STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 17-136

GAS AND ELECTRIC UTILITIES

2018-2020 NEW HAMPSHIRE STATEWIDE ENERGY EFFICIENCY PLAN

Order Approving Settlement Agreement

O R D E R N O. 26.095

January 2, 2018

APPEARANCES: Matthew J. Fossum, Esq., for Public Service Company of New Hampshire d/b/a Eversource Energy; Pierce Atwood LLP by Liam J. Paskvan, Esq., and Patrick Taylor, Esq., for Northern Utilities, Inc., and Unitil Energy Systems; Michael J. Sheehan, Esq., for Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, Inc., and for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Mark W. Dean, Esq., for New Hampshire Electric Cooperative; New Hampshire Legal Assistance by Alan Linder, Esq., and Raymond Burke, Esq., for The Way Home; Rebecca Ohler for the New Hampshire Department of Environmental Services; Melissa E. Birchard, Esq., for Conservation Law Foundation; Kate Epsen for the New Hampshire Sustainable Energy Association; Ellen Hawes, for Acadia Center; Consumer Advocate D. Maurice Kreis, for residential ratepayers; and Paul B. Dexter, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves the implementation of a three-year energy efficiency plan for 2018 through 2020 for the state’s gas and electric utilities. The plan meets the Energy Efficiency Resource Standard (EERS) established by the Commission in Order No. 25,932 (August 2, 2016) (“2016 EERS Order”). Implementation will begin January 1, 2018. This order also approves rates for the utilities to allow them to recover program costs, performance incentives, and lost base revenues. The plan approved in this order was arrived at by a settlement agreement that included all of parties to this docket. The plan calls for the establishment of stakeholder working groups to further analyze key issues including: evaluation, measurement and verification of the approved energy efficiency programs; alternate sources of funding and financing of programs; the benefit/cost test used to screen energy efficiency programs; potential changes to the calculation of performance incentives; and the calculation of demand savings in connection with lost base revenues.

I. PROCEDURAL HISTORY

The parties to the settlement approved in the 2016 EERS Order agreed to "work collaboratively to refine a draft plan for the first triennium of the EERS, which [would] be filed for Commission review and approval by September 1, 2017." 2016 EERS Order at 41. Those parties proposed an implementation date of January 1, 2018, for the EERS. *Id.* at 43. The gas and electric utilities (collectively referred to as the "Utilities") that agreed to file the EERS plan were: Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities ("Granite State Electric"), the New Hampshire Electric Cooperative, Inc. ("NHEC"), Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource"), and Unitil Energy Systems, Inc. ("Unitil") (collectively, the "Electric Utilities"); and Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("EnergyNorth") and Northern Utilities, Inc. d/b/a Unitil ("Northern") (collectively, the "Gas Utilities"). The Utilities filed for approval of their 2018-2020 Energy Efficiency Plan ("Three-Year Plan") on September 1, 2017. Exhibit 2. The Three-Year Plan was developed in consultation and collaboration with a variety of stakeholders, including, the Energy Efficiency and Sustainable Energy ("EESE") Board.

On September 21, 2017, the Commission issued an Order of Notice scheduling a pre-hearing conference for October 4, 2017. At that conference, the Commission granted petitions to intervene by New Hampshire Department of Environmental Services, New Hampshire Sustainable Energy Association, The Way Home, Conservation Law Foundation, and Acadia Center. The Office of the Consumer Advocate ("OCA") participated in the proceeding under RSA 363:28.

In accordance with the procedural schedule, Commission Staff ("Staff") and the parties engaged in discovery and met in a technical session. On November 1, Staff, the OCA, and The Way Home filed direct testimony. Exhibits 3-8. Acadia Center submitted comments. Exhibit 9. On December 8, the parties filed a Settlement Agreement ("Settlement Agreement"), signed by all parties to this proceeding, which called for approval of the Three-Year Plan with some modifications. Exhibit 1. The Commission held a hearing on the Settlement Agreement on December 13.

This order and prior docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-136.html.

II. SUMMARY OF THE THREE-YEAR PLAN

The Three-Year Plan significantly expands the energy efficiency ("EE") programs implemented for the past several years, known as the Core Programs, to meet the EERS goals established in the 2016 EERS Order. It presents EE programs for 2018, 2019, and 2020, but calls for annual plan updates, which are subject to review and approval by the Commission.

