

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 14-216

2015-2016 CORE NH ELECTRIC AND GAS ENERGY EFFICIENCY PROGRAMS

Revised 2016 Core Program Plan

ORDER NO. 25,856

December 24, 2015

APPEARANCES: Matthew J. Fossum, Esq., for Public Service Company of New Hampshire d/b/a Eversource Energy; Patrick Taylor, Esq., for Northern Utilities, Inc., and Unitil Energy Systems; Michael J. Sheehan, Esq., for Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, Inc. and for Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; Mark W. Dean, Esq., for New Hampshire Electric Cooperative; Dennis Labbe, Esq., New Hampshire Legal Assistance, for The Way Home; Ryan Clouthier for the Community Action Association; Meredith A. Hatfield, Esq., for the Office of Energy and Planning; Rebecca Ohler for the New Hampshire Department of Environmental Services; Susan W. Chamberlin, Esq., for the Office of the Consumer Advocate; and Rorie E. Patterson, Esq., on behalf of Staff of the Public Utilities Commission.

In this order, we approve the revised 2015-2016 New Hampshire Statewide Core Energy Efficiency Plan for the period January 1 to December 31, 2016.

I. PROCEDURAL HISTORY

On December 31, 2014, by Order No. 25,747, the Commission approved a two-year plan, the “2015-2016 New Hampshire Statewide Core Energy Efficiency Plan,” for energy efficiency programs (“Core” programs) proposed by the following New Hampshire electric and natural gas utilities: Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the New Hampshire Electric Cooperative, Inc.; Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource”); and Unitil Energy Systems, Inc. (“Unitil”) (collectively, the “Electric Utilities”); and Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities; and Northern Utilities, Inc. d/b/a Unitil (“Northern”) (collectively, the “Gas Utilities”)

(the Electric Utilities and Gas Utilities are together referred to as the “Core Utilities”). On September 30, 2015, the Core Utilities filed their revised plan for the 2016 energy efficiency programs (“Revised 2016 Plan”).

On October 15, 2015, the Commission issued a Supplemental Order of Notice, establishing a procedural schedule and scheduling a hearing to consider the Core Utilities’ proposals. The Supplemental Order of Notice also affirmed continued approval of the petitions to intervene filed earlier in the proceeding. No new petitions to intervene were filed following the Commission’s supplemental notice. The Office of the Consumer Advocate participated as a matter of right pursuant to RSA 363:28, II.

Pursuant to the procedural schedule, Commission Staff (“Staff”) and the parties engaged in discovery and met in technical sessions. On November 11, 2015, Staff filed direct testimony. On December 9, 2015, Staff filed a short settlement agreement. The hearing was held on December 15 as scheduled. This order and prior docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission’s website at <http://www.puc.nh.gov/Regulatory/Docketbk/2014/14-216.html>.

II. SUMMARY OF THE 2016 UPDATES

In addition to providing updated estimates on program budgets, the Core Utilities proposed changes to certain programs approved in Order No. 25,747. According to the Core Utilities, when compared to the original 2016 plan, the Revised 2016 Plan reflects lower unit costs for energy efficiency measures to achieve higher lifetime energy savings.

A. Program Funding

1. Electric Program Funding

The Core Electric Energy Efficiency Programs are funded through three main sources: (1) a portion of the System Benefits Charge (“SBC”), which is applied to the electric bills of all customers receiving delivery service through one of the Electric Utilities; (2) a portion of the Regional Greenhouse Gas Initiative (“RGGI”) auction proceeds subject to certain conditions; and (3) proceeds obtained by each of the Electric Utilities from ISO-NE for participation in ISO-NE’s Forward Capacity Market (“FCM”). In addition, any unspent funds from prior program years are carried forward to future years, including interest at the prime rate.

The overall estimated level of electric energy efficiency program funding for 2016 increased by \$380,000. That amount includes (a) an additional \$932,000 in 2014 unspent funds (*i.e.*, “carry-forward”) including interest,¹ (b) a decrease in SBC funding of \$405,000 due to lower kilowatt-hour sales than originally projected, and (c) a decrease in anticipated Forward Capacity Market proceeds of \$147,000 due to an updated forecast. Table I.1 on page 2 of the Revised 2016 Plan summarizes the original estimated program funding for 2016, the updated estimated program funding for 2016, and the difference in program funding by source and utility for the Core Electric Programs. The updated Core electric program funding estimate for 2016 is \$26 million.

