State of New Hampshire
Public Utilities Commission

IR 15-072

ELECTRIC AND NATURAL GAS UTILITIES

Energy Efficiency Investigation

Written Comments of New Hampshire Legal Assistance

New Hampshire Legal Assistance submits these written comments to the Commission in response to the March 13, 2015 Order of Notice:

1. Introduction

New Hampshire Legal Assistance appreciates the efforts of the New Hampshire Public Utilities Commission ("Commission") to investigate the implementation of an Energy Efficiency Resource Standard ("EERS") pursuant to the straw proposal of Commission Staff ("Staff"). The following initial comments are provided in response to the Commission's request for input on Staff's short term recommendations and the specific questions posed by the March 13, 2015 Order of Notice

2. Low-Income Households Must Not Be Left Behind When Establishing an EERS. Therefore Segmentation of Targets by Customer Groups is Essential.

Establishing an aggressive overall EERS could encourage Program Administrators to allocate available public funding disproportionately towards programs that provide the highest cost-benefit ratio. Traditionally, the Home Energy Assistance ("HEA") program has been cost-effective in providing benefits that exceed costs, but not at as high a cost-benefit ratio as other customer sector programs such as Commercial & Industrial. Staff's current short-term and long-term EERS proposals suggest a significant ramping up in reductions in overall energy usage without any obvious corollary ramping up in funding to achieve these increases in efficiency. Increasing reduction targets without increasing funding could force the CORE utilities to divert funding away from the income-eligible sector (due to the lower cost-benefit ratio on investment for the HEA program) as a means of reaching targets (and earning performance incentives and/or avoiding penalties). The result of such a diversion would be that this underserved customer sector of income-eligible ratepayers would be even more underserved. Segmentation of goals and targets by customer group may alleviate this concern if the traditionally lower cost-benefit ratio for the low-income program is kept in mind in setting targets.

3. Including Low-Income Households in Establishing and Funding an EERS

The straw proposal is ambitious in setting out to establish short and long term goals for energy efficiency achievement. Staff notes a deficit between the proposed goals and current levels of funding, which is mostly generated through public ratepayer funds. Staff suggests this deficit should be addressed by identifying and making use of private funding to augment and eventually to replace public funding. This suggestion is a laudable goal, but it is unrealistic to expect this market transformation to occur for the low-income customer sector in the foreseeable future.

One of the most commonly cited market barriers to increasing private investment in energy efficiency is the high up-front cost. For the commercial, industrial, and high to middle-income residential customer groups, the initial investment cost is a primary inhibitor of increasing market demand for energy efficiency, but many of these ratepayers still might be able to invest in energy efficiency on their own. Low-income households, however, lack the disposable income and thus the choice to invest in energy efficiency measures on their own. For the low-income residential customer sector the up-front cost is more than just a barrier, it is an insurmountable road block to private investment.

Ratepayers that lack any discretionary income do not have the option to privately invest in energy efficiency. Substantial public funding of energy efficiency measures for investment in low-income households is imperative in reaching EERS targets if these targets are to be inclusive of all customer sectors. There is a significant need for continuing to ramp up public funding investment in energy efficiency measures, especially for low-income residential ratepayers who will otherwise be left out.

More than 20% of New Hampshire's households are income-eligible for the CORE Home Energy Assistance ("HEA") program.[1] 15.5% of the total funding for CORE is allocated to HEA in the 2015-2016 plan. In 2014 when 15% of the budget was allocated to HEA the electric and gas utilities set a goal of serving 779 households. This goal was exceeded by 173% with the actual total number of customers served in 2014 equaling 1,349 households.[2] Progress is being made at rates exceeding current expectations, but more than 80,000 eligible low-income homes in New Hampshire have not yet participated in the low-income Core energy efficiency program.[3] Many low-income families seeking cost-effective energy conservation improvements to their homes spend years on the wait list before receiving any assistance. More low-income households could and would participate and contribute to achieving EERS targets if they were provided the opportunity to participate in the HEA program.

