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December 1, 2022

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: IR 22-042; Investigation into Energy Efficiency Planning, Programming, and Evaluation; Department of Energy Comments on Cost-Effectiveness Assessment and Performance Incentives

Dear Chairman Goldner:

In a Procedural Order dated November 4, 2022 in this proceeding, the Public Utilities Commission seeks information concerning assessing the cost-effectiveness of energy efficiency (EE) programs and performance incentives. *See* Procedural Order of November 4, 2022, p. 1-2, Topics 1 and 2. While the focus of the request is on information from jurisdictions other than New Hampshire, the Department of Energy submits these comments to highlight information previously reviewed by the Commission and its staff over several years which culminated in the proposal and adoption of the Granite State Test as the primary test for evaluating EE cost-effectiveness and the current performance incentive structure.

EE Cost-Effectiveness

1. The Granite State Test was developed using a Commission-approved, broad reaching and well facilitated stakeholder process.

The decision to review the benefit/cost test used to screen EE was embodied in a Settlement Agreement in 2017 that also called for approval of the first triennial EE Plan (2018-2020) under the then newly adopted Energy Efficiency Resource Standard. The Commission approved this settlement, thus establishing the Benefit/Cost (B/C) Working Group, on January 2, 2018 in Order No 26,095. A year later, in Order No. 26,207 (December 31, 2018) when approving an update of the first EE triennial Plan, the Commission designated the B/C Working Group as the technical lead in a study analyzing EE cost-effectiveness and required that at the conclusion of the study, recommendations be submitted for review and approval by the Commission for use in developing the second triennial EE plan, which would span 2021-2023.

The B/C Working Group was facilitated by Synapse Energy Economics, Inc., and had broad participation. Its members were Commission Staff (including its consultant Synapse), the Office of Consumer Advocate (OCA), the Department of Environmental Services, Eversource Energy, Liberty Utilities, Unitil Energy Systems, the New Hampshire Electric Cooperative, The Way Home, through its counsel New Hampshire Legal Assistance, Conservation Law Foundation, and Acadia Center. Meetings of the B/C Working Group were open to the public. The Group met eight times in 2019 and submitted a detailed report to the Commission on October 31, 2019, along with a recommendation that the Commission adopt the Granite State Test (GST) as its primary test for EE cost-effectiveness screening. The Commission adopted the Working Group's recommendation in Order No. 26,322.

2. The Granite State Test was based on NH energy policy as found in statutes, the State Energy Plan, and past Commission Orders.

The B/C Working Group developed its recommendation by following the process laid out in the National Standard Practice Manual (NSPM), which is a publication of the National Efficiency Screening Project, a group of organizations and individuals working to update and improve the way that utility customer-funded electric and gas energy efficiency resources are assessed for cost-effectiveness. At the foundation of the NSPM is the principal that a jurisdiction's primary cost-effectiveness test should account for its energy and other applicable policy goals and objectives as articulated in legislation, commission orders, regulations, etc. Thus, the B/C Working Group began by reviewing the various policy goals as laid out in statutes, Commission orders and the State Energy Plan and other reports. See B/C Working Group Report at Appendix A.

3. All the information used to develop the GST is available for review by legislators, the Commission, and other stakeholders.

The process and the results of the B/C Working Group was well documented and reported in detail. The B/C Working Group Report, recommendation and Commission approval of the recommendation are all available from the docket page in DE 17-136 (tabs 154 and 177). The report includes a discussion and a recommendation concerning the appropriate discount rate to be used in applying the GST. *See B/C Working Group Report at 42 - 45.* The information considered by the B/C Working Group can be found at https://www.puc.nh.gov/EESE%20Board/EERS_Working_Groups.html#benefitcost

4. The GST is required for use in NH by HB 549

The legislature adopted the Granite State Test as the primary test in NH for screening EE cost effectiveness in "future plan offerings".

Performance Incentive Mechanism

5. The current Performance Incentive Mechanism was developed through a public stakeholder process and approved for use starting in 2020.

A Performance Incentive (PI) Working Group was established per Commission Order Nos. 26,095 and 26,207 in Docket DE 17-136, which approved the Settlement Agreements filed on December 8, 2017 and December 13, 2018. Like the B/C Working Group referenced above, the PI Working Group also had broad participation by many stakeholders including the NH utilities, the OCA, interest groups, the Commission Staff and Staff consultants. Over a 16-month period, the PI working group met and reviewed many issues, including different PI methodologies and thresholds. The PI working group information can be found at https://www.puc.nh.gov/EESE%20Board/EERS_Working_Groups.html#pi. The PI Working Group developed a report that can be found in Attachment M of the New Hampshire Statewide Energy Efficiency Plan 2020 Update filed on September 13, 2019 in Docket DE 17-136 (starting on Bates p. 263). The PI mechanism, approved by Order No. 26,323, which approved the Settlement Agreement filed on December 12, 2019, has been in place since January 1, 2020.

Consistent with current Commission practice, this letter is being filed only in electronic form.

Sincerely,

/s/ *Paul B. Dexter*

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