2. Gas Program Funding

The Core Gas Energy Efficiency Programs are funded by a portion of the Local Distribution Adjustment Charge (“LDAC”), which is applied to the gas bills of all customers receiving service through one of the Gas Utilities. Similar to the electric programs, any unspent

¹ The original amount carried forward from 2014 was approximately \$270,000. The Revised 2016 Plan shows a carry-forward of more than \$1.2 million.

funds from prior program years are carried forward to future years, including interest earned at the prime rate.

The overall estimated level of gas energy efficiency program funding for 2016 increased by approximately \$64,000. That amount includes (a) an additional \$273,000 in 2014 carry-forward and interest, and (b) a decrease in funding from LDAC of \$209,000 due to lower sales than originally projected. Table I.2 on page 3 of the Revised 2016 Plan summarizes the original estimated program funding for 2016, the updated estimated program funding for 2016, and the difference in program funding by source and utility for the Core Gas Programs. The updated Core gas program funding estimate for 2016 is \$7.5 million.

B. Program Budgets

1. Electric Program Budget

The overall 2016 electric program budget increased by approximately \$353,000 from the original 2016 budget projection. The increase includes a carry-forward of approximately \$557,000 for Eversource's Home Energy Assistance ("HEA") and Customer Engagement Platform ("CEP") programs, without which the budget would have decreased by approximately \$202,000. Table I.3 on page 4 of the Revised 2016 Plan summarizes the original 2016 electric program budget, the updated 2016 electric program budget, and the difference in electric program budget by sector and utility for the Core electric programs. The updated Core electric program budget for 2016 is about \$24 million.²

2. Gas Program Budget

The overall 2016 gas program budget increased by \$60,000 from the original 2016 budget estimate. The increase results from an approximate \$148,000 increase to the Commercial

² The budgeted program amount is less than the level of funds stated above, because the budgeted program amount does not include the performance incentive which is included in a separate provision of the budget.

and Industrial sector budget and decreases to the Residential sector budget totaling approximately \$88,000. Table I.4 on page 5 of the Revised 2016 Plan summarizes the original 2016 gas program budget, the updated 2016 gas program budget, and the difference in gas program budget by sector and utility for the Core gas programs. The updated Core gas program budget for 2016 is approximately \$7 million.³

C. Core Program Changes

1. Residential Programs

a. ENERGY STAR Products Program

The ENERGY STAR Lighting program offers in-store coupons, mail-in rebates, and product mark-downs to encourage purchases of qualifying products. Previously, the program design focused primarily on coupons and rebates. In the Revised 2016 Plan, the Core Utilities propose to increase the offering of product mark-downs and decrease the use of coupons and rebates. The Core Utilities assert that expanding the use of mark-downs is consistent with energy efficiency programs across the New England region.

The ENERGY STAR Appliance program offers mail-in incentives on certain qualifying appliances and provides pickup and recycling of certain appliances. In the Revised 2016 Plan, the Core Utilities propose to keep the program's design the same except that incentives for Advanced Power Strips will be discontinued as they are no longer ENERGY STAR qualified.

b. Home Performance with ENERGY STAR

The Home Performance with ENERGY STAR program offers residential weatherization products and services. In the Revised 2016 Plan, the Core Utilities propose to eliminate incentives related to certain non-cost effective or non-energy saving measures (i.e., bathroom

³ The budgeted program amount is less than the level of funds stated above, because the budgeted program amount does not include the performance incentive which is included in a separate provision of the budget.

fans and timer switches, and certain types of basement insulation). Other measures will continue to provide 50% cost reimbursement up to the existing incentive cap.

In 2015, the Electric Utilities began offering a third-party financing option through local financial institutions, which provides residential customers access to financing at 2% interest for up to seven years, with a maximum loan amount of \$15,000 for weatherization and ENERGY STAR heating system replacement. Funds provided by the Community Development Finance Authority (“CDFA”), up to \$150,000 per year, may be used to buy down individual, qualifying loans (i.e., loans for energy efficiency measures that meet the federal Better Buildings Program guidelines). In the Revised 2016 Plan, the Core Utilities propose to continue the third-party financing program and include a summary of the average buy-down amounts, the number of loans, and the loan buy-down budgets by utility and program.

c. NHSaves Website

The Core Utilities provide customers with access to energy and money-saving tools, incentives, and tips through the NHSaves website. The Revised 2016 Plan includes continued enhancements to increase customer awareness and usage, including additional customer project case studies, blogs covering energy efficiency topics, videos about weatherization, information about renewable energy, and social media marketing.

