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August 17, 2012

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

RE: Docket No. DE 10-188 CORE Energy Efficiency Programs
Staff Comments on Proposals to Use RGGI Funds

Dear Ms. Howland:

Public Service Company of New Hampshire, Inc. (PSNH), on behalf of the electric utilities, and the Jordan Institute, on behalf of the intervening parties, offered proposals regarding the use of current potential remaining Regional Greenhouse Gas Initiative (RGGI) funds. This letter provides Staff's comments on both proposals.

By way of background, HB 1490 requires a portion of the Regional Greenhouse Gas Initiative (RGGI) auction proceeds to be used as an additional source of funding for electric distribution companies for Core energy efficiency programs that are funded by SBC funds and present RGGI funds may be expended in the context of an adjudicative proceeding pursuant to the Commission's administrative rules, Chapter Puc 2600. In response to the Commission's Order of Notice (OON) of July 13, 2012, the utilities filed a proposal to spend $2 million, an amount presently available. The intervening parties filed a proposal to spend $4.2 million, an amount that includes both the $2 million presently available and an additional $2.2 million amount the intervening parties expect will be available from the September 2012 RGGI auction.

<u>The Jordan Institute Proposal</u>

The Jordan Institute proposes to dedicate $4.2 million, less $545 thousand allocated to the low income Home Energy Assistance (HEA) Core program. The remaining amount,

$3,655,000, according to the Jordan Institute, is allocated to four existing RGGI programs with significant qualified projects already in waiting lists. The programs are summarized as follows:

Greener Homes	$ 655,000
Better Buildings	$2,000,000
Pay for Performance	$ 500,000
Business Finance Authority	$ 500,000
Total	$3,655,000

Because these monies need to be committed in a short timeframe and such monies are additive to existing programs, the Jordan Institute does not feel that either performance incentives or administrative costs should be charged to these monies.

The Jordan Institute asserts that any RGGI dollars raised before December 31, 2012 should be spent in accordance with what the law and rules provide for, up until January 1, 2013. To do otherwise, according to the Jordan Institute, would be to apply a retroactive treatment to these funds. Further, the Jordan Institute recommends that the Commission clearly define what "spending" auction proceeds means – i.e., does it mean spending can continue after January 1, 2013, noting that efficient use of the funds may take an extra six months or a year. Staff reserves judgment on the proposal at this time, preferring to explore the proposal in more detail at the hearing scheduled for August 30, 2012.

The proposal by the Jordan Institute provides insights into the questions raised in the Commission's OON. Staff will plan to explore these responses further at the hearing scheduled for August 30, 2012. A brief synopsis of the responses is as follows:

A. The amount of funds likely remaining to be transferred to the energy efficiency fund as of January 1, 2013 is estimated to be $1.7 million. The Jordan Institute believes this would allow the utilities to have monies to start their new RGGI funded Core programs and give them time to plan for the January 1, 2013 start date.

B. The allocation of presently remaining RGGI funds would be allocated in part to the electric utilities to augment the low-income Home Energy Assistance program.

C. The allocation of RGGI funds to Residential and C&I programs would be explored more fully at the hearing.

D. The proposal allocates approximately 13%, or $545 thousand, of the RGGI funds to the low income Home Energy Assistance program.

E. The proposal allocates some funds to augment existing energy efficiency programs which have the greatest energy, cost, and greenhouse-gas reductions impact and includes the provision for revolving loans. Staff will explore these programs more fully at the hearing on August 30, 2012.

F. The issue of separate accounting for RGGI revenue and expenses would be discussed more fully at the hearing on August 30, 2012.

G. The proposal provides for no performance incentive and no administrative costs.

H. The proposal to transfer the estimated $4.2 million in RGGI funds to Core energy efficiency programs prior to January 1, 2013 would be discussed more fully at the hearing on August 30, 2012.

Utilities' Proposal

Staff notes that the utilities' proposal offers a simplified performance incentive of 8%, before tax, thereby forgoing the opportunity to achieve the currently authorized maximum performance incentive of 12%, before tax. Staff also notes that the utilities' proposal includes new components for the Home Energy Assistance (HEA) program and the EnergyStar® Appliance program.

With respect to the new component added to the HEA program, this component pertains to heating system replacements. This component is over and above the existing $5,000 cap. Staff will plan to explore the reasons for adding this additional component at the August 30, 2012 hearing.

With respect to the Energy Star® Appliance programs, this program includes a new component related to fuel neutral incentives for Energy Star® heating, cooling and hot water heating appliances. Staff will plan to explore the reasons supporting these incentive changes at the August 30, 2012 hearing.

The utilities proposal also provides responses to the eight questions raised in the Commission's OON. Staff will plan to explore these responses further at the hearing on August 30. A brief synopsis of the utilities' responses is provided as follows:

A. The amount of funds likely remaining to be transferred to the energy efficiency fund as of 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.

B. The allocation of presently remaining RGGI funds are allocated among the electric utilities based on actual 2011 megawatt-hours delivered by the utilities.

C. The allocation of RGGI funds to Residential and C&I programs is 19% and 81% respectively, based on demand. The utilities' proposal notes that the recent Better Buildings initiative provides up to $2 million in additional weatherization services solely to residential customers.

D. The proposal allocates 15% of the RGGI funds, net of an 8% performance incentive, to the low income Home Energy Assistance program.

E. The proposal allocates some funds to develop new innovative programs, such as the new heating replacement component for the HEA program and the new incentives for EnergyStar® Appliance programs. However, as noted above, Staff needs additional time to examine the appropriateness of these new components.

F. The utilities' proposal provides for separate accounting for RGGI revenue and expenses versus System Benefits Charge (SBC) revenue and expenses.

G. The proposal provides for an 8%, before tax, performance incentive on monies actually expended, with the utilities forgoing the opportunity to achieve the currently authorized maximum cap of 12%.

H. The utilities are proposing, consistent with the Commission's OON, to transfer the existing available $2 million in RGGI funds to Core energy efficiency programs prior to January 1, 2013.

Sincerely,

Marcia AB Thunberg

Marcia A. B. Thunberg
Staff Attorney

cc: Docket Related Service List