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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 15, 2014 - 9:05 a.m.
Concord, New Hampshire

NHPUC DEC30'14 PM 3:26

RE: DE 14-216
ELECTRIC AND GAS UTILITIES:
2015-2016 CORE New Hampshire Electric
and Gas Energy Efficiency Programs.

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:
Matthew J. Fossum, Esq.

Reptg. Liberty Utilities (EnergyNorth Natural
Gas) Corp. & Liberty Utilities (Granite State
Electric) Corp. d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Unutil Energy Systems and
Northern Utilities:
Rachel A. Goldwasser, Esq. (Orr & Reno)

Reptg. New Hampshire Electric Cooperative:
Robert Dunn, Esq. (Devine Millimet)

COURT REPORTER: Steven E. Patnaude, LCR No. 52

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APPEARANCES: (c o n t i n u e d)

Reptg. Community Action Association.:

Ryan Clouthier, Energy Director
Rob Bowers

Reptg. N.H. Office of Energy & Planning:

Meredith A. Hatfield, Esq., Director
Karen P. Cramton, Deputy Director

Reptg. The Way Home:

Dennis Labbe, Esq. (N.H. Legal Assistance)

Reptg. N.H. Dept. of Environmental Services:

Rebecca Ohler, DES Energy Programs Manager

Reptg. Residential Ratepayers:

Susan Chamberlin, Esq., Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:

Rorie E. P. Hollenberg, Esq.
Leszek Stachow, Asst. Dir/Electric Division
James J. Cunningham, Jr., Electric Division

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I N D E X

PAGE NO.

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 KAREN P. CRAMTON
 THOMAS R. BELAIR
 ERIC M. STANLEY

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	PSNH filing of CORE Utilities 2015-2016 Statewide Energy Efficiency Plan	10
2	Staff Direct Testimony of James J. Cunningham, Jr., with attachments (11-10-14)	10
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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We are here in
3 Docket DE 14-216, the 2015-2016 CORE Electric and Gas
4 Energy Efficiency Programs docket. And, we have a
5 Settlement Agreement that was filed at the end of last
6 week. I'm not sure the best way to proceed. Mr. Fossum,
7 since you filed the Settlement Agreement, perhaps you
8 could set the scene for us and tell us how you -- how the
9 parties want to proceed?

10 MR. FOSSUM: Certainly. I guess, for
11 the record, very quickly, Matthew Fossum, for Public
12 Service Company of New Hampshire.

13 CHAIRMAN HONIGBERG: I'll take
14 appearances in a minute. I just wanted to figure out what
15 we're doing.

16 MR. FOSSUM: Then, I'll save it for
17 that. We have agreed on a panel of witnesses that would
18 be presenting the filing and the Settlement Agreement
19 associated with it, to describe and discuss the
20 Settlement. And, then, the panel would be available for
21 any cross-examination that might be conducted. So, I
22 think, by in large, there's agreement that -- on that
23 presentation.

24 CHAIRMAN HONIGBERG: Okay. Why don't we

1 take appearances then.

2 MR. FOSSUM: In that case, Matthew
3 Fossum, for Public Service Company of New Hampshire. And,
4 with me this morning are Rhonda Bisson and Tom Belair from
5 PSNH.

6 MS. KNOWLTON: Good morning. Sarah
7 Knowlton, here today for Liberty Utilities (Granite State
8 Electric) Corp. and Liberty Utilities (EnergyNorth Natural
9 Gas) Corp. And, with me today from the Company is the
10 Company's witness, Eric Stanley, and Heather Tebbetts.

11 MS. GOLDWASSER: Good morning. Rachel
12 Goldwasser, from the law firm of Orr & Reno, here today on
13 behalf of Unitil Energy Systems and Northern Utilities.
14 And, with me here is Tom Palma from the Company.

15 MR. DUNN: Good morning. Bob Dunn, from
16 Devine, Millimet. And, I'm here today on behalf of New
17 Hampshire Electric Co-op. And, with me from the Co-op are
18 Carol Woods and Craig Snow.

19 CHAIRMAN HONIGBERG: Good morning, Mr.
20 Dunn.

21 MR. DUNN: Good morning.

22 MS. HATFIELD: Good morning,
23 Commissioners. Meredith Hatfield, for the Office of
24 Energy & Planning, and with me is Karen Cramton who will

1 be serving on the panel today.

2 MR. CLOUTHIER: Good morning. I'm Ryan
3 Clouthier, on behalf of the Community Action Agencies.
4 And, with me today is Rob Bowers.

5 MS. CHAMBERLIN: Susan Chamberlin,
6 Consumer Advocate for the residential ratepayers.

7 MS. OHLER: Good morning. Rebecca
8 Ohler, for the Department of Environmental Services.

9 MR. LABBE: Good morning. Dennis Labbe,
10 on behalf of The Way Home.

11 MS. HOLLENBERG: Good morning. Rorie
12 Hollenberg, here on behalf of the Public Utilities
13 Commission Staff, with Jim Cunningham and Les Stachow, who
14 are here for the Electric Division.

15 CHAIRMAN HONIGBERG: Am I correct that
16 not everyone is on the Settlement Agreement? Ms.
17 Chamberlin?

18 MS. HOLLENBERG: You are correct,
19 actually. The Office of Consumer Advocate did not sign
20 the Agreement. We also have two signature pages to add
21 today, from The Way Home and the Community Action
22 Agencies, which we will do. If it's an appropriate time
23 at this point for me to ask to identify certain agreed to
24 exhibits, I could do that now or --

1 CHAIRMAN HONIGBERG: You can do that
2 now. But I'm going to ask Ms. Chamberlin to give us a
3 preview as to the reasons why she's not on the Settlement
4 Agreement, so we have some idea of where we're going here.
5 So, Ms. Chamberlin, why don't you do that now, and then
6 we'll circle back to the exhibits.

7 MS. CHAMBERLIN: Sure. Thank you, your
8 Honor. The OCA agrees with 99 percent of this filing.
9 The one area of concern is the performance incentives, and
10 that area of concern is due to the fact that this is a
11 two-year Settlement Agreement. The performance incentive
12 is an added stream of revenue designed, as the name
13 implies, to offset negative effects of energy efficiency.
14 This area overlaps with decoupling proposals. And, so, my
15 concern is that there is the possibility of a double-dip.
16 And, so, I'm bringing that area to the Commission's
17 attention, so that the Commission could expressly reserve
18 the opportunity to adjust the performance incentive, if a
19 decoupling mechanism -- excuse me, I have a little cold --
20 is approved in the future for a utility.

21 CHAIRMAN HONIGBERG: Thank you. And,
22 I'm sure the issue will be fleshed out during the
23 presentations.

24 Ms. Hollenberg, do you want to deal with

1 exhibits then?

2 MS. HOLLENBERG: Yes, please. The
3 Parties would propose that the following documents be
4 marked as exhibits for identification purposes. The
5 first, Exhibit 1, is the original filing, which can be
6 found at Tab 1. It's a voluminous document. And, I've
7 confirmed with both the Clerk and the Steno that they are
8 amenable to not receiving hard copies of that document
9 today.

10 CHAIRMAN HONIGBERG: Is that dated
11 September 12th?

12 MS. HOLLENBERG: Yes. Yes. Yes.

13 CHAIRMAN HONIGBERG: Thank you.

14 MS. HOLLENBERG: And, I just want to
15 make one note about that exhibit. That I've come to know
16 this morning that the pagination in the electronic version
17 that was filed may be slightly mixed up. And, so, the
18 Parties will confer as soon as possible and make sure that
19 that is corrected, if necessary.

20 CHAIRMAN HONIGBERG: Okay. Thank you.

21 MS. HOLLENBERG: The hard copy is -- the
22 hard copy that was filed with the Commission, though, is
23 not -- is not in error.

24 CHAIRMAN HONIGBERG: Okay.

1 MS. HOLLENBERG: Exhibit 2 would be Mr.
2 Cunningham's testimony, which is found at Tab 16 in the
3 Commission's docketbook, dated November 10th, 2014.

4 Exhibit 3 would be the Settlement Agreement that was filed
5 by PSNH, which is found at Tab 18, dated December 11th,
6 2014.

7 And, I apologize. I referenced "Tab 1"
8 for Exhibit 1 earlier, and I recognize now that it is
9 Tab 4.

10 And, then, lastly, Exhibit 4 would be
11 the signature pages for The Way Home and the Community
12 Action Agencies.

13 (The documents, as described, were
14 herewith marked as **Exhibit 1** through
15 **Exhibit 4**, respectively, for
16 identification.)

