

STATE OF NEW HAMPSHIRE



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

Third Annual Report

Prepared for:
Governor John H. Lynch
Senate President
Speaker of the House
Chair, Senate Energy, Environment and Economic Development Committee
Chair, House Science, Technology and Energy Committee
Public Utilities Commission

December 1, 2010

I. Introduction

This third Annual Report is designed to provide an update on the activities of the Energy Efficiency and Sustainable Energy Board over the past year, and to communicate its work plan for the coming year.

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 cleanest and least expensive energy resource, and that New Hampshire must do more to take advantage of efficiency and sustainable energy resources as a means to bolster the economy, spur jobs and small business innovation, improve energy security, reduce customer costs, and protect our environment. To this end, the EESE Board was directed to develop a plan for energy efficiency and sustainable energy that builds on existing successful programs, increases awareness of energy efficiency and sustainable energy, and improves coordination of these programs.

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 monthly 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 Jennifer Ducharme: (603) 271-2431, Jennifer.Ducharme@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;
- 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 overall 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.

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 2010 are:

Voting:

Chair: Richard Ober, President, New Hampshire Charitable Foundation
Vice Chair: Eric Steltzer, Office of Energy and Planning
Jack Ruderman, Public Utilities Commission Sustainable Energy Division
Meredith Hatfield, Consumer Advocate, Office of Consumer Advocate
Robert Scott, Director, Air Resources Division, Department of Environmental Services
Robert Reals, Department of Resources and Economic Development
Patti Carrier, NH Ball Bearings, BIA Designee
Susan Olsen, NH Municipal Association
Daniel Feltes, NH Legal Assistance
Beth Fischer, Homebuilders and Remodelers Association of NH/Build Green NH
Rep. David Borden, House Speaker Appointee
Rep. James Garrity, House Speaker Appointee
Sen. Martha Fuller Clark, Senate President Appointee
Dick Henry, The Jordan Institute
Wes Golomb, NH Sustainable Energy Association
Karen Rantamaki, State Energy Manager, Department of Administrative Services
Ken Walsh, State Fire Marshal's Office, Department of Safety
Dean Christon, NH Housing Finance Authority

Non-Voting:

Gil Gelineau, Public Service Company of NH
Sarah Dagher, National Grid
George Gantz, Unitil/Northern Utilities
Carol Woods, NH Electric Cooperative
James Grady, LighTec
Charles Niebling, New England Wood Pellet
Janet Ackerman, People's United Bank

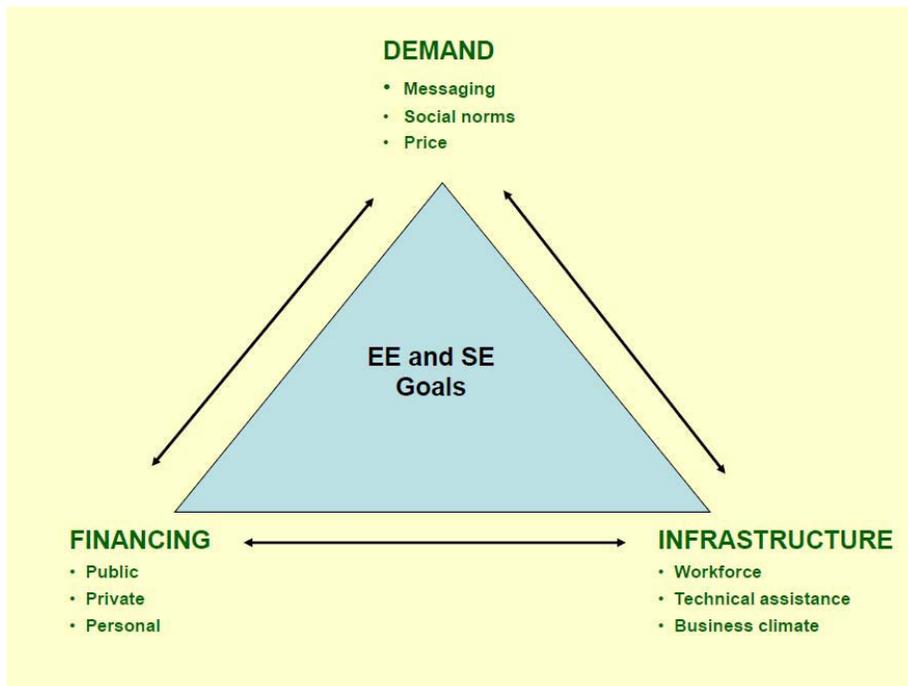
The Board continues to appreciate and encourage the attendance and participation of members of the public at its meetings. Dozens of interested business and municipal leaders and other members of the public regularly attend the EESE Board's monthly meetings; many of those attending have significant experience with energy efficiency or sustainable energy technologies and programs. In all, 142 people are on the Board's distribution list, not including Board members. The Board encourages broad participation in its work, understanding that its mandate cannot be achieved through the Board's work alone, and that those with a stake in these issues, including community leaders and professionals in the fields of energy efficiency and sustainable energy, can provide important guidance on how best to achieve our goals in these areas.

