *See Electric and Gas Utilities*, Order No. 25,189, 95 NH PUC 677, 689 (2010). The Settling Parties provided Attachment D to Exhibit 1 to illustrate this calculation.

E. Low Income Customers

The Settling Parties state that they support the low income budgets proposed in the Core Utilities' 2013-2014 Core Program filing.

F. Miscellaneous Provisions

The Core Utilities request authority to continue to make customer commitments during 2013 and 2014 for projects to be completed in 2013-2016. The Core Utilities state that such customers will have presented definitive plans for energy efficiency measures contained in the 2013-2014 program that have completion dates subsequent to the 2013-2014 program term. The Core Utilities propose to make commitments to such customers subject to continued and sufficient funding.

The Core Utilities agree to provide in their 2015-2106 program filing a summary of material changes to the Core Energy Efficiency Programs since the prior filing. The Settling Parties define “material changes” as: changes in funding sources; program design changes; addition of new measures; changes in rebates; new pilot programs; program evolutions; and proposed changes to savings assumptions. For programs in which the Core Utilities project a significant variance in savings between the most recently completed program year and the proposed program year, the Core Utilities agree to provide a direct comparison depicting the variance. The Core Utilities will further provide an explanation for those significant variances. The Core Utilities will strive to use consistent savings assumptions for all non-electric savings. The Core Utilities agree to provide the update for the 2014 program year no later than August 31, 2013. UES and NHEC agree to submit revisions to their on-bill financing tariffs within 90 days of an order approving the instant programs.

The Gas Utilities will continue to define C&I program participation by the number of prescriptive rebates provided, or in the case of custom measures, the number of custom projects completed.

G. RSA 125-O Monies

On or by June 1 of each year, PSNH agrees to provide the Settling Parties with a calculation of set-aside money available under RSA Chapter 125-O. PSNH also agrees that it will not include RGGI funds in the calculation of set-aside money and that in evaluating the cost effectiveness of projects at its own facilities, PSNH will use the same standards as are applied to Core Energy Efficiency Program projects.

H. UES

Pursuant to the settlement agreement, UES agrees to withdraw its Combined Heat and Power (CHP) pilot measure from the 2013-2014 Core Program filing and to provide the Settling Parties with additional information regarding the pilot during the first quarter of 2013. The Settling Parties agree that by April 30, 2013, they will determine whether to seek Commission approval to add CHP as a measure for the 2013-2014 programs.

IV. PSNH COMMERCIAL & INDUSTRIAL RFP PROGRAM

The Settling Parties did not reach agreement on PSNH's request that its pilot program, C&I RFP Program for Competitive and Economic Development, become a full Core Energy Efficiency Program. The Settling Parties left this issue to be presented at hearing.

Staff took no position on moving the program from a pilot to a full program, but stated that when programs transition from a pilot to a full program a study is usually conducted to assess the program. Staff noted that this program has not been studied and no independent entity had recommended that it become a full program. Staff stated that projects for this program are selected by RFP rather than on a first-come, first-serve basis as is the case for other Core Energy Efficiency Programs. Exh. 4 at 10. Staff stated that the program does not appear to have garnered enough interest in the target customer group to be competitive, and that it is not clear that PSNH has obtained any useful information from the program. *Id.* at 11.

PSNH stated that the program was first approved in 2002, it is one of PSNH's most cost-effective programs, and that it has consistently met or exceeded its savings goals. Exh. 5 at 1 and 3. The program is not intended for the mass market, but instead targets commercial and industrial customers and comprehensive projects involving more than 100,000 kWh savings. *Id.* at 2-3. PSNH testified that in the past three years there has been an average of just over five

projects per year. *Id.* at 2. Each project requires a minimum investment of \$150,000, a minimum annual savings of 100,000 kWh, and the budget limit is \$500,000. PSNH stated that unlike other rebate programs, RFP customers are required to bid the incentive and these have ranged from 10% to 61%, with an average of 44%. Based on this information, PSNH believes a 35% prescriptive rebate for large business retrofits is reasonable. *Id.* at 3, lines 15-21. PSNH stated that the pilot has fostered the development of comprehensive, multi-measure projects that would likely not be attempted under the Large Business Energy Solutions Program. According to PSNH, by encouraging customers and contractors to collaborate on the RFP projects, eliminating incentive caps and prescriptive rebates, more customers are taking more comprehensive steps to improve the efficiency of their facilities. *Id.* at 3. In its pre-filed testimony, PSNH provided examples of projects that were larger, more comprehensive, or innovative than projects done under the Large Business Energy Solutions Program.

