

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-262

2013-2014 CORE NH ELECTRIC AND GAS ENERGY EFFICIENCY PROGRAMS

Order Approving Settlement Agreement and 2014 Core Program Changes

ORDER NO. 25,615

December 30, 2013

APPEARANCES: Matthew J. Fossum, Esq. for Public Service Company of New Hampshire; Rachel Aslin Goldwasser, Esq. for Northern Utilities, Inc. and Unitil Energy Systems; Sarah B. Knowlton, Esq., for Granite State Electric Company d/b/a Liberty Utilities, Inc. and for EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities; Mark W. Dean, Esq. for New Hampshire Electric Cooperative; New Hampshire Legal Assistance by Alan Linder, Esq. for The Way Home; Ryan Clouthier for the Community Action Association; Laura Richardson for The Jordan Institute; Tom Rooney for TRC Energy Services; Meredith Hatfield for the Office of Energy and Planning; Rebecca E. Ohler for the New Hampshire Department of Environmental Services; Office of Consumer Advocate by Susan W. Chamberlin, Esq. on behalf of residential ratepayers; and Marcia A. Brown, Esq. on behalf of Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On February 1, 2013, by Order No. 25,462, the Commission approved two-year energy efficiency programs for the following regulated electric and gas utilities: Granite State Electric Company d/b/a Liberty Utilities (GSEC); the New Hampshire Electric Cooperative, Inc. (NHEC); Public Service Company of New Hampshire (PSNH); and Unitil Energy Systems, Inc. (UES) (collectively, the Electric Utilities); EnergyNorth Natural Gas, Inc. d/b/a Liberty Utilities (ENGI); 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). The Commission also authorized the Core Utilities to update their filing for the 2014 program year no later than August 31, 2013.

On August 30, 2013, the Core Utilities filed an assented-to request to extend the deadline, which the Commission granted on September 3, 2013. On September 13, 2013, the Core Utilities filed an update to their respective 2014 program year. In addition to providing updated estimates on program budgets, the Electric Utilities expanded their program to include municipal participants in accordance with Senate Bill 123. This bill amended RSA 125-O:23 to require up to \$2,000,000 in proceeds from the Regional Greenhouse Gas Initiative (RGGI) auction be dedicated to municipal and local government energy efficiency projects, effective January 1, 2014. 2013 N.H. Laws 269. Also, RSA 125-O:23 now requires that at least 15% of the RGGI proceeds are to be dedicated to low income energy efficiency programs.¹

On October 1, 2013, the Commission issued a Supplemental Order of Notice notifying the public of the procedural schedule and expanding the scope of the proceeding to include municipal programs. Pursuant to the approved procedural schedule, Staff and the parties engaged in discovery and technical sessions. The Department of Environmental Services (DES), the Office of the Consumer Advocate (OCA), and Staff submitted pre-filed testimony on November 1, 2013. Staff and the parties filed a settlement agreement on December 3, 2013, which included a corrected version of the 2014 update filing, and presented the agreement at the December 6, 2013 hearing.

II. SUMMARY OF THE 2014 UPDATES

The Core Utilities propose continuing the previously-adopted and implemented energy efficiency programs and have adjusted the program budgets in light of customer demand. For

¹ In addition to the RGGI auction proceeds, the Core energy efficiency programs for the Electric Utilities are funded by the system benefits charge (SBC) assessment on all electric utility customers pursuant to RSA 374-F:3, VI; certain forward capacity market (FCM) proceeds generated by the Independent System Operator-New England (ISO-NE) FCM auctions. The gas energy efficiency programs are funded by the Local Distribution Adjustment Charge (LDAC). In both the gas and electric programs, unspent funds from prior program years are carried forward to future years, including interest at the prime rate.

the Electric Utilities' programs, the overall level of funding for 2014 is estimated to increase by approximately \$128,000, which is primarily made up of a \$40,000 increase in SBC funding due to a projected increase in kilowatt-hour sales from what was originally projected for 2014; a \$185,000 increase in carry-forward and interest due to more recent information; a \$134,000 increase in FCM proceeds due to the use of updated prices effective June 1, 2013, for multiple year commitments; and a \$231,000 decrease in RGGI auction proceeds based on an up-to-date forecast of the 2014 RGGI funding as provided by the Commission's staff on July 31, 2013.. For the Gas Utilities programs, the overall estimated level of funding for 2014 will increase by approximately \$439,000.

