Comments of Northeast Energy Efficiency Partnerships (NEEP)
Regarding New Hampshire House Bill 1129
Senate Committee on Energy & Natural Resources

April 22, 2014

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

Dear Chairman Prescott and members of the Committee:

On behalf of Northeast Energy Efficiency Partnerships (NEEP), I am pleased to submit comments in support of HB 1129, "An Act directing the development of an energy efficiency implementation plan.[1] As I write to you on this Earth Day, I would like to emphasize the multiple economic, public health, and environmental benefits that New Hampshire stands to reap as the legislature works to advance cost-effective efficiency, as this bill seeks to do. This is a bill that will help strengthen the state's future, by putting in place a stakeholder process to create a common-sense plan to reduce wasted energy.

By way of background, 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

NEEP has long encouraged New Hampshire to take concrete steps toward creating policies that will enable the state's businesses, communities, and residents to do far more to harness the power of cost-effective energy efficiency. We see HB 1129 as an important step forward along this path.

NEEP supports the development of an Energy Efficiency Implementation Plan, and applaud the legislature's foresight and coordination with various stakeholders across government agencies to ensure that recent and parallel work efforts are complementary and synergistic. We support the goals of the stakeholder process laid forth in the bill, and the results-oriented requirement that a final recommendations report be delivered by November of this year.

[1] These comments are offered by NEEP staff and do not necessarily represent the view of NEEP's Board of Directors, sponsors or underwriters. Bill: http://www.gencourt.state.nh.us/legislation/2014/HB1129.pdf

We note that numerous studies and stakeholder processes have already been completed or are underway, and the intent of this bill should be to streamline and leverage existing work, and maximize the efforts of state agencies already involved in coordinating the studying and implementation of efficiency. What this bill can and should do is to serve as a platform to engage key legislators, form consensus and align interests to develop a path forward.

In addition, we appreciate the bill's emphasis on leveraging building energy codes and improving training and compliance efforts and the renewed emphasis on state "leading by example" by making concerted efforts to improve building and fleet efficiency. These are key areas where states can excel at streamlining regulation and reduce taxpayer burden on wasted energy.

ENERGY EFFICIENCY AS A RESOURCE

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.[2] New Hampshire, meanwhile, has good, but far too modest energy savings plans in terms of what is possible, and cost-effective.

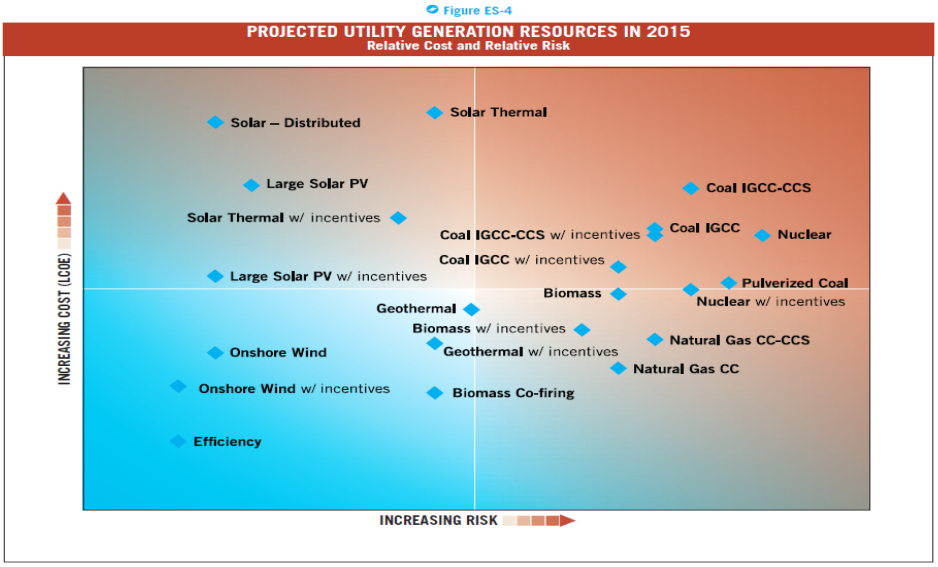
These leading states have found that it is technically achievable and economically feasible to triple or even quadruple the amount invested in energy efficiency programs as a means of meeting demand. Furthermore, evaluations and analyses of their efficiency programs bear out the fact that their investments result in deep energy savings that translate into hundreds of millions of dollars in economic benefit to the residents and businesses of those states. As the bill notes, numerous recent studies have pointed to the need for a comprehensive policy to enable the state to do more with efficiency as a first-order, least-cost energy resource.