A. Program Funding

1. Electric Program Funding

The proposed EE programs are funded through three main sources: (1) a portion of the System Benefits Charge ("SBC"), which is included on the electric bills of customers receiving delivery service from an electric utility under RSA 374-F: 3, VI and RSA 374-F:4, VIII; (2) a portion of the Regional Greenhouse Gas Initiative ("RGGI") auction proceeds subject to certain conditions; and (3) proceeds obtained by the Electric Utilities from their participation in the regional Forward Capacity Market ("FCM"). In addition, any unspent funds from prior program years are carried forward to future years, including interest at the prime rate.

The three-year level of funding for the electric programs is $154,142,000. Exhibit 2 at 31, Table 4.9. The 2018 funding level is $38,635,000; the 2019 funding level is $49,488,000; and the 2020 funding level is 66,019,000. *Id*.

The Electric Utilities propose an EE program SBC rate of $0.00275 per kWh, which is lower than the SBC rate of $0.00309 projected for 2018 when the EERS was adopted. The current SBC rate for the 2017 Core programs is $0.00198. Exhibit 2 at 30-31. Also, consistent with the 2016 EERS Order, each Electric Utility (except for NHEC) proposed an additional SBC component to recover Lost Base Revenues (LBR). Exhibit 2 at 434[1].

2. <u>Gas Program Funding</u>

The gas EE programs are proposed to be funded by a portion of the Local Delivery Adjustment Clause ("LDAC"), which is included on the bills of all gas utility customers. This is how the Core gas programs have historically been funded. Like the electric programs, any unspent funds from a prior gas program year are carried forward to future years, including interest earned at the prime rate.

The three-year level of funding for the gas programs is $31,397,000. Exhibit 2 at 32. The 2018 funding level is $9,457,000; the 2019 funding level is $10,508,000; and the 2020 funding level is $11,432,000. *Id.* Also, consistent with the 2016 EERS Order, each Gas Utility proposed an additional LDAC component to recover the Lost Revenue Rate. Exhibit 2 at 435-436.

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[1] Exhibit 2 includes six documents: (1) The Three-Year Plan is Bates pages 1-369; (2) Direct Testimony of David Simek starting on Bates page 370; (3) Attachments of David Simek starting on Bates page 386; (4) Joint Testimony of Asbury, Goulding, Tebbetts and Woods starting on Bates page 426; (5) Direct Testimony of Goldman starts on page 438; and (6) Attachments of Goldman starting on Bates page 449.

B. Program Budgets[2]

1. Electric Program Budget

The total three-year electric program budget is $146,115,000. Exhibit 2 at 32. It is allocated across the various sectors. The Commercial & Industrial and Municipal sectors are allocated 52 percent of the budget, Residential 31 percent, and Income Eligible 17 percent. *Id.* at 33.

2. Gas Program Budget

The total three-year gas program budget is $30,089,000. Exhibit 2 at 33. It is allocated across the various sectors. The Commercial & Industrial and Municipal sectors are allocated 50 percent of the budget, Residential 33 percent, and Income Eligible 17 percent. *Id*. at 34.

C. Summary of Residential Programs

The Three-Year Plan includes six residential energy efficiency programs. The annual budget for each program is included in the Appendix at the end of this order.

1. Home Energy Assistance (HEA)

The Home Energy Assistance program provides an array of energy efficiency services to income eligible residents with no co-pay. Services include door and window sealing; attic, basement, and wall insulation; efficient lighting; heating and cooling system replacement; and appliance replacement. The Utilities partner with community action agencies for customer intake and program delivery. In addition, this program is closely coordinated with the New Hampshire Electric Assistance Program and New Hampshire Fuel Assistance Program. The three-year budget for HEA is $24,839,404 for electric and $5,115,139 for gas. Exhibit 2 at 52.

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[2] The electric and gas program budget amounts are less than the funding levels stated above because the budget amounts do not include the performance incentive, which is included in a separate provision of the budget.

