

Staff position on EERS targets (from the Straw proposal)

Paradigms for success:

1. Leverage the existing Core programs as a first step in establishing and implementing an EERS.
2. Develop short-term targets, such as an initial two-year period with target savings for both electric and gas utilities, as part of a long-term ten-year target

General

Using 2012 as a base year VEIC/GDS found that the target of energy efficiency should be at the level of 6.6% of retail electric sales forgone

Previous studies have indicated that the target level of energy efficiency in New Hampshire as measured by retail electric sales forgone in a given year may be higher and appears so in our neighboring New England states. The most recent study by VEIC and GDS concerning a suitable target for NH suggested that by using 2012 as a base year, the 2017 target for energy efficiency should be at a level of equivalent electric and non-electric savings of 6.6% of retail electric sales foregone.(VEIC/GDS)

Staff recommendations:

(1)Need to leverage CORE EE programs and expand gradually from the known to the unknown

Based on our analysis, Staff recommends that the EERS initially leverage the Core energy efficiency programs as a point of departure, and that the principle of “all cost effective measures” be implemented.

(2)Need to differentiate between electrical and gas EE targets.

(3) Using 2014 base year revenues, Staff proposed a gradual increase in electrical savings from 2015-2025 of 9.76% of 2012 kWh electrical usage

By differentiating between electricity and gas utilities, and using the 2014 approved base year revenues as a starting point, and a gradual increase in the level of electrical savings from 2015 to 2025, Staff has determined that cumulative savings of over one billion kWhs are attainable, representing approximately 9.76% of 2012 kWh electrical usage.

(4)Using 2014 base year revenues, Staff proposed a gradual increase in gas savings resulting in cumulative savings between 2015-2025 of 7.63% of 2012 gas MMBtu’s.

For the gas utilities, Staff recommends a flat annual savings target of 0.70% per year for the years 2017-2025 with an initial gradual ramp up in 2015, and 2016, of 0.68%, and 0.70%, respectively. This approach would result in cumulative savings by 2025 of nearly 1.5 million MMBtus representing 7.63% of the 2012 gas MMBtu usage.

(5) Even in the first year of the EERS assuming ceteris paribus, there would be insufficient funds to meet the target level of savings for either electric or gas. Electric shortfall in funding would be \$2.5 million, gas funding shortfall would be small at \$ 430,000.00 thus Staff recommended looking for private capital funding to augment the budget.

On the electrical side, the analysis indicated that all other things being equal, funding levels in year one of the EERS program would be insufficient to meet the target level of savings. That is, the total utility cost to fulfill the first year's target of electrical savings of 0.65% would require \$27.3 million in funding whereas we estimate only \$24.7 million would be received from current funding, resulting in a shortfall of \$2.5 million. (In fact, for the 2015/2016 time period, the approved budget shows no shortfall, since it was based on updated funding levels.)

On the gas side, the estimated total cost for EERS target fulfillment in 2015 would be approximately \$7.5 million while the equivalent LDAC funding would represent approximately \$7.07 million, resulting in a slight shortfall.

Staff performed sensitivity analysis (Model Option 1, Appendix 4) around the SBC rate and determined that doubling the SBC charge from \$0.0018/kWh to \$0.0036/kWh would enable the EERS targets to be funded until 2021

(6) Need to segment customer groups and target programs accordingly to ensure that the greatest number of participants are reached in the most effective way.

While the electric and gas energy savings targets are important as overall goals, our proposal recognizes that one important objective will be to reach the greatest number of participants in the most effective way, and that therefore the implementation of an EERS should take place via segmenting customer groups and targeting programs accordingly

(7) In order to capture the greatest level of energy efficiency Staff recommend broadening the reach of the EERS beyond traditional customer driven energy savings while ensuring funding remain allocated between customer groups and programs in the most equitable manner

Similarly, a broader reach for the EERS, beyond traditional customer-driven energy savings, and embracing transmission and distribution improvements, distributed generation and combined heat and power projects could allow for more ambitious EERS targets while ensuring that funding be allocated between customer groups and programs in an equitable manner.

Target Metrics

Recommended Target Schedule

For each year from 2015 to 2025, retail electric and natural gas distribution utilities shall implement energy efficiency programs that achieve electric and natural gas energy savings equivalent to the following applicable percentages:

Table 1 Year	Electric Incremental Savings Target %	Electric Cumulative Savings Target %	Gas Incremental Savings Target %	Gas Cumulative Savings Target %
2015	0.65	0.65	0.68	0.68
2016	0.59*	1.24	0.70	1.38
2017	0.65	1.89	0.70	2.07
2018	0.71	2.60	0.70	2.77
2019	0.77	3.37	0.70	3.46
2020	0.84	4.22	0.70	4.16
2021	0.92	5.14	0.70	4.85
2022	1.01	6.15	0.70	5.55
2023	1.10	7.25	0.70	6.24
2024	1.20	8.45	0.70	6.94
2025	1.31	9.76	0.70	7.63