17 MS. HOLLENBERG: As Mr. Fossum
18 mentioned, we do plan to have a panel of witnesses.
19 Mr. Stanley will appear on behalf of Liberty; Mr.
20 Cunningham will appear on behalf of the Staff; Mr. Belair
21 will appear on behalf of the PSNH; and Ms. Cramton will
22 appear on behalf of the Office of Energy & Planning. Our
23 plan is that each attorney will -- each counsel for those
24 individuals will qualify those witnesses, and then we'll

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 proceed as you wish.

2 CHAIRMAN HONIGBERG: Fine. Then, is
3 there anything else we need to do before those witnesses
4 come forward?

5 (No verbal response)

6 CHAIRMAN HONIGBERG: All right.

7 MS. HOLLENBERG: No thank you.

8 CHAIRMAN HONIGBERG: Then, why don't we
9 have them do that. Let's go off the record.

10 (Brief off-the-record discussion
11 ensued.)

12 MS. HOLLENBERG: So, why don't we have
13 the witnesses take the stand. Thank you.

14 (Whereupon *James J. Cunningham, Jr.,*
15 *Karen P. Cramton, Thomas R. Belair,* and
16 *Eric M. Stanley* were duly sworn by the
17 Court Reporter.)

18 **JAMES J. CUNNINGHAM, JR. , SWORN**

19 **KAREN P. CRAMTON, SWORN**

20 **THOMAS R. BELAIR, SWORN**

21 **ERIC M. STANLEY, SWORN**

22 **DIRECT EXAMINATION**

23 BY MS. HOLLENBERG:

24 Q. Good morning, Mr. Cunningham. Would you please state

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 your full name and your position at the Public
2 Utilities Commission please.

3 A. (Cunningham) Yes. My name is James J. Cunningham, Jr.
4 My position here at the Utilities is a -- at the
5 Commission is a Utility Analyst.

6 Q. And, Mr. Cunningham, did you file testimony in this
7 proceeding?

8 A. (Cunningham) Yes, I did.

9 Q. And, has that testimony been marked for identification
10 as "Exhibit 2"?

11 A. (Cunningham) Yes.

12 Q. Are there any corrections or changes you wish to make
13 to your testimony at this time?

14 A. (Cunningham) I had several corrections to make to the
15 testimony. On Page 3, it indicates that this is "joint
16 testimony". It should be corrected to read "direct
17 testimony". That's on Line 12 and 13. And, on Page 6,
18 Table 2, Line 22, the number "55,491,000" should be
19 "55,115,800". On Page 7, Footnote 6, it indicates
20 "3 percent". That should be changed to "5 percent".
21 And, at the end of Footnote 6, it says "0.15", that
22 should be "zero" -- rather, it says "0.015", and it
23 should say "0.025". On Page 9, Line 9, there's a typo.
24 At the end of the sentence it says year "201", it

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 should be year "2015".

2 On Page 13, Line 11, add the word "that"
3 between "increases" and "would". Page 20, Line 12,
4 after the word "compare", add the word "to", t-o. And,
5 on Page 21, Line 31, change the word "our testimony" to
6 "my testimony". And, on Page -- on Line 32 of the same
7 page change "we address" to "I address". And, on Page
8 23, Line 20, it says "New Zero Homes", it should have
9 said "Net", N-e-t, "Zero Homes". Page 25, Line 5,
10 "ration" should be changed to "ratio". And, on Page
11 28, Line 9, the word "savings", plural, should be
12 changed to "saving", singular.

13 That completes my changes to the
14 testimony.

15 Q. Thank you. And, Mr. Cunningham, if you were asked the
16 questions in your testimony today, provided the
17 corrections you've just given, would your answers be
18 the same?

19 A. (Cunningham) Yes, I believe.

20 MS. HOLLENBERG: Thank you. Mr. Fossum.

21 MR. FOSSUM: Thank you.

22 BY MR. FOSSUM:

23 Q. Mr. Belair, could you state your name and place of
24 employment and your responsibilities please for the

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 record.

2 A. (Belair) Sure. My name is Thomas R. Belair. I'm the
3 Manager of PSNH's Energy Efficiency Programs. And, I'm
4 responsible for the planning and implementation of the
5 Company's energy efficiency programs in the New
6 Hampshire service territory.

7 Q. And, Mr. Belair, did you participate in the development
8 and the filing of what has been marked as "Exhibit 1"
9 in this docket, the CORE Energy Efficiency Plan?

10 A. (Belair) Yes, I did.

11 Q. And, you're familiar with the terms of that Plan?

12 A. (Belair) Yes, I am.

13 Q. And, did you likewise participate in the settlement
14 discussions leading to the Settlement that has been
15 filed as "Exhibit 3" in this docket?

16 A. (Belair) Yes.

17 Q. And, you're familiar with the terms of that Settlement
18 and its attachments?

19 A. (Belair) Yes.

20 MR. FOSSUM: Thank you.

21 BY MS. KNOWLTON:

22 Q. Mr. Stanley, please state your full name for the
23 record.

24 A. (Stanley) Eric Matthew Stanley.

{DE 14-216} {12-15-14}

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 Q. Make sure you speak into the microphone.

2 A. (Stanley) Eric Matthew Stanley.

3 Q. By whom are you employed, Mr. Stanley?

4 A. (Stanley) Liberty Energy Utilities (New Hampshire)
5 Corp.

6 Q. What is your position with the Company?

7 A. (Stanley) I'm the Manager of Energy Efficiency and
8 Customer Programs.

9 Q. And, in that capacity, what are your job
10 responsibilities?

11 A. (Stanley) I'm responsible for all planning,
12 implementation, marketing, analytics, reporting,
13 evaluation, and related responsibilities for the CORE
14 programs for Liberty Utilities (New Hampshire).

15 Q. Did you have any role in the development of what's been
16 marked for identification as "Exhibit 1", the September
17 12th, 2014 filing of the proposed CORE programs for the
18 Program Years 2015 and 2016?

19 A. (Stanley) Yes.

20 Q. What was your role in that?

21 A. (Stanley) I was responsible for all planning and
22 program development strategies, analysis, and all
23 related functions that went into development of the
24 Plan. I was also the Company's liaison with working

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 with the other stakeholders in the development of the
2 Plan and that process.

3 Q. Are you familiar with the Settlement Agreement that's
4 been marked today as "Exhibit 3"?

5 A. (Stanley) Yes.

6 Q. Did you participate in the development of that
7 Settlement on behalf of Liberty Utilities Gas and
8 Electric?

9 A. (Stanley) Yes.

10 MS. KNOWLTON: I have no further
11 questions at this time for the witness.

12 BY MS. HATFIELD:

13 Q. Good morning, Ms. Cramton. Could you please state your
14 full name for the record.

15 A. (Cramton) Karen P. Cramton.

16 Q. And, Ms. Cramton, have you testified at the Public
17 Utilities Commission before?

18 A. (Cramton) No, I haven't.

19 Q. Where are you currently employed?

20 A. (Cramton) I'm currently employed with the Office of
21 Energy & Planning.

22 Q. And, what is your position with OEP?

23 A. (Cramton) I'm the Deputy Director.

24 Q. How long have you been with OEP?

{DE 14-216} {12-15-14}

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 A. (Cramton) A little over two years.

2 Q. And, do you have other energy experience other than
3 your employment at OEP?

4 A. (Cramton) I do. I served on our local energy
5 committee. I also served and worked with State of New
6 Hampshire and worked with the Business Energy
7 Efficiency Program. And, I have owned an energy
8 efficiency and renewable energy company.

9 Q. Can you briefly describe your responsibilities at OEP?

10 A. (Cramton) Sure. At OEP, I have both administrative and
11 office, general office responsibilities. Particularly
12 pertinent to this hearing, I have responsibilities for
13 administering federal energy grants. And, those
14 include two revolving loan programs that we administer
15 at OEP; one being the Enterprise Energy Fund and the
16 other being the Better Buildings Program.

17 Q. Can you just talk briefly about the Better Buildings
18 Program and explain what it is?

19 A. (Cramton) Sure. Better Buildings was a ARRA grant, and
20 American Reinvestment and Recovery grant that came to
21 the Office of Energy & Planning at around 2009. The
22 grants was valued at \$10 million. And, basically, OEP
23 administered the program, working with the Community
24 Development Finance Authority, CDFA. And, we started

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 out working with three beacon communities in New
2 Hampshire, and worked with them to really promote
3 energy efficiency and deep-dive retrofits, whereby
4 homeowners and local businesses were encouraged to
5 install energy efficiency measures, saving at least
6 15 percent in energy savings. That program developed
7 four different financial products, two being for
8 residential customers. One is a revolving loan fund,
9 offering low interest -- actually, zero interest loan
10 to residential customers. The other being a loan loss
11 reserve, which was backing low interest loans. And,
12 then, we also have two commercial products as well, a
13 loan loss reserve and a revolving loan fund, again,
14 very similar in nature to the residential loans.

