

THE STATE OF NEW HAMPSHIRE
before the
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

CORE ENERGY EFFICIENCY PROGRAMS
Home Performance with ENERGY STAR Fuel Neutral Program
Docket No. DE 10-188

Joint Rebuttal Testimony of Gilbert E. Gelineau, Jr. and Thomas Palma

May 4, 2012

1 **I. Introduction and Purpose**

2 **Q. Mr. Gelineau, please state your name, your employment and business**
3 **address.**

4 A. My name is Gilbert E. Gelineau, Jr. I am Manager of Marketing Support at
5 Public Service Company of New Hampshire ("PSNH" or "the company"). My
6 business address is Energy Park, 780 North Commercial Street, Manchester, New
7 Hampshire.

9 **Q. Mr. Palma, please state your name, your employment and business address.**

10 A. My name is Thomas Palma. I am the Manager of Distributed Energy
11 Resources, Planning and Design for Unitol Service Corp. My business address is
12 325 West Road, Portsmouth, New Hampshire 03801.

14 **Q. Did you provide testimony on the subject of the Home Performance with**
15 **Energy Star program previously in this portion of the proceeding?**

16 A. On February 12, 2012, we supplied Joint Testimony in this proceeding.

18 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

19 A. The purpose of our rebuttal testimony is to respond to the testimony filed by the
20 Commission Staff on March 22, 2012. We will address why we believe the
21 Commission ought to approve a permanent fuel neutral Home Performance with
22 Energy Star (HPwES) program and allow PSNH and UES (the "Companies") to
23 earn a performance incentive on the nonelectric measures installed. Specifically,
24 our testimony will address the following issues:

- 25 • Concerns Regarding Electric Space Heating Customers and Participation in a Fuel
26 Neutral Program;
- 27 • The Staff's Proposed "Alternatives" to a Permanent Fuel Neutral HPwES
28 Program;
- 29 • A Fuel Neutral HPwES Program Meets the Goals of the New Hampshire
30 Climate Action plan;
- 31 • Ancillary Electric Savings;

- Compliance with the Restructuring Law, RSA 347-F; and
- Calculation of the Performance Incentive.

Q. Please summarize your rebuttal testimony.

A. Staff asserts that there is a “fairness” issue with respect to the proposed permanent, fuel neutral HPwES program. We disagree. Electric space heating customers represent such a small percentage of PSNH’s and UES’ residential customer class that it would be unfair and inefficient to serve only these customers with air sealing and weatherization services. This would further require the Companies ignore the significant need throughout the state for fuel neutral energy efficiency services. PSNH and UES will continue to serve electric space heating customers and continue to approach them with offers for HPwES participation. As the Commission has already found, air sealing and weatherization services in homes that heat with non-electric systems can still produce ancillary benefits which the Companies are now beginning to estimate more precisely. These savings exist even if the companies are still determining the best way to estimate them with the precision necessary for tracking and reporting purposes in the performance incentive calculation.

As designed, the HPwES program meets the standards set forth in RSA 374-F regarding energy efficiency. The proposed HPwES program complies with the Restructuring Law, while Staff’s proposal to restrict the program to electric space heating customers only may actually create a barrier to the whole house energy efficiency market. The HPwES program also serves many of the State of New Hampshire’s policy interests as contained in the Climate Action Plan and the fuel-neutral recommendations in the Vermont Energy Investment Corporation (VEIC) report. Finally, a performance incentive which includes all energy savings will properly focus attention on all of the goals of the program.

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II. Concerns Regarding Electric Space Heating Customers and Participation in a Fuel Neutral Program.

Q. Please summarize the Staff’s conclusions regarding the fairness of the fuel neutral HPwES program.

A. Staff opposes a permanent, fuel neutral HPwES program in part based upon their perception of a “fairness” issue. The Staff witnesses perceive it unfair that electric space heating customers (referred to by Staff as “Group 1”)¹ contribute more System Benefits Charge (“SBC”) revenues per capita than customers who heat with other energy sources, or “power and light” customers (referred to by Staff as “Group 2”). Staff is concerned that SBC revenues will be invested in non-electric measures to benefit power and light customers who contribute less in SBC revenues than electric space heating customers.

