

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 14-216

ELECTRIC AND GAS UTILITIES

**2015-2016 Core Electric Energy Efficiency Programs and
Natural Gas Energy Efficiency Programs**

**Order *Nisi* Approving Eversource Energy's Request to Transfer
2014 Surplus Core Funds to 2015 and 2016 Program Years**

ORDER NO. 25,812

September 11, 2015

In this order *nisi*, the Commission approves the transfer of \$1,255,827 of surplus funds from Eversource Energy's (Eversource) Core Energy Efficiency Program budget for program year 2014 to certain 2015 Core Program budgets, instead of having those funds roll over to the 2016 program year. Specifically, the Commission allows the Company to transfer \$373,131 to the 2015 Municipal program budget; \$300,663 to a 2015 Residential program budget; and \$445,215 to a 2015 Commercial and Industrial program budget. The Commission also authorizes Eversource to transfer \$136,818 to its budget for a 2016 Residential program. This order is being issued on a *nisi* basis to ensure that all interested parties receive notice of the Commission's order and have the opportunity to comment or request a hearing prior to the date set forth in the ordering clauses below.

I. BACKGROUND

Eversource's Annual Report and Performance Incentive Calculation for the Core Energy Efficiency Program Year 2014 reflected a balance of \$1,255,827 unexpended and available to transfer to Eversource's 2016 Energy Efficiency Program year budget. In the normal course, all surplus 2014 funds would be incorporated into the 2016 plan, because that is the first plan

required to be filed for approval following the final calculation of surplus 2014 funds. Instead, Eversource requests authority to transfer \$1,119,009 to its 2015 program year budget in the following manner: \$373,131 to the Municipal program; \$300,663 to the Residential Home Performance with Energy Star (HPwES) program; and \$445,215 to the Commercial and Industrial (C&I) Small Business Energy Solutions (Small Business) program budget. Eversource requests permission to transfer the remaining balance of unexpended 2014 program year funds, \$136,818, to its budget for the 2016 Residential Home Energy Assistance (HEA) program. Eversource will file its 2016 Core Update Plan by September 30, 2015.

Eversource states the 2015 annual budgets for the HPwES, Municipal and Small Business programs were fully committed before the end of June 2015. Eversource attributes the increased demand for those programs' services to high energy prices, increased marketing of the programs, increased customer demand for LED lighting technology, and the programs' successes.

Based on the 2015 planning assumptions used to develop the 2015/2016 Core Energy Efficiency Plan, Eversource estimates that approximately 101 additional HPwES projects, 135 additional Small Business projects, and 47 additional Municipal projects can be completed by year-end 2015.

Eversource developed new goals for the HPwES, Municipal, and Small Business programs to reflect the additional funding. Eversource will report its progress towards meeting the revised goals in its Quarterly Reports and will incorporate the revised goals into its performance incentive calculation for program year 2015. The benefit/cost ratio associated with the HPwES budget transfer is 1.48, with the Small Business transfer the ratio is 2.12, and with the Municipal Program it is 1.41.

Eversource used the same methodology to allocate the 2014 surplus as it will use to develop the 2016 Core Energy Efficiency budgets by sector. Generally, that methodology requires funds to be allocated to the four electric companies based on kWh volumes. The funding for each company is allocated to the Residential and C&I sectors based on each company's kWh volumes for each sector, and 15.5% of the total funds are allocated to the income-eligible HEA program. Eversource states that the allocation methodology will not benefit one sector to the detriment of the other. The proposed transfer moves funds from the 2016 budgets for the HPwES, Municipal, and Small Business programs to the 2015 budgets for those programs.

