



Letter of Support of the Energy Efficiency Board for the 2016-2018 Conservation and Load Management Plan

October 14, 2015

The Energy Efficiency Board (“EEB” or “Board”) broadly supports the 2016-2018 Conservation and Load Management Plan (“2016-2018 Plan”) filed with the Department of Energy and Environmental Protection (“DEEP”) on October 1, 2015. The Board voted in favor of the proposed Plan at its September 24, 2015 meeting, with the exception of the performance management incentive level, as noted below. The 2016-2018 Plan was prepared by the Connecticut Light and Power Company (“CL&P”) doing business as Eversource Energy (“Eversource”), the United Illuminating Company (“UI”), the Connecticut Natural Gas Corporation (“CNG”), the Southern Connecticut Gas Company (“SCG”), and the Yankee Gas Services Company (“YGS”) doing business as Eversource Energy (collectively “the Companies”) with input from and review by the Board. The Board appreciates the efforts of the Companies to develop the 2016-2018 Plan, which includes valuable program enhancements and a commitment to achieve higher savings for Connecticut’s customers.

The implementation of the 2016-2018 Plan will provide increased energy savings and other benefits for Connecticut’s residents and businesses, while also contributing to the achievement of state policies including the Comprehensive Energy Strategy. Specifically, the 2016-2018 Conservation and Load Management (“C&LM”) programs will provide over \$2.1 billion in benefits over the lives of the measures, and the peak demand savings will be equivalent to a 262 MW power plant. The energy savings will be achieved at costs of about 4.5 cents per kWh of lifetime electric savings and less than 50 cents per therm of lifetime natural gas savings – far less than the costs of other energy resources to meet customer needs.

The Board provided input to, reviewed, and commented on the 2016-2018 Plan consistent with its statutory responsibility to provide advice to the Companies in developing comprehensive and cost-effective C&LM programs for customers. In developing and reviewing the 2016-2018 Plan, the Board, including through its Residential, Commercial & Industrial, Marketing, and Evaluation Committees, collaborated extensively with the Companies, DEEP, the Connecticut Green Bank, program vendors and partners, and other stakeholders. The Board also considered extensive public input and comments.

The priorities in Chapter One of the Plan comprehensively describe the key strategies and activities necessary to achieve the Plan goals and Connecticut’s energy policy objectives. As noted in the Plan, the execution of these priorities will allow Connecticut to deliver benefits to customers and demonstrate the commitment of the C&LM programs to continuous improvement through 2018 and beyond.

The Board would appreciate the timely review and approval of the 2016-2018 Plan by DEEP, and the Board is available to assist in addressing any questions from DEEP. The Board also provides the following highlights regarding several topics addressed in the 2016-2018 Plan for consideration by DEEP.

Emphasizing Savings and Benefits for Customers. During the planning process the Board and the Companies focused on achieving more savings for customers by stretching the available funding and making some challenging budget allocation decisions. The Board understands the high customer demand for the C&LM programs, which the Board perceives as very positive, and the associated realities

of the pressure on program budgets limiting the savings that can be achieved. In planning the 2016-2018 budget the Companies and the Board made some hard choices to reallocate some funding from “other” and “education” categories to program budgets in order to increase the funding available for programs that will provide direct savings for customers. Throughout the 2016-2018 period the Board expects that the Companies will continue to explore ways to increase savings and benefits for Connecticut consumers and businesses while responding to customer demand and mitigating any challenging program budget impacts.

Program Enhancements. The 2016-2018 Plan proposes specific changes and enhancements designed to provide high-quality services and solutions for customers while responding to strong customer demand for the programs. The Plan emphasizes a commitment to high-quality program performance to achieve savings and benefits for customers, comprehensive customer energy solutions and whole building approaches focused on meeting customer needs, Energize Connecticut marketing/outreach and web-based customer engagement to reach customers with tailored information and services, and targeted program offerings to help mitigate the effects of high energy prices on customers during periods of high demand. The Board recommends that adequate resources (C&LM funding and personnel) be focused on supporting the timely development and adoption of the program enhancements in the Plan.