Q. Do you agree with the Staff’s conclusion that the HPwES program is unfair to electric space heating customers?

A. No. Staff’s conclusions are based on their analysis of how many electric space heating customers are in our service territories and how much these customers contribute to the SBC. We believe that these calculations do not reflect our customer base, and that Staff’s underlying assumptions for their “fairness” claims are not correct.

Q. More specifically, do you agree with Staff’s calculation of the electric space heating customer base for PSNH and UES?

A. No. As cited in their testimony, Staff’s estimate that 8 percent of electric customers are space heat customers is based on 2009 U.S. Census Bureau population statistics and Department of Energy consumption data.² We have

¹ The Staff considers “Group 1” to be both electric space heating customers and natural gas customers. For the purposes of this Testimony, we are addressing Staff’s calculations regarding only the electric space heating customers.
² Staff Testimony at Schedule 1.

1 developed figures based on our customers' actual usage which show there are far
2 fewer electric space heating customers than the Staff testimony suggests. As
3 such, the starting assumption that there is a large class of electric heating
4 customers is incorrect.

5
6 First, our pre-filed joint testimony reported on the results of an outreach effort for
7 the electric-only Home Energy Systems ("HES") program that PSNH conducted
8 in 2008. Via that effort, PSNH found there to be approximately 8,500 households
9 were electric space heating customers or roughly 2 percent of the average number
10 of PSNH's residential customer base in that year.³ Second, PSNH and UES
11 recently analyzed their respective customer usage data to determine the current
12 percentage of all customers who use electric space heat. This analysis considered
13 overall usage and seasonality of usage to determine which customers use electric
14 space heating. The results of our analysis are that 1.3 percent of PSNH⁴ and 1.4
15 percent of UES⁵ customers actually use their electric space heating. However, an
16 even smaller percentage of these customers have high enough energy usage to
17 qualify for the HPwES program using the Home Heating Index.

18
19 **Q. Why do you think the number of electric space heating customers in**
20 **Schedule 1 to the Staff's testimony differs from your most recent analysis?**

21 A. We do not know the underlying assumptions for the data compiled via the 2009
22 census estimate, or what questions were asked to produce the census data relied
23 upon by Staff. It is likely that many homes that have electric space heating
24 appliances do not use them. In our analysis, we considered twelve months of data
25 for high use customers and their actual usage during the cold weather months.
26 We identified the customers whose winter usage was above their average usage
27 for power and light. We concluded that not only do these homes have space

³ PSNH averaged 418,107 residential customers in 2008. PSNH removed approximately 2,000 customers from the 2008 marketing effort because those customers had already received services under the HES program.

⁴ As of March 2012 and based on 422,586 residential customers, 5,382 of whom have seasonal usage characteristics of electric space heating.

⁵ As of March 2012 and based on 63,641 residential customers, 900 of whom have seasonal usage characteristics of electric space heating.

1 heating equipment; the home owners appear to be using that equipment during the
2 winter.

3 **Q. Why is this number of electric space heating customers important?**

4 A. If only 1.3 to 1.4 percent of residential customers use electric space heating, the
5 overwhelming majority of CORE funds contributed through the residential
6 portion of the SBC come from power and light customers. The Companies
7 estimate that 97 percent of SBC revenues from the electric residential customer
8 sector come from power and light customers. These customers should be
9 permitted to participate in the home weatherization program, rather than limiting
10 the program to the small percentage of electrically heated homes in a utility's
11 service territory.

12

13 **Q. Does Staff's suggestion to limit weatherization programs to higher use**
14 **residential customers raise other issues?**

15 A. The Staff's suggestion (its "Option 1") to provide comprehensive energy
16 efficiency services to just electric space heating customers under the Home
17 Energy Solutions program would create an undue preference for the small electric
18 space heating minority. In the HPwES pilot program during 2010 and 2011,
19 electric space heating customers participated at a rate of 4.5 percent of all
20 participants for PSNH and 21 percent of all the UES participants. They therefore
21 participate at a much higher rate than the power and light customers.