V. POSITIONS OF THE NON-SETTLING PARTIES

A. Office of the Consumer Advocate

The OCA supports the proposal to allow gas customers to seek a second \$4,000 rebate under the HPwES program. Exh. 7 at 4. The OCA testified that gas customers pay into both their electric utilities' SBC fund and into their gas utility's LDAC, and should be allowed to access both programs. Hearing Transcript of December 21, 2012 (12/21/12 Tr.) at 147. The OCA testified that such customers could avail themselves of deeper energy efficiency retrofit projects and that qualified energy efficiency contractors could identify cost-effective measures. *Id.* at 146. The OCA acknowledged that data does not yet exist to support that there is an unmet need for this level of financial support. Exh. 7 at 4. The OCA testified that expanding the rebates would result in few incremental administrative costs. *Id.* The OCA testified that the

remaining issues contained in its testimony have been resolved by the settlement agreement. 12/21/12 Tr. at 144-145.

The OCA took the position that the settlement agreement did not go far enough. OCA did not want to take programs off the table and argued that New Hampshire has not begun to “max-out” its energy efficiency potential. 12/21/13 Tr. at 161. The OCA stated that expanded programs must be cost-effective. Lastly, the OCA supports PSNH’s C&I RFP program.

B. Department of Environmental Services

DES supports deeper energy efficiency projects. DES stated that the proposed HPwES program scope is fairly limited and consists primarily of the low-cost, easily implemented measures that have a high benefit/cost ratio. Exh. 8 at 3. DES expressed concern that by including only the most cost-effective measures, rather than a holistic approach that blends measures with a shorter payback period with those that have a longer payback, the deeper whole building energy efficiency measures necessary to increase efficiency of homes to levels recommended in the State’s Climate Action Plan will no longer be considered viable due to the longer payback period. *Id.* DES believes this could potentially leave those additional measures stranded for years to come. DES recommended that the residential programs be more creative. DES testified that energy efficiency measures available for funding and the expertise of a contractor in any given area may be limited, and so too is the scope of the home energy audit. *Id.* DES recommended that the Commission examine the current energy efficiency measures as well as the training and expertise of the contractors and assess whether home owners might be willing to conduct deeper energy efficiency measures with or without incentive funds. *Id.* DES is interested in ensuring that RGGI auction proceeds are utilized in a manner that achieves the greatest possible reductions in both critical pollutants and greenhouse gases in order to meet the

Climate Action Plan goals. *Id.* at 4-5. DES stated that notwithstanding House Bill 1490, which redirected the RGGI funds to the Core Energy Efficiency Programs, the legislation did not change the purpose of the RGGI program to reduce greenhouse gas emissions. 12/21/12 Tr. at 141 lines 18-23. DES also supports UES's CHP program and testified that the program has the potential for reducing emissions from greenhouse gases. *Id.* at 4.

C. Office of Energy and Planning

OEP did not file pre-filed testimony or testify at hearing. It stated that it did not object to the settlement agreement and was, rather, abstaining from taking a position because of the pending inauguration of a new governor.

D. TRC Energy Services

TRC intervened in the proceeding but did not file pre-filed testimony or participate in the hearing on the merits.