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[1] See 2013 U.S. Census finding 22% of New Hampshire's population are at or below 200% of the federal poverty guidelines, the threshold for eligibility for the Home Energy Assistance program.
[2] CORE 4th Quarter Report 2014 p. 10
[3] See EESE Board Synthesis of VEIC Report on Low-Income Energy Efficiency, Nov. 30, 2012, p. 6.

4. <u>An EERS That Incentivizes Increased Private Investment Could Be Accompanied by a Parallel Increased Allocation of Public Funding Investment in Low Income Households</u>

Ultimately an EERS should serve all customer sectors by establishing a mandatory state policy of decreasing overall energy usage to the benefit of all ratepayers. As market barriers continue to be reduced for private investment in energy efficiency and private investment grows, more of the ratepayer generated public funding could be allocated towards low-income programs. Utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers. <u>See</u> RSA 374-F:3, X. The low-income HEA program offers a cost-effective opportunity by investing in reducing energy usage in this sizeable customer sector, an opportunity that would otherwise be lost due to the lack of income available to these ratepayers for private investment. <u>See</u> *infra* §3.

Staff's straw proposal correctly recognizes the need to specify targets by customer groups. In light of the high level of unmet demand for low-income energy efficiency measures, as private investment in energy efficiency measures increases in other customer sectors, more public funding could be invested in the income-eligible market to meet increasingly aggressive energy savings targets specific to this customer sector.[4]

5. <u>The Commission Could Consider Raising the Systems Benefit Charge</u>

Staff's straw proposal recognizes that current levels of funding are insufficient to implement the energy savings targeted in the proposed EERS. Raising the SBC could narrow this gap. Staff projections only consider two public funding scenarios: 1) the status quo; or 2) doubling the energy efficiency portion of the SBC rate to $0.0036 kW/h. Staff does not recommend doubling the SBC to close this gap because of doubts as to the

[4] <u>See</u> VEIC Final Report November 15, 2013 § 4.3 p. 24.

political acceptability of doubling the SBC. See Straw Proposal p. 37. The Commission, however, is not restricted by any legal "cap" on the energy efficiency portion of the SBC rate. See RSA 369-B:3, IV(6)(b); see also RSA 38:36.. The Commission may want to consider a less dramatic increase in the SBC rate to try to close the gap in the short term between EERS goals and projected funding needed to meet those goals. Staff projections predict that any increase to rates resulting from ramping up energy efficiency measures will be borne disproportionately by non-participating ratepayers (while participating ratepayers will likely see a decrease in overall cost). One way to offset the impact of higher rates is to ramp up ratepayer participation. Participation will only increase for low-income ratepayers if program funding increases through either raising the SBC or increasing HEA's budget allocation.

The current funding levels only permit approximately 1,000 households per year to participate in the income-eligible HEA program. This is a small fraction of the existing need. Though rates may increase slightly in the short term through an increase to the SBC, the additional funding could allow hundreds or thousands more households to be weatherized that are sorely in need of it while simultaneously helping to achieve the EERS targets set by the Commission.

The staff proposal "to make use of private funding to initially augment, and perhaps *eventually replace*, public funding" is certainly optimistic, but perhaps not realistic when considering that a sizeable customer sector will never be able to utilize private funding to invest in energy efficiency, as no such private funding is likely to ever be available to most ratepayers in the low-income community.

Increasing the energy efficiency SBC presents an equitable opportunity for all customer sectors to share the initial cost of increasing energy efficiency savings across all customer sectors.

Respectfully submitted,
New Hampshire Legal Assistance

4/3/15
Date

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Certification of Service

I certify that on this date an original and six copies of these comments were hand delivered to the Commission, these comments were filed electronically, and copies were sent electronically to the Consumer Advocate and parties on the email list in this docket.

New Hampshire Legal Assistance

4/3/15
Date

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