

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DE 15-137

ELECTRIC AND NATURAL GAS UTILITIES
ENERGY EFFICIENCY RESOURCE STANDARD

TESTIMONY

OF

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1 A. **INTRODUCTION**

2 **Q. Please state your name, current position and business address.**

3 A. My name is Leszek Stachow, and I am employed by the New Hampshire Public Utilities
4 Commission (Commission) as Assistant Director of the Electric Division. My business
5 address is 21 South Fruit Street, Suite 10, Concord, New Hampshire.

6 **Q. Please summarize your educational and professional background.**

7 A. My educational and professional background is summarized in Attachment 1.

8

9 **Q. Please describe the process whereby Commission Staff is submitting testimony in**
10 **this case today?**

11 A. Energy efficiency initiatives approved by the New Hampshire Public Utilities
12 Commission (Commission) and primarily coordinated through the Core programs have a
13 rich history in New Hampshire. Close collaboration between electric and natural gas
14 utilities, stakeholders, and Commission Staff (Staff) has resulted in a record of
15 achievement over the past 20 years.

16

17 Between 2007 and 2015, a number of studies were performed that suggested that
18 additional opportunities for cost-effective energy efficiency existed beyond those
19 captured by the Core programs. In September 2014, in its report, *New Hampshire 10-*
20 *Year State Energy Strategy* (State Energy Strategy), the New Hampshire Office of
21 Energy and Planning (OEP) recommended: "The Public Utilities Commission should
22 open a proceeding that directs the utilities, in collaboration with other interested parties,

23 to develop efficiency savings goals based on the efficiency potential of the State, aimed
24 at achieving all cost effective efficiency over a reasonable time frame.”

25
26 In April of 2014, the Commission directed Staff to investigate the establishment of a
27 state-wide Energy Efficiency Resource Standard (EERS). An EERS establishes specific,
28 long-term targets for energy savings that utilities or non-utility program administrators
29 must meet through customer energy efficiency programs. Staff gathered input from a
30 broad cross section of stakeholders and developed an EERS Straw Proposal (Straw
31 Proposal).

32
33 The Commission opened docket IR 15-072 to receive written comments on the Staff
34 recommendations contained in the Straw Proposal. While support for the establishment of
35 an EERS was well received, there were requests for a broader consideration of issues and
36 for making use of outside expertise when establishing the EERS.

37
38 On May 8, 2015, the Commission opened this proceeding (Docket DE 15-137) to
39 establish an EERS. In its Order of Notice, the Commission defined the scope of the
40 proceeding to include the following issues: savings targets; funding; program cost
41 recovery; lost revenue recovery; performance based incentives and penalties; program
42 administration; and evaluation, measurement, and verification (EM&V). Following the
43 commencement of the proceeding the Staff and parties engaged in numerous technical
44 sessions, which included expert presentations and the significant exchange of information

45 and ideas. Staff's recommendations in this testimony are informed by those technical
46 discussions as well as Staff's investigation for the Straw Proposal.

47

48 **B SUMMARY OF THIS TESTIMONY**

49 **Q. What is the purpose of your testimony?**

A. The purpose of Staff testimony is to recommend a structure and a process for
Commission establishment and implementation of a successful EERS.

50 **Q. How is your testimony organized?**

51 A. In the next section, Section C, Staff presents an Executive Summary that provides an
52 overview of our recommendations and conclusions concerning implementation of an
53 EERS for New Hampshire. Time lines, savings targets, necessary funding levels and key
54 administrative matters are contained in the Executive Summary. Section D addresses our
55 key conclusions. In section E, Staff explains the division of the testimony and the
56 contributions of each Staff member. Section F provides a high level, industry-wide
57 model illustrating savings targets, costs-to-achieve savings, and cost effectiveness.
58 Section G discusses all associated funding requirements. In Section H, Staff addresses
59 detailed program design matters including administration, safeguarding a robust EM&V
60 policy, and a proposed timeline for EERS implementation. Section I summarizes all of
61 Staff's findings and recommendations.