15 That program at this point has been
16 closed out with the federal government. The original
17 grant has been spent. We served approximately 800
18 customers with that, and made a little over \$3.1
19 million worth of loans. Those loans are now -- those
20 loan repayments are now revolving back into our funds.
21 And, we are charged with continuing to use those funds
22 for energy efficiency. And, so, what we will be doing
23 is working, hopefully, with the utilities to get that
24 money back out for EE loans.

{DE 14-216} {12-15-14}

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 Q. Thank you. Did you participate in this docket on
2 behalf of OEP?

3 A. (Cramton) I did.

4 Q. And, are you familiar with the Settlement Agreement
5 that has been marked as "Exhibit 3"?

6 A. (Cramton) I am.

7 Q. And, did you play a role in reaching the Settlement
8 Agreement that the Commission is considering today?

9 A. (Cramton) I did.

10 MS. HATFIELD: Thank you. I have
11 nothing further.

12 BY MS. HOLLENBERG:

13 Q. If I may at this time, before turning it over to
14 Mr. Fossum for the beginning of questioning, additional
15 questioning of the panel, ask Mr. Cunningham did you
16 participate on behalf of the Staff in reaching the
17 Settlement Agreement that was filed and has been marked
18 as "Exhibit 3"?

19 A. (Cunningham) Yes, I did.

20 MS. HOLLENBERG: Thank you.

21 CHAIRMAN HONIGBERG: Mr. Fossum.

22 MR. FOSSUM: Yes, Commissioners. By
23 agreement, the Parties to the Settlement Agreement have
24 determined a manner of describing the Settlement

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 Agreement, its terms, and briefly for the record, if the
2 Commissioners desire such a thing to be put on the record
3 orally?

4 CHAIRMAN HONIGBERG: Sure. Why don't
5 you do that. I'm interested in who else is going to be
6 asking questions, so we can figure out an order. Is
7 anybody else going to be asking questions of the witnesses
8 to explain the Settlement Agreement, Mr. Fossum?

9 MR. FOSSUM: There might be one other
10 person, depending on how good a job I do.

11 CHAIRMAN HONIGBERG: I should have
12 allowed you to put that off the record. So, we'll have to
13 see how you do.

14 And, then, Ms. Chamberlin, you're going
15 to have questions, correct?

16 MS. CHAMBERLIN: Just a few.

17 CHAIRMAN HONIGBERG: All right. Good
18 enough. Mr. Fossum, go ahead.

19 MR. FOSSUM: Thank you.

20 BY MR. FOSSUM:

21 Q. Then, I'll turn to Mr. Belair. Could you very briefly
22 provide an introduction and description of the filing
23 that was presented, that was made in this docket, as
24 well as the changes that have been subsequently agreed

1 to.

2 A. (Belair) Sure. To just give an overview of this
3 docket, it's an energy efficiency plan for two years,
4 for 2015 and '16. And, it's broken into a number of
5 different parts, some new parts that we've added. One
6 is a Prologue that summarizes some of the significant
7 impacts and benefits that the programs have delivered
8 since the inception in 2002. We've also, something new
9 this year, is a Summary of Material Changes that we
10 included on Page 216 to 220, to quickly see what the
11 program changes are from this year's programs and past
12 programs.

13 Some of the things that we continued
14 with, there's an Executive Summary that talks about
15 what the goals and the vision is of the programs. An
16 Introduction, on Page 8, that summarize the short and
17 long-term vision of the CORE Utilities and the recent
18 significant achievements.

19 And, then, it gets into the Two-Year
20 Plan on Page 19, that details the program descriptions,
21 the goals, the benefits of the programs and services
22 over the next two years. It gets into some of the
23 financing options that we have, and measurement and
24 verification initiatives.

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 The biggest part of the document is
2 Attachments 84 through 215, that details the programs'
3 budgets and all its detailed planning assumptions.
4 And, again, it ends with a Summary of Material Changes
5 on Page 216 to 220.

6 Q. And, turning now to the Settlement Agreement, were
7 certain changes to that plan filing agreed to for
8 purposes of the Settlement?

9 A. (Belair) Yes.

10 Q. And, are the changes and updates that are agreed to,
11 are they included along with the Settlement Agreement?

12 A. (Belair) Yes, they are.

13 Q. And, would that be Attachment A?

14 A. (Belair) Yes. Sorry.

15 Q. And, just for clarity, could you also describe then
16 what, I guess we'll do that very briefly, what
17 Attachments A and B are to the Settlement Agreement?

18 A. (Belair) Sure. Attachment A is a summary of the
19 updates to the September 12th filing, Pages 1 through
20 33 are what the summaries are -- summary changes are.
21 And, they're mostly updates to some of the planning
22 assumptions for Liberty Utilities.

23 Attachment B is a corrected, revised
24 filing. So, this has -- this is the original filing

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 revised with all those corrections.

2 And, then, we have Attachment C that's a
3 white paper on third party financing for the electric
4 and gas customers.

5 Q. And, I guess picking up then where you finished, could
6 you describe then briefly the third party financing as
7 it has been agreed to?

8 A. (Belair) Sure. So, the third party financing program
9 that we have is for our weatherization program, Home
10 Performance with ENERGY STAR. We agreed to expand the
11 third party financing for homes being weatherized for
12 electric companies, so that we would have a consistent
13 offering as the gas companies have with their third
14 party financing. And, both the electric and gas third
15 party financing would be implemented as described in
16 the white paper. And, in addition to what we described
17 in the third party financing white paper, the CORE
18 Utilities will part -- have also agreed to partner with
19 and work with the Office of Energy & Planning, to
20 develop an agreement where we'd be -- we'd use Better
21 Building funds to buy down loans as well.

22 Q. And, Ms. Cramton, for the -- in that the Office of
23 Energy & Planning has been mentioned there, did you
24 have any further description of the role of the Office

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 of Energy & Planning in this, in the third party
2 financing option he described?

3 A. (Cramton) No further description. I think the
4 description provided on Page 7 of the white paper
5 describes -- well, I can -- I'll provide an overview,
6 if you'd like?

7 MR. FOSSUM: I guess that's up to the
8 Commissioners, if they would prefer to have an overview
9 from the witness, or to rely on what's been filed already?

10 CHAIRMAN HONIGBERG: No, sure.

11 Ms. Cramton, why don't you give us a brief overview of the
12 highlights.

13 WITNESS CRAMTON: Sure.

14 **BY THE WITNESS:**

15 A. (Cramton) So, customers are currently making repayments
16 on the residential loans. Those repayments are going
17 into the residential revolving loan fund. Currently,
18 the value of that fund is about \$240,000. And, we
19 anticipate bringing in 200 to \$240,000 annually from
20 those repayments. So, what we're proposing in this
21 Settlement is that we would provide \$150,000 per year
22 to the utilities, and they could use that money then to
23 buy down interest rates for future Home Performance
24 with ENERGY STAR loans.

{DE 14-216} {12-15-14}

1 BY MR. FOSSUM:

2 Q. Thank you. Moving on then in the Settlement,
3 Mr. Stanley, there's a -- the next section references
4 EnergyNorth. Could you please describe what has been
5 agreed to for purposes of the Settlement there?

6 A. (Stanley) Yes. Section B of the Settlement Agreement
7 entitled "Projected Savings for EnergyNorth", this
8 section essentially details that, after the original
9 filing submittal, EnergyNorth identified additional
10 opportunities to capture more savings in its programs
11 for the 2015-16 period, and without increasing its
12 total budget. And, in total, the Company made
13 adjustments that resulted in its annual savings targets
14 increasing by 13 percent, compared to its 2014 annual
15 savings targets.

16 Q. Thank you. And, could you continue on with describing
17 the next section of the Settlement Agreement on the
18 "Home Energy Assistance Program".

19 A. (Stanley) Sure. That's Section C. Which details that
20 the Parties have agreed to increase the Home Energy
21 Assistance Program budget to be at least 15.5 percent
22 of the total portfolio, as compared to 15 percent
23 within the 2000 -- the most recent CORE program period
24 in 2013 and 2014.

