



APPROVAL with CONDITIONS

March 26, 2014

Via Electronic Mail

Christopher Bernard
Manager, Regulatory Policy & Strategy, Connecticut
Northeast Utilities System Service Company
As Agent for CL&P and YGS

Re: **2014 Annual Update of 2013-2015 Conservation and Load Management Plan**

Dear Mr. Bernard:

On February 28, 2014, the Bureau of Energy and Technology Policy of the Connecticut Department of Energy and Environmental Protection (DEEP) received the 2014 Annual Update of the 2013-2015 Conservation and Load Management Plan (2014 Annual Update). This update was submitted by The Connecticut Light and Power Company (CL&P), The United Illuminating Company (UI), Yankee Gas Services Company (Yankee Gas), 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 Department has reviewed the 2014 Annual Update and finds that it is consistent with Connecticut General Statutes section 16-245m, Connecticut's Comprehensive Energy Strategy, and conditions of approval outlined in DEEP's October 31, 2013 Decision approving the 2013-2015 Conservation and Load Management Plan. **The 2014 Annual Update, including the 2014 Statewide Marketing Plan, is approved with the following Conditions:**

1. The Performance Incentive Pre Tax Percentages used to calculate the Companies' potential incentives for 2014 and 2015 are not consistent with the Department's Final Decision. See Decision Table Nos. 8a and 8b. Therefore, the Performance Incentives in the 2014 Annual Update are not approved. Instead, the Companies must submit revised Performance Incentive calculations that are consistent with the Decision and submit updated budget tables commensurate with such revisions.

2. The Companies and the CT Energy Efficiency Board must consider what revisions are warranted for 2015 for the Evaluations, the Evaluation Consultant budget, and the Board Consultants budgets given recent changes, including deferral of evaluation studies to 2015 and beyond, and the role of the executive secretary in relieving administrative tasks from technical consultants. Therefore, the Companies and the Board should submit to DEEP a revised budget by October 1, 2014 for the 2015 budget for these items.
3. UI's selection of the discount rate identified in the Avoided Energy Supply Costs in New England: 2013 Report requires further review, given that CL&P and Yankee Gas have used their respective allowed return on capital. The Department seeks to have a better understanding of the rationale among the Companies' Program Administrators for the selection of a discount rate.
4. The estimated Demand Reduction Induced Price Effects (DRIPE) component requires further review by the Department. In its Decision dated October 31, 2013, at pages 24-26, the Department noted the contribution of DRIPE as an increasing component affecting the calculation of program benefits. Table B2 proposes an increased benefit contribution due to the combined DRIPE effect. The Companies must provide additional explanation on this topic.
5. The inclusion of the "Modified Utility Cost" Test, as described on p. 189 and calculated on Table B2, requires further review by the Department. At a minimum, the Department requires further explanation to clarify sources of funds and allocation of electric and gas program funds for oil and propane measures.

The compliance schedule items provided in Appendix I to the 2014 Annual Update are approved with the exceptions of those affected by the conditions above or that are due subsequent to the 2014 Annual Update.

If you have any questions, please contact Diane Duva at 860-827-2756 or Diane.Duva@ct.gov.

Sincerely,



Katie S. Dykes, Deputy Commissioner

cc:

Jamie Howland, Chair, CT Energy Efficiency Board

Ronald J. Araujo, Manager - Conservation & Load Management Services, CL&P/Yankee Gas

Patrick McDonnell, Senior Director of Conservation & Load Management, UI/CNG/SCG