

ENERGY EFFICIENCY AND SUSTAINABLE ENERGY BOARD

RSA 125-O:5-a
21 South Fruit Street, Suite 10
Concord, N.H. 03301-2429

Minutes for June 19, 2015

Attendees:

Board members: Kate Peters (Eversource, Acting Chair); Becky Ohler (NH DES); Karen Rantamaki (NH DAS); Carmen Lorentz (NH DRED); Karen Cramton (NH PUC); Carol Woods (NHEC); Ben Frost (NHHFA); Cindy Carroll (Unitil); Laura Richardson (The Jordan Institute); Eric Stanley (Liberty Utilities); Rick Minard (NH OEP); Susan Chamberlin (OCA); Michael Bruss (Bruss Project Management); Rep. Herb Richardson (NH House)

Guests: Sheredith Cayes (PUC); Chris Skoglund (DES); Mike Licata (Liberty Utilities); Matthew Labonte (SFMO); Scott Albert (GDS); Wayne Jortner (OCA); Mark Lemenager (Eversource); Chris Goulding (Eversource); Ed David (Eversource); Rhonda Bisson (Eversource); Jay Dudley (PUC); Les Stachow (PUC); Suzanne Amidon (PUC); Michael Fitzgerald (DES); Mica Iddings (CLF); Kristen Cupalla (Elevare); Jodie Lucci (Lightec); Joe Fontaine (DES); Stefanie Lamb (BIA); Jim Brennan (OCA); Steve Hall (Liberty Utilities); Dick Henry (HotZero); Karen Asbury (Unitil); Tom Palma (Unitil)

1. Welcome and Introductions

2. Minutes of May EESE Board Meeting and 2014 Annual Report

- Minutes approved following request to add attendees.
- 2014 Annual Report will be reviewed and discussed at next meeting.

3. Updates from EERS Subcommittee

- Update from Becky Ohler, EESE Board EERS Co-chair, on meeting that occurred following the last EESE Board meeting in May.
- The meeting included a discussion of what the role of the EESE Board could play in the development of an EERS. It was noted that the EESE Board is not an official intervener in the PUC EERS docket. However, a letter from the Board has gone to the PUC indicating a desire to share knowledge and offering the Board meetings as a potential venue for stakeholder and educational discussions during the docket.

4. 2015 Legislation

- HB 208 – the House and Senate were not able to reach agreement on the changes to the RGGI so there is no change in the current program.
- HB 2 – included trailer language that would prohibit the PUC from expending funds for the implementation of an EERS without the legislature's approval. The PUC is of the opinion that they are currently in the planning stage and this is distinct from an implementing stage and therefore they are free to proceed with the current docket.

5. Board and Program Updates

PUC

- Competitive REF Grants: The four REF grants were submitted to the G&C and tabled at the last meeting and there will be seven in front of the council on June 24th.
- Residential Solar PV Rebate: The program is exceeding supply and they are on track to expend 100% of budgeted funds by June 30th. Higher demand than last year.
- Biomass Thermal Programs: On track with last year.

- Solar thermal: Running behind.
- Large solar PV Program: There is a waitlist for the Category 2 – large scale solar rebates.
- Discussion of whether the Sustainable Energy Division can look at current available funding and demand for different programs and move funds between them to fund those sorts of projects where there is the most demand/interest.

Office of Energy & Planning (OEP)

- NH received funding along with VT from the US Department of Energy to advance home energy labeling. The project is being done with support from GDS and NEEP and the NH Building Energy Code Collaborative.

Department of Administrative Services (DAS)

- Has issued a new Request for Proposals (RFP) for 28 state buildings downtown and on the main campus on Pleasant Street. The RFP is relatively open and is intended to allow the market to suggest what changes (in ten different categories) could be made with a total payback not to exceed 20 years that will maximize energy savings over a 20-year period.

Building Code Review Board (BCRB)

- The BCRB is looking at various elements of the international building codes and will be looking at the 2015 building energy code in the fall with the full package of adopted codes to be sent to the legislature in 2016.

Liberty Utilities CORE Program

- Strong demand for programs:
 - Small business gas & electric and Home Performance with Energy Star are fully subscribed for 2015.
 - Third-party financing program has issued 50 loans so far.

General Board Announcements

- Kate Peters – discussion with weatherization contractors that are distinct from the HBRANH. They are significantly affected by the changes to the RGGI and RPS-funded programs and are feeling the need to get involved in energy efficiency policy and planning as the expenditure of state funding affects their business models. They do not necessarily have the time to engage in dockets and legislative hearings.
- There may be a role for the EESE Board to reach out to unrepresented groups and help them to attend the EESE Board meetings or for their opinions and concerns to be shared with the Board.
- Kate has reached out to Kendall Buck at the HBRANH to identify another rep from that organization as their most recent appointee has moved on.

6. Decoupling Presentation

Jim Lazard, Senior Advisor, Regulatory Assistance Project

Personal Background:

- Early professional focus was rate design. Became involved in integrated-resource planning in Washington & Hawaii. Joined RAP in 1998 and has conducted training all over the world. For instance, the World Bank has been asking developing companies to develop remunerative rate design that could exist without legislative intervention.