22

23 **Q. Are PSNH and Unitil proposing to stop serving electric space heating**
24 **customers under a permanent, fuel-neutral HPwES program?**

25 A. No, our position is quite the opposite. Under the current proposal, the Companies
26 must continue to serve electric space heating customers with a fuel neutral
27 HPwES program. Further, the Companies intend to make special efforts, similar
28 to the PSNH 2008 marketing effort, to reach out to the electric space heating
29 customers with solicitations for these customers to participate in the HPwES
30 program.

1 **Q. Please comment on Staff's "fairness" concern.**

2 A. Our analysis demonstrates that electric space heating customers are already
3 participating in the HPwES program in greater numbers than their share of the
4 electric customer base would suggest. Electric space heating customers
5 contribute approximately 3 percent of the residential SBC funds, but they
6 comprised at least 4.5 percent of the HPwES participants in 2010 and 2011.
7 Therefore, the concerns raised by Staff regarding fairness to electric space heating
8 customers are not borne out by the program participation data.
9

10 **III. The Staff's Proposed "Alternatives" to a Permanent Fuel Neutral HPwES**
11 **Program.**

12 **Q. Did the Staff's testimony offer any alternatives to address their fairness**
13 **concerns?**

14 A. Yes. The Staff testimony offered three alternatives to address their fairness issue:

15 Option 1: Continue to serve PSNH and UES ratepayers with Home
16 Energy Solutions (HES) program and other electric-related
17 measures/programs that focus on electric savings.

18 Option 2: Fund the fuel neutral programs for Group 2 ratepayers out of
19 funds other than SBC, such as the Regional Greenhouse Gas Initiative
20 (RGGI) funds

21 Option 3: Utilize funds collected from a separate surcharge on other
22 fuels enacted by the Legislature, see for example Vermont, as noted in
23 VEIC report at page 3-13.⁶
24

25 **Q. What would happen if the HPwES program were restricted to electric space**
26 **heating customers?**

27 A. Restricting SBC funds to electric-only measures would have the effect of limiting
28 the HPwES program to a very small proportion of the residential rate base
29 (electric space heat customers). As such, PSNH and UES would have a difficult
30 time cost-effectively utilizing the SBC revenues on a traditional Home Energy
31 Solutions Program.

⁶ Staff Testimony at 18.

1 **Q. The Staff’s testimony applies the GDS study to criticize the utilities’ proposal**
2 **as having included non-electric savings as well as electric savings in its**
3 **proposal.⁷ Is this a fair criticism?**

4 A. No. In 2009, the GDS Study evaluated New Hampshire’s electric and non-
5 electric energy efficiency opportunities.⁸ More than half of the Potentially
6 Available residential sector savings identified in the GDS study are from non-
7 electric energy efficiency measures.⁹ For this reason, the Companies intend to
8 capture those savings in our design of the HPwES fuel neutral program. In fact,
9 PSNH was directed to use the GDS study in designing demand side programs in
10 the context of least cost planning.¹⁰

11
12 Because less than two percent of PSNH and UES customers use electric space
13 heating, a HPwES program limited to those customers means that over 98 percent
14 of electric customers will not have access to the HPwES program. For example,
15 an electric customer with an oil furnace will not be eligible for the HPwES if the
16 program were not fuel blind. All other potential energy reduction actions in the
17 individual customer’s home would not be identified through a home audit, and the
18 opportunity to identify comprehensive energy savings in that home would be lost.
19 Customers are generally concerned with overall energy consumption and
20 efficiency – not just electric energy efficiency. Customers and, ultimately the
21 State, will benefit from integration.

22
23 Whole-house efficiency models make the most sense and make the best use of
24 available funds. The start-up cost of dispatching an auditor to a home and
25 auditing a home, in a whole-house model, can be better absorbed if all energy
26 efficiency measures were considered regardless of fuel. Additionally, the energy

⁷ Staff Testimony at 9-10, 14-15.

⁸ “Additional Opportunities for Energy Efficiency in New Hampshire” by GDS Associates, Report at 1.

⁹ “Additional Opportunities for Energy Efficiency in New Hampshire” by GDS Associates, Report at 7.

¹⁰ “In its next LCIRP, PSNH shall base its assessment of demand-side resources on the results of the report on “Additional Opportunities for Energy Efficiency in New Hampshire” by GDS Associates, the consultant hired by the Commission to investigate the potential for energy efficiency in New Hampshire, subject to updates and amendments to the data which may be subsequently undertaken at the PUC.” Docket No. DE 07-108, Order No. 24,945, at 13 (February 27, 2009).

