**DR 96-150**

**ELECTRIC UTILITY RESTRUCTURING**

**Energy Efficiency Programs**

**Order Establishing Guidelines for
Post-Competition Energy Efficiency Programs**

**O R D E R  N O. 23,574**

**November 1, 2000**

## I. PROCEDURAL HISTORY

On February 28, 1997, the New Hampshire Public Utilities Commission issued its Restructuring New Hampshire's Electric Utility Industry: Final Plan (Plan), Order No. 22,514, 82 NHPUC 122 (1997). In that order, the Commission planned to phase out existing energy efficiency programs offered by utilities and funded by utility ratepayers within two years of the implementation of retail choice.

Subsequently, the Commission issued its Order on Requests for Rehearing, Reconsideration and Clarification, Order No. 22,875, 83 NHPUC 126 (1998) which affirmed in part and vacated in part its position in the Plan regarding utility sponsored energy efficiency programs. The Commission, acting in response to principles incorporated in RSA 374-F, recognized that the

> transition to market based programs may take longer than the two-year period we mandated in the Plan, though we continue to believe that such a transition period is an appropriate policy objective. We also

> recognized that there may be a place for utility sponsored energy efficiency programs beyond the transition period, but these programs should be limited to 'cost-effective opportunities that may otherwise be lost due to market barriers.' We believe that efforts during the transition toward market-based DSM programs should focus on creating an environment for energy efficiency programs and services that will survive without subsidies in the future.

*Id*. at 163. Further, the Commission directed interested stakeholders to form a working group to explore a wide range of issues pertaining to the future of ratepayer-funded energy efficiency activities in New Hampshire. The Commission requested that the working group address a number of issues relating to the following: standards for evaluating energy efficiency programs; the appropriate cost-effectiveness test for future program evaluation; market barriers; market transformation initiatives; appropriate funding for low-income energy efficiency programs; the effect of energy efficiency programs on rates and recovery of necessary revenues; and the contribution to funding of energy efficiency programs by large commercial and industrial customers, even if they do not participate in the programs or receive transition service. Interested parties were instructed to contact the Commission's Executive Director. The working group was further directed to take a fresh look at energy efficiency programs.

Several parties indicated their interest in participating in what became known as the New Hampshire Energy Efficiency Working Group (Working Group). The Working Group was comprised of Staff and a mix of stakeholders from utilities, governmental agencies, environmental groups, residential and business consumer advocacy groups and energy service providers.[1] The Working Group held its initial meeting in May 1998 and conducted numerous meetings thereafter for over a year. Most of the discussions were facilitated by a hired consultant, Jonathan Raab of Raab Associates. The culmination of the Working Group's efforts was filed with the Commission on July 6, 1999 with the submission of the *Report to the New Hampshire Public Utilities Commission on Ratepayer-Funded Energy Efficiency Issues in New Hampshire* (Report). A hearing on the Report was held on September 24, 1999 at which time Mr. Raab provided a summary of the Report and members of the Working Group provided individual comments.

On July 19, 2000, the Commission, through its General Counsel, issued a letter to the parties in DR 96-150 and DE 99-099 regarding the allocation of the System benefits

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[1] A complete listing of Working Group participants is included in the Working Group Report submitted to the Commission on July 6, 1999.

Charge between low income programs and energy efficiency programs pursuant to Chapter 249, Laws of 2000 (effective June 12, 2000). The Commission's decision concerning the allocation of the system benefits charge between low income programs and energy efficiency is contained in Order No. 23,575, October 31, 2000.

## II. FINAL REPORT OF THE NEW HAMPSHIRE ENERGY EFFICIENCY WORKING GROUP

The Working Group's recommendations, as detailed in the Report, can be summarized as follows:

1. Cost-Effectiveness Test: The Commission should adopt a New Hampshire cost-effectiveness test that includes the following:

   a) avoided generation, transmission & distribution costs for program participants;

   b) program costs (e.g., administration, monitoring, evaluation, etc.) for program participants;

   c) both the benefits and costs associated with market effects (e.g., spillover, post-program adoptions);

   d) quantifiable benefits and costs associated with other resources in addition to electricity (e.g., water, gas, oil);

   e) a 15% adder for additional non-quantified benefits (e.g., environmental and other benefits); and

   f) the cost of utility shareholder incentives, but applied to all programs together rather than to individual programs.

