

**RESOLUTION of CERTAIN CONDITIONS and  
ISSUANCE OF SUPPLEMENTAL CONDITION of APPROVAL #5  
CT DEEP December 31, 2015 Approval with Conditions of the  
2016-2018 Electric and Natural Gas Conservation and Load Management Plan**

May 16, 2016

**Via Electronic Mail**

Christopher R. Bernard, Manager - Regulatory Policy & Strategy, CT  
As Agent for CL&P and Yankee Gas Services Company dba Eversource Energy  
107 Selden Street  
Berlin, CT 06037

**Re: DEEP Response to 2016-2018 Conservation and Load Management Plan  
--Resolution of Conditions of Approval #8,9,10,11,12,13,16,17,18,19,20,21**

**DEEP Response to 2016-2018 Conservation and Load Management Plan  
-- Supplemental Condition of Approval (Condition of Approval #5)**

**DEEP Clarification re 2013-2015 Conservation and Load Management Plan  
--Equitable Distribution (Conditions of Approval #8 and #9, 2013-2015)**

Dear Mr. Bernard:

On December 31, 2015, the Connecticut Department of Energy and Environmental Protection (DEEP) approved with conditions the 2016-2018 Electric and Natural Gas Conservation and Load Management Plan, dated October 1, 2015 (the Plan). The Plan was submitted by Eversource Energy (Eversource), The United Illuminating Company (UI), Connecticut Natural Gas Corporation (CNG) and The Southern Connecticut Gas Company (SCG), together, "the Companies," pursuant to Connecticut General Statutes Section 16-245m, in consultation with the Connecticut Energy Efficiency Board (the Board).

On March 1, 2016 the Companies submitted their responses to address several of the conditions of approval due to DEEP at specific milestones. The Department has reviewed the responses that were due by March 1, 2016 and finds that conditions #8,#9,#12,#13,#16,#17,#18,#19,#20, and #21 outlined in DEEP's December 31, 2015 approval letter ("Approval Letter") have been satisfied, and DEEP's approval of the Plan is no longer contingent on those conditions. Refer to the attached table identifying the conditions of approval in DEEP's Approval Letter.

DEEP has determined that the responses to condition #10 and condition #11 are not compliant with the requirements set forth in the Approval Letter, for the reasons described below.

**Condition #10 (Evaluation, Measurement, and Verification)**

DEEP's original review of the Recommended Project List concluded that an annual budget of \$3,000,000 would be adequate to conduct evaluation studies deemed "fundamental" to meet statutory

requirements or requirements necessary to offering energy efficiency resources into the ISO-New England market. Given the originally proposed budget of \$4,000,000 for Evaluation, Measurement, and Verification, DEEP provided in its tentative determination of December 14, 2015 and its final determination of December 31, 2015 that the balance of funds above \$3,000,000 could be reallocated for initiation and development of direct measurement and verification capabilities and integration with demand response efforts.

Specifically, in Condition #10, DEEP required the Companies and the EEB to revise the "2016-2018 Evaluation Plan Recommended Project List" to: (1) classify projects as "Discretionary" or as "Fundamental" (including studies designed to meet ISO-New England requirements<sup>1</sup> and process and impact studies as required by Connecticut General Statutes section 16-245m); (2) align the timing of evaluations to facilitate incorporation of recommendations into program planning; and (3) identify the data quality objective of each study.

In response to Condition #10, the Companies submitted to DEEP a memo dated February 26, 2016 from the Board's Evaluation Committee and Evaluation Administrator to the Energy Efficiency Board. In the memo, the evaluation projects were classified as either "fundamental" or "discretionary." DEEP's review of the memo concludes that some projects have not been properly classified.<sup>2</sup> In addition, while the memo provides information about the last time the program was reviewed, it does not identify how the timing of the evaluation studies is being harmonized to enable incorporation of program design recommendations into the program planning process. Finally, the memo did not identify the data quality objective for each proposed study, as directed by condition #10.

The total proposed budget for evaluation studies proposed in the memo exceeds \$3,000,000 in each of the three program years: \$3,391,000 for 2016, \$3,471,000 for 2017, and \$3,711,000 for 2018. In the memo, the Board's Evaluation Administrator indicates concern about complying with ISO-NE mandates to verify the impacts of C&LM programs. However, as the Administrator notes, the ISO requires impact verification for programs every five years. Therefore, it is unnecessary to budget for verification of all Conservation and Load Management programs within the Plan's three year time horizon. The Evaluation Administrator has taken prudent steps to plan for some portion of ISO-NE-related studies that can be conducted after 2018. DEEP recommends that the Board's Evaluation Committee and Evaluation Administrator explore scheduling some of these ISO-NE related studies for after 2018 to fit within the budget guidelines in DEEP's decision and to take advantage of the full five-year period provided by the ISO-NE for confirming program impact.