Regarding specific 2014 utility proposals, the two main reasons for ENGI's budget change derive from increasing the Home Energy Assistance (HEA) program budget to create level funding between 2013 and 2014 and its proposal to increase the Residential Building Practices and Demonstration Program budget in anticipation of performing a Home Energy Report (HEA) pilot. Northern proposes to increase the residential budget (including the income eligible sector) by 13% to ensure there are sufficient funds to meet the increased demand for rebates through the Energy Star Appliance program (also known as Gas Networks), second, the income eligible sector budget was increased to include a carryover of unspent funds from the prior years. Third, Northern increased the 2014 Commercial & Industrial (C&I) budget by 13% to meet the demand for custom projects in the large C&I program.

In addition to the budget changes, the Core Utilities propose other changes to the 2014 programs. The Core Utilities plan to add a Wi-Fi thermostat and associated incentive to the list of ENERGY STAR Hot Water and Heating System measures under the ENERGY STAR Appliance Program. The Electric Utilities propose to modify the savings and incentives for the

ductless mini-split heat pumps in 2014 to comport with standard practice in other northeast states.

The Electric Utilities also propose a new Municipal and Local Government Program. It will be available to all municipal and local government customers of the Electric Utilities and to the five communities in New Hampshire that have their own municipal utilities. According to the filing, and in light of the recent passage of Senate Bill 123, the Electric Utilities solicited input from several municipalities of differing sizes throughout New Hampshire, the New Hampshire Energy Efficiency and Sustainable Energy (EESE) Board, and the New Hampshire Local Energy Working Group. Based on the feedback received, the Electric Utilities propose a first year program that leverages the Electric Utilities' existing commercial and industrial programs, incorporates a fuel-blind component, and encompasses a flexible approach for technical assistance. The program targets municipal customers with new construction projects, major renovation projects, failed equipment that needs replacement and those operating aging, inefficient equipment and systems. For new construction projects, the program offers prescriptive and custom rebates designed to cover the lesser of a one year payback or up to 75% of the incremental cost (100% for schools) of higher efficiency products. Incentives are also available for electric, oil and liquid propane heating, cooling and hot water systems. For retrofit projects, the program offers prescriptive and custom rebates designed to cover the lesser of a one year payback or up to 35% of the equipment and installation cost up to the customer's incentive cap. Retrofit services also include a turnkey solution tailored to the unique needs of municipal customers. As part of the turnkey services, the Electric Utilities will offer lighting and refrigeration equipment upgrades delivered by vendors who perform initial assessments of existing buildings, recommend energy efficient improvements, and install the appropriate energy

efficiency measures. Turnkey services include incentives of up to 50% of the installed cost of the energy efficiency measures up to the customer's incentive cap. In addition, municipal customers may elect to use their own contractors to complete the energy efficiency projects.

The spending cap for replacement of space heating equipment and combined space/water heating equipment in the HEA program had been increased from \$5,000 to \$8,000 by Order No. 25,554. The Electric Utilities request the Commission keep the spending cap for 2014 at \$8,000. The Electric Utilities will strive to limit the amount of funds spent on space and combined space/water heating equipment to 25% of each electric utility's HEA program annual budget to ensure that most of the funds are used for weatherization services.

There are three pilot programs proposed for 2014. ENGI plans to offer an Early Boiler Replacement (EBR) incentive after the completion of the EBR pilot. The Gas Utilities also seek to create a Third Party Financing Pilot and a Home Energy Reports (HER) pilot. Specifically, the Gas Utilities will investigate a behavioral pilot program for the 2014/2015 winter heating season that includes delivery of paper reports to a randomly selected group of residential gas customers. The HER pilot program would be designed to engage residential customers into a long-term conversation about how they can save energy and money on their utility bills. The HER pilot program will be similar to PSNH's existing pilot program; however, the program would be tailored exclusively for gas customers with a focus on the heating season. The Gas Utilities anticipate that the residential gas customer participants will be drawn from ENGI's service area. The purpose of the HER pilot program is to provide customers with personalized information regarding their gas usage, comparative energy use information, tips to save energy, and opportunities to participate in other energy efficiency programs. The Gas Utilities expect the program to help customers: 1) visualize how their gas consumption compares to similarly sized

and equipped homes in their area; 2) understand how their gas usage changes over time and across seasons; and 3) develop goals and strategies to reduce their gas use.

