STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 14-216

CORE NH ELECTRIC AND GAS ENERGY EFFICIENCY PROGRAMS

2017 Core Program Plan

O R D E R N O. 25,976

December 23, 2016

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; Richard A. Minard, Jr. for the Office of Energy and Planning; Rebecca Ohler for the New Hampshire Department of Environmental Services; Melissa E. Birchard, Esq., for Conservation Law Foundation; Donald M. Kreis, Esq., for the Office of the Consumer Advocate; and Paul B. Dexter, Esq., on behalf of Staff of the Public Utilities Commission.

In this order, the Commission approves the New Hampshire Statewide Core Energy Efficiency Plan – 2017 Update, for the period January 1 to December 31, 2017, and tariffs submitted for related rate recovery.

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 ("Granite State Electric"); the New Hampshire Electric Cooperative, Inc. ("NHEC"); 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 ("EnergyNorth"); 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"). In Order No. 25,856 (December 24, 2015), the Commission approved a Revised Plan for the 2016 Energy Efficiency Programs.

On August 2, 2016, in Order No. 25,932 in Docket No. DE 15-137, the Commission approved a Settlement Agreement which established an Energy Efficiency Resource Standard ("EERS") and also provided that:

> energy efficiency programs established and operated by the Utilities as the Core programs shall continue in 2017 and shall continue to be administered by the Utilities. To facilitate the continuation of the Core programs in 2017, the Utilities shall file, by September 23, 2016, a continuation plan covering calendar year 2017. The continuation plan will be similar in content and detail to the 2016 update filing submitted by the utilities on September 30, 2015 in Docket No. DE 14-216. As part of the continuation plan, the Utilities shall include proposals and recommendations on programs and measures intended to achieve, in 2017, statewide goals of 0.60% for electric savings and 0.66% for gas savings, as a percent of 2014 delivered sales, subject to receiving System Benefits Charge ("SBC"), Local Distribution Adjustment Charge ("LDAC"), and other available funding sufficient and necessary to achieve those statewide goals.

DE 15-137, EERS Settlement at 3. Pursuant to the approved EERS Settlement Agreement, on September 23, 2016, the Core Utilities submitted a 2017 New Hampshire Statewide Energy Efficiency Plan (Exhibit 8), which included tariffs for the collection of program costs including a performance incentive and recovery of Lost Base Revenue ("LBR").

On September 30, 2016, the Commission issued Order No. 25,948 in this proceeding, Suspending Proposed Tariffs and Scheduling a Prehearing Conference. The prehearing conference was held on October 26, 2016, and the Commission granted the intervention petition of Conservation Law Foundation. The other parties listed above were granted intervention in prior phases of this docket and the Office of the Consumer Advocate participated pursuant to RSA 363:28, II.

According to the procedural schedule established by the Commission by letter dated October 27, 2016, Commission Staff ("Staff") and the parties engaged in discovery and met in a technical session. On November 8, Staff filed direct testimony. Exhibit 9. On December 12, the Core Utilities presented a Settlement Agreement, which was signed by all parties to this proceeding and which called for approval of the 2017 Core programs and incorporated some changes to the 2017 program filing, as suggested by Staff. Exhibit 10. The Commission held a hearing on the Settlement Agreement on December 19. 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 2017 CORE PROGRAM

The proposed 2017 Core program continues all programs previously approved in the 2016 Core program. Exhibit 10, Attachment B at 4. The programs and measures have been designed to meet the agreed savings goals as outlined in the EERS Settlement quoted above. *Id.* at 3.

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 included on the electric bills of all customers receiving delivery service from an Electric Utility; (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 2017 Core program funding increased by $3,233,000 over 2016. *Id*. at 15. That amount includes (a) an increase in SBC funding of $1,861,000; (b) an expected decrease in RGGI funding of $16,000; (c) an increase in anticipated Forward Capacity Market proceeds of $1,889,000, and (d) a decrease of $501,000 in unspent funds including interest. The total statewide Core electric program funding estimate for 2017 is $29,252,000. This is a reduction of $2,259,000 from the statewide anticipated funding level of $31,511,000 included in the EERS Settlement to achieve the targeted savings. Exhibit 10, Attachment B at 15, Table III-7. The Core Utilities stated that lower projected costs to achieve the savings targets contributed to this reduction in required funding. *Id*. at 15.