DEEP's conclusion from reviewing the record is that \$3,000,000 per year continues to be a sufficient budget for evaluation studies that meet Condition #10's three criteria, listed above.<sup>3</sup> If spending in a

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<sup>1</sup> ISO-New England Manual for Measurement and Verification of Demand Reduction Value from Demand Resources Manual M-MVDR, Revision: 6 Effective Date: June 1, 2014, Prepared by ISO-New England Inc.

<sup>2</sup> For example, at least two studies identified as "fundamental" are proposing research on programs that are not elements of the Plan or required by statute to be completed by a third-party evaluation administrator. Specific studies that were removed from consideration in an effort to reduce the budget to an amount closer to \$3,000,000 have not been identified as critical for the utility companies' compliance with ISO-New England data quality or timing requirements. For example, one study originally proposed, though subsequently removed from the Evaluation Plan Recommended Project List, was intended to review a heating equipment replacement loan program that is not part of the Plan submitted pursuant to CGS 16-245m. Another study proposed research on the integration of renewables and energy efficiency, with indications that other funding sources could be used to support such research. While DEEP agrees the topic is valid, it is not necessary for a third-party evaluator, rather than another qualified entity, to conduct such research.

<sup>3</sup> Studies that are not fundamentally necessary for the purpose of evaluation, but are deemed necessary for other program planning reasons, including integration of the research into program planning, should be paid for from the sector-based portions of the Plan budget, not out of the independent third-party evaluation budget.

given year is within five percent of that number in either direction then the Board and the Companies may exercise discretion in accommodating such variance between the three years of the Plan, provided the total budget for Evaluation Studies for three years is no more than \$9,000,000 total for 2016-2018.

Going forward, DEEP directs that future studies identified through the annual schedule and budget for evaluations that are included in the third-party Evaluation Administrator budget must be carefully considered to optimize the value of the studies and should include a prioritization of studies at the beginning of the process. This prioritization should be based on a plan that starts with an assessment of which studies are needed based on the last time a program was evaluated, and should consider the ISO-New England measurement and verification requirements as the data quality objective. The timing, number, and scheduling of evaluations must be monitored to ensure that sufficient capacity exists to adequately review the results and to timely incorporate recommendations into program planning and design.

**Condition #11 (Evaluation Administrator/Consultant Budget)**

DEEP is not approving the proposed budget for the services of the Evaluation Administrator, proposed in the response to condition #11 as \$356,000 for 2016, \$364,000 for 2017, and \$390,000 for 2018. In the Approval Letter, DEEP specified that the Companies and the Board must modify this budget downward to a level not to exceed \$300,000 annually to reflect the modified "2016-2018 Evaluation Plan Recommended Project List." No new information was provided in the March 1, 2016 submittal to support a higher budget for this item other than a contention that the budget for the list of proposed studies should exceed \$3,000,000. Because the Department concludes, above, that \$3,000,000 is sufficient to fund the evaluation studies, DEEP continues to require that the budget for the Evaluation Administrator's services shall not exceed \$300,000.

**Supplemental Condition #5: (Transition to grant process for services delivered by colleges and universities)**

DEEP recognizes the important work of the Institute for Sustainable Energy at Eastern Connecticut State University (ISE) in assisting the Companies with several aspects of Plan implementation through the \$610,000 allocation it received for calendar year 2016. These aspects (and associated proposed budgets) include energy benchmarking and technical assistance for 12 community colleges, several technical high schools, and 20 Green LEAF schools (\$435,000 per year); leadership in educational efforts focused on sustainability at both the higher education and K-12 levels, including co-chair roles in the CT Alliance for Campus Sustainability and CT Green LEAF Schools (\$80,000 per year), and promoting performance based procurement (\$95,000).<sup>4</sup>

Consistent with DEEP's broader objectives of (1) consolidating direct savings expenditures under specific direct savings program line items, and (2) ensuring that Plan services are procured at least through periodic competitive Requests for Proposals open to qualified vendors, DEEP indicated in the Tentative Determination to approve the 2016-2018 C&LM Plan, issued on December 14, 2015, a desire to transition to competitive grant-making process for services delivered by colleges and universities (Attachment A, Condition 5). In DEEP's Approval Letter DEEP approved the budget for ISE's work only for calendar year 2016, and noted that we would issue a supplemental conditional approval related to years 2017 and 2018.