V. Description of 2010 Activities

The EESE Board met monthly during 2010. Meeting Agendas, Minutes, presentations, and other materials from all of the EESE Board's 2010 meetings can be found on the PUC's EESE Board webpage: www.puc.nh.gov/EESE.htm. The Board has utilized a working group structure to meet its broad statutory goals, enabling significant work between meetings of the whole, as well as opportunities for participation from both EESE Board members and non-members. In addition to full board meetings, four working groups met frequently throughout the year. These four active working groups focused on:

- Outreach and Public Education
- Beacon Communities Project
- Comprehensive Energy Study
- Municipal Energy Working Group (formerly Public Sector Working Group)

The EESE Board has identified three inter-related forces that will drive success in reaching the state's energy efficiency and sustainable energy goals:



Each of these three main goals has been the subject of the working group's efforts and the exploration and discussion by the full EESE board, with an eye toward spurring market transformation and unleashing market forces to meet shared policy goals. Significant barriers to optimal energy efficiency and sustainable energy investment identified by the EESE Board include, but are not limited to:

- Energy pricing variability and lack of transparency
- High initial investment costs
- Access to capital
- Competing incentives and disincentives
- Complexity, and consumer uncertainty
- Inadequate access to information and technical assistance
- Limited skilled workforce

An overview of working group efforts in 2010 relative to these issues follows here:

A. Outreach and Public Education

The Outreach and Public Education Working Group of the EESE Board has done substantial work to begin the process of developing a broad and inclusive communications plan to coordinate efforts and investments, raise awareness, and increase demand for energy efficiency and sustainable energy resources. These efforts culminated in a communications planning summit held on September 8, 2010, which brought together a diverse group of stakeholders to identify communication needs and strategies targeting varied key audiences. These audiences include commercial and industrial customers, residential customers, municipalities, schools, service providers, and others in the energy industry. The working group continues to build on these efforts to hone in on recommendations for the best strategies, tools and services to help spur and meet demand for energy solutions.

B. Beacon Communities Project

The EESE board envisioned creation of model NH communities to showcase methods to achieve transformative reductions in fossil fuel use through deep energy retrofits and clean energy investment. These “Beacon Communities” would accomplish these goals through deep investments in proven neighbor-to-neighbor education, technical assistance, and sustainable financing mechanisms. The Beacon Communities Working group, created through the EESE board, is comprised of a broad range of stakeholders, including utility representatives, state agencies, and non-profits. The working group was instrumental in shaping a successful proposal the State submitted to the U.S. Department of Energy for \$10 million under the BetterBuildings Program. The BetterBuildings Program will leverage private financing to achieve deep energy cost savings in residential, commercial and municipal buildings in the three communities of Berlin, Plymouth and Nashua, and will put

the systems, incentives and supports in place to enable other communities to make the same gains. The program, led by the Office of Energy and Planning and the Community Development Finance Authority, is now being supported by a BetterBuildings Advisory Committee which will continue to advise on innovative financing mechanisms, customer education and outreach, and community supports.

C. Comprehensive Energy Study

Recognizing that achievement of NH's energy goals will require large-scale private as well as public sector investments in energy efficiency and clean energy technologies, the EESE Board identified the need for support to assess and develop new approaches to meet the state's energy goals. NH Chapter 335 of the Laws of 2010 ("SB323"), required the 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 that are central to the EESE Board's charge, and further required that the EESE Board collaborate with the PUC in choosing an independent consultant and managing the development of the study. The EESE Board designated a ten-member working group or "Study Coordination Team" to assist in the selection of an independent consultant and coordination of the energy study work to be performed. This working group, which includes business, utility, residential consumer, and PUC representatives, met throughout the summer, assisted the PUC in the RFP drafting and review process, and most recently made a unanimous recommendation for selection of the energy consultant to spearhead this study, which recommendation was subsequently adopted by the PUC. The working group expects to remain directly involved with the conduct of the energy study going forward, with periodic updates to and participation of the full EESE Board as may serve to advance the process.