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 This part of the Agreement also notes
2 that EnergyNorth, whom has historically had a higher
3 percentage of budget level for its -- for its Home
4 Energy Assistance Program, has agreed to taper that
5 percentage down to better align with the other CORE
6 Utilities over time in the future.

7 Q. Thank you. And, Mr. Belair, could you then describe
8 what is contained in the next section of the Settlement
9 Agreement on the "Customer Engagement Platform".

10 A. (Belair) Sure. The Settling Parties and Staff agreed
11 to the budgets for PSNH's Customer Engagement Platform,
12 where we could use about \$591,000 of System Benefit
13 Charge set-aside funds for energy -- that was to be
14 used for energy efficiency at PSNH facilities. And,
15 we'd use those funds to fund the Customer Engagement
16 Platform. And, the Parties and Staff agreed to discuss
17 this project's implementation and specific marketing
18 initiatives at our quarterly meetings.

19 Q. Thank you. And, could you continue on then to the next
20 section discussing "Program Activity". I'm sorry,
21 "Program Expenses".

22 A. (Belair) That section is E, "Program Expenses by
23 Activity". The utilities report expenses via
24 categories --

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 (Court reporter interruption.)

2 WITNESS BELAIR: Sorry.

3 **CONTINUED BY THE WITNESS:**

4 A. (Belair) The utilities report expenses via categories
5 defined on Page 78 of the two-year Plan. These expense
6 categories were developed twelve years ago. And, we
7 are finding that we're using -- we're reporting this
8 information to other entities as well, including
9 ISO-New England and the Forward Capacity Market. And,
10 we simply want to discuss how we report expenses in
11 these categories to ensure that we're consistent with
12 these other reporting entities.

13 BY MR. FOSSUM:

14 Q. Thank you. And, then, I believe, Mr. Cunningham, if
15 you could describe then the next section, having to do
16 with "Quarterly Reporting and Planning Meetings"
17 please.

18 A. (Cunningham) Okay. The Settlement Agreement that we
19 have before us today is the culmination of about eight
20 months of effort on the part of the Parties, which
21 began in May at Energy Park with a planning session.
22 At that planning session, a number of points were
23 discussed, brainstorming, sort of a brainstorming -- in
24 sort of a brainstorming context. And, among other

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 things, quarterly reporting was discussed. And, during
2 the course of 2014, an update to the quarterly report
3 format was developed. A working group was assembled by
4 the CORE team. And, the third quarter reporting
5 results that the Commission will see shortly, it's
6 already been provided, and it will be on the Commission
7 website shortly, incorporates a lot of those changes
8 that were discussed during the course of the Working
9 Group's meeting.

10 The quarterly reporting and meetings
11 will be continued during 2015 and 2016. Some of the
12 points that are developed in the Settlement Agreement
13 with respect to the Customer Engagement Platform that
14 Mr. Belair just talked about, progress on that will be
15 discussed during the quarterly CORE team meetings.

16 In addition, progress on the third party
17 initiative that was developed at the brainstorming
18 session, progress on that option and initiative will
19 also be discussed at the quarterly CORE team meetings.

20 A couple of other points about
21 administrative expense. We get a lot of questions
22 about what our administrative expense is. And,
23 administrative expenses are detailed in the activity
24 reporting that Mr. Belair mentioned a few minutes ago.

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 But it appears as though, based on some of the
2 questions we've received in the past six months, there
3 may be a need to tighten up some of the definitions of
4 what is "administrative expense". So, during the
5 course of our quarterly CORE team meetings in 2015,
6 we'll be raising that issue to see if we can tighten up
7 the definition of "administrative expenses". Thank
8 you.

9 Q. And, lastly, Mr. Stanley, if you could describe the
10 next section, the "Reservation of Rights" there.

11 A. (Stanley) Yes. Section G of the Settlement Agreement
12 is -- the purpose of it is to recognize that there are
13 items happening outside of the CORE proceedings under
14 DE 14-216 that may have a material impact on the CORE
15 programs. Such as EnergyNorth's decoupling proposal in
16 DG 14-180, and if an Energy Efficiency Resource
17 Standard comes to fruition in New Hampshire. And,
18 therefore, one or more Parties may want to take a
19 position on such items as it relates to the CORE
20 programs. And, this simply gives Parties the
21 opportunity to do so, if they wish.

22 Q. Thank you. Just one last question to each of the
23 members of the panel. Is it your testimony that the
24 Settlement Agreement that's been presented today, and

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 marked as "Exhibit 3", and including its attachments,
2 is a just and reasonable and appropriate resolution to
3 the issues in this docket? We'll start with Mr.
4 Stanley.

5 A. (Stanley) Yes.

6 A. (Belair) Yes.

7 A. (Cramton) Yes.

8 A. (Cunningham) Yes, I'd agree. And, I'd like to expand
9 on that a little bit, if I may. With respect to third
10 party financing, I believe the Settlement Agreement is
11 in the public interest for a number of reasons. It
12 improves the upfront affordability for customers. It
13 dovetails nicely with CORE programs and the potential
14 Energy Efficiency Resource Standard that the Commission
15 may consider in the near future. It incorporates
16 supplemental funding from OEP and -- /CDFA of 150,000,
17 up to \$150,000 to expand the program. It protects
18 ratepayers from significant interest rate increases by
19 limiting the interest rates to a cap of 8 percent.
20 Provides for an administratively efficient financing
21 option, as these loan agreements will be made by the
22 lenders, not the utilities. And, it provides for
23 monitoring and evaluation. One of the things that I
24 could have mentioned in the quarterly meetings that

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 we'll be having this coming year will be that we will
2 be continuing to evaluate the progress of third party
3 financing.

4 With respect to savings targets that
5 Mr. Stanley addressed a few minutes ago, EnergyNorth
6 modified its proposal for savings for 2015 and 2016.
7 And, the modifications show increases to savings
8 targets for both years. And, Staff believes the
9 modifications are reasonable, and Staff supports them.

10 With respect to the HEA allocation of
11 15.5 percent, up from 15.0 percent, Staff believes the
12 increase in the allocation is reasonable and
13 appropriate. Staff has looked at the statistics for
14 New Hampshire from the Census Bureau that supports the
15 increase of 0.5 percent.

16 With respect to the Customer Engagement
17 Platform, Staff believes that it works well with a
18 potential EERS that the Commission may adopt in the
19 near future. It could stimulate savings and
20 participation in other CORE programs. Therefore, we
21 believe it dovetails nicely with a potential EERS that
22 the Commission may consider in the near future.

23 With respect to reservation of rights,
24 Section G provides for the reservation of rights

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 Q. Mr. Belair, for the electric utilities, the performance
2 incentive is the same as it has been, for 2015-2016,
3 it's the same as it is currently, the calculation of
4 it?

5 A. (Belair) Yes. It's planned at 7.5 percent of the
6 budget, yes.

7 Q. And, the driving factors of achieving the performance
8 incentive is a combination of measures implemented and
9 savings achieved, is that a fair summary? Or, you can
10 elaborate, if you would like to.

11 A. (Belair) No, it's -- we put together a plan for what we
12 can accomplish with the budget. And, if we meet that,
13 those goals, then we'll hit that 7.5 percent
14 performance incentive. If we don't meet certain
15 hurdles, there's potential for getting zero percent
16 incentive. And, if we exceed goals, there's an
17 opportunity to get up to 10 percent.

18 Q. And, when you say "hurdles", what do you mean?

19 A. (Belair) You have to -- one of the hurdles are, for
20 each sector, has to -- the benefit/cost ratio has to be
21 greater than one. If it doesn't hit that minimum
22 hurdle, the benefit/cost -- performance incentive will
23 be zero. And, it also has to exceed 65 percent of the
24 projected kilowatt-hour savings.

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 Q. And, the benefit/cost ratio is the cost of the measure
2 compared to the savings achieved by that measure?

3 A. (Belair) Over the life of the measure, yes.

4 Q. Thank you. And, Mr. Stanley, can you describe the
5 performance incentive that's in place for the gas
6 utilities?

7 A. (Stanley) The performance incentive for the gas
8 utilities is identical to that of the electric
9 utilities, except it has a different target level
10 currently. It's currently -- the target level
11 performance incentive for the gas utilities is
12 8 percent, as compared to 7.5 percent for the electric
13 utilities. And, that's based on the Settlement
14 Agreement over the past year, where the electric
15 utilities agreed to lower their target incentive from
16 8 percent to 7.5 percent, to recognize that a certain
17 percentage of the portfolio was generating non-electric
18 savings. No adjustment was made to the gas utilities'
19 incentive, primarily because the savings generated from
20 the gas utilities' programs are generating gas --
21 natural gas savings only, and not other non-gas
22 savings, as compared to the electric utilities.