2. Home Performance with ENERGY STAR (HPwES)

The Home Performance with Energy Star program is designed to improve home energy performance, reduce dependence on fossil fuels, and reduce consumer energy costs. It serves single- and multi-family residential customers by providing rebates for weatherization, certain appliance replacements, heating and hot water saving measures, and lighting upgrades. The standard rebate under the HPwES program equals 50 percent of the cost of the services, up to a $4,000 cap. The program also offers low interest loans through third-party (non-utility) lenders. The three-year electric budget is $16,122,095. The three-year gas budget is 3,116,820. Exhibit 2 at 62.

3. ENERGY STAR Homes

Under the ENERGY STAR Homes program, the Utilities work with builders and new home buyers to construct highly efficient single- and multi-family homes. In some cases, complete retrofits of existing homes are eligible. Incentives are provided to make homes 15-30 percent more efficient than standard code-built homes. Measures include insulation, high performance windows, high efficiency heating and cooling equipment, and ENERGY STAR lighting and appliances. ENERGY STAR Homes is a national program and the Utilities coordinate with the US Environmental Protection Agency to ensure that the New Hampshire program meets minimum national standards. The three-year electric budget is $8,796,480. The three-year gas budget is $1,289,729. Exhibit 2 at 73.

4. ENERGY STAR Products

The Energy Star program encourages customers to purchase ENERGY STAR certified lighting, appliances, space/water heating, and cooling products through mail-in and on-line incentives and point of purchase markdowns. The program also provides easy access recycling options for certain, old inefficient appliances. Program delivery involves a large network of partners including more than 200 retail locations, equipment suppliers, distributors, and installation contractors. The three-year electric budget is $15,238,116. The three-year gas budget is $4,480,624. Exhibit 2 at 82.

5. Home Energy Reports

Home Energy Reports encourage customers to recognize the value of the ENERGY STAR label, to purchase more efficient products, and to adjust thermostat settings through the use of reports that compare customers' energy usage with their neighbors' usage. The three-year electric budget is $3,966,846, and the three-year gas budget is $1,173,059. Exhibit 2 at 90.

6. Customer Engagement Platform (CEP)

The CEP is offered only by Eversource to its electric customers. It is an interactive tool that provides customers targeted and customized energy efficiency recommendations based on each customer's current usage. Customers can compare their usage with similar customers and track energy use over time. The three-year budget is $1,851,109. Exhibit 2 at 97.

D. Summary of Commercial and Industrial Programs

The Three-Year Plan includes three statewide programs for commercial and industrial customers. Eversource offers an Energy Rewards RFP Program, while Unitil and Liberty offer a combined heat and power program. Small businesses, large commercial and industrial buildings, and municipal customers account for approximately 78 percent of the Electric Utilities' planned savings, and 70 percent of the Gas Utilities' planned savings. *Id.* at 29. The annual budget for each program is included in the Appendix at the end of this order.

1. <u>Large Business Energy Solutions</u>

Under the large business energy solutions program, utilities offer prescriptive efficiency measures including lighting, programmable and Wi-Fi thermostats, HVAC equipment, air compressors, and motors. Custom measures offered include large chillers and boilers, pumps, compressors, weatherization and energy management systems. Financial incentives are offered to reduce the cost to participants. The program serves both retrofits and new equipment and construction. The Utilities work with customers, contractors, and in some cases energy service companies to deliver the program. The three-year electric budget is $38,226,056. The three-year gas budget is $8,401,456. Exhibit 2 at 103.

2. <u>Small Business Energy Solutions</u>

The small business energy solutions program offers a similar array of products, but is targeted to small- and medium-sized customers. There are two common barriers to participation by small businesses: limited energy expertise and time to complete projects. To overcome those barriers, this program offers a turnkey option which delivers full service energy savings solutions. The three-year electric budget is $24,379,127. The three-year gas budget is $6,209,761. Exhibit 2 at 113.

3. <u>Municipal Program</u>

The municipal program is offered by the Electric Utilities to overcome the unique barriers faced by cities and towns.[3] Municipal customers include city and town buildings such as schools, police and fire stations, offices, and warehouses. The program offers municipal customers similar services as the Large and Small Business Energy Solutions programs. To broaden participation, turnkey services are offered. Municipal customers can self-install

[3] Municipal natural gas customers are served through the Small and Large Business Energy Solutions programs.

measures with follow-up verification made by their utility. The three-year budget is $6,000,707. Exhibit 2 at 121.

