

ORIGINAL	
N.H.P.U.C. Case No.	DE 10-188
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Witness	Panel 6
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2012 CORE New Hampshire
Energy Efficiency Programs

Joint Utility Proposal for the Use of RGGI Funds
During the Remaining Months of the
2012 CORE Program Year

Granite State Electric Company
New Hampshire Electric Cooperative
Public Service Company of New Hampshire
Unitil Energy Systems

NHPUC Docket No. DE 10-188

August 10, 2012

Background

On June 23, 2012, Chapter 281 of the Laws of 2012 (HB 1490) became law. This law amended RSA Chapter 125-O to require a portion of the Regional Greenhouse Gas Initiative (RGGI) auction proceeds to be used as "...an additional source of funding to electric distribution companies for CORE energy efficiency programs that are funded by SBC funds..." effective January 1, 2013. On July 13, 2012, the Commission issued a Supplemental Order of Notice Relative to Electric Utilities in Docket No. DE 10-188. In its Supplemental Order of Notice, the Commission directed the electric utilities to formulate proposals for the use of the presently available RGGI funds during the 2012 CORE program year, which are estimated to be \$2 million. In addition, the Commission established a date of August 1, 2012, for a technical session to discuss the following items:

- 1) what amount of RGGI funds will likely remain to be transferred to the CORE energy efficiency programs as of January 1, 2013;
- 2) how the RGGI funds should be allocated among the electric utilities;
- 3) how funds should be allocated to residential and C&I programs;
- 4) whether, and to what extent, funds ought to be specifically allocated to low income programs;
- 5) whether the RGGI funds should be used to expand existing programs or be used to develop new innovative programs;
- 6) whether, and to what extent, a performance incentive should be earned on the RGGI funds; and
- 7) whether it would be appropriate to transfer any existing RGGI funds to the CORE energy efficiency programs prior to January 1, 2013.

At the technical session, the NH Electric Utilities proposed a framework for the use of the presently available RGGI funds and an accelerated procedural schedule which would allow the NH Electric Utilities to spend the funds during the 2012 program year. The NH Electric Utilities shared their proposed framework and procedural schedule with the Commission's Staff and Parties in attendance at the technical session. On August 3, 2012, the Commission's Staff filed with the Commission a report of the technical session and requested approval of the proposed procedural schedule and on August 6, 2012, the Commission issued a secretarial letter approving the procedural schedule, as summarized below:

- 1) August 10, 2012 Parties to file proposals on how to use RGGI funds in 2012
- 2) August 17, 2012 Written responses to the proposals due
- 3) September 17, 2012 2013-2014 CORE Energy Efficiency Program Filing due

This Joint Utility Proposal relates only to the presently available RGGI funds of \$2 million and provides further details of the proposed framework described by the NH Electric Utilities at the technical session. The use of RGGI funds available after January 1, 2013, will be addressed in the NH Electric Utilities 2013-2014 CORE Program Filing which will be filed with the Commission by September 17, 2012. The terms contained in this proposal are not intended to set a precedent for any future proposals the Electric Utilities will make with respect to future RGGI funds and the potential uses of those funds.

NH Electric Utilities' Proposal

Summarized below is the NH Electric Utilities' proposal for the allocation of the \$2 million in RGGI funds among the electric utilities, to low income programs and to the residential and C&I programs; the disposition of any funds remaining at the end of 2012; 2012 spending thresholds and the NH Electric Utilities' proposal for earning a performance incentive on the delivery of an additional \$2 million in RGGI funds to customers¹ in the remaining four months of 2012. This proposal provides responses to items 2 through 6 identified by the Commission in its Supplemental Order of Notice issued in this docket.

Allocation of Funds to the Low Income Programs

As described by the Energy Efficiency and Sustainable Energy Board (EESE Board) in its letter to the Commission dated July 31, 2012 in this docket, the Low Income energy efficiency programs in New Hampshire have very recently experienced substantial reductions in funding due to the depletion of available federal funds under the American Recovery and Reinvestment Act (ARRA). As a result of the reduction in funding, the trained workforce delivering weatherization services has been recently cut and the number of homes being weatherized has dropped substantially. The NH Electric Utilities agree with the EESE Board that a failure to provide additional funding at the earliest possible date will likely have long-term consequences on infrastructure and the ability to achieve more energy savings under the low-income weatherization programs, which will serve to increase the demand for services under the Statewide Electric Assistance Program. As a result, the NH Electric Utilities propose to allocate 15% of the total RGGI program budget (or \$277,778) to the residential low-income weatherization program budget (Home Energy Assistance Program). Discussions with the Community Action Agencies (CAA's) regarding the level of funds that can reasonably be spent on low-income weatherization services during the remaining four months in 2012, give the NH Electric Utilities confidence that the CAA's have the ability to spend these funds during this timeframe.

