



February 21, 2013

The Honorable Russell Prescott, Chairman  
Senate Energy and Natural Resources Committee  
Legislative Office Building, Room 102  
Concord, NH 03301

**Comments of Natalie Hildt, Manager of Public Policy Outreach  
Northeast Energy Efficiency Partnerships (NEEP)  
Regarding New Hampshire Senate Bill 65**

On behalf of Northeast Energy Efficiency Partnerships (NEEP), I am pleased to submit comments regarding SB 65, “An Act relative to energy efficiency plans of gas and electric distribution companies.”<sup>1</sup> NEEP is a regional non-profit that works to accelerate energy efficiency in homes, buildings and industry across the Northeast and Mid-Atlantic states. Our Policy Outreach and Analysis group serves as an information resource for policymakers, advocates and program administrators to support the adoption and implementation of public policies and programs that advance energy efficiency.

**INTRODUCTION**

Senate Bill 65 is about more than energy efficiency, which has the potential to save millions of dollars that are otherwise being wasted in New Hampshire’s homes and businesses. It is about the fact that **New Hampshire is being left behind** as other states in the region are transitioning to a cleaner, more affordable and more sustainable energy future by capturing cost-effective efficiency opportunities.<sup>2</sup>

The November 2012 Energy Efficiency and Sustainable Energy (ESSE) Board Report on the New Hampshire Independent Energy Study stated this most effectively by noting:

*“As a result of its fragmented policy landscape and the more favorable regulatory climate in nearby states, New Hampshire risks continuing to cede significant economic development, job creation, innovation and cost saving opportunities to its neighbors.”<sup>3</sup>*

**Nine neighboring states have a policy framework** that involves pursuing as much energy efficiency as possible to meet customer demand, generally at a cost that is one-third that of new power supply. New Hampshire, meanwhile, has good, but far too modest energy savings plans in terms of what is possible, and cost-effective.

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<sup>1</sup> These comments are offered by NEEP staff and do not necessarily represent the view of NEEP’s Board of Directors, sponsors or underwriters.

<sup>2</sup> For more data, analysis, and description of best-practices, see NEEP’s 2012 Regional Roundup of Energy Efficiency Policy: <http://neep.org/public-policy/policy-outreach-and-analysis/2012-regional-roundup>

<sup>3</sup> View the report at: <http://www.puc.nh.gov/EESE%20Board/Annual%20Reports/VEIC%20-%20EESE%20Board%20Report%20-%20FINAL%20FULL%20113012.pdf>

These leading states have found that it is technically achievable and economically feasible to triple or even quadruple the amount invested in energy efficiency programs as a means of meeting demand. Furthermore, evaluations and analyses of their efficiency programs bear out the fact that their investments result in deep energy savings that translate into hundreds of millions of dollars in economic benefit to the residents and businesses of those states.<sup>4</sup>

### ***ENERGY EFFICIENCY AS A RESOURCE***

Choosing energy efficiency is not an “added cost” to ratepayers. **It is about supplanting expensive new generation resources with a cheaper, cleaner alternative – not on top of, but in place of traditional supply-side options.** And the benefits are enormous.

Each year, the international consultancy Lazard releases an analysis of the levelized cost of various energy resources. Again in 2012, the analysis shows that far and away, the least expensive energy resource from among both traditional and alternative energy resources is energy efficiency.<sup>5</sup>

In states that have implemented aggressive efficiency strategies, they are seeing continued strong paybacks. For example, Rhode Island’s new 2013 plans – which include an electric efficiency program budget of \$77.5 million and a gas efficiency budget of \$18.3 million – shows a benefit-cost ratio of 2.42 for the electric programs and 2.30 for the gas programs.<sup>6</sup>

### ***INVESTING IN EFFICIENCY LOWERS COSTS FOR ALL***

Electric energy efficiency investments benefit program participants and non-participants alike. The so-called Demand Reduction Induced Price Effect or “DRIPE” has proven to drive down wholesale energy costs for *all* ratepayers.<sup>7</sup> According to the regional grid operator ISO-New England, the nearly \$6 billion in planned investments in energy efficiency will significantly curb peak demand and keep electric load growth flat through 2021.