4. Unitil and Liberty Combined Heat and Power

This program, offered by Unitil and Granite State Electric, is intended for customers with large thermal requirements. Likely candidates are hotels, nursing homes, hospitals, and manufacturers, and gymnasiums and schools with swimming pools. Combined Heat and Power customers use waste heat from a generator for heating needs. This program is administered through the Large and Small Business Energy Solutions program, or Municipal program and has no budget of its own.

5. Eversource Energy Rewards Request for Proposals (RFP)

This program is offered by Eversource to large customers with over 200 kW demand and an estimated annual energy savings of 100,000 kWh, that are undertaking large retrofit projects estimated at over $150,000. Typically, such customers have significant technical expertise in energy efficiency. The customers submit bids to Eversource identifying the measures they seek to implement. Eversource selects the participants from the bids submitted, based on projected energy savings, incentive price, and non-price variables. The three-year budget is $3,901,549. Exhibit 2 at 130.

E. Program Financing

The Three-Year Plan proposes to continue several financing options currently available to participants. Through the Residential Energy Efficiency Loan Program, the Utilities will continue to offer residential customers reduced rate financing (at two percent) through five New Hampshire lending partners. In addition, several electric utilities will continue to offer zero percent on-bill financing for loans up to $2,000. All the Utilities offer financing to municipal and business participants, allowing those customers to use the energy savings realized to help pay back the loans.

F. Benefit/Cost Screening

As in past years, the Utilities screened the proposed EE programs for cost effectiveness using the Total Resource Cost (TRC) test, which compares the present value of the lifetime benefits of the programs to the Utilities' cost to implement the programs, plus any participant out-of- pocket costs. The energy benefits are evaluated using an Avoided Energy Supply Cost (AESC) study which is performed on a New England-wide basis and is updated regularly. In this case, the 2016 AESC update was used to screen the Three-Year Plan programs.

The 2016 AESC update included values for Demand Reduction Induced Price Effect (DRIPE), to capture the impact EE programs will have on wholesale energy prices. It also included a ten percent savings adder as an estimate for Non-Energy Impacts (NEIs) resulting from the EE programs. NEIs include reduced utility bill arrearages, reduced bill collection costs, reduced maintenance costs for participants, and improved health benefits for participants.

In addition, the 2016 AESC update of avoided electric costs included a nine percent risk premium adder to reflect the additional risk of retail electric prices versus wholesale prices. The 2016 AESC Update also included a natural gas retail adder to capture the benefits of reduced delivery across gas utilities' distribution systems due to EE programs.

As proposed, all the programs across the Three-Year Plan, when aggregated for all utilities, show a benefit/cost ratio of greater than 1.0 for each year of the Plan. *Id.* at 148-149.[4]

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[4]The 2018 Home Energy Reports Program for Unitil and the 2020 HER Program for Northern Utilities fall below the 1.0 ratio, due to program start-up costs. Nonetheless, overall benefit/cost for the aggregate programs exceeds the 1.0 ratio.

G. Evaluation, Measurement, and Verification (EM&V)

EM&V efforts are proposed by the utilities with the objective of verifying energy savings, estimating future savings, and identifying ways to improve program delivery and results. The basic framework of EM&V activities for the Three-Year Plan was detailed in the 2016 EERS Order. It includes hiring an independent expert to assist in EM&V efforts, including the development of a New Hampshire-specific technical resource manual by 2020. The Three-Year Plan proposes that utilities perform impact evaluations of the following programs: Small Business Energy Solutions (lighting portion), Municipal (lighting portion), residential lighting and appliance measures, residential Home Energy Assistance Program and the residential Home Performance with Energy Star Program. *Id*. at 162. Several other evaluations are also planned. *Id.* at 172.

H. Performance Incentive

The Three-Year Plan proposes to implement the performance incentive approved in the 2016 EERS Order. The plan offers utilities an incentive to invest in energy efficiency rather than traditional infrastructure. Utilities can earn up to 6.875 percent of actual program expenditures by surpassing certain minimum performance thresholds, when actual measured (*i.e*, after the fact) program cost effectiveness and realized energy savings are greater than predicted cost effectiveness and savings.

