STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 17-136

GAS AND ELECTRIC UTILITIES

2018-2020 NEW HAMPSHIRE STATEWIDE ENERGY EFFICIENCY PLAN

2019 UPDATE PLAN

Order Approving Plan

O R D E R N O. 26,207

December 31, 2018

APPEARANCES: Matthew J. Fossum, Esq., for Public Service Company of New Hampshire d/b/a Eversource Energy; Patrick Taylor, Esq., for Northern Utilities, Inc., and Unitil Energy Systems; Michael J. Sheehan, Esq., for Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, Inc., and for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Mark W. Dean, Esq., for New Hampshire Electric Cooperative; New Hampshire Legal Assistance, by Raymond Burke, Esq., for The Way Home; Rebecca Ohler for the New Hampshire Department of Environmental Services; Melissa E. Birchard, Esq., for Conservation Law Foundation; Brianna Brand and Madeleine Mineau, for the New Hampshire Sustainable Energy Association; Ellen Hawes, for Acadia Center; Office of the Consumer Advocate by D. Maurice Kreis, Esq. and Brian D. Buckley, Esq., for residential ratepayers; and Paul B. Dexter, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves the implementation of an energy efficiency (EE) plan for 2019 for electric and gas utilities (2019 Update Plan). The 2019 Update Plan meets the Energy Efficiency Resource Standard (EERS) established by the Commission in Order No. 25,932 (August 2, 2016) (2016 EERS Order) and represents the second year of the three-year EE plan for 2018-2020 (First Triennium Plan) approved in Order No. 26,095 (January 2, 2018) (First Triennium Order). The 2019 Update Plan continues the EE program elements previously approved for 2018. In addition, the 2019 Update Plan establishes a pilot demonstration program designed to reduce customer peak demand, and continues several stakeholder working groups established in the First Triennium Order. Implementation will begin January 1, 2019.

This order also approves rates for the utilities to allow them to recover program costs, performance incentives, and lost base revenues (LBR). In addition, this order approves a framework for stakeholders to develop a second triennial plan for 2021-2023, which will be filed for Commission review on or before July 1, 2020.

I. PROCEDURAL HISTORY

The 2016 EERS Order requires the filing of annual updates during each three-year EERS plan period. 2016 EERS Order at 41. The following electric and gas utilities (collectively referred to as the Utilities) filed an update for 2019 on September 14, 2018: Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Granite State Electric), the New Hampshire Electric Cooperative, Inc. (NHEC), Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource), and Unitil Energy Systems, Inc. (Unitil) (collectively, the Electric Utilities); and Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (EnergyNorth) and Northern Utilities, Inc. d/b/a Unitil (Northern) (collectively, the Gas Utilities). The update for 2019, like the three-year 2018-2020 plan, was developed in consultation and collaboration with a variety of stakeholders.

On September 20, 2018, the Commission issued a Supplemental Order of Notice scheduling a pre-hearing conference for October 5, 2018. At that conference, the Commission took statements of preliminary position from the Utilities, New Hampshire Sustainable Energy Association (NHSEA), Acadia Center (Acadia), The Way Home (TWH), Conservation Law Foundation (CLF), New Hampshire Department of Environmental Services (NHDES), the Office of the Consumer Advocate (OCA), and Commission Staff (Staff). In accordance with the procedural schedule, Staff and the parties engaged in discovery and met in a technical session.

On November 2, Staff, the OCA, and TWH filed direct testimony. Hearing Exhibit (Exh.) 11-15. NHSEA and Acadia filed direct testimony on November 5. Exh. 16-17. TWH and CLF submitted Statements of Legal Position on November 27. On December 13, the parties filed a Settlement Agreement (Settlement Agreement) signed by all parties, which called for approval of the Utilities' proposed update for 2019 with some modifications. The proposed update as modified is referred to in this order as the 2019 Update Plan. Exh. 18. The Commission held a hearing on the Settlement Agreement and 2019 Update Plan on December 13.

This order and prior docket filings, other than any information for which confidential treatment has been requested of or granted by the Commission, are posted on the Commission's website at http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-136.html.

