

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION
2009 CORE Energy Efficiency Programs

Docket No. DE 08-120

LEGAL ANALYSIS OF THE USE OF SYSTEM BENEFITS CHARGE REVENUE
FOR A FUEL BLIND PILOT PROGRAM IN HOME ENERGY SOLUTIONS

In support of its request to conduct a fuel-blind component of the Home Energy Solutions Program, Public Service Company of New Hampshire ("PSNH") hereby submits this memorandum to address the question of whether System Benefits Charge revenues can be used for a fuel blind weatherization program.

I. Introduction. Two of the electric utilities, Unitil Energy Systems and PSNH, have proposed a home weatherization component of the Home Energy Solutions Program that will be fuel blind. *See*, CORE Programs filing at 17 (October 7, 2008). Although not all electrically heated homes have received services in the Home Energy Solutions Program, most if not all of these customers have been offered the program services. In an effort to address the critical need for weatherization investment in all New Hampshire homes, the two electric utilities have proposed to offer weatherization services on a fuel blind basis as a pilot program. The question arises as to whether it is legally possible to use electric revenues to subsidize weatherization in home using a different energy source of home heating than electricity.

II. Statutory Basis of Energy Efficiency Supported by Electric Rates. The System Benefits Charge was created under the Electric Utility Restructuring statute RSA 374-F. Specifically under the Interdependent Policy Principles of RSA

374-F:3, VI. The public benefits need only to be “related to the provision of electricity.” “Such benefits, as approved by regulators, may include, but not necessarily be limited to . . . energy efficiency programs.” *Id.* The programs need only be energy efficiency programs related to providing electric service, and they are not restricted to electric energy efficiency programs. Had the Legislature wanted a more restricted use of the funds, the statute would have included such language. The restructuring policy principle specifically related to energy efficiency does not restrict investments to electric energy efficiency

X. ENERGY EFFICIENCY. Restructuring should be designed to reduce market barriers to investments in energy efficiency and provide incentives for appropriate demand-side management and not reduce cost-effective customer conservation. Utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers. RSA374-F:3, X.

Furthermore, the interdependent policy principles of RSA 374-F:3 were only intended as a guide to the Commission for implementing statewide utility restructuring. RSA 374-F:1, III. There is no explicit prohibition against System Benefits Charge revenues being used in a fuel blind program.

III. System Benefits Charge Revenues Already Produce Benefits Other Than Electric Benefits. There is a history of investing System Benefits Charge revenues in energy efficiency which reduces use or adds efficiency in areas other than electric energy. The original Cost Effectiveness Test recognized “quantifiable benefits and costs associated with other resources in addition to electricity (e.g., water, gas, oil);” Docket No. DR 96-150, Order No. 23,574, slip op. at 4, 14 (November 1, 2000). For many years rebates have been provided for EnergyStar® clothes washers with the effects of reducing electrical use, saving water and reducing the energy used for heating water, regardless of the fuel or energy source that heated the water. The utilities already contribute System Benefits Charge revenues to a fuel blind weatherization program for low income customers in the Home Energy Assistance Program. Reducing air infiltration is the same whether it is performed in an oil-heated, low income family’s home under Home Energy Assistance or a gas-heated

home under Home Energy Solution. The fact that the Home Energy Assistance services are performed in a low income home is a distinction without a difference. The precedent for spending System Benefits Charge revenues for non-electric measures has already been set.

IV. Need for a Fuel-Blind Program. The Home Energy Solutions Program offers Energy Star® lighting Energy Star® appliances and weatherization services. Up to this point, the utilities have offered and provided this service to their electric space heating customers. Some of the utilities have come to the point where there are few electric space heating customers who have not either been served under the program or at least been offered this program. In the 2008 Core Program year, PSNH transferred \$500,000 out of the Home Energy Solutions Program due in part to not having enough electrically heated homes to serve. Although demand for the Home Energy Solutions services for electric space heating is waning, there is a need for a fuel blind weatherization program as part of this program.

The legislature met in special session in September 2008 and passed HB 1653 with the following findings:

The general court finds that the escalating costs of fuel and the tightening of energy supplies has led to significantly higher and more volatile home heating and electricity prices, requiring action by the state in advance of the 2008-2009 winter to provide additional fuel assistance and enhanced weatherization services to income-eligible New Hampshire citizens. 2008 Laws 392:1, I

The legislature appropriated \$1,200,000 for “the state’s existing income-eligible weatherization program and for the Stay Warm New Hampshire weatherization initiative.” 2008 Laws 392:3,I. The Stay Warm New Hampshire initiative was started by Governor Lynch. Currently the program is a volunteer effort to make homes of income eligible persons safe and snug for the winter, *See*, Stay Warm New Hampshire web site information at <http://www.staywarmnh.org/index.htm>. These efforts are focused on increasing the availability of traditional low income weatherization programs; however, there is

little public initiative in assisting over income home owners with weatherization services. The Climate Change Task Force estimates there are 600,000 New Hampshire homes in need of weatherization services.[see http://des.nh.gov/organization/divisions/air/tsb/tps/climate/action_plan/index.htm, RCI Action 1.2 – Maximize Energy Efficiency In Existing Residential Building] Most homes are heated with fuel oil or other source of energy than electric space heating. Electric energy efficiency can be a secondary benefit of a program which weatherizes homes of customers that use another source of energy for home heating. An efficient heating system and tight building envelope will permit the electrically powered components of a heating system run less often.

The fuel blind program is being proposed only as a pilot. The utilities need more experience running such a program as funding from future sources such a Regional Greenhouse Gas Initiative and Renewable Portfolio Standard will not be restricted to electrical energy benefits. The utilities may still serve electric space heating customers, and the utilities could serve customers who have previously shown an interest in home weatherization but have not qualified because they lack the electric space heating requirement.

V. Conclusion. There is no explicit legal bar to using System Benefits Charge revenues for a fuel blind weatherization program. There is ample precedent for using these funds for non-electric benefits. There are direct electric benefits, e.g. Energy Star® appliances, reducing electricity supplied to furnaces and blowers which are “related to the provision of electricity.” RSA 374-F:3, VI. Priorities can be used to serve residential customers who use electricity at a high daily rate. There is a need for the services, and the utilities need to get experience in delivering these services.

Respectfully submitted,

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Dated: Dec 11 2009

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was hand delivered or served upon all parties pursuant to NH Code Admin. Rule §Puc 203.11.

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