I. Lost Base Revenue

The Electric Utilities propose that the system benefits charge include collection for revenue lost from decreased electricity sales resulting from the programs, consistent with the framework laid out in the 2016 EERS Order. The Gas Utilities proposed rates for LBR recovery in their individual cost of gas dockets. *See* Order No. 26,066 (October 31, 2017) (EnergyNorth); Order No. 26,068 (October 31, 2017) (Northern).

III. PRE-SETTLEMENT POSITIONS OF THE PARTIES

A. Commission Staff

Commission Staff filed the testimony of James Cunningham, Elizabeth Nixon, Leszek Stachow, and Jay Dudley on November 1, 2017, that supported the Three-Year Plan with several recommendations. Staff suggested formation of a stakeholder working group to examine different threshold criteria for calculating the performance incentive. Staff proposed a refinement of the average distribution rate used in the calculation of Lost Base Revenue. Staff also recommended adoption of the Utilities' proposal regarding reporting of inter-program budget transfers and recommended that notice of any changes be provided in quarterly reports the Utilities file; and that the annual cap on future year commitments in multi-year programs be raised from 40 percent of a program's budget to 50 percent. Exhibit 5.

Staff supported the Utilities' proposed ten percent NEI benefits adder for 2018 and 2019. In 2020, however, the adder would be replaced by the results of New Hampshire-specific studies. Staff also recommended New Hampshire intrastate DRIPE be included in the benefit/cost screening analysis rather than Rest of Pool DRIPE. Staff supported implementation of Unitil's and Northern's Home Energy Report Programs despite the single-year benefit/cost ratios below 1.0, suggesting the programs be closely monitored and modified if needed, and recommended a comparison of planned and actual savings be provided with each Plan update. Exhibit 7.

Staff also advocated for establishment of a loan loss reserve and a revolving loan fund as a mechanism to continue EE programs using non-ratepayer funds. Staff suggested the EM&V timetable proposed by the utilities be accelerated. Finally, Staff noted that customer participation in Eversource's Customer Engagement Platform is lagging behind other states and that perhaps the cost should be shared by ratepayers and Eversource. Exhibits 6 and 8.

B. The Office of the Consumer Advocate

The OCA submitted the testimony of Jeffrey Loiter, who recommended that the Commission approve the programs, budgets, and savings targets as filed, including the ten percent NEI adder used for program screening until New Hampshire-specific studies can be completed. Mr. Loiter recommended that the Utilities provide additional information regarding financing for residential participants, strive for greater participation in the residential retrofit programs, and consider expanding deployment of smart thermostats to reduce peak energy demand. He also recommended that the Utilities consider a performance incentive metric that fosters reduced peak demand, for effect in 2020. Finally, Mr. Loiter recommended that, in 2019, stakeholders begin to explore whether changing the delivery model for EE programs is warranted, and to implement any such change in 2021. Exhibit 4.

C. The Way Home

The Way Home sponsored the testimony of Roger D. Colton. Mr. Colton recommended that the Commission adopt an NEI adder equal to 100 percent of a program's energy savings. Further, Mr. Colton recommended that the Commission approve an adder for programs directed at low income customers equal to 2 times whatever adder is adopted for non-low income customers. Exhibit 3.

D. Acadia Center

The Acadia Center submitted comments recommending adoption of the Three-Year Plan as submitted (including the 10 percent NEI adder), but with a few changes. Acadia Center stated that performance incentives should be based on budget levels rather than actual spending levels;

that changes to existing performance thresholds should be considered; and that a metric measuring peak demand reduction should be used. In addition, Acadia Center requested that the participation in the EM&V working group be expanded, or the group report quarterly or bi-annually to the EESE Board. Exhibit 9.

IV. SETTLEMENT AGREEMENT

On December 8, 2017, all the parties to this docket filed a comprehensive Settlement Agreement calling for approval of the Three-Year Plan with some modifications, and otherwise addressing all issues in this case. Exhibit 1. At the hearing held on December 13 to consider the Settlement Agreement, all parties recommended that the Commission approve the Settlement Agreement as filed. Staff and utility witnesses testified that the EE programs to be implemented pursuant to the Settlement Agreement were just and reasonable.

