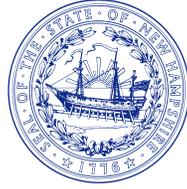


STATE OF NEW HAMPSHIRE



**Energy Efficiency and Sustainable Energy Board
RSA 125-O:5-a**

Fifth Annual Report

Prepared for:
Governor John Lynch
Senate President Peter Bragdon
Speaker of the House William O'Brien
Senator Robert Odell, Chair, Energy and Natural Resources Committee
Representative James Garrity, Chair, House Science, Technology and Energy Committee
Public Utilities Commission

November 30, 2012

I. Introduction

This annual report provides an update on the activities of the Energy Efficiency and Sustainable Energy Board and its recommendations for action, pursuant to RSA 125-O:5-a IV.

II. Background

The Energy Efficiency and Sustainable Energy Board (“EESE Board”) was created in 2008, by RSA 125-O:5-a. The Board’s central charge is “to promote and coordinate energy efficiency, demand response, and sustainable energy programs in the state.” A key purpose for establishing the EESE Board was an increasing awareness that energy efficiency is the least expensive and cleanest energy resource, and that New Hampshire must do more to promote energy efficiency and sustainable energy resources as a means to bolster the state’s economy and spur business innovation, improve energy security, reduce customer costs, and protect the environment. To this end, the EESE Board is directed to develop a plan to achieve the state’s energy efficiency potential as well as economic and environmental sustainability of the state’s energy system, including development of clean energy resources, and to ensure that the state is providing leadership on energy efficiency and sustainable energy matters.

The Chair of the Public Utilities Commission (PUC) convened the first organizational meeting of the EESE Board on October 1, 2008, and the Board has met roughly nine to twelve times a year since that time. The Board is administratively attached to the PUC, which provides administrative support.¹ The PUC hosts a comprehensive webpage for the EESE Board and other interested parties where all meeting materials and background information can be found: www.puc.nh.gov/EESE.htm.

¹ Administrative Support and Contact for the EESE Board is Diane Bateman: (603) 271-6031, Diane.Bateman@puc.nh.gov.

III. Statutory Duties

The EESE Board's duties are broad. They include, but are not limited to:

- Reviewing available energy efficiency, conservation, demand response, and sustainable energy programs and incentives and compiling a report of those resources in New Hampshire;
- Developing a plan to achieve the state's energy efficiency potential for all fuels, including setting goals and targets for energy efficiency that are meaningful and achievable;
- Developing a plan for economic and environmental sustainability of the state's energy system including the development of high efficiency clean energy resources that are either renewable or have low net greenhouse gas emissions;
- Providing recommendations at least annually to the public utilities commission on the administration and allocation of energy efficiency and renewable energy funds under the commission's jurisdiction;²
- Exploring opportunities to coordinate programs targeted at saving more than one fuel resource, including conversion to renewable resources and coordination between natural gas and other programs which seek to reduce the use of nonrenewable fuels;
- Developing tools to enhance outreach and education programs to increase knowledge about energy efficiency and sustainable energy among New Hampshire residents and businesses;
- Expanding upon the state government's efficiency programs to ensure that the state is providing leadership on energy efficiency and sustainable energy including reduction of its energy use and fuel costs;
- Encouraging municipalities and counties to increase investments in energy efficiency and sustainable energy through financing tools, and to create local energy committees;
- Working with community action agencies and the office of energy and planning to explore ways to ensure that all customers participating in programs for low-income customers and the Low Income Home Energy Assistance Program (LIHEAP) have access to energy efficiency improvements, and where appropriate, renewable energy resources, in order to reduce their energy bills; and
- Investigating potential sources of funding for energy efficiency and sustainable energy development and delivery mechanisms for such programs, coordinating efforts between funding sources to reduce duplication and enhance collaboration, and reviewing investment strategies to increase access to energy efficiency and renewable energy resources.