II. PRE-SETTLEMENT POSITIONS OF THE PARTIES

A. Commission Staff

Commission Staff filed the testimony of James Cunningham, Elizabeth Nixon, and Leszek Stachow on November 2, 2018, that generally supported the Utilities' proposed update for 2019. Mr. Cunningham recommended that the Electric Utilities (except NHEC) provide an updated analysis of the impact of demand ratchets in their final 2019 LBR report. Exh. 13 at 12.

Ms. Nixon recommended that the Avoided Energy Supply Cost (AESC) values for reliability not be included in the benefit/cost screening test because the underlying data used to calculate the proposed reliability factor was not applicable to New Hampshire and was over 15 years old. In addition, Ms. Nixon did not support the additional 10 percent non-energy impact

(NEI) adder for screening income eligible programs at this time, pending the results of the NEI studies that were undertaken in 2018. Ms. Nixon supported inclusion of the environmental benefits from fossil fuel savings. Finally, Ms. Nixon recommended that in future plan filings, the Utilities highlight any changes in assumptions used in the AESC study, and that the Utilities include a summary of all available customer rebates. Exh. 14 at 5-11.

Mr. Stachow recommended that Eversource's customer engagement platform (CEP) program be extended for 2019 and monitored for increased participation. He also recommended that, after 2019, the CEP program be subject to a cost effectiveness screening test like all other EE programs. Mr. Stachow recounted the efforts of the Financing and Funding Working Group established per the First Triennium Order. Mr. Stachow testified that the utilities should move more quickly to find alternative sources of funding EE programs. Finally, Mr. Stachow made recommendations for the future roles of several working groups established in the First Triennium Order. Exh 15 at 7-18.

B. The Office of the Consumer Advocate

The OCA submitted the testimony of Jeffrey Loiter, Optimal Energy, Inc., who recommended that the Commission approve the programs, budgets, and savings targets as filed. Mr. Loiter made many additional recommendations concerning benefit/cost screening, performance incentives, funding and financing of EE, LBR, and Evaluation, Measurement, and Verification (EM&V). Key recommendations would require the EM&V Working Group to investigate the National Standards Practice Manual and the Resource Value Framework for evaluating EE programs, would require a detailed bill impact analysis, including the impacts on participants and non-participants, and would require a detailed billing analysis to test the accuracy of the LBR methodology. Mr. Loiter recommended that the Utilities be required to analyze controllable domestic hot water heaters and implement a Strategic Energy Management pilot program designed to develop a strategy to meet demand reduction targets for large customer load. He also recommended that Unitil and Liberty be required to implement a street lighting program like that offered by Eversource, and be required to investigate advanced street lighting controls. Mr. Loiter further recommended that the Commission investigate Eversource's CEP program and direct the Utilities to asses EE programs as alternatives to distribution systems investments. Exh 12.

The OCA also submitted the testimony of Chris Neme, of Energy Futures Group, concerning geo-targeted EE as a non-wires alternative to distribution investments. This topic was ruled outside the scope of this update proceeding. See Order Nos. 26,192 and 26,197 (November 16 and 30, 2018).

C. The Way Home

TWH sponsored the testimony of Roger Colton, of Fisher, Sheehan & Colton. Mr. Colton recommended that the Commission require the Utilities to carry forward any unspent Home Energy Assistance (HEA) program funds into the next year's HEA spending, and that EE budgets be increased to the level predicted in the First Triennium Plan. Mr. Colton also recommended that a working group investigate how to ensure that low-income households are not systematically excluded from HEA participation. Finally, Mr. Colton recommended that a 10 percent NEI adder (in addition to the ten percent NEI adder applied to residential EE programs approved in the First Triennium Order) be applied to the low-income programs in the Utilities' proposed update for 2019. Exh. 11.

D. Acadia Center

Acadia submitted testimony of Ellen Hawes stating that the System Benefits Charge (SBC) rates should be set at the level proposed for 2019 in the First Triennium Plan, which are higher than what the Utilities proposed for 2019. Ms. Hawes also recommended that the additional funding be used to cover stakeholder consulting costs up to $300,000 (as opposed to the $95,000 approved in the First Triennium Order) and that the remainder be used for additional EE program implementation. In addition, Ms. Hawes recommended structural changes to improve the effectiveness of the EESE Board in EE matters. Exh 17.

