



**Public Service
of New Hampshire**

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A Northeast Utilities Company

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DE 12-262

July 24, 2014

NHPUC 24JUL'14PM3:55

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
PSNH Request to Transfer 2013 Carryover Funds

Dear Director Howland:

On June 2, 2014, Public Service Company of New Hampshire (“PSNH”) filed its Annual Report and Performance Incentive Calculation with the Commission for the CORE Energy Efficiency Program Year 2013. As stated in the June 2nd filing, a balance of \$1,491,809 remains available to transfer to PSNH’s 2015 Energy Efficiency Program budget. Rather than using the full balance in the 2015 program year budget, PSNH is hereby requesting Commission approval to transfer \$734,283 to the 2014 Residential sector budget (\$223,771 to the Home Energy Assistance Program (“HEA Program”) and \$510,512 to the ENERGY STAR Lighting Program (“ES Lighting Program”). The remaining balance of \$757,526 will be included in the 2015 C&I sector budget in the 2015/2016 CORE Energy Efficiency Program Plan which will be filed with the Commission by September 1, 2014. In order to fairly distribute the funds by customer sector, PSNH utilized the same allocation methodology as will be used to develop the 2015 CORE Energy Efficiency budgets by sector. As a result, this allocation methodology does not benefit any sector at the detriment of another. It simply moves the funds from the 2015 budget to the 2014 budget. Please reference Attachment A for a description of the calculation. In addition, PSNH notes that since it is seeking to use the funds for existing programs in 2014, PSNH is also requesting that the Commission act expeditiously on this request to ensure that the funds become available as soon as possible.

ES Lighting Program

In support of the ES Lighting Program request, PSNH states that as of May 2014, the ES Lighting Program fully achieved its budget and lifetime kilowatt-hour savings goals, as shown in Attachment B, Table 1. Through June 2014, the ES Lighting Program expenses are 122.5% of

the annual budget expense goal, as shown in Attachment B, Table 3. Absent a transfer of funds to this program, it will be necessary to close the program for the remainder of the year to new participants.

The focus of the ES Lighting Program is to increase the use and availability of energy efficient lighting products. Outreach and education at approximately 140 retail stores, through the lighting catalog, and through special events, increases consumer awareness of these products and monetary incentives are offered to encourage them to purchase ENERGY STAR fixtures and light bulbs. Over the first half of 2014, the newest lighting technology (LEDs) has experienced significant market changes. Specifically, the price of LED bulbs has dropped, the availability of LED bulbs at retail locations has increased and multi-pack LEDs have been introduced to the marketplace. These market changes, in conjunction with the program incentives, have led to an increase in consumer demand for LED bulbs beyond the estimated level PSNH incorporated in its Program Year 2014 Plan Update. Please reference the graphs in Attachment C which provide a comparison between the planned and actual number of bulbs receiving incentives and the planned and actual incentive amounts through June 2014.

The NH Electric Utilities have proactively collaborated and have taken several steps over the past three months to reduce the level of lighting incentives provided in order to preserve the ES Lighting Program budgets; while ensuring each utility's 2014 goals will be met, including:

- Reducing the LED bulb incentive from \$10 to \$5 per package in early April at all retail locations throughout New Hampshire;
- Negotiating reduced LED product pricing from the vendor that supports the NHSaves catalog sales; and
- Reducing the purchase limit from 20 bulbs to 2 bulbs on the most popular LED product in the NHSaves catalog; thereby allowing more customers to receive some benefit from the program.

The following steps are in process to be completed by the end of July 2014:

- Removing both CFL and LED \$10 fixture incentive coupons and all CFL bulb incentive coupons from all retail locations; and
- Further reducing the LED bulb incentive from \$5 per package to \$3 per package at all retail locations throughout New Hampshire.

In addition, PSNH has taken several additional steps, including:

- Discontinuing offering LED bulb incentives at special events;
- Instructing the vendor outreach contractor not to staff special lighting sales events at retail locations throughout PSNH's service area;
- Cancelling a bill insert article highlighting lighting incentives; and
- Cancelling a lighting sales promotion in the Home Energy Reports Pilot Program.

In order to ensure that each utility meets its 2014 ES Lighting Program goals, each utility has the option of utilizing markdown programs with available retailers or special event promotions to generate additional CFL and/or LED product sales. Because retailers are provided with a not to exceed budget amount in a markdown program or in a special event promotion, the ES Lighting

Program expenditures can be more easily controlled and the program can be scaled up or down, as required to meet individual utility goals.

The program design changes described above are contemplated to continue into program years 2015 and 2016. The hybrid approach described above which utilizes a combination of incentive coupons on fewer products within the large NH retailer network already developed, and markdown programs at a limited number of retailers, will result in greater control over expenditures into the future, while providing program access to residential customers in all areas of the state.

PSNH has developed proposed program goals associated with the ES Lighting Program funds requested, which are shown in Attachment B, Table 2. Utilizing the new market trends seen during the first half of 2014 and the updated program focus which will only include LED bulb incentives through the end of 2014, these goals are reflective of the number of bulbs and fixtures PSNH expects to deliver during the second half of 2014 and the new incentive amounts. PSNH will include its progress towards meeting these goals separately in the Quarterly Reports filed with the Commission and these goals will be incorporated within the performance incentive calculation for program year 2014. PSNH also calculated the benefit/cost ratio associated with its ES Lighting Program proposal. The benefit/cost ratio is 2.12, as shown in Attachment D.

HEA Program

In support of the HEA Program request, PSNH states that as of this filing date it has nearly committed its entire \$2.8 million HEA Program budget to existing “shovel-ready” projects. Transferring the funds from 2015 to 2014 will permit an additional 45 income-eligible residential customers to obtain weatherization and energy efficiency services in 2014 and will help to keep existing Community Action Agencies and their weatherization contractors working on income eligible homes through the remainder of 2014.

PSNH has developed proposed program goals for the HEA Program including the new funds requested, which are shown in Attachment D. Please refer to the line labeled “Revised HEA Program 2014 Goals”. PSNH will include its progress towards meeting these revised goals in the Quarterly Reports filed with the Commission and these goals will be incorporated within the performance incentive calculation for program year 2014. PSNH also calculated the benefit/cost ratio associated with its proposal. The benefit/cost ratio is 1.42, as shown in Attachment D.

Given the high interest in and demand for these programs, PSNH believes that it is beneficial and appropriate to transfer the 2013 carryover funds to these programs, rather than include them in the overall budgets for the 2015 program year. Continuing to support the emerging LED lighting technology is an important step in transforming the NH lighting market to utilize the most efficient lighting sources and weatherizing the homes of an additional 45 income-eligible residents will help to reduce their energy use and their energy burden as the next winter season approaches and will increase the safety and comfort of their homes. As stated above, this request simply moves the funds from the 2015 program year to the 2014 program year using the same allocation methodology that will be used to develop the 2015 program budgets by sector. Therefore, it does not benefit one sector at the detriment of another.

PSNH sought the input of the parties to the docket on this request and reports that the Community Action Agencies, the Department of Environmental Services, The Way Home, The Jordan Institute, the Office of Energy and Planning, Unitil, Liberty Utilities and the New Hampshire Electric Cooperative support the request. The Office of Consumer Advocate reported that it does not object to the request. The Commission Staff has stated that it will file a separate recommendation relative to this request.

Thank you for your assistance with this matter. Please do not hesitate to contact me should you have any questions.

Very Truly Yours,

A handwritten signature in blue ink, appearing to read 'M. Fossum', with a long horizontal line extending to the right.

Matthew J. Fossum
Senior Counsel

Enclosures
CC: Service List (electronic mail only)