² Pursuant to Chapter 281 of the NH Laws of 2012 (HB 1490) this provision (RSA 125-O:5-a, I(d)), relative to a duty to make recommendations to the public utilities commission, is repealed effective January 1, 2013.

IV. Members and Public Participation

The members of the EESE Board, designated by RSA 125-O:5-a, II, include representatives of business and non-profit organizations and associations, legislators, state agency heads, consumer representatives, as well as several non-voting members representing electric and natural gas utilities, banking, and businesses in relevant energy efficiency and sustainable energy industries. The members represent a wide range of interests that help inform the Board's work. Current members (as of November 2012) are:

Vice Chair and Acting Interim Chair:

George Gantz, Unitil/Northern — utility appointment by PUC Chair, RSA 125-O:5-a, III(a) (non-voting)

Voting Members:

Luke Benson — Homebuilders Association/Build Green NH designee, RSA 125-O:5-a, II (i)

David Borden --- NH Sustainable Energy Assoc. — not-for-profit appointment by PUC Chair, II (l)

Sen. Jeb Bradley — Senate President appointment, RSA 125-O:5-a, II (k)

Susan Chamberlin — Consumer Advocate, RSA 125-O:5-a, II (c)

Dean Christon — Housing Finance Authority designee, RSA 125-O:5-a, II (o)

vacant — DRED designee, RSA 125-O:5-a, II (e)

Mike Fitzgerald — DES designee, RSA 125-O:5-a, II (d)

Timothy Fortier — NH Municipal Association designee, RSA 125-O:5-a, II (g)

Rep. James Garrity — House Speaker appointment, RSA 125-O:5-a, II (j)

Rep. Naida Kaen — House Speaker appointment, RSA 125-O:5-a, II (j)

Alan Linder — NH Legal Assistance designee, RSA 125-O:5-a, II (h)

Dana Nute, The Jordan Institute — not-for-profit appointment by PUC Chair, RSA 125-O:5-a, II (l)

Brian Ramsey — BIA designee, RSA 125-O:5-a, II (f)

Karen Rantamaki, State Energy Manager — DAS designee, RSA 125-O:5-a, II (m)

Jack Ruderman — PUC Chair designee, RSA 125-O:5-a, II (a)

Deborah Schachter, NH Charitable Foundation — not-for-profit appointment by PUC Chair, II, (l)

Susan Thorne — OEP designee, RSA 125-O:5-a, II (b)

vacant — Fire Marshall designee, RSA 125-O:5-a, II (n)

Non-Voting Members:

Michael Bruss, Bruss Construction, Inc. — energy services co. appointment by PUC Chair, III (b)

Michael Behrmann, Revolution Energy, LLC— renewable energy business appointment by PUC Chair, III (c)

Gil Gelineau, PSNH — utility appointment by PUC Chair, RSA 125-O:5-a, III (a)

Debra Hale, Liberty Utilities — utility appointment by PUC Chair, RSA 125-O:5-a, III (a)

Kate Peters, NH Community Development Finance Authority — investment community appointment by PUC Chair, III (d)

Carol Woods, NH Electric Coop—utility appointment by PUC Chair, RSA 125-O:5-a, III (a)

The Board has since its inception appreciated and encouraged attendance and participation of the public at its meetings. Business, municipal and nonprofit leaders and other stakeholders regularly attend the EESE Board's monthly meetings and are encouraged to bring relevant energy experience to the Board's discussions. In all, 140 people are on the Board's email distribution list, not including Board members. The Board recognizes that energy consumers, business leaders, municipal officials, energy efficiency and sustainable energy professionals, and other concerned members of the public and private sectors are all crucial to achieving our state's energy goals.

V. Description of 2012 Activities

The EESE Board will have met eleven times in 2012: in January, February, March, April, May, June, July, September, October and November, with a December meeting scheduled. Meeting agendas, minutes, presentations, and other materials from all of the EESE Board's meetings can be found on the PUC's EESE Board webpage: www.puc.nh.gov/EESE.htm. In February, in order to clarify its governance process, the Board adopted a Statement of Governing Principles, a copy of which is posted on the EESE Board webpage.

