

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-188

**2011-2012 CORE ELECTRIC PROGRAMS AND
NATURAL GAS ENERGY EFFICIENCY PROGRAMS**

Order Approving 2012 Energy Efficiency Program Updates

ORDER NO. 25,315

January 9, 2012

APPEARANCES: McLane, Graf, Raulerson & Middleton, P.A. by Carol J. Holahan, Esq. for Granite State Electric Company d/b/a/ National Grid and EnergyNorth Natural Gas, Inc.; Mark W. Dean, Esq., for New Hampshire Electric Cooperative; Gerald M. Eaton, Esq., for Public Service Company of New Hampshire; Orr & Reno, P.A. by Rachel Aslin Goldwasser, Esq., for Unitil Energy Systems, Inc. and Northern Utilities, Inc.; New Hampshire Legal Assistance by Alan Linder, Esq., for The Way Home; New Hampshire Community Action Association by Dana Nute; New Hampshire Office of Energy and Planning by Eric Steltzer; Office of the Consumer Advocate by Meredith A. Hatfield, Esq., on behalf of residential ratepayers; and Marcia A. B. Thunberg, Esq., for the Commission Staff

I. BACKGROUND

On December 30, 2010, in Order No. 25,189, the Commission approved two-year energy efficiency programs for the following regulated electric and gas utilities: Granite State Electric Company, d/b/a National Grid (National Grid); New Hampshire Electric Cooperative, Inc. (NHEC); Public Service Company of New Hampshire (PSNH); Unitil Energy Systems, Inc. (UES) (collectively, Electric Utilities); EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (National Grid NH); and Northern Utilities, Inc. d/b/a Unitil (Northern) (collectively, Gas Utilities). The CORE energy efficiency programs for the electric utilities are funded by the system benefits charge (SBC) assessed on all electric utility customers pursuant to RSA 374-F:3, VI and certain forward capacity market (FCM) proceeds generated by the Independent System Operator-New England (ISO-NE) FCM auctions. The gas utility energy efficiency programs are

funded through the Local Distribution Adjustment Charge (LDAC) assessed on all gas utility customers.

In Order No. 25,189, the Commission directed the Gas and Electric Utilities to file updates, if any, to the 2012 energy efficiency programs by September 30, 2011. The Gas and Electric Utilities filed updates to their programs (2012 Update) on September 30, 2011. The changes to the programs were proposed for effect January 1, 2012.

On October 5, 2011, the Office of the Consumer Advocate (OCA) filed a proposed procedural schedule for review of the 2012 updates, which was approved by a Secretarial Letter dated October 18, 2012. The Commission noticed a hearing on the merits for December 22, 2011.

On October 31, 2011, the Electric and Gas Utilities filed a marketing plan and budget for program year 2012. Staff and the parties conducted discovery and held Technical Sessions on October 11, 2011 and November 3, 2011. On November 10, 2011, OCA filed the direct testimony of Stephen R. Eckberg. Staff filed the joint direct testimony of James J. Cunningham, Jr. and Al-Azad Iqbal.

On December 15, 2011, National Grid, NHEC, PSNH, UES, National Grid NH, Northern, New Hampshire Community Action Association, Office of Energy and Planning, The Way Home and Staff (Settling Parties and Staff) filed a settlement agreement modifying the 2012 Update. On December 19, 2011, National Grid NH and Northern filed the joint rebuttal testimony of Eric Stanley of National Grid and Thomas Palma of Unifil Service Corp.

The Commission held a hearing on December 22, 2011 at which the settling parties presented the settlement agreement. The Commission also took public comment from Dick Henry of The Jordan Institute. Mr. Henry stated that the Commission has historically had

excellent support for energy conservation, efficiency, and renewables and that the Vermont Efficiency Investment Corporation (VEIC) report issued pursuant to Senate Bill 323 offers guidance on how the programs can be strengthened going forward. He urged the Commission to maximize overall energy efficiency regardless of fuel source to attain the greatest cost-benefit possible to ratepayers and committed to work with Northern and National Grid NH to use the carry-over funds and assist the gas and electric utilities to maximize their efforts.

