



The State of New Hampshire
Department of Environmental Services



Clark B. Freise, Assistant Commissioner

May 19, 2017

Debra A. Howland, Executive Director and Secretary
 State of New Hampshire
 Public Utilities Commission
 21 South Fruit Street
 Concord, N.H. 03301-2429

19 MAY '17 PM2:59

Re: Investigation into Grid Modernization, Docket IR 15-296

Dear Ms. Howland:

Thank you for the opportunity to provide written comments on the New Hampshire Grid Modernization Working Group Final Report (Final Report), which was submitted by Jonathan Raab on March 20, 2017 as part of the Public Utility Commission (PUC) docket DE 15-296 "Investigation into Grid Modernization." The NH Department of Environmental Services (NHDES) is fully supportive of grid modernization efforts in New Hampshire, and endorses this Final Report as a first step in planning.

NHDES supports the comments provided by Acadia, the Conservation Law Foundation, the NH Sustainable Energy Association and the Northeast Clean Energy Council. Via this letter, we offer additional comments on the Grid Modernization report, specifically regarding questions and issues that should be considered as we move forward with grid modernization in New Hampshire.

NHDES was a member of the Working Group that developed the Final Report with assistance from Jonathan Raab and Tim Woolf. NHDES participated throughout the entirety of this investigatory proceeding and benefited from the opportunity to become familiar with the opportunities and challenges related to Grid Mod as well as the perspectives of the other stakeholders and their organizations.

During the investigative proceeding, the workgroup identified outcomes and benefits of grid modernization and focused a significant amount of time and attention on the means to achieve these ends including rate-design, meter functionality, and customer engagement platforms. At both the beginning and the end of the Final Report, it was noted that, while substantial progress had been made, *"key uncertainties and disagreements remain to be resolved."* In recognition, Section 7 of the Final Report recommends a specific path forward, proposing that the PUC hold technical sessions on the report, then open a docket with testimony and discovery to fully adjudicate the non-consensus and other relevant items before issuing a Commission Order on grid modernization.

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NHDES fully supports this multi-step process and welcomes the opportunity to engage further on this topic. NHDES recommends that the PUC, as a first step, clarify the desired goals and outcomes for grid modernization. While the scoping order provided the Commission's overarching goals, the Final Report recommends additional benefits and desired outcomes from grid modernization that we hope will be embraced by the PUC. This clarification will set the direction for future discussions.

In order to assist the intervening parties in reaching consensus NHDES also recommends additional attention be given to the following issues: the barriers and disincentives for utilities to implement grid modernization; what actions need to occur and in what order to enable full grid modernization; and how utility incentives and rewards can be structured to reflect the goals and outcomes of grid modernization. These recommendations are discussed in more detail below.

1. Identify Key Barriers and Disincentives to Grid Modernization

To successfully implement grid modernization, the PUC and interested parties must identify and better understand the key barriers and disincentives that prevent NH's utilities from engaging in grid modernization as part of their standard business model.

Over the course of the nine facilitated sessions, the utilities noted several times, in response to proposals by the non-utility parties, that they are unable to achieve certain objectives or undertake specific actions "under current conditions". Sufficient time was not available to fully explore what those "conditions" are that are problematic, but they range from technical to regulatory to institutional in nature. It is vital that participating parties fully understand these barriers and disincentives so they can work collaboratively to overcome them.

2. Identify the Phases of Grid Modernization

The PUC should also consider the timeline and order of implementation of the various aspects of grid modernization. As the Final Report recommends, each utility's Grid Modernization Plan should include a 10-year vision and strategy with a 5-year investment plan. It will be necessary to consider whether certain barriers or disincentives need to be addressed first before further planning and action can be taken.

For instance, there may be foundational steps required before certain investments in grid modernization can proceed or achieve their full potential. As an example, utilities may need to identify what data is necessary to achieve and measure grid modernization goals and then ensure that the data they collect and evaluate is a match.

The PUC should consider whether actions should be taken incrementally or all together in a synchronized fashion. Part of this consideration could include whether each

customer class should be treated equally or whether one customer class should be focused on first in order to develop and deploy pilots that provide important data, experience and expertise, while simultaneously delivering a significant and positive impact. For instance, commercial and industrial customers of a certain size may present the most significant opportunities to initiate and achieving a statewide, customer wide grid modernization program.

The PUC should also provide, as noted in the Final Report, "guidance on integration of grid modernization with other related dockets (e.g., net metering, energy efficiency)," including how alignment should occur and at what point in the process it should be completed. For instance, the PUC should consider whether rate-case filings or other traditional utility regulation proceedings need to be revised in order to support a phased approach. Regular filing periods may need to be adjusted to provide utilities and customers certainty during a period of transition.

The PUC and parties should also evaluate how practices and policies at other institutions may impact the utilities' ability to achieve full grid modernization. Such determinations may fall outside the scope of the PUC's authority, but would help ensure necessary changes to the broader regulatory environment are made.

3. Align Utility Incentives and Rewards with Grid Modernization Goals

The PUC should also consider how to balance innovation, new market actors and the traditional utility business model. To integrate and fully benefit from existing and potential rapid emerging technologies, as well as enable new service providers to participate, utility incentives and rewards may need to be modified to encourage and enable utilities to adopt a new, sustainable business model. It is worth considering that grid modernization may involve a similar transformational effort to that witnessed following the emergence of the internet and the development of the smartphone, which brought about the convergence of the telephone, computing, retail and television industries.

Thank you again for the opportunity to provide comments on DE 15-296. NHDES looks forward to collaborating with the PUC and other stakeholders to enable grid modernization to occur in New Hampshire and provide both environmental and economic benefits to New Hampshire's citizens.

Respectfully,



Chris Skoglund
Climate and Energy Program Manager
Air Resources Division

Cc: Service List