In addition, the Board has utilized a working group structure to meet its broad statutory goals, enabling work between Board meetings and opportunities for participation from both EESE Board members and non-members. Working groups in 2012 focused on:

- Independent Energy Study Review
- Outreach and Public Education
- Municipal Energy
- Legislative Monitoring

The most significant area of focus for the EESE Board in 2012 was reviewing and crafting recommendations on the Independent Energy Study completed by the Vermont Energy Investment Corporation (VEIC) in fall 2011. NH Chapter 335 of the Laws of 2010 (SB323), required the Public Utilities Commission (PUC) to contract for an independent study, by means of a broad collaborative process, regarding legislative, regulatory, and market-based policy options to address a comprehensive range of energy policy issues central to the EESE Board's charge. This 300+ page *Independent Study of Energy Policy Issues* was finalized and released on September 30, 2011. Both the complete study, as well as a summary of key findings and recommendations, can be found on the EESE Board's web page.

NH Chapter 335 of the Laws of 2010 (SB323) calls for the EESE Board to "provide its recommendations upon review of the comprehensive study to the senate president, the speaker of the house of representatives, and the chairs of the senate energy, environment and economic development committee and the house science, technology and energy committee as soon as practicable." After working closely with the PUC in 2011 to oversee the development of this study, the EESE Board devoted very significant time in 2012 to reviewing the roughly 300 recommendations contained in the final Independent Energy Study, with an eye to assessing these recommendations, distilling them, identifying areas of agreement or disagreement among EESE Board members and other interested parties, noting high priority action items, and preparing recommendations for the legislature, as called for by SB323. The EESE Board completed and has submitted a Final Report containing its assessment and recommendations relative to the findings of the Independent Energy Study in accordance with SB323. A copy of the Final Report, including a Matrix of Recommendations, is appended hereto as Appendix A and posted on the EESE Board webpage. In addition, the Board has prepared a Summary and

Highlights of its findings, a copy of which is also included in Appendix A and posted on the webpage. Also available on the webpage are the detailed Chapter Synthesis documents prepared by the EESE Board through the course of its review of the Independent Energy Study.

The Outreach and Public Education (“O&E”) Working Group of the EESE Board has continued its efforts to coordinate energy efficiency and sustainable energy communication efforts and initiatives, to raise awareness, and to increase demand for energy efficiency and sustainable energy resources. The O&E Working Group was reorganized in early 2012 by the addition of a new co-chair, and met on a regular basis throughout 2012. Its focus has shifted to providing opportunities for participants to share information and best practices regarding energy efficiency and sustainable energy, and to act as a conduit between the EESE Board and the larger community. It has closely followed the activities of the EESE Board working group considering the Independent Energy Study, and is prepared to assist in disseminating the results and recommendations resulting from that Study.

The Municipal Energy Working Group (MEWG) of the EESE Board was established to facilitate increased interest and investment in energy efficiency and sustainable energy by municipalities and counties through identification, development and promotion of sound practices, financing tools, and technical resources, including the engagement of local energy committees. Such efforts help to foster local economic development through creation of energy jobs and reinvestment of avoided energy costs, as well as insulating municipal energy budgets from energy price volatility. The MEWG has worked in close collaboration with and supported the Local Energy Working Group (“LEWG”), an independent alliance of municipal representatives and other interested parties. In March 2012 the EESE Board determined that given the continued success of the LEWG in achieving these outcomes, the MEWG would be put

on hiatus and the Board's Acting Chair would appoint a liaison to the LEWG. The liaison would not represent the EESE Board, but would report back to the EESE Board on the work of the LEWG. David Borden as a member of the EESE Board was assigned as the EESE Board Liaison to the LEWG. In addition to facilitating ongoing cooperation between the LEWG and the EESE Board, the liaison reports monthly at the EESE Board meeting.