III. SUMMARY OF THE TERMS OF SETTLEMENT AGREEMENT 2014

As stated above, on December 3, 2013, Staff and the following parties entered into a settlement agreement pertaining to the 2014 program year: Granite State, UES, PSNH, NHEC, ENGI, Northern, The Jordan Institute, The Way Home, New Hampshire Community Action Association, TRC Energy Services, the New Hampshire Community Loan Fund, the DES, Office of Energy & Planning, and the OCA.

A. Early Boiler Replacements: Staff and the parties recommend the Commission allow ENGI's Early Boiler Replacement Pilot to continue as a pilot for the 2014 Program Year. Staff and the parties agree to discuss during the Core quarterly meetings how the pilot measure should be evaluated in the future, the form of that evaluation, and the relevance to New Hampshire of other out-of-state evaluations.

B. Home Energy Reports Pilot: Staff and the parties recommend the Commission allow ENGI to perform an internal evaluation on its Home Energy Reports Pilot instead of a third-party evaluation.

C. Third Party Financing: Staff and the parties recommend the Commission approve the Gas Utilities' Third-Party Financing Pilot under the Residential Practices and Demonstration Program. The pilot was more fully described in a White Paper discussed by the panel of witnesses supporting the settlement agreement. The pilot will provide customers with the option of participating in a 2% flat rate unsecured loan for the costs of measures associated with the Gas Utilities' HPwES and ENERGY STAR Appliances program, including boilers, controls, furnaces and water heaters. Under the pilot, a customer will enter into a loan agreement

with the lender and make monthly payments to that entity directly. The lender assumes all the risk if a customer defaults on their unsecured loan. The maximum customer loan would be \$10,000 for up to 5 years. To encourage customers to perform recommended measures, the pilot reduces the applicable interest rate for the unsecured loan. The Gas Utilities will complete an interest buy-down upfront. To date, ENGI has secured agreements with Merrimack County Savings Bank and Meredith Village Savings Bank to buy down the customer's interest rate from a fixed rate of 6.745% APR to a 2% fixed rate loan for customers. The currently available 6.745% APR is subject to change depending on adjustments to the Prime Rate. The loan agreements made to-date stipulate that the lender's interest rate offering will not exceed the contracted rate. Northern is in the process of completing its agreements with these two banks.

The Gas Utilities chose to pilot off-bill financing because this method was used by the Better Buildings program and is currently being used in Massachusetts. Exh. 13, Attachments, p. 23. The Gas Utilities considered the option of using a portion of the incentive to buy down all or a portion of the interest on the loan. *Id.* This option would mean that the customer's portion of the measure cost would increase. At this time, the Gas Utilities determined that it would be in the program's best interest to offer the same incentive for all customers participating in HPwES and ENERGY STAR Appliances. To do otherwise would add confusion to the market regarding these programs and would penalize those customers who require financing to participate in residential energy efficiency programs. *Id.* All customers participating in HPwES and ENERGY STAR Appliances would be eligible to seek reduced-cost financing (until pilot funds are exhausted).

D. Process for Introduction and Evaluation of Pilot Programs: Staff and the parties agree to discuss at the Core quarterly meetings the establishment of a process for the

introduction of Core pilot programs and measures in the future. Issues will include a methodology for introduction of pilot programs and measures, criteria for when pilot programs and measures would be evaluated, timing of the evaluations, and when pilots should become permanent programs.

E. Performance Incentive Formula – Gas Programs: Staff and the parties agree that they will discuss at the Core quarterly meetings the performance incentive formula for the gas utilities for 2015 and beyond.

F. Monitoring and Evaluation: Staff and the parties agree to begin implementation of Section IV of the Core 2013-2014 filing entitled “Monitoring and Evaluation” filed on September 17, 2012. Specifically, at the first Core quarterly meeting in 2014, Staff and the parties and Staff shall meet to identify steps and create a procedural schedule to establish a multi-year program monitoring and evaluation plan. The steps may include but are not limited to: 1) prepare and issue an RFP for an independent consultant to lead the Monitoring and Evaluation project; 2) establish contact with the Regional Evaluation, Measurement and Verification (EM&V) Forum of the Northeast Energy Efficiency Partnership (NEEP) to leverage existing data and resources; 3) and take additional necessary steps to ensure that the Core Utilities are using current data in monitoring and evaluating program cost effectiveness.