E. New Hampshire Sustainable Energy Association

NHSEA filed testimony of Madeleine Mineau generally supporting the Utilities' proposed update for 2019. Ms. Mineau testified that Unitil and Liberty should re-design their outdoor lighting rates to bring those rates closer to those of Eversource. Ms. Mineau pointed out that 75 percent of streetlights in Eversource's territory have been converted to energy efficient LED fixtures, while only two percent of Liberty's and zero percent of Unitil's have been converted. Ms. Mineau also testified in support of on-bill financing for EE and for more flexible eligibility screening of program participants. Exh. 16.

III. SETTLEMENT AGREEMENT

On December 13, 2018, all the parties to this docket filed a comprehensive Settlement Agreement calling for approval of the 2019 Update Plan (*i.e.*, the original proposed update for 2019 with modifications arrived at through settlement); setting a framework for the upcoming 2020 Update Plan and the second triennial plan (2021-2023); and otherwise addressing all issues in this case. Exh. 18. At the hearing held on December 17, all parties recommended that the

Commission approve the Settlement Agreement as filed. Staff and Utility witnesses testified that the EE programs to be implemented pursuant to the 2019 Update Plan are just and reasonable.

Concerning the 2019 budget levels, the Settlement Agreement provides funding close to the funding levels estimated for 2019 in the First Triennium Plan, which is $2.25 million higher than what the Utilities originally proposed. Exh. 10. The Settlement Agreement provides that $344,000 of the funding will be used for a peak demand reduction pilot program aimed at large business customers and $200,000 will be used for training of low-income program installers. The remainder will be split proportionately across other existing programs, with the additional EM&V allocation used to fund additional consulting for the stakeholder planning process that will be undertaken to develop the next triennial plan. Exh. 18 at 4.

The Settlement Agreement requires that any underspent funds of income eligible programs be carried forward to the succeeding year in those programs and not displace or reduce funding for a subsequent program year's budget. The Settlement Agreement states that this provision will be binding on the parties with regard to subsequent triennial plans.

The Settlement Agreement provides that LBR will be calculated according to the formula developed by the LBR Working Group. In addition, the Utilities will be required to include in their annual report filings three additional summary presentations relating to LBR. (Examples are shown on Attachments A, B, and C to the Settlement Agreement.) In June 2019, the regulated Utilities will provide an updated analysis of the impacts of demand ratchets on LBR, using the same format as used by each of the Utilities in Appendix E to the August 29, 2018, LBR Working Group Report. Finally, the Settlement Agreement provides that a previously planned evaluation of the Large Business Energy Solutions study will examine the customer peak and end-use load shapes used in the LBR calculation.

Concerning performance incentives, the Settlement Agreement provides that the PI Working Group established by the First Triennium Order will continue to study PI, with any changes to be included in the 2020 Plan update. Further, the PI Working Group will develop a performance incentive metric related to peak demand.

Eversource's CEP program will continue for 2019, and Eversource will increase marketing efforts with a goal of increasing participation by 50 percent over 2018 levels. Eversource will enhance tracking and reporting on customer use and will review increasing functionality. The Settlement Agreement provides updated roles for the working groups established in the First Triennium Order. The PI Working Group will continue to meet to develop recommendations in time for inclusion in the 2020 Update, including a peak demand reduction metric. The Financing and Funding Group will meet quarterly to continue to explore alternative funding sources and will employ a consultant in those efforts.

The Benefit/Cost (B/C) Working Group will continue the tasks laid out in the prior settlement approved in the First Triennium Order. In addition, the B/C Working Group will be the technical lead in two additional studies, one analyzing cost effectiveness and a second concerning energy optimization. The LBR Working Group made recommendations that were incorporated into the 2019 Update Plan and therefore this working group will be discontinued.