D. Municipal Energy Working Group

The Municipal Energy Working Group has focused its efforts on facilitating increased investment in energy efficiency and sustainable energy by municipalities and counties through identification, development and promotion of the necessary practices, financing tools and technical resources. Goals include stimulating local economic development through job creation in the energy field and reinvestment of avoided energy costs, and insulating municipal energy budgets from price volatility in the global energy market. This working group met seven times in 2010, often in conjunction with the Local Energy Committee Working Group, which seeks to provide collaborative guidance and technical support to New Hampshire Local Energy Committees seeking to reduce energy use and greenhouse gas emissions within their communities. The focus in 2010 has included reviewing all efforts to provide technical assistance and funding for energy efficiency and renewable energy for municipal buildings (such as the Municipal Energy Assistance Program and Energy Technical Assistance and Planning), advising state agencies on municipal energy technical assistance needs, and developing a more standardized approach to municipal energy audits.

E. Other Efforts

In addition to the above work undertaken in smaller working groups, one emphasis for the EESE Board this past year was to encourage innovation in the energy technology sector and support for small business development that will help to lead us toward energy solutions. The Green Launching Pad through UNH has provided funding and access to technical assistance for clean energy companies, including those promoting sustainable technologies, to bring their products and services to market more quickly and effectively.

The EESE Board also continued to serve as a clearinghouse and advisory/coordinating body for energy efficiency and renewable energy programs: from those funded by the American Recovery and Reinvestment Act (ARRA) and primarily administered by the Office of Energy and Planning (OEP), to the Greenhouse Gas Emissions Reduction Fund (RGGI) and the Renewable Energy Fund administered by the PUC. EESE Board meetings included updates and discussion about maximizing the effectiveness of these funds. For example, at its September meeting the EESE Board heard extensively about results to date of several energy programs designed to help local NH communities to reduce energy bills, including Energy Smart Schools, the Municipal Energy Assistance Program (MEAP), and Energy Technical Assistance and Planning for NH Communities (ETAP). The MEAP program alone has served nearly 50 towns in identifying potential savings in building energy use as well as other municipal lighting costs.²

Numerous other experts presented a wide range of information to the EESE Board in 2010, about topics ranging from regional energy efficiency and sustainable energy developments, to state actions to reduce building energy as well as state fleet fuel costs, to efforts to quantify specific statewide building retrofit targets to meet our energy goals, and more. The final meeting of 2010 is scheduled for December 10, 2010.

VI. Recommendations and Planned Activities

The EESE Board is charged by law 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

² Albany, Alstead, Barrington, Berlin, Canterbury, Chesterfield, Cornish, Danbury, Danville, Dunbarton, Enfield, Fremont, Grafton, Hopkinton, Hollis, Kingston, Laconia, Lancaster, Lebanon, Lee, Littleton, Marlborough, Newfields, New London, Northumberland, Peterborough, Sanbornton, Sandwich, Sullivan, Washington, Weare, Westmoreland, Barnstead, Bedford, Dorchester, Exeter, Franconia, Gilmanton, Goffstown, Gorham, New Castle, New Ipswich, Pittsfield, Rye, Springfield, Stratham, Tuftonboro, Thornton and Keene

legislators and the Governor for action including possible legislation. Accordingly, the Board recommends and anticipates the following directions for the EESE board to focus on in the coming year:

A. *Relative to the EESE Board's charge to "provide recommendations at least annually to the public utilities commission on the administration of energy efficiency and renewable energy funds under the commission's jurisdiction." RSA 125-O:5-a, 1 (d):*

Making recommendations related to the coordination of all efficiency and renewable energy funds under the Commission's jurisdiction is an important part of the EESE Board's role. The EESE Board has provided such counsel during 2010, as in years prior, and will continue to do so. A key role for the EESE Board is to ensure that all public funds used to help New Hampshire residents, businesses, non-profits and municipalities to reduce their energy consumption and reliance on fossil fuels are used as efficiently as possible, and achieve maximum economic benefit.

In the past, the EESE Board has recommended that the Public Utilities Commission consider six principles when making allocations from the Greenhouse Gas Emissions Reduction Fund. These principles remain relevant, and future allocations as well as existing programs should be reviewed and presented for EESE Board oversight in assessing program impact against these principals:

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 the “Beacon Communities” Project.

