

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-262

ELECTRIC AND GAS UTILITIES

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

**Order Approving Public Service Company of New Hampshire's Request to Transfer 2013
Surplus Core Funds to 2014 and 2015 Program Years**

ORDER NO. 25,703

August 7, 2014

In this order, the Commission approves the transfer of \$1,491,809 of surplus funds from PSNH's Core Energy Efficiency Program budget for program year 2013. The Commission allows PSNH to transfer \$734,283 to its Residential sector budget for program year 2014 and \$757,526 to its C&I sector budget for 2015-2016.

I. BACKGROUND

According to PSNH's Annual Report and Performance Incentive Calculation for the Core Energy Efficiency Program Year 2013, a balance of \$1,491,809 remains unexpended and available to transfer to PSNH's 2015 Energy Efficiency Program year budget. PSNH requests authority to transfer \$734,283 to its 2014 Residential sector budget instead, with \$510,512 dedicated to the ENERGY STAR Lighting Program (ES Lighting Program) and \$223,771 dedicated to the Home Energy Assistance Program (HEA Program). PSNH seeks to transfer the remaining balance of \$757,526 to its 2015 C&I sector budget in the 2015-2016 Core Energy Efficiency Program Plan. PSNH states that it utilized the same allocation methodology as will be used to develop the 2015 Core Energy Efficiency budgets by sector.

In support of increasing the 2014 budget for the ES Lighting Program, PSNH states that a recent drop in the price of LED bulbs and the introduction of multi-pack LED bulbs combined with incentives has led to a consumer demand greater than the demand that PSNH originally anticipated. Although PSNH has made program design changes to reduce the incentive and preserve its ES Lighting Program budget, the program has already fully achieved its budget and lifetime kilowatt-hour savings goals for 2014. Absent an increase in the budget and a transfer of funds, it will be necessary to close the program for the remainder of the year. PSNH calculates a benefit/cost ratio of 2.12:1 for the proposal, well above the Core programs' required ratio of 1.0:1 or greater.

In support of increasing the 2014 budget for the HEA Program, PSNH states that it has already committed its 2014 HEA Program budget to "shovel-ready" projects. A budget increase and transfer of \$223,771 would, according to PSNH, permit an additional 45 income-eligible residential customers to obtain weatherization and energy efficiency services in 2014. PSNH argues that this will keep existing Community Action Agencies and their weatherization contractors working on income eligible homes through the remainder of 2014. PSNH calculates a benefit/cost ratio of 1.42:1 for the proposal. PSNH submitted proposed program goals for the requested ES Lighting and HEA program funds and states that the goals will be incorporated within the performance incentive calculation for program year 2014.

With regard to the overall allocation between 2014 and 2015 budgets, PSNH argues that, because the allocations were developed using the methodology that would be used to develop the 2015 Core Energy Efficiency budgets by sector, the allocation will not benefit one sector to the detriment of the other. PSNH states that funds that would otherwise go to the residential programs in 2015 are simply being transferred to the 2014 budget.

Commission Staff (Staff) supports PSNH's proposal to increase its 2014 residential budget. Staff does not oppose PSNH's request for additional 2015 C&I funds, but notes that actual program proposals for the 2015-2016 program budget have not been filed. Staff notes, however, that if the total residential expenditure increases beyond the 5% sector cap due to the 2014 budget increase, then it will likely urge the Commission to limit PSNH's performance incentive to 105% of its original budget for 2014. *See 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency Programs*, Order No. 25,189 at 9 and 23 (Dec. 30, 2010) (approving cap of 5% over budget).

The Community Action Agencies, the Department of Environmental Services, The Way Home, The Jordan Institute, the Office of Energy Planning, Unutil, Liberty Utilities, and the New Hampshire Electric Cooperative all support PSNH's request. The Office of the Consumer Advocate does not object.

II. COMMISSION ANALYSIS

The policies contained in RSA Chapter 374-F guide the Commission's review of the Core energy efficiency programs, whether it reviews an entire program submission or, as is the case here, a modification to a program budget. 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). The Commission has 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 program design” and that the Commission’s focus in considering them would be on their “efficacy.” *Id.* at 693 and 695.

In the normal course, all surplus 2013 funds would be incorporated into the 2015-2016 plan, because the 2015-2016 plan is the first plan to be filed for approval following the final calculation of surplus 2013 funds. The 2014 budget has already been approved by the Commission. PSNH’s proposal to transfer some of the surplus 2013 funds to the 2014 budget requires the Commission to approve an increase in the 2014 budget and to determine whether the allocation of 2013 surplus funds between program years and sectors is appropriate.

The ES Lighting program offers incentives to reduce market barriers to residential customers’ investment in energy efficiency, namely efficient lighting products. The HEA Program funds weatherization and energy efficiency services for income-eligible households. The budget changes proposed for each of these programs will increase participation for 2014. *See* PSNH Letter (July 24, 2014) at 3 and Attachment B. The proposals are also cost effective. PSNH calculates the benefit/cost ratio of the ES Lighting Program proposal at 2.12:1, which should increase the original 2014 benefit/cost ratio of 1.46:1. *Compare* PSNH Letter (July 24, 2014) at 3 *and* Attachment D, *with* Exh. 12, Attachment at 81.¹ PSNH calculates the benefit/cost ratio of the HEA Program proposal at 2.2:1 and the ratio of the revised program at 1.42:1, which is higher than the ratio of 1.35:1 for the 2014 plan as originally approved. *Id.* In light of these facts, we find that the budget transfers will lead to increased savings in a cost effective manner.

We also find that allocating carryover funds in the manner proposed by PSNH will not benefit the residential sector to the detriment of the C&I sector. PSNH utilized the same

¹ Exhibit 12 is not consecutively paginated. Exh. 12 at 81 refers to the 81st page of Exhibit 12. This page consists of a table entitled “New Hampshire CORE Energy Efficiency Goals – 2014.”

allocation methodology as will be used to develop the 2015 Core Energy Efficiency budgets by sector. Generally, that methodology requires funds to be allocated to the four electric companies based on kWh volumes. The funding for each company is allocated to the Residential and C&I sector based on each company's kWh volumes for each sector, and 15% of the total funds are allocated to the income eligible HEA program. In this case, that amount is \$223,771 – i.e., 15% of \$1,491,809. Residential sector funds that would otherwise be expended in 2014 will be utilized in 2014 while the C&I sector will benefit from the carryover funds in the 2015 program year.

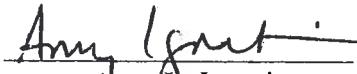
As for the performance incentive issues raised by Staff, there are multiple variables that affect whether the program will even yield a performance incentive. Accordingly, the Commission will defer rendering a determination on whether PSNH can collect a performance incentive on the instant request until after PSNH calculates its performance incentive for the 2014 program year. We expect to receive that calculation in June 2015.

Based upon the foregoing, it is hereby

ORDERED, that PSNH's request to increase its 2014 Core budget for the ES Lighting Program by \$510,512, to increase its 2014 Core budget for HEA Program by \$223,771, and to fund these increases with \$734,283 of the funds remaining in its 2013 budget is hereby approved; and it is

FURTHER ORDERED, that PSNH's request to transfer the remaining balance of 2013 funds to its 2015 C&I sector budget in the 2015-2016 Core Energy Efficiency Program Plan is hereby approved.

By order of the Public Utilities Commission of New Hampshire this seventh day of August, 2014.



Amy D. Ignatius
Chairman



Robert R. Scott (KNS)
Commissioner



Martin P. Honigberg
Commissioner

Attested by:



Debra A. Howland
Executive Director