

MINUTES  
Energy Efficiency and Sustainable Energy Board  
Friday, February 21, 2014  
9 AM – 12 PM  
Legislative Office Building, Room 301

**Voting Members in Attendance:**

Jack Ruderman, PUC; Brian Ramsey, BIA; Kate Epsen, NHSEA; Laura Richardson, Jordan Institute; Dan Feltes, NH Legal Assistance; Carmen Lorentz, DRED; Jeff Kelley, NH Home Builders Assoc.; Mike Fitzgerald, DES; Ben Frost, NH Housing Finance; Deborah Schachter, NH Charitable Foundation; Brandy Chambers, OEP; Susan Chamberlin, OCA; Matt Labonte, for Jeffrey Cyr, State Fire Marshal; Rep. Chuck Townsend, NH House

**Non-Voting Members in Attendance:**

Cindy Carroll, Unitil; Kate Peters (Acting Chair), PSNH; Michael Bruss, Bruss Construction; Carol Woods, NHEC; Eric Stanley for Debra Hale, Liberty Utilities

**1. Welcome and Introductions**

Kate Peters noted that Arthur Letendre from Merrimack County Savings Bank will be joining the Board as a new member. Additionally, Theresa Swanick has a conflict on the 3<sup>rd</sup> Friday of every month, so there may be a new municipal representative appointed.

**2. Minutes of February EESE Board Meeting**

Laura Richardson moved to approve the minutes of the February EESE Board meeting. Motion seconded by Jack Ruderman and passed with no discussion. Ben Frost abstained from the vote.

Upcoming meetings:

- March 21<sup>st</sup> will be focused on distributed generation and energy storage. There will be speakers from the Regulatory Assistance Project and SustainX. Jack Ruderman, Mike Behrmann and Laura Richardson are helping to organize.
- April—CORE utilities will be presenting 2013 program year results. Ben Frost suggested presenting the Greener Homes program results.

**3. Governance Document**

Jack Ruderman moved to adopt the changes suggested by Alan Linder in the document entitled "[EESE Board Statement of Governing Principals](#)." The motion was seconded and approved.

Kate Peters proposed correcting the meeting date (changed to 3<sup>rd</sup> rather than 2<sup>nd</sup> Friday of each month). Mike Fitzgerald moved to approve. Motion was seconded and approved.

Laura Richardson moved to adopt the revised governance principles document as amended. Motion seconded by Ben Frost and approved without discussion.

#### **4. NEEP Presentation – Jim O’Reilly and Josh Craft**

NEEP is a DOE-recognized Regional Energy Efficiency Organization; REEOs help DOE better link to regions.

The EESE Board’s role is slightly different than similar boards in other states—in other states, boards have a more formal responsibility regarding reviewing the regulated utility Energy Efficiency (EE) programs.

There are a lot of good things going on in NH, but in the surrounding states, the full value of EE is being realized to a greater extent. NEEP would like to help NH take that next step.

ACEEE scorecard has been around for around a decade - rates states on their energy efficiency efforts. Northeast/New England consistently highly rated. NH ranked 21. Scorecard has become a political tool, with governors and others using it to pursue efficiency policies.

Maine, though not in the top 10, got an asterisk this year for improvement—legislation removed the legislative caps on EE program spending, which allows them to fully pursue the maximum value of EE.

NH has a lot in common with the rest of the region, so why are we lagging?

The NH Independent Study of Energy Policy (2012) identified that NH lacks clear policy that treats EE as a first order resource.

26 other states treat EE as a resource, 9 in the northeast.

- In many states, statute is simple, sets goal to achieve all EE that is less costly than supply
- Some states have Efficiency Portfolio Standards, which set specific EE targets. While this is a good start, it might limit EE long-term.

Mike Fitzgerald: How are thermal savings accounted for in other states?

A: Some other states have natural gas goals, but do not have oil or propane-related goals, because those fuels are unregulated. The economic savings are counted in the benefit calculations, but not in the goal.

Cindy Carroll: Why are you saying there are “no mandated savings goals?” for NH?

A: There’s no mandated savings goal—there are certainly goals set within the regulatory proceedings, but not legislative or set beforehand.

Examples of simple policy language: Though the Massachusetts Green Communities Act is 70 pages, the EE goal is one paragraph. Connecticut’s is a single sentence.

Mike Fitzgerald: Do any of the other states define ‘cost effective’?