   The Group agrees that all programs including new market transformation initiatives should be screened using this new cost-effectiveness test, and that programs are expected to surpass a 1.0 benefit/cost ratio. Both low-income programs and educational programs could still be approved by the Commission even if they do not surpass a 1.0 benefit/cost ratio given their additional hard-to-quantify benefits. The Group also agreed on numerous other methodological issues and assumptions, but is deferring on a recommendation with respect to the appropriate avoided costs pending some forthcoming research being done in the region that members wish to review. The Group also agrees to the use of multi-year analyses to judge the relative value of ratepayer-funded energy efficiency programs in the context of energy policy goals, the use of the Prime Rate, adjusted annually, on or around June 1 so that projected costs and benefits can be stated in present value terms; and a preferred but not required use of coordinated evaluation and cost-effectiveness analysis for programs that are implemented on a coordinate or joint basis or which use the same program designs, procedures and implementation strategies, so as to reduce evaluation costs and increase consistency.

2. Formation of an Energy Efficiency Committee: The Group agrees that New Hampshire utilities could continue to be the primary program administrators, at least over the next few years (i.e., during the period when transition service is offered). However, the Group recommends the formation of a New Hampshire Energy Efficiency Committee to improve program consistency and reduce program administration and implementation costs through closer cooperation among utilities and other stakeholders. The mission of the Committee would be to develop a consistent set of statewide core programs for New Hampshire ratepayers. The Group recommends broad stakeholder involvement in the Committee and the development of an annual report to the Commission. Recommended membership includes representatives from all of the jurisdictional electric utilities, key state agencies (Governor's Office of Energy and Community Services, Department of Environmental Services, Office of the Consumer Advocate), and other stakeholders groups (consumer, environmental, suppliers/energy service companies).

3. Energy Efficiency Funding: The Group agrees that as is implicit in the restructuring legislation, after 70% of the State has gone to retail competition, each jurisdictional electric utility shall budget 1 mill per kilowatt-hour (kWh) in the first year and 1.5 mills per kWh in the second year for energy efficiency, with the option for an individual utility to exceed that level if

the company, other parties, or both so choose and the Commission approves. The Group did not reach agreement on funding rates after the second year, with some members believing that it is premature to do so and others believing that funding rates in the range of 2.5-3.2 mills per kWh are appropriate. The Group also acknowledges and accepts the Commission’s recent decision that low-income funding for energy efficiency should come directly from the energy efficiency fund rather than the low-income electric bill assistance portion of the system benefits charge (SBC). However, the Group agrees that once the electric assistance program (EAP) is fully operational, the Commission should review the EAP program to determine if any EAP funds can be made available for low-income energy efficiency programs. The Group has not developed detailed budgets by distribution company, by rate class, or by program type. However, the Group did agree that energy efficiency program funds should be allocated to the residential and commercial and industrial (C/I) sectors in approximate proportion to their contributions to the fund. Additionally, the Group agreed that low-income programs should be funded by all customers. Also, the Group, with the exception of two utilities and Staff, agreed that under- and over-expenditures on energy efficiency programs should be carried into the subsequent year for purposes of calculating energy efficiency budgets.

4. <u>Shareholder Incentives and Lost Fixed Cost Recovery</u>: The Group recommends that utilities be entitled to earn shareholder incentives. The shareholder incentive approach agreed to by the Group is based on the performance of the programs measured in terms of their actual cost-effectiveness and energy savings relative to the projected cost-effectiveness and energy saving savings, respectively. Separate target incentives are proposed for the residential and C/I sectors set at 8% of the total program and evaluation budgets for each sector. Superior performance could be rewarded by up to 12% of the planned sector budgets. The Group, with the exception of two utility members, agreed that there should be no recovery of lost revenues for measures installed post-Implementation Date. The two utilities who did not agree assert that they should be entitled to recover lost revenues for future programs until ratemaking changes diminish the need for recovery. The Group agreed that issues associated with historic lost revenues should be dealt with on a utility-specific basis by the Commission.