VI. COMMISSION ANALYSIS

The Commission has approved energy efficiency programs for electric and gas utility customers since 2001.² Applicable authorities guiding our review of these programs are contained in RSA Chapter 374. Pursuant to RSA 374-F:3, energy efficiency programs should be designed to reduce market barriers to investment in energy efficiency, provide incentives for appropriate demand-side management, and not reduce cost-effective consumer conservation. *Electric Utility Restructuring*, Order No. 23,574, 85 NH PUC 684, 691 (2000), citing RSA 374-F:3, X. We have held that utility-sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers. *Id.* The objective of the Core energy efficiency programs should be “consistency in both program offering and

² See, *Electric and Gas Utilities*, Order No. 25,189, 95 NH PUC 677, 688 (2010) for a list of orders from 2001 through 2009.

program design” and that the Commission’s focus in considering them would be on their “efficacy.” *Id.* at 693 and 695. We have consistently applied these principles to our review of the utility-sponsored energy efficiency programs.

In addition to these principles, N.H. Code Admin. Rules Puc 203.20 (b) provides that the Commission shall approve disposition of any contested case by settlement “if it determines that the result is just and reasonable and serves the public interest.” *See also* RSA 541-A:31, V(a). We evaluate the substantive terms as well as the process that led to a negotiated agreement. The fact that parties to a settlement agreement represented a diversity of interests and that issues were diligently explored and negotiated at length, serves as one indication that the results of the settlement are reasonable and in the public interest. *FairPoint Communications, Inc. et al.*, Order No. 25,129, 95 NH PUC 359, 390 (2010) *citing* *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,972, 94 NH PUC 256, 282 (2009). The Commission will not approve a settlement agreement “without independently determining that the result comports with applicable standards.” *Id.* The issues must be reviewed, considered, and ultimately judged according to standards that provide the public with the assurance that a just and reasonable result has been reached. *Id.*

The Electric and Gas Utilities’ proposed 2013-2014 Core Energy Efficiency Programs, as amended by the settlement agreement, contain many programs that the Commission has previously found to be in the public interest. *See, 2011-2012 Core Electric Energy Efficiency and Gas Efficiency Programs*, Order No. 25,189, 95 NH PUC 677 (2010) and *2011-2012 Core Electric Programs and Natural Gas Energy Efficiency Programs*, Order No. 25,315 (January 9, 2012). Although the kWh savings and reductions in Greenhouse Gas emissions of these programs were lower in 2011 than in 2010 and 2008, the programs still appear to be providing

cost-effective savings. Exh. 1 at 27-28. The continued savings from these programs will benefit all customers in the form of both electric load reduction and environmental pollution reduction. We find that the proposed programs represent an appropriate use of the SBC, Forward Capacity Market, and RGGI proceeds. Accordingly, we find the 2013-2014 Core Energy Efficiency programs, as amended by the settlement agreement, to be in the public interest.

Additionally, we grant the Core Utilities authority to make customer commitments during 2013 and 2014 for projects to be completed in 2013-2016 as we have done in the past. We direct Staff and the parties to continue to hold quarterly meetings. We direct the Core Utilities to file with the Commission quarterly and annual reports. On January 9, 2012, in Docket No. DE 10-188, the prior Core energy efficiency docket, the Core Utilities requested waiver of Puc 203.02 which requires that an original and six copies of documents be filed with the Commission. The Core Utilities request that given the voluminous size of the quarterly and annual reports, they be allowed to file fewer paper copies; with continued electronic copies to all parties and Staff. We will grant the request and allow the Core Utilities to file four hard copies in addition to the electronic copy with the Commission; three copies will be reserved for the Commissioners and one copy will be placed in the Commission's docket file. These reports will continue to be provided electronically to Staff and parties, thus satisfying the intent of the filing requirement of Puc 203.02; replacing additional paper copies with electronic copies will utilize the ease and efficiency of distribution via email. Therefore, we find granting the waiver request to be in the public interest.

Further, we encourage the Core Utilities to collaborate and leverage the 2013-2014 Core Electric Energy Efficiency and Gas Energy Efficiency programs with other cost-effective energy efficiency programs to improve access and the effectiveness of the programs.

