STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DE 15-137

ELECTRIC AND NATURAL GAS UTILITIES

ENERGY EFFICIENCY RESOURCE STANDARD

REPLY COMMENTS

ON BEHALF OF
THE WAY HOME

March 1, 2016

The Way Home, by counsel New Hampshire Legal Assistance, submits these comments in reply to the direct testimony filed by the Joint Utilities, PUC Staff, and the other Intervenors in this docket. The purpose of these comments is to inform the Public Utilities Commission and all interested parties of Intervenor The Way Home's position on some of the contested issues at stake in this Energy Efficiency Resource Standard ("EERS") proceeding. The Way Home reserves the right to amend its positions as the docket proceeds, but at this time comments as follows:

Guiding Principles:

The joint utilities propose to establish "electric kWh and natural gas MMBtu savings goals with an ultimate savings target of all achievable cost-effective energy efficiency over time."[1] The Way Home agrees that shorter term specific savings goals with an ultimate savings target of all achievable cost-effective energy efficiency is a reasonable starting principle to guide the implementation of programs under an EERS in New Hampshire.

[1] See Joint Pre-filed Testimony of E. Stanley, C. Woods, R. Bisson, and C. Carroll ("Joint Utility Direct Testimony"), December 9, 2015, p. 10.

The Way Home also supports the guiding principle that energy efficiency programs should be available to all customers served by New Hampshire electric and natural gas utilities,[2] including low-income residential ratepayers.

Currently low-income residential ratepayers are eligible to participate in the Home Energy Assistance ("HEA") program which provides energy efficiency improvements to homes through weatherization, lighting, appliance and heating system upgrades. Participation is currently limited by available funding, not by demand. Low income households are only able to participate in the HEA program because there is no direct cost or co-payment required of the participant.[3] This must continue pursuant to the implementation of an EERS as otherwise 1) energy efficiency programs will not be available to all customers (specifically those customers who lack the disposable income to make any co-payment), and 2) the goal of achieving all cost-effective energy efficiency in NH will be undermined by not serving this significant customer sector of potential program participants.

Program Administration:

The Way Home supports the continuation of program administration by the Joint Utilities, at least in the short term.[4] With appropriate performance incentives, rate structures and program oversight in place, the joint utilities should have the incentive and initiative to continue

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[2] Joint Utility Testimony, p. 11 ("Provide a portfolio of cost-effective and comprehensive electric and natural gas programs with a secondary focus on fuel-neutral savings available to all customers served by New Hampshire electric and natural gas utilities")(emphasis added).

[3] "Low-income" for purposes of eligibility for the EAP, fuel assistance, and the HEA is currently defined as at or below 200% of the federal poverty guidelines. For a household of one, 200% of the federal poverty guidelines is $23,450 in annual income. For a household of two, low-income eligibility is capped at a total household annual income of $31,860. Approximately 20% of New Hampshire residents are considered low-income by the 200% of federal poverty guideline standard.

[4] *See* Joint Utility Direct Testimony, p. 12; Staff Revised Direct Testimony of James J. Cunningham Jr., Jay E. Dudley, and Leszek Stachow ("Staff Direct Testimony"), December 11, 2015, p. 100; *see also* Attachment to NHSEA et al EERS filing ("NHSEA Direct Testimony"), December 9, 2015, p. 8 (Utility administration recommended in short term but consideration of third party administration and/or RFP process recommended in the future);.

implementing robust energy efficiency programs effectively in New Hampshire to the mutual benefit of ratepayers, shareholders, and the natural environment of this state.

Program Planning Period:

Multiple filers of direct testimony have proposed that programs under an EERS should change from a two year program planning cycle under CORE to three years under an EERS.[5] The Way Home agrees that a three year planning period is reasonable and could provide program administrators some additional flexibility in meeting aggressive cumulative three year targets. However, program progress should continue to be reviewed on a regular basis, perhaps quarterly as is currently done pursuant to the CORE dockets, as well as annual implementation plans with annual interim nominal targets.