2. Gas Program Funding

The Core Gas Energy Efficiency Programs are funded by a portion of the Local Distribution Adjustment Charge ("LDAC"), which is included on the bills of all gas utility customers. Similar to the electric programs, any unspent funds from prior program years are carried forward to future years, including interest earned at the prime rate.

The overall estimated level of gas 2017 Core program funding increased by $208,000 over 2016. That amount includes (a) an additional $643,000 in carry-forward and interest, and (b) a decrease in funding from LDAC of $435,000. The total statewide Core gas program funding estimate for 2017 is $7,735,000. Exhibit 10, Attachment B at 15, Table III-8. This is a reduction of $299,000 from the statewide anticipated funding level of $8,034,000 included in the EERS Settlement to achieve the targeted savings. *Id*. The Core Utilities stated that lower projected costs to achieve the savings targets contributed to this reduction in required funding. *Id*. at 15.

B. Program Budgets

1. Electric Program Budget

The overall electric 2017 Core program budget increased by $3,796,000 compared to the 2016 budget. The increase results primarily from a $2,177,000 increase to the Commercial & Industrial and Municipal sector budgets and an increase to the Residential sector budgets of $1,342,000. Exhibit 10, Attachment B at 16, Table III.9. As required by the EERS Settlement Agreement, the portion of the budget allocated to the Home Energy Assistance (income eligible) Program increased to 17 percent. *Id*. at 16; EERS Settlement at 9. The total statewide electric 2017 Core program budget is $27,445,000. [1]

2. Gas Program Budget

The overall gas 2017 Core program budget increased by $362,000 compared to the 2016 budget. The increase results primarily from a $397,000 increase to the Commercial & Industrial sector budget and an offsetting decrease to the Residential sector budgets of $35,000. Exhibit 10, Attachment B at 16, Table III.10. As with the electric program budget, the EERS Settlement Agreement requires that the portion of the gas program budget allocated to the Home Energy Assistance (income eligible) Program be increased to 17 percent. *Id*.; EERS Settlement at 9. The total statewide gas 2017 Core program budget is $7,332,000

[1] The budgeted electric and gas program amounts are less than the level of funds stated above, because the budgeted program amounts do not include the performance incentive which is included in a separate provision of the budgets.

C. Core Program Changes[2]

1. <u>Residential Programs</u>

a. ENERGY STAR Products Program

The Core Utilities state that the ENERGY STAR Lighting program is centered on offering product markdowns with certain major retailers as well as in-store coupons, and on-line and mail-in rebates, to encourage purchases of qualifying products. In 2017, the Core Utilities propose to expand the offering of product mark-downs. Incentives will no longer be offered for compact fluorescent lighting products. Incentives will be offered for light emitting diode ("LED") products only. LED products offer superior energy savings and do not contain mercury. Further, the price of LED products is declining which helps the incentives make LED products more accessible to consumers. Exhibit 10, Attachment B at 17.

The ENERGY STAR Appliance program offers mail-in or on-line submission incentives on certain qualifying appliances and provides pickup and recycling of certain appliances. In 2017, the Core Utilities propose to add three new appliances to the rebate offerings: clothes dryers, dehumidifiers and pool pumps; and recycling will expand to include primary refrigerators. *Id*. at 17-18

b. Home Performance with ENERGY STAR

The Home Performance with ENERGY STAR program offers residential weatherization products and services. No major changes are proposed for this program for 2017. *Id*. at 18.

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 percent interest for up to seven years, with a maximum loan amount of $15,000 for weatherization and

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[2] A comprehensive summary of changes to the programs for 2017 is provided on Exhibit 10, Attachment B at 122-124.

other approved efficiency measures. In the 2017 Plan, the Core Utilities propose to continue the third-party financing program. *Id.*

c. NHSaves Website

The Core Utilities provide customers and stakeholders with access to energy efficiency education, marketing and information through the NHSaves website. The 2017 Plan includes adding content and increasing customer awareness and exposure through social media and other marketing activities. *Id.* at 20.

D. Utility-specific Program Changes

1. Eversource

a. 2017 Budget Development

The 2017 Plan includes specific information about Eversource's budget and its allocation between the Residential and Commercial/Industrial Sectors. Eversource states that approximately 2 percent of the budget is allocated to marketing activities and approximately 5 percent is allocated to monitoring and evaluation activities. *Id*. at 23.

b. Residential Home Energy Reports Program

Eversource's Home Energy Reports Pilot Program uses normative (neighbor comparison) messaging to encourage energy efficiency. Due to program cost savings and higher than anticipated energy savings, Eversource will double the number of customers (from 25,000 to 50,000) receiving the reports in 2017. *Id*. at 24.

c. Customer Engagement Platform ("CEP")

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 2017 Plan reflects the first full year of implementation for all customers. Eversource states that it makes customers aware of its CEP through hard-copy and electronic newsletters, as well as through emails and meetings with large business customers.