Concerning NEI's, the Settlement Agreement incorporates the 10 percent adder originally proposed by the Utilities, but states a goal of replacing the adder with New Hampshire based study results by 2020. The Settlement Agreement provides for the use of New Hampshire intrastate DRIPE in measuring program benefits, but excludes Rest of Pool DRIPE. The Settlement Agreement recognizes that exclusion of Rest of Pool DRIPE may cause the Benefit/Cost ratios of some programs to fall below 1.0, but requests permission to continue such programs as contemplated in the Three-Year Plan. Exhibit 1 at 5. At the hearing, the witnesses testifying in favor of the Settlement Agreement confirmed that the continuation of such programs after 2018 would have to be the subject of a subsequent filing for 2019 and beyond. Transcript of December 13, 2017, hearing at 47-48. Both NEIs and DRIPES will be studied by a Benefit/Cost Working Group that will further examine cost-effectiveness, including the use of NEI adders, whether a specific NEI adder should be applied to programs available to income eligible participants, and whether Rest of Pool DRIPE should be considered when evaluating programs.

The Settlement Agreement continues the current performance incentive mechanism, as proposed by the Utilities in the Three-Year Plan, and provides for a working group to review the performance incentive calculation beginning in 2018 (including consideration of metrics for income eligible participation and peak load reductions) with the goal of implementing any changes to the performance incentive calculation by 2020.

Concerning Lost Base Revenue, the Settlement adopts the method of calculating the average distribution rate proposed by the Utilities (where the average distribution rate used in the calculation blends the kW and kWh rate components) for energy efficiency upgrades installed in 2017 and 2018. For upgrades installed in 2019 and thereafter, the method proposed by Staff will be used (where the average distribution rate is disaggregated into kW and kWh components). The kW values to be used in that calculation will be examined by an LBR working group in 2018 to determine the impact of customer peak load and demand charge ratchets on those kW values.

The Settlement Agreement approves the continuation of Eversource’s Customer Engagement Platform, but allows parties to recommend different strategies for this program if participation does not increase to levels achieved by Eversource in Connecticut and Massachusetts within six months. Also, the Settlement Agreement puts limits on per year spending on multi-year projects and sets out reporting requirements for multi-year projects as well as for inter-program transfers and changes in program incentives.

The Settlement Agreement approves the accelerated and expanded EM&V framework put forth in the Three-year Plan, calls for the EM&V working group established in DE 15-137 to include a representative of the EESE Board, and for this working group to provide periodic progress updates. In addition, the Settlement Agreement calls for the formation of a working group in 2018 to study alternative means for funding and financing the EE programs to reduce ratepayer burden. This group has the goal of testing and implementing such options as soon as they are viable.

Like the settlement approved in the 2016 EERS Order, this Settlement Agreement provides for an independent planning expert to assist, beginning in late 2019, with the development of the next three-year plan (covering program years 2021-2023). The next plan will be developed through an enhanced stakeholder process, as was the case for the Three-Year Plan presented in this case. The Settlement Agreement provides that the Utilities will monitor peak demand reduction demonstrations being tested elsewhere in New England, and will report to stakeholders about progress and discuss possible applicability to New Hampshire.

Finally, the Settlement Agreement adopts Staff's recommendations specifying additional data to be provided in upcoming plan updates to assist in evaluating program cost effectiveness and to help track actual versus budgeted spending and savings.

V. COMMISSION ANALYSIS

We encourage parties to settle issues through negotiation and compromise because it is an opportunity for creative problem solving, allows the parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Granite State Electric Co.*, Order No. 23,966 at 10 (May 8, 2002); *see* RSA 541-A:31, V(a) ("informal disposition may be made of any contested case … by stipulation [or] agreed settlement"). Even when all parties join a settlement, however, we must independently determine that the result comports with "applicable standards." *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,* Order No. 24,972 at 48 (May 29, 2009). We analyze settlements to ensure that a just and reasonable result has been reached. *Id.*; *see* N.H. Code Admin. Rules Puc 203.20(b) ("The commission shall approve a disposition of any contested case by stipulation [or] settlement … if it determines that the result is just and reasonable and serves the public interest.").