Stakeholder Engagement:

The Way Home agrees with the Staff and Joint Utility direct testimony suggesting the EESE Board could be an appropriate committee to serve as an EERS advisory board due to the diverse viewpoints and varied stakeholders comprising the Board's membership.[6] The only problem is the EESE Board's current statutory authority, as well as the actual influence of this advisory board on energy efficiency programs in the state, is minimal.[7] The EESE board would need to be given some resources and direction to serve as an effective advisory committee. Changes to the statutory authority of the EESE board may be difficult to achieve through legislation, so perhaps the quickest solution could be for the Public Utilities Commission to specifically designate the role / authority of the EESE Board within its order establishing an EERS.

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[5] *See* Staff Direct Testimony, p. 116 ("The three year target is defined, the 10 year target is notional"); Joint Utility Direct Testimony, p. 22-23 (recommendation of aligning program planning with neighboring states and ACEEE analysis framework); NHSEA Direct Testimony, p. 3 (recommending cumulative goal over a three-year term)
[6] *See* Staff Direct Testimony, p. 118; Joint Utility Direct Testimony, p. 26-28.
[7] *See* NHSEA Direct Testimony, p. 8.

Savings Targets:

"All achievable cost-effective energy efficiency" is an ultimate target consistent with New Hampshire law and policy recognizing energy efficiency as a first priority least cost resource.[8] While targets established by the Commission would only apply to regulated utilities, energy savings achieved from unregulated fuels may count towards quantifying the benefits of energy efficiency measures.[9] Shorter term targets of cumulative energy savings targets over a three year period, quantifiable as electric kWh and natural gas MMBtu annual sales reductions based on demonstrated savings potential and supported with commensurate levels of energy efficiency funding made available to the Utilities to accomplish such savings, seems to be appropriate and accepted as the correct measure by the stakeholders involved in this docket.[10]

The various direct testimony filed has some disparate views on what exactly the appropriate targets over the first three years should be. The Way Home does not take a position at this time on which proposal is the most just and reasonable. The Way Home does respectfully suggest that whatever targets are authorized, it is important for the Public Utilities Commission to authorize an increase of public funding that is able to meet such targets without having to change the existing percentage allocations of program resources between customer sectors pursuant to the CORE plan. Without a commensurate increase in funding to accompany more aggressive savings goals, existing programs are put at risk, especially residential programs that are highly beneficial and valuable overall but may have lower comparable returns than other programs on creating electricity savings.

[8] *See e.g.* RSA 378:37
[9] *See e.g.* Order No. 24,794.
[10] *See* NHSEA Direct Testimony, p. 5-6; Joint Utility Direct Testimony, p. 22-23

The Way Home is also concerned with the proposal in Staff's Direct Testimony to include lost revenue recovery as an additional cost in the TRC test.[11] The Way Home is unaware of any other jurisdiction which includes lost revenue as a cost in its TRC test. This additional 'cost' may make it difficult to achieve energy efficiency savings comparable to our neighboring states. Adding this 'cost' to the threshold benefit/cost test could result in the low-income HEA program, and perhaps other energy efficiency programs, being mistakenly labeled cost-ineffective in the future.

Funding and Program Cost Recovery:

The Way Home agrees with the proposal to increase the SBC/LDAC as the principle means of funding program cost recovery.[12] The SBC charge is a non-bypassable volumetric rate which is borne by ratepayers in proportion to each ratepayer's own volumetric usage. Currently the majority of energy efficiency funding is provided by the energy efficiency portion of the Systems Benefit Charge and LDAC[13] and this rate may be changed by the Public Utilities Commission pursuant to existing statutory authority.[14] The Public Utilities Commission's authorization of an increase to the energy efficiency portion of the SBC rate is the easiest and most equitable means of increasing funding to support expanded energy efficiency investments.

