

April 3, 2015

Debra Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: Docket DE 15-072 Energy Efficiency Investigation Straw Proposal on Energy Efficiency Resource Standard

Dear Executive Director Howland:

We are pleased to present comments on the New Hampshire Public Utilities Commission's (NHPUC) "Energy Efficiency Resource Standard: A Straw Proposal for New Hampshire" on behalf of the New Hampshire Sustainable Energy Association (NHSEA) and Clean Tech Council (CTC), a statewide non-profit, member-based organization that educates New Hampshire (NH) citizens and organizations about sustainable energy and advocates for favorable sustainable energy policies in New Hampshire. NHSEA and its CTC advocacy arm has a diverse membership of renewable energy and energy efficiency businesses and professionals and private citizens.

We would like to focus our comments around six basic points.

1) NHSEA strongly agrees with the NHPUC staff's overall conclusion that "the NHPUC should act promptly to use its existing regulatory powers to establish an EERS." (p.4). This goal is consistent with the PUC's statutory mission to ensure "reliable service at just and reasonable rates" and pursue the best interests of New Hampshire consumers and businesses. As stated in RSA 374-F:1:

"The most compelling reason to restructure the New Hampshire electric utility industry is to reduce costs for all consumers of electricity...[resulting] in a more productive economy by reducing costs to consumers while maintaining safe and reliable electric service with minimum adverse impacts on the environment...Competitive markets should provide electricity suppliers with incentives to operate efficiently and cleanly, open markets for new and improved technologies, provide electricity buyers and sellers with appropriate price signals, and improve public confidence in the electric utility industry."

The evidence clearly demonstrates that establishing an Energy Efficiency Resource Standard (EERS) would reduce costs for all consumers of electricity, result in a more productive economy, reduce adverse impacts on the environment, and open markets for new technologies. An EERS is imperative for achieving more just and reasonable rates and improving reliability. Thus, the NHPUC is not only well-advised to implement an EERS, but may be required to do so under its statutory mission. The staff conclusion here is well-supported and appropriate.

2) NHSEA would stress the proposal's suggestions for timely NHPUC action on a timeline and interim process towards an EERS implementation. PUC staff states that the proposal "...identifies basic issues that should be resolved before full implementation of an EERS" (P.3). On the other hand, the proposal states that a paradigm for success includes supporting "...unilateral action by the NHPUC to move the EERS agenda forward but seek to obtain concurrent legislative approval for the EERS." (P.9). NHSEA would stress the latter, with an emphasis on clarifying that the PUC should move forward promptly even without additional legislative action and should not allow an extended consideration of fine-tuning policy options to unduly delay initial implementation.

As highlighted in the New Hampshire Cleantech Council's (NHCTC) New Hampshire Cleantech Market Report, and as extensively studied by NHPUC staff in the preparation of the straw proposal, a 2013 study performed by the Vermont Energy Investment Corporation found that an Energy Efficiency Resource Standard (EERS) in New Hampshire would add a total of 2,300 jobs and \$160 million in Gross State Product annually by creating savings in energy that would flow through elsewhere in the economy ("Increasing Energy Efficiency in New Hampshire: Realizing Our Potential," Vermont Energy Investment Corporation, November 15, 2013, available online at http://www.nh.gov/oep/resource-library/energy/documents/nh_eers_study2013-11-13.pdf). These represent substantial public benefits that should be achieved as expeditiously as possible, in keeping with NHPUC's mission.

It is also worth thinking about the converse case to achieving these benefits quickly: delays in implementation of an EERS deny these benefits to the public, and would thereby serve to subject New Hampshire's citizens and businesses to higher costs, lower job growth, and smaller economic output.

The perfect can be the enemy of the good. In a rapidly evolving energy sector and overall state economy, it is neither necessary nor even possible to achieve an idealized, fully optimized policy upon initial implementation. Moreover, the history of other landmark energy sector policy in New Hampshire — including the establishment of the Renewable Portfolio Standard, participation in the Regional Greenhouse Gas Initiative, and even the restructuring of the sector itself — shows that the establishment of policy is—the better or worse—nearly always followed by multiple iterations of legislative and administrative fine-tuning and adjustment.

The same approach should be taken here. The NHPUC should exercise all existing legal authority to implement and advance an EERS. Additional guidance and policy-making by the legislature is welcome. However, the legislature has already provided clear overall direction and authority

through RSA 374-F:1, RSA 362:2 and RSA 378:37 through RSA 378:40. The proposal's recommendation is:

"The NHPUC should act promptly to use its existing regulatory powers to establish an EERS. If NHPUC action can be accompanied by a parallel effort to gain legislative support of an EERS as a critical component of State Energy Policy and gain recognition of the principle of 'pursuit of all cost effective energy savings measures,' then this may be optimal."

From this recommendation, NHSEA would emphasize prompt action by the NHPUC, and clarify that while this action *could* be accompanied by a parallel legislative effort, this is neither necessary nor should form the basis for any delay. Indeed, the legislature may benefit from being able to review a functioning EERS after 1-2 years of performance before offering further direction and policy beyond what it has already put in place.