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<sup>4</sup> See Appendix F, Institute for Sustainable Energy 2016-2018 Work Plan, proposed 2016-2018 Conservation & Load Management Plan at page 549, October 1, 2015.

After discussion with ISE and other stakeholders and further review of ISE's resource commitments to support the 2016-2018 Plan, DEEP has determined that by July 1, 2016, the Companies shall submit, in collaboration with ISE, a revised budget for the tasks to be completed by ISE in 2017 and 2018 to assist in implementation of the Plan. This revised budget is to reflect a funding transition ISE is developing to diversify its reliance on the Connecticut Energy Efficiency Fund. This is necessary to prevent disruption to ISE's budget whenever there are modifications to the procurement or scoping of services required to implement the Plan. Therefore, in calendar year 2017 the Connecticut Energy Efficiency Fund shall allocate \$457,500 for the Connecticut Energy Efficiency Fund contribution to ISE's work to support the Plan's implementation. In calendar year 2018 the Connecticut Energy Efficiency Fund shall allocate \$305,000 for ISE's work to support the Plan's implementation. These allocations are exclusive of any services that ISE delivers as part of the Plan's implementation that result from an open procurement process conducted to secure service providers for implementation of the Plan. ISE is welcome to participate in any future procurement processes for any services used to implement the Plan (such as for educational services, community engagement services). We will continue to work collaboratively with ISE to ensure ISE's workplan priorities for 2017 and 2018 are aligned with the Plan's strategic objectives.

The Companies, in collaboration with the Board, may develop an engagement strategy with a scope of work for colleges and universities to deliver tasks that will support the implementation of the Plan, beginning in 2016 and to fully take effect in 2019. Any such scope of work shall be fulfilled through a grant-making process open to Connecticut and other academic and research institutions. Research topics may include areas of research that would be supportive of the studies conducted to evaluate the Plan's programs, though would not replace program impact and process evaluations.

### **Equitable Distribution of Funds**

In terms of the requirement to submit data to demonstrate to DEEP the degree to which the Connecticut Energy Efficiency Fund spending is equitably distributed, as described in Connecticut General Statutes Section 16-245ee, DEEP has determined that the Companies may stop using conditions of approval #8 and #9 from DEEP's Approval of the 2013-2015 Conservation and Load Management Plan as the basis for submittal of data. Instead, as part of the Companies' annual reporting process, the Companies shall submit to DEEP relevant 2016 data on equitable distribution no later than March 1, 2017; and annually thereafter no later than March 1 of each year.

### **Conclusion**

In summary, the conditions of approval numbered 8, 9, 12, 13, 16, 17, 18, 19, 20 and 21 of DEEP's "Approval with Conditions" issued December 31, 2015 are now considered generally addressed.

DEEP has concluded that insufficient information was provided in response to Conditions #10 and 11 to warrant a revision of DEEP's original decision regarding the budget for evaluation studies and the Evaluation Administrator. Please provide, no later than July 1, 2016, a narrative explanation or a revision of the budget tables to clarify the allocation of the evaluation, measurement, and verification budget above the \$3,000,000 allocated for evaluation studies. Specifically, please identify the allocation for the \$1,000,000 difference between the \$4,000,000 originally proposed for evaluation studies and the \$3,000,000 that DEEP approved for evaluation studies. DEEP's approval allowed for the use of \$1,000,000 for direct measurement and verification and integration with Demand Response efforts.

Additionally, DEEP has issued the supplemental condition of approval #5 that we noted in our Approval Letter would be issued at a future date.

DEEP has also clarified that the submittal of data reports related to the distribution of funds may be completed pursuant to the Approval Letter of the current Plan [for years 2016-2018] rather than the previous Plan [for years 2013-2015].

If you have any questions, please contact Diane Duva, Director of DEEP's Office of Energy Demand, at 860-827-2756 or [Diane.Duva@ct.gov](mailto:Diane.Duva@ct.gov) or Walter McCree, Research Analyst of DEEP's Office of Energy Demand, at 860-827-2644 or [Walter.Mccree@ct.gov](mailto:Walter.Mccree@ct.gov).

Sincerely,



Katie S. Dykes  
Deputy Commissioner

Attachment: Reference Table Summarizing DEEP's 12-31-15 Conditions of Approval

**Copy:**

William Dornbos, Chair, Connecticut Energy Efficiency Board  
Taren O'Connor, Vice-Chair, Connecticut Energy Efficiency Board  
Craig Diamond, Executive Secretary, Connecticut Energy Efficiency Board  
Tilak Subrahmanian, Vice President of Energy Efficiency, Eversource Energy  
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