DE 15-137
EERS Technical Session (8/21/2015)
Staff Informational Notes

<u>Welcome and Introductions (9:20 a.m. to 9:40 a.m.)</u>

- <u>Impromptu Meeting</u>: Brief discussion about the impromptu meeting proposed by Becky Ohler. Les noted that he was in favor of continuing the funding discussions but that some of Staff, including himself, could not attend due to other pressing tasks. Les asked if Becky could distribute minutes to the stakeholders to ensure all are kept abreast.
- <u>Clarification of Staff roles</u>: Some not in attendance last week asked about Staff roles: Les re-clarified noting that Les (lead) Rory (legal counsel), with Karen, Jay, Suzanne and Jim as supporting Staff.
- <u>Minutes</u>: With respect to the question about 8/13/2015 minutes, Staff noted that "minutes" are very detailed and time consuming to prepare; and, suggested it would be more efficient to circulate the higher level "discussion notes". These discussion notes allow stakeholders to focus on the key issues. However, some stakeholders indicated they wanted to have both "minutes" as well as "discussion notes" for each technical session. Staff agreed to circulate both, starting with the minutes from the 8/13. Minutes from our 8/21 technical session will be circulated mid-week (8/26).

<u>Review of Items Agreed Upon from Previous (8/13) Meeting – i.e., EERS Savings Targets (9:40 a.m. to 10:00 a.m.)</u>

- <u>Short-Term/Long-Term Targets</u>: The Utilities noted that it was their understanding that short-term targets will be "quantified"; but, long-term targets will be only "qualitative" targets (i.e., desirable targets).

  Staff agreed to clarify this point in the minutes.

- <u>Cumulative Targets</u>: Some stakeholders asked for "cumulative" savings targets, in addition to annual targets.

  There was no opposition. (Note: See Staff Straw Report narrative and spreadsheets, circulated at the 8/13 technical session for a definition and illustration of "cumulative" savings.)

- <u>Annual Updates Within Three-Year Cycle</u>:

  There was no opposition to the idea that the Utilities provide annual updates to savings targets, consistent with current Core filing practice. That is, within the short-term three-year period, year one annual savings targets and related spending might be different than goal; and, annual performance incentives would reflect such differences. Subsequent year's targets, within the three-year period, would be re-set annually to reconcile the differences.

Completion of Last Week's (8/13) "Target" Discussion (10:00 a.m. to 11:10 a.m.):

- Should targets include kWh and kW?: Staff noted that existing Core programs focus on achieving energy efficiency kWh savings; while kW demand savings is a by-product. The utilities appear to be in agreement.

  David Littell noted that programs could be designed to achieve a combination of both.

  The Utilities indicated they were not sure it's necessary to have two-tier goals.

  Some stakeholders thought that performance incentives for the Utilities should be based on two-tier system. The Utilities noted that both kWh and kW savings are included in the calculation of benefits within the Benefits/Cost (B/C) formula.

- IRP Intersect: Some stakeholders wanted to know how energy efficiency savings targets intersect with Integrated Resource Planning (IRP).

  Legal Staff will follow up.

- "Red-Line" for Discussion Notes: The Utilities asked if the Discussion Notes pertaining to the middle column (i.e., "Utilities") could be provided in Word (rather than PDF) so as to allow the Utilities the opportunity to provide edits, additional information, etc.

  Staff agreed to provide discussion notes in Word.

- Low-Income HEA Program "Budgets": How should fuel neutral savings targets be addressed in the EERS? Some suggested that the allocation might be different for Gas Utilities vs. Electric Utilities. Staff noted that the 15.5 percent allocation to the HEA program was approved in prior Commission Orders for Core programs. The Gas Utilities indicated that they are gradually tapering down from a higher level to the 15.5 percent allocation.

  The Utilities noted that we utilize relatively more funding to deliver the HEA low-income program, as compared to the HPwES program. That is, the rebates for the HEA program are 100%, as compared to the rebates of 50% for the non-low-income HPwES program.

  Stakeholders agreed that today's session pertains to savings targets not budgets; so, the discussion shifted to savings targets.

- Low-Income HEA Program Savings Targets: Some appeared to suggest that savings targets should be 15.5 percent of total savings.

