

**APPROVAL WITH CONDITIONS of the
Conservation and Load Management Plan for 2019 through 2021
submitted pursuant to Connecticut General Statutes Section 16-245m(d)**

Via Electronic Mail

December 20, 2018

Christopher Bernard
Manager, Regulatory Policy & Strategy, CT
As agent for CL&P & Yankee Gas
dba Eversource Energy

RE: *2019-2021 Conservation and Load Management Plan:
Connecticut's Energy Efficiency and Demand Management Plan*

Dear Mr. Bernard:

On November 1, 2018 the Bureau of Energy and Technology Policy of the Connecticut Department of Energy and Environmental Protection (DEEP) received the *2019-2021 Conservation and Load Management (C&LM) Plan: Connecticut's Energy Efficiency and Demand Management Plan (Plan)*, dated November 1, 2018. This 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 Conservation and Management Board [aka Connecticut Energy Efficiency Board, or "the Board"].

The Plan was reviewed and approved with modifications by the Energy Efficiency Board at its November 14, 2018 meeting.

On November 19, 2018 the Bureau of Energy and Technology Policy of the Connecticut Department of Energy and Environmental Protection (DEEP) received a revised 2019-2021 Conservation and Load Management (C&LM) Plan (Plan), dated November 19, 2018.

The Department reviewed the submitted documents from the Companies and collaborated with the Energy Efficiency Board as it advised and assisted in the Companies' development of the Plan. On December 7, 2018 DEEP issued a tentative determination to approve with conditions the Plan submitted to DEEP on November 19, 2018. An opportunity for public comment on the Plan and on DEEP's draft decision was provided between November 30 and December 17, and a public information meeting was held December 13, 2018.

DEEP's review included the following findings:

Finding 1: Statutory Consistency

DEEP is specifically authorized to review and approve the Plan to ensure that the Plan includes “a detailed budget sufficient to fund all energy efficiency that is cost effective or lower cost than acquisition of equivalent supply.” CGS 16-245m(d)(1). DEEP finds that the Plan is consistent with Connecticut General Statutes (CGS) Section 16-245m, CGS 16a-35k, Connecticut’s Comprehensive Energy Strategy (CGS 16a-3d), and Connecticut’s Integrated Resources Plan (CGS 16a-3a and 16a-3b).

In approving with conditions this energy efficiency investment and demand management plan, and ensuring coordination of this Plan with other state plans, the Department is fulfilling its responsibility to coordinate state plans and functions to ensure we maximize the use of energy efficient systems, and minimize the environmental impact of energy production and use, pursuant to CGS Section 22a-1a. Consistent with CGS 16a-3a, this Plan advances Connecticut’s progress in ensuring that energy resource needs are first met “through all available energy-efficiency and demand reduction resources that are cost-effective, reliable, and feasible,” which will “minimize the cost of all energy resources to customers over time” (CGS 16a-3a).

Finding 2: Collaboration with Energy Efficiency Board and coordinated policy priorities

The Plan reflects Connecticut’s energy and environmental policy priorities, provides details about program designs refined through collaboration with the Board, identifies strategies for reaching targeted customer segments, and catalyzes technologies that will advance Connecticut’s energy efficiency goals. We concur with these areas of focus and appreciate the Companies’ and the Boards’ efforts to ensure the Plan’s priorities reflects the State of Connecticut’s energy and environmental strategies and statutes. (Plan, page 10)

Finding 3: Determination of Equitable Distribution

Pursuant to CGS Section 16-245ee, before approval of any C&LM Plan submitted by the Companies and the Board, DEEP must determine that an equitable amount of the revenues used to implement the Plan is “deployed among small and large customers with a maximum average monthly peak demand of one hundred kilowatts in census tracts in which the median income is not more than sixty percent of the state median income.” DEEP’s review of the most recent data analyzed (2015) found that the overall distribution of the revenues was equitably deployed in 2015. DEEP is currently reviewing data from 2016 and 2017 and will analyze data from 2018 when it becomes available in 2019. The distribution proposed in the 2019-2021 Plan is similar or better focused on ensuring an equitable distribution and therefore DEEP has determined that the Plan proposes an equitable deployment of the revenues used in implementing the Plan.