5. Market Framework: The Group spent substantial time trying to forge a framework for determining when particular markets should be eligible for ratepayer funding. The Group wrestled with different perspectives among its members about the definition of a “market barrier” and whether particular market conditions justified consideration for targeted programs. For instance, Group members could not agree whether: 1) lack of awareness about an energy efficient technology or practice; 2) lack of availability; or 3) lack of widespread utilization are indicative of market barriers or market failures; are normal for new products and services, or both. Despite its lack of consensus on definitions and thresholds, the Group worked hard to develop potential tools to use in assessing the eligibility of a given energy efficiency technology or practice for funding. These tools include a detailed framework in matrix form located in Appendix 2A and another narrative framework located in Appendix 2B. Some members prefer one over the other. Nevertheless, the entire Group agreed that these frameworks have many similarities, are not mutually exclusive and are not yet fully fleshed-out. Still, the Group recommends them to the Commission and the proposed Energy Efficiency Committee for potential refinement and use.

6. Program Design:

The Group agrees that a proposal for a program in a market eligible for ratepayer funding should identify:

a) the reasons for addressing this market;
b) the general approach or approaches that could best address those conditions;
c) the evaluation metrics and exit strategy;
d) budget;
e) program administration; and
f) cost-effectiveness.

The Group further agrees that in designing programs, administrators and others should adhere to certain principles including, but not limited to:

a) maximize opportunities for market transformation such that long-term impacts continue to occur after the program has concluded, thus creating permanent market changes;

b) assure that ratepayer-funded efficiency programs are designed in a manner such that they complement and do not hinder the development of private sector efficiency products, services, and programs and that they encourage the development of private sector products, services and programs whenever possible, with the ultimate goal of achieving energy efficiency markets that operate effectively without ratepayer funding;

c) assure that existing program delivery mechanisms are continued where they provide benefits (e.g., from existing expertise, infrastructure, etc.), do not compete with private sector alternatives, and are cost-effective. Consider and recommend to the Commission alternative delivery mechanisms where appropriate; and

d) assure that there are well-constructed exit or market transitioning strategies for technologies and practices. Implementation of these transitioning strategies should not wait until reaching exit thresholds, but should begin as you approach them — i.e., as the market matures. Such strategies may include such things as increasing customer contributions of measure cost, using financing mechanisms over rebates, and retail-focused programs over utility catalogs.

7. <u>Low Income Energy Efficiency Program</u>:

The Group provided a basic program design recommendation for a low-income program for New Hampshire which includes a statewide coordinated program, comprehensive energy efficiency products, services, and education that could save 1000 kWh per year per household on average, and funding and infrastructure to ultimately serve approximately 2,500 low-income customers per year. The Group recommended funding in the first year of $1.5 million and $2.5 million funding level by program year three. The Group does not believe that sufficient funding exists in the low-income system benefits charge to sustain both low-income affordability and energy efficiency activities are this time. The Group recommends adopting a hybrid program delivery which would provide for a centralized integrated approach while maintaining the option for utility specific programs. The Group believes a market exit strategy should not be instituted for the low-income residential sector at this time.

## III. COMMISSION ANALYSIS

The Commission wishes to thank the members of the Working Group for their time and efforts to provide the Commission with the Report and the recommendations contained therein. The diligence shown by the members attests to their desire to provide the Commission with a framework that will facilitate the delivery of cost effective energy efficiency in New Hampshire.

The Commission has considered the Report and the statements provided at the September 24, 1999 hearing, in addition to prepared statements and comments provided previously in this proceeding and other DSM dockets. We have evaluated our policy on energy efficiency in a post-restructured electric industry in light of those comments, the Report and the passage of Chapter 249, Laws of 2000 as well as the comments we received in response to the July 19, 2000 letter from the Commission soliciting comments on the division of the system benefits charge between low income programs and energy efficiency/conservation programs.

The best way to proceed is to establish guidelines that assist the utilities and interested stakeholders in the design and implementation of future energy efficiency programs. Although the Commission adopts portions of the recommendations made by the Working Group in the Report, the Report itself is not considered a part of this Order nor are all of the recommendations and conclusions stated in the Energy Efficiency Working Group Report being adopted.

**A. Legislative Intent; Commission Policy and Goal**

The Commission's policy and goal for energy efficiency were defined in response to the relevant policy principle articulated in the Restructuring Act:

> Restructuring should be designed to reduce market barriers to investments in energy efficiency and provide incentives for appropriate demand-side management and not reduce cost-effective customer conservation. Utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers.