1 savings for a fuel neutral program would far surpass an electric-only approach.
2 And finally, the use of SBC funds for a whole-house model would not be unique
3 to New Hampshire. In Massachusetts for example, the whole-house model is
4 supported via the State's SBC charge.

5
6 **Q. In addition to these concerns, did you discover a possible error in the Staff's**
7 **support for its Option 1?**

8 A. Yes we did. Staff cites the GDS report of a potential of 132,633,140 kilowatt-
9 hours in Potentially Obtainable savings for space and water heating. They
10 compare this number to the projections in the proposed HPwES program. The
11 132 million kilowatt-hour figure in the GDS Study is the Potentially Obtainable
12 savings achievable through efficiency programs conducted over ten years, 2009
13 through 2018, while the PSNH and UES projections are the savings projected for
14 conducting the program in only one year. Thus, it appears that Staff's 132 million
15 kilowatt-hour figure should have been divided by 10.

16
17 **Q. If Staff's Option 1 is adopted, what is the likelihood that PSNH and UES will**
18 **continue an electric-only HPwES program?**

19 A. It is unlikely that PSNH and UES would continue any of the comprehensive
20 energy efficiency services, including air sealing and weatherization components,
21 for only approximately 1.5 percent of customers, especially because many of
22 these residences have either been offered services or have already been served
23 either by HPwES or the former Home Energy Systems program. It would be hard
24 to attract energy service company vendors to serve this small number of
25 customers spread throughout the utilities' service territories. There is more effort
26 involved to administer this program for the utilities compared to other programs.
27 Staff's Option 1 would mean that the public would be missing the benefit of many
28 customers participating in the whole house concept, i.e. having an auditor
29 examine all the energy uses in a home and make recommendations in a cost
30 effective manner.

1 **Q. Under the Staff’s Option 2, would funding the non-electric program services**
2 **with Regional Greenhouse Gas Initiative (“RGGI”) funds address the Staff’s**
3 **“fairness” issue?**

4 A. Not at all. This approach perpetuates the Staff’s “fairness” concerns. RGGI
5 funds come from charges that are associated with certain electric generation and
6 that are passed on to customers. These funds are collected on a cents per
7 kilowatt-hour basis like the System Benefits Charge; therefore, individual electric
8 space heating customers contribute more RGGI revenues than individual power
9 and light customers with lower electric bills. Applying Staff’s argument, it could
10 be equally unfair to use RGGI revenues to fund non-electric efficiency
11 measures.¹¹

12
13 Furthermore, the source of these funds in future years is uncertain. While the
14 utilities have a record of attracting outside funds for energy efficiency from the
15 ISO-NE forward capacity market, ARRA Funds, RGGI and most recently the
16 BetterBuildings Program, there is no certainty that these funding sources will
17 continue to be available. In the meantime, successful energy efficiency programs
18 must be built on funding certainty.

19
20 **Q. Has the Legislature enacted any new taxes (Option 3) on other heating fuels**
21 **that will fund a fuel neutral program like HPwES?**

22 A. No.

¹¹ The System Benefits Charge is nonbypassable while RGGI costs are collected through energy charges. To the extent that a residential customer takes energy service from a competitive supplier, its RGGI contributions may differ from a similarly situated customer taking default energy service from PSNH or UES.

1 **IV. A Fuel Neutral HPwES Program Meets the Goals of the New Hampshire**
2 **Climate Action plan.**

3
4 **Q. Your direct testimony mentioned that the utilities' HPwES proposal also**
5 **advanced the goals of the New Hampshire Climate Action Plan ("PLAN").**
6 **Did the Staff agree with your testimony?**

7 A. No. The Staff testimony states, "Although PSNH and UES focus on the
8 Buildings component, the Companies could have focused on another equally
9 important part of the PLAN – i.e., the Electricity Generation component. We note
10 that the Electricity Generation component refers to the implementation of energy
11 efficiency programs that reduce electricity usage."¹²

12
13 **Q: Does a fuel neutral HPwES program meet the general goals set forth in the**
14 **PLAN?**

15 A: Yes. The Executive Summary of the PLAN states that the "Future economic
16 growth in New Hampshire as well as mitigation of, and adaptation to, a changing
17 climate will depend on how quickly we transition to a new way of living that is
18 based on a far more diversified energy mix, more efficient use of energy, and
19 development of our communities in ways that strengthen neighborhoods and
20 urban centers, preserve rural areas, and retain New Hampshire's quality of life."¹³
21 A fuel neutral program will support New Hampshire's goal in *quickly*
22 *transitioning* to a more energy efficient way of living through more efficient use
23 of energy.