A: Just the language you see here – the EE resource has to be less expensive than supply. Regulators have tests they use to determine cost effectiveness, and there’s a conversation occurring nationally around refining those tests.

EE is the cheapest resource you can find, so if you’re not buying as much EE as you can, you’re buying too much of everything else. EE is a cheaper energy source than PV, wind, fuel cells, natural gas plants, nuclear power, etc. Lifetime costs of 3-4 cents per kilowatt hour, or 40 cents per therm. EE is least cost and low risk. The financial industry has recognized this and started advising clients as such.

In looking at a customer’s utility bill, we see that the largest piece is also the one we can most easily control—the supply charges. Effective EE investments help customers control their bills.

Participant vs. non-participant is frequently discussed, but the data show that even non-participants do see a benefit from EE investment due to offset transmission and distribution costs, reductions in wholesale prices, and avoided future environmental compliance costs.

The EPA is going to count energy efficiency as a strategy to meet new Clean Air Act goals, but they are looking to the states to define how to do it—NH wants to be at the table.

Mike Fitzgerald: Energy Efficiency is a ‘grid’ resource, so how does that get apportioned to a source?

A: NEEP doesn’t do as much work in the air regulatory realm, but yes, source reductions must be done at the county level, and so it will be a challenge for states to determine how EE will count in the overall strategy; it can’t easily be mapped to a region or source. That work is ongoing.

EE is an indigenous energy resource that keeps the dollars in state. This is not just an energy tool, it’s an economic development tool.

Many of the jobs created as a result of these policies are in the trades and construction—these are the jobs that America needs. We’re not talking about a huge job growth boom,

but we do see a benefit as opposed to spending money on other energy resources. It's interesting to look at Washington DC's Sustainable Energy Utility, which actually uses jobs instead of savings as their metric.

ISO-NE estimates that the \$6 billion in planned investments in EE resulted in \$260 in deferred transmission upgrades.

Load growth projections—RI, a state of similar size to NH, will see considerable reductions in its load as a result of its EE policies, while NH will see continued load growth.

States with goals achieve higher savings.

Each year NEEP does a regional round-up—similar to ACEEE scorecard, but focused just on the region, and does a deeper dive behind the numbers, and does a comparative assessment of progress/change rather than assigning scores. NH is falling behind. How do we change that?

1. Set policy; direct utilities to capture all cost effective EE.
2. Including EE in long-term state energy and air planning—energy touches everything.
3. Create adequate, stable funding.
4. Create supportive, flexible regulatory framework, particularly cost effectiveness tests.
5. Support complementary public policies such as building energy codes, building energy rating and disclosure, and appliance efficiency standards.

Sen. Fuller Clark: The energy council is currently developing a long-range energy strategy for NH; however, the recommendations that come out of that will not be able to be translated into legislation until next year, so the earliest they could go into effect would be July 2015. Can we project how much farther we might fall behind by not doing anything until then?

A: Can't quantify that, but the qualitative answer is that every day you wait, you waste ratepayer money on sources that are more expensive than EE.

Sen. Fuller Clark: My other frustration is that in the strategy, efficiency is listed as one of the tools, but it seems to me that it should be the overarching goal underneath which everything else falls. People are so focused on rates, it's hard to get people to understand that we can't control rates, but we can control *bills* via efficiency. How do we get over that hump, make this the overarching goal?

A: I'd start with talking about what we're buying—we're wasting money by buying more expensive sources. Then I'd talk about right-sizing; we don't want to pay to expand our energy system, and then find out we didn't need it if we had just invested in EE. Learn from MA—they put into law that a rate vs. bill impact had to be part of the EE analysis. Their numbers proved that short term rate increase was dwarfed by long term

bill savings. In terms of putting EE at the forefront, I'd suggest looking at what CT just did with their plan.

Rep. Merrill: I share the Senator's perhaps impatience on our need to move along on EE. I want to ask about the role of decoupling, and the fact that NH seems to have stalled on that.

A: Decoupling is on the books, it can be implemented by the commission—need to emphasize that state has the ability, and it *is* needed, along with policy directives.

Jodie Lucci: A comment on talking points—our culture is not one for going without, so our energy needs will continue to increase. By using EE to the most we can, we delay the need for building new plants—new plants *raise rates*. Additionally, it's not just talking about job creation, but job retention—one of the few industries that stayed whole and even grew during the recession was efficiency.

Mike Fitzgerald: We've heard a lot from companies that are based here but have to go over the border to get work. Do we have any way of calculating what we're losing?