2. Energy North

a. Building Practices & Demonstrations Program

In 2016, this program served two roles: (1) to provide a budget for low interest third party financing to participants in the Home Performance with ENERGY STAR Program and the ENERGY STAR Products program; and (2) to provide a budget for the Home Energy Reports Pilot Program. For 2017, Energy North proposes to eliminate its Building Practices & Demonstration Program and move the funds to its Home Performance with ENERGY STAR, ENERGY STAR Products Programs, and Home Energy Reports Pilot Program. Energy North states that this will align its gas offerings with the program offerings from Granite State Electric. *Id*. at 25.

b. Home Energy Reports

Energy North proposes to expand the participant count for its Home Energy Reports program from 25,000 to 38,000, based on encouraging results from the program thus far, which has included spill-over leads for its Home Performance with ENERGY STAR Program. *Id*. at 25-26.

c. Third Party Financing for ENERGY STAR Products Participants

As a trial, Energy North proposes to change the programs so that participants must choose between low interest financing or rebates, but not both, as has been offered in the past. An exception to this change would be for participants in the Early Boiler Replacement pilot measure where both rebates and low cost financing will continue to be offered. *Id*. at 26.

E. Program Cost-Effectiveness

1. Summary

All of the electric and gas programs submitted for approval in this proceeding have a benefit-cost ratio equal to or greater than 1.0. Exhibit 10, Attachment B at 12 and at 37, 42, 47, 52, 57 and 62. The program benefits are measured using avoided costs of the energy supply saved, which are based largely on the "Avoided Energy Supply Costs in New England: 2015 Final Report." *Id*. at 34. Consistent with past practices, non-energy effects (except avoided water and sewer costs) have not been reflected in the avoided costs used to evaluate the 2017 Core programs. *Id*. at 34-35.

2. DRIPE

The avoided costs used to evaluate the proposed programs included Demand Reduction Induced Price Effects ("DRIPE"). The Core Utilities describe DRIPE as the reduction in wholesale market prices resulting from reduced demand in energy and noted that inclusion of DRIPE increased statewide electric program benefits by 1.6 percent and increased statewide natural gas program benefits by 17.4 percent. *Id*. at 34. Staff supports the inclusion of DRIPE in this case, but intends to undertake additional review of DRIPE in the EERS docket. Exhibit 9, Testimony of Elizabeth R. Nixon at 3-4.

F. Evaluation, Monitoring and Verification

The Core Utilities have budgeted approximately five percent of the total program budget for evaluation, monitoring, and verification ("EM&V") activities. Exhibit 10, Attachment B at 27. The following EM&V studies are planned for 2017: Avoided Energy Supply Cost Limited Update, a process and impact evaluation of the ENERGY STAR Homes Program, a process evaluation of the Municipal Program, a market penetration assessment and a verification of the energy savings for the ENERGY STAR Products Program (Appliances), a study of the use of and satisfaction with LED lights as part of the ENERGY STAR Products Program (Lighting), and an impact evaluation of the Small Business Energy Solutions program. In addition, through participation with the Northeast Energy Efficiency Partnership Regional EM&V Forum, New Hampshire is participating in several other EM&V related initiatives. *Id*. at 28.

G. Lost Base Revenues

Consistent with the EERS Settlement in DE 15-137, the 2017 Core program includes proposed recovery of Lost Base Revenue ("LBR"). Exhibit 8, Joint Testimony of Karen M. Asbury, Christopher J. Goulding, Heather M. Tebbetts, and Carol M. Woods at 3; DE 15-137, Settlement Agreement at 4. In the Joint Testimony, the Core Utilities state that in order to collect LBR in 2017, each electric utility (except NHEC to which LBR does not apply) will forecast the kWh sales reduction expected from the 2017 Core program and multiply that figure by each utility's average distribution rate to arrive at forecasted lost base revenue. This revenue amount will then be divided by forecasted annual delivery sales for 2017 to arrive at an LBR component which will be incorporated into each company's SBC. In 2018, the LBR recovered in 2017 will be reconciled to reflect actual sales reductions and related lost revenue.[3] Joint Testimony at 3. The specific electric utility LBR rates proposed in this case are:

Eversource - $0.00008/kWh

Liberty - $0.00006/kWh

Unitil - $0.00009/kWh.