II. SUMMARY OF SETTLEMENT AGREEMENT TERMS

A. Program Updates for 2012

The Settling Parties and Staff recommend that the Commission approve the program modifications set forth in the 2012 Update except as noted below. The 2012 Update includes changes to budgets for NHEC, PSNH, UES, National Grid NH, and Northern. The 2012 Update also includes changes to the Energy Star® Lighting Program; Residential High-Efficiency Heating, Water Heating and Controls Program for the gas utilities; Home Energy Assistance Program; New Equipment and Construction Program; Large C&I Retrofit Program; Small Business Solutions Program; Educational Programs; and Energy Star® Homes Program Enhancement: Geothermal and Air Source HP Option. The Energy Star® Homes Program is new to Northern for 2012, although it has offered it in prior energy efficiency program cycles. PSNH proposes to implement a new customer engagement pilot program. This program is designed to help customers reduce their energy use and provide verifiable energy savings. The Settling Parties intend that the terms in the 2010 settlement not specifically addressed in the instant settlement remain in place.

B. Carry-Over from 2010 and Performance Incentive Calculation

In Order No. 25,189, the Commission ruled that utilities may not earn a performance incentive on funds carried over from 2010 and for which a utility had already earned a performance incentive. In this context, carry-over is defined as the difference between the 2010 budgeted amount and the actual amount spent. The Settling Parties and Staff agree that the utilities will not earn a performance incentive on the carry-over amounts from 2010 as required by the order. Attachment B to the settlement agreement represents the agreed upon amounts to be excluded from future calculations of the performance incentive. See Exh. 26.

C. VEIC Independent Study of Energy Policy Issues

Order No. 25,189 required Staff and the parties to hold quarterly meetings and the Settling Parties and Staff agree that the VEIC Independent Study of Energy Policy Issues Final Report may be included in discussions at these quarterly meetings in 2012. The Settling Parties and Staff also agree to work with the Energy Efficiency & Sustainable Energy (EESE) Board and its subcommittees to reduce duplication of effort and administrative costs. The EESE Board, which is administratively attached to the Commission, was established pursuant to RSA 125-O:5-a, effective October 1, 2008, “to promote and coordinate energy efficiency, demand response, and sustainable energy programs in the state.”

D. Home Performance with Energy Star® (HPwES)

PSNH and UES agree to implement the program on a pilot basis as approved by the Commission for the 2011 program year in Order No. 25,189. Rebates will be capped at 50% of project expenditures or \$4,000, whichever is less. Customers will continue to be screened using the Home Heating Index. For 2012, PSNH and UES agree to earn a performance incentive on

the installation of electric saving measures as has been done since the HPwES Program was first approved in Order No. 24,974.

E. PSNH's Customer Engagement Program (CEP) Pilot

PSNH proposed a CEP for residential customers. The CEP would evaluate the effectiveness of a behavior-based energy efficiency program for 25,000 randomly selected residential customers to test whether it could be a full scale CORE program. The program has a projected benefit/cost ratio of 1.01 to 1. The program vendor has not yet been selected, but comparable programs have been implemented by Western Mass. Electric, Connecticut Light & Power, and National Grid. Staff and other interested parties agree to meet with PSNH regarding the request for proposal process and final design of the CEP program. The Settling Parties and Staff will use reasonable efforts to reach agreement on the CEP by March 31, 2012 so that PSNH may proceed with the pilot in 2012.

F. Gas Utilities Carry-Over and Impact on LDAC for Winter 2012-2013

On or before March 12, 2012, National Grid NH and Northern agree to provide to the parties the final amount of 2011 unspent energy efficiency funds (carryover funds) they will include in the 2012 budget. They will then file updated program budgets and goals for the 2012 program year with the Commission. The companies may propose to return uncommitted 2011 funds to customers through the Local Distribution Adjustment Clause (LDAC) rate in their respective 2012-2013 winter Cost of Gas (COG) proceedings, in accordance with Order Nos. 25,286 (October 31, 2011) and 25,282 (October 28, 2011).