These reductions have already resulted in \$260 million savings from deferred transmission upgrades across the region. But not all states will benefit equally. At current investment levels in efficiency, New Hampshire’s consumption, and its costs, will continue to increase (see graphs below), while costs in Maine, Massachusetts, Vermont, Connecticut and Rhode Island will decrease, thanks to their public policy commitments to energy efficiency.<sup>8</sup>

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<sup>4</sup> See “Additional Opportunities for Energy Efficiency in New Hampshire,” or NEEP’s Regional Energy Efficiency Potential Study: <http://neep.org/public-policy/1/78/Policy-Outreach-Analysis>

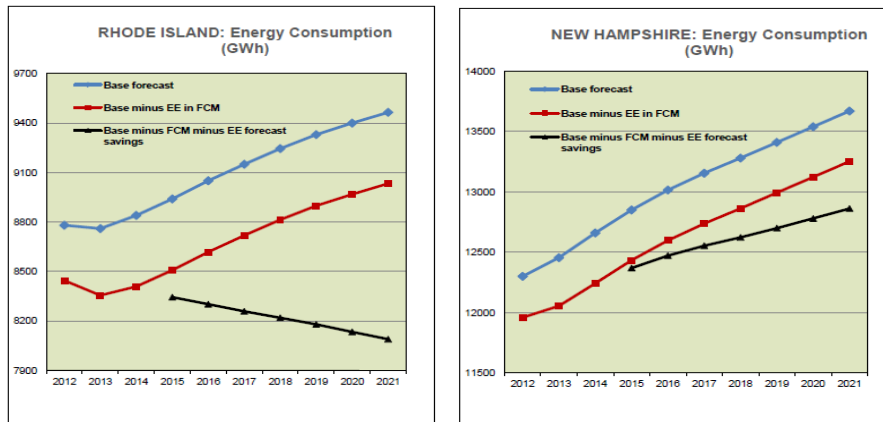
<sup>5</sup> <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/PAC/2012/20121221/20121221%20PAC%20Supplemental%20Levelized%20Cost%20of%20Energy%20Analysis.pdf>

<sup>6</sup> See the plan: [http://www.nationalgridus.com/non\\_html/eer/ri/2013%20EPP%20Final%20w%20Rev%20Att%205%2020121204.pdf](http://www.nationalgridus.com/non_html/eer/ri/2013%20EPP%20Final%20w%20Rev%20Att%205%2020121204.pdf)

<sup>7</sup> See the 2011 report “Avoided Energy Supply Cost in New England,” <http://www.ma-eaac.org/docs/PAcites/AESC%202011%20Final%20-amended%208-11-11%20-Synapse.pdf>

<sup>8</sup> ISO New-England, “ISO on Background: Energy-Efficiency Forecast,” December 14, 2012: [http://www.iso-ne.com/nwss/pr/2012/ee\\_forecast\\_final\\_12122012\\_post.pdf](http://www.iso-ne.com/nwss/pr/2012/ee_forecast_final_12122012_post.pdf)

### From the ISO New-England 2012 Energy-Efficiency Forecast

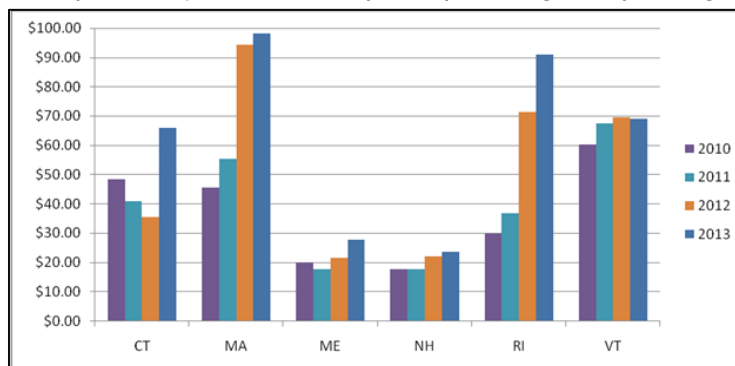


### LACK OF A POLICY HINDERS PROGRESS

The greatest obstacle to capturing efficiency as a first-order resource is not technical potential or regulatory constraint, but the lack of a policy framework. It has been proven possible to make utility companies whole through adjusted rate structures that ensure cost recovery with robust efficiency programs. Such “true-ups” can ensure that utilities remain profitable, whether or not they still own some generation, such as the case with Public Service of New Hampshire.

Historically, New Hampshire has the lowest per capita investment level of any New England state – around a third or less of leading states like Rhode Island, Massachusetts, Vermont and now Connecticut. That in turn means that New Hampshire is spending more on electric and gas costs than need be.

**State Spending on Energy Efficiency**  
*Comparison of 2010 to 2013 per Capita Program Spending<sup>9</sup>*



<sup>9</sup> Expenditures include all electric and natural gas ratepayer funding and funding from RGGI and wholesale markets like the Forward Capacity Market. It does not include federal funding from the American Recovery and Reinvestment Act (ARRA) and the Weatherization Assistance Program (WAP) or any customer contributions. Data is taken from state annual efficiency reports available through the [NEEP website](http://www.neep.org). 2010 & 2011 are year-end reported data while 2012 and 2013 expenditures are forecasted data that are subject to change.

