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April 3, 2015

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429

RE: IR 15-072, Gas and Electric Utilities  
Energy Efficiency Investigation  
Comments of the Core Utilities

Dear Director Howland:

On March 13, 2015, the Commission issued an order of notice in the above-referenced docket stating that it was soliciting comments relating to the Staff Report dated February 3, 2015 ("Report") relating to an Energy Efficiency Resource Standard ("EERS"). Liberty Utilities (Granite State Electric) Corp.; Unitil Energy Systems, Inc.; Public Service Company of New Hampshire d/b/a Eversource Energy; and the New Hampshire Electric Cooperative, Inc.; Liberty Utilities (EnergyNorth Natural Gas) Corp.; and Northern Utilities, Inc. d/b/a Unitil (collectively the "Core Utilities") are the entities responsible for implementing and administering a comprehensive set of successful state-wide energy efficiency programs referred to as the Statewide Core NH Electric Energy Efficiency Programs and Gas Energy Efficiency Programs ("Core Programs"). By this submission, the Core Utilities provide their comments in response to the Commission's order of notice.

The Core Utilities support the creation of an EERS in New Hampshire and believe expanding energy efficiency services can provide significant benefits to the businesses, residents and communities in New Hampshire. However, and as discussed more fully below, while the Core Utilities support the establishment of an EERS in New Hampshire, there are some areas in the Report that raise concerns, and which require further review before they could be successfully implemented. For example, in implementing an EERS further consideration should be given to determining appropriate energy savings targets, the required funding levels, and customer bill impacts necessary to achieve such energy savings targets. The Core Utilities are committed to helping New Hampshire meet its energy efficiency goals and are prepared to work with all parties to move forward productively with respect to an EERS.

As stated in the order of notice, the Report "concludes with Staff's recommendation to establish, in the short term, an EERS by recasting and gradually expanding the scope of the existing Core energy-efficiency programs, including increasing the role of private-sector financing." Order of Notice at 2. The order of notice specifically noted that, at this point, the Commission was seeking comments on whether there could be "specific points of consensus with certain of Staff's short-term recommendations" including whether to "establish an EERS for

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electric and natural gas utilities at this time”; “establish the EERS for an initial long-term period of ten-years, with interim, short-term goals approved by the Commission;” and “set the first two-year EERS goals that are consistent with the goals established for the 2015 and 2016 Core programs, in DE 14- 216”. Order of Notice at 2-3. In addition, the order of notice sought comment on any “other Staff short-term recommendation on which the Commission would be required to act in order to establish and oversee an EERS for electric and natural gas utilities with an initial period of ten years, segmented by two-year program periods, and with 2015 and 2016 goals consistent with the existing Core 2015 and 2016 goals.” Order of Notice at 3. Lastly, the order of notice sought input on whether any of Staff’s short-term recommendations “may be implemented by the Commission in DE 14-216, before, or at the time of, the 2016 mid-course review and consistent with the Commission’s approval of the 2015-2016 programs approved in December 2014.” Order of Notice at 3.

The Core Utilities appreciate the opportunity to provide comments to the Commission on the EERS proposal. In addition, the Core Utilities applaud the Commission for its successful oversight of energy efficiency since the mid-1990s. The successful collaboration between the Commission and the Core Utilities has resulted in the development and delivery of award winning, innovative energy efficiency programs that have had a significant, positive impact on utility customers across the state. These programs have resulted in energy use and peak demand reductions consistently and cost effectively delivered on target by the Core Utilities over time. The Core Utilities encourage the Commission to continue with the existing highly effective and efficient model that it has already established. Continued collaboration with the Core Utilities can provide further benefit as the Commission considers an EERS as the Core Utilities have firm experiences with such initiatives in other states.

Enhancing energy savings through the utility-run customer energy efficiency programs has been the aim of the Core Utilities for more than a decade and the Core Utilities have been successful in achieving that aim. Increasing energy efficiency saves money for customers both directly by reducing their need for energy, and indirectly, by reducing the need for costly infrastructure required to support customers’ energy needs. To that end, the Core Utilities agree with the goals and purposes of an EERS – namely, establishing “specific, long-term targets for energy savings that utilities or non-utility program administrators must meet through customer energy efficiency programs.” Order of Notice at 1-2.

