Letter of Support of the Energy Efficiency Board
for the Revised 2017 Annual Update of the
2016-2018 Conservation and Load Management Plan

May 10, 2017


The 2017 Plan Update was developed in two parts. The program updates and enhancements plus the budget and revenue tables were developed as part one. The Board acted on part one of the Plan Update during its meeting on October 13th, 2016. The Board electronically voted on and approved a letter of support for part one of the Plan Update on October 24, 2016. The letter of support herein is for part two of the Plan Update, which included the following: energy savings goals and benefits, cost-effectiveness, the 2017 Performance Management Incentive, and revisions to the budget including the budget reconciliation considering the year-end 2016 actual revenues and expenditures and revised forecasts of 2017 program revenues.

The Board provided input to, reviewed, and commented on the revisions to the 2017 Plan Update consistent with the Board’s statutory responsibility to provide advice to the Companies in developing comprehensive and cost-effective C&LM programs for customers. In developing and reviewing the revisions to the 2017 Plan Update, the Board, including through its Residential, Commercial & Industrial, Marketing, and Evaluation Committees, collaborated extensively with the Companies.

In its review of part two of the 2017 Plan Update, the Board focused on planning and ensuring adequate savings and benefits for the 2017 program year. In its approval of part one of the Plan Update in October, the Board noted that some adjustments to the final 2017 Plan Update budget may be needed in order to ensure sufficiently high savings and benefits for customers, which were not determined and finalized until part two of the Plan Update.

Working collaboratively with the utilities, the 2017 Plan Update savings and benefits goals were developed by making adjustments to the 2016-2018 Plan goals and impact factors based on recent information (e.g., recent data on lighting savings and costs), by adjusting the budget and revenues based on the most recent forecasts plus the budget/revenues reconciliation from year-end 2016 (which resulted in a significant reduction in funding available for 2017 programs), by identifying ways to add more funding to program budgets including some budget item reallocations and some reductions in
incentive levels, and by prorating goals for 2017 based on the final program incentive budgets and budget/revenue adjustments.

In the end, the 2017 savings are lower than the savings estimated in the March 2016 Three-Year Plan filing covering 2017, primarily due to:

- A reduction in the planned 2017 budget due to lower revenues for 2017 (from the carry-forward of 2016 under-collections, and the lower sales and revenue forecasts for 2017),
- The budget reallocation to the Demand Response/Reduction pilots,
- 2017 Program Savings Document (PSD) adjustments for key impact factors (savings per unit, measure lives, and evaluation results).

Recognizing these challenges for 2017, the Companies improved savings in several ways during the planning process in January-February 2017, and the utilities have explained and documented the rationale for the changes and the lower-than-expected savings and goals for 2017. For documentation, see the attached “waterfall charts” showing the adjustments to revenues, budgets, and savings, the effect of each adjustment, whether an increase or decrease in savings, and the bottom line effect (at the far right of the chart) on 2017 savings.

The Board provided suggestions and reviewed the utility adjustments, including focused analysis of the waterfall charts. While disappointed in the lower-than-expected savings and goals for 2017, the Board concludes that the lower savings and goals are due to the factors described above. In summary, lower revenues and budgets result in a lower overall level of program activity, and lower savings and benefits for Connecticut’s consumers and businesses.

The Energy Efficiency Board supports the Revised 2017 Plan Update, which was filed with DEEP by the Companies on March 1, 2017. The Board is available to assist in addressing any questions from DEEP throughout 2017.

The Board also thanks DEEP for its review and approval (dated March 31, 2017) of the Revised 2017 Plan Update, with the exception that DEEP did not approve the response to Condition #4 on cost-effectiveness analysis. In its response and approval, DEEP stated that it expects to consider modifications to benefit-cost testing as part of a public proceeding on cost-effectiveness approaches, and the Board looks forward to participating in that proceeding. The Board thanks DEEP for its timely review and approval of the Revised 2017 Plan Update.