  With respect to savings targets, the utilities noted that it's complicated to ensure that savings targets for the HEA low income program are 15.5 percent of overall electric savings, noting that savings are for both electric and non-electric.

  NEEP noted that carve outs for low-income program savings targets are rare.

David Littell noted that trying to achieve similar savings target percentages for low-income and non-low-income programs would be a struggle for the Utilities.

The Utilities noted that the current practice is to break down the savings measures for low-income HEA programs and non-low-income HPwES programs; and, the savings targets are calculated accordingly.

There was general acceptance of the existing practice of breaking out the measures and related savings for the low-income HEA program and the non-low-income HPwES program.

- Changing targets: The Utilities noted that short-term savings targets are quantified for a three-year period. If one year is lower than target, then the idea is that the utilities would have the other two years to get back on track.

- Equivalent kWh Savings Targets: Staff asked if it might be appropriate to count “equivalent” kWh savings by converting MMBtu savings to kWh savings. Staff noted that the VEIC Report of November 2013 counted “equivalent” savings and Staff’s Straw Report counted “equivalent” savings for purposes of apples to apples comparison.

  The Electric Utilities confirmed that the slides from the 8/13 technical session counted only “pure” electric kWh savings and did not include equivalent kWh savings related to MMBtu savings.

  Likewise, the Gas Utilities noted that its savings included only MMBtu savings and did not include any electric kWh savings that was achieved.

  Some suggested that all savings be converted to BTUs; while others suggested BTUs might not be easily understood unit of measure.

  The question of whether goals should include fossil savings goals was raised and some thought fossil savings should not be considered since the NH Commission doesn’t have jurisdiction to require oil heat dealers (as well as kerosene, propane and wood heat dealers) to add a surcharge to customer bills for energy efficiency programs. Some stakeholders indicated that fossil savings are included in the “benefits” for purposes of calculating the Benefit/Cost (B/C) ratio.

  David Littell indicated that fossil savings could be reported; but, it might not be necessary to include fossil savings in savings targets.

  Staff noted that the Commission currently requires electric utilities to utilize SBC funds to implement Core fuel-neutral programs for customers who heat by oil, wood, propane and kerosene.

  The Utilities appeared agreeable to examining the issue further.

<u>Today's Topic – EERS Funding (11:10 a.m. to 12:15 p.m.);</u>

- Staff provided graph and tabular summary of funding:

    - SBC, RGGI, FCM and other Sources
    - Trends in NH, including a tabulation and graphical presentation of the funding of Core programs for the past five years (i.e., 2011-2015).

- Utilities provided a Funding Presentation

    - Utilities noted that the most reliable and practical funding source is utility customers; and, financing alone will not support significant increase energy efficiency activity.

    - Utilities noted that current on-bill financing is not scalable, indicating the time lag attendant with waiting for dollars to be repaid before new loans can be made; however, third-party financing is scalable, and Utilities feel this option can be just as vibrant in NH as it is in Massachusetts.

    - Utilities noted that there are other options for funding such as C-PACE and invited Laura Richardson to amplify on C-PACE:

        - ✓ Laura Richardson noted that C-PACE comes under the larger umbrella of Third-Party Financing, specifically for commercial buildings.
        - ✓ Lots of challenges, noting that municipalities have to sign on, indicating that Concord is the first municipality to sign on.
        - ✓ Not everyone wants to borrow, but C-PACE removes reluctance since it is attached to property not to the individual or business.
        - ✓ Lots of buildings in NH are in poor shape and there is a need to buy-down the cost of capital.

    - The Utilities noted that C-PACE could work in combination with Core programs and rebates. Everyone appeared to agree.

    - Staff asked if rebates might be reduced, given the introduction of customer financing:

        - ✓ The Utilities thought it might result in customer reluctance to participate in programs if rebates are lowered.
        - ✓ Customers tend to prefer rebates to financing
        - ✓ Current combination of rebates coupled with financing appears to allow for "broadest reach" to customers and customer participation.
        - ✓ Utilities noted that some rebates in Massachusetts are higher than in NH.

    - David Littell concurred with the discussion, noting that the right balance of rebates and financing makes it easier for the customer to install EE equipment. He also noted that new programs, such as CHP, might benefit from setting up incentives the right way.

