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MARGARET WOOD HASSAN
GOVERNOR

April 3, 2015

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

Re: Docket No. IR 15-072, Energy Efficiency Investigation

Dear Ms. Howland:

The purpose of this letter is to provide the Office of Energy and Planning's (OEP's) comments on Staff's "Energy Efficiency Resource Standard, A Straw Proposal for New Hampshire," ("EERS Straw Proposal"), released by Staff on February 3, 2015. We thank you for the opportunity to provide comments at this time.

OEP, as well as our predecessor agency, has been involved in energy efficiency and related proceedings and programs for many years. We strongly support investments in cost effective energy efficiency for all customers, and we appreciate the Commission's interest in exploring how to provide additional cost saving benefits to consumers in the state.

Due to time and resource constraints, OEP is not able to provide comments on all of the information contained in Staff's 91-page report. Therefore, our comments focus on answering the Commission's questions in its Order of Notice, raising questions and concerns, and providing recommendations for next steps.

I. Commission's Areas of Inquiry

1. Should the Commission Establish an EERS for electric and natural gas utilities at this time?

OEP strongly supports Commission action to develop energy efficiency savings goals. The Commission could do so by implementing an EERS; through utilities' Least Cost Integrated Resource Plans; and/or through a new approach in the biennial Core energy efficiency program dockets.

OEP respectfully suggests that the Commission open an adjudicative proceeding to determine the best approach, and that the Commission seek assistance from the Regulatory Assistance Project and outside expert witnesses to assist Staff and the parties

in developing consensus-based approaches wherever possible. OEP also notes that the Commission's longstanding support of strong low income programs is essential part of our existing programs, and in efforts to create goals and new approaches we must continue to support programs that allow those who benefit most from lower energy costs to participate.

OEP does not believe that it is possible to undertake and finish this important work in time for the Core 2016 program update docket, expected to be started in September.

2. Should the Commission Establish an EERS for an initial long-term period of ten years, with interim, short-term goals approved by the Commission?

OEP does not have an opinion at this time on the appropriate length of time for an EERS or other energy efficiency goal-setting framework. As stated above, we respectfully suggest that the Commission open an adjudicative proceeding and engage expert witnesses to advise the Commission and the parties on the most appropriate approach for New Hampshire.

3. Should the Commission 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?

OEP strongly believes that it would be a mistake to set an EERS at the current Core program savings targets. Instead, energy efficiency savings goals should be set by considering the energy efficiency potential in the state, and then determining how best to meet our savings potential. This should be done through an adjudicative proceeding that includes expert witnesses, discovery, and mechanisms for the Commission to resolve any disagreements. OEP believes that there could be significant areas of agreement, but that we need to use the Commission's traditional mechanisms to ensure that all parties can participate and present their ideas for the Commission's consideration.

It is also important to point out that the Core programs do not have goals in the sense that an EERS or other goal setting mechanism would. The goals of the Core programs, especially on the electric side where the funding is currently capped, generally are to spend those funds on efficiency programs available to all customers in the most cost effective manner. Those are not the efficiency goals that we need to achieve our savings potential. What we need as a state, in order to help customers save as much energy as is cost effective, is to set goals periodically based on our savings potential, and then to work collaboratively to implement those goals through the most effective programs possible.

4. Should the Commission establish and oversee an EERS with an initial period of ten years, segmented by two year program period, and with the 2015 and 2016 goals consistent with the existing Core 2015 and 2016 goals?

As stated above, OEP believes that it would be a mistake to call the savings planned in the 2015 and 2016 Core programs an EERS. The 2009 GDS study conducted for the Commission estimated that the state's potential for electric and non-electric savings was between 10.8% and 27.6%, depending on factors including how aggressively the state

wishes to pursue savings through energy efficiency.¹ Is that study still valid? Are more savings possible through technological improvements since 2009? These and other questions should be considered before a savings goal is set.