23 Q. And, the driver of the percent -- of the performance
24 incentive is the cost of the measures implemented

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 compared to the savings of the measures over the
2 lifetime of that measure?

3 A. (Stanley) Correct. And, to clarify, the value of the
4 energy savings generated, as compared to the cost of
5 the measures.

6 MS. CHAMBERLIN: Thank you. That's all
7 I have.

8 CHAIRMAN HONIGBERG: Commissioner Scott.

9 COMMISSIONER SCOTT: Thank you. And,
10 good morning. Most of my questions, frankly, are more
11 global nature.

12 BY CMSR. SCOTT:

13 Q. But I think I'll start with the -- I was just curious
14 on some of the financing experiences. So, I think I'll
15 start with Ms. Cramton on the Better Buildings, if you
16 don't mind. I was just curious what the experience has
17 been so far, as far as customer repayments and
18 defaults? Has that been an issue?

19 A. (Cramton) It is not. Actually, to date, we have had
20 zero defaults. I think we've had two instances of late
21 payments. And, those were both --

22 (Court reporter interruption.)

23 **CONTINUED BY THE WITNESS:**

24 A. (Cramton) At this point, there have been no defaults.

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 And, I guess, for the record, that is something that
2 the Department of Energy does ask us to track. So, as
3 part of the agreement that some recipients sign with
4 us, meaning the banks and the utilities that we're
5 currently in partnership with, they do report to us on
6 a currently -- on a quarterly basis the number of
7 defaults and the number of late payments.

8 Q. On a similar line, I was curious, what do you see, at
9 least within that program, what have been the barriers
10 to customers, take up of customers for the financing?

11 A. (Cramton) Yes. I think the biggest barrier is, for
12 people wanting to install energy efficiency measures,
13 is that upfront cost, and access to financing. What we
14 find in the marketplace right now is, because the
15 typical loan is somewhere between 7 and say \$20,000,
16 it's a loan amount that's difficult to get in the open
17 market. It's too low to do a home equity loan, it's
18 often too high to be an unsecured loan through a bank.
19 And, so, an option that a lot of clients have to --
20 customers need to use is its credit card debt, which
21 runs, as you know, very high, typically in the 15 to
22 25 percent interest rate range. So, by partnering with
23 the utilities, and being able to buy down the market
24 rate to 2 percent, it offers an added incentive for

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 customers to really put in those deep-dive measures and
2 get a lot of energy efficiency for the dollar.

3 Q. So, with that buydown, are you seeing still
4 customers -- potential customers saying "no, I still
5 can't do this"?

6 A. (Cramton) I don't have the stats on how many people we
7 offered these loans to in the past that said "no".
8 What we did see through our pilot, or I shouldn't call
9 it a "pilot", Better Buildings did have a partnership
10 with both Unitil and PSNH through the Better Buildings
11 Program. And, Tom, correct me if I'm wrong, but I
12 think the average loan increased from 22 [2,200?] to
13 \$3,000, up to about 7, 6 to \$7,000. So, we did see a
14 marked increase in the efficiency that people were
15 willing to undertake by having access to that, that
16 funding.

17 A. (Witness Belair nodding in the affirmative).

18 Q. Makes sense.

19 A. (Cramton) And, also, the nice thing is, it's available.
20 That's part of what we're trying to provide for the
21 customers is kind of one-stop shopping. So, that you
22 don't need to go off and then, number one, figure out
23 "how do I go ahead and weatherize my home?" But, then,
24 "how do I find financing for it?"

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 Q. Thank you. And, the same line of questioning, I think,
2 for the utilities, to the extent you have that
3 experience. So, are we seeing any significant issues
4 with customers repaying? Is that an issue?

5 A. (Stanley) For -- I'll first speak to EnergyNorth's
6 experience with our gas third party financing pilot
7 this past year. To date, we've had 28 customer loans,
8 and because it's in the first year, we haven't -- the
9 banks have not notified us of any issues with customer
10 repayments. Because of the process that we've
11 established, we're not putting any demands on the banks
12 to approve more risky customers, *per se*. These
13 customers are being approved based on the bank's or
14 lender's standard approval process. Therefore, we
15 don't anticipate any issues with customer repayments,
16 outside of normal default rates that might happen with
17 customers or a customer not being able to pay. So, so
18 far, we're off to, we believe, a good start. And, we
19 believe this program could be replicated across the
20 residential electric utilities' programs.

21 Q. And, again, similar questioning, are you seeing, the
22 past programs, are you, even with that more
23 incentivized financing available, are you still seeing
24 some potential customers just saying "I just can't do

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 this", is that --

2 A. (Stanley) Anecdotally, yes. We also are seeing a trend
3 where, compared to several years ago, we see customers,
4 there's a greater reluctance to take on debt period
5 from customers. So, some customers just aren't
6 interested in financing anything, even if it's on a
7 credit card or taking on a home equity line of credit,
8 or taking -- participating in our finance offering.
9 There's a lot of customers who -- they're willing to
10 pay the up-front cost on that, rather than having some
11 type of debt burden. So, that's a change that's
12 happened overall in the marketplace, and not just
13 specific to our offerings.

14 This past year, though, we have, in our
15 opinion, again anecdotally, we haven't performed a
16 follow-up survey --

17 (Court reporter interruption.)

18 CHAIRMAN HONIGBERG: Haven't performed a
19 follow-up survey that we're planning to do. I heard what
20 he said.

21 **CONTINUED BY THE WITNESS:**

22 A. (Stanley) This past year, we believe that a good
23 portion of the customers, the 28 participants so far to
24 date, if they did not receive our financing offer, they

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 might not -- they probably would not have participated
2 in our programs, because it was helping fit a need or a
3 gap that, as Ms. Cramton mentioned, the up-front cost
4 that is a barrier for all customers.

5 BY CMSR. SCOTT:

6 Q. And, Mr. Belair, I didn't want to leave you out. Did
7 you want to add?

8 A. (Belair) Well, right now, Mr. Stanley was talking about
9 the third party financing on the gas programs, but all
10 four utilities have on-bill financing for
11 weatherization right now. And, I agree with what
12 Mr. Stanley said, some people don't want to assume
13 additional debt. But we do have a large number of
14 customers who will fund the project, their co-pay, for
15 weatherizing their home with their own funds. We're
16 finding that a lot of customers could use some help,
17 and the on-bill financing has been very successful and
18 getting people to move forward. So, the conversion
19 rate is high, from audit to actually getting the
20 weatherization measures installed.

21 The one thing that we are looking
22 forward to the -- you know, with the third party
23 financing is that the banks are going to assume all the
24 risk. And, so, if there's any defaults, it's not going

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 to affect the programs or, you know, electric
2 ratepayers or gas ratepayers.

3 I would like to share one other thing
4 about the Better Buildings partnership.

5 Q. Please.

6 A. (Belair) Ms. Cramton was correct in that our
7 weatherization projects, prior to working with Better
8 Buildings, were about \$3,200, the customer co-payment,
9 which means it would be about a \$6,500 project. So, we
10 did a couple hundred loans using that on-bill
11 financing. And, with the Better Buildings funds, we
12 worked with the Office of Energy & Planning and CDFA to
13 try out some deeper measures. And, so, with those,
14 with the opportunity to do deeper measures, that
15 average went from -- the average customer co-pay went
16 from 3,200 to \$5,900. So, people were willing to do
17 more. And, it was a great opportunity to partner with
18 them to try out and see how far people were willing to
19 go. And, we were able to do more weatherization, but
20 also some of the things that would be less
21 cost-effective in our programs, like windows and doors,
22 solar hot water, things like that. So, we got to
23 expand it to some things that would not have been as
24 cost-effective in our programs.

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 Q. Thank you. So, one feature, I think as we have
2 progressed with the CORE Programs, is now we -- we
3 have, I think a better synergy between gas and electric
4 programs?

5 A. (Stanley) Correct.

6 Q. So, I'm just curious, I hope this is not the case, but
7 I'll ask the question anyways. Correct me if I'm
8 wrong, the franchise areas for gas utilities and
9 electric utilities are not always from the same
10 company, correct?