In order to keep the EESE Board apprised of legislative developments in an orderly way, the EESE Board formed a Legislative Monitoring Group in 2011 to provide a mechanism for bill tracking, information sharing, and, if deemed appropriate, recommendation as to pending legislative efforts that might be the subject of discussion and/or action by the full EESE Board, or its individual members. This working group met on a regular basis by phone during the legislative session, starting in January 2012, and briefed the EESE Board at every meeting. While the EESE Board did not take any specific action relative to legislation in the 2012 session, its review process did raise the visibility of the ongoing legislation on matters including the Renewable Portfolio Standards and Renewable Energy Fund, the Regional Greenhouse Gas Initiative, Net Metering, Smart Meters, Eminent Domain, and Energy Performance Contracting.

As it has since its start, the EESE Board also continued to serve as a clearinghouse for information about energy efficiency and renewable energy programs, including those funded by the American Recovery and Reinvestment Act (ARRA) and primarily administered by the Office of Energy and Planning (OEP), as well as the Greenhouse Gas Emissions Reduction Fund (RGGI) and the Renewable Energy Fund, both administered by the PUC. EESE Board meetings included updates and discussion about programs and projects supported by these funds. Presentations from RGGI grantees included one by the Retail Merchants Association regarding Giving Power Back - a three phase program designed to assist businesses in reducing energy

costs through increased efficiency; one by the Community Loan Fund regarding their weatherization program for low income manufactured housing units, projected to save over \$300,000 per year in heating fuel costs alone; and a presentation from the New Hampshire Housing Finance Authority on its initiative to provide energy efficiency for low-income housing. The EESE Board also heard from Carbon Solutions New England with its Annual Evaluation assessing NH Greenhouse Gas Emissions Reduction Fund projects. They reported that lifetime savings due to grants expended as of June 2011 (\$18.1 million spent) are expected to be \$84.5 million in energy costs at current energy prices. Thus, they told the Board, for every dollar spent, the expected return is \$4.67 in energy savings. The EESE Board also hosted presentations by PSNH on their proposed customer engagement pilot program designed to provide personalized energy savings reports and website access to a target market of 25,000 randomly selected residential customers, and by Unitil on their completed smart grid pilot program which tested controlled thermostats, time-of-use and critical peak pricing and enhanced in-home control technology for a sample of residential whole-house air conditioning customers.

Finally, in late 2011 and early 2012 the EESE Board participated in the audit by the Legislative Budget Assistant's Office of the Public Utilities Commission, an audit that included a review of the Office of Consumer Advocate and the EESE Board, both of which are administratively attached to the Commission. The LBA audit of the EESE Board concluded in April 2012 that:

“...although the Board has been charged with such diverse tasks as developing a plan to achieve the State's energy efficiency potential for all fuels, coordinating efforts between funding sources, and reviewing investment strategies for energy efficiency and renewable energy resources, we found the Board has been given little statutory authority and no budgetary resources to accomplish these tasks.”
(Page 51)

As part of the interview and review process before the LBA, both the founding and past Chair of the EESE Board Richard Ober, and the current Acting Chair George Gantz, concurred with the recommendation of the LBA that “The Legislature may wish to reconsider whether the EESE Board’s purpose, objectives and functions can be accomplished with the limited authority and resources available to it.” (Page 53) Mr. Ober and Mr. Gantz further committed to present the views of the EESE Board on the LBA Audit recommendation in the context of the EESE Board’s review of the Independent Energy Study. This issue has been specifically addressed in the Report attached as Appendix A, and the EESE Board recommends that its responsibilities and resources be reviewed in the context of the development of any overarching energy policy for the state of New Hampshire.

VI. Recommendations

As noted, consistent with its responsibility to report to the legislature and relevant legislative committees under SB323, the EESE Board has made recommendations in a Final Report, attached as Appendix A hereto, based upon its review of the *Independent Energy Study*. The key recommendations include:

- Adopt a clear, comprehensive and stable state energy policy;
- Adopt an energy efficiency resource standard (EERS) with clearly articulated, increasing goals;
- Support and continue to improve the Renewable Portfolio Standards (RPS).