In this case, we review the Three-Year Plan for conformity with the 2016 EERS Order and the law underlying the establishment of an EERS. The Commission's authority to review the Three-Year Plan and related rates arises out of laws governing energy efficiency funding as well as utility rates and long-term resource planning. *See* RSA 374:2 (public utilities to provide reasonably safe and adequate service at just and reasonable rates); RSA 378:7 (Commission required to determine and fix the utility's just and reasonable or lawful rates); RSA 378:28 (permanent utility rates shall only include a just and reasonable return on plant, equipment, or capital improvements which the PUC finds are prudent, used, and useful); RSA 374:1 and RSA 374:4 (Commission required to keep informed of utilities' operations and their provision of safe and adequate service); RSA 374-F:3, X (restructured electric market required to "reduce market barriers to investments in energy efficiency and provide incentives for appropriate demand-side management and not reduce cost-effective customer conservation" and "utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers"); RSA 378:38 (electric and natural gas utilities are required to file least cost integrated resource plans); RSA 378:39 (utilities required to prioritize energy efficiency and other demand-side management resources when supply or resource options have equivalent financial costs).

The EE programs included in the Three-Year Plan are funded through several sources, including the SBC, the LDAC, RGGI auction proceeds, and FCM revenue. The SBC is a "nonbypassable and competitively neutral … charge" collected through electric customer rates and "used to fund public benefits related to the provision of electricity." RSA 374-F: 3, VI. The LDAC is a reconciling surcharge imposed on gas customers, which includes a per-therm conservation charge to recover the costs of gas energy efficiency programs.

Staff and the Utilities testified that the Three-Year Plan, as amended by the Settlement Agreement, is just and reasonable and should be approved by the Commission. Tr. at 36-37, 40-41. All parties to this case signed the Settlement Agreement. The parties acknowledge that the Three-Year Plan includes a comprehensive, cost-effective portfolio of EE programs, and allows for further study of several important, complex issues. The annual update filings provide for Commission review of any plan changes resulting from those further inquiries. The Three-Year Plan and the Settlement Agreement provide for cost recovery of the EE program costs, as well as performance incentives and lost base revenue.

Based on the record, the Three-Year Plan meets the requirements of the 2016 EERS Order and is consistent with applicable law, including the least cost integrated planning requirements promoting energy efficiency. The Three-Year Plan will reduce market barriers to investment in cost-effective energy efficiency and provide incentives for appropriate demand-side management. The savings from the EE programs will benefit all customers, both participants and non-participants. The participants will enjoy the direct benefit of increased energy efficiency. Both participants and non-participants will benefit from on-peak and off-peak load reduction and related system improvements. Accordingly, we find the Three-Year Plan, as modified by the Settlement Agreement, consistent with the public interest, and we approve it.

At the hearing, the Utilities indicated their intention to file an updated Three-Year Plan to reflect the terms of the Settlement Agreement, particularly to reflect the removal of Rest of Pool DRIPE from the cost effectiveness calculations. They stated that the most relevant updated pages were provided as part of Exhibit 1, but that other portions of the plan should likewise be updated in an effort to present a complete record. Tr. at 37-38, 57-65. We will require an updated plan be submitted, reflecting only the changes needed to incorporate the terms of the Settlement Agreement.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement filed in this docket on December 8, 2017, is approved; and it is

FURTHER ORDERED, that the 2018-2020 New Hampshire Statewide Energy Efficiency Plan, as modified by that Settlement Agreement, is approved; and it is

FURTHER ORDERED, that the System Benefits Charge rates presented by the Utilities in Exhibit 2 at 434 are hereby approved for effect January 1, 2018; and it is

FURTHER ORDERED, that each Electric Utility file compliance SBC tariffs within 15 days of this Order; and it is

FURTHER ORDERED, that the Utilities file an updated version of Exhibit 2, to reflect only the changes necessitated by our approval of the Settlement Agreement, within 15 days of the date of this Order.

By order of the Public Utilities Commission of New Hampshire this second day of January, 2018.

Martin P. Honigberg Chairman	Kathryn M. Bailey Commissioner	Michael S. Giaimo Commissioner

Attested by:

Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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Docket #: 17-136-1 Printed: December 28, 2017

FILING INSTRUCTIONS:

a) **Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

b) **Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**

c) **Serve a written copy on each person on the service list not able to receive electronic mail.**

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