D. Utility-specific Program Changes

1. Eversource

a. 2016 Budget Development

The Revised 2016 Plan includes specific information about Eversource’s 2016 budget and its allocation between the Residential and Commercial/Industrial Sectors. Details of the Customer Engagement Platform budget for 2016 are also provided.

b. Residential Home Energy Reports Program

Eversource's Home Energy Reports Pilot Program uses behavioral-based messaging (i.e., comparison of customer usage and rewards) to encourage energy efficiency investment. The one-year pilot ended in February 2015, and a new program for 2015 and 2016 was launched in April 2015.

c. Customer Engagement Platform

The CEP is an interactive, web-based tool that provides customers with access to energy efficiency information, self-service tools, benchmarking, and customized program information. The Revised 2016 Plan reflects a delay of the CEP launch from third-quarter 2015 to first-quarter 2016, to allow for additional technical refinements and testing.

2. Unitil

a. Combined Heat and Power (CHP) C&I Pilot

The CHP program gives electric commercial, municipal, and industrial customers the opportunity to reduce electricity requirements (kWh and kW) while using waste heat to reduce heating and/or hot water requirements (thermal BTUs). The CHP program includes assistance with upfront installation costs. The Commission originally authorized the pilot for 2013 and 2014, and then extended the program for 2015 and 2016 because of customer interest. The Core Utilities issued an RFP in 2015 but did not receive any proposals. Based on feedback from customers, the Revised 2016 Plan includes the opportunity for another RFP for one or more projects in 2016.

b. Home Performance with ENERGY STAR and On-bill Financing

Unitil's plan and budget for 2014 included \$65,000 in new funding for its residential on-bill financing program. Due to increasing opportunities for third-party financing (i.e., off-bill

financing through private lenders) for energy efficiency investments, Unutil did not spend those on-bill financing funds in 2014 and anticipates that it will not spend them in 2015 or 2016, either. Consequently, the Revised 2016 Plan proposes to use the funds for the residential Home Performance with ENERGY STAR weatherization program.

E. Monitoring and Evaluation

The Commission is responsible for the monitoring and evaluation of the Core programs, with input and advice from the Core Utilities. The Revised 2016 Plan does not propose any changes to that structure and includes a summary of the Monitoring and Evaluation studies completed in 2015. The Revised 2016 Plan includes the updated avoided costs resulting from one 2015 study. Those avoided costs are used to calculate the cost effectiveness of the Core programs.

III. COMMISSION STAFF RECOMMENDATION

Commission Staff ("Staff") recommended that the Commission approve the Revised 2016 Plan as modified by the December 9, 2015, Settlement Agreement. Staff recommended adding reporting requirements related to the new third-party financing program and Eversource's CEP program. Staff proposed that the Core Utilities add the new information to the existing Quarterly Core Report. The Core Utilities agreed to these additional reporting requirements in the Settlement Agreement. The new report for third-party financing will provide information about (1) the Core funded third-party financing option, and (2) the CDFA funded third-party financing option. The information in both reports will be similar, including amount of funding available, number of projects financed, average project cost, average loan amount, average interest rate buy-down amount, average customer interest rate, average square footage of home and, average annual space heating energy savings. With respect to Eversource's CEP program, a

report is currently provided; however, additional information will be added in footnotes showing the status of continuing efforts to develop approaches to ensure that customers can download usage information for use in programs such as EPA's Portfolio Manager.

IV. COMMISSION ANALYSIS

The 2015-2016 Core Electric Energy Efficiency and Gas Energy Efficiency Programs were approved in this docket by Order No. 25,747 on December 31, 2014. Thus, we need only make a determination on the proposed program updates for 2016 filed on September 30, 2015.

