



Advancing the Clean Energy Future

# Acadia Center

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November 1, 2017

Debra Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-7319

RE: DE 17-136 Electric and Gas Utilities

NHPUC 2NOV17AM10:51

Dear Ms. Howland:

Enclosed please find an original and six copies of Acadia Center's comments on the 2018-2020 New Hampshire Statewide Energy Efficiency Plan.

Sincerely,

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LINKEDIN



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**New Hampshire Public Utilities Commission**

**Docket No. DE 17-136**

**Acadia Center Comments on the 2018-2020 New Hampshire Statewide Energy Efficiency Plan**

**November 1, 2017**

**Intro**

Acadia Center appreciates the opportunity to provide comments on the 2018-2019 New Hampshire Statewide Energy Efficiency Plan. Overall the plan is strong and meets the requirements the Commission laid out in its order creating a new Energy Efficiency Resource Standard. We urge the Commission to accept the program activities, budgets and savings targets detailed in said plan. However, there are three areas where the approach described in the plan could be strengthened: 1) peak demand reduction; 2) performance incentives; and 3) stakeholder engagement in the Evaluation, Monitoring and Verification (EM&V) process.

**Peak Demand Reduction**

As a result of a 2012 study on HVAC and peak demand, the NH Electric Utilities have previously included incentives within the residential and commercial/industrial NHSaves Programs for high efficiency ENERGY STAR central air conditioning and air source heat pumps, high efficiency ductless mini-split heat pump systems which provide heating and air conditioning, and Wi-Fi thermostats.

The utilities do not propose any additional specific program measures or pilots to address peak demand reduction or demand response. In order to address growing interest in this area, they propose discussing an evaluation of demand savings in the EM&V Working Group's discussion of prioritization of EM&V activities. Furthermore, the utilities propose as a first step limiting themselves to secondary research, based on studies in other jurisdictions such as Massachusetts and Connecticut on testing peak reduction at commercial, industrial and municipal customer sites including battery storage, thermal storage, demand response and control technologies.

Given the much more limited program budget in New Hampshire, and the delays pilots in other states are facing, this approach could be a sensible first step. However, this should be accompanied by a metric in the performance incentive to reward peak demand reductions, as discussed below.

**Performance Incentives**

Page 9 of the Settlement Agreement in Docket No. DE 15-137 states that "[t]he Settling Parties agree to review the existing . . . formula prior to the filing of the 2018 EERS filing, and the Settling Parties, individually or in a group or groups, may make recommendations in that filing or during the Commission's review of that filing of modifications

to the current formula. Such review shall include consideration of the achievements of energy efficiency savings for low income customers.”

During the Energy Efficiency and Sustainable Energy (EESE) Board subcommittee reviews of the Draft Plan, the utilities communicated that significant revisions to the formula in the limited time period before the final plan filing was due would require them to develop potentially a very different implementation plan as it was calculated to help the utilities achieve the incentivized performance. While Acadia Center believes that this should not be an insurmountable obstacle to undertaking desirable revisions to the formula, taking this into account, it recommended as part of the subcommittee a timeline that would provide for the gradual revision and improvement of the formula. This timeline is as follows:

“2018--Utilities work with EESE Board and EERS Committee to identify what metrics should be included in the formula.

A series of working group meetings with interested parties to review the PI take place, facilitated by the independent expert hired by the PUC.

2018-19--Utilities continue to use current performance incentive formula as proposed in Draft Plan.

2019 --Establish baselines and finalize new performance incentive formula.

2020--New performance incentive formula is effective”

Despite this recommendation, as endorsed by the full EESE board, there is nothing in the utilities’ filing that addresses reviewing the performance incentive formula. We recommend that the Plan be revised to explicitly include the recommended timeline and describe the stakeholder process that will take place.

Regarding specific revisions to the formula, Acadia Center is concerned that the current formula, while easily understood, may create several perverse incentives. The formula is based on 1) actual dollars spent; 2) the ratio of actual lifetime electric savings achieved to the total actual lifetime electric energy savings achieved (including both electric and non-electric measures); 3) the ratio of the actual benefit-to-cost ratio achieved to the predicted benefit-to-cost ratio; and 4) the ratio of the actual lifetime kilowatt-hour savings achieved to the predicted lifetime kilowatt-hour savings achieved.

Furthermore, the formula is applied such that utilities can begin receiving the kilowatt savings portion of the incentive even if their savings level is only 65% of goal. Other states, such as Connecticut and Massachusetts begin awarding this portion of the incentive when savings levels reach 75% of the target, providing a greater incentive to meet the goals defined in the plan.

Acadia Center believes that the performance incentive should be set as a percentage of budget as opposed to a percentage of spending to avoid encouraging wasteful spending. The formula also allows too much weight to cost-effectiveness, as savings attained should be the most important component.

One other area of concern in the existing formula is that the multiplier that incentivizes electric savings over non-electric savings may undercut a whole house, comprehensive approach to efficiency savings.

An additional metric to consider instead is peak demand reduction. In the VEIC presentation on performance incentives, several options were mentioned for how to address peak demand reduction through the PI. These include metrics on:

- Demand savings (KW)
- Customer load factor (ratio of distribution sales during peak hours to distribution sales in all hours, by customer sector)
- Coincident peak demand savings
- Percentage of load that is responsive to load management

### **Non-Energy Impacts**

Acadia Center supports the inclusion of a 10% adder for non-energy impacts in the cost-benefit test. The direct testimony of witness Michael Goldman supports this number as being a conservative estimate.

### **Evaluation, Monitoring & Verification**

The Settlement Agreement states that EM&V “activities shall be conducted by independent third parties supervised by the Commission *with the advice and participation of the Settling Parties and the EESE Board.*” And that “upon request, and independent expert...will be hired and supervised by the Commission to assist Staff *and the Settling Parties, the EESE Board or successor, and others as determined by the Commission,* on participating in EM&V activities.” [emphasis added] Acadia Center is pleased to see that the utilities have broadened the makeup of the EM&V working group from the Draft Plan to include a member of the EESE Board. The utilities also propose that stakeholders “will have an opportunity to engage in the process during the strategic planning process as overarching evaluation plans are developed and will continue to be invited to participate in presentations of finalized evaluations”.

The utilities currently propose that the Working Group provide a presentation to the EESE Board prior to finalization of the Strategic Evaluation Plan, and potentially provide updates on evaluation activities during quarterly meetings hosted by the Commission to review NHSaves program activity. However, we feel that in order for the EESE Board, Settling Parties and other stakeholders to fully understand and engage with the process in a helpful way, the Commission should consider requiring the Working Group be further enlarged to include one or two other knowledgeable stakeholders, or request that the Working Group make quarterly or biannual presentations to the EESE Board.