Under the law as it exists through year end 2012,³ the EESE Board is charged with making recommendations at least annually to the Public Utilities Commission on the administration and allocation of energy efficiency and renewable energy funds under the commission's jurisdiction, and recommendations to legislators and the Governor for action including possible legislation. In prior years, the Board has never made recommendations regarding specific grants, but has rather recommended that the Public Utilities Commission consider six principles when making allocations from the Greenhouse Gas Emissions Reduction Fund, as follows:

1. Funds should be allocated such that they encourage and complement private sources, not discourage them.
2. A significant portion of the funds should be used to advance the program priorities identified by the EESE Board, including clean energy job training and workforce development, coordinated municipal energy assistance, outreach and public education, enhanced delivery systems for energy Efficiency and sustainable energy, and support for "Beacon" Communities.
3. Funds should be used to fill gaps in other funding sources to bring highly qualified projects and programs to fruition and to leverage deeper greenhouse gas reductions. The application process should guide applicants to these other sources.
4. Requests for proposals and other guidelines should not be so prescriptive as to exclude innovation and flexibility among applicants.
5. Some portion of funds should be used for clearly defined and effective revolving loans and other programs that will "recycle" investments in the economy.
6. Funds should be directed both to comprehensive programs and discrete projects.

³ See FN 2

- a. Programs should be foundational and strategic in nature, but also must put funds to work in the economy, and have measurable results in greenhouse gas reduction.
- b. Projects should be concrete and specific but must have a clear public purpose and show that public funds are essential to success.

As of 2013, the Greenhouse Gas Emissions Reduction Fund (or “RGGI “) will no longer be administered separately by the PUC, but instead, amounts up to \$1 per allowance in auction proceeds will be deposited into an energy efficiency fund to be used in conjunction with core efficiency programs funded by the systems benefits charge. The EESE Board by letter in August 2012 recommended that the PUC place a high priority on addressing the energy efficiency needs of the low income sector in its consideration of how to spend current RGGI funds. The Commission’s final determination in Docket DE 10-188 regarding the allocation of current RGGI funds was consistent with the EESE Board recommendation.

VII. Next Steps

The EESE Board has completed its review and recommendations concerning the Independent Energy Study. These recommendations, derived from the study, suggest a course of action to move New Hampshire forward in realizing its energy potential. In 2013 the Board intends to follow up on the key recommendations as well as the more detailed recommendations in order to support, promote and, if feasible, achieve the implementation of its recommendations.

In addition, the EESE Board is currently undertaking a review of its agenda and scope of activities for 2013 and beyond, factoring in the results of the Independent Energy Study, the findings of the LBA audit, the above-referenced change in its legislative charter, and the views and opinions of EESE Board and interested stakeholders, including the Public Utilities Commission.

The EESE Board has played a key and effective role in the review, coordination and evolution of energy efficiency and sustainable energy information and programs in the State of New Hampshire. The Board stands ready to continue playing this role to the very best of its abilities and resources.

VIII. Conclusion

The EESE Board has endeavored to be a clearinghouse and to assist the state to facilitate the development of a comprehensive approach to energy cost savings, clean energy jobs, and a stronger and more secure energy future for New Hampshire. The Board appreciates enormously the engagement and immense time contribution of so many interested parties, including its volunteer members, non-voting participants and many other public and private stakeholders. This contribution by so many participants in support of dialogue, inquiry, analysis and sharing of ideas has aided the EESE Board to address its responsibilities in assisting the state to move its energy efficiency and sustainable energy agenda forward.

The EESE Board particularly looks forward to the challenge of implementing the recommendations drawn from the Independent Energy Study, and its members look forward to helping the state to meet this important challenge.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "George Gantz". The signature is fluid and cursive, with a large initial "G" and "G".

George Gantz, Vice Chairman and Acting Interim Chair