- NEEP (Brian Buckley)provided a Funding Presentation

    - MA and CT <u>supplementary funding</u>:

        - ✓ Massachusetts has an Energy Efficiency Reconciliation Factor (EERF) that ensures that spending over approved budgets for the short-term (i.e., three-year period) is recovered.
        - ✓ Connecticut has a Cost Adjustment Mechanism (CAM) that provides a similar mechanism. The Connecticut mechanism has a cap of three mills per kWh of electricity sold to each end use customer.

    - <u>Base-rate funding</u>, noting that it is done in states that procure EE through IRP; and, noting that cost trackers are used in the context of a rate case to true-ups.

    - <u>Private Financing</u>
        - ✓ Successful Green Banks, PACE programs, On-bill financing,
        - ✓ Noting that such programs do not provide incremental savings beyond incentives offered via EE programs.

- Discussion with Stakeholders on Public Funding Sources (Pro/Cons, which to target, increase levels, etc.)
- Funding and its Relationship to Targets Discussion
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- Other

    - Regarding increased funding, some noted that the target of 0.6 percent of sales is not where we want to be long-term. However, increased funding is an issue that stakeholders might not be able to resolve on their own.
    - David Littell noted that NH programs perform well. He suggested we could look at existing rate mechanisms. He noted that electric sales are likely to remain flat and SBC funding which is tied to kWh sales would also remain flat; however, he noted that natural gas sales are likely to increase and that funding would have to be dealt with separately. In addition, David noted that other funding mechanisms could be considered that meet Utilities immediate recovery such as "costs trackers" as mentioned by NEEP.
    - As part of funding increases, David suggested that we consider broad based programs that ensure that most customers participate in the programs. In addition, he noted that the C&I sector is very active in managing coincident peak.
    - Others mentioned that costs are saved when EE is performed and we should focus on all cost-effective EE without assuming any funding constraints.
    - Some noted that as savings targets increase, FCM revenues would likely increase.
    - Utilities noted that consideration of funding increases goes hand-in-hand with bill impacts.
    - With respect to avoided cost savings, the Utilities indicated that they will expand their 8/13 "target" presentation to add another column to reflect estimated avoided costs.

- Others noted that at present approximately 75 percent of RGGI funds are rebated to all customers and thus are not available for spending on energy efficiency programs; but, the Utilities noted that distribution of RGGI funding is established by the Legislature.
- David Littell noted that the Commission will make the ultimate decision on funding
- Resume discussion at next meeting, August 31, 2015.
- Becky will circulate e-mail to determine stakeholder interest and dates/timing of additional impromptu meeting(s) during week of August 24, 2015. Staff was agreeable to additional information exchanges among the stakeholders, noting that Staff had other priority tasks to complete during the week and asked that minutes from the discussion be circulated to all stakeholders, including those not able to attend.

Preparation for Next Technical Session

- Date: August 31, 2015
- Topic: EERS Stakeholder Involvement
  - Connecticut Advisory Board will be here

Summary of Areas of Agreement following this technical session

- Everyone appeared to agree with the following points on funding:
  - Utilities: Utilities agreed to expand their "target" presentation to include an additional column quantifying "avoided costs".
  - Staff: Staff agreed to provide Discussion Notes in Word software.
  - General: There was general acceptance of the existing practice of breaking out the measures and related savings for the low-income HEA program and the non-low-income HPwES program.
  - Utilities: The Utilities appeared agreeable to examining the issue of "pure" vs. "equivalent" kWh savings. The Utilities' targets are currently structures as "pure".
  - General: General agreement that Legislature establishes rules with respect to distribution of RGGI funds. At present, approximately 75% is distributed in the form of "rebates to all customers".
  - David: Funding of Electric vs. Natural Gas EE will have to be dealt with separately due to the differences in sales forecasts – i.e., Electric Utility sales are flat vs. Natural Gas sales which are increasing.
  - David: The Commission will make the final decision on funding.
- Becky: Impromptu Meeting on Funding:
  - Becky Ohler agreed to check on the availability of stakeholders for an impromptu meeting at DES next week
  - Becky will circulate notes to all the stakeholders.

September Technical Sessions:

- September 16, 2015 – Rate Structures
- September 28, 2015 - Regulatory Process