STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

REBUTTAL TESTIMONY OF

ELLEN HAWES

ON BEHALF OF ACADIA CENTER

DOCKET NO. DE 15-137

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I. INTRODUCTION

Q. Please state your name, business address and position.

A. My name is Ellen Hawes. I am a Senior Policy Analyst at Acadia Center. My office is located at 47 Blood Hill Rd., Norwich, Vermont 05055. Tel. (802) 649-1140.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. I offer this testimony in response to the Energy Efficiency Resource Standard (EERS) proposed by Staff Witnesses James J. Cunningham Jr. Jay E. Dudley and Leszek Stachow. My testimony today responds to select points where Acadia Center disagrees with the EERS proposed by Staff. Also, in support of the Staff proposal to transition to a decoupling mechanism, the testimony refers to the calculation of the revenue adjustments for a decoupling mechanism versus a lost base revenue (LBR) provided by the Joint Utilities.

III. RESPONSE TO STAFF'S PROPOSED RATE EERS

Q. Please explain Acadia Center's response to the EERS proposed by Staff.

A. There are many areas of agreement between the Acadia Center and the PUC Staff. For example, Acadia Center supports the strengthening of the Energy Efficiency and Sustainable Energy Board through the budget for a facilitator and the hiring of independent consultants, as well as the recommendation for independent consultants to conduct EM&V.

The significant area of disagreement as it pertains to the EERS is whether it should include a Lost Revenue Adjustment Mechanism (LRAM), and how this should be calculated, as well as the size of the recommended Performance Incentive (PI).

Q. Please summarize those areas of disagreements.

A. The area of disagreement are as follows:

(1) Retirement Adjustment

The model used by staff in their testimony assumes "that as older energy efficiency installations reach the end of their useful lives, the associated savings come to an end. As a result, all other variables unchanged, the utilities revenues will increase and LR will decrease". There are several reasons why this adjustment is unnecessary. First, regular rate cases would eliminate the need for this long-term adjustment. Second, the utilities are only proposing to recoup lost revenue going forward, and therefore are not recouping revenue from efficiency measures installed before the implementation of the EERS. Third, utility revenue will likely not increase as expired appliances, lighting, etc. will not be replaced with more inefficient versions due to increased baseline efficiency over time, and current revenue projections account for this. For example, high efficiency light bulbs that were installed five years ago and reach the end of their useful life today cannot be replaced with the no longer legal inefficient bulbs they originally displaced.

(2) Fuel Switching/Conversion Adjustment

In their testimony, Staff states "This adjustment reduces targeted savings for years 2017 and beyond, and thus reduces LR accordingly. In a significant number of gas heating and hot water installations, it appears that customers convert/switch from oil to gas; thus, gas sales volumes increase." A downward adjustment for efficiency installations for new customers would penalize gas utilities for promoting more efficient boilers. While overall sales are increasing, they are increasing less than they would without efficiency measures.

(2) Performance Incentives (PI)

The Staff proposed a 10% PI for both electric and gas utilities. Performance incentives for neighboring states range from 2 to 8%. The current PI rates in New Hampshire (12% for gas utilities, 10% for electric utilities) were approved in the absence of a revenue recovery mechanism. If a revenue recovery or decoupling mechanism were approved, a PI more in line with neighboring states would be appropriate.

Table 1. Performance Incentives in the Northeast

State	Performance Incentive[1]
Massachusetts	5%
Connecticut	2-8%
Rhode Island	5% (target base incentive)
Vermont	4%

Q. Why does Acadia Center support a transition to a full decoupling mechanism?

In order to compensate the utilities for lost revenues associated with energy efficiency,

The Staff in its proposal, recommends the adoption of a lost revenue recovery mechanism for an initial three-year period, to be replaced by a decoupling mechanism in the future. Acadia Center believes that explicit support for a transition to decoupling in the EERS is necessary. .

Decoupling removes the utility disincentive to promote efficiency, and furthermore, is not a one-way revenue mechanism the way the Staff-proposed LRAM would be. In response to Acadia Center's data request (TS 1-002), the Joint Utilities provided an illustrative example of how a decoupling scenario would work in comparison to their lost base revenue scenario. While the LBR paid $5 million in each case, with the hypothetical decoupling mechanism, the utilities either refunded ratepayers $10.15 million, were provided an additional $10.15 million, or no additional revenue was supplied when sales were flat. Only the decoupling mechanism reduces the utility incentive to increase throughput.

Q. Is the description of the role the EESE board will play as an advisory board adequate?

[1] * Percentages given in the 2015 ACEEE State Energy Efficiency Scorecard, except for VT, based on an estimate from the 2015-2017 Triennial Plan

A. Acadia Center supports the designation of the EESE Board as the Permanent EERS Advisory Council and the authorization funding for technical resources. Staff testimony describes the role of the Advisory Council as follows, "The Permanent EERS Advisory Council would have as a primary role the development of a consensus between stakeholders around a specific set of energy efficiency issues related to the EERS. Staff recommends that to facilitate the work of the Permanent EERS Advisory Council, an independent facilitator be appointed to manage the agenda, moderate discussions and motivate consensus." The Joint Utilities in their testimony Joint Pre-filed Direct Testimony of Eric M. Stanley, Carol M. Woods, Rhonda J. Bisson and Cindy L. Carroll state, "A new process could be implemented in New Hampshire, which could include the preparation of a Draft Energy Efficiency Plan for EESE Board review several months before a Final Energy Efficiency Plan would be filed with the Commission for approval. The EESE Board could provide comments directly to the utilities and/or could submit comments to the Commission as part of the normal adjudicative regulatory process. This new process would provide the utilities, stakeholders and the Commission's Staff with an opportunity to review and discuss a draft plan in a collaborative, non-adjudicative setting well in advance of the filing of the final plan with the Commission. The utilities expect any comments submitted to the Commission on behalf of the EESE Board would be duly considered by the Commission during the formal adjudicative regulatory proceeding." Staff should clarify what timeline they consider to be adequate for review. In other states in the Northeast, stakeholder boards spend 6 months or more in a collaborative plan development process with the utilities.

Q. Please summarize your testimony.

A. Acadia Center believes that the Staff should support a transition to decoupling for the utilities in their next rate case. The LRAM should only be in place for the first triennial period. The downward adjustments for efficiency measure retirements and fuel conversion in the Staff's LRAM calculation should be eliminated. However, this should be paired with a decrease in the 10% performance incentive.

Q. Does this conclude your testimony?

A. Yes.