RSA 374-F:3, X.

The Commission defined its policy for energy efficiency in Order No. 22,875 as follows:

> The most appropriate policy is to stimulate, where needed, the development of market-based, not utility sponsored and ratepayer funded, energy efficiency programs, a principle that the Legislature incorporated into RSA 374-F.

Our goal for energy efficiency programs was also clearly delineated in Order No. 22,875:

> We believe that efforts during the transition toward market-based DSM programs should focus on creating an environment for energy efficiency programs and services that will survive without subsidies in the future.

> .. We can not emphasize enough our belief that these programs must complement the new energy markets, and not hinder their development.

We continue to embrace that overarching goal. The benefits of a retail electric market will not be fulfilled without a competitive wholesale market and a vibrant, unsubsidized energy efficiency market.

**B. <u>Time Frame</u>**

In the Plan, we stated that we would cap the then-current utility DSM program expenditures at their latest approved levels. We also put the utilities on notice that ratepayer funded DSM programs would be phased out over a two-year period beginning with the implementation of retail choice.

We believe the transition service time frame delineated in Chapter 249, Laws of 2000 provides a sound starting point for all utility sponsored DSM programs. Transition service for PSNH’s residential customers, street lighting customers, and general delivery Rate G customers is available for 24 months after initial transition service ends, a total of 33 months. RSA 369-B:3, IV(b)(1)(B)(i).[2] To ensure some consistency and enhance market transformation, this time frame will apply to the DSM programs of all electric utilities even though transition service for some may terminate before PSNH's transition service terminates. The Commission will evaluate whether it is appropriate to extend the time frame or what other changes are needed as the end of PSNH's transition period nears.

**C. <u>Energy Efficiency Committee</u>**

We appreciate the Group's proposal to form an Energy Efficiency Committee to look at market transformation. However, we have a number of concerns about the proposed committee. We are concerned that the committee will continue to develop and sponsor traditional programs that have been offered in the past. Further, we believe that the committee will not streamline the review process. It is an understandable objective; however, there will continue to be opposing positions and parties and we view the hearing

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[2] In the relevant provisions of Chapter 249, codified as RSA 369-B:3, IV, the Legislature did not establish any requirements outright. Rather, it set out certain determinations that the Commission was required to make, and conditions the Commission was required to impose on PSNH, in any finance order approving the securitization of PSNH stranded costs. The Commission did so in Order No. 23,550 (September 8, 2000).

process as an important and necessary forum that will continue to provide us insight from several viewpoints. Additionally, we believe that it is important for us to hear from those companies currently providing energy efficiency services in the marketplace and the impacts our policies have on their business. The committee as proposed seems too large to be effective and embraces a governance that would, at least based on the transition periods discussed earlier, utilize resources that could better be devoted to program design, implementation and measurement. Moreover, we do not believe it is appropriate to use ratepayer funding for the committee.

We believe that a better way to proceed than with the formal creation of the committee is to request that the utilities work together during program design to ensure that a set of “core” programs being offered have the same eligibility requirements, design, etc. to ensure consistency among the utilities. Any utility requesting to design a program different from the other utilities should provide written testimony in its energy efficiency filing explaining its proposed deviation from the core program. An informal committee process to look at market transformation and to comment on utility core program offerings is acceptable and encouraged. If an informal committee is formed, we would encourage greater representation and participation of businesses currently providing energy efficiency products and services in New Hampshire and New England.

**D. Cost-Effectiveness Test**

We will accept the cost-effectiveness test as proposed in the Working Group’s Report. We do so recognizing that the thresholds of a benefit-cost ratio have changed, and that the test itself now includes spillover benefits and costs not previously included in the cost-effectiveness test, as well as a 15 percent adder to represent environmental and other benefits of energy efficiency/conservation programs. Although the Commission has not previously authorized the use of adders, we will do so here and permit such a mechanism until some material change occurs that would warrant our reconsideration of the adder or its magnitude.