24
25 The PLAN also recognizes the relationship between building energy efficiency
26 and electric generation. "Energy efficiency in buildings will significantly impact
27 the electric generation sector. Implementation of the recommended actions is
28 projected to lead to a 59 percent drop below BAU [business as usual] by 2025,
29 from 14 million MWh to 5.8 million MWh. Direct energy consumption (e.g., oil

¹² Staff Testimony at 14.

¹³ New Hampshire Climate Action Plan, Executive Summary, page 1.

1 and natural gas for heat) in buildings is projected to fall by 59 percent below BAU
2 in 2025.”¹⁴

3 Maximizing energy efficiency in existing buildings is a key element in one of the
4 overarching strategies of the PLAN.¹⁵ In the absence of another comprehensive,
5 whole house retrofit residential program, offering a fuel blind program advances
6 the goals of the PLAN by providing the opportunity to identify all cost effective
7 energy efficiency measures to retrofit existing residential buildings. Doing
8 otherwise would hinder the State of New Hampshire’s goal of quickly
9 transitioning to a more energy efficient way of living. Essentially, a non-fuel
10 blind program will actually act as a barrier to the PLAN’s goals.

11
12 **Q. Does the fuel neutral HPwES program address Actions suggested under the**
13 **Generation Sector section of the PLAN?**

14 A. Yes. The Electricity Generation and Use (EGU) Actions under the New
15 Hampshire Climate Action Plan (PLAN) include several suggestions on
16 decreasing electricity generation and usage. Of the ten identified actions in the
17 Electricity Generation and Use section,¹⁶ the System Benefits Charge can only
18 support EGU Action 1.2, Energy Efficiency Procurement. The ten Actions are:

19
20 EGU Action 1.1 Revenue Decoupling
21 EGU Action 1.2 Energy Efficiency Procurement
22 EGU Action 1.3 Combined Heat & Power Resource Standard
23 EGU Action 2.1 Renewable Portfolio Standard (UPS)
24 EGU Action 2.2 Regional Greenhouse Gas Initiative (RGGI)
25 EGU Action 2.3 New Source Performance Standard (NSPS)
26 EGU Action 2.4 Low and Non-CO2 Emitting Supply Side Resources
27 EGU Action 2.5 Nuclear Power Capacity
28 EGU Action 2.6 Import Low Carbon Power from Canada – mainly Quebec Hydro
29 EGU Action 2.7 Utility Investments in New Renewable Generation

30
31 While PSNH and UES agree with Staff that the other residential programs, such
32 as Energy Star Lighting and Appliance, contribute to reducing electricity

¹⁴ New Hampshire Climate Action Plan, Recommendations, page 26.

¹⁵ New Hampshire Climate Action Plan, Chapter 2: Recommendations, page 21; Chapter 5, page 39.

¹⁶ New Hampshire Climate Action Plan, Appendix 7.2: Electricity Generation and Use, pages 5-6.

consumption, the utilities would like additional opportunities to further support the PLAN's goals.

Q. Does the fuel neutral HPwES program address Actions suggested under the Residential, Commercial, and Industrial Usage section of the PLAN?

A. Yes. The Residential, Commercial, and Industrial (RCI) Actions in the PLAN include several suggestions regarding energy efficiency, and of the eight identified actions in the RCI section,¹⁷ the HPwES program directly supports one – “maximize energy efficiency in existing residential buildings” (RCI 1.2).

V. Ancillary Electric Savings

Q. Has the Commission addressed the issue of ancillary electric savings?

A. Yes. In Order Number 24,930, the Commission found that it was not precluded, as a matter of law, from authorizing the use of SBC funds for fuel neutral weatherization programs. The Commission also found that energy savings related to the provision of electricity are permitted to be funded through the System Benefits Charge.¹⁸ The Commission described certain ancillary savings that could be associated with the program.