Choosing energy efficiency 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. In states that have implemented aggressive efficiency strategies, they are seeing continued strong paybacks. For example, Rhode Island's 2013 plans — which included 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.[3]

[2] These states include Connecticut, Delaware, Maine, Maryland, Massachusetts, New York, Pennsylvania, Rhode Island and Vermont. For an illustrative map, see Vermont Energy Investment Corporation, "Increasing Energy Efficiency in New Hampshire: Realizing Our Potential," November 15, 2013, p. 27, http://www.nh.gov/oep/resource-library/energy/documents/nh_eers_study2013-11-13.pdf.

[3] See the plan: http://www.nationalgridus.com/non_html/eer/ri/2013%20EEPP%20Final%20w%20Rev%20Att%205%2020121204.pdf

Energy Efficiency: Least Cost, Lowest Risk[4]



INVESTING IN EFFICIENCY LOWERS COSTS FOR ALL

Electric energy efficiency investments benefit program participants and non-participants alike. Energy efficiency programs reduce the quantity of demand in wholesale energy and capacity markets, which reduces the prices for energy and capacity in those markets. This reduction in energy costs, known as the Demand Reduction Induced Price Effect or "DRIPE," benefits all customers whether or not they participate in an efficiency program.[5]

Additionally, according to the regional grid operator ISO-New England, the $800 million in planned energy efficiency investments in our region will significantly curb peak demand and keep electric load growth flat through 2023.[6] These reductions have contributed to $420 million savings from deferred transmission upgrades, which accrue to all customers.[7] But ISO-NE's Energy Efficiency Forecast shows that not all states will benefit equally. The forecast finds that states that plan to aggressively pursue energy efficiency, like Maine, will see their electricity loads fall significantly, while states with lower levels of investment, like New Hampshire, will see their energy load continue to rise.[8]

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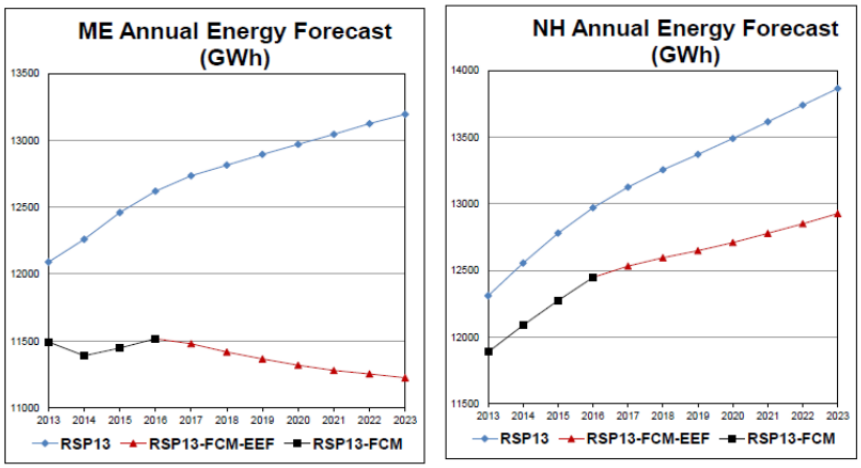
[4] Ron Binz, et al., CERES, "Risk Aware, Utility Regulation," April 2012, http://www.ceres.org/resources/reports/practicing-risk-aware-electricity-regulation.

[5] See the 2011 report "Avoided Energy Supply Cost in New England," p. 6-30, http://www.synapse-energy.com/Downloads/SynapseReport.2011-07.AESC.AESC-Study-2011.11-014.pdf

[6] ISO-New England, "2013 Regional System Plan: Executive Summary," February 25, 2014, p. 3, http://www.iso-ne.com/trans/rsp/2013/2013_rsp.pdf.

