State of New Hampshire

Energy Efficiency and Sustainable Energy (EESE) Board

ENERGY EFFICIENCY RESOURCE STANDARD (EERS) COMMITTEE

Draft Minutes of the May 18, 2020 Meeting, held electronically via Microsoft Teams

Committee Members Present: Don Kreis (Office of the Consumer Advocate, Chairperson), Eric Stanley (Liberty Utilities), Kate Peters (Eversource), Carol Woods (NH Electric Cooperative);; Madeleine Mineau, ex officio as EESE Board Chair (Clean Energy New Hampshire (CENH)); Becky Ohler (Department of Environmental Services (DES)); Ryan Clouthier (Southern New Hampshire Services); Cindy Carroll (Unitil); David Borden;. Sandra Levine (Conservation Law Foundation); Matthew Mailloux (Office of Strategic Initiatives (OSI)); Raymond Burke (New Hampshire Legal Assistance (NHLA).

Others present: Liz Nixon, Steve Eckberg, Paul Dexter, Jay Dudley, Brian Buckley, Jaqueline Trottier; (all Public Utilities Commission Staff); Christa Shute (Office of the Consumer Advocate); Emily Levin, Christine Donovan, Dylan Voorhees (all of VEIC, consultants to EERS Committee); Mary Downes and Tom Palma (Unitil); Phil Mosenthal and Cliff McDonald (Optimal, on behalf of the OCA); Doug Horton, Miles Ingram, Mark Lemenager, Mark Mueller, James Butler (all of Eversource); Chris Skoglund (DES); Kelly Buchanan and Brianna Brand (both of CENH). Stephen Tower (New Hampshire Legal Assistance (NHLA)) Dick Henry – BBH Energy Consultant; Bruce Clendenning.

1. The meeting was called to order by Don Kreis at 1:03. Pursuant to RSA 91-A:2, III(b), the chairperson declared the existence of an emergency (specifically, the health threat occasioned by the COVID-19 pandemic) that rendered impractical the requirement for a physical presence at a specific location of a quorum of the Committee, thus permitting the meeting to proceed entirely on an electronic basis.

2. The May 5th minutes with approved unanimously with a correction to the date, one abstention from Matt Mailloux on the motion of Ryan Clouthier and the second of Cindy Carroll.

3. Discussion on Cost to Achieve Savings

VEIC gave a presentation on the cost to achieve savings to reflect side meetings that have occurred since the last ERRS meeting. The slide deck is available HERE and is incorporated by reference. VEIC observed that the cost to achieve in New Hampshire is generally consistent with surrounding states when certain differences are taken into consideration. One exception is the doubling of Energy Star Products costs from 2022 to 2023 from $0.63 to $1.06. James Butler of Eversource indicated that the 2023 Energy Star Products should be $0.70. Responding to questions from PUC Staff and Committee Members VEIC stated that the rate of increase may be more dramatic because the residential lighting transition happened during this three year planning period whereas in Vermont the lighting transition already occurred – so Vermont has a higher cost to achieve in the beginning because they are starting with a more diverse portfolio. New Hampshire starts out less expensive that Vermont and then becomes comparable to Vermont – though 2023 still needs to be looked at. CENH pointed out that we should therefore compare VT in 2021 to NH in 2023 and so $0.51 compared to $0.73 still seems high. VEIC acknowledged that is higher and is probably connected to the Energy Star Products that the utilities will need to look at.

VEIC's slide deck also includes next steps on cost to achieve for the utilities to implement as part of the July 1 plan draft. VEIC also suggested that the EM&V group provide guidance on timing on transitioning away from residential lighting. Mary from Unitil, who is on EM&V group, indicated that Ralph Prahl, the PUC Staff consultant, has identified that this is a policy issues so that the EM&V group can provide input but not answers. Phil of Optimal agreed that policy is involved and noted that we do not know at this point whether the new standards the Trump administration is challenging will go into effect. If they do go into effect then the standards are probably sufficient and the lighting will not need to be promoted by the efficiency programs. VEIC recommended that given that policy consideration that at the June 1st meeting the utility provide as part of the planned presentation what approach they intend to take on the issue and the committee members can provide feedback at that time.

