

ORIGINAL
Docket No. DE 10-188
Exhibit No. #9
Witness Panel 1
DO NOT REMOVE FROM FILE



John H. Lynch
Governor

STATE OF NEW HAMPSHIRE
OFFICE OF ENERGY AND PLANNING

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October 15, 2010

Debra A. Howland, Executive Director
Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301



Re: DE 10-188
2011-2012 Core and Gas Energy Efficiency Program
Office of Energy and Planning's Prefiled Testimony- Eric Steltzer

Dear Ms. Howland:

Enclosed please find seven copies of the Office of Energy and Planning's Prefiled Testimony of Eric Steltzer in the above referenced matter.

Copies of this letter and the testimony will be distributed to the service list via electronic mail. Please do not hesitate to contact me with any questions. Thank you for your attention to this matter.

Sincerely,

Eric Steltzer
Energy Policy Analyst

Enclosure

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BEFORE THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

In the matter of:

Granite State Electric Company d/b/a National Grid)
New Hampshire Electric Cooperative, Inc.)
Public Service Company of New Hampshire) DE 10-188
Unitil Energy Services, Inc.)
CORE Electric and Gas Energy Efficiency Programs for 2011-2012)

Direct Prefiled Testimony

Of

Eric Steltzer
Energy Policy Analyst

Dated: October 15, 2010

1 I. Introduction:

2 **Q. Please state your name, business address and position.**

3 A. My name is Eric Steltzer. I am employed by the Office of Energy and Planning
4 (OEP) as an Energy Policy Analyst. Included in my testimony is attachment ES-1, a
5 statement of my education and work experience.

6

7 **Q. Mr. Steltzer, have you previously testified before the Commission?**

8 A. No. I have not formally testified before the Commission. However, over the
9 course of the past two years, I have actively been involved in several matters before
10 the Commission, including past CORE proceedings, Unitil and National Grid's gas
11 efficiency program proceedings, Unitil's proposed Demand Energy Response project
12 in Exeter, and several public hearings on matters within the PUC- Sustainable Energy
13 Division. I have intervened, cross examined witnesses and provided closing
14 statements in these cases.

15

16 **Q. Please briefly describe your experience and specific knowledge or skills that
17 relate to your testimony in this docket.**

18 A. In my current position as Energy Policy Analyst at OEP, I have coordinated the
19 implementation of several energy efficiency programs funded through the American
20 Recovery and Reinvestment Act. I have directly been involved in developing the
21 State Energy Efficient Appliance Rebate Program and the Betterbuildings Program,
22 aimed to advance the State Beacon Communities Project. I have attended national

1 conferences focused on best practices for energy efficiency policies and programs
2 from across the country.

3

4 II. Overview of OEP Testimony:

5 **Q. Please describe the purpose of your testimony.**

6 A. I will address three issues:

- 7 1. Home Performance with Energy Star Program
- 8 2. Missed requirements in the Settlement signed last year
- 9 3. Market transformation opportunities

10

11 Home Performance with EnergySTAR (HPwES)

12 **Q. Please address your first issue regarding HPwES.**

13 A. I am concerned about the start/stop nature of the HPwES program. The program
14 was approved in June 2009 on a pilot basis and gave PSNH permission to service
15 200 homes and for Unitil to service 100 homes. The program was expanded in
16 2010, with an additional 200 homes in PSNH and 100 homes in Unitil. The first
17 home to receive services under the HPwES program was in July 2009. The
18 participation in the program followed a traditional bell curve between July 2009
19 and May 2010. Marketing efforts in the Fall increased the number of applications
20 received for HPwES, with a peak occurring in November 2009. Marketing efforts
21 were reduced in December/January timeframe, and as a result, applications began

1 to decrease. By May 5th, PSNH had to inform the public that the program was
2 “full” and they were beginning to take a wait list.
3

