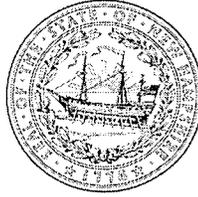


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MEMORANDUM

TO: Amy L. Ignatius, Chairman
Robert R. Scott, Commissioner
Mike Harrington, Commissioner

Cc: Debra Howland, Executive Director
Suzanne Amidon, Staff Attorney
Jon Osgood, Utility Analyst
Service List, DE 12-127

FROM: Jack Ruderman *JR (db)*

DATE: June 13, 2012

RE: Docket DE 12-127 – Residential Renewable Energy Incentive Program
Comments of Staff Following Public Comment Hearing



During the Public Comment Hearing on June 7, 2012 in the above-captioned docket the Commission received feedback from a number of solar installers regarding the "straw man" proposal to reduce incentive levels for the Residential Renewable Energy Generation Incentive Program. This program provides rebates for photovoltaic (PV) and wind systems with an electrical capacity under 5 kilowatts.¹ This proposal would reduce the incentive level from \$1.25 per watt to \$0.75 per watt and reduce the per-system maximum from \$4,500 to \$3,000 or 50% of the total system cost, whichever is less.

¹ Since the program's inception in July 2009 there have been 611 applications for PV rebates and 34 for wind systems. In the past 12 months, there have been no applications for wind systems.

Staff supports the reduction of the incentive for a number of reasons. First, there is a need for program consistency on a year-round basis, rather than the start-stop cycles the program has experienced since the program's inception in July 2009. To ensure program continuity, Staff concludes that it is therefore necessary to reduce incentive levels for this program.

Secondly, prices for photovoltaic (PV) residential renewable energy systems have declined considerably in recent years and it is a "best practice" to lower incentives over time as markets are transformed. Incentive levels can and should be reduced as technologies mature and become more affordable.

Finally, there is a need to preserve funds for other rebate programs and ensure that no one program uses a disproportionate share of the funding available through the Renewable Energy Fund (REF). Since July 2009, the residential renewable energy generation rebate program has accounted for REF expenditures of approximately \$3,400,000, during a period in which total REF revenues were \$8.5 million.² Moreover, there is a statutory requirement that the Commission reasonably balance expenditures between rebate programs for the residential sector versus those for the commercial and industrial sector. RSA 362-F:10, X.

After listening to public comment at the hearing on June 7, 2012, Staff remains convinced that the rebate level should be reduced from \$1.25 per watt to \$0.75 per watt. That level is commensurate with the decrease in PV system costs and reasonably consistent with rebate levels in other northeast states.

With regard to the maximum rebate per system, Staff have evaluated several scenarios, as summarized in the table below. For purposes of this memo, it is assumed that the budget for this program in state fiscal year 2013 will be \$981,000, the same as in state fiscal year 2012. Applications in past years have ranged from 180 to 220 systems per year; this year the program has received 177 applications to date (with just 3 weeks remaining in the fiscal year). Based on current data, it is also assumed that the average residential PV system will have a generation capacity of 4 kilowatts. There is currently a waiting list of 35 systems, at an average rebate request of \$4,300. Assuming an additional 15 applications are received prior to July 1, the Commission will need to set aside \$215,000 to clear the waiting list. This would leave \$766,000 for new rebates after incentive levels are reduced.

Rebate per watt	Rebate cap	# of systems funded
\$0.75	\$3,000	255
\$0.75	\$3,500	219
\$0.75	\$3,750	204
\$0.75	\$4,000	191

² The REF also supports a residential solar hot water rebate program, a commercial and industrial solar PV/solar thermal rebate program, and a commercial and industrial competitive grant program.

Staff recommends reducing the rebate cap from \$4,500 per system to \$3,750. All else being equal, this will allow the program to fund 204 rebates in state fiscal year 2013. We note this recommendation is consistent with the comments of two of the solar installers who provided comment at the public hearing.

In conclusion, Staff recommends that rebate levels be reduced to \$0.75 per watt and a maximum of \$3,750 per system, or 50% of system cost, whichever is less.