Of greater concern for now is what avoided generation costs should be used in the cost-effectiveness test. The Report is silent on this topic, but mentions the study done on this subject for DSM screening in Massachusetts by the Avoided-Energy- Supply-Components Study Group. The Study Group developed generation values based on a region-wide cost simulation model. Although we and the Working Group have not reviewed the Study Group's analysis, absent better avoided generation price estimates we will direct the utilities to use the consensus values contained in that report as part of the filing of the core programs on January 1, 2001. If the January 1, 2001 filings contain avoided generation prices that are different from those in the Study Group report, the filings should contain a detailed explanation of how the avoided generation prices were calculated as well as why the change was made. Those utilities not restructured or those, such as PSNH, still supplying power from their own generation portfolio in the near-term, should use the avoided generation supply cost of their portfolio in the near-term and the avoided supply prices contained in the Massachusetts report for those years when the utility no longer expects to have its own generation. Each utility will, of course, continue to use its own avoided transmission and distribution costs.

**E. <u>Least Cost Fixed Revenues (LCFR)</u>**

Consistent with Order No. 22,875, we continue to believe that it is appropriate to move as quickly as possible from the payment of lost revenues as part of any energy efficiency programs and will deny recovery of lost revenues on a forward-going basis. The largest portion of the component of lost revenues that was and is currently recovered by utilities is for recovery of fixed costs associated with generation assets and/or wholesale power contracts, although we recognize that DSM programs will continue to have an effect on base rate revenue recovery. This effect on base rate revenue does not exist in isolation, however. Numerous policies of the Commission and practices of the utility affect base rate revenue recovery. For that reason, we will not isolate the on-going effect of one program, such as DSM, and ascribe revenue effects to it and not to others. Rather, we will continue to move away from lost fixed cost recovery and toward a limited incentive program.

Where the Commission has dealt with the recovery of generating assets and wholesale contracts through stranded costs recovery, the only costs left to be recovered through lost revenues relate to transmission and distribution. Should a utility find that the energy efficiency programs offered in their service territories significantly reduce sales to an extent that affects its profitability, the utility has the right to file a rate case with the Commission.

As part of PSNH’s restructuring settlement agreement approved by the Commission in DE 99-099, PSNH relinquishes recovery of any historic LFCR. Lost revenues that are currently carried on the books of Concord Electric Company, Exeter & Hampton Electric Company or Connecticut Valley

Electric Company (CVEC) because of past or existing programs will be considered on a case-by-case basis.

### F. **Program Designs**

Post retail choice energy efficiency programs should demonstrate a movement towards consistency in both program offering and program design. These programs need to meet the Legislature’s directive that “[e]nergy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers.” RSA 374-F:3, X.

As we have stated above, we expect each utility to file programs that are part of a state-wide set of core programs. The principles listed on page 9 of the Report are appropriate for the design of post retail choice DSM programs: the reasons for funding the program, the state of the market, the general approach that will be used to transform the market for that particular product or service, the specific metrics used to evaluate transformational effects, an exit strategy, the budget including program administration costs, and the cost-effectiveness of the measure. Each utility filing, whether for the core programs or its individual programs, should also include a thorough description of the steps it intends to take to determine which programs or measures will be offered, how the programs or measures will be delivered, the time frame for delivery, the estimated cost of delivery, the expected benefits of the programs and other pertinent filing components.

As we have stated previously, and as we state in a concurrent order being issued today, low income energy efficiency programs will be funded out of the general energy efficiency budget of the electric utilities. Low income energy efficiency programs should reflect an agreed-upon set of core programs. This is an area where we believe well-designed, statewide programs could help to alleviate the apparent persistence of "undesirable market conditions," to use the language of the Group, characteristic of this group of customers.

**G. <u>Pay As You Save</u>**

The Commission believes that there are many benefits that might be gained from moving energy efficiency programs from exclusive reliance on direct subsidies to greater participant funding of conservation measures. A properly designed Pay As You Save (PAYS) program, as described in *Public Service Company of New Hampshire*, 84 NH PUC 185, 191 (1999), could potentially unleash pent-up consumer demand for efficiency measures. Under a PAYS model, utility or other funding is used to finance the purchase of approved efficiency measures from vendors, and the measure cost is repaid on the bill over time, such that bill savings exceed measure cost payments in the near term. Variants include payments running with the meter for high-cost, long-lived measures such as insulation. If successful, PAYS could directly transform the market for efficiency by providing customers a way to purchase efficiency measures that are cost effective from the participants perspective today, but that are not purchased in the volumes that would be expected given that fact. PAYS would eliminate up-front costs, overcome split incentives and provide assured savings to participating customers.