4. Discussion of Amortization

Phil Mosenthal of Optimal gave a presentation on amortization. The slide deck is available HERE and is incorporated by reference. Optimal walked through amortization and how it could work. The presentation presented the benefit from the reduction in the SBC cost and the accumulated deferred income tax benefit that passes through to the utility and then to ratepayers based on a consult with the former head accountant at the Illinois PUC. Other SBC reduction benefits include allowing for a more aggressive ramp-up wile realizing immediate rate decrease; keeping more money in ratepayer pockets during the pandemic recession; and defusing any head winds against energy efficiency spending at a later date. This also addresses the fact that the utilities are scaling back the program because of budget concerns expressed by Staff.

Doug Horton of Eversource commented that other aspects of utility rates will be affected by the proposal because the reduction in cashflow will affect the overall cost of borrowing for the company and regulatory assets are looked at differently than physical infrastructure. He clarified that the change results in bill reductions but not necessarily savings as it will add a carrying cost on the program that in the absence of amortization that you would not occur.

OSI and CENH registered concerns about the authority to increase the SBC down the road. The legislature has authority over the SBC after the 2021-2023 EERS.

Sandra Levine would support continuing to explore amortization because it is a means to deliver cost effective energy savings and makes efficiency more comparable to supply side in terms of economics and delivering benefits to customers.

Paul Dexter from Staff indicated they are still not convinced because of the additional carrying cost and the shift in cost recovery approach in methodology and timing. They do understand that there would be reductions in the SBC at the outset but remain unconvinced that will be better over time. They are interested in learning more if the utilities have a counter analysis but limited resources also creates a reason to put the subject to rest.

CENH is willing to continue to explore and learn more. They would like to see a more detailed proposals with the numbers that includes the additional cost of financing the amortization and the additional gain and energy savings that could be achieved by using this approach.

Kate Peters of Eversource stated that the same time could be focused on discussing the budgets and the market place for the next three years.

Don Kreis, the Consumer Advocate confirmed that amortization would continue to be explored.

5. Discussion of Approaches to COVID-19 and EERS Plan Development

VEIC gave a presentation on potential approaches to the COVID-19 crisis regarding the three year plan. The presentation is available HERE and is incorporated by reference. VEIC looked at the approach from Rhode Island and Vermont, two states on the same three year plan cycle as New Hampshire. Those states are moving forward with business as usual (BAU) plans. VEIC recommended scenario planning with a qualitative lens that identifies the types of responses that are likely under different scenarios.

Kate Peters of Eversource expressed concern for setting a goal they do not think they can achieve. The three year plan does create more flexibility. She proposed planning the first year as a conservative approach on budget and savings and since the 105% budget cap is on the three years, if they are wrong they can exceed in the first year and come in for a budget correction. In Massachusetts they do not stop when the budget is hit but modify the budget in order to push the programs forward.

VEIC commented that they have typically only see utilities petition, or, if they are likely to fall short of goals because increasing a goal would make it more difficult to achieve a performance incentive. Need to think through a structure that would incentivize the utility to use the flexibility lever upward rather than downward. If there is a reasonable process that allows for the flexibility to shift down in the three year plan based on external conditions then that should create some comfort that might reduce the utility desire for conservatism.

Sandra Levine of CLF expressed a concern with starting off more conservative and allowing to flex upward because there is very little utility incentive to do that, rewards them for not doing much and is a good way not to meet energy efficiency targets. She supported the approach for ratcheting down by clearly articulating those principles and for the utility to show how the outside factors play a role.

Kate at Eversource commented that the program administrators have over achieved in the past few years. Eric at Liberty expressed a concern that to gain the performance incentive they need to hit 75% and this year the current numbers are looking at between 40% and 50% so there is a concern of setting a BAU goal that they don't think they can realistically achieve. Kate commented that they have lost a million dollars in projects that cancelled in the last week so assuming that next year is BAU is difficult to do at the moment. If the goals were ambitious but achievable they would feel more comfortable.

Phil Mosenthal of Optimal commented that right now the program administrators have an incentive to over achieve – up to the 105% - which is different than actually advocating for goals to go up which increases the difficulty of making the performance incentive.

VEIC explained that the beauty of the three year plan is that if 2021 is rough the work can be made up in 2022 and 2023 or a modification can be requested mid-way through. The program administrators agreed that would definitely help but contended they could come in to increase the budget.

