

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 15-137
ENERGY EFFICIENCY RESOURCE STANDARD

JOINT PETITION OF
NEW HAMPSHIRE’S ELECTRIC AND NATURAL GAS UTILITIES
FOR APPROVAL OF A FRAMEWORK FOR
AN ENERGY EFFICIENCY RESOURCE STANDARD

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, New Hampshire Electric Cooperative, Inc., Public Service Company of New Hampshire d/b/a Eversource Energy, Unitil Energy Systems, Inc., Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities and Northern Utilities, Inc. (collectively, “New Hampshire’s Electric and Natural Gas Utilities”, or “the Utilities”) jointly submit this Petition for Approval of a Framework for an Energy Efficiency Resource Standard (“EERS”). In support of this Petition, the Utilities submit the attached prefiled testimony of Eric M. Stanley, Carol M. Woods, Rhonda J. Bisson, and Cindy L. Carroll, and state as follows:

I. Background

On May 8, 2015, the New Hampshire Public Utilities Commission (“the Commission”) issued an Order of Notice commencing the instant proceeding to establish an EERS, *i.e.*, an energy efficiency policy with specific targets or goals for energy savings that New Hampshire utilities must meet. The Order of Notice, at page 1, states:

The EERS will require electric and/or natural gas utilities to achieve, within short- and long-term time frames, energy-type-specific levels of customer energy savings (efficiency goals), based on sales volumes for the baseline year of 2014. In this proceeding, the Commission will define the savings targets and address issues related to public and private funding; program cost recovery; lost-revenue recovery (e.g., decoupling); performance-based incentives and penalties; program administration; and evaluation, measurement and verification. The Commission will also consider ways to transition from the existing energy efficiency programs to programs under the EERS.

Over the past few months, many parties have met regularly in well-attended stakeholder technical sessions to discuss the issues surrounding the creation of an EERS. The Utilities made a presentation at each technical session, engaged with stakeholders, and provided perspectives and input on every issue raised in the Order of Notice. These presentations offered information describing how other states are administering their EERS programs, along with the utilities' insights and experience with these programs, and ideas of how New Hampshire may successfully administer its own EERS. The Utilities believe that their extensive, long-term experience in and commitment to administering energy efficiency programs in New Hampshire and other New England states makes them well-suited to propose the framework of an EERS for New Hampshire. The Utilities support the creation of an EERS because they believe an EERS will provide significant benefits for New Hampshire utility customers.

II. Description of the Utilities' Framework for an EERS

A. Guiding Principles

Utilizing the technical session discussions as a key source of input, the Utilities recommend the following principles be established to guide the energy efficiency planning process under an EERS:

- Establish electric kilowatt-hour (“kWh”) and natural gas million British thermal units (“MMBtu”) savings goals with an ultimate savings target of all achievable, cost-effective energy efficiency over time;
- Establish electric kWh and natural gas MMBtu annual sales reduction targets over at least a three-year period based upon demonstrated savings potential and the level of energy efficiency funding available to the Utilities;
- Consider rate impacts on residential and commercial/industrial customers’ bills when customer funding is utilized for energy efficiency programs;
- Provide a portfolio of cost-effective and comprehensive electric and natural gas programs with a secondary focus on fuel-neutral savings available to all customers served by the Utilities;
- Jointly coordinate the program plans and delivery of electric and natural gas programs to provide a consistent and seamless customer experience;
- Incorporate and drive innovation in technology, outreach and regulation to accelerate energy efficiency gains which reduce customer costs;
- Leverage the private financing market in New Hampshire to support customer investments in energy efficiency;
- Enhance statewide public awareness of the benefits of energy efficiency and available opportunities; and
- Support and fund programs using sustainable funding sources.

B. Program Administration

Given their history of working collaboratively since 2002 to develop and implement successful energy efficiency programs, the Utilities propose that they administer the EERS programs.

C. Program Planning Period

For several reasons, the Utilities propose that the energy efficiency planning period under an EERS be three years. First, transitioning from the current two year period to three years will provide more stability and continuity of program implementation, thereby assisting customers and other stakeholders in planning and investment decisions. Second, a three year planning period will align New Hampshire with the current program planning periods in use throughout New England. Lastly, a three year program planning period is consistent with the American Council for an Energy-Efficient Economy's ("ACEEE's") view of an appropriate planning period under an EERS. ACEEE recognizes a state as having an EERS if the state has "long-term" energy savings targets, and specifically defines "long-term" as a period of three years or more.¹

D. Stakeholder Engagement

Today, a wide range of stakeholders work with the Utilities on a daily basis to plan, deliver and evaluate energy efficiency programs. Stakeholders include: retailers, manufacturers, equipment distributors, contractors, builders, architects, engineers, trade associations, non-profit organizations, policy makers, program evaluation vendors and, most importantly, customers. The support and feedback from this network of stakeholders is essential to the success of energy efficiency programs. The Utilities suggest that under an EERS, the existing New Hampshire Energy Efficiency and Sustainable Energy Board ("EESB Board") could function as an energy

¹ American Council for an Energy-Efficient Economy (2015, April). State Energy Efficiency Resource Standards (EERS). Retrieved from <http://aceee.org/sites/default/files/eers-04072015.pdf>.

efficiency stakeholder board as the roles, responsibilities, and membership of the EESE Board are very similar to stakeholder boards in other states.