National Grid NH and Northern state that they will aggressively market their efficiency programs and will initiate a number of outreach activities to increase customer participation in energy efficiency programs. In their joint rebuttal testimony, National Grid NH states it has

launched a number of initiatives to drive market activity including a telemarketing campaign, periodic direct mail, and electronic mail campaigns, attendance at customer events, and street canvassing, which have resulted in over 450 leads and the installation of more than 130 qualifying product savings measures. National Grid NH has been targeting key businesses, trade associations, builders, contractors, installers, architects, and engineers. Both National Grid NH and Northern state that they have met with the Jordan Institute on numerous occasions in an effort to identify qualifying energy efficiency projects. National Grid NH and Northern identified additional measures in Attachment D to the settlement agreement. The companies will continue to evaluate the potential of offering an 'accelerator' incentive during the first half of 2012 in order to drive customer commitments earlier in the calendar year. The companies are also considering an enhanced incentive for customers who install multiple measures at the same time, in order to encourage deeper efficiency investments. The companies may use the budget transfer process approved in Order No. 25,189 but understand that any changes to the approved 2011-2012 CORE program design require prior Commission approval.

II. POSITIONS OF NON-SETTLING PARTIES

A. Office of the Consumer Advocate

The OCA offered Mr. Eckberg's testimony regarding monitoring and evaluation studies. Mr. Eckberg noted his understanding that efforts were proceeding to conduct the multi-year monitoring and evaluation study and to conduct impact evaluations of the Energy Star Lighting and the Small Business Energy Solutions Programs. OCA also updated page 14 of Mr. Eckberg's testimony to note that the Electric Utilities are considering whether to offer a program for electric heat pump hot water heaters and that a document will be forthcoming. The OCA

supports Staff's development of a Multi-Year Monitoring & Evaluation plan and continued annual financial audits.

The OCA supports Northern's decision to offer the Energy Star® Homes Program. The OCA suggests certain administrative efficiencies could be considered to improve the cost effectiveness of the Home Energy Assistance program. The OCA looks forward to making recommendations regarding National Grid NH's and Northern's unspent 2011 budgets. With respect to the HPwES program, the OCA recommends that the Commission permit full scale fuel neutral implementation of the HPwES program. The OCA supports the Customer Engagement Pilot (CEP) program by PSNH but OCA stated that it needs additional information before it can offer its final position.

The OCA recommends that the VEIC report could be useful in determining the most effective marketing plan to increase participation by consumers. Further, the OCA recommends that a process be undertaken to determine how best to implement other findings and recommendations of the VEIC report.

B. Office of Energy and Planning

The OEP signed the Settlement Agreement, however, at hearing, the OEP stated that it did not support Section G, Gas Utilities Carry-Over and Impact on LDAC for Winter 2012-2013 because it had reservations about Northern and National Grid NH's good faith effort to spend the funds and the provisions regarding return of funds to customers. The OEP stated that there was a great need for energy efficiency efforts and that the funds could be utilized. With respect to the changes to Section G of the settlement agreement the OEP stated they were unnecessary as they merely restated terms delineated in Order No. 25,189, which approved the ability of the utilities to make certain budget transfers.

IV. COMMISSION ANALYSIS

The 2011-2012 CORE Electric Energy Efficiency and Gas Energy Efficiency Programs were approved in this docket by Order No. 25,189 on December 30, 2010, in furtherance of legislative directives that programs be designed to reduce market barriers to investment in energy efficiency and provide incentives for appropriate demand-side management and not reduce cost-effective consumer conservation. *See* RSA 374-F:3. Further, utility-sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers. *See*, RSA 374-F:3, X. The Commission authorized the Gas and Electric Utilities to propose program updates for 2012 to achieve these goals, which they filed on September 30, 2011. The Gas and Electric Utilities proposed changes only to those programs noted in the 2012 Update.