A: I'd go back to the VEIC study, I think they did a good job of laying it out. You could also look at growth numbers from other states.

Mike Fitzgerald: Do you have any examples of how the business community in other states was engaged on this?

A: Other states all have business reps on their advisory councils, and in all those states, business reps have become among the strongest supporters of this—they respond to the numbers about wasting money, and Demand Reduction Induced Pricing Effect.

Susan Chamberlain: In terms of decoupling policies, do you think other states have good models that could be used for NH?

A: Maine is the only other state in New England without decoupling in place; most of the states have gone with a revenue per customer model. The basic idea is that it allows for a growth in revenue as a result of growth in customers, rather than consumption. It's really up to the commission to open that docket.

Rep. Backus: We keep hearing recommendations to scale up investment in utility programs, but in NH we're pretty tight-fisted with public dollars. I've heard about the idea of taking part of SBC [System Benefit Charge] and using it to securitize private investments—is that a good strategy?

A: It's a slippery slope; CT did that, and the money ended up being used to securitize the general fund. Once you open up what the funds can be used for, you risk them being raided, and it also ties up the money, so it

can't be used for those immediate efficiency investments. I can't say whether or not to do it, but would urge a lot of caution. There are a lot of other financing experiments going on that you could look at – on-bill, green banks, etc.

## **5. PUC Stakeholder Process**

Kate noted that the PUC has responded to the Board's letter regarding the EERS and has agreed to begin a stakeholder process to examine it, led by Jack Ruderman and Les Stachow. Les described the process as they are thinking about it now:

Staff is currently developing a “straw man” EERS—looking at other states, trying to avoid mistakes made by others, find a way to apply goals quickly. Hope to bring it back to the Board and have them respond to it. The straw man will not be developed in a vacuum. Les will be meeting with stakeholders individually, and has a list of questions to get input. Idea is to get to a stable document more quickly by getting input as it's developed.

## **6. ISO-New England – Energy Efficiency Forecast: Eric Wilkinson & Gregg Wade**

ISO is the Regional Transmission Organization (RTO), regulated by FERC. ISO oversees the restructured electric power system; administers wholesale markets and ensures reliable operation of grid; and plans for future system needs.

EE is treated as resource in Forward Capacity Market (FCM)—EE can bid in, just like a generator, and receive a revenue stream. Helps ISO predict future EE investments, and adjust transmission needs accordingly. EE is now about 5% of FCM; big growth since 2007, now outpacing Demand Response.

Had a mismatch-- FCM is a 3 year market, but the system plans are 10 year; ISO had forecast constant EE, but states encourage them to instead forecast incremental growth. So ISO developed energy efficiency forecast; informed by an open Working Group. Eric encouraged the Board to join the group if interested.

Forecast only includes results from state-sponsored EE programs (not private investment, but that amount is so small as to be insignificant). 125+ individual programs.

ISO then walked through their formula for the forecast model, and the sources for the inputs.

Most recent draft forecast (earlier this month) is for 2017-2023; Maine & Connecticut ramped up programs, so forecast shows corresponding increases. Did note that production costs have increased slightly, so less savings from equivalent budgets. Will be updated next month with the results of 8<sup>th</sup> Forward Capacity Auction.

EE is helping reduce peak load growth.

Mike Fitzgerald: How is peak determined? Is peak grid-wide?

A: ISO does region-wide and in-state peak.

Kate Peters: In terms of demand, obviously NH is quite a bit smaller than Massachusetts, so what's an apple-to-apple comparison on these load reductions?

A: Maine is very similar in size.

ISO then presented NH-specific projections, and compared them to Maine's; Maine will spend considerably more on EE over the forecast period, and see a corresponding demand reduction significantly exceeding New Hampshire's.

The ISO uses the EE forecast to determine need (or lack thereof) for new generation/transmission investment—they have concluded that EE is making an impact, and reducing transmission costs.

ISO has just begun a similar forecast for rooftop solar, which is currently 'invisible' to them (not reported like traditional generation.)

Rep. Backus: We've been told by some that we need to worry about reliability as a result of planned retirements—do you know how much of that can be replaced by EE and how much will need capacity replacements?

A: Really hard to pinpoint; a lot of it comes down to location.

Kate Peters: In terms of the EE forecasting, do you do a retrospective look at whether the forecasts were accurate?

A: I don't know that we've done that, but the resources that bid into these markets have to go through a rigorous process to be qualified, that makes us confident that they will meet their commitments.