The NHSEA *et al* testimony proposes that "each customer class (residential, commercial, and industrial) should contribute to program costs in proportion to spending on programs for those customer classes.... The one exception to this is that, as New Hampshire has done since the inception of its programs, low-income program budgets are allocated first, with the remaining

[11] *See* Staff Direct Testimony, p. 30, 37
[12] *See* Joint Utility Direct Testimony, p. 35.
[13] Id.
[14] RSA 369-B:3, IV(b)(6)(the cap of "$0.003 per kilowatt-hour for 33 months from competition day" has expired)

budgets allocated proportional to remaining customers. This should continue."[15] The Way Home agrees that this method, of first allocating low-income program budgets and then allocating residential and commercial program budgets, should continue.

Testimony from PUC staff and others advocates for expanding the role of private funding of energy efficiency as private markets continue to develop. Where such a market transformation in energy efficiency financing is encouraged and hopefully realized, the Public Utilities Commission could consider maintaining the 15.5% Low Income program allocation in the short-term and increasing this allocation in the future under an EERS. As less public funding is needed to incentivize private financing, more of this public funding can be allocated towards low-income residential ratepayers who lack any realistic opportunity to make such private investments. "Utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers." RSA 374-F:3, X.

Lost Revenue Recovery:

The Way Home understands the Joint Utility testimony as proposing lost revenue recovery to be provided by an increase to the SBC which would vary by each utility company's specific lost revenue directly resulting from energy efficiency savings. This increase to the SBC for lost revenue recovery would be in addition to the uniform SBC charge increase across all ratepayer classes and all utilities on the electric side intended to fund higher levels of program cost recovery. While it is unclear to The Way Home from the initial filing what the utilities propose to be appropriate savings targets and funding levels to achieve such targets, the general parameters of allowing for recovery of lost base revenue associated with higher levels of energy efficiency savings seems reasonable and consistent with the practices of jurisdictions which have successfully implemented an EERS to achieve high levels of energy savings. While lost base

[15] *See* NHSEA Direct Testimony, p. 14

revenue recovery adjustments do not provide any incentive to utility companies to ramp up energy efficiency investments, such an adjustment does serve the function of removing any disincentive to utility support of encouraging sales reductions resulting from energy efficiency programs.

The Way Home agrees with the NHSEA et al testimony that lost net revenue recovery should not be treated as an additional "cost" of energy efficiency programs.[16] It is axiomatic that traditionally utility profits decrease when sales decrease. Utility companies recover much of their fixed costs through distribution revenue. A lost revenue recovery mechanism enables utilities to recover the revenue it would have received but for the decreased revenue resulting from energy efficiency related sales reductions. The Way Home agrees with the NHSEA et al testimony that the most equitable means of the utility recovering lost revenue is through an increase to the volumetric charge, not through increasing the fixed charges on a customer's bill.[17] Increasing fixed charges on bills disproportionately harms low-income ratepayers least able to absorb such a bill hike. Also, increasing fixed charges acts as a disincentive to customer conservation efforts and energy efficiency program participation.

On the gas side, the amount of an LDAC increase needed to accommodate both program cost-recovery and lost base revenue would vary by both utility and customer class. The Way Home suggests that expanded energy efficiency program offerings by natural gas utilities and any approved lost revenue adjustment should be funded through the volumetric LDAC charge and not through any increase to fixed charges on gas bills.

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[16] *See* NHSEA Direct Testimony, p. 14.
[17] *See* NHSEA Direct Testimony, p. 15

The Way Home supports implementation of a lost revenue adjustment mechanism in the short term as this appears to be the quickest and least controversial means of expanding energy efficiency efforts in New Hampshire. The Way Home refrains from comment on the merits of a more comprehensive decoupling rate structure proposal unless/until such a proposal is submitted in the future (e.g. revenue adjustment mechanism accounting for all sales fluctuations, not just those directly attributable to Energy Efficiency investments). However, any revenue adjustment mechanism or decoupling may cause a shift in the allocation of risk away from the utility to the ratepayer, which may warrant a reconsideration of the allowed return to utilities in the form of performance incentives, especially if a full decoupling proposal is mandated or approved.[18]

Performance Incentives:

The Way Home generally supports continuing the practice of providing the utilities / program administrators performance incentives ("PI") in the transition from programs under CORE to EERS. So long as investor-owned utility companies remain the administrators of these state-wide energy efficiency programs, these performance incentives provide profits comparable to returns on utility supply side investments. Having reasonable performance incentives available to utilities is consistent with the policy of treating energy efficiency as a resource in New Hampshire pursuant to an EERS.

