

July 19, 2013

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DE 12-262, CORE Energy Efficiency Programs Utility Performance Incentive

Dear Director Howland:

On July 1, 2013, in response to Commission Order No. 25,402 in Docket DE 10-188, the Settling Parties and Commission Staff (the utilities and Staff) presented a proposal relative to the CORE Utility performance incentive to the Commission. As noted in the submittal, a performance incentive working group met twice in May 2013, and additional discussions occurred between the utilities and staff, ultimately resulting in the July 1, 2013 proposal. As further noted in the submittal, not all participating parties had adequate time to review and comment on the proposal, and as a result were allowed until July 19, 2013 to provide comment. This letter represents the joint comments of the Department of Environmental Services (DES) and the Office of Energy and Planning (OEP).

Recognizing that all participants in the CORE process are extremely busy and have full schedules, we appreciate the additional time provided for our assessment of the proposed performance incentive. DES and OEP would like to note some level of concern relative to the process used to establish meeting times to discuss this important issue. Meetings and conference calls were scheduled with little advanced notice - on at least one occasion, notice was given only hours prior to the event. Such a process can thwart an inclusive discussion in which all parties can come to agreement, and does not give proper attention to an issue that is so important to the utilities, the CORE parties, and other stakeholders who may wish to participate.

Relative to the proposal of the utilities and Staff for establishing a revised performance incentive, DES and OEP offer as a general observation that: *A performance incentive should help assess whether previously established program goals have been met.* We feel it is inappropriate to actually establish a goal within the performance incentive itself: the performance incentive presented by Staff and the utilities effectively establishes a goal of 55% electric savings¹ (versus non-electric) within the CORE energy efficiency programs. This has the potential to change how the previously-approved programs will be implemented, without the benefit of an inclusive public process such as the one afforded to the initial discussion of the program plans.² The

¹ Under the proposed incentive mechanism, the programs must achieve at least 55% of the total savings from electric measures in order for the utilities to earn a full performance incentive.

² DES and OEP would note that this type of savings break down has never been mentioned during the goal-setting process of the CORE dockets, and indeed the trend in recent years has been to *increase* the amount of fuel-neutral measures being performed within the programs, as the Commission has recognized the important public benefit that comprehensive energy efficiency retrofits provide.

process through which the proposal was developed did not allow for a high level assessment of what goals are appropriate for the CORE programs, which is critical to determining the most effective way to provide incentives to meet those goals.

Therefore, our agencies suggest that if the Commission chooses to implement the proposed performance incentive, that consideration be given to doing so only for the 2013 and 2014 CORE efficiency program years, and that due consideration be given to our specific comments below as the Commission prepares for an evaluation of the incentive for years 2015 and beyond. We respectfully request that the Commission open a docket or establish a process so that all interested parties may focus on the important issues of goal setting and performance incentives prior to the finalization of the utilities' 2015/2016 efficiency program filings. DES and OEP also urge the Commission to make the necessary resources available, perhaps through consultant assistance or advice from organizations such as Northeast Energy Efficiency Partnerships or the Regulatory Assistance Project, in order to expeditiously move this work forward. We also urge the Commission to consider an initial "informal" process to solicit input from a broad array of stakeholders. The benefit of initiating such informal discussions prior to completion of program plans was demonstrated at the Energy Efficiency and Sustainable Energy board meeting on July 12th where the utilities sought input from that diverse group on a design for the municipal energy efficiency programs mandated by Senate Bill 123.

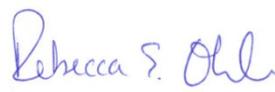
A target completion date for this important work set prior to the 2015/2016 program filing would provide the time needed to undertake this work. Additionally, it would allow the discussion to benefit from important work that will be undertaken during this time through the on-going Department of Energy-funded Energy Efficiency Resource Standard Study, and development of the State Energy Strategy in accordance with Senate Bill 191 (2013 session). It is our hope that these projects will provide useful analysis and guidance to the development of energy efficiency goals for the CORE programs, and for the design of an effective performance incentive.

In sum, neither DES nor OEP wish to impede the work of the utilities or the Commission to move toward a more effective performance incentive for the utilities and do not object to the temporary implementation of the July 1, 2013 proposal, but urge the Commission to open a new docket or other process in the near future so that the issues may be resolved prior to the filing of the proposed 2015-2016 CORE programs. Our agencies appreciate the Commission's consideration of these comments.

Sincerely,



Brandy Chambers
Office of Energy and Planning



Rebecca Ohler
Dept. of Environmental Services