The Core Utilities reiterate the feedback shared during the stakeholder process that there are four key areas that need to be incorporated in any effective economic model for a successful EERS: program cost recovery that is coincident with spending; lost revenue recovery on energy efficiency driven savings; performance-based incentives that drive savings; and low cost financing mechanisms that support customer investment in energy efficiency and leverage the capital of local financial institutions. These key areas will help drive a successful EERS and can be implemented in a manner that protects consumers and provides transparency.

These four key areas are outlined in the 2015-2016 NH Statewide Core Energy Efficiency Plan, which also describes the Core Utilities’ vision for the future under an EERS including expanding the reach of the Core Utilities’ existing award winning programs and implementing new and innovative initiatives. The Core Utilities also emphasize that

consideration of any short term objectives should be done with the four key areas outlined in mind, as these are based upon other state's experiences with similar programs and are consistent with the model supported by the American Council for an Energy-Efficient Economy (ACEEE). These key areas are fundamental issues that are inherently intertwined with any components of an EERS, both in the short and long term. It is not clear that these four key areas will be adequately addressed as part of the short term EERS objectives outlined.

Specific areas of concern include the determination of appropriate energy savings targets, the required funding levels and customer bill impacts necessary to achieve such energy savings targets, the introduction of a virtual utility model that can cause customer confusion and potentially conflict with the utility program activities, and the treatment of decoupling true-up costs as energy efficiency costs. In addition, the Core Utilities highlight that the current program plan considered in Docket No. DE 14-216 has already begun to address certain items proposed as part of the Report. Specifically, the Core Utilities are leveraging local private capital funding via the Core Utilities' residential Third Party Financing initiative, and improved marketing and segmentation to differentiate the needs of customers via Eversource's Customer Engagement Platform. It is not clear that these initiatives are factored into the EERS proposal in the Report.

The Core Utilities believe that if an EERS is implemented in line with the key areas identified above, it would be appropriate to establish an initial long-term period with interim short-term goals. In that way, long-term goals will be identified along with milestones to ensure progress toward achieving those goals. The Core Utilities think it would be reasonable to establish the first two-year EERS goals consistent with the goals established for the 2015 and 2016 CORE programs in Docket No. DE 14-216. However, the Core Utilities emphasize that in establishing longer term energy savings targets for an EERS, there should be a balance between the bill impacts required from customers in order to fund the achievement of specific savings targets and the appropriate pacing of such targets over time.

Also, with respect to the specific EERS savings targets detailed in the Report, the Core Utilities note that there is limited discussion related to non-electric energy savings, specifically as it pertains to programs offered to electric customers who use heating oil, kerosene, propane and/or wood to heat their homes. Given limited funding resources, the Core Utilities are concerned about the potential need to reduce or eliminate established program offerings previously approved by the Commission – for example, the ENERGY STAR Homes program, the Home Energy Assistance program and the Home Performance with ENERGY STAR program, that each provide significant benefits to customers in the state – because the majority of energy savings from weatherizing homes are for non-electric measures.

With respect to the 2016 mid-course review, it is intended to be an interim examination of the successes and challenges in a two-year program cycle and to provide an opportunity for limited revisions or updates to the programs, measures, or goals to ensure that the maximum benefit is being achieved. A mid-course review, given the restrictions on its time and scope, is not intended to provide a platform for a comprehensive review and adoption of substantial program changes, such as may be required with an EERS. Moreover, establishing an EERS brings with it other substantial concerns regarding utility rates and revenues, appropriate policies for guiding consumer and administrator actions, the degree of involvement for entities such as

private financial companies, and other issues. The scope of issues to examine is broader than the mid-course review and could not realistically be encompassed in such a process.

The Core Utilities believe that if an EERS is implemented, such implementation should begin only after the issues surrounding the adoption of an EERS have been vetted and addressed. The Core Utilities urge the Commission to act in a deliberate manner that will allow all parties to make informed decisions and to take advantage of the experiences and successes of other states.

New Hampshire is in the midst of an exciting time for reviewing and revising and implementing new energy strategies and policies for the future. As implementers of the statewide energy efficiency programs, the Core Utilities are eager to continue working with our partners and stakeholders to move the discussion forward. As stated earlier, the Core Utilities appreciate the opportunity to provide comments to the Commission on the EERS proposal, and remain committed to help the state meet its important efficiency goals.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE  
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