4 **Q. What do these findings suggest to you?**

5 A. I believe that the concentration of demand between November 2009 to March of
6 2010, as well as the ultimate closure of the program by May 5th, suggest that there
7 is a high demand for the program. An additional indicator to the high demand of
8 the program is the closure rate. On page 25 of the CORE proposal, it is stated
9 “...closure rates on major measures were consistently cited to be better than 90%,
10 which is particularly high for a program of this nature.” Some may argue that a
11 high closure rate is good thing because it means that more of the audits that are
12 being conducted result in higher number of homes being weatherized, which is
13 the ultimate goal of the program. However I believe that both the high
14 concentrated demand, and the high closure rates are indicators that the incentive
15 75% up to \$4,000 incentive is too high.
16

17 **Q. What do you believe are the options to proceed forward?**

18 A. There are four directions that the program could take. 1) The program could
19 continue as proposed, and offer the existing rebate level of 75% up to \$4,000. 2)
20 The HPwES program funding could be increased, to ensure that an adequate
21 amount of funding is available to meet the demand of the program over a calendar
22 year. 3) The program could be halted until the evaluation of the program is

1 conducted. The incentive structures could be evaluated for effectiveness and
2 appropriate adjustments could be made. 4) The program could adjust its rebates
3 to ensure that the program is available for the duration of 2011 and 2012 program
4 years.

5

6 **Q. What is your recommendation for the program?**

7 A. I believe it is in the public's best interest to continue the program. However I
8 believe the current rebate level of 75% up to \$4,000 is unsustainable for the program,
9 especially as Greenhouse Gas Emission Reduction Funds are being utilized for
10 residential on-bill financing to HPwES participants. I believe there are two viable
11 options. 1) Reduce the rebate to 50% up to \$4,000. By offering a lower rebate, the
12 demand for the program will be reduced and it will create a better opportunity for the
13 program to remain open for the entire calendar year. 2) Tier the rebate to be based
14 off of project energy savings. As an example, Los Angeles County's residential
15 weatherization program offers \$1,250 to households achieving 10% energy savings,
16 \$1,500 for 15% energy savings and \$2,000 for 20% energy savings. NH's tiered
17 rebates may be different, but the concept is a good direction. By tiering the rebate, it
18 would incentivize individuals to take further action and when tied with on-bill
19 financing, it could ensure that all cost effective improvements are being installed at
20 the time of participation.

21

1 **Q. You mention on-bill financing and its relationship to the HPwES program.**

2 **Please explain.**

3 A. If the rebate levels for HPwES are reduced, in order to be successful, HPwES will
4 have to be paired with adequate on-bill financing options. Interest rates offered at
5 0% are enticing from a marketing perspective, but what are more crucial are the terms
6 and the amount of the loans. In order to capitalize on most cost effective measures
7 being installed at the time of participation, I believe the terms of the on-bill financing
8 should be at least 5 years, and total loan should have a maximum of at least \$7,500.
9 There should also be consistency across the utilities regarding terms and conditions of
10 on-bill financing. Currently this is not the case. While the residential on-bill
11 financing is funded through sources other than SBC, its relationship with SBC funded
12 programs is integral and neither will be successful if they are not viewed in unison
13 together.

14

15 **Q. How do you envision HPwES benefiting the BetterBuildings Program?**

16 A. As the BetterBuildings Program is focused on developing new financing
17 mechanisms for private lending, the program is looking to outside source of funds to
18 help bring the overall cost of the projects to a lower level. While HPwES will be
19 offered throughout the state, I believe that the increase marketing efforts from the
20 BetterBuildings Program will result in higher participation levels within Nashua,
21 Plymouth and Berlin. By creating a more stable HPwES program, this will better
22 leverage the BetterBuildings funding and it will also ensure that no matter when

1 participants choose to enter the BetterBuildings Program, they will be able to receive
2 the same rebate as their neighbor. If the HPwES program were to stop because funds
3 were depleted, I envision it would have a dramatic effect on consumer's willingness
4 to participate in financing options offered by the BetterBuildings program.

