# 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 Energy Efficiency Board ("EEB" or "Board") supports the Revised 2017 Annual Update of the 2016-2018 Conservation and Load Management Plan ("2016-2018 C&LM Plan") which was filed with the Department of Energy and Environmental Protection ("DEEP") on March 1, 2017. The Board voted in favor of the proposed revisions to the 2017 Plan Update at its February 22, 2017 meeting. Revisions to the 2017 Plan Update were developed by The Connecticut Light and Power Company ("CL&P") doing business as Eversource Energy ("Eversource") and The United Illuminating Company ("United Illuminating") (collectively, the "Electric Companies"), and The Connecticut Natural Gas Corporation ("CNG"), The Southern Connecticut Gas Company ("SCG"), and Yankee Gas Services Company ("Yankee Gas") doing business as Eversource Energy, (collectively the "Natural Gas Companies"). The Board appreciates the efforts of the Electric and Gas Companies (collectively, "the Companies") to develop the Revised 2017 Plan Update, as described below.

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.

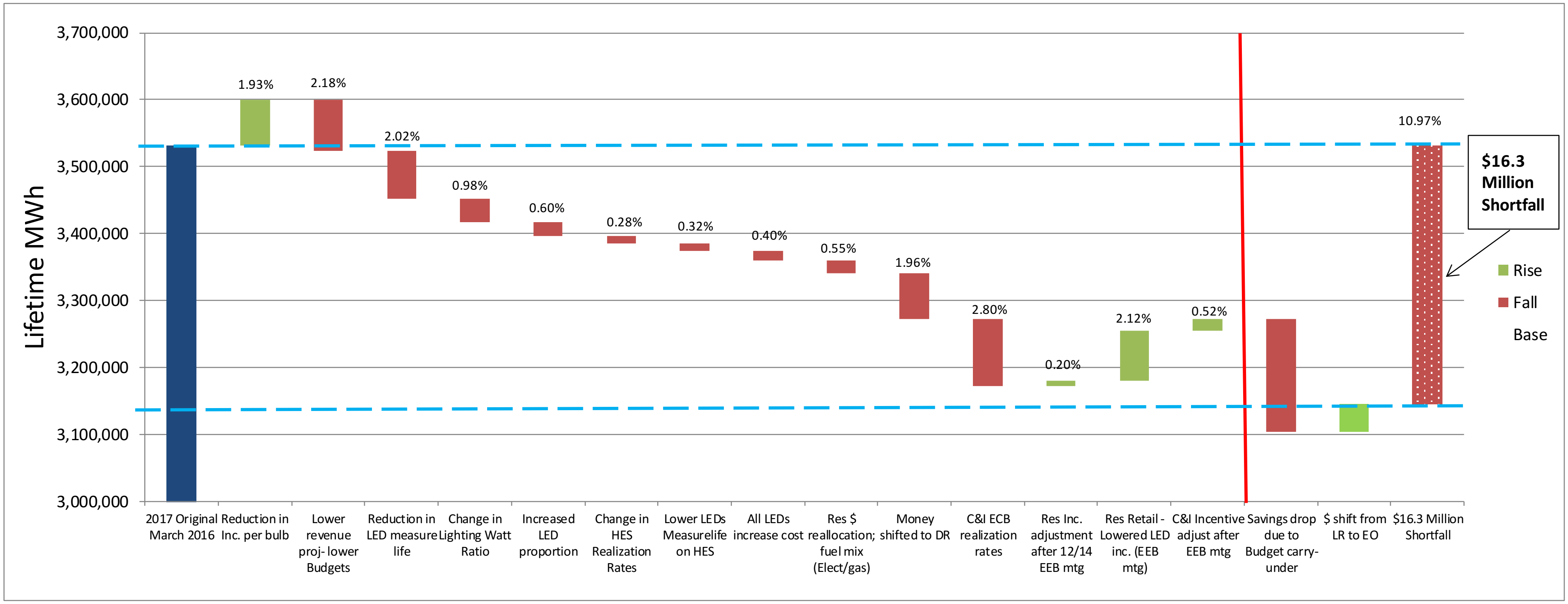
The Board also thanks DEEP for its review and approval (dated March 31, 2017) of the Revised 2017 Plan Update, with the exception that DEEP did not approve the response to Condition #4 on cost-effectiveness analysis. In its response and approval, DEEP stated that it expects to consider modifications 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,

