

DE 10-188 & DE 12-262
 CORE Electric Energy Efficiency and Gas Energy Efficiency Programs
 Home Energy Assistance Proposal

Overview

In Order No. 25,425, the Commission approved, with modifications, the Joint Utility Proposal to utilize RGGI funds during the remaining months of the 2012 CORE program year. As part of these modifications, the Commission provided the utilities with an additional \$1,190,000 for use in weatherizing low income homes via the Home Energy Assistance Program (“HEA”) through the Community Action Agencies (“CAAs”). The Commission went on to state, “In the event a CAA’s production capability changes, the utilities may reallocate these funds to other CAAs, after an informational filing has been made with the Commission.” In consultation with the Community Action Agencies (CAAs), the utilities have developed an allocation of the funds that aligns with both the CAAs and utilities’ capabilities. The details of this allocation are presented below in Section 1.

In the course of discussions with the CAAs, a significant funding issue was identified. Funding for the Department of Energy’s (DOE) Weatherization Assistance Program (WAP) 2013 Program Year has not yet been finalized at the Federal level. Further, the expected funding level is highly uncertain at this time. In the meantime, most of the federal funds for WAP Program Year 2012, which ends March 31, 2013, have been committed (with the exception of Tri-County CAP). This limits the ability to co-invest DOE WAP program funds with RGGI/CORE funds and leaves RGGI/CORE funds alone to support program operations until federal funds become available later this year. In order to continue weatherizing low income households without a major change in program design, the electric utilities are proposing to increase the per-home spending cap from \$5,000 to \$8,000 for the \$1.49 million in RGGI funds authorized by the Commission on October 17, 2012 for the HEA Program (see Table 1 below). This issue and a proposed solution are further addressed in Section 2 below.

In Section 3 the utilities provide a schedule, developed in conjunction with the CAAs, for program implementation. This production schedule is applicable to weatherization projects funded by the RGGI funds and projects funded by the HEA budget included in the 2013 CORE Programs Settlement Agreement filed with the Commission on December 14, 2012 in Docket No. DE 12-262.

I. Allocation of HEA RGGI Funds Authorized in Order No. 25,425

The utilities propose to allocate the \$1.19 million in additional funds to the four NH electric utilities based on each utility’s proportional share of the total 2011 megawatt-hours delivered by the utilities. This is the same method utilized to allocate the 2013 CORE HEA budget to each utility. This proposed split will result in the RGGI HEA funds being allocated as follows:

Table 1: Proposed Allocation of RGGI Funds

Program	GSE	NHEC	PSNH	Unitil	NH Total
Low Income Program					
Home Energy Assistance (add'l per NHPUC)	\$101,410	\$82,736	\$869,115	\$136,739	\$1,190,000
Home Energy Assistance (Original HEA Filing)	<u>\$5,522</u>	<u>\$53,105</u>	<u>\$120,527</u>	<u>\$120,846</u>	<u>\$300,000</u>
TOTAL HEA	\$106,932	\$135,841	\$989,642	\$257,585	\$1,490,000

II. Proposed Program Changes: Increases To Program Caps and Addition of Water Heating and Energy Star Space Heating Equipment

The Commission's Order No. 25,425 directing the electric utilities to spend additional RGGI funds was issued at approximately the same time the NH Office of Energy and Planning was contracting with the CAAs to distribute the April 2012 – March 2013 allocation of federal Weatherization Assistance Program (WAP) Funds. This is due in major part to the WAP having received its Program Year 2012 federal funding, and finalized its annual contractual obligations with the CAAs, almost six months later than usual due to unique program circumstances with US DOE.