Lastly, we note that in the hearing Mr. Belair of PSNH indicated that while the proposed RFP to explore the benefits of air conditioning load reduction did not presently include window air conditioners and their installation, the RFP would be revised to include window air conditioners. 12/21/12 Tr. at 89 lines 11-19. For clarification and emphasis, we reiterate:

we direct the parties and Staff to study the drivers of the increasing air conditioning load in both residential and C&I customer classes and to begin to develop cost effective energy efficiency programs to reduce this load. **Included in this analysis should be window unit air conditioners and their installation**, as well as central air conditioning systems. Because summer cooling load occurs at times of highest regional energy costs on a real time basis, we further direct the parties and Staff to further develop peak demand as a factor when calculating cost/benefit tests of proposed energy efficiency measures. We encourage the utilities to include additional measures or programs that target peak demand in the 2013-2014 CORE program filing. (emphasis added) Order No. 25,402 at 25.

A. Home Performance with ENERGY STAR® Rebate

We now turn to the issue of allowing gas utility customers to access energy efficiency programs through both their electric and gas utilities. The Settling Parties withdrew from consideration allowing gas customers to seek a \$4,000 rebate from both the electric and gas utility HPwES programs. The Core Utilities initially proposed allowing gas utility customers access to both programs on the basis that gas customers are in the unique situation of paying into both the SBC and LDAC funding mechanisms. As stated above, Non-Settling Parties testified in support of allowing up to an \$8,000 rebate for gas customers to allow deeper energy efficiency projects, arguing that the \$4,000 rebate cap allows a customer to go only so far down the list of recommended measures and leaves larger energy efficiency measures stranded due to lack of customer funds.

We understand the arguments that more comprehensive measures may, for little additional administrative cost, capture additional electric and gas savings that in turn can reduce greenhouse gas emissions. We also understand, as PSNH testified, that some of the more

expensive energy efficiency measures covered through the HPwES program may have different, and perhaps lower, cost-effectiveness ratios than less expensive measures. 12/21/12 Tr. at 82. Having considered the evidence and testimony, we conclude that to allow customers who have both gas and electric service to structure projects so as to take advantage of both a gas rebate of \$4,000 and an electric rebate of \$4,000, for a maximum of \$8,000 is in the public interest. Our understanding presumes that the rebates will be used toward projects contained within the existing HPwES programs, that the combined rebates will be for approved programs only, and that such measures will continue to meet the cost-effectiveness test. As such, we will support allowing gas customers access to both the electric and gas HPwES programs, and the two \$4,000 rebates, for the remainder of the 2013-2014 Core Energy Efficiency Program term. It is important to note that this is not “free money” – customers taking advantage of the maximum of both rebates would also be responsible for \$8,000 in energy efficiency measures under the HPwES program.³ This is consistent with prior Commission guidance that investments in energy efficiency not be duplicative of investments of customers or other third parties. *Energy Efficiency Rate Mechanisms*, Order No. 24,934, 94 NH PUC 26, 36 (2009). If our understanding of the proposal, as originally filed by the Electric Utilities and Gas Utilities, is correct, we direct Staff and the parties to file such confirmation with the Commission within 15 days of the date of this order.

When we allowed the utilities to modify the HPwES program, under the former Home Energy Solutions (HES) program in 2009, we stressed the importance of measuring whether changes in the program eased market barriers to participation. *2009 Core Energy Efficiency Programs*, Order No. 24,974, 94 NH PUC 296, 299 (2009). We apply this same concern to the instant case and we will expect the utilities to monitor participation levels, depth of measures

³ Rebate levels in both programs are limited to 50% of project costs.

conducted by customers, as well as kWh and MMBtu savings to see if the change in access to rebates for gas customers encourages them to engage in deeper energy efficiency projects.

In the alternative, if the original proposal by the utilities was to allow the total \$8,000 in rebates to apply to new energy efficiency programs or measures, not yet approved, then Staff and the parties ought to discuss the new measures further at the Core quarterly meetings.

Commission approval will be necessary for any new measures sought to be included in the HPwES program. Any proposal for new measures shall be filed with the Commission and shall include a description of the new measure, information regarding its cost-effectiveness, and an explanation of the accounting model that will be used to track HPwES rebate costs for Gas and Electric Utilities. Present schedules included in Exhibit 1 will likely need to be updated.