3) NHSEA would like to clarify whether NHPUC staff are recommending setting the targets on all cost effective efficiency measures. Page 15 of the proposal states that an EERS should include "clear and definable, short-term and longer-term, electric and gas energy savings targets; short-term targets should extend for a minimum of two years, and longer-term targets should extend for a minimum of ten years; targets should be statewide and mandated for all utilities under the jurisdiction of the NHPUC; targets should be specified for electricity and gas; targets should be specified by customer groups; clear and definable targets for other thermal fuels in the medium term." It appears that the recommendation is to set targets by fuel type and for different time scales. We agree with NHPUC setting targets by fuel type but would recommend that they are set based on all cost-effective efficiency opportunities within each fuel type.

4) NHSEA strongly agrees with the staff conclusion that an EERS should be flexible and broad. The proposal states on p. 8 that "an EERS should be flexible and robust in order to meet changing demands and technological innovation, perhaps embracing more proactive Building Code compliance, transportation..." On page 25, it further details the benefits of this kind of flexible construct that includes "...changes to building codes and appliance standards, market transformation efforts, behavior-based programs, supply-side efficiency improvements, and CHP or waste-heat recovery applications."

It is clear that emerging best practices from other states include this kind of breadth and flexibility because it promotes greater economic efficiency through market forces that drive the most cost-effective efficiency avenues for consumers.

Some of the mechanisms described on page 25 would also bring additional benefits to the state's economy, businesses, and consumers.

- Adopting more stringent building codes and state appliance standards would align New Hampshire with the increasingly likely change in federal law following US Senate passage of New Hampshire Senator Jeanne Shaheen and Ohio Senator Rob Portman's bill on energy efficiency. This would promote regulatory streamlining and simplicity for New

Hampshire builders and potentially help them to access capital through the Commercial Building Energy Efficiency Financing Initiative under the federal legislation.

- Since the federal legislation also incentivizes federal agencies to install electric and natural gas vehicle charging infrastructure, transportation-related efficiency standards in New Hampshire would also align with ongoing market trends and emerging federal government trends which are showing growing penetration of advanced/alternative fuels vehicles. New Hampshire would thereby be better positioned to realize the benefits of these market forces in the coming years,
- Behavior-based energy efficiency programs seek to change consumer energy-use behavior in order to achieve energy savings would help to better align New Hampshire's daily energy demand curves with the increasing penetration of other advanced/renewable energy technologies that are going to be of growing importance in our generation mix in the near future. For example, Eversource's pilot program with OPower should be applied in other territories and included as real savings opportunities.

5) NHSEA favors positive incentives as well as penalties for meeting utility efficiency targets.

As a general matter, efficiency should be paid for like any resource, and since it is the cheapest resource, utilities should be able to recover system investments through rate adjustments. A proper mix of incentives and penalties for achieving energy efficiency targets is no different than other regional market constructs that aim to improve system reliability and maintain reasonable rates. For example, the Independent System Operator for New England (ISO) recently put in place its new Performance Incentive (PI) program which rewards generators for performance under peak conditions and penalizes them for underperformance. The end result is a market structure that rewards reliability, smoothes cost spikes for consumers, and decreases systemic risk. Viewed in this light, we disagree with the stakeholder comment (p. 58) that penalties lead strictly to risk avoidance. Rather, it is well-established in state and regional energy market constructs that a considered mix of incentives leads to a well-functioning market with desirable outcomes. The NHPUC should continue to view distributed generation and energy efficiency as system resources under the same terms and measures for benefits and costs as traditional central station generation and fashion appropriate rate recovery mechanisms that value these resources appropriately.

6) The Clean Power Plan (CPP) adds to the value and urgency of an EERS. While we agree that there is some uncertainty around the final form of, and potential legal/political challenges to, the CPP, this should not be an impediment to the implementation of a New Hampshire EERS. The impending CPP rather adds to the value and urgency of an EERS. There are several issues to consider in this regard:

- The most likely outcome remains that the CPP will be in place in the coming years in something close to its draft form. The legal basis underlying the EPA's policy is well-established, and there is broad national support for the policy. The state should factor in CPP-compliance in the value of an EERS.
- The state targets outlined in the EPA's CPP proposal allow tremendous state-level flexibility for implementation. While New Hampshire's participation in RGGI may well allow the state to go a long way toward meeting its emission reduction target, it is likely

based the relative cost profile of energy efficiency that incremental efficiency improvements would represent a low, if not the lowest, cost avenue for attaining the remainder.

- Moreover, the same political instability that the NH PUC staff identified as a concern around the CPP also threatens RGGI. An EERS provides a hedge against the risk that compliance through RGGI participation—or even other building blocks like incremental renewables deployment should the state RPS be threatened—is no longer viable.
- Regardless of the final disposition of the CPP, an EERS has clear, demonstrable economic value for ratepayers and reliability.

Sincerely,



Kate Epsen
Executive Director