Financing Offerings and Coordination with the Connecticut Green Bank. As explained in the Plan, the C&LM programs will continue to leverage financing options to help bring additional resources to customers. The Board has worked closely with the Connecticut Green Bank (“CGB”), the Companies, and DEEP through the EEB-CGB Joint Committee and working groups to better coordinate program priorities and activities to benefit Connecticut’s households and businesses. As a result, the Energy Efficiency Board and the Connecticut Green Bank have a shared goal to implement state energy policy to achieve all cost-effective energy efficiency throughout all market segments and populations of Connecticut with continuous innovation toward greater leveraging of customer funds and a uniformly positive customer experience. Under the 2016-2018 Plan and the EEB-CGB joint priorities, the EEB and the Companies will continue to coordinate with the Connecticut Green Bank and DEEP on optimizing the mix of financing and incentives to make the best use of ratepayer funds and to capture more of the available cost-effective potential in Connecticut.

Addressing High Energy Prices for Customers During Periods of High Energy Demand. The EEB is committed to working with the Companies and DEEP to prioritize and target the energy efficiency programs to help mitigate the effects of the higher energy prices for customers during periods of high winter and summer peak demand. The 2016-2018 Plan programs are designed to reduce natural gas and electricity consumption during critical winter peak periods. In addition, during the 2016-2018 period, the Companies will implement two demand response programs to enhance the energy savings and peak demand reductions for the Residential programs. Additionally, the Companies will investigate implementing a demand response pilot for Commercial & Industrial customers.

Performance Management Incentives and Metrics. For the 2013-2015 Plan, the Companies’ performance management incentives were based on a decreasing target level performance of 5 percent (2013), 4.5 percent (2014), and 4 percent (2015) of the program budget, because the total budgets were expanding over these years. However, for the 2016-2018 Plan, the Companies stated that the program budgets will remain relatively stable and the performance goals continue to be ambitious and challenging. Therefore, based on their reasoning, the Companies proposed a target 4.5 percent performance management incentive at 100 percent of goal for 2016, 2017, and 2018 – the same percentage level that was in place for 2014.

At its meeting on September 24, 2015, the Board conducted two votes on the level of the performance management incentive – one on a level of 4.5% and a second vote on a level of 4.25%. There was a 4-4 tie for both votes and thus the Board could neither recommend nor reject the Company-proposed 4.5%

incentive level or the 4.25% incentive level proposed as a compromise. The Board notes that four Board members expressed a preference for an increase to 4.5% from the current 4.0%, three other Board members expressed a preference for an increase to 4.25% from the current 4.0%, and one Board member expressed a preference to keep the incentive level at 4.0%.

In addition to the issue of the level of the performance management incentive, the Board worked closely with the Companies to ensure that the Performance Incentive Metrics support the strategic goals of Connecticut energy policy and the Plan's priorities, and reflect the restructuring and continuous improvement of the C&LM programs. For example, several key program metrics support higher savings per home and increased implementation of add-on measures, increased adoption of LED lighting products, full investment to serve the needs of limited income customers, tailored and comprehensive offerings for deep efficiency for business customers, strategic energy management and financing, best practice application of Strategic Energy Management, and new construction/renovation practices that support the zero net energy path beyond the building codes.

EEB Budget and Consultant Procurement. The Board has begun the EEB consultant procurement process requested by DEEP in its 2015 Plan Update decision. The outcome of that procurement will help inform and shape the Board's technical consultant budget for the next three years. The current budget line item in the proposed Plan for the Board's technical consultant needs is a placeholder based on the current year amount approved previously by DEEP, and is in line with the Board's technical needs in 2014, which came in under budget for a total expenditure of \$739,000. Once the Board has finished the procurement process for technical consultants by the end of this year, the Board will then pursue the usual course for consultant management and develop detailed work plans and budgets for the consultant team.

The Energy Efficiency Board supports the 2016-2018 C&LM Plan submitted to DEEP by the Companies, except that the Board could neither recommend nor reject the Company-proposed level of the performance management incentive as explained above, and looks forward to DEEP's review and approval of the Plan. The Board also encourages DEEP to consider the comments and highlights provided above.

Sincerely,



William E. Dornbos

Chair, Energy Efficiency Board