Towards this end, the Commission directs the utilities to cooperate with GOECS and implement a pilot PAYS Program, beginning with PSNH and the New Hampshire Electric Cooperative (NHEC). We direct PSNH and NHEC, in consultation with GOECS, to file a proposed PAYS pilot design by February 1, 2000 for Commission review. To the extent possible, we would expect the filing to be made jointly by PSNH and NHEC. The amount budgeted for the PAYS pilot should be sufficient to support a useful pilot, but should not exceed 10 percent of the DSM budget for the two utilities combined. After reviewing the experience of PSNH and NHEC with the PAYS concept, we will determine any changes that are necessary in the PAYS program design and consider its extension to the balance of electric utilities in the state.

### H. Incentives

We will accept the incentive mechanism proposed by the Working Group. The Working Group recommended a formula to calculate incentives to give utilities an opportunity to provide, at least for now, utility-sponsored programs that would either not be provided by the market or programs that will help the transition to non-subsidized energy efficiency programs. The utility must demonstrate that the program for which it seeks incentive payments offers customers extraordinary benefits and will enhance the move toward either non-subsidized DSM programs or market-based energy efficiency. These benefits should be over and above what would accrue to ratepayers with prudent utility management.

Because the incentive mechanism is new, we will closely scrutinize the utility DSM filings to evaluate whether it fairly balances the interests of shareholders and customers.

### I. Monitoring and Evaluation

The Working Group recognized the need to conduct a review of the ratepayer-funded energy efficiency programs. The Working Group recommends multi-year analyses that includes short and long-term savings, market transformation, and recognition of energy policy goals. The Report does not state who will conduct the analyses, but mentions the preference for a cost-effective and coordinated review. The Working Group has provided as attachments to its Report two frameworks for the Commission to consider in our evaluation of whether and when certain energy efficiency products or measures should no longer receive ratepayer support.

The importance of a thoughtful and thorough monitoring and evaluation program cannot be overstated. As proposed in the Report, an assessment of energy efficiency programs and measures should analyze the effects of the programs and measures on removing and reducing market barriers or transforming the market for those products. However, monitoring and evaluation should include more than the market assessment framework contained in Appendix 2 to the Report. Impact and process evaluations are important, as well.

The attachments provided by the Working Group should prove helpful in our future determination of market transformation progress for the measures we approve during the time frame we discussed earlier. We will approve the use of both frameworks set out in Appendix 2 for such a market transformation assessment. We note that Appendix 2A is the more robust of the alternative frameworks.

In addition to the market transformation assessment, we expect that an independent impact analysis for the core and non-core programs will be performed as appropriate. Such an impact analysis would focus on how well the programs that are implemented are providing the net benefits that are forecasted. The January 1, 2001 core program filing should include detail on how such independent impact analyses will be conducted as well as a proposed time frame in which they will be conducted. The January 1, 2001 filing should also include any proposals for process evaluations of new or continued programs.

### J. Administration of Programs

As recommended in the Final Report, we will allow the utilities to continue to administer energy efficiency programs; however, as discussed above, we direct the utilities to join efforts and coalesce their individual program offerings into a set of core programs that meet the market transformation goals we have reiterated above. We expect the utilities and other interested stakeholders to meet and try to agree on a diverse, but limited set of core programs that would be filed at the same time by all the electric utilities.

If ratepayer-funded energy efficiency programs continue beyond the time frame we outlined above, we will re-evaluate whether those programs should be administered by a third party or should be continued under the current framework of utility administration. One factor we will use in that determination is which format moves toward market transformation in the most cost-effective and efficient way.

**K. Applicability of Order to Gas Utilities**

We defer the decision whether to impose the guidelines issued in this order on New Hampshire's gas utilities. We understand that although Northern Utilities, Inc. participated in the Working Group's meetings, EnergyNorth Natural Gas, Inc., the utility serving approximately 75 percent of New Hampshire's natural gas customers, did not. In addition, we believe that all parties should have the opportunity to comment on the applicability of this order to gas utilities. Comments on the applicability of this order to gas utilities should be submitted within 60 days from the issuance date of this order.