II. Staff's "Straw Proposal"

OEP thanks Staff, particularly Assistant Director of the Electric Division Les Stachow, for the work that went into preparing Staff's Straw Proposal. As detailed above, we agree with Staff's overarching recommendation to move forward with an EERS (or other savings goal setting mechanisms).

OEP offers the following observations about the Straw Proposal, and notes that these represent a portion of the questions we have about the document:

- It references a "comprehensive stakeholder process." While we believe that the one-on-one interviews conducted by Mr. Stachow were very informative, we believe that a more open and interactive stakeholder process is needed, with expert support, to help parties fully understand our savings opportunities and to reach consensus on approaches where possible. (p. 3)
- We agree that the Commission should pursue the principle of "all cost effective" energy efficiency through the tools available (LCIRPs, Core programs, etc.). (p. 5)
- We agree that the state should be investigating ways to attract private financing to help us to achieve our efficiency savings potential, and we agree that the WHEEL program deserves investigation. However, as noted in Appendix 2, the first step to participate in the WHEEL program is "Sponsor transfers ARRA or other public funds to a custodial account held for its benefit at a financial institution." (p. 82). OEP believes that transferring all SBC, RGGI and other efficiency resources to a third party to both finance and administer the programs is such a radical change from our existing structure that it merits significant additional consideration.
- On p. 33, Staff recommends considering "opening up the market to a second program administrator" that might focus on "market transformation and finance opportunities." Today the market is completely open, but most of the available funding goes to the utility administrators. Is Staff recommending a change to that structure? If so, how?
- On p. 36, Staff recommends the "establishment in the state treasury of an Energy Efficiency Fund into which all SBC, RGGI and LDAC funds would be remitted." OEP does not support this approach.
- On p. 41 Staff recommends that use of "rate recovery bonds" to finance energy efficiency, and "energy savings insurance" and "real estate investment trusts" on p. 42. OEP is interested in learning more about these funding approaches.
- With respect to the discussion section 5.2, OEP respectfully suggests that Staff review the ample literature about the benefits of energy efficiency investments to all customers, even those who do not participate in programs.
- On p. 49 Staff states that "in contrast to ACEEE, Staff is not persuaded that decoupling or lost-revenue recovery mechanisms should not be factored into the cost of EE." OEP disagrees and is interested to understand Staff's research and analysis of this issue. Staff continues on p. 55 to state that we should consider "how the implementation of decoupling

¹ <http://www.puc.state.nh.us/Electric/GDS%20Report/NH%20Additional%20EE%20Opportunities%20Study%202-19-09%20-%20Final.pdf>.

may soak up part of the energy efficiency program budget.” OEP is not aware of any other state that takes this approach and is concerned that Staff is advocating for it.

In conclusion, we respectfully request that if the Commission is to rely upon the Straw Proposal in making a decision to implement an EERS, an all cost effective policy, or any other related action, it allow interested parties to conduct discovery on the Straw Proposal in order to understand the sources and analysis behind the recommendations and findings in the document.

OEP hopes that the Commission will move expeditiously to develop energy efficiency goals and implementation plans in an adjudicative proceeding that is adequately resourced with efficiency experts, including experts with experience on approaches such as including efficiency as a least cost resource in rates. In determining the best approach, the Commission should seek assistance from the Regulatory Assistance Project and other expert witnesses to assist Staff and the parties in developing consensus-based approaches wherever possible. We do not believe that this important process can be conducted transparently and completely in time for the 2016 Core program year.

Finally, OEP urges the Commission to resist the temptation to simply declare that the Core 2015 or 2016 program savings are an EERS. To do so would miss an opportunity to set meaningful goals based on our true savings potential, in a way that meets the goals of a broad range of stakeholders.

Again, thank you for the opportunity to comment. We look forward to working with Staff, the Core parties, and other interested stakeholders to put New Hampshire on a path to realize the many benefits of achieving all cost effective energy efficiency.

Sincerely,



Meredith A. Hatfield
Director

cc: IR 15-072 service list