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ORIGINAL
N.H.P.U.C. Case No. DE 10-188
Exhibit No. #62
Witness Panel 6
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AUG 17 2012
NH PUBLIC UTILITIES COMMISSION

August 17, 2012

Debra A. Howland
Executive Director and Secretary
Public Utilities Commission
21 S. Fruit St., Ste. 10
Concord, NH 03301

RE: DE 10-188 CORE & Gas Energy Efficiency Programs
OCA's Response to Joint Utility Proposal for use of RGGI Funds in 2012

Dear Ms. Howland:

Pursuant to your letter dated August 6, 2012, the OCA offers the following comments in response to the Joint Utility Proposal (JUP) filed on August 10, 2012. The JUP concerns the use of approximately $2 million in presently available Regional Greenhouse Gas Initiative (RGGI) funds in the 2012 CORE program year.

The OCA's comments address the following issues, some of which the Commission included in its Supplemental Order of Notice dated July 13, 2012:

1. The applicability of RSA 125-O:5 to RGGI funds used for CORE programs;
2. The allocation of RGGI funds based on the proportional share of the 2011 megawatt-hours delivered by utilities;
3. The allocation of funds to the residential and C&I CORE programs;
4. The allocation of funds to a low-income CORE program;
5. The use of the RGGI funds to expand existing CORE programs rather than to develop new programs; and
6. Whether and to what extent a Performance Incentive should be earned by the utilities for spending the RGGI funds.

1. Applicability of RSA 125-O:5 to RGGI funds used for CORE programs

At page 5 of the JUP, the utilities state that they do not anticipate having any uncommitted RGGI funds remaining as of December 31, 2012. Further, the utilities aver that any uncommitted funds remaining from the RGGI budget as of that date will be carried over to the 2013 CORE program year.

RSA 125-O:5 authorizes PSNH to utilize a portion of otherwise unused SBC funds, which are "rolled over" from a prior program year, for energy efficiency projects at its own facilities. RSA 125-O:5 expressly prescribes the portion of rolled-over SBC funds available for such use as "not [to] exceed 2 percent of all SBC funds collected in the prior program year."

The OCA recommends that the Commission expressly condition approval of the JUP on the requirement that PSNH not use any of the 2012 RGGI funds "rolled over" to the CORE programs at December 31, 2012, in its accounting of funds which may be used for RSA 125-O:5 projects at PSNH's own facilities.

2. Allocation of RGGI funds based on the proportional share of the 2011 megawatt-hours delivered by utilities

At page 3 of the JUP, the utilities explain that the proposed allocation of funds to programs other than the low-income programs will be based on each utility's proportional share of the 2011 megawatt-hours delivered by the utilities. The OCA supports this proposed allocation method as it reflects the overall proportional funding of the CORE programs via the collection of SBC funds.

3. Allocation of funds to the residential and C&I CORE programs

At page 3 of the JUP, the utilities explain their proposal to allocate 81% of the total RGGI program budget to the C&I sector programs and 4% of the total RGGI program budget to the non-low income residential sector. The utilities also explain that the NH Electric Utilities have recently partnered with the Better Buildings program to provide up to $2 million in additional residential weatherization services. This additional funding for residential energy efficiency combined with the utility's statement that there is a significant level of demand currently in the C&I programs for efficiency services lead the OCA to support the utility proposal for funding allocation.

4. Allocation of funds to a low-income CORE program

The JUP provides, at page 2, an explanation of the proposed allocation of 15% of the total RGGI program budget (or $277,778) to the residential low-income weatherization program (the Home Energy Assistance Program or HEA). The OCA understands that the utilities have consulted with the Community Action Agencies in order to identify the level of funding that can reasonably be expended during the remaining portion of the 2012 program year. Consequently, the OCA supports the 15% allocation to the HEA.

The JUP goes on to explain that the funds will be allocated among the four electric utilities differently than the other RGGI funds as explained in item 2 above. As proposed, the allocation of funds for the HEA program will be based on the capacity to serve the need in each CAA's utility service area. The OCA supports this proposed allocation method as it is designed to maximize the likelihood of fully expending the additional funding being allocated to the HEA program during the remainder of 2012.

5. <u>The use of the RGGI funds to expand existing CORE programs rather than to develop new programs</u>

At pages 3 and 4, the JUP explains that the RGGI funding will be used to serve additional customers through current CORE energy efficiency programs approved by the Commission in Order No. 25,189. The sole exception is that the utilities propose to use $50,000 of the RGGI funds to begin, in late 2012, planning and implementing certain new measures to be included in the CORE Energy Star Appliance Program. Given the relatively short period of time available to expend these additional funds during the 2012 CORE program year, the OCA supports the JUP's intent to supplement funding to existing CORE programs rather than develop new programs.

Further, the OCA is generally supportive of efforts to address the interest of residential ratepayers in high-efficiency heating, cooling, and domestic hot water systems and further develop the market for relevant technologies. The OCA believes this is a reasonable element of the JUP. However, the OCA suggests that additional clarification is appropriate as to what costs are proposed for inclusion in this amount as it is unclear if these development costs are for personnel, marketing materials or outreach, research and evaluation of program delivery methods for various technologies, or for rebates prior to the end of 2012. We are hopeful that the utilities will be able to provide additional details about these costs at the hearing to be held August 30, 2012.

6. <u>Whether and to what extent a Performance Incentive should be earned by the utilities for spending the RGGI funds</u>

The JUP at page 4 explains the utilities' proposal for a guaranteed Performance Incentive (PI) of 8% on the actual expended amount of the RGGI funds transferred to the CORE programs. The OCA does not support this component of the proposal and requests that the Commission not approve it. For reasons explained below the OCA recommends that the Commission authorize a PI of not to exceed 6% on actual expenditures of RGGI funds transferred to CORE during 2012.

As partly described on page 4 of the JUP and in more detail in the annual CORE Program Year filings,[1] the Commission-approved PI formula provides the utilities with an opportunity to earn a PI which can range from 0% to 12% of actual expenditures. (The CORE budgets are developed using an 8% "target" PI amount.) In order to earn any PI, however, the utilities must meet certain minimum performance thresholds on both components of the PI formula – the Benefit/Cost Ratio and the kWh savings components. As such, the PI is not a guarantee; the utilities typically bear the risk that the PI earned will be in the range of 0% to 7.9%. This risk is eliminated by the JUP because the PI minimum performance thresholds have been eliminated for this proposal.

The OCA recommends that the Commission take into account the removal of both these minimum performance thresholds and the corresponding downside risk of earning a lower PI. Although not opposed to a fixed – or guaranteed – PI percentage in these circumstances, the OCA does not agree that the guaranteed PI percentage should be set at 8%. The OCA recommends that the Commission instead allow a PI of no more than 6%, which is the mid-point of the usual CORE PI range.

The OCA appreciates the opportunity to provide these comments to the Commission.

Sincerely,

REP Hollenberg

Rorie E.P. Hollenberg
Assistant Consumer Advocate

cc: Service List

1 See, for example, Settlement Agreement filed in DE 10-188 on December 15, 2010, Attachment A, Section V, Shareholder Incentive Methodology.