Order No. 25,189 ordered performance incentives to be calculated based on actual and not budgeted spending to avoid potential double-counting. The Settling Parties have offered a means of verifying that the Gas and Electric Utilities do not earn a performance incentive on funds carried over from 2010. We have reviewed the tracking method as well as Attachment B to the settlement agreement and find that the Settling Parties' proposal is reasonable. To the extent additional approval is necessary beyond the directive provided in Order 25,189, we will approve the amounts to be excluded from future calculations of performance incentives as identified in Attachment B.

The Settling Parties agree to include in quarterly meetings a discussion of the VEIC Independent Study of Energy Policy Issues Final Report and to work with the EESE Board and subcommittees to reduce duplication of effort. We agree that discussion of the VEIC report is an appropriate subject matter for the quarterly meetings. The quarterly meetings are intended to

allow Staff and the parties to review the implementation of the gas and electric energy efficiency programs and issues related to those programs. Working groups are authorized to seek consensus on how to deal with program issues that arise during the quarterly meetings. As to coordination with the EESE Board, we encourage coordination for the purposes indicated by the Settling Parties.

RSA 374-F:3, X directs that the utility-sponsored energy efficiency programs regulated by the Commission be designed to reduce market barriers to investment, provide incentives for appropriate demand-side management, not reduce cost-effective consumer conservation, and target cost-effective opportunities that may otherwise be lost due to market barriers. RSA 125-O:5-a mandates that the EESE Board develop a plan to achieve the state's energy efficiency potential for all fuels, including setting goals and targets for energy efficiency that are meaningful and achievable. Accordingly, we will authorize and encourage coordination to the extent the utility-sponsored program directives in RSA 374-F:3, X are directly impacted by the EESE Board's activities.

The Settling Parties have agreed to extend the Home Performance with Energy Star (HPwES) pilot, unchanged, through 2012. At hearing, Staff and the parties noted that disagreement existed as to whether the HPwES pilot should be expanded. Staff testified that full implementation of the program raised fairness issues that the Commission ought to decide. The OCA and PSNH voiced support of full implementation in closing arguments and suggested that the issue be resolved by the Commission prior to the filing of the Gas and Electric Utilities' 2013-2014 energy efficiency programs. Considering the apparent unanimity that the issue be decided sooner rather than later, we direct Staff and the parties to develop a proposed procedural schedule that allows Staff and the parties to file testimony and positions regarding whether to

fully implement a HPwES program, such as is illustrated in the 2012 Update, and allow the Commission time to render a decision on the matter prior to the filing of the 2013-2014 programs. Parties and Staff may address whether the program should be continued under the present funding sources, fairness of the program as designed, and the issues raised in Order No. 24,930 at pages 19-22, with the exception of the legal authority to operate a fuel-blind program at all, which has been resolved. *2009 CORE Energy Efficiency Programs*, 94 NH PUC 1, 11-12 (2009).

Included in the settlement filing are the basic terms of the CEP, including the type of services to be offered (customer information and encouragement to achieve savings in their utility usage), the target population to be enrolled (25,000 residential customers of PSNH, to be chosen at random), the benefit/cost ratio (1.01 to 1) and the amount to be expended (\$250,000). At hearing Mr. Gelineau of PSNH stated his understanding that if the Commission approved the settlement agreement as filed, interested stakeholders would finalize the details and the program go forward in 2012 without further Commission approval. Hearing Transcript of December 22, 2011 (12/22/11 Tr.) at 55-58. The Staff witness, Mr. Cunningham agreed that the settlement authorized continued discussion on the terms of the program but it would be a matter of speculation as to next steps if stakeholders did not reach agreement. 12/22/11 Tr. at 56. While there may be some lack of clarity in the settlement documents, we find the CEP an interesting concept worth pursuing. We have been told that customer decision-making is a valuable component of any efficiency effort and that some states have seen positive response from customer education and encouragement programs. The amount of funds to be assigned to the program is relatively small and the benefit cost ratio meets the required threshold. We find the CEP is sufficiently developed to determine that it is in the public interest, on a pilot basis. If the