11 A. (Stanley) Correct.

12 Q. So, is that presenting any problems in that
13 coordination?

14 A. (Stanley) No. That hasn't been an issue to date. How
15 we interface or work together in that scenario, where a
16 customer is serviced by a natural gas utility, and, of
17 course, an electric utility that, for that customer
18 where there's MMBtu savings, thermal savings, then the
19 priority is for that customer to be serviced by the
20 natural gas utility, since those thermal savings would
21 be natural gas savings. And, that process has worked
22 out very well. We have coordinated our structure in a
23 way that, for leads that come in through the programs,
24 that they're channeled appropriately based on those

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 guidelines. Similarly, an example of that is for our
2 Home Performance Program, similarly for our ENERGY STAR
3 Homes Program, as well as the Home Energy Assistance
4 Program. The thermal savings opportunities is
5 prioritized with the gas utilities. If there was a
6 circumstance where the natural gas utilities expended
7 all of their available funds, that customer could still
8 be serviced by their electric utility. But the process
9 we've established in place works very well we think for
10 customers.

11 Q. Thank you. One of -- and, again, I warn you, my
12 questions are rather global in nature. But, obviously,
13 we're, being utilities, and ratepayers yourself, I'm
14 sure you're well aware that we're experiencing winter
15 pricing concerns, for want of a better word. And,
16 understanding that, generally, energy efficiency
17 measures, they provide efficiency year-round, and I
18 understand that. Is this an appropriate mechanism to
19 be, the energy efficiency programs, to be looking at
20 trying to have a more targeted impact on these winter
21 peaks? Is that an appropriate place for that? Again,
22 I understand there's definitely an impact.

23 A. (Belair) Just to share with you a little bit, when you
24 go deep into this one, the avoided energy supply cost

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 study has never valued kW -- winter kW savings. So,
2 what's -- so, when you do the benefit/cost on a
3 project, if you're saving kW in the winter, it doesn't
4 have a value associated with it. Summer peak is where
5 all the value is on kW demand. Through this next
6 evaluation that's happening, we believe that it will
7 probably have a number, a value for reducing winter kW,
8 winter energy. That will allow the projects to maybe
9 take a different look at prioritizing the winter-saving
10 measures. The price spikes that we've seen here in,
11 you know, for December, January, and February, will
12 probably cause an avoided cost supply study to show
13 some higher numbers, and we'll be able to continue
14 doing energy efficiency that might have maybe a little
15 bit more priority towards winter. But I will tell you
16 that we've not unprioritized saving during the winter
17 because it didn't have any value in the avoided cost
18 study. We've done -- we've served a lot of
19 electrically heated homes. We went out with special
20 marketing. And, we've identified -- we've gotten a lot
21 more electric homes to participate in the program
22 saving energy in these past two years. We'll continue
23 doing that.

24 A. (Stanley) I would just add on the natural gas side,

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 it's EnergyNorth's belief that our efficiency programs,
2 since their inception, have had a notable impact in
3 terms of curtailing peak demand during the winter
4 season. For example, this past year, we -- despite the
5 high demands and really record demands for our
6 business, we weren't in a situation where we had to go
7 to any of our customers and ask them either to go to a
8 backup supply or reduce their volume. As compared to,
9 you can go back to 2004, where in that year we actually
10 had to reach out to some of our largest customers and
11 request that they switch to a backup fuel source or to
12 lower their usage, because of the amount of volume
13 going through the system. So, we believe the
14 difference between 2004 and 2014, despite the Company
15 has added a sizable amount of customers since that
16 time, that the impact of our efficiency programs put us
17 in a better position to make sure there weren't
18 issuances where we had to, again, curtail customer
19 usage.

20 Q. Okay. Thank you. One of the things I like to try to
21 think through when we look at the CORE filings and the
22 particular programs is what would happen if the funding
23 mechanism were not to be there for a particular program
24 in five or ten years, you know, kind of the market

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 transformation issue, frankly. I was curious, just
2 again globally, if you were able to comment on that as
3 related to this filing? A big question, I guess.

4 A. (Belair) Can you ask it again?

5 Q. Yes. Could you comment generally on how this filing
6 addresses market transformation. I see, in each
7 program, there's a little blurb talking about it. I
8 was just curious if you could comment on, you know, how
9 the current filing would move towards, in the future
10 perhaps, less need for subsidization, that type of
11 issue.

12 A. (Belair) Just to maybe share with you the
13 weatherization program, because that's probably the one
14 that, you know, everyone can take advantage of. Is we
15 have, over the past three years, we've been working to
16 get new contractors involved. You know, we're upwards
17 of almost 40 weatherization contractors now. A lot of
18 these contractors are -- and, over that period of time,
19 we've reduced the incentive from 75 percent to
20 50 percent, and we're still seeing, you know, a good
21 interest in people doing that. So, what we've done,
22 you know, as you transform the market, what you're
23 doing is you're building up the expertise of people in
24 the field. So, having 30 and 40, you know, contractors

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 doing weatherization work helps them not only sell
2 weatherization work, but they will do some additional
3 work afterwards. A lot of them will, you know, replace
4 windows for the customer afterwards outside of this
5 program. So, it's getting the market to do more as
6 well.

7 So, we think that we're simplifying the
8 Home Performance Program, making the offering easier
9 for customers. So, trying to simplify the program,
10 trying to get more contractors in. And, you know,
11 going over the third party financing, you know, getting
12 the banks interested in providing financing. And, I
13 think that's -- those types of things are on the way to
14 market transformation. I think customers still need an
15 incentive now to move forward. But, you know, we've
16 done some market transformation over, you know, just in
17 that program, to get the market -- the contractors
18 trained and doing really good work on weatherizing
19 homes, and getting the banks -- and getting the banks
20 to help finance that. I don't know if that helped, if
21 that answered your question?

22 Q. Directionally, yes.

23 A. (Belair) Picking one.

24 Q. You're welcome to comment, if you'd like.

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 A. (Stanley) Yes. We could probably expound on this for
2 quite a bit. But the role our programs play, in
3 addition to having a direct impact on customers, we're
4 supporting a broader network. There's a broader value
5 change that the CORE programs have established since
6 their inception, that they're helping to drive
7 efficiency activities. And, we get asked a lot about
8 "well, are we at the end of the pipeline?" You know,
9 "how much more opportunities are there in the
10 marketplace for energy efficiency?" And, that -- the
11 market continues to evolve as technology has evolved,
12 for example. New processes are developing. And, we
13 continue to see new technologies come into play that
14 create new opportunities that didn't exist just two or
15 three years ago, for example, LED lighting. The
16 efficiencies of LED lighting technology, just compared
17 to two years, are significantly different, and there's
18 significant opportunities for customers to save even
19 more energy just from that time difference.

20 This past year we had a very exciting
21 project with -- specific to the commercial laundry
22 market. There's a new technology called "polymer bead"
23 washing machines. We happen to have one customer in
24 our service territory that installed one of the

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 first -- one of three units installed in the United
2 States installed right here in Manchester, New
3 Hampshire with one of the large commercial laundry
4 facilities. Where this technology uses 90 percent less
5 hot water, 75 percent less total water, and, instead of
6 using laundry detergent, it uses these plastic polymer
7 beads essentially, that can be reused over 800 times.
8 And, this technology, just this one example, is going
9 to completely transform this company's cost structure,
10 is going to virtually eliminate or significantly reduce
11 the amount of detergent they purchase. And, this
12 technology can be used by any similar commercial
13 laundry business such as this. And, this company that
14 developed the technology, it's based in Europe, they're
15 in the process of developing a residential size model
16 now. And, you could just envision the opportunities
17 this could present to homeowners, and the potential
18 transformation it could have just to the consumer
19 products industry in companies that sell laundry
20 detergent. And, those technologies continue to evolve.

21 We believe we helped play a role in
22 working with this customer, to help him realize and we
23 help evaluate the savings for this technology, we prove
24 that it's cost-effective, and we prove that there's an

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 opportunity for this customer, but also to other
2 customers. And, those are the types of things that we
3 have been helping deliver to customers over the past 14
4 years with these programs. And, our role touches a lot
5 of different entities, again, not just the end
6 customer, but the training, the contractors, retailers.
7 And, if you were to take us -- if we were to remove the
8 CORE programs, as in some states across the country
9 where there are no such energy efficiency programs, I
10 think you would see a notable -- noticeable difference
11 in the level of investments that are taking place with
12 customers, the level of investments happening with the
13 trade community and contractors supporting the
14 efficiency industry. And, you see that in the states
15 that have invested heavily in energy efficiency, that
16 there is a different industry makeup that exists, as
17 compared to the states where there is not an
18 efficiency-type program offering.