Q. Does Staff now disagree with the Commission's findings?

A. Yes. Staff appears to disagree with the Commission's findings. On page 8 of their Testimony, Staff essentially concludes that because the Companies do not predict the electric savings associated with ancillary savings, those savings do not exist.¹⁹ When claiming savings for a performance incentive purposes, accurate estimates and accurate verification in achieving those savings are critical. A study evaluating the ancillary savings attributable to fossil heating systems was not available to PSNH and UES when the Companies made their 2012 CORE programs update filing.

¹⁷ New Hampshire Climate Action Plan, Chapter 5: Summary of Actions, page 39.

¹⁸ Docket No. DE 08-120, Order No. 24,930, at 19 (citing RSA 374-F:3 VI).

¹⁹ Staff Testimony, at 8-9.

1 **Q. Did PSNH and UES claim any ancillary electric savings from the end uses –**
2 **the Energy Star appliance and Energy Star lighting programs – mentioned in**
3 **Order No. 24,930?**

4 A. The Energy Star appliance rebate and Energy Star lighting programs, mentioned
5 as ancillary measures in Order No. 24,930, are other CORE energy efficiency
6 programs that may be pursued by the customer who follows up on
7 recommendations from the audit performed at the beginning of the HPwES
8 program process. PSNH and UES did include an estimate of ancillary electric
9 savings produced due to HPwES customers installing lighting and appliance
10 measures.

11

12 **Q. Are there other ancillary savings not claimed by PSNH and UES in their**
13 **HPwES fuel neutral proposal?**

14 A. The Commission also found in Order No. 24,930 that significant energy savings
15 could be achieved from weatherizing a non-electrically heated home by reducing
16 the operating times for electric-powered air conditioning or fans for cooling, plus
17 electrically powered pumps or fans to circulate water and air for most non-electric
18 heating systems, such as fuel oil, propane and wood fired boilers and furnaces.²⁰
19 UES and PSNH agree with this finding by the Commission; but as noted above,
20 no study evaluating ancillary savings from New Hampshire's HPwES program
21 was available at the time of the 2012 program filing. Simply because PSNH and
22 UES did not claim, track and report ancillary electric savings in cooling and
23 heating appliances resulting from home weatherization does not mean the savings
24 do not exist.

25

26 **Q. Have PSNH and UES developed any newer information regarding ancillary**
27 **savings from weatherization?**

28 A. Yes we have. The Cadmus Group, Inc. (Cadmus) performed the impact and
29 process evaluations of the HPwES pilot program. As originally published, these
30 evaluations did not specifically address the electric savings resulting from reduced

²⁰ Docket No. DE 08-120, Order 24,930, at 19 – 20.

1 usage of fossil fired heating systems. In an effort to address Staff's concern that
2 these savings were not being tracked and reported, the utilities recently engaged
3 Cadmus to revisit the HPwES Impact Evaluation and determine these ancillary
4 electric savings. The preliminary results of their analysis are that the annual
5 electric usage associated with a fossil heating system is 42 kWhs (e.g. circulating
6 pumps and fans). Applying these savings to the number of non-electric home
7 weatherization jobs proposed in the 2012 CORE Programs filing would result in
8 an annual savings of 25,578 kWhs²¹ and lifetime savings of over one half million
9 kWhs.

10
11 The utilities also looked into how these savings are determined in Massachusetts.
12 The Massachusetts Technical Reference Manual, at page 101, indicates that the
13 average annual electric savings for fossil fuel heating systems from
14 weatherization projects is 70 kWh. The design of the Massachusetts
15 weatherization program is different from HPwES and the Cadmus results are still
16 preliminary. These factors may contribute to the difference in the average electric
17 savings per home.