stakeholders reach agreement on final details by March 31, 2012, Commission Staff or a party should submit a description of the final terms, for informational purposes. There would be no need for further Commission approval and the CEP would proceed for 2012. If there is no agreement, however, we direct the Staff to submit a memorandum setting forth the issue(s) in contention; pending a Commission ruling the CEP would not be implemented.

In Order Nos. 25,286 and 25,282, the Commission deferred inclusion of unspent 2011 energy efficiency funds (carryover funds) in National Grid NH and Northern's reconciliation of their respective LDAC rates in their COG proceedings. The Commission allowed National Grid NH and Northern additional time to spend the carryover funds; any unspent funds would be included in the utilities' 2012-2013 Winter COG proceeding and LDAC rate. National Grid NH and Northern plan to spend the carryover funds through aggressive marketing and other efforts identified in Attachment D to the settlement agreement. Staff, National Grid NH, Northern, The Way Home, and The Community Action Association recommend the Commission allow National Grid NH and Northern until March 12, 2012 to determine the final amount of the unspent 2011 carryover funds and, as a result, how much should remain in the 2012 budgets and how much credited to customers through the LDAC. National Grid NH and Northern will file with the Commission updated program budgets and goals for the 2012 program year. Having reviewed the settlement agreement and Attachment D, we find that these efforts and the date by which to propose how to allocate unspent carryover funds are reasonable. We approve this provision of the agreement.

PSNH testified that it was in preliminary discussions with the New Hampshire Community Development Finance Authority (CDFA) to assist it in utilizing a portion of a grant that OEP received from the Department of Energy to establish the Better Buildings Program.

PSNH anticipates continuing discussions with the Better Buildings Program and the HPwES program. Other than the changes proposed in the settlement agreement, PSNH proposes no changes to its 2012 CORE energy efficiency programs, but may propose program changes at a later date as a result of these discussions. The Commission supports collaboration between the utility sponsored energy efficiency programs and other relevant programs where fruitful. To the extent that PSNH requests to modify its HPwES or other energy efficiency programs to assist the CDFA, PSNH may need to seek Commission approval. If such approval is sought for program year 2012, the Commission will consider the request expeditiously.

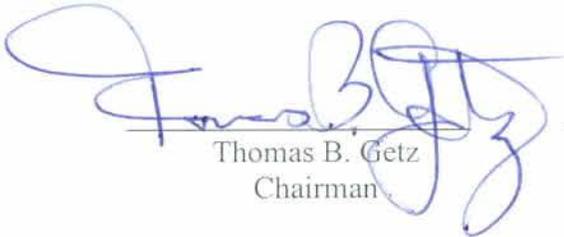
In conclusion, having reviewed the 2012 Update, as amended by the settlement agreement and other exhibits entered at hearing, we find the program updates to be in the public interest and we will approve them.

Based upon the foregoing, it is hereby

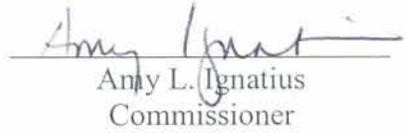
ORDERED, that the settlement agreement, as amended at hearing, proposing updates to program year 2012 of the CORE Electric Energy Efficiency and Gas Energy Efficiency Programs is hereby APPROVED; and it is

FURTHER ORDERED, that Staff and the parties shall develop a procedural schedule for addressing the HPwES issue and file such proposed procedural schedule with the Commission no later than February 1, 2012.

By order of the Public Utilities Commission of New Hampshire this ninth day of January,
2012.


Thomas B. Getz
Chairman


Clifton C. Below (KNS)
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director