Because of the short time period to expend these funds, the funds will be allocated to the four NH electric utilities based on the capacity of the CAA's in each utility's service area for the remainder of 2012. If there is a change in the CAA's production capability in this timeframe, the Home Energy Assistance funding will remain in this program, but may be reassigned among the utilities, as appropriate.

¹ Hereinafter, the word "customer" will be understood to mean both customers and NHEC members.

Allocation of Funds to Programs Other Than the Low Income Programs

The allocation of the remaining RGGI program budget (\$1,574,074) will be allocated to the four NH electric utilities based on each utility’s proportional share of the 2011 megawatt-hours delivered by the utilities. The table below summarizes the allocation of funds by utility.

Allocation of Program Budget by Utility (Does not include Low Income Program Funds or Performance Incentive)			
	<u>2011 MWH</u>	<u>Percentage</u>	<u>RGGI Funds</u>
Granite State Electric	911,923	8.5%	\$ 134,141
PSNH	7,815,462	73.0%	\$ 1,149,623
NHEC	744,000	7.0%	\$ 109,439
Unitil	<u>1,229,614</u>	<u>11.5%</u>	<u>\$ 180,871</u>
	10,700,999	100.0%	\$ 1,574,074

Allocation of Funds to Residential and C&I Programs

The NH Electric Utilities will allocate 81% of the total RGGI program budget (or \$1,506,325) to the Commercial and Industrial sector program budgets and 4% of the total RGGI program budget (or \$67,749) to the residential sector program budgets that do not have an income eligibility requirement. In total, the residential sector program budgets (including the low income program) will receive 19% of the total RGGI program budget (or \$345,527). The NH Electric Utilities are proposing to allocate a higher percentage of funds to the C&I sector programs than the existing CORE programs due to the current significant level of C&I customer demand for energy efficiency services. The NH Electric Utilities are confident these additional funds can be expended in 2012. It should also be noted that in 2012 the utilities have partnered with Better Buildings to provide up to \$2 million in additional weatherization services solely to residential customers. Please refer to Attachment A for a summary of proposed budget amounts by program and by electric utility and Attachment B for a brief description of each program and a description of how the RGGI funds will be utilized in each program.

All programs proposed by the NH Electric Utilities are current CORE energy efficiency programs approved by the Commission in Order No. 25,189. The additional funds allocated to these programs will be used to expand program services to additional customers and/or to additional energy efficiency measures, as in the case of the residential ENERGY STAR Appliance Program. Although heating, cooling and hot water systems are not currently offered as part of the residential ENERGY STAR Appliance Program, these measures were successfully implemented as part of the NH Electric Utilities’ energy efficiency programs funded by the American Recovery and Reinvestment Act (ARRA) in 2010 in partnership with the State of NH via the Office of Energy & Planning. Based on discussions with the Office of Energy and Planning, there is currently a high interest for upgrades to high efficiency heating, cooling and hot water systems in New Hampshire and few programs currently exist to serve this segment of the market.

In addition, the NH Electric Utilities plan to add these measures to the residential ENERGY STAR Appliance program in their 2013-2014 CORE Energy Efficiency Program filing. The NH Electric Utilities propose to spend \$50,000 in RGGI funds on the residential ENERGY STAR Appliance program in order to allow the utilities to begin program planning and implementation of these new measures in late 2012. Having the ability to begin program planning and implementation of these measures in 2012 will assist the NH Electric Utilities in reaching more customers in 2013 should the Commission approve an expanded program.

Performance Incentive

In return for successfully delivering an additional \$2 million in energy efficiency services to customers in the final four months of 2012, the NH Electric Utilities propose an eight percent performance incentive be earned on the 2012 actual RGGI program expenditures (a maximum of \$148,148 based on actual program expenditures of \$1,851,852). The total performance incentive amount will be allocated to each utility based on each utility's actual RGGI expenditures based upon the enclosed budget. This proposal is based on using the existing performance incentive mechanism with the following modifications:

- Each utility will track expenditures related to the 2012 System Benefits Charge (SBC) CORE program funds separately from the 2012 RGGI funds.
- There will not be separate performance incentive calculations for the residential and C&I sectors for RGGI funds.
- The actual 2012 RGGI residential program expenditures (including the low income weatherization program) will be summed together with the actual 2012 RGGI C&I program expenditures and included in the expenditures component of the performance incentive calculation (See EXPENDITURES_{RGGI} below).
- The ratio of the actual benefit-to-cost ratio achieved to the planned benefit-to-cost ratio for both the residential sector and the C&I sector will be deemed to equal 1. (See BC_{ACT} / BC_{PRE} below).
- The ratio of the actual lifetime kWh savings to the planned lifetime kWh savings for both the residential sector and the C&I sector will be deemed to equal 1. (See kWh_{ACT} / kWh_{PRE} below).