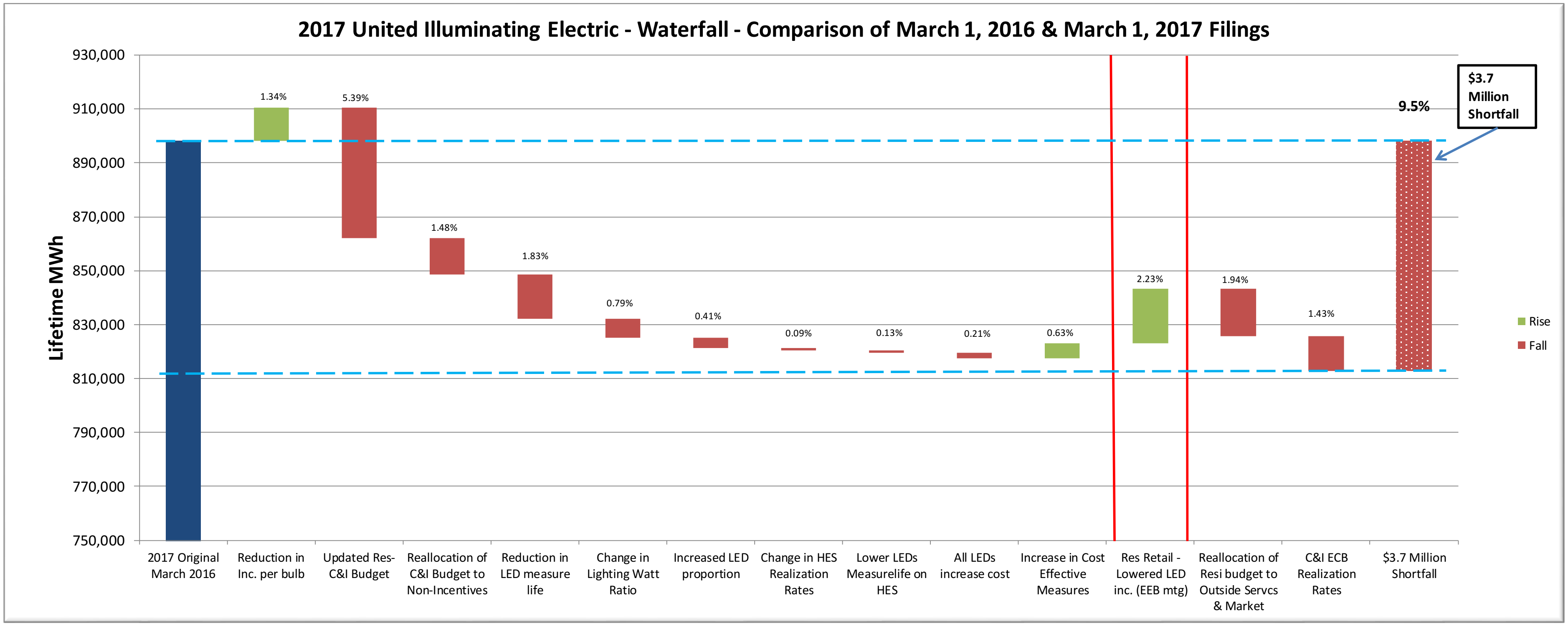
Taren O'Connor

Taren O'Connor
Chair, Energy Efficiency Board

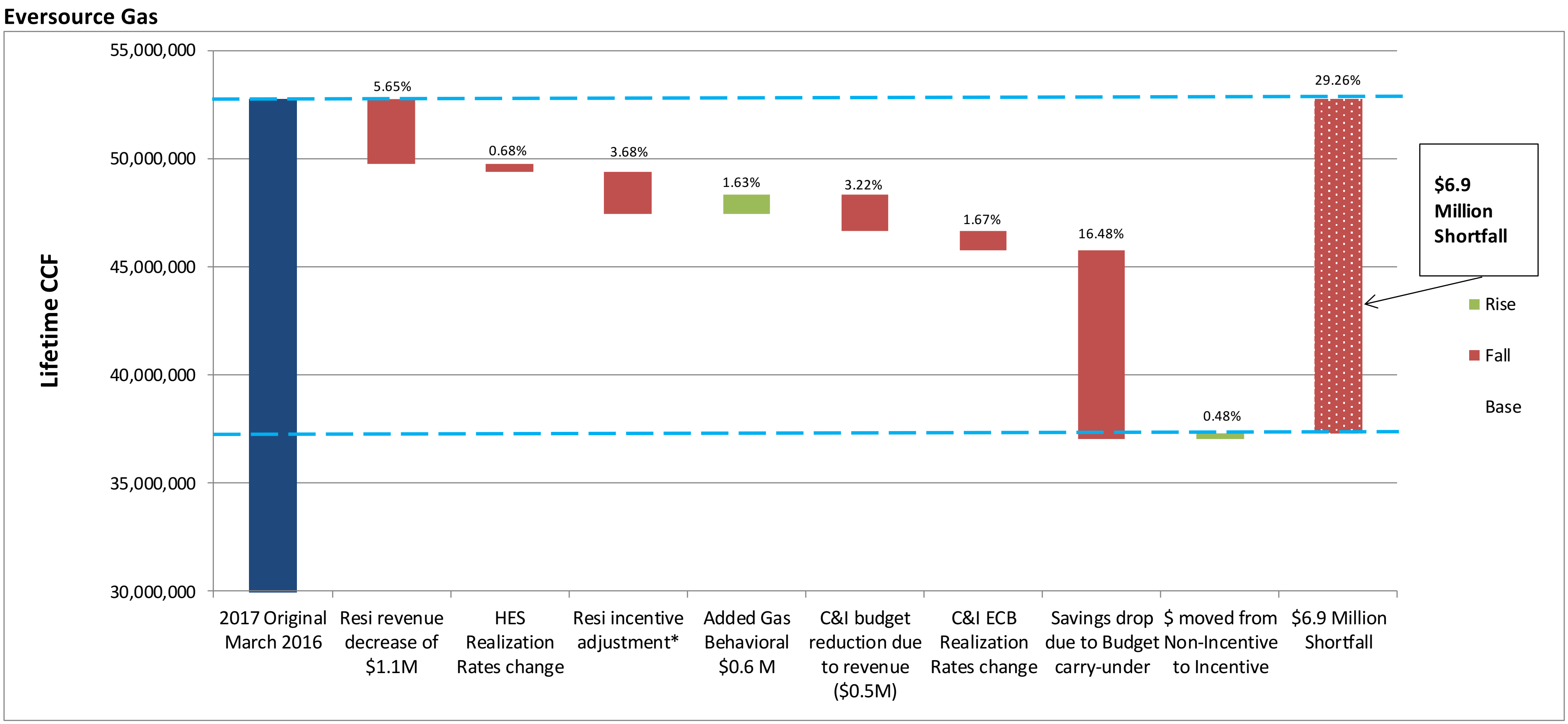
## Eversource Electric



## UI Electric



2017 United Illuminating Electric - Waterfall - Comparison of March 1, 2016 & March 1, 2017 Filings
Lifetime MWh
930,000
910,000
890,000
870,000
850,000
830,000
810,000
790,000
770,000
750,000
1.34%
5.39%
1.48%
1.83%
0.79%
0.41%
0.09%
0.13%
0.21%
0.63%
2.23%
1.94%
1.43%
9.5%
$3.7 Million Shortfall
Rise
Fall
2017 Original March 2016
Reduction in Inc. per bulb
Updated Res-C&I Budget
Reallocation of C&I Budget to Non-Incentives
Reduction in LED measure life
Change in Lighting Watt Ratio
Increased LED proportion
Change in HES Realization Rates
Lower LEDs Measurelife on HES
All LEDs increase cost
Increase in Cost Effective Measures
Res Retail - Lowered LED inc. (EEB mtg)
Reallocation of Resi budget to Outside Servcs & Market
C&I ECB Realization Rates
$3.7 Million Shortfall


Eversource Gas
Lifetime CCF
55,000,000
50,000,000
45,000,000
40,000,000
35,000,000
30,000,000
5.65%
0.68%
3.68%
1.63%
3.22%
1.67%
16.48%
0.48%
29.26%
$6.9 Million Shortfall
Rise
Fall
Base
2017 Original March 2016
Resi revenue decrease of $1.1M
HES Realization Rates change
Resi incentive adjustment*
Added Gas Behavioral $0.6 M
C&I budget reduction due to revenue ($0.5M)
C&I ECB Realization Rates change
Savings drop due to Budget carry-under
$ moved from Non-Incentive to Incentive
$6.9 Million Shortfall

**UIL Gas (CNG and SCG)**