Under RSA 125-O:5-a, the EESE Board was created to promote and coordinate energy efficiency, demand response, and sustainable energy programs. The Board's duties include a broad range of energy efficiency-related focus areas, e.g., developing "a plan to achieve the state's energy efficiency potential for all fuels," developing "tools to enhance outreach and education programs to increase knowledge about energy efficiency and sustainable energy among New Hampshire residents and businesses" and encouraging "municipalities and counties to increase investments in energy efficiency and sustainable energy through financing tools, and to create local energy committees." RSA 125-O:5-a, I. The EESE Board is comprised of a diverse group of energy efficiency and sustainable energy stakeholders, state policy makers, representatives of the business community, and utility program administrators.

The Utilities propose that the EESE Board play an enhanced role under an EERS. The Utilities suggest that a draft energy efficiency plan could be submitted to the EESE Board for review several months before a final plan is filed with the Commission for approval. Details concerning this process are set forth in the attached prefiled testimony.

E. Savings Targets

As noted above, the ultimate savings target of the EERS in New Hampshire should be all achievable cost-effective energy efficiency over time. The savings targets should be developed through a comprehensive planning process for each three year period. Each utility should be allowed the flexibility to adjust specific savings targets in the future as market conditions change, and as more relevant, New Hampshire specific information becomes available. Savings

targets should be further defined by utility and should only apply to regulated fuels. Savings associated with unregulated fuels (e.g. fuel oil, propane, wood, etc.) should be identified and tracked so that associated benefits are captured and reported.

The savings target should be established as electric kWh and natural gas MMBtu annual sales reductions and come from demonstrated savings potential and the level of energy efficiency funding available to the Utilities. However, when establishing the level of energy efficiency funding, the Commission should carefully consider the impacts of any rate increases on customers' bills.

F. Funding and Program Cost Recovery

The Utilities believe that the existing System Benefits Charge ("SBC") paid by electric customers and Local Distribution Adjustment Charge ("LDAC") paid by natural gas customers are the most reliable and practical sources for funding energy efficiency programs. The SBC and LDAC are the primary methods used to fund existing energy efficiency programs. The SBC is fully equipped to fund an EERS program because there are no statutory limits on the SBC rate for energy efficiency funding. RSA 374-F:4, VIII(c) only provides for a cap on low income programs as part of the SBC, but does not prohibit changes to the energy efficiency portion of the rate (which is currently set at \$0.0018 per kWh). Similarly, there are no restrictions on the energy efficiency component of the LDAC rate. In addition, each Utility can readily incorporate changes in energy efficiency funding into the SBC rate and LDAC rate. For the foregoing reasons, and those set forth in the attached prefiled testimony, the Utilities strongly recommend the Commission order a change in the energy efficiency portion of the SBC and LDAC to reflect funding needed to support activities to achieve the savings targets implemented via the EERS.

Attachment 1 to the prefiled testimony submitted herewith provides a set of scenarios that illustrate bill impacts to a typical residential electric customer at current and increased energy efficiency funding levels.

G. Lost Revenue Recovery

Implementing energy efficiency savings measures under an EERS will reduce revenue for all components of service, including distribution revenues and those reductions will not be recognized unless a utility files for a rate increase in a base rate case. Accordingly, a mechanism to recover lost distribution revenue is needed to provide revenue stability to the Utilities between rate cases.

The Utilities propose to recover lost distribution revenue through the SBC for electric utilities and the LDAC for gas utilities. An adjustment for lost revenues would restore the assumed relationship between sales levels and revenue requirements that were used in setting rates in each utility's last rate case. The Utilities propose that each utility, except NHEC², would file an annual request with the Commission to change the SBC or the LDAC, as applicable, to recover lost distribution revenues through a lost base revenue ("LBR") adjustment. The benefits of the LBR adjustment are that it: can be established by each utility without the need for a rate case; provides significant transparency and specificity with regard to the impact of actual energy efficiency savings and calculation of lost revenue; and would implement lost revenue recovery coincident with implementation of savings measures.