Should the Commission approve or mandate a revenue decoupling mechanism, then the Commission may want to consider reducing the cap on PI due to the smaller risk associated with energy efficiency investments when utility companies are guaranteed specified revenues.

Evaluation, Measurement and Verification:

The Way Home generally concurs with direct testimony of the various parties which stress the importance of accurate evaluation, measurement, and verification ("EM&V") in the

[18] NHPUC Order No. 24,934 (January 16, 2009), p. 21-22

successful implementation of an EERS. One measurement consideration specific to low-income residential ratepayers is the precedent that Low-Income programs may fall below a benefit cost ratio of 1.0 under the Total Resource Cost ("TRC") test and still be approved by the Commission. *See* Staff Direct Testimony p. 17, citing Order No. 24,934. The Commission may want to consider quantifying additional non-energy benefits or societal benefits derived from low-income efficiency programs which are currently not accounted for under the TRC test. While energy savings benefits may fully cover the costs of the HEA program, there may also be significant health and societal benefits which remain unaccounted for and unrewarded. A New Zealand study evaluating a 2008 initiative to improve the energy efficiency of all low-income households in the country found in the first year:

- a 43% reduction in hospital admissions due to respiratory ailments,
- a 39 % reduction in days lost at work, and
- a 23 % reduction in days lost at school. [19]

To our knowledge, no similar studies have been conducted in New Hampshire as of the present date. In the absence of specific studies, at least one other jurisdiction, Vermont, decided to use a 15% adder for difficult to quantify non-energy benefits including greater comfort, improved health, enhanced productivity and other societal benefits.[20] Idaho has similarly approved utilities' optional use of a 10% conservation preference adder for their low-income weatherization programs, as well as a dollar-for-dollar valuation of cost versus benefit for health,

[19] *See* Lazar, Kim and Colburn, Ken, "Recognizing the Full Value of Energy Efficiency" p. 47 (September 2013)(citing Barnard et al. (2011), "The impact of retrofitted insulation and new heaters on health services utilisation and costs, pharmaceutical costs and mortality: Evaluation of Warm Up New Zealand: Heat Smart." Available at: http://www.healthyhousing.org.nz/research/currentresearch/evaluation-of-warm-up-new-zealand-heat-smart/.)
[20] Id., p. 24.

safety, and repair measures installed.[21] Such an adder may be an appropriate enhancement to the existing measurements of energy efficiency benefits of low-income programs as New Hampshire transitions to efficiency programs under an EERS framework.[22]

Conclusion:

The establishment of an EERS presents New Hampshire with the opportunity to expand energy efficiency programs in a way which can mutually benefit ratepayers, utility companies, and the environment. In sum, The Way Home supports the establishment of an EERS which will expand access to energy efficiency programs for all New Hampshire ratepayers, especially those facing the most persistent market barriers to participation.

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[21] Idaho PUC Case No. GNR-E-12-01, Order No. 32788 (April 12, 2013) available at http://www.puc.idaho.gov/fileroom/cases/elec/GNR/GNRE1201/ordnotc/20130412FINAL_ORDER_NO_32788.PDF

[22] Please note that The Way Home has not conducted an exhaustive study of how benefits of low-income energy efficiency programs are quantified throughout the country and offers Vermont and Idaho simply as examples of jurisdictions located which have authorized accounting for non-energy benefits through use of an adder in analyzing cost-effectiveness of their low-income programs.