[8] Eric Wilkinson, ISO-New England, Presentation to the New Hampshire Energy Efficiency and Sustainable Energy (EESE) Board, "Energy Efficiency Forecast," February 21, 2014, slide 23. Note that energy efficiency resources to have resulted in at least $260 million in deferred transmission in New Hampshire and Vermont, which along with other resources and transmission resulted in a total of $420 million in deferred projects.

From the ISO New-England 2013 Energy-Efficiency Forecast



LACK OF A POLICY HINDERS PROGRESS

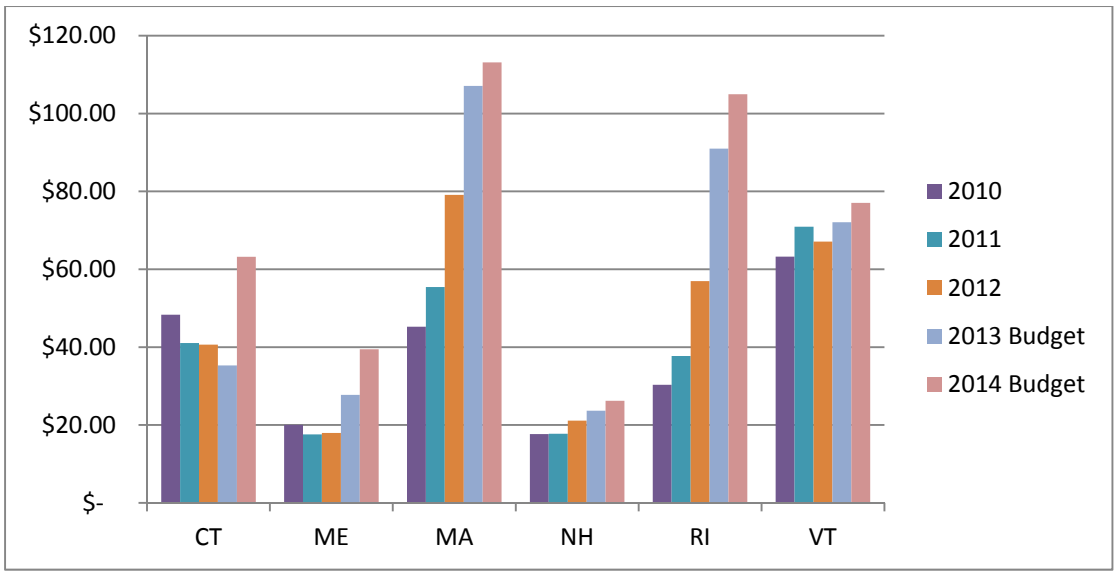
The greatest obstacle to capturing efficiency as a first-order resource is not technical potential or regulatory constraint, but the lack of a policy framework. It has been proven possible to make utility companies whole through adjusted rate structures that ensure cost recovery with robust efficiency programs. Such "true-ups" can ensure that utilities remain profitable, whether or not they still own generation assets, 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. Maine has also committed to increase its energy efficiency investments this year.[9] Absent a policy framework that endorses greater investments in energy efficiency, New Hampshire ratepayers may be left spending more on electricity and natural gas that need be.

[9] Maine Omnibus Energy Bill, "An Act to Reduce Energy Costs, Increase Energy Efficiency, Promote Electric System Reliability and Protect the Environment," LD 1559. For a summary of the energy efficiency provisions, see Environment Northeast, "Maine Passes Omnibus Energy Bill," p. 1, http://www.env-ne.org/public/resources/ENEOmnibusbillsummary_06272013F.pdf.

State Energy Efficiency Investments

Comparison of 2010 to 2014 per capita Program Spending[10]



In summary, we urge the Senate Committee on Energy and Natural Resources to report favorably on this bill to move the state forward on energy efficiency. We hope that the full House and Senate will likewise support this common-sense bill, and continue building on the progress New Hampshire has made towards doing more with less — through efficiency! 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 for the opportunity to provide comment on this important legislation.

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[10] 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 REED database. 2010 through 2012 is year-end reported data while 2013 and 2014 are budgeted figures that are subject to change.