The EM&V Working Group will continue to follow the framework identified in the Strategic Evaluation Plan. In addition, the group will undertake a cost effectiveness analysis to review issues involving the use of the National Standards Practice Manual for screening EE programs. The EM&V Working Group will also explore how to treat the benefit and costs associated with fuel switching (also referred to as energy optimization). At the conclusion of these studies, recommendations will be submitted for review and approval by the Commission by August 2019, so that the results can be used in developing the second triennial plan.

The Settlement Agreement provides that the second triennial plan will be developed with significant stakeholder input and sets out parameters for timelines, the role of the EERS Committee of the Energy Efficiency and Sustainable Energy (EESE) Board, and consulting help. The second triennial plan will be submitted for Commission review and approval by July 1, 2020, allowing more time for Commission review than allowed in the first triennium. The Settlement Agreement narrows the scope of issues that stakeholders can raise in the 2020 Update Plan proceeding.

Concerning benefit/cost modeling assumptions, the Settlement Agreement provides that 2018 AESC values for savings from pooled transmission facilities and intrastate oil Demand Reduction Induced Price Effect (DRIPE) shall be included in program screening, while any values for local transmission benefits shall be excluded. Further, environmental benefits from fossil fuel savings shall be included. The AESC value for reliability benefits shall not be included. Concerning NEIs, the ten percent adder approved for 2018 shall be continued for 2019 and an additional ten percent adder for income eligible programs shall be included. Those adders will remain for the 2020 Update Plan as well, and then will be re-evaluated in light of the results of the two on-going NEI studies.

The Settlement Agreement provides that the Utilities will provide transmission and distribution cost information to the AESC study preparer if asked, will provide stakeholders the benefit/cost modeling assumptions for 2019 and 2020, and will work with Staff to develop a summary table of available program incentives. Further, the Utilities will not object to an investigation into street lighting tariffs, will investigate opportunities for demand reductions through controllable domestic hot water measures, and will undertake a detailed bill impact analysis of EE programs, including the impacts on participants and non-participants.

The Settling Parties agree that non-wires alternatives to distribution investments are worthy of study, but will not be a topic for review in this case or in the 2020 Update Plan docket. Non-wires alternatives may be reviewed in various other dockets (rate cases, Least Cost Integrated Resource Plan (LCIRP) reviews, grid modernization proceedings) and, in each Electric Utilities' next LCIRP filing, each company will provide a grid needs assessment.

IV. SUMMARY OF THE 2019 UPDATE PLAN

As modified and enhanced by the settlement process, the 2019 Update Plan continues energy efficiency programs implemented for 2018 (the first year of the first triennium). It is summarized broadly below.

A. Program Funding

The 2019 level of funding for the electric programs is $49,665,425. Exh. 18 at 4. The Electric Utilities propose an EE program SBC rate of $0.00373 per kWh, which is lower than the SBC rate of $0.00425 projected for 2019 when the EERS was adopted in the 2016 EERS Order. Exh. 19 at 1, 13, 24 and 27; Exh. 10 at 10-11. The current SBC rate for the 2018 Plan approved in the First Triennium Order is $0.00275. Exh. 10 at 10. Also, consistent with the 2016 EERS Order, each Electric Utility (except for NHEC) proposed an additional SBC component to recover Lost Base Revenues. Exh. 10 at 263.[1]

The 2019 funding for the gas programs is $11,469,197. Exh. 10 at 14. Each Gas Utility proposed a Local Delivery Adjustment Charge (LDAC) component for EE in its cost of gas

[1] Exhibit 10 includes four documents: (1) The proposed plan for 2019 filed by the Utilities on pp. 1-197, 223-259; (2) Direct Testimony of David Simek and Catherine McNamara from the most recent EnergyNorth cost of gas docket starting on p. 198; (3) Attachments of David Simek and Catherine McNamara starting on p. 217, and (4) Joint Testimony of Asbury, Goulding, Tebbetts and Woods starting on p. 260.

proceeding. Those rates were approved for Northern in Order No. 26,186, (October 31, 2018) and for EnergyNorth in Order No. 26,188 (November 1, 2018).