19 Q. That's fascinating. Thank you. So, my last question,
20 and you just, Mr. Stanley, you just hit upon it. I get
21 the -- again, having looked at the CORE programs as we
22 progress, you mentioned other states, and that was my
23 other question. That it sounds like, correct me if I'm
24 wrong, the utilities generally have a good grasp of

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 what's going on nationally and internationally on the
2 same front, so that there's -- obviously, we're not an
3 island here necessarily. So, do we have a good
4 feedback mechanism to know, to gather the good ideas
5 from other areas and regions?

6 A. (Stanley) Yes, I would say absolutely. I think that's
7 the key part of our role, in trying to optimize our
8 program portfolio, is constantly looking at new
9 opportunities, and where we can borrow "best practices"
10 from elsewhere and learn from others, opportunities
11 they have taken advantage of, but also mistakes. So,
12 we would say we have a good pulse on what's happening
13 in the marketplace and with other program
14 administrators.

15 A. (Belair) And, most of the utilities have sister
16 companies in other states that are probably further
17 along on percent savings than New Hampshire is. And,
18 so, we will copy some of the things they do. I like to
19 say "we shamelessly steal the best ideas". And, you
20 know, we are in touch with what's going on, and we are
21 looking at some of the new products being presented to
22 customers, and we're looking to -- we are incorporating
23 those in New Hampshire as well.

24 CMSR. SCOTT: Thank you very much. I

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 think that's all I have for now, Mr. Chair.

2 CHAIRMAN HONIGBERG: Thank you.

3 BY CHAIRMAN HONIGBERG:

4 Q. Mr. Stanley, I apologize for asking you to go back to
5 this, but -- and I think I probably should understand
6 this better than I do. Could you recap your exchange
7 with Attorney Chamberlin regarding the performance
8 incentives and the interplay between gas and electric,
9 because I missed something somewhere in your answer.

10 A. (Stanley) Okay. Ms. Chamberlin, if I recall, asked
11 me -- asked if I could explain the gas utilities'
12 performance incentive mechanism and maybe expand upon
13 the difference between the gas utilities' performance
14 incentive and the electric utilities' performance
15 incentive.

16 Q. That sounds like a good setup. That's my memory as
17 well.

18 A. (Stanley) Okay. So, to be sure, there is no difference
19 in formula, *per se*, in how the performance incentive is
20 calculated. The performance incentive is calculated
21 based on two components; the savings goal component and
22 a cost-effectiveness component. And, each is worth
23 essentially 50 percent of the total performance
24 incentive, of which that -- those combined components

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[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 have a target level for the gas utilities of 8 percent.
2 So, each of those components are worth 4 percent for a
3 target. As compared to the electric utilities'
4 performance incentive, again, it has the same
5 structure, a savings goal and a cost-effectiveness
6 goal, however, the combined components -- the combined
7 target value is 7.5 percent, as compared to 8 percent.
8 And, the reasoning for that difference to date is the
9 electric utilities entered into a Settlement Agreement
10 this past program year where they agreed -- they
11 recognized that, because the electric utilities'
12 portfolio has a -- you could argue a sizeable portion
13 or a notable portion of savings that are non-electric
14 savings. So, for example, our Home Performance Program
15 with our electric companies, a significant portion of
16 the savings are typically fuel oil, propane, wood, it's
17 non-electric savings. So, recognizing that there are
18 programs within the electric portfolio that aren't
19 saving electric savings or creating electric savings,
20 that the companies and Parties agreed to lower the
21 target incentive to what was 8 percent to 7.5 percent.

22 However, for the natural gas utilities,
23 we do not have program offerings that are generating
24 significant non-natural gas savings. Therefore, the

[WITNESS PANEL: Cunningham~Cramton~Belair~Stanley]

1 Parties have agreed to keep the target incentive at
2 8 percent, as has been historically the target level.
3 I will point out, in the Plan, it does note that the
4 Parties have agreed to withhold discussions and
5 negotiations regarding performance incentive levels
6 until a time where more is known regarding potentially
7 an Energy Efficiency Resource Standard.

8 CHAIRMAN HONIGBERG: That's helpful.
9 Thank you. That was really the only thing I had that
10 was -- that Commissioner Scott or the others didn't cover.

11 Do you have anything else? All right.
12 Do any of you have redirect questions for your respective
13 witnesses?

14 (No verbal response)

15 CHAIRMAN HONIGBERG: Seeing none, I
16 think. We're fine then. The witnesses can return to
17 their seats. We have no other witnesses, correct?

18 MS. HOLLENBERG: No.

19 CHAIRMAN HONIGBERG: I think, in the
20 Agreement, you had already stipulated that the exhibits
21 would be full exhibits. We could strike the ID from all
22 four exhibits, is that correct?

23 MS. HOLLENBERG: Yes. Thank you.

24 CHAIRMAN HONIGBERG: Give each of you a

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1 chance to sum up your positions. I guess I would be
2 interested in hearing from the lawyers responding to the
3 OCA's concerns. I see a provision in the Agreement that
4 at least arguably addresses the same topic. So, I'd be
5 interested in hearing both Ms. Chamberlin's and counsels'
6 perspectives on the effect of that provision, but more
7 generally also your positions.

8 And, Ms. Chamberlin, given that you are
9 not on the Agreement, I'll ask you to go first. But I'm
10 not sure how many other counselors are going to want to
11 speak and sum up?

12 (Show of hands.)

13 CHAIRMAN HONIGBERG: Okay. All right.
14 So, good enough. We'll go around the room after
15 Ms. Chamberlin does her thing. And, Mr. Fossum, since I
16 made you go first, I'll let you go last.

17 MR. FOSSUM: Oh. Okay.

18 CHAIRMAN HONIGBERG: All right.
19 Ms. Chamberlin.

20 MS. CHAMBERLIN: Thank you. Because
21 this proposal is a two-year agreement, the Commission
22 order should expressly state that the performance
23 incentive for any utility that implements a revenue
24 decoupling mechanism may be modified. And, that's the

1 difference. I didn't think that Paragraph G went far
2 enough. I am asking that the Commission order expressly
3 say "Look, these two disparate filings have similar
4 purposes. And, if a decoupling mechanism is implemented,
5 it may be necessary to modify the performance incentive."
6 These things can be structured in various different ways.
7 And, my concern is that the Settlement Agreement locks it
8 in to a particular methodology that may or may not
9 double-dip with a decoupling mechanism. And, the OCA did
10 not want to see a double-dip occur at all, and certainly
11 not for two years. It would be different if perhaps it
12 was a year or less, but, because of the length of the
13 Agreement, flexibility is important. And, I did not want
14 companies or anybody to be able to argue "Look, you know,
15 the Settlement Agreement says X. The Settlement Agreement
16 is for two years, therefore, it can't be changed." And,
17 so, that was my -- that is my concern, and that's why I
18 did not sign the Settlement Agreement.

19 I am not objecting to the performance
20 incentive, *per se*. It has worked in the past. It has
21 been a good balance of ratepayer concern with getting
22 these programs implemented, and shareholder concern with
23 revenue, you know, conserving their revenue. However, if
24 other elements change that balance, it can be significant.

1 And, so, that is the concern.

2 Both the energy efficiency performance
3 incentive and a revenue decoupling mechanism are intended,
4 at least in part, to compensate the utilities for revenues
5 lost due to implementation of energy efficiency programs.
6 Therefore, that raises the double-dipping concern. And,
7 as the Staff witness pointed out, it's particularly
8 relevant for Liberty Utilities, because there is a
9 decoupling mechanism in their distribution rate case
10 filing, DG 14-180. The OCA is not taking a position on
11 that mechanism in this hearing, just raising the potential
12 that the two proposals may have -- they need to be
13 carefully structured so that they are not overlapping.

14 CHAIRMAN HONIGBERG: You would agree
15 that the philosophy behind performance incentives and
16 decoupling, there's different philosophies underlying
17 those two concepts, correct?

18 MS. CHAMBERLIN: I believe they are
19 essentially the same. And, the goal is to preserve
20 utility revenue. And, when you reduce sale volume, the
21 way things are structured currently, you reduce revenue.
22 So, if you change, if you decouple that, and you have a
23 performance incentive, in my view, you're double-dipping.

24 CHAIRMAN HONIGBERG: Thank you. What

1 we're going to do is we're going to go essentially in the
2 order that you gave appearances, circling back to
3 Mr. Fossum last. So, Ms. Knowlton, that would put you up
4 next.