Some Key Points from Presentation:

- Decoupling has been around for 35 years, beginning in CA. It is a solution to throughput incentive (TPI), but not the only one.
- Traditional regulation motivates a utility to increase sales and resist things that reduce sales. This is due to the fact that small changes in sales can have a significant impact on Return on Equity (ROE) as an increase in sales do not affect the fix cost very much so increased sales can result in more profit per kWh. A small decrease in sales can therefore have a large impact on profits. Analysis presented showed that a 2-3% decrease in sales can result in a 24-36% decrease in profits. Changes in sales have historically resulted in very trying rate cases as utilities try to maintain their ROE.
- Decoupling tries to tie the utility motivation with public interest to maximum degree as the throughput incentive seems to be in conflict with public interest and aggressive energy efficiency and EE is generally considered to be the lowest cost resource and to have the highest societal benefit (e.g., air quality).
- Provided an overview of a New Zealand effort to weatherize 45,000 low-income homes a year in order to put builders back to work following the economic downturn. The initiative resulted in significant direct-energy benefits but also found that for treated homes:
 - 45% reduction in hospital? admission
 - 39% reduction in days lost at work
 - 23% reduction in days lost at school

Largely a result of reduction in mold, switch from woodstove to mini-splits and better ventilated homes to improve AQ with benefits equal to 9x greater than the costs of the program.
- Deeper look at TPI:
 - Utility-rate design recovers embedded costs (e.g., investments & labor) in kWh charge and if sales decline then the ability to cover fixed costs declines.
 - Energy efficiency, distributed generation and other policies decrease sales and decoupling seeks to address this issue.
- Reviewed alternatives to Decoupling – **see slides**.
 - Lost Margin Recovery (LMR) – M&V becomes very important and the proceedings to determine the savings becomes very contention. In HI, the energy code was opposed to improved building code because they could not claim credit for EE resulting and BC was the cheapest way to deliver EE.
 - Weather-Only Normalization (WON) – monthly adjustment in response to weather. Does not address the throughput incentive.
 - Shared-savings Incentive/Penalty (SSI/P) – utilities keep 20-60% of net savings of EE can be used in place of or with decoupling. Hard to explain to stakeholders as to why ratepayers don't get all the savings.
 - Fixed/Variable Rate Design – All fixed costs covered in a fixed monthly cost. Jim views this as the worst type. Causes usage to increase as the price for energy fall. Experience shows that have high fixed charge and low of cost of energy can result in up to 15% increase in energy consumption.
 - Ratio of Return Incentive – allow premium rate of return on EE investments rather than ROE. Creates a profit incentive to invest in EE but may incentive cheating.
 - 3rd Party Admin of EE – make throughput incentive irrelevant but coordinated planning with T&D may be weak and utility still has lost revenue concerns. Efficiency Vermont – best in world.
 - 2/3 of state programs address the throughput incentive.

- NO FORM OF PRICING IS A REPLACEMENT FOR PROGRAMS. High rates are not a guarantee that consumers will engage in rational behavior and invest in energy efficiency and conservation.

Decoupling (DC)

- Presentation described the outcomes of decoupling and compared it to traditional utility regulation.
- Emphasis of DC is on utility revenues and adjustment of rates between rate cases. Relies on found revenue and adjust rates up or down to result in achieving the predicted, calculated revenue. Therefore, lost sales due to EE are accounted for.
- Over the short-term, non-participants could see an increase in costs as the rates rise. The goal with decoupling then will need to be to design and implement well designed efficiency programs so that all participants see consumption and therefore total cost decrease.
- Number of ways to establish consumer protection programs to complement DC:
 - Minimum EE performance that provides 90% of lost revenue if they achieve 90% of target and 100% of lost revenue if they achieve or exceed target.
 - Three to five year rate case.
 - Cap on rate increase – no more that 3% is typical. Can defer larger increases to future years (3 one year and 2 for another year)
 - Incorporate weather decoupling each month, then in months when weather is milder, the rates go up and when colder then rates go down.
- Choices the regulators need to make:
 - Frequency – monthly to adjust for weather or once a year (most)
 - Include industrial? Depends on size of customer base... if small, then a change in number can have big impact on rates. Need to be looked at differently.
- Questions
 - Decoupling and economic decline? State of Maine adopted decoupling and saw a multi-year decline with increase in rates and terminated programs. Response: At RAP, the question is “if not this then what?” without decoupling could have annual regular rate cases. Could address this with a rate-case trigger.
 - Would you want to control for weather. Response: weather is something the utility can’t control and would want the utility to control for weather. Adjust for weather with a monthly adjustment and then go back at the year of the year for a comprehensive true up and the monthly adjustments adjust the spikes.
 - In NH the discussion is all about rates and not so much about bill impacts. Any rate increase is a non-starter in NH legislature. The ACEEE has a report out.... The top ten energy performance programs, they have among the lowest energy bills in the state. Have much lower energy consumption rates which drives the low bills. Dramatic how top states have lowest bills.
 - Are there questions that we need to begin our deliberations with?

- Are we going to be going forward with a framework where there will be aggressive EE?
- If so, how do we want to address attrition (in a way where utilities will not resist EE outside of their programs. Example of the blocked advanced building code).
- Without decoupling mechanism will see annual rate increases. Decoupling ends up being a workload management tool. Won't moderate filing to adjust to new technology.
- DC is not an incentive for utility to engage in EE. It addresses one thing and one thing only: earnings variation. May need to develop overlays to create incentives for utilities to support other public policy goals – example is a performance incentive.
- State that did decoupling well? MD and MA.
 - MD went to monthly adjustments to synchronize customers' bills with weather. People like it.
 - MA – Tim Wolfe from Synapse would be best to advise on which elements of which mechanisms work best in MA (each utility has a different mechanism).
 - LA County Water Use Districts – set revenue requirements once for three years –