B. Industry Budgets[2]

The 2019 year electric program budget is $47,079,203. Exh. 18 at 4; Exh 20 at 2-3. It is allocated across the various sectors, as follows: Commercial & Industrial (C&I) and Municipal sectors: 52 percent of the budget; Residential: 31 percent; and Income Eligible: 17 percent. Exh. 10 at 15; Exh. 20 at 1-3.

The 2019 gas program budget is $9,896,499. Exh. 10 at 16; Exh 20 at 2-3. It is allocated across the various sectors, approximately as follows: C&I and Municipal sectors: 48 percent of the budget; Residential: 35 percent; and Income Eligible: 17 percent. Exh. 10 at 16; Exh 20 at 2-3.

C. Program Budgets

The 2019 Update Plan includes the same residential and C&I energy efficiency programs that the Commission approved for 2018. A description of each program can be found in Order No. 26,095 at 5-9. The 2019 Update Plan and Settlement Agreement make several enhancements to the existing programs. For instance, as a result of the Settlement Agreement, the Utilities have budgeted an additional $200,000 for HEA workforce training to help address program backlog. Exh. 18 at 5. In addition, the Gas Utilities, Unitil, and the NHEC will offer zero percent on-bill financing up to $4,000 as part of the Home Performance with ENERGY STAR program, and all Utilities are developing an incentive structure designed for manufactured homes as part of the ENERGY STAR Homes program. In 2019, the Utilities will develop and test a point of sale e-rebates platform that will allow vendors to confirm eligibility using a

[2] The electric and gas program budget amounts are less than the funding levels stated above because the budget amounts do not include the performance incentive, which is included in a separate provision of the budget.

customer's smart phone at the time and point of purchase of ENERGY STAR certified items. Eversource will improve its program for making customized EE recommendations by providing customer usage data in greater detail, for example kW and interval usage data. Last, the Utilities will continue to explore offering rebates for lighting and heating equipment at the distributor level so the rebates can be applied to the price that the customers pay at the point of sale, and will apply $344,000 toward a peak demand reduction pilot program for large businesses.

Budgets for various residential, and commercial and industrial programs are listed in the following table. For additional details, see Exh. 20:

SUMMARY OF 2019 EERS BUDGETS			
	Electric Utilities	**Gas Utilities**	**Total**
Residential Program Budgets			
Home Energy Assistance	$ 8,184,964	$ 1,684,368	$ 9,869,332
NH Home Performance w/Energy Star	$ 5,387,205	$ 1,239,988	$ 6,627,193
Energy Star Homes	$ 2,697,699	$ 612,751	$ 3,310,450
Energy Star Products	$ 5,025,263	$ 1,240,237	$ 6,265,500
Customer Engagement Platform	$ 211,877	$ -	$ 211,877
Home Energy Reports	$ 1,143,866	$ 352,520	$ 1,496,386
Commercial & Industrial Program Budgets			
Large Business Energy Solutions	$ 12,243,177	$ 2,923,338	$ 15,166,515
Small Business Energy Solutions	$ 7,442,124	$ 1,742,527	$ 9,184,651
Municipal Program	$ 2,000,272	$ -	$ 2,000,272
C&I RFP Program	$ 1,195,561	$ -	$ 1,195,561

D. Program Financing

The 2019 Update Plan proposes to continue several financing options currently available to participants, as well as offering some new options. For example, through the Residential Energy Efficiency Loan Program, the Utilities will continue to offer residential customers reduced rate financing (at 2 percent) through five New Hampshire lending partners. In addition, Unitil and the NHEC will offer residential customers zero percent on-bill financing for loans up to $4,000 (*i.e.* double the current maximum), and Northern and EnergyNorth will begin to offer on-bill loans up to $4,000 per residential project. In 2019, the Gas Utilities will offer their commercial customers the same offerings that their electric affiliates offer their electric customers. All the Utilities offer financing to municipal and business participants, allowing those customers to use the energy savings realized to help pay back the loans.