### ***THIS BILL IS ABOUT JOB CREATION***

As just one example, Massachusetts, with its consistently strong and supportive policies and program funding for efficiency and renewable energy, saw **11 percent job growth** in the clean energy sector last year over 2011.



One company that effectively illustrates the job creation benefits of energy efficiency policy is Conservation Services Group, a nonprofit energy efficiency implementer based in Massachusetts with a particular focus on residential retrofits.

Since the Green Communities Act was passed in 2008 in that state and established an all cost-effective policy, **CSG has added over 250 direct jobs in Massachusetts**, bringing its statewide total to 450 employees. This figure doesn't include the 600 sub-contractors to the program. Those numbers represents work that can't be out-sourced, helps contribute to local economies and improves levels of disposable income and business operating margins.

Today, CSG conducts nearly a half million home energy assessments annually for utilities and energy efficiency organizations in 22 states nationwide. CSG's growth is emblematic of what can happen when a state defines an aggressive energy efficiency policy. It provides the confidence businesses need to invest in new technology, staff and training.

While building a traditional power plant or transmission project provides a short-term boost in jobs, energy efficiency is like a power plant itself – one that doesn't rely on imported fossil fuels, but one that harnesses New Hampshire ingenuity and creates good local jobs.

**Energy efficiency leverages skills that are abundant in New Hampshire.** This burgeoning field includes employment for electricians and carpenters; heating and cooling contractors and insulation workers; civil engineers, building inspectors, accountants, attorneys, customer service representatives and software engineers.

But in a broader economic sense, energy efficiency also frees up financial resources that can be used to bolster productivity and provide further opportunities for job creation. So there is a direct and an indirect job creation effect.

One recent study conducted in Vermont shows that total job benefits of energy efficiency investment is about 43 job-years per million dollars.<sup>10</sup> For more on the job creation effect, I refer the committee to a fact sheet from the American Council on Energy Efficiency entitled "How Does Energy Efficiency Create Jobs?"<sup>11</sup> The sheet is included with my comments.

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<sup>10</sup> A job-year is one job that lasts one year. See the 2011 Report on the Economic Impacts of Energy Efficiency Investments in Vermont: [http://legislature.idaho.gov/sessioninfo/2011/interim/energy\\_public\\_optimal.pdf](http://legislature.idaho.gov/sessioninfo/2011/interim/energy_public_optimal.pdf).

<sup>11</sup> See <http://aceee.org/files/pdf/fact-sheet/ee-job-creation.pdf>

### ***EXPERTS AGREE, IT'S TIME FOR ACTION***

The #1 policy recommendation for New Hampshire to come out of the Independent Energy Policy Study was to “enact a single, comprehensive energy policy statement that provides a clear policy direction for both energy efficiency and sustainable energy in the future.”

This bill is about keeping more of New Hampshire energy dollars in-state, helping to control energy costs and protecting the state’s natural resources for future generations. As New Hampshire Charitable Foundation President and former EESE Board Chairman Dick Ober said in his remarks at the recent ‘Green Eggs and Ham’ breakfast: “*This is the year to pass a comprehensive (energy) plan and a policy. This is our opportunity to leave a legacy.*”

Now the work is up to the Senate and the House to pass this bill. You have the power to decide which energy resource New Hampshire’s residents and businesses will have access to. **Will it continue to be the older, dirtier and more expensive energy of the past? Or the clean, cheap and economically-beneficial clean energy of the future?** The latter has been embraced by all of your fellow New England states, as well as many others around the country. And they are reaping the rewards of such a strategy.

### ***ROOM FOR IMPROVEMENT***

This legislation could still benefit from adjustments, and we agree with its sponsor, Senator Fuller Clark, who has offered to work together with all parties who are interested in improving SB 65. For example, the legislature may decide that it should spell out duties and authority for the Public Utilities Commission to develop a sound framework to determine cost-effectiveness.

We strongly believe that expanding the role of the EESE board to be a true stakeholder advisory board (as is the case in leading states) to inform and help coordinate plan development, along with expert technical support, will improve the CORE efficiency program process.

One thing this bill must do is to ensure that the efficiency program plans and budgets are developed in a way that aligns the interests of the utilities and the New Hampshire Electric Co-op to offer excellent and innovative efficiency solutions for customers, while advancing the state’s broader policy goals and ensuring corporate profitability.

NEEP stands ready to work with the state, utilities and other interested parties to maximize the potential of efficiency to deliver economic, environmental and broader public benefits. Again, we thank the committee again for the opportunity to provide comment on this important legislation.

Natalie Hildt  
Manager of Public Policy Outreach  
Northeast Energy Efficiency Partnerships  
781-860-9177 ext. 121 or [nhildt@neep.org](mailto:nhildt@neep.org)