Joint Testimony at 5. Those LBR components are incorporated in the proposed total SBC rates for each electric utility.

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[3] LBR for the gas utilities was calculated in a similar manner and the resulting charges were reflected in each gas utilities' LDAC. Exhibit 10, Attachment B at 158-159 for Liberty and at 207-208 for Northern.

H. Performance Incentives

In 2017, proposed performance incentives have been reduced, consistent with the EERS Settlement Agreement. The funding presented in this case reflects the base target incentive of 5.5 percent of program budgets for all the Core Utilities. Exhibit 10, Attachment B at 29.

I. Proposed SBC Rates

Each electric utility proposes an SBC rate for approval in this proceeding. The SBC rates have three components (except for the NHEC rate which does not have an LBR component): (1) an Electric Assistance Program ("EAP") component of \$0.0015/kWh for all four electric utilities, for which no change is proposed in this case; (2) an Energy Efficiency ("EE") component of \$0.00198/kWh for all four electric utilities, which includes a proposed increase from the current EE component of \$0.0018/kWh; and (3) a distinct LBR component for three utilities, as set out above. Exhibit 8, Joint Testimony at 2 and 6. The proposed SBC rates (including all components) are as follows:

> Eversource - \$0.00356/kWh - a monthly increase of \$0.16 for a typical[4] residential customer
>
> Liberty - \$0.00354/kWh – a monthly increase of \$0.15 for a typical residential customer
>
> Unitil - \$0.00357/kWh – a monthly increase of \$0.17 for a typical residential customer
>
> NHEC - \$0.00348/kWh (includes no LBR component) – a monthly increase of \$0.11 for a typical residential customer.

Id. at 6.; Exhibit 10, Attachment B at 174, 134, 183 and 167.

III. COMMISSION STAFF RECOMMENDATION

Commission Staff ("Staff") recommends that the Commission approve the 2017 Core Plan as modified by the Settlement Agreement submitted December 12, 2016, including the proposed tariffs and related rates. The Settlement incorporates Staff's recommendations

[4] 625 kWh for all companies.

concerning the presentation and calculation of lost base revenue, as well as Staff's recommendation that deferred taxes not be reflected in the calculation of over- or under-recovery of program costs. At the hearing on December 19, 2016, Staff stated that the 2017 Core program, as modified by the Settlement Agreement, was consistent with the terms of the EERS Settlement.

IV. COMMISSION ANALYSIS

The 2015-2016 Core Electric Energy Efficiency and Gas Energy Efficiency Programs were approved by Order No. 25,747 on December 31, 2014, and updates to the 2016 programs were approved in Order No. 25,856 issued December 24, 2015. In this case, we review the final year of the Core programs, 2017, consistent with the EERS Settlement as quoted above.

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 378:38 (electric and natural gas utilities are required to file least cost integrated resource plans); 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 revenue. 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.

At the hearing, the Staff and Core Utilities testified that the 2017 Plan, as amended by the Settlement Agreement, is consistent with the public interest and will result in just and reasonable rates. All parties to this case signed the Settlement Agreement. Based on the record, the 2017 Plan appears to be consistent with applicable law, including the least cost integrated planning requirements promoting energy efficiency. The 2017 Plan will reduce market barriers to investment in cost effective energy efficiency and provide incentives for appropriate demand-side management. The savings from the 2017 programs will benefit all customers, both participants and non-participants. The participants enjoy the direct benefit of increased energy efficiency. Both participants and non-participants benefit from on-peak and off-peak load reduction and related system improvements. Consequently, we find the 2017 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 2017 New Hampshire Statewide Core Energy Efficiency Plan, as modified by the Settlement Agreement, is hereby approved for the period January 1, 2017, to December 31, 2017; and it is

FURTHERED ORDERED, that the tariffs and rates submitted in this docket by each Electric Utility increasing the System Benefits Charge to recover the costs of the 2017 programs, including Lost Base Revenue are hereby approved for effect January 1, 2017; and it is

FURTHERED ORDERED, that each Electric Utility file compliance versions of the SBC tariffs with the Commission within 15 days of this Order.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of December 2016.

Martin P. Honigberg Chairman	Robert R. Scott Commissioner	Kathryn M. Bailey Commissioner

Attested by:

Kimberly Nolin Smith
Assistant Secretary