**L. Utility Filings**

In order to facilitate the thorough review of core program offerings, we will give utilities and other parties 60 days to agree upon a set of core programs. The core programs should be filed on or about January 1, 2001. Our focus will be on the efficacy of the core programs. Individual utilities may file other energy efficiency programs based on the specific objectives of that utility so long as they conform with the goals and objectives we stated above. The Commission will stagger the submission of specific utility energy efficiency program filings as follows:

| ***Utility*** | ***Filing date*** | ***Effective Date*** |
|---|---|---|
| Concord Electric Company &<br>Exeter & Hampton Electric Company | June 1, 2001 | Sept. 1, 2001 |
| Connecticut Valley Electric Company | June 1, 2001 | Sept. 1, 2001 |
| Granite State Electric Company | March 1, 2001 | June 1, 2001 |
| New Hampshire Electric Cooperative | June 1, 2001 | Sept. 1, 2001 |
| Public Service Company of New Hampshire | March 1, 2000 | June 1, 2001 |

Should any utility anticipate difficulty in meeting the above filing requirements, that utility shall file a request for extension with the Commission within thirty (30) days from the date of this order.

**M. Recovery and Interest**

The Working Group has recommended that the energy efficiency charge be paid by all customers. That recommendation is consistent with RSA 374-F:3, VI, which authorizes the imposition of a non-bypassable and competitively neutral system benefits charge to fund, among other things, energy efficiency programs. Accordingly, we accept the Working Group's recommendation. We note, as we determined in Order No. 22, 999, 83 NHPUC 432 and Order No. 23, 172 (March 25, 1999), that energy efficiency costs should be recovered through the separate system benefits charge and displayed in an unbundled fashion on customer bills.

Unless otherwise noted, the funding for energy efficiency programs shall continue to be fully reconciling and any monthly over- or under-collections shall accrue interest at the prime rate as reported on the first business day of the month applicable as reported in the Wall Street Journal.

**N. Energy Efficiency Portion of System Benefits Charge**

Chapter 249, Laws of 2000, more specifically RSA 369-B:3, IV(b))6), provides for a total system benefits charge, including both energy efficiency and low income assistance programs, of $0.002 per kilowatt-hour for 33 months from competition day for PSNH. In addition, this Commission has further decided (in the companion order issued on this same day, Order No. 23,575) that the split between these two programs insofar as PSNH is concerned should be resolved by apportioning $0.0012 per kWh to low income assistance and $0.0008 per kWh for energy efficiency. The amount of the surcharge that may be collected by the other electric utilities as part of the SBC to fund energy efficiency programs is subject to the provisions of RSA 374-F. RSA 374-F: 4,VIII(b) provides that the total SBC for both energy efficiency and low income assistance shall not exceed $0.0025 per kWh for any utility whose rates are at or above the regional average during the first year after which competition is certified to exist and $0.0030 per kWh during the second year after competition. The result of this law, Order No.23,575, and RSA 374-F:4, VIII (g) which makes the low income portion of the SBC uniform for all utilities, is that a utility other than PSNH that is at or above the regional rate average may not exceed $0.0013 per kWh for the energy efficiency portion of the SBC during the first year after competition and $0.0018 per kWh during the second year. A utility that is below the regional average is not subject to these limitations for energy efficiency, though it is clearly still subject to Commission review and approval. In addition

NHEC, by virtue of RSA 374-F:4,VIII(d), is not subject to the limitations on the energy efficiency portion of the SBC.

**Based upon the foregoing, it is hereby**

**ORDERED,** that except as specifically noted above, the Commission adopts the recommendations of the New Hampshire Energy Efficiency Working Group Report; and it is

**FURTHER ORDERED,** that the utilities shall file their core programs on or about January 1, 2001; and it is

**FURTHER ORDERED**, that any comments on the applicability of this order to gas utilities shall be submitted to the Commission within 60 days of this order.

By order of the Public Utilities Commission of New Hampshire this first day of November, 2000.

| Douglas L. Patch<br>Chairman | Susan S. Geiger<br>Commissioner | Nancy Brockway<br>Commissioner |
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Attested by:

Claire D. DiCicco
Assistant Secretary