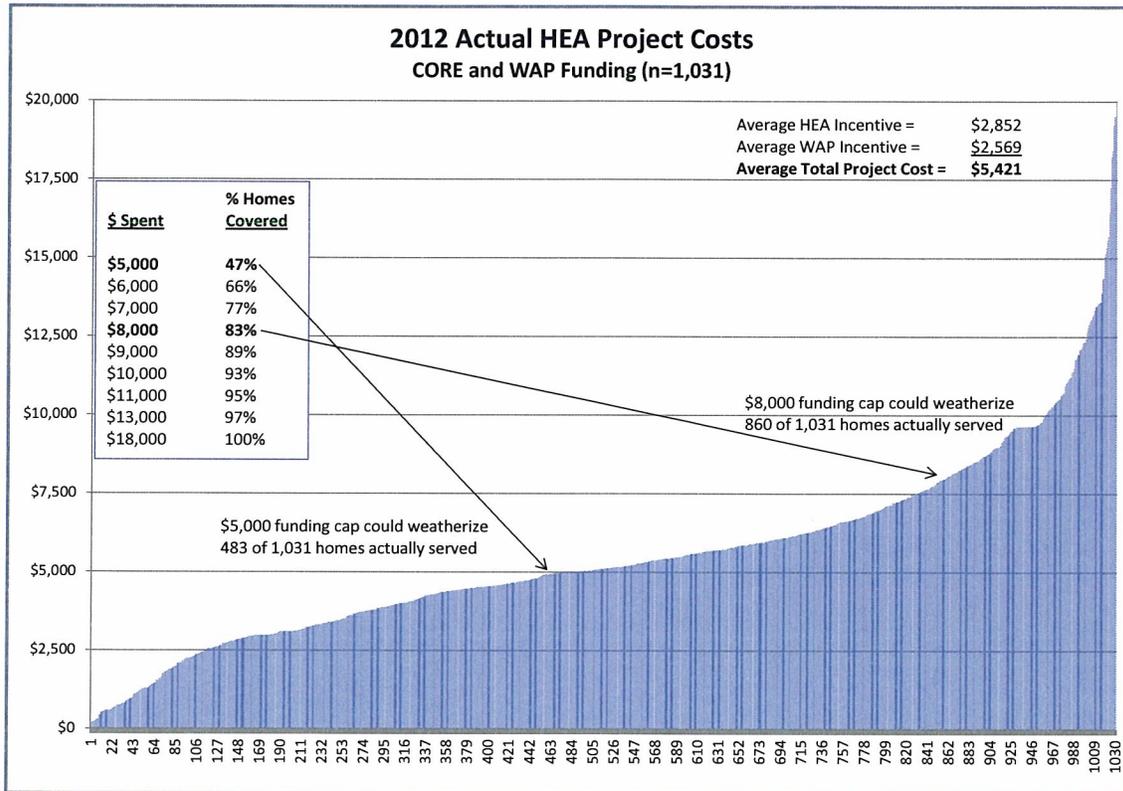
As described earlier, the Program Year 2012 DOE WAP funds have been largely expended or committed. Additional federal funds are not expected to be available to the CAAs until later this year, and the exact amount of funding is not yet known. The electric utilities met with representatives from the CAAs and the Office of Energy and Planning to determine whether any program changes are needed to facilitate expenditure of the RGGI funds. Upon detailed review of the total funding available, as well as the costs associated with weatherizing low income homes in 2012, the parties agree that an increase in the HEA funding cap to \$8,000 per home is advisable in the near term. The utilities may seek a more permanent increase in the funding cap in the future, which would likely impact the 2013-2014 CORE Energy Efficiency Plan. A revision to participation goals, savings goals, cost benefit analysis, and performance incentive calculation for this sector will be made should a more permanent increase in the CORE HEA funding cap be requested.

Figure 1, below, shows the cost¹ of all low income homes weatherized in the state in 2012. To comply with rules associated with utilizing federal WAP funds, all cost-effective measures that are found within a home must be undertaken for a home to participate in the program. For example, if a home needs a great deal of weatherization work, the home cannot be served at all because of the limited WAP funding available at this time. The chart shows that when a higher spending cap per weatherization job is established, there will be a larger percentage of audited homes which can be weatherized. A very low cap will likely result in homes being audited, but not being weatherized. This would be an inefficient use of CAA resources and can lead to frustration on the part of both the customer and the CAA.

Referring to the Figure 1, the actual number of homes weatherized using a combination of CORE HEA funds and WAP funds in 2012 was 1,031. The average project cost per home was \$5,421, of which \$2,569 was funded through the WAP program and \$2,852 was funded through the CORE HEA program. Arranging the population of homes served from lowest to highest project cost, one can see that 483 of the 1,031 homes, or 47%, were served for \$5,000 or less, and 860 of the 1,031 homes, or 83%, were served for \$8,000 or less. This demonstrates that in the absence of federal WAP funds, and with a cap of \$8,000 per job, the HEA program could serve approximately 83% of the homes that were served in 2012.

¹ Total Costs equals CORE SBC funds plus Federal funds associated with both WAP funding and funding from the American Recovery & Reinvestment Act of 2009 (ARRA).