Because the Gas and Electric Utilities submitted no new measures or increased rebates, the Commission will defer ruling on this issue until such time as proposals are filed.

B. PSNH C&I RFP Program for Competitive and Economic Development

As stated above, for the past ten years PSNH has conducted a commercial and industrial energy efficiency program utilizing an RFP method of selecting potential projects. No independent, detailed evaluation of the benefits of the program has been done, however, PSNH has testified that the program is one of the most cost-effective programs it offers and that it can yield more comprehensive energy efficiency projects than its current C&I retrofit program: Large Business Energy Solutions Program. No party opposes PSNH's request to move the program from a pilot program to a full program, however, Staff testified that the program ought to be evaluated. Staff suggested PSNH report on program participation and how projects are selected. Staff stated that other utilities might benefit from knowing the results of PSNH's program. Such results might be used to design future Core C&I programs.

Having considered PSNH's request and Staff and the parties' positions, we find it is in the public interest to grant PSNH's C&I RFP Program for Competitive and Economic Development full program status. Although the program does not have as many participants as the other C&I energy efficiency programs, the program has demonstrated electric savings which benefit all customers. The program is also open to all C&I customers who meet the minimum budgetary and savings thresholds.

In lieu of an independent impact and process study, we will direct PSNH to provide the following information for our review: 1) a description of the RFP process used for the program; 2) a description of the criteria used to select customer projects; and 3) a description of how the criteria are weighted by PSNH in its review of proposals. Until otherwise ordered, for as long as PSNH offers this program, we direct PSNH to file, on an annual basis along with its existing annual report: 1) a summary of the number of bidders; 2) the number and brief description of the projects selected; 3) the actual expenditures by project; 4) the level of rebates; 5) the savings achieved by each project; and 6) any other information gained that will be useful in improving future C&I Core Energy Efficiency programs. We direct PSNH and Staff to work together to design a report format that contains this information.

In conclusion, we commend the Electric and Gas Utilities for offering energy efficiency programs with substantial statewide uniformity that take advantage of coordination with other state agency programs and the Community Action Agencies and appear to customers as seamless as possible. Recognizing that energy efficiency programs continually evolve as factors such as market barriers, funding, and technology change, we encourage the Core Utilities to continue to evaluate the program offerings to ensure cost-effective savings are achieved and that the SBC, FCM, and RGGI funds continue to be spent as efficiently as possible.

Based upon the foregoing, it is hereby

ORDERED, that the 2013-2014 Core Energy Efficiency Programs, as amended by the settlement agreement, and as clarified above with respect to the HPwES rebates for gas customers, is hereby APPROVED; and it is

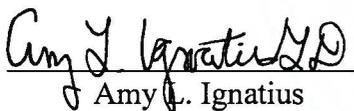
FURTHER ORDERED, that Staff and the parties shall file, within 15 days of the date of this order, confirmation of the Commission's interpretation of the HPwES rebates for gas customers; and it is

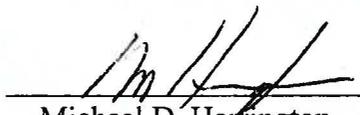
FURTHER ORDERED, that PSNH's request to move its C&I RFP Program for Competitive and Economic Development from a pilot status to a full Core Energy Efficiency Program is hereby APPROVED; and it is

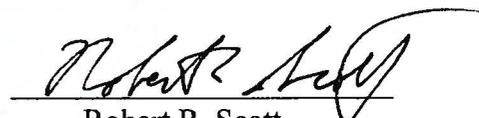
FURTHER ORDERED, that the Core Utilities' request to waive the number of paper copies of the quarterly and annual reports filed with the Commission is GRANTED.

By order of the Public Utilities Commission of New Hampshire this first day of February,

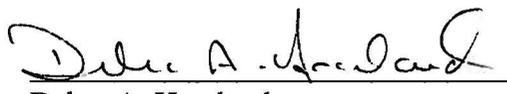
2013.


Amy J. Ignatius
Chairman


Michael D. Harrington
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director