62

63 **C. SUMMARY OF FINDINGS AND RECOMMENDATIONS**

64

65 **Q. Please summarize Staff's findings and recommendations.**

66 **A. The testimony includes twelve recommendations designed to build upon and enhance the**
67 **scope and effectiveness of the existing Commission-approved Energy Efficiency**
68 **programs and policy by embracing an EERS.**

The following comprise Staff's recommendations:

66 1. A proposed firm three-year target for energy efficiency savings and a ten-year notional
67 target to be confirmed at the end of the first three-year period.

68

69 2. Staff modeling examines two possible sets of targets for the EERS: Plan A comprises a
70 limited plan; and Plan B is a more ambitious plan. Staff recommends approval of Plan
71 B.

72

73 Under Plan B and based on a 2014 base year, the three-year proposed cumulative electric
74 savings target is 2.04 percent while the ten-year notional electric savings target is 14.48 percent.

75 The recommended three-year savings target for gas is 2.39 percent while the ten-year notional

76 gas savings target is 13.96 percent. The performance incentives (PI) are 10 percent for both

77 electric and gas utilities

1724 **Q. What are the recommendations with respect to EERS funding?**

1725 A. Staff propose both a short term and long term recommendation. Based on the model
1726 analysis, within the third year of the planned EERS, assuming the Commission were to
1727 adopt the suggested targets as indicated in Plan B of the model, electric funding would
1728 experience a shortfall of \$19.9 million. Under these circumstances, the model assumes
1729 that the current \$0.0018 per kWh SBC rate would need to increase to \$0.0036 per kWh.
1730 The anticipated monthly residential bill impact would increase from approximately
1731 \$0.253 to \$1.27. For the general service rate class, the monthly bill impact would increase
1732 from \$2.53 to \$12.70. On the gas side, at the end of the third year, the target funding
1733 would experience a shortfall of \$4.9 million, and would require an increase in the LDAC
1734 from \$0.034 to \$0.044 per therm. Under these circumstances, Staff recommend that
1735 during the first triennium the SBC or LDAC could be adjusted annually.

1736

1737 Concurrently, Staff would recommend that the program administrators work with the
1738 permanent the Advisory Council to analyze the potential for greater use of private capital
1739 such that by the end of the third triennium, a plan is approved and in place to harness the
1740 role of the private sector either through loan portfolio sales or asset-backed securitization.

1741

1742 **H. IMPLEMENTATION PROCESS**

1743

Administration

1744 **Q. What is the Staff recommendation with respect to administration of the EERS?**

1745 A. An EERS should leverage the existing Core mechanism and stakeholders in order to
1746 seamlessly move from the existing Model to the more ambitious goals of the EERS Staff
1747 has proposed. Thus, utility program administrators would conceive and plan energy
1748 efficiency programs and after review and adoption of recommendations by a stakeholder
1749 collaborative, those programs would be submitted to the Commission for approval.

1750

1751 **Q. What role can the stakeholder play in this process?**

1752 A. Across the country, both utility-specific and statewide stakeholder collaboratives play a
1753 part in developing a consensus around a specific set of energy efficiency issues.
1754 Stakeholder participation is valuable in the development of EE policies at the state level
1755 as well as providing input at the programmatic level. The goal of the stakeholder group is
1756 to bring together a cross section of interested parties around a particular set of issues with
1757 the objective of developing a consensus for a proposed solution. The group may include
1758 utility representatives, regulators, consumer advocates, environmental groups, customers,
1759 EE program providers and consultants. Staff believe that a statewide collaborative is most
1760 beneficial to all of the participants since it will allow for better communication and
1761 sharing of information across a broad spectrum of interested parties. Utilities can learn
1762 from one another, share common challenges with regulators and other stakeholders and
1763 use the group to identify potential solutions.