Finding 4: Parity Among Customer Classes

DEEP also notes that the Plan includes a budget that balances between the residential customer class and the commercial and industrial class, with budget distributions that are closely commensurate with estimated contributions. This means that the allocation of revenues to each class is proportionate to the consumption of investments by each class.

Finding 5: Continuing Review of Program Cost-Effectiveness Approach

Pursuant CGS Section 16-245m(d)(3), DEEP has reviewed the Companies’ cost-effectiveness screening for the programs in the Plan. In the Plan, the Companies provide detailed information on the

development of their programs' savings goals, as well as their individual benefit/cost ratio models, demonstrating that they are seeking to acquire all cost-effective energy efficiency resources.

Benefit/Cost analyses conducted for the Plan continues the use of the Utility Cost Test, Modified Utility Cost Test, and Total Resource Cost Test. The Companies primarily use the Utility Cost Test that emphasizes the benefits associated with reduced demand on the energy supply system.

DEEP concurs with the use of the Companies' *2019 Program Savings Document* and the application of the results of the regional *Avoided Energy Supply Components in New England: 2018 Report*, although as a condition of approval DEEP is requesting documentation of new components included this year.

DEEP is in the process of reviewing the approach of the benefit-cost analyses and cost-effectiveness screening processes and will complete its review during 2019 and provide direction as to any needed updates of the analyses and processes. DEEP is offering public meetings, opportunities for public comments, and is updating the Board regarding DEEP's progress in completing this in-depth review. DEEP maintains a webpage containing information related to the topic, to assist in providing transparency to the process.

As noted in previous correspondence regarding the Plan, DEEP has completed its review of the discount rate to be used in the benefit-cost analyses of the programs. Based on DEEP's assessment, DEEP has determined that the nominal discount rate used for the Conservation and Load Management Plan should be updated to 3%. DEEP's statement of basis providing the rationale for this determination is provided in Attachment B.

Finding 6: Inclusion of steps to weatherize 80% of the state's residential units by 2030

The Plan provides a whole house approach to increase the performance of homes of all housing types and from all construction eras. Incentives and programs are aligned to advance progress in weatherizing homes for households of all income levels, though DEEP believes continued focus on ensuring increased participation among low-income households continues to be necessary.

Finding 7: Opportunities for public comments are provided

The Energy Efficiency Board provided a public meeting June 13, 2018 to receive public input on the development of the Plan, as well as encouraged submittal of written comments through August 1, 2018. A summary of those comments and the Companies' and Board's responses are included as Appendix D to the Plan. Additionally, on November 30, 2018 DEEP issued a public notice providing an opportunity between November 30 and December 17 for the public to offer written comments on the submitted Plan and on DEEP's tentative determination to approve the Plan with conditions. Also, on December 13, 2018, DEEP held a public informational meeting on the Plan and DEEP's draft decision during which public comments were received. A summary of comments received during this public comment period is provided as Attachment C.

The majority of the comments expressed support for the heat pump pilot as initially proposed and no written comments were received supporting DEEP's proposed revision of the pilot. DEEP, in its Tentative Determination, proposed restrictions on the heat pump pilot incentives described in the Plan. These restrictions were due to concerns about the lack of specificity in the stated goals of the pilot and proposing additional incentives for utility customers heating with oil and propane without identifying a long-term dedicated funding source for incentives intended to catalyze the adoption of renewable

heating and cooling technologies. DEEP's intention was to reflect DEEP's concerns as well as other Energy Efficiency Board members' concerns regarding whether the statutes clearly identify that the conservation charges on electric and natural gas consumption can be used for oil and propane heating fuel displacement in the absence of other funding sources.