RGGI Performance Incentive Formula

$[4\% \times \text{EXPENDITURES}_{\text{RGGI}}] \times [(BC_{\text{ACT}} / BC_{\text{PRE}}) + (\text{kWh}_{\text{ACT}} / \text{kWh}_{\text{PRE}})]$, Where:

$\text{EXPENDITURES}_{\text{RGGI}} = \text{Actual RGGI Residential Program Expenditures} + \text{Actual RGGI C\&I Program Expenditures}$

$BC_{\text{ACT}} / BC_{\text{PRE}} = 1$ This assumes the actual benefit-to-cost ratio achieved = planned benefit-to-cost ratio for both the residential and the C&I sectors

$\text{kWh}_{\text{ACT}} / \text{kWh}_{\text{PRE}} = 1$ This assumes the actual lifetime kWh savings achieved = planned lifetime kWh savings for both the residential and the C&I sectors

The NH Electric Utilities respectfully request the Commission's approval of this simplified performance incentive formula. It would require considerable time and resources to develop updated lifetime kilowatt-hour savings estimates and benefit-to-cost ratios for each of the programs. At this time, the NH Electric Utilities suggest that the limited resources and remaining time in 2012 would be better utilized to deliver the expanded program services to customers and to prepare the 2013-2014 CORE Energy Efficiency Program Filing. By capping the performance incentive at eight percent, the NH Electric Utilities forgo the opportunity to achieve a maximum performance incentive of twelve percent of actual program expenditures, an opportunity normally provided under the SBC funded programs' performance incentive mechanism.

Allocation of Any Uncommitted Funds

Although the NH Electric Utilities do not anticipate having any uncommitted funds remaining as of December 31, 2012, should any uncommitted funds remain from the RGGI budget, they will be carried over to the 2013 CORE program year. The performance incentive on any carryover funds will be calculated based on the RGGI Performance Incentive Calculation as described above.

Spending Threshold Limitations

The spending threshold limitation for the 2012 RGGI program budget will be 105% of the 2012 RGGI residential sector program budget and of the 2012 RGGI commercial and industrial sector program budget as approved by the Commission. This is the same spending threshold limitation currently approved by the Commission for the residential and commercial and industrial sector budgets in the existing CORE energy efficiency Docket DE 10-188.

ATTACHMENT A

**RGGI Expansion of
NH CORE Energy Efficiency Programs
for 2012**

Budget Amounts by Program and Utility

Program	GSE	NHEC	PSNH	Unitil	NH Total	%⁽¹⁾
Commercial, Industrial & Municipal Programs						
Large Business Retrofit Program	\$10,000	\$0	\$651,847	\$103,000	\$764,847	
Large Business New Equip. & Construction	\$90,000	\$70,000	\$213,000	\$69,253	\$442,253	
Small Business Energy Solutions	\$10,000	\$34,225	\$230,000	\$0	\$274,225	
Education (Additional Energy Code Training)	\$2,130	\$1,738	\$18,259	\$2,873	\$25,000	
					\$1,506,325	81%
Residential Programs						
Home Energy Assistance (HEA)	\$5,113	\$49,172	\$111,599	\$111,894	\$277,778	15%
Home Performance w/ENERGY STAR Program	\$17,749	\$0	\$0	\$0	\$17,749	
ENERGY STAR Appliance Program	\$4,261	\$3,476	\$36,517	\$5,745	\$50,000	
					\$345,527	19%
Total Program Budget (Excluding HEA)	\$134,140	\$109,439	\$1,149,623	\$180,871	\$1,574,074	
Total Program Budget	\$139,253	\$158,611	\$1,261,222	\$292,766	\$1,851,852	
Performance Incentive (8% x Tot Program Budget)	\$11,140	\$12,689	\$100,898	\$23,421	\$148,148	
TOTAL 2012 RGGI FUNDING	\$150,394	\$171,300	\$1,362,120	\$316,187	\$2,000,000	

(1) Percent of Total Program Budget

ATTACHMENT B

RESIDENTIAL PROGRAMS

Home Energy Assistance Program

Description: This program is designed to help low income customers manage their energy use and reduce their energy burden. Basic services include insulation, weatherization, cost effective appliance and lighting upgrades, and appropriate health and safety measures. Participating customers can receive up to \$5,000 in program services.