5

6 **Q. Do you have any comments regarding the BetterBuildings Program and NH**
7 **Electric Cooperative (NHEC)?**

8 A. I would like to point out that NHEC has not proposed using any SBC funds for a
9 fuel blind program. We recognize that it is a policy decision whether to use the
10 limited NHEC funds for HPwES to serve their existing high electric heat users or
11 open it up to a fuel neutral program. I have no position on whether SBC funds should
12 or should not be used for a NHEC fuel neutral program. I will continue to work with
13 NHEC to figure out a means to fund a fuel blind HPwES program for participants of
14 BetterBuildings Program in Plymouth, a territory served by NHEC.

15

16 **Q. Do you believe it is appropriate to use electrically based fees for thermal**
17 **energy savings under HPwES?**

18 A. Yes. The rationale is that the vast majority of thermal energy users in the state are
19 also users of electricity. I believe consumers are most interested in energy reductions
20 and making their houses more comfortable. They are not as concerned about
21 ensuring electric savings are achieved from electrically funded SBC. Additionally,
22 the HPwES program does offer electrical savings and the commission has set a

1 precedent through the Home Energy Assistance program that it is acceptable to use
2 SBC funds for thermal energy efficiency measures.

3

4 **Q. Are there any other concerns regarding HPwES?**

5 A. Yes I have one final concern. Currently the HPwES program offered by National
6 Grid is inconsistent with the other utilities. In the initial technical sessions, National
7 Grid has expressed an interest in aligning their program with the other utilities
8 HPwES' programs. The commission should ensure that this alignment occurs.

9

10 Settlement Agreements- CORE 2010

11 **Q. The second concern you raised pertained to the settlement agreements for the**
12 **CORE 2010 program. Please explain.**

13 A. In the CORE 2010 settlement agreement, the parties agreed that the utilities would
14 work with staff and settling parties to issue an RFP by February 1, 2010 to select a
15 consultant for the development of a multi-year evaluation plan and for this consultant to
16 be hired by March 31, 2010. It is my understanding that no RFP has been issued and the
17 CORE parties have not received a draft of the RFP. Additionally the settling parties
18 agreed that the electric utilities would conduct an impact evaluation on the EnergySTAR
19 lighting program, the Small Business Energy Solutions Program and fuel neutral Home
20 Performance with EnergySTAR program. It is my understanding that none of these
21 studies have been conducted.

22

1 **Q. What are the ramifications of not having these evaluations done?**

2 A. While SBC funds have been used for M&E, it is my understanding that many of these
3 evaluations have been on broader topics, such as compliance evaluations to be eligible for
4 ISO-NE Forward Capacity Market. Little evaluation has been done on the effectiveness
5 of specific CORE programs, such as lighting, HPwES, Appliance Program, etc... The
6 result is that it is difficult for the utilities and intervening parties to make more informed
7 decisions on the direction of the programs. Additionally, I am concerned about the recent
8 release of the ACEEE report which recently ranked NH as #22 in the country in terms of
9 energy efficiency programs, a drop from #13 last year. I believe the SB323 study will
10 help us to evaluate the effectiveness of New Hampshire's programs, but funding the
11 SB323 study does not replace the need for SBC funds to be utilized to evaluate specific
12 programs.

13

14 **Q. What is your recommendation?**

15 A. I recommend the Commission to direct staff to work on issuance of the RFP for the
16 multi year evaluation plan and for the utilities to immediately begin the search for a
17 consultant to review the lighting. Also, if it is not already possible, I would encourage
18 the Commission to create a structure to allow the utilities to adjust their programs over
19 the course of the next two years, based on the findings of the evaluations. This structure
20 should include the ability of intervening parties to comment on the adjustments to the
21 program and develop a means for these changes to be made within a relatively short
22 period of time. I am concerned that if the changes required full adjudicative process, that

1 the utilities would not be able to implement the changes within an effective period of
2 time.