Sincerely,

Taren O’Connor
Chair, Energy Efficiency Board
Eversource Electric

- **$16.3 Million Shortfall**

- **Rise**
- **Fall**
- **Base**

### Lifetime MWh

<table>
<thead>
<tr>
<th>Change in HES Realization Rates</th>
<th>C&amp;I ECB realization rates</th>
<th>Res Inc. adjustment after 12/14 EEB mtg</th>
<th>Res Retail - Lowered LED inc. (EEB mtg)</th>
<th>C&amp;I Incentive adjust after EEB mtg</th>
<th>Savings drop due to Budget carry-under</th>
<th>$ shift from LR to EO</th>
<th>$16.3 Million Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.98%</td>
<td>0.60%</td>
<td>0.28%</td>
<td>0.32%</td>
<td>0.40%</td>
<td>0.55%</td>
<td>1.96%</td>
<td>10.97%</td>
</tr>
<tr>
<td>2.02%</td>
<td>0.98%</td>
<td>0.60%</td>
<td>0.28%</td>
<td>0.32%</td>
<td>0.40%</td>
<td>0.55%</td>
<td>1.96%</td>
</tr>
<tr>
<td>1.93%</td>
<td>2.18%</td>
<td>2.02%</td>
<td>0.98%</td>
<td>0.60%</td>
<td>0.28%</td>
<td>0.32%</td>
<td>0.40%</td>
</tr>
<tr>
<td>3.98%</td>
<td>3.60%</td>
<td>3.20%</td>
<td>2.80%</td>
<td>2.12%</td>
<td>0.52%</td>
<td>2.02%</td>
<td>1.93%</td>
</tr>
<tr>
<td>0.28%</td>
<td>2.02%</td>
<td>2.02%</td>
<td>2.02%</td>
<td>1.93%</td>
<td>1.93%</td>
<td>1.93%</td>
<td>1.93%</td>
</tr>
</tbody>
</table>
Eversource Gas

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Original March 2016</td>
<td>$5.65M</td>
<td>5.65%</td>
</tr>
<tr>
<td>Resi revenue decrease of $1.1M</td>
<td>$1.1M</td>
<td>0.68%</td>
</tr>
<tr>
<td>HES Realization Rates change</td>
<td>$3.68M</td>
<td>1.63%</td>
</tr>
<tr>
<td>Resi incentive adjustment*</td>
<td>$4.63M</td>
<td>3.22%</td>
</tr>
<tr>
<td>Added Gas Behavioral $0.6 M</td>
<td>$7.0M</td>
<td>1.67%</td>
</tr>
<tr>
<td>C&amp;I budget reduction due to revenue ($0.5M)</td>
<td>$0.48M</td>
<td>0.48%</td>
</tr>
<tr>
<td>C&amp;I ECB Realization Rates change</td>
<td>$16.48M</td>
<td>16.48%</td>
</tr>
<tr>
<td>Savings drop due to Budget carry-under</td>
<td>$6.9 Million Shortfall</td>
<td>29.26%</td>
</tr>
<tr>
<td>$ moved from Non-Incentive to Incentive</td>
<td>$6.9 Million Shortfall</td>
<td>29.26%</td>
</tr>
</tbody>
</table>

- **Rise**
- **Fall**
- **Base**

Lifetime CCF Rise Fall Base
UIL Gas (CNG and SCG)

2017 UIL Gas - Waterfall - Comparison of March 1, 2016 & March 1, 2017 Filings

- 2017 Original March 2016
- Resi Budget Reduction: 2.24%
- C&I Budget Reduction: 1.31%
- Focus on More Cost-effective Measures: 2.56%
- HES Realization Rate Changes: 0.70%
- C&I ECB Realization Rates: 3.48%
- $1.5 Million Shortfall: 5.81%

Rise: 5.81%
Fall: 3.48%

$1.5 Million Shortfall