Kate Peters: So it's fair to say that these are fairly conservative numbers that you feel you can count on.

A: Yes.

Laura Richardson: Looking at the 2016/2017 results from the FCM auction, and the significant reduction in demand response, what do you do now?

A: This last auction we had we were short on capacity, so we will have a reconfiguration auction for 2017/2018.

Laura Richardson: So for those who had bid in historically, and chose not to bid this time, is the hope that the reconfigured auction will bring them back to the table?

A: The hope is that the market price will be sufficient to entice people to bid in.

Mike Fitzgerald: Differences in state EM&V? Is one dollar invested in NH considered to get the same savings as a dollar invested in MA?

A: For the forecast years, we don't do a rigorous M&V like we do for the market. Program administrators provide us with estimated savings.

Mike Fitzgerald: It's really important to understand that ISO-NE is responsible for making sure that the lights turn on, so to my mind these numbers are very conservative, and even still they show real savings to everyone, not just participants. If ISO-NE is counting it, there's something to this, and NH should be recognizing the value.

## 7. Board & Program Updates

Outreach & Education Committee – Mike Fitzgerald: The committee will have something ready to present next month.

Legislative Subcommittee – Mike Fitzgerald and others

- HB1129 on EE, closely related to our efforts at the board; work session yesterday, still opportunity to amend it. Possibly add Senator Fuller-Clark's language from previous bill regarding least-cost planning. There will be another work session on March 3rd.
- Two pipeline bills; focus on Portland and possibility of reversal to transport tar sands down from Canada. No work session yet.
- Number of Site Evaluation Committee (SEC)-related bills; key bill is SB245. Does some restructuring of the SEC; 3 issues being refined are:
  - The composition of the SEC—possibly reduced membership.
  - Net benefit requirement—how is that defined, should it be a public interest standard instead? There's more case law surrounding that, easier to understand and enforce.
  - Applicant fees—To support permanent professional staff; still some question as to what it would cost and how oversight would work.
- HB1600 – Kate Epsen: Bill concerns net metering and reporting of Renewable Energy Certificates (RECs); aiming to overcome barriers to participation currently faced by small PV systems. Difficult to work out how to reduce state independent monitor requirements while remaining compliant with ISO requirements. New language will eliminate requirement for yearly site visit by independent monitors. Subcommittee meeting at 10am on March 3.
- SB268 – Senator Fuller Clark: Bill allows for re-allocating RGGI dollars to previously-approved PUC grant programs for the business sector that focused on whole-building upgrades. Has received a little pushback. Will schedule a meeting after this week's break.
- CACR19 – Senator Fuller Clark: Constitutional amendment prohibiting using dedicated funds for other purposes. Does have an override provision -- 2/3 vote from legislature could still move funds out of dedicated sources. Hearing was postponed.

- HB532, C-PACE – Laura Richardson: Bill made it through House, now moving to Senate.
- SB200 – Hearing took place on Wednesday [February 19]. Bill requires transmission lines be buried and use public rights of way where possible. Need more information on whether we can bury transmission lines. May wish to explore whether mandate to bury lines should instead be ‘first priority.’ Includes highway funding component -- DOT could lease rights of way.

Kate Peters: In regards to SB268, we need to look at how the programs might overlap and work together in order to ensure a streamlined process for customers and efficient use of ratepayer funds. Someone needs to be thinking about the overall suite of programs and how they interact with each other. EESE Board? PUC?

PUC Update -- Jack Ruderman: Sustainable Energy Division newsletter released, let us know if you didn't get it. Net metering interim rules out, stakeholder feedback has been received and is being considered; PUC is revising and preparing final rules. LEWG hosted a group net metering 101 presentation that is available on [nhenergy.com](http://nhenergy.com).

Commercial scale wood pellet rebate program extremely popular, 19 applications so far, only \$140,000 of the originally \$600,000 unallocated. May add additional funds in order to avoid having to shut the program down only months after starting it.

April 12<sup>th</sup>—Annual Local Energy Solutions Conference. Highly recommend.

OEP – Brandy Chambers: State Energy Strategy progressing, keep an eye on the website for updates and opportunities for public engagement.

Laura Richardson—Work on DES rules regarding wood ash is progressing; rules were impacting small commercial biomass systems that were being installed around the state. Rules previously required quarterly heavy metal testing and annual reporting, just not manageable for these smaller sites. Emergency rule-making was conducted to exempt those entities.

## **8. Adjourn.**

The meeting adjourned just before noon.