3

4 Market Transformation

5 **Q. Your third concern pertained to marketing transformation of the programs.**

6 **Please explain.**

7 A. A key goal of the SBC funds is to help transform the market to achieve greater energy
8 savings. The result should be a natural flow of rebates being offered to new products and
9 while other rebates are discontinued towards products that have achieved market
10 transformation. Additionally I think it is important for the SBC funds to be used to fund
11 a variety of market transformational products that run a spectrum of opportunity. For
12 example on one side of the spectrum, we may choose to offer rebates on T-8 lighting
13 while on the other side of the spectrum we may choose to offer rebates on less cost
14 effective measures such as combined heat and power systems. It is my belief that the
15 limited evaluation on specific CORE programs is preventing us from making a fully
16 informed decision on whether the market for certain products has been transformed.

17

18 **Q. Are there specific ideas you have about direction for the CORE programs?**

19 A. Yes. I question the effectiveness of rebates on CFL light bulbs for residential sector.
20 While many households may not have yet taken the small leap to install CFL light bulbs,
21 I question whether a meager rebate of \$1 is an effective incentive to entice consumers to
22 install a \$3 CFL. Instead, I believe that education may play a more crucial role in aiding

1 further usage of CFL. On the other side of the spectrum I would like to call attention to
2 Unital's proposed rebate for commercial combined heat and power (CHP) systems. The
3 proposal was presented in a technical session this summer and it is my understanding that
4 the company ultimately decided not to include it into their proposal due to concerns of its
5 cost effectiveness compared to measures and the concern that NH has not deemed CHP
6 as an "energy efficient" measure. I would like to commend Unital for its vision to bring
7 an innovative program from the sister organization in MA and explore. It is my
8 understanding that Tom Palma and others at Unital continue to be interested in bringing
9 this program to NH if there is enough support from parties within the state. I would
10 encourage the Commission to consider the including the Unital commercial CHP rebate
11 into the CORE 2011-12 program years, with the requirement that other more cost
12 effective measures must also be installed in those buildings that receive a CHP rebate.

Qualifications of Eric Steltzer

My name is Eric Steltzer. I am employed by the Office of Energy and Planning (OEP) as an Energy Policy Analyst, where I have worked since 2008. My business address is 4 Chenell Drive, Concord, New Hampshire 03301.

I earned a B.S. degree in Natural Resource Recreation and Tourism from Colorado State University in 1998 and a M.S. in Resource Administration Management from University of New Hampshire in 2006.

After receiving my M.S., I was employed by Rockingham Planning Commission as a Regional Planner where I advised municipalities on land use policies, renewable energy opportunities, and energy efficiency services. In 2008, I left Rockingham Planning Commission for my current position at OEP where I represent the Governor's office on matters pertaining to energy policy. In this capacity I have intervened on behalf of OEP in following proceedings before the Commission:

- DE 10-212: Establishing a Commercial and Industrial Renewable Energy Rebate Program
- DE 10-024: Notice of Opportunity to Comment on Additional Energy Incentive Programs
- DE 09-170: 2010 CORE Energy Efficiency Programs
- DE 09-137: Petition for Approval of Distributed Energy Resources Investment Proposal and Proposed Tariff.
- DG 09-049: National Grid's Proposed Energy Efficiency Plan May 1, 2009 through December 31, 2010
- DG 09-053: Unital's Proposed Gas Energy Efficiency Program Proposal for the period beginning May1, 2009 through December 31, 2010
- DE 08-120: 2009 CORE Energy Efficiency Programs

I have testified before the New Hampshire Legislature on issues related to renewable energy and energy efficiency efforts, and I am the vice-chair of the Energy Efficiency and Sustainable Energy Board, a legislatively created committee tasked to advise the state on energy efficiency and renewable energy efforts. Over the course of the past year, a large portion of my responsibilities has been to coordinate the implementation of energy programs funded under the American Recovery and Reinvestment Act. Additionally in my role as the Energy Policy Analyst, I collaborate with other state's efforts to implement effective energy efficiency programs utilizing a variety of funding sources including federal, state, and private.