The Commission's authority arises out of laws governing energy efficiency funding as well as utility rates and long-term resource planning. *See* RSA 374:2 (public utilities to provide reasonably safe and adequate service at "just and reasonable" rates); RSA 378:7 (Commission required to determine and fix the utility's just and reasonable or lawful rates); RSA 378:28 (permanent utility rates shall only include a "just and reasonable" return on plant, equipment, or capital improvements which the PUC finds are "prudent, used, and useful"); RSA 374:1 and :4 (the Commission is required to keep informed of utilities' operations and their provision of safe and adequate service); RSA 374-F:3, X (restructured electric market required to "reduce market barriers to investments in energy efficiency and provide incentives for appropriate demand-side management and not reduce cost-effective customer conservation" and "utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers"); RSA 374-F:4, VIII (e) (Commission authorized to approve a utility's inclusion in its distribution charge of the costs of energy efficiency "that are part of a strategy to minimize distribution costs"); RSA 378:38 (electric and natural gas utilities are required to file integrated least cost resource plans, making energy efficiency a first-priority resource); RSA 378:39 (When a utility's supply or resource options have equivalent financial costs, equivalent reliability, and

equivalent environmental, economic, and health-related impacts, it shall prioritize energy efficiency and other demand-side management resources.).

As explained above, the Core programs are funded through several sources, including the SBC, the LDAC, RGGI auction proceeds, and FCM revenues. The SBC is a “nonbypassable and competitively neutral ... charge” collected through electric customer rates and “used to fund public benefits related to the provision of electricity.” RSA 374-F:3, VI. The LDAC is a reconciling surcharge imposed on gas customers, which includes a per-therm “conservation charge” to recover the costs of gas energy efficiency programs. RSA 125-O:23, a section within the Multiple Pollutant Reduction Program law, requires a portion of the RGGI auction proceeds to be used as a source of funding for the electric Core programs. All but a small portion of the RGGI funds, however, is earmarked for low-income or municipal projects, with the remainder used for an “all-fuels” energy efficiency program. RSA 125-O:23, III. Additional funding comes from the ISO-NE Forward Capacity Market.

At the hearing, the Staff and Core Utilities testified that the Revised 2016 Plan, as amended by the Settlement Agreement, is consistent with the public interest and will result in just and reasonable rates. In response to questions from the Commission, Staff testified that the performance incentive (PI) mechanism is working to generate higher savings than planned, at a lower cost than budgeted. The Core Utilities testified that the PI mechanism is a “critical element” of the Core energy efficiency programs that works very effectively. The witnesses also clarified the Unutil-specific proposal to reduce its on-bill financing budget as not reflective of decreased customer interest or demand. The Core Utilities also described their marketing efforts for the residential programs, including the use of customer surveys, which the witnesses agreed to update and continue using, to collect data concerning customer awareness of the Core


programs. In addition to the signatories to the Settlement Agreement, in closing statements, The Way Home expressed its support for the Settlement Agreement.

Based on the record, the Revised 2016 Plan appears to be consistent with applicable law, including the least-cost integrated planning requirements promoting energy efficiency. The Revised 2016 Plan will reduce market barriers to investment in cost effective energy efficiency, provide incentives for appropriate demand-side management, and will not reduce cost-effective consumer conservation. The savings from the 2016 programs will benefit all customers, both participants and non-participants. The participants enjoy direct benefits of increased energy efficiency and all electric, and gas customers benefit from load reduction and system improvements. In addition, the programs will reduce harmful emissions. The proposed costs of the programs appear to be just and reasonable. Consequently, we find the Revised 2016 Plan, as modified by the Settlement Agreement, consistent with the public interest, and we approve it.


Based upon the foregoing, it is hereby

ORDERED, that the 2016 New Hampshire Statewide Core Energy Efficiency Plan, as modified by the Settlement Agreement, is hereby approved for the period January 1, 2016, to December 31, 2016.

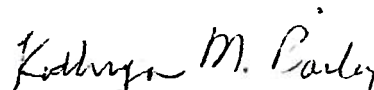
By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of December 2015.



Martin P. Honigberg
Chairman

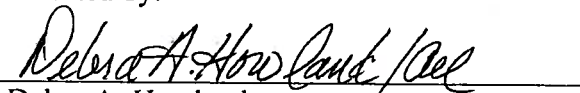


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