Commission Staff (Staff) supports Eversource's proposal to increase its 2015 program budgets. Staff does not oppose Eversource's request for additional 2016 Residential program funds, but Staff notes that the 2016 Core Update program budgets have not been filed yet. Staff also noted that if the total residential expenditure increases beyond the 5% sector cap due to the 2015 budget increase to the HPwES program, then Staff will likely urge the Commission to limit Eversource's performance incentive to 105% of its original budget for 2015. *See 2011-2012 Core Electric Energy Efficiency and Gas Energy Efficiency Programs*, Order No. 25,189 at 9 and 23 (Dec. 30, 2010) (approving cap of 5% over budget). Staff verified that Eversource complied with the requirement that Municipal program funds be carried over only to the Municipal program and that the HEA program receive a 15.5% allocation.

The Community Action Agencies, the Department of Environmental Services, The Way Home, and the Office of the Consumer Advocate support Eversource's requests.

II. COMMISSION ANALYSIS

The policies contained in RSA Chapter 374-F guide the Commission's review of the Core energy efficiency programs. 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). The Commission has 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 the Commission's focus in considering such programs would be on their "efficacy." *Id.* at 693 and 695.

As a result, PSNH's proposal to transfer some of the surplus 2014 funds to the 2015 budget requires the Commission to approve an increase in the 2015 budget and to determine whether the allocation of 2014 surplus funds between program years and sectors is appropriate.

The Municipal, Residential, and C&I programs into which Eversource seeks to transfer the 2014 surplus offer incentives to reduce market barriers to customers' investment in energy efficiency. The proposed transfers will enable Eversource to target, through those programs, cost-effective opportunities that may otherwise be lost due to market barriers. The HPwES program transfer will fund residential home weatherization and replacement of inefficient residential appliances and equipment. The transfers into the Small Business and Municipal programs will fund installation of energy efficient lighting, appliances, and equipment. The increases to the 2015 budgets for those programs will increase customer participation, and the

increased budgets are cost effective based upon their respective benefit/cost ratios. We thus find that the budget transfers will lead to increased savings in a cost-effective manner.

We also find that allocating carryover funds in the manner proposed by Eversource will not benefit one customer sector to the detriment of another. Eversource used the same allocation methodology as it will use to develop the 2016 Core Program Update budgets. Commission approval of the surplus transfers permits Eversource to use funds in 2015 that would otherwise be expended in 2016.

As for the performance incentive issues raised by Staff, there are multiple variables that affect whether the program will even yield a performance incentive. Accordingly, the Commission will defer its determination on whether Eversource can collect performance incentives related to the instant transfers until after Eversource calculates its performance incentive for the 2015 program year. We expect to receive that calculation in June 2016.

Based upon the foregoing, it is hereby

ORDERED *NISI*, subject to effective date set forth below, that Eversource Energy's request to increase its 2015 Core budgets for the Municipal program by \$373,131, for the Residential HPwES program by \$300,663, and for the C&I Small Business program by \$445,215, and to fund these increases with \$1,119,009 of the funds remaining in its 2014 budget, is hereby approved; and it is

FURTHER ORDERED, that Eversource Energy's request to transfer the remaining balance of 2014 funds, \$136,818, to its 2016 Residential HEA budget in the 2016 Core Energy Efficiency Program Plan Update is hereby approved, and it is

FURTHER ORDERED, Eversource shall cause a summary of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions

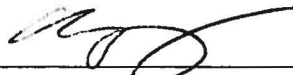
of the state where operations are conducted, such publication to be no later than September 18, 2015, and to be documented by affidavit filed with this office on or before September 24, 2015; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than September 22, 2015, for the Commission's consideration; and it is

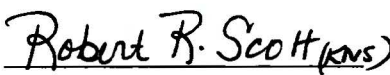
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than September 24, 2015; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective September 28, 2015, unless Eversource fails to satisfy the publication obligations set forth above or the Commission provides otherwise in a supplemental order issued prior to the Order *Nisi*'s effective date.

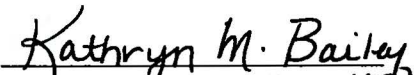
By order of the Public Utilities Commission of New Hampshire this eleventh day of September, 2015.



Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director