Proposed Use of RGGI Funds: RGGI Funding for the remainder of 2012 will expand this existing program and allow more customer projects to be completed. The utilities plan to use these funds for additional weatherization projects and, as appropriate, for ENERGY STAR heating system replacements; in which case, customers would receive an incentive amount separate from the \$5,000 in existing program services.

ENERGY STAR® Appliance Program

Description: This program is designed to increase the use and availability of energy efficient appliances in New Hampshire. It is tailored to the needs of New Hampshire, but coordinated with similar national or regional initiatives. A prime objective is to raise awareness and educate consumers on the benefits of ENERGY STAR rated appliances through joint marketing, promotional and educational materials. The program is open to all residential customers and features include: a \$30 rebate for ENERGY STAR rated clothes washers, a \$20 rebate for ENERGY STAR rated room air conditioners, a \$30 rebate for ENERGY STAR rated refrigerators, a \$10 rebate for ENERGY STAR rated room air cleaners, a \$10 rebate for smart power strip and a second refrigerator/freezer recycling component.

Proposed Use of RGGI Funds: RGGI Funding for the remainder of 2012 will expand this existing program to also include fuel neutral incentives for ENERGY STAR heating, cooling and hot water heating appliances². Incentives will be for customers purchasing more efficient ENERGY STAR equipment over standard models. The utilities plan to begin implementation of these incentives in late November, provided continued funding for this program will be available on January 1, 2013. Initially, the RGGI funds will be used to set up the rebate processing and to educate heating system installers on implementation of this program.

NH Home Performance with ENERGY STAR® Program

Description: This program will continue to improve the efficiency of the existing housing stock in NH by assisting customers with improvements to the energy efficiency of their home. Basic services include air sealing, insulation, and cost effective appliance and lighting upgrades. Participating customers can receive up to \$4,000 in program services. Co-payments are required and are determined based on the measures installed.

Proposed Use of RGGI Funds: RGGI Funding for the remainder of 2012 will expand this existing program and allow more customer projects to be completed, including the weatherization of more single family homes and electric measures for multi-family homes. Customers can receive a heating system rebate separate from the \$4,000 in existing program services.

² Rebate for appliances using natural gas will not be made available through this program to Energy North and Northern Utilities gas customer unless funding under those utilities' existing programs have been exhausted.

COMMERCIAL, INDUSTRIAL & MUNICIPAL PROGRAMS

Commercial & Industrial New Equipment & Construction Program

Description: This program targets customers with new construction projects, major renovation projects or failed equipment replacement projects. The program offers prescriptive and custom rebates designed to cover the lesser of a one year payback or up to 75% of incremental costs up to the customer's incentive cap. The program also offers technical assistance, including project evaluation, measure identification, equipment monitoring and efficiency studies. Technical assistance and commissioning services may require a customer co-payment.

Proposed Use of RGGI Funds: RGGI Funding for the remainder of 2012 will expand this existing program and allow more customer projects to be completed.

Large Business Retrofit Program

Description: This program targets customers, 200 kW and larger³, operating aging, inefficient equipment and systems. The program offers prescriptive and custom rebates designed to cover the lesser of a one year payback or up to 35%⁴ of the equipment and installation costs up to the customer's incentive cap. Opportunities typically include lighting, motors, HVAC, air compressors, chillers, variable frequency drives, as well as, custom measures. The program also offers technical assistance, including project evaluation, measure identification, equipment monitoring, compressed air leak detection and energy audits.

Proposed Use of RGGI Funds: RGGI Funding for the remainder of 2012 will expand this existing program and allow more customer projects to be completed.

Small Business Energy Solutions Program

Description: The Small Business Energy Solutions Program is a turnkey solution tailored to the unique needs of small businesses, a customer base which is very diverse in terms of technical capabilities and financial resources. This program will provide turnkey energy efficiency services for customers under 200 kW demand⁵.

Proposed Use of RGGI Funds: RGGI Funding for the remainder of 2012 will expand this existing program and allow more customer projects to be completed.

Energy Code Training

Description: Provide financial support for the Utility/State of NH/NHPUC statewide residential and C&I energy code trainings.

Proposed Use of RGGI Funds: RGGI Funding for the remainder of 2012 will expand this existing program by purchasing additional Energy Code Compliance Field Guides for builders and commercial contractors, updating the NH Code Website (NHEnergyCode.com) with updated technical information, upcoming events, and case studies and real life examples of compliance issues, adding specialized Energy Code training for Real Estate & Mortgage Professionals, and providing in-field/on-site training for Builders and Code Officials.

³ 100 kW and larger for NH Electric Cooperative members

⁴ National Grid will pay up to 50% on Custom Retrofit Projects due to current market saturation in its service territory.

⁵ 100 kW and lower for NH Electric Cooperative members