18
19 **VI. Compliance with the Restructuring Law, RSA 374-F.**

20
21 **Q. Please comment on the Staff's contention that the proposed fuel neutral**
22 **HPwES program violates the Restructuring Law.²²**

23 **A.** The Commission has found, citing RSA 374-F, that it is not "not precluded as a
24 matter of law from authorizing the use of System Benefits Charge revenues for
25 energy efficiency programs such as the proposed fuel blind pilot."²³

26 There is significant precedent for successful fuel neutral programs in New
27 Hampshire. For example, the Commission has deemed it appropriate to use
28 System Benefits Charge funds from both the Residential Sector and the
29 Commercial & Industrial Sector to fund the provision of weatherization services

²¹ PSNH plans to weatherize 557 non-electric homes; UES plans to weatherize 52.

²² Staff Testimony, pages 11, 30.

²³ Docket No. DE 08-120, Order No. 24,930, page 20.

1 in low income customers' homes through the Home Energy Assistance Program
2 regardless of the source of home heating. Also, in the Energy Star Homes
3 program, energy efficiency measures such as air sealing and weatherization are
4 supported by System Benefits Charge revenues. The Energy Star Homes program
5 does not prescribe the heating system to be electrically powered such as ground
6 source heat pump or electric HVAC systems. Notably, in this program, customers
7 are able to use SBC funds to prospectively choose their heating system, whereas
8 many customers in the HPwES Program must use whatever heating system came
9 with their home. The Commission is similarly not precluded by the Restructuring
10 Law from allowing the utilities to use System Benefits Charge revenues to fund
11 non-electric energy efficiency as part of a permanent, fuel neutral HPwES
12 program.

13
14 The Staff's concerns are based upon the Restructuring Policy Principle that:

15
16 Restructuring of the electric utility industry should be implemented
17 in a manner that benefits all consumers equitably and does not
18 benefit one customer class to the detriment of another. Costs
19 should not be shifted unfairly among customers.²⁴
20

21 A fuel neutral home weatherization program does not contradict this policy
22 principle. First of all, the Staff relies on its distinction between Group 1 and
23 Group 2 residential customer "classes" to draw its conclusions; however, Staff's
24 Group 1 customers and Group 2 customers are not customer classes. The
25 Commission has historically allocated the System Benefits Charge revenues based
26 upon the respective contribution of customer classes, the Residential Sector and
27 the Commercial & Industrial sector. This allocation preserves the restructuring
28 principle that one customer class is not benefited to the detriment of another. The
29 Group 1/Group 2 argument artificially divides residential customers into classes
30 that do not exist under the law, regulations, or tariffs. Second, absolute
31 uniformity in rates or equality of benefits from utility programs and services is not

²⁴ RSA 374-F:3, VI.

1 required. For example, the restaurant on Main Street in Pittsburgh, New
2 Hampshire, which is located a great distance from generation sources, pays the
3 same delivery rate as the restaurant on Woodbury Avenue in Portsmouth, New
4 Hampshire, less than a mile away from the generation at Schiller and Newington
5 Stations. Although it may cost more to deliver power to the Pittsburgh customer
6 than the Portsmouth customer, each pays the same delivery rate. Likewise, both
7 customers would be able to participate in CORE programs, regardless of whether
8 one customer may use twice as much electricity as the other.

9
10 Finally, it is important to note that RSA 374-F:3, X includes a directive regarding
11 the energy efficiency programs. It states that “[r]estructuring should be designed
12 to reduce market barriers to investments in energy efficiency and provide
13 incentives for appropriate demand-side management and not reduce cost-effective
14 customer conservation. Utility sponsored energy efficiency programs should
15 target cost-effective opportunities that may otherwise be lost due to market
16 barriers.”²⁵ As the Commission found in Order Number 24,930, “[r]unning
17 programs that attempt to isolate and target energy efficiency to a single fuel
18 source, such as electricity, may in itself be a market barrier when energy
19 efficiency measures delivered as a comprehensive package, such as systematic
20 whole house retrofits that reduce multiple energy uses and costs, including the
21 size and cost of high efficiency replacement HVAC systems, may be the overall
22 most cost-effective approach to achieving energy efficiency and conservation of
23 all fuel sources.”²⁶ The Commission’s 2009 decision is supported by the recent
24 VEIC report conclusion that “if efficiency programs are offered solely for
25 regulated electric and gas customers, there is the potential to forego crucial cost
26 effective energy savings for customers of unregulated fuels.”²⁷ A fuel neutral

²⁵ RSA 374-F:3, X.