3. Funds should be used to fill gaps in other funding sources in an effort 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.
 - 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.

In addition, the Board will provide guidance to the Commission as appropriate regarding the management of the electric Core programs, funded by electric customers through the System Benefits Charge (SBC), and the natural gas efficiency programs supported by customers through natural gas rates.

B. Relative to the EESE Board’s charge to “develop a plan to achieve the state’s energy efficiency potential for all fuels,” and to “develop a plan for economic and environmental sustainability.” RSA 125-O:-5a, I (b) & (c):

The EESE Board will have a key role to play in the SB323 energy study process: participating via working group in consultation with the PUC to manage development of the

study, providing a forum for the investigation of issues, ensuring coordination of public input to inform the study, and making recommendations to the legislature upon review of the completed study. Time at several EESE Board meetings in 2011 will be devoted to this process to maximize the value of the study and report.

C. Relative to the EESE Board's charge to "encourage municipalities and counties to increase investments in energy efficiency and sustainable energy" RSA 125-O:5-a, I (h):

While the BetterBuildings program unfolds, fostering targeted work in Berlin, Plymouth and Nashua, the EESE Board's original vision of a "Beacon Communities" approach to showcasing deep energy efficiency savings and clean energy investments is broader than this single DOE funded program. The EESE Board will continue to support the BetterBuildings program with strategic advice and guidance, and also seek to identify ways to focus funding, innovation, strategic communications, and other collaborative investments to bolster this approach more broadly.

Additionally, the EESE Board's Municipal Energy Working Group has identified a number of specific areas of focus for 2011, to support communities in achieving energy savings and strategic energy investments, including but not limited to:

- Communicating success stories from around the state, highlighting innovative practices and a diverse set of municipalities and school system projects.
- Supporting, in coordination with existing efforts and tools, the development of a state-wide clearinghouse of municipal energy data, along with tool kits that will assist improved procurement of energy efficiency and sustainable energy services, including tracking of energy consumption and identifying funding and financing options.

- Encouraging the continued development of effective local energy committees in coordination with the Local Energy Committee Working Group.

- Identifying policies and programs that support municipal energy goals and activities.

D. Relative to the EESE Board's charge to "develop tools to enhance outreach and education programs to increase knowledge about energy efficiency and sustainable energy among New Hampshire residents and businesses" RSA 125-O:5-a, I (f):

The Outreach and Public Education work group of the EESE Board has, as noted, done substantial work to begin the process of developing a broad and inclusive communications plan to coordinate expenditures and raise awareness and increase demand for EE and SE. The EESE Board will continue to support and prioritize this work, as it is foundational to achieving the EESE Board's broad statutory charge.

E. Relative to the Board's charge to make policy recommendations as part of its annual report:

The diversity and breadth of the EESE Board members makes the Board a good venue for the vetting of policy and legislative issues and a range of stakeholder perspectives. As legislative and other policy issues arise, it will be beneficial for the EESE Board to have a mechanism for deciding which if any of these might be the subject of concerted effort by the full EESE Board, and/or its individual members. Rather than have these issues raised scattershot by various parties, formation of a Policy Committee to vet proposed ideas for presentation to the full EESE Board may facilitate this process. The EESE Board may communicate its position on selected bills to the appropriate committees during the 2011 legislative session.

F. Relative to the EESE Board's charge to "investigate potential sources of funding for energy efficiency and sustainable energy development and delivery mechanisms for such programs" RSA 125-O:5-a, I (j):

The EESE Board will explore opportunities to further support the expansion of private investment in energy efficiency and renewable energy, and seek the strategic use of public funds to support and enhance these investments. Other sources of funds that may be explored include the unregulated fuels market, which currently does not contribute to the existing efficiency funding sources supported by electric and natural gas ratepayers and remains outside the jurisdiction of the PUC.

VII. Next Steps

Plans for 2011 will be further refined at the EESE Board's December meeting. The EESE Board plans to meet at least once a month in 2011, on the second Friday of each month, beginning on January 14th. The Board will continue to utilize the working group structure to assist it with the specific focus areas identified in the Board's work plan for 2011.

VIII. Conclusion

The EESE Board represents an important next step in the development of a comprehensive approach to energy savings, the development of clean energy jobs, reduced reliance on fossil fuels, and the encouragement of a stronger and more secure energy future for New Hampshire. The Board looks forward to another productive year to focus on the above activities, in coordination with other related efforts that support the legislative direction for the Board in 2011.

Respectfully Submitted,



Richard Ober, Chairman