IV. COMMISSION ANALYSIS

The 2012-2014 Core Electric Energy Efficiency and Gas Energy Efficiency Programs were approved in this docket by Order No. 25,462 on February 1, 2013. Thus, we need only make a determination on the proposed program updates for 2014, which the Core Utilities filed on September 13, 2013.

We will apply the same legal standard to the 2014 updates that we applied to our approval of the 2013-2014 program itself. Applicable authorities guiding our review of these programs are contained in RSA Chapter 374. Pursuant to RSA 374-F:3, energy efficiency programs should be designed to reduce market barriers to investment in energy efficiency, provide incentives for appropriate demand-side management, and not reduce cost-effective consumer conservation. *Electric Utility Restructuring*, Order No. 23,574, 85 NH PUC 684, 691 (2000), citing RSA 374-F:3, X. We have held that utility-sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers. *Id.* The objective of the Core energy efficiency programs should be “consistency in both program offering and program design” and that the Commission’s focus in considering them would be on their “efficacy.” *Id.* at 693 and 695. We have consistently applied these principles to our review of the utility-sponsored energy efficiency programs. With regard to the Municipal and Government programs, we will also apply the standards in RSA 125-O:23, III, amended effective January 1, 2014. Specifically we must assure that the first 15% of RGGI proceeds are allocated to low-income Core energy efficiency program and that up to \$2,000,000 of RGGI proceeds are dedicated to a municipal and local government Core energy efficiency program. The Municipal and Government program funding should address direct technical and project management assistance to identify and encourage comprehensive projects and incentives structured to assist municipal and local governments funding energy efficiency projects. RSA 125-O:23, III.

In addition to these principles, N.H. Code Admin. Rules Puc 203.20 (b) provides that the Commission shall approve disposition of any contested case by settlement “if it determines that the result is just and reasonable and serves the public interest.” *See also* RSA 541-A:31, V(a). We evaluate the substantive terms as well as the process that led to a negotiated agreement. The

fact that parties to a settlement agreement represented a diversity of interests and that issues were diligently explored and negotiated at length, serves as one indication that the results of the settlement are reasonable and in the public interest. *FairPoint Communications, Inc. et al.*, Order No. 25,129, 95 NH PUC 359, 390 (2010) citing *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,972, 94 NH PUC 256, 282 (2009). The Commission will not approve a settlement agreement “without independently determining that the result comports with applicable standards.” *Id.* The issues must be reviewed, considered, and ultimately judged according to standards that provide the public with the assurance that a just and reasonable result has been reached. *Id.*

Staff and the parties unanimously request we approve the proposed updates. As stated above, funding from the various sources has increased; the Core Utilities have increased their budgets and proposed pilots to capture more cost-effective energy savings from their demand-side management programs. The Core Utilities have also modified their programs to take into consideration legislative mandates regarding municipal funding. We find the changes described above to be reasonable and appropriate. Accordingly, having reviewed the 2014 update, as amended by the settlement agreement, and other exhibits entered at hearing, we find the program updates to be in the public interest and we will approve them for effect, January 1, 2014.

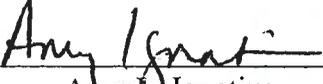
We will approve the terms and conditions of the settlement agreement and incorporate these terms and conditions into our order. In order to facilitate the efficient implementation and administration of the stipulation terms, we authorize the settling parties and Staff to make future agreed-upon clerical, ministerial, and other non-material modifications to the provisions of the order, as well as changes in timing or scheduling, with the prior approval of the Commission but without need for notice or hearing. Any such agreed-upon and approved modifications shall be

filed in this docket and a copy shall be provided to all parties on the service list for this proceeding.

Based upon the foregoing, it is hereby

ORDERED, that the settlement agreement proposing updates to program year 2014 of the Core Electric Energy Efficiency and Gas Energy Efficiency Programs is hereby ADOPTED and APPROVED.

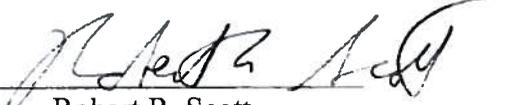
By order of the Public Utilities Commission of New Hampshire this thirtieth day of December, 2013.



Amy D. Ignatius
Chairman



Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director