²⁶ Docket No. DE 08-120, Order No. 24,930, at 20.

²⁷ Vermont Energy Investment Corp., Independent Study of Energy Policy Issues at 3-12 (Sept. 30, 2011) (VEIC Report). The report also states that a key area it sought to address was “[o]pportunities for increasing the efficiency of thermal energy use by incorporating a ‘fuel neutral’ approach into more energy programs, building upon recent successes with fuel neutral pilot programs.” *Id.* at 1-11.

1 HPwES program permits the Companies to seek and obtain these savings,
2 together with electric savings, all in accordance with RSA 374-F.

3
4 **VII. Calculation of the Performance Incentive**

5
6 **Q. What did the Staff Testimony recommend regarding the performance**
7 **incentive?**

8 A. Staff recommended that the Commission continue a limited performance
9 incentive which could only be earned on the electric savings achieved through the
10 HPwES program. The testimony stated that the performance incentive will be
11 subject to review by the performance incentive working group. Further, all fuel
12 neutral programs, including Home Energy Assistance, Energy Star Homes and
13 Home Performance with Energy Star ought to be reevaluated to determine if they
14 should have a different performance incentive calculation from purely electric
15 savings programs. The Staff predicted that this process would result in
16 recommendations to be adopted for the 2014 utility programs.²⁸

17
18 **Q. What is your response to the Staff's observations and recommendations?**

19 A. When a formal proposal for the HPwES program was initially presented, the
20 Commission decided that "that it is inappropriate to give PSNH and UES the
21 standard performance incentive for a pilot program."²⁹ PSNH and UES have
22 relied upon that language to mean that as long as the HPwES program is a pilot
23 program only electric savings will be included in the performance incentive
24 calculation; however, when the issue of transitioning to a permanent program was
25 before the Commission, the performance incentive question would be decided.
26 As we pointed out in our joint direct testimony, the required impact and process
27 evaluations of the pilot HPwES program have been completed. The HPwES
28 program passed with flying colors, and the consultants' recommendations for
29 improvement have been incorporated. Just because the permanent HPwES

²⁸ Staff Testimony at 26-28.

²⁹ Docket No. DE 08-120, Order No. 24,974, at 6.

1 program resembles a successful HPwES pilot program is no reason to avoid the
2 issue of the performance incentive and continue with the limited incentive for
3 electric savings only. The performance incentive working group has not met
4 since the second quarter of 2011. Staff's testimony suggests that no decision on a
5 revised performance incentive formula will be decided until the energy efficiency
6 programs begin in 2014,³⁰ four and one half years since the Commission's
7 decision concerning the performance incentive in the pilot program.

8
9 We proposed in our Joint Testimony that the incentive should be applied to all
10 energy savings just as the electric incentives are currently structured; i.e. goals
11 should be established for the amount of savings and whether those savings are
12 cost effectively achieved (based upon a cost/benefit calculation). The reasons for
13 applying a performance incentive for all of the savings in the HPwES program
14 were discussed in our Joint Testimony filed on February 15, 2012. We noted that
15 the performance incentive we have recommended meets the goals of the 1999
16 Energy Efficiency Working Group: "The purpose of the incentive is to motivate
17 the utilities to aggressively pursue achievement of the performance goals of their
18 energy efficiency programs."³¹ Applying the incentive across all the savings
19 focused attention of the utilities, Staff and all parties on meeting those goals in the
20 most cost effective manner.

21
22 **Q. Do you have anything else to add to your testimony?**

23 A. Yes. PSNH and UES have been implementing the fuel neutral HPwES Pilot
24 program since mid-2009. The Companies believe that this program not only
25 provides significant benefits to our customers, but it also comports with New
26 Hampshire statutes, is in accordance with Commission Orders, and implements
27 key provisions of the state's Climate Action Plan. We urge the Commission to
28 approve a full scale Home Performance with Energy Star Program and to allow

³⁰ Staff Testimony at 27.

³¹ Energy Efficiency Working Group, Final Report at 20 (1999).

1 PSNH and UES to earn a performance incentive on the non-electric measures
2 installed.

3

4 **Q. Does that complete your rebuttal testimony?**

5 A. Yes.

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