DEEP supports the strategic adoption of renewable heating and cooling technologies, such as ground source and air source heat pumps, as described in the *2018 Comprehensive Energy Strategy*. DEEP acknowledges that oil and propane heating customers also pay conservation charges on non-heating electricity consumption and that customers who use heat pumps are paying a conservation charge on the electricity consumed when using heat pumps for heating. However, DEEP recognizes that some Energy Efficiency Board members contend that electric ratepayer funding sources should not be used to displace oil and propane heating fuel consumption. The lack of consensus among board members was highlighted in the board's December 12, 2018 meeting when the representatives of the Office of Consumer Counsel and the Attorney General's Office specifically expressed opposition to the heat pump pilot for this reason. Other board members expressed varying opinions on paying incentives to displace oil and propane consumption for heating. Board members expressed varying opinions regarding whether or not the Conservation and Load Management Plan has the statutory basis to incentivize fuel switching or fossil fuel displacement, the questions around the appropriateness of such displacement as a priority for the Plan, board members' concerns that pilots "always" become programs, and concerns this pilot would exceed the current recommendations of the *2018 Comprehensive Energy Strategy*.

Other comments received during the comment period and public information meeting included a suggestion that more homes need to undergo weatherization to reach the statutory goal for weatherization, generalized support for the Plan and for energy efficiency investments, and generalized comments about energy management in Connecticut. Also, PURA suggested that the Demand Management aspects of the Plan may need to be updated throughout the three-year period, and DEEP has added that to the existing condition regarding the submittal of a report describing demand management program and pilot updates.

Based on DEEP's review of the Board's discussions and the public comments received, DEEP has revised its condition of approval regarding the heat pump pilot, as noted in the attached Schedule of Compliance [Attachment A]. Briefly, DEEP continues to require clarification of the pilot's goals and is not requiring a change in the Companies' proposed incentive structure.

Finding 8: Previous Orders and Conditions are rescinded, some are updated into new Conditions of Approval

All Compliance Orders and Conditions of Approvals from previous Approvals of previous Conservation and Load Management Plans are rescinded. DEEP has reviewed all previous Compliance Orders and Conditions of Approvals and those still applicable are updated into Conditions of this Approval.

Finding 9: Areas of further refinement and conditions of approval

We believe some further refinement of the Plan is important and necessary. Consequently, DEEP has included a Schedule of Compliance for Conditions of Approval, including required modifications and requirements to submit reports on certain topics, as detailed in Attachment A.

Summary of Benefits

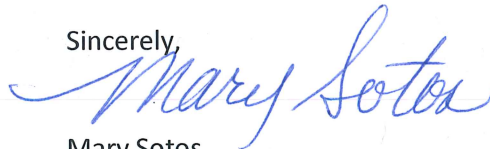
The Plan represents a critical investment toward all cost-effective energy efficiency in Connecticut over the next three years, in which the energy saved each year is equivalent to that required to power 100,000 homes for a year (Plan, p. 20). The Plan's implementation is projected to achieve 3.2 million tons of carbon dioxide emissions reductions and is projected to save Connecticut's residents and businesses more than \$2.3 billion in savings achieved over the lifetime of the energy efficiency investments. (Plan, pp. 1-2).

Conclusion: Approval with Conditions

DEEP approves with conditions, in accordance with the Schedule of Compliance identified in Attachment A, the 2019-2021 Conservation and Load Management Plan, including the Evaluation Plan for 2019-2021, and the 2019 Program Savings Document, 14th Edition.

DEEP looks forward to working collaboratively with the Board and the Companies to implement this three-year Conservation and Load Management Plan. DEEP is confident that the Companies and the Energy Efficiency Board will continue to successfully collaborate on the effective implementation of energy efficiency and other demand management investments in Connecticut, and looks forward to the continuous increase in resource savings and the resulting economic and environmental benefits for all of Connecticut. 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.

Sincerely,



Mary Sotos

Deputy Commissioner for Energy

Attachment A: Schedule of Compliance for Conditions of Approval

Attachment B: CT DEEP 10-18-18 Memo, Revised 12-19-18, *Rationale for Discount Rate to be Applied in Connecticut's Conservation and Load Management Plans*

Attachment C: *Summary of Public Comments received during public comment period and at public informational meeting December 13, 2018*

Electronic Copy:

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[Notice of this approval with conditions is expected to be provided to PURA in the Companies' *Annual Reconciliation of the Conservation Adjustment Mechanisms*, anticipated to be submitted in the first quarter of calendar year 2019.]

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