Figure 1: 2012 Project Costs by Home for HEA and WAP



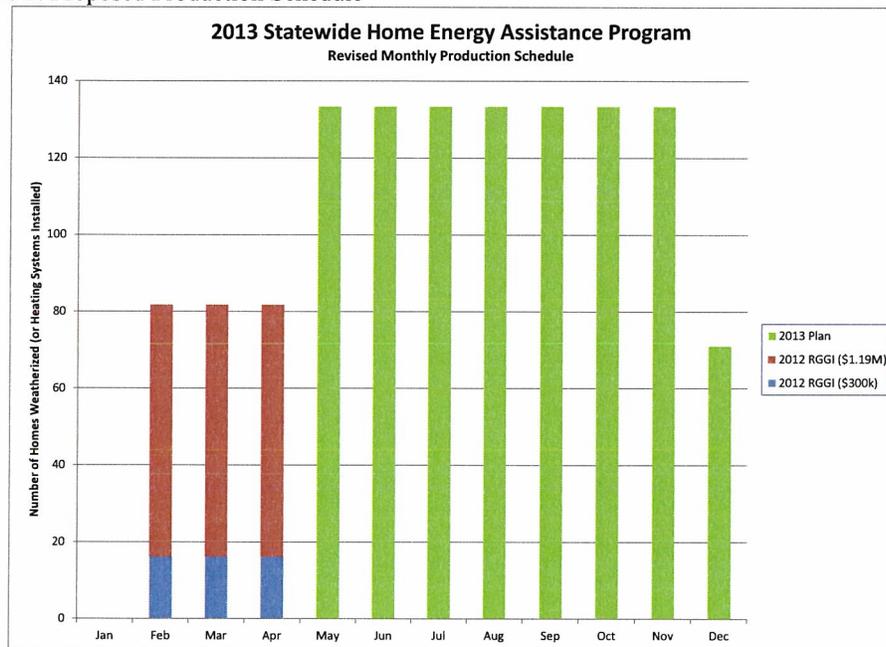
As a result, the electric utilities propose the following changes to the program, to be applied only to the RGGI funds that were awarded in Order No. 25,425 on October 17, 2012. (Should the utilities intend to implement these same changes for use of 2013 CORE HEA funds, a separate request will be made to the Commission.)

1. Increase the RGGI-funded HEA expenditure cap per home from \$5,000 to \$8,000 to allow for more homes to be served when WAP funds are unavailable or limited for collaboration purposes.
2. Allow for the replacement of space heating and water heating equipment in low income homes identified by the auditors as needing replacement. The installed cost of an ENERGY STAR® heating system would be approximately \$5,000 to \$6,500, and \$1,000 to \$1,900 for water heaters. The cost of replacement heating and water heating equipment would not be included in the determination of the weatherization expenditure cap per home. The utilities propose limiting the funds spent on these systems to no more than 25% of each utility's RGGI HEA budget so the majority of funds can be used for weatherizing homes. The utilities will provide separate information on the number of and dollars spent on heating and hot water systems as part of the quarterly reports to be filed with the Commission.

III. Proposed Production Schedule

With respect to revisions to the 2013 HEA production schedule, the utilities propose to first spend the 2012 RGGI HEA funds. After the 2012 RGGI HEA funds have been expended, the 2013 CORE HEA funds will be utilized to weatherize homes. The new monthly projected production schedule proposed is shown in Figure 2 below, and the utilities will allocate these funds to CAAs consistent with the 2013 CORE HEA fund allocations, with the ability to make adjustments based on CAA production and customer demand. Because we are proposing to increase the spending cap per home, the utilities will monitor the average cost per home and adjust the total number of homes that can be weatherized during 2013. Although this chart depicts all RGGI funds being spent during the months of February, March and April, each utility's actual production schedule could be shorter or longer than shown. Each utility will make its best effort to expend all 2012 HEA RGGI funds within three months of receiving approval from the Commission to proceed.

Figure 2: Proposed Production Schedule



Summary

In summary, the information in this filing is intended to provide the Commission and interested parties with a context for the relationship between CORE HEA funding and WAP funding, as well as the impact of WAP program changes on the implementation of the CORE HEA program. The electric utilities propose a specific allocation of funds among the electric utilities as indicated in Table 1 on page 1. To spend these funds effectively and expeditiously, the electric utilities request a change in the funding cap from \$5,000 to \$8,000 to be applied to the 2012 RGGI HEA funds provided to the utilities in Order 25,425, as distinct and separate from the RGGI funds proposed for use in Docket No. DE 12-262.

Further, we propose to extend replacement of space heating and water heating equipment costs which would not be included in the proposed funding cap in those low income homes where such equipment is replaced.

Finally, the electric utilities propose a projected production schedule in which the 2012 RGGI HEA funds will be spent prior to the expenditure of 2013-2014 CORE HEA funds. By spending 2012 RGGI HEA funds first, the utilities, CAAs, and other stakeholders will have the opportunity to assess the impact of a more permanent funding cap increase on the CORE-funded HEA program. If the utilities and CAAs observe programmatic benefits to an approved increase in the spending cap to \$8,000 for 2013-2014 CORE HEA projects, the utilities will provide additional detail in a separate request to the Commission for authority to extend or make permanent any spending cap increase.