PUC Staff's concern, given all of the uncertainty, is that there is some sort of relook for 2021.

VEIC raised the question of whether the flexibility mechanism as currently described is sufficient. Given that COVID creates increased uncertainty the choices are to set up a COVID approach or to make sure that the standard mechanism is sufficient to address the issues.

For next steps, VEIC recommended that the utilities reflect on what they heard and address in their presentation at the next meeting.

6. Discussion of Active Demand Reduction

Don Kreis opened the discussion on active demand reduction (ADR) as neutral on the subject. He sees no sentiment that customers shouldn't be paying for it through electric bills since it reduces an otherwise higher percentage of allocated transmission cost. The question is whether it should come from the SBC. The slide deck HERE has a list of pros and cons for funding through the distribution rate versus the SBC. The second question is whether ADR should be a full program or a pilot. Lastly, what are other key considerations that should drive the conversation moving forward.

CENH is supportive of integrating ADR in the EE programs – for many of the reasons listed including savings and positive environmental impacts. They want to encourage vendor neutral customer oriented approaches such as 'bring your own device (BYOD) and believe that approach will be easier under the SBC – because of the performance incentive structure versus rate base which would encourage the utilities to spend on their own assets. They also support the SBC approach because two distribution rate cases are nearly wrapped up. Incorporating through a rate case is difficult and could delay it into the next decade.

Don commented that making the ADR program a part of the EERS may also gain it the exemption until 2023.

Tom Palma said that the BYOD spun out of making programs cost effective – if demand was going to pay for the device wouldn't pass the cost effective test. He doesn't think it makes a difference of how you fund it still going to get the same results.

CLF shared the concern that using SBC funds would diminish what is available for energy efficiency but that it makes sense for it to be part of the utilities work to move it forward alongside of energy efficiency. That could be a good reason to keep it as a pilot and allow for a clear assessment. Then decide whether to expand a pilot as a utility program or to incorporate and integrate it with energy efficiency.

Don stated a concern about creating an inducement to utilities to check the box related to least cost integrated resource plans – such that participation in NH Saves program means that done what they need to on the demand side, therefore allowing them to spend on the supply side, rather than doing additional analysis for further energy efficiency or demand response.
Emily inquired about whether utility owned assets is a consideration given that energy efficiency programs are very accustomed to being vendor neutral and to working with customers in a way that co-mingles customer, private and utility investment.

Tom Palma of Unitil commented that if behind the meter belongs with energy efficiency and if in front of meter belongs in the grid mod docket and everything between four companies is basically behind the meter – no one is discussing putting a massive battery in front of the meter – there are different folks working on that.

Emily responded that the expertise relevant to the EE programs is applicable to behind the meter ADR, so some real synergies potentially.

Regarding whether it should be a pilot program or a full program, CENH asked what a pilot entails – given the very small size of some of the pilots. Kate responded that moving to a program would move to having a goal for ADR, incorporating into the performance incentive and doing the cost benefit models for those programs. Kate also acknowledged the desire of staff for more evaluation and suggested that may be to see what benefits to use or count. The program administrators would like to explore with Staff what information is needed.

Liz Nixon of Staff confirmed that the purpose of the pilot is to learn from it and determine the benefits. They are willing to consider results from pilots in other jurisdictions to determine if pilot is needed. She also indicated that the performance incentive should be based on shared savings not on the amount spent to accomplish the savings. Staff also shares the concern of allowing too much of the energy efficiency budget to be put toward ADR but is unsure how to determine what that limit is. Staff would like to know how much would get diverted away from other programs.

Kate stated it is 1.3% in 2021 up to 2.2% in 2023.

Phil from Optimal commented that it is important to remember that prices going down is going to benefit all rate payers. Tom of Unitil stated there is not only a price benefit but also environmental benefits because they are less likely to use polluting resources for the peaking needs.

This topic is unlikely to be one of the contested areas as we move forward.

7. Conclusion of the Meeting

The next four meetings of the EERS Committee are in June and July. June meetings are the first and third Monday of the month – June 1st and June 15th. July meetings are July 13th and July 20th so the committee can expeditiously share feedback with the program administrators.

The meeting was adjourned at 4:00.