E. Benefit/Cost Screening

As in past years, the Utilities screened the proposed EE programs for cost effectiveness using the Total Resource Cost (TRC) test, which compares the present value of the lifetime benefits of the programs to the Utilities' implementation costs, plus any participant out-of-pocket costs. The energy benefits are evaluated using an Avoided Energy Supply Cost (AESC) study which is performed on a New England-wide basis and is updated regularly. In this case, the 2018 AESC update was used to screen the 2019 programs. Exh. 10 at 36-37. The 2018 AESC update included values for DRIPE to capture the impact EE programs will have on wholesale energy prices. It also included updated cost savings for energy and capacity, and new elements such as the avoided cost of Pool Transmission Facilities, a value for oil DRIPE, and a value for increased reliability. *Id.*

In addition to the avoided costs calculated in the 2018 AESC, the Utilities included benefits from environmental costs associated with reduced emissions, and a ten percent benefit adder as an estimate for Non-Energy Impacts (NEIs) resulting from the EE programs, as approved for the 2018 plan. NEIs include reduced utility bill arrearages, reduced bill collection costs, reduced maintenance costs for participants, and improved health benefits for participants. For income eligible programs, the Utilities included a second ten percent adder for additional NEIs experienced by income eligible customers. *Id.* at 38-41.

As proposed, all the 2019 programs, when aggregated for all Utilities, show a benefit/cost ratio greater than 1.0. Exh. 20 at 13.

F. Evaluation, Measurement, and Verification

Evaluation Measurement and Verification efforts have the objective of verifying energy savings, estimating future savings, and identifying ways to improve program delivery and results. The basic framework of EM&V activities for 2018-2020 was detailed in the 2016 EERS Order and then accelerated in accordance with terms of the settlement approved in the First Triennium Order. That settlement also formalized the EM&V Working Group, which consists of Staff members, independent EM&V consultants hired and supervised by the Commission, and representatives of the Utilities and the EESE Board. Recent EM&V efforts began with the development of a Strategic Evaluation plan, which identified five priority studies to begin in 2018 (addressing the HEA program, NEIs, Home Performance with ENERGY STAR, C&I and Municipal Lighting, and an EE market assessment). In addition, three other studies are to begin in late 2018 or early 2019 (EE Potential Study, Technical Reference Manual, and Large Business C&I Impact and Process Evaluation). In 2017 and 2018, the independent third-party evaluators working on behalf of the EM&V Working Group completed evaluations of the ENERGY STAR Homes Program, Small Business and Municipal Lighting measures, and the ENERGY STAR Products program. The Utilities incorporated the results of those studies into the 2019 Update Plan. Exh. 10 at 48-49.

G. Performance Incentive

The 2019 Update Plan proposes to continue the Performance Incentive (PI) approved in the 2016 EERS Order, which offers utilities an incentive to invest in EE rather than traditional infrastructure. Utilities can earn up to 6.875 percent of actual program expenditures by surpassing certain minimum performance thresholds, and when actual measured (*i.e.*, after the fact) program cost effectiveness and realized energy savings are greater than predicted cost effectiveness and savings. The PI Working Group established by the First Triennium Order continues to examine PI, with the goal of implementing any changes in 2020. Exh. 10 at 46.

H. Lost Base Revenue

The Electric Utilities (except for NHEC) propose that the SBC include collection for revenue lost from decreased electricity sales resulting from the programs, consistent with the framework laid out in the 2016 EERS Order, and as modified to include a demand component in kilowatts as called for in the settlement approved in the First Triennium Order. The Gas Utilities proposed rates for lost revenue in their individual cost of gas dockets. *See* Order Nos. 26,186 and 26,188.

V. COMMISSION ANALYSIS

We encourage parties to settle issues through negotiation and compromise because it is an opportunity for creative problem solving, allows the parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Granite State Electric Co.*, Order No. 23,966 at 10 (May 8, 2002); *see* RSA 541-A:31, V(a) ("informal disposition may be made of any contested case … by stipulation [or] agreed settlement"). Even when all parties join a settlement, however, we must independently determine that the result comports with "applicable standards." *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,* Order No. 24,972 at 48 (May 29, 2009). We analyze settlements to ensure that a just and reasonable result has been reached. *Id.*; *see* N.H. Code Admin. Rules Puc 203.20(b) ("The commission shall approve a disposition of any contested case by stipulation [or] settlement … if it determines that the result is just and reasonable and serves the public interest.")