5 MS. KNOWLTON: Thank you. The Company
6 appreciates all the time that the parties have put into
7 consideration of these programs that are proposed for the
8 years 2015 and 2016. From Liberty's perspective, these
9 programs are very important programs to implement at the
10 first of the year and are in the public interest. Which I
11 believe was amply demonstrated by the Companies' filing,
12 the Settlement Agreement, and the testimony that you heard
13 today.

14 As described in the filing, and if you
15 were to, just for the record, look at Bates Page 2 and 3,
16 the programs have delivered very powerful results over the
17 past decade. The budgets that are proposed for 2015 and
18 2016 continue the delivery of those results, and we
19 believe that it is important to customers to have the
20 programs available, especially during these times of high
21 prices.

22 As indicated by the witnesses, the
23 programs are subject to rigorous criteria to screen for
24 cost-effectiveness. In particular, we are delighted to

1 see third party financing being offered to electric
2 customers over the next two years, assuming the Commission
3 were to approve the Settlement. We believe that that is a
4 very important mechanism, given the cost of implementing
5 energy efficiency measures, and that electric customers
6 should be able to take advantage of this as gas customers
7 have been.

8 With regard to the OCA's position, it is
9 Liberty's view that there is not a sufficient record
10 that's been demonstrated in this case, either in the form
11 of testimony or exhibits, that would support any
12 conclusion about whether there should be a change in
13 performance incentive level if either an EERS or revenue
14 decoupling were implemented. It really is premature to
15 take any such action in this docket.

16 The Settling Parties included Section G
17 in the Settlement in order to recognize that there are
18 potential significant policy changes on the horizon, and
19 to bring those to the Commission's attention, and to allow
20 the parties to reserve the right to make whatever
21 arguments regarding those two potential events, were they
22 to occur in those -- in the future.

23 So, in the case of revenue decoupling,
24 for Liberty, there is a proposal that's pending in its

1 rate case. And, I would assert that that is the proper
2 place for those arguments to be made.

3 I would also note that this is not the
4 first time that EnergyNorth has proposed revenue
5 decoupling. The Company has proposed this in a prior rate
6 case, at the same time that CORE dockets were pending.
7 So, really, there is nothing new in that regard, to the
8 extent that both issues are under consideration at the
9 same time.

10 So, with that, I'll close, and just
11 thank the Commission again for its prompt consideration of
12 the Settlement.

13 CHAIRMAN HONIGBERG: Ms. Goldwasser.

14 MS. GOLDWASSER: Thank you, Mr.
15 Chairman. Unutil and Northern would adopt the position
16 that Attorney Knowlton just enunciated. We support the
17 Settlement Agreement, and are very excited about the third
18 party financing partnership at the Office of Energy &
19 Planning. We thank and commend Staff and the Office of
20 Energy & Planning for their work in facilitating this
21 Settlement, and all the parties for working together to
22 develop these programs over the past several months. The
23 parties did -- had a number of informal conversations
24 before this filing was made, and a lot of those

1 conversations have been incorporated into the filing
2 that's before you today, and it's improved as a result of
3 the work of a lot of different people, utilities and the
4 other interested folks in the State of New Hampshire.

5 We believe that the Settlement Agreement
6 addresses the issues associated with any policy changes in
7 the EERS or in decoupling. And, we ask that the
8 Commission issue an order, if possible, by January 1st, so
9 that continuity for the programs is permitted. And, if an
10 order is not able to issue by that date, then we ask for
11 interim authority necessary to continue the programs until
12 an order issues on the next two-year program cycle.

13 So, in conclusion, we respectfully
14 request that the Commission approve the Settlement
15 Agreement. We believe that it results in a just and
16 reasonable outcome and serves the public interest in
17 these -- in furthering these energy efficiency programs.
18 Thank you.

19 CHAIRMAN HONIGBERG: Mr. Dunn.

20 MR. DUNN: Thank you, Mr. Chairman. I
21 have nothing to add to what Ms. Knowlton and
22 Ms. Goldwasser have said.

23 CHAIRMAN HONIGBERG: Ms. Hatfield.

24 MS. HATFIELD: Thank you, Mr. Chairman.

1 OEP supports the Settlement Agreement, and we thank all of
2 the parties for their work in putting it together,
3 particularly with respect to their willingness to work
4 with OEP to make our federal funds available to the
5 programs. We think that that allows us to do more energy
6 efficiency. And, it also allows us to begin what we hope
7 is a movement toward customers who can afford to do so to
8 pay more of the costs of making energy efficiency
9 investments. I stress those "who can afford to do so",
10 because obviously the low income programs are extremely
11 important to the state, and we don't see the financing
12 option being appropriate for those customers at this time.

13 I did also want to recognize the work
14 that Staff has done over the last year in monitoring and
15 evaluation. They have complied with a provision of the
16 Settlement Agreement in the last case, and they have
17 brought in some expert resources to assist the group in
18 ensuring that we do have strong E, M, and V processes and
19 programs in place.

20 With respect to the OCA's issues that
21 they have raised, we do believe that Paragraph G of the
22 Settlement Agreement protects all of the parties'
23 abilities to raise those issues in the future. And, we
24 would also point out that traditionally there is an

1 opportunity for a midcourse correction in the CORE
2 Programs. The Commission does traditionally have a docket
3 every year. So, a year from now we'll be back talking
4 with you about potential changes for 2016. So, that's yet
5 another opportunity for us to make changes, if they're
6 needed.

7 So, thank you very much for your
8 consideration. And, we hope that you'll approve the
9 Settlement.

10 CHAIRMAN HONIGBERG: Mr. Clouthier.

11 MR. CLOUTHIER: Thank you. The CAA
12 support the Settlement that's put forth today. And, we
13 don't have anything else to add, just to echo the comments
14 of the thanks to all parties involved in putting this
15 together and the ability to participate in these meetings.
16 So, thank you.

17 CHAIRMAN HONIGBERG: Ms. Ohler.

18 MS. OHLER: Thank you. The Department
19 of Environmental Services is in support of this Settlement
20 Agreement. And, we would just like to echo that we do
21 appreciate all of the work that's gone in, and bringing
22 the extra federal funds from OEP to this is really going
23 to, I believe, help with the market transformation, get us
24 to the third party financing that is going to be so

1 necessary to do the deeper-dive retrofits that cost a
2 little bit more. So, thank you.

3 CHAIRMAN HONIGBERG: Mr. Labbe.

4 MR. LABBE: Yes. Thank you. The Way
5 Home does support the Settlement Agreement. We would just
6 like to echo the thanks to all the parties working
7 together to come up with all the different terms involved,
8 especially the -- all the parties' agreement to increase
9 the low income percentage to 15.5. We appreciate
10 everyone's recognition that there is a significant
11 population in New Hampshire, and, you know, we can't leave
12 these people behind. And, there are significant barriers
13 to, you know, market transformation for that particular
14 income-eligible community. So, we thank the parties for
15 their recognition and support for increasing the
16 allocation.

17 CHAIRMAN HONIGBERG: Ms. Hollenberg.

18 MS. HOLLENBERG: Thank you. The Staff
19 concurs with the comments made by counsel up to this
20 point, aside from the OCA, with all due respect. We do
21 believe that the provision in Paragraph G does provide the
22 Commission with the ability to examine the impact of
23 decoupling or an EERS on the PI in the CORE Programs, if
24 and when that occurs, those -- if and when the Commission

1 were to either approve decoupling or an EERS standard.

2 Mr. Cunningham's testimony summarized
3 the reasons underlying the Staff's support. And, at this
4 time, I'd like to thank all the parties for their efforts
5 in bringing this Agreement to your attention today. Thank
6 you.

7 CHAIRMAN HONIGBERG: Mr. Fossum.

8 MR. FOSSUM: Thank you. I, too, would
9 like to thank the parties for all of their work and effort
10 that led to the Agreement that we presented to you today.
11 PSNH is likewise in support of the Agreement, and request
12 that the Commission approve it.

13 And, I'll say simply that I believe what
14 is contained in Paragraph G of the Settlement Agreement is
15 sufficient, in our opinion, to address the concerns raised
16 by the OCA in this case.

17 And, with that, I'll just, I guess,
18 reiterate the request that the Commission review and
19 approve this Settlement Agreement. Thank you.

20 CHAIRMAN HONIGBERG: Thank you all. Is
21 there anything else we need to do before we close this
22 hearing?

23 (No verbal response)

24 CHAIRMAN HONIGBERG: I don't think there

1 is. All right. We will adjourn, take this under
2 advisement. Thank you all very much.

3 **(Whereupon the hearing was adjourned at**
4 **10:28 a.m.)**

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