² The primary purpose of lost revenue mechanisms is to address revenue recovery issues which are usually associated with distribution rate regulatory processes that apply to investor-owned utilities. Because NHEC is a deregulated, member-owned rural electric cooperative, it is not subject to the same regulation as the other electric utilities. Therefore, NHEC does not propose to include a lost revenue component in its SBC.

H. Performance Based Incentives and Penalties

The Utilities propose that the current performance based incentive formula should be maintained for evaluating utility performance. The current performance incentive mechanism is easy for stakeholders to understand, effectively tracks performance, and appropriately focuses on the primary items that are most pertinent for rewarding performance. If a LBR adjustment is approved for implementation, then the current performance incentive target percentages should be considered in conjunction with the LBR adjustment.

I. Evaluation, Measurement and Verification

The existing New Hampshire energy efficiency programs as administered by the Utilities have maintained high standards of accountability since their inception. In an effort to ensure accurate energy savings data, the energy efficiency programs are subject to several levels of quality control, including verification of results, onsite inspections by utility staff, and/or quality assurance contractors for residential and commercial and industrial energy efficiency projects. Independent third party market assessments and program process and impact evaluations are undertaken on a regular basis in conjunction with the Commission Staff to further verify the accuracy of the energy savings and to inform future program design. Under the Commission's regulatory oversight, each of the energy efficiency programs meet stringent and transparent reporting requirements regarding their achievement of planned savings, participation, and cost effectiveness goals. In addition to review by the Commission, the Utilities' reports and activities are reviewed and discussed by those participating in the energy efficiency dockets at quarterly in-person meetings and presentations. The Commission also performs annual financial audits of the programs.

Currently, the Utilities work collaboratively with the Commission Staff to identify studies to be undertaken, assist with issuing requests for proposals, provide customer data and energy efficiency project details to independent third party evaluators, and review and comment on proposals and draft reports. Evaluations can address the following issues: program impacts; market assessment; process issues; and effectiveness of pilot programs. If the scale of energy efficiency activities increases under an EERS, the Utilities recommend the Commission, in collaboration with the Utilities, hire an independent evaluation consultant to help guide New Hampshire's energy efficiency evaluation activities on an ongoing basis, review and adjust evaluation priorities, and create an implementation plan that incorporates the recommendations contained in the "Six-Year Evaluation for CORE Energy Efficiency Programs"³ that was prepared in September 2014. The review should also include an examination of the Clean Power Plan requirements, Northeast Energy Efficiency Partnership initiatives regarding standardized EM&V methods reporting forms, and determine whether these, or other requirements or initiatives, should be incorporated into future evaluations. After this review, Commission Staff and the Utilities should re-prioritize evaluations for the three year EERS period and create an implementation plan, consistent with the process described in the attached prefiled testimony.

J. Implementation and Timeline

To allow adequate time for thorough program development and a more comprehensive stakeholder review process, the Utilities recommend that programs under the EERS be implemented beginning on January 1, 2018. As described in greater detail in the attached prefiled testimony, the Utilities propose a timeline that would allow them to file an interim, one year Energy Efficiency Program plan on September 30, 2016 for implementation in 2017. The

³ <http://www.puc.state.nh.us/Electric/Monitoring%20and%20Evaluation%20Reports/NHPUC%20-%20Six-Year%20Evaluation%20Plan%209-15-2014%20Final%20Report.pdf>

Utilities would present the draft three year EERS plan to the EESE Board on April 1, 2017 and EESE Board comments would be shared with the Utilities two months later on May 31, 2017. The Utilities would file the final three year program plan with the Commission on September 30, 2017.

III. Request for Findings and Approval

For the reasons presented above and in the attached prefiled testimony, the Utilities respectfully request that the Commission:

- A. Issue a final order that approves the Utilities' proposal for an EERS as described in the attached prefiled testimony;
- B. Issue a final order finding that the Utilities' proposal for an EERS is reasonable and in the public interest; and
- C. Grant such further relief as the Commission deems appropriate.

Respectfully submitted,

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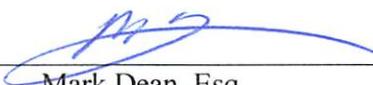
Respectfully submitted,

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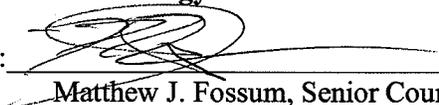
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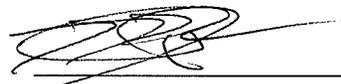
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December 1, 2015

Certificate of Service

I hereby certify that a copy of the foregoing Petition has been served electronically or by first class mail, postage prepaid, to the persons named on the Service List for this docket on this 1st day of December, 2015.



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