In this case, we review the 2019 Update Plan for conformity with the 2016 EERS Order and the First Triennium Order, and the law underlying the establishment of an EERS. We are further informed by the New Hampshire 10-Year State Energy Strategy, dated April 2018, at page 15, which calls for New Hampshire to "continue to coordinate and develop energy efficiency programming to achieve cost-effective savings." The Commission's authority to review the 2019 Update Plan and related rates arises out of laws governing energy efficiency funding as well as utility rates and long-term resource planning. *See* 2016 EERS Order at 45-49.

The EE programs included in the 2019 Update Plan are funded through several sources, including the SBC, the LDAC, Regional Greenhouse Gas Initiative auction proceeds, and Forward Capacity Market revenue. The SBC is a "nonbypassable and competitively neutral … charge" collected through electric customer rates and "used to fund public benefits related to the provision of electricity." RSA 374-F: 3, VI. The LDAC is a reconciling surcharge imposed on gas customers, which includes a per-therm conservation charge to recover the costs of gas energy efficiency programs.

Staff and the Utilities testified that the 2019 Update Plan (*i.e.*, the Utilities' proposal as modified by the Settlement Agreement) is just and reasonable and should be approved by the Commission. All parties to this case signed the Settlement Agreement. The parties acknowledge that the 2019 Update Plan includes a comprehensive, cost-effective portfolio of EE programs, and establishes a framework for development and review of the 2020 update in 2019 and the second triennial plan in 2020. The Settlement Agreement provides for a pilot program aimed at reducing peak demand in 2019. The 2019 Update Plan and the Settlement Agreement provide for cost recovery of the EE program costs, as well as performance incentives and lost base revenue.

Based on the record, the 2019 Update Plan meets the requirements of the 2016 EERS Order and is consistent with applicable law, including the least cost integrated resource planning requirements promoting energy efficiency. The 2016 EERS Order established an annual energy savings target and budget. The 2019 Plan Update exceeds the Electric Utility energy savings targets within the budget approved in the 2016 EERS Order. Based on testimony at hearing, all energy efficiency in the 2019 Update Plan is cost-effective, and as such approval of this Settlement Agreement is consistent with prior Commission orders.

The 2019 Plan Update will reduce market barriers to investment in cost-effective energy efficiency and provide incentives for appropriate demand-side management. The savings from the EE programs will benefit all customers, both participants and non-participants. The participants will enjoy the direct benefit of increased energy efficiency. Both participants and non-participants will benefit from on-peak and off-peak load reduction and related system improvements. Energy efficiency will help mitigate increased regional transmission and capacity costs for New Hampshire electricity ratepayers. Accordingly, we find the 2019 Update Plan to be consistent with the public interest, and we approve it.

At the hearing, the Utilities indicated their intention to provide an update to their original filing to reflect the terms of the Settlement Agreement. They stated that the most relevant updated pages were provided as part of Exhibits 19 and 20, but that other portions of the full plan should likewise be updated in an effort to present a complete record. We will accept the necessary updates to Exhibit 10 as part of a compliance filing.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement filed in this docket on December 13, 2018, is approved; and it is

FURTHER ORDERED, that the New Hampshire Statewide Energy Efficiency 2019 Update Plan (the Utilities' proposal as modified by the Settlement Agreement), is approved; and it is

FURTHER ORDERED, that the System Benefits Charge rates presented by the Utilities in Exhibit 19 at 1, 13, 24, and 27 are hereby approved for effect January 1, 2019; and it is

FURTHER ORDERED, that each Electric Utility file compliance tariffs within 15 days of this Order; and it is

FURTHER ORDERED, that the Utilities file a complete updated version of Exhibit 10, reflecting the changes necessitated by our approval of the Settlement Agreement, within 15 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of December, 2018.

Martin P. Honigberg Chairman	Kathryn M. Bailey Commissioner	Michael S. Giaimo Commissioner

Attested by:

Debra A. Howland
Executive Secretary