

BEFORE THE STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

In the matter of:)
Granite State Electric Company d/b/a National Grid New)
Hampshire Electric Cooperative, Inc.)
Public Service Company of New Hampshire) DE 10-188
Unitil Energy Services, Inc.)
2011-2012 Core Electric and Natural Gas Energy)
Efficiency Programs)

Direct Pre-filed Testimony

Of

R. Jeremy Hill

Energy Service Professional, and
Incorporator of the New Hampshire Energy Trust

October 15, 2010

1. Introduction

1

2 **Q. Please state your name, business and position.**

3

4 A. My name is R. Jeremy Hill. I am a Building Performance Institute
5 ("BPI") Certified Professional who has completed more than 1,000
6 Home Energy Assessments. I am also an Incorporator of the New
7 Hampshire Energy Trust, a non-profit corporation. I have been
8 employed as an energy auditor in the past by A+ Energy Services
9 Inc., and National Energy Audits LLC. I am currently employed by
10 National Energy Audits, and am also in the process of forming, as a
11 principal, a for-profit energy performance company focused on the
12 New England market.

13

14 **Q. Mr. Hill, have you previously testified before the Commission?**

15

16 A. No.

17

18 **Q. Please briefly describe your experience and specific knowledge or**
19 **skills that relate to your testimony in this docket.**

20

21 A. I have significant experience with performing energy assessments
22 and customer/project management in the residential weatherization
23 industry. I have served customers with the assistance of publicly
24 funded incentive programs in Massachusetts. I have also had
25 significant experience performing energy assessments and
26 weatherization management without the subsidies of public incentive

1 programs in both Massachusetts and New Hampshire. I consider myself
2 to be a committed advocate of equal opportunity and free markets
3 within the industry.

4

5 **2. Mr. Hill's Concerns Regarding the Utilities' Proposed Programs**

6

7 **Q. Please describe the purpose of your testimony**

8

9 A. The purpose of my testimony is to share with the Commission and
10 interested parties some of my experiences working as an energy
11 auditor and weatherization contractor, and to comment specifically
12 on the effect of New Hampshire's energy efficiency incentive
13 programs that have witnessed in the market.

14

15 I would also like to appeal to the Commission about the urgent need
16 to create a more open market and a more effective set of programs
17 to stimulate the residential market. I believe that the current
18 programs are hindering the development of the residential energy
19 efficiency market, and that they limit the ability of energy
20 service professionals to establish and grow successful businesses
21 in New Hampshire focused on serving the residential market.

22 Further, I believe that the current program administrators are
23 aware of the effects their programs are having on the development
24 of the industry and customer demand. Finally, I believe that their
25 current incentives and inherent conflicts of interest limit the
26 utilities' efforts to design and administer their energy efficiency
27 programs, and, as a result, having them as administrators of the

1 programs is neither in the public interest nor in the interest of
2 their ratepayers.

3

4 **Q. Please provide us with a sense of your experiences with performing**
5 **energy assessments and acting as a weatherization contractor**
6 **without any assistance from the utilities' incentive programs.**

7

8 A. Because of the low level of awareness in New Hampshire of both
9 home-as-a-system performance and the incentive programs among
10 residential home owners, I have had limited success in selling
11 energy assessments and weatherization services in New Hampshire. I
12 have not participated in the CORE program in the past, and
13 unfortunately, it typically poses an ethical dilemma as to whether
14 or not I make the homeowner aware of the programs. Although my
15 services and proposed energy solutions can be cost-justified as
16 good investments for the homeowner based on the energy savings
17 alone, if I inform them about the ability to obtain additional
18 subsidies from the utility programs, I put myself at risk of losing
19 my sale if those program budgets are closed for the current year or
20 if the utilities have not allowed me or my company to participate
21 in their program for the current program year. Even without the
22 utility incentives, I can typically close a sale 40-45% of the time
23 if the customer has a means for financing the weatherization work.

24

25 **Q. Why do you risk losing the sale if you inform the customer of the**
26 **utility incentives?**

27

1 A. If I make the customer aware that the New Hampshire Utilities may
2 offer a 75% incentive up to \$4,000, or complete air-sealing for
3 free and additionally offer up to \$2,000 for insulation, then my
4 chances of earning a contract are at best, unfavorable. I find
5 myself competing against the utilities, not being helped by them,
6 if I am not one of the chosen few able to participate in their
7 programs. The utilities and their chosen contractors are the only
8 ones that have access to the energy efficiency incentive program
9 dollars.

10

11 **Q. How can the programs be improved and made available to better**
12 **support the industry and residential contractors?**

13

14 A. As an incorporator of the New Hampshire Energy Trust ("the Trust"),
15 I described a number of ways in its competing proposal.
16 Unfortunately, because the Trust also proposed to administer the
17 energy efficiency programs in lieu of the six utilities, the
18 proposals do not appear to be given much, if any consideration in
19 this docket.

20

21 My primary recommendation is to open the market up and create a
22 level playing field where any duly qualified entity can provide
23 these essential services to the public and participate in the
24 incentive funds. This can be enabled by allowing residential
25 customers to choose their contractor instead of the utilities, and
26 to let the market set the prices for services and solutions instead
27 of the utilities.

1

2 **Q. The Utilities will argue that the program as it exists is cost-**
3 **effective, and delivers consistent quality. Why should the**
4 **Commission "open the market," as you say?**

5

6 A. I believe the utilities have extensive legal resources (funded by
7 the efficiency program) to make whatever argument necessary to
8 maintain control of these public efficiency funds. The utilities
9 earn handsome profits through the administration of these funds,
10 and ultimately get to control the marketplace based on the way
11 these funds are meted out. As a result of their ability to control
12 the market through their control of the public incentives, the
13 utilities can also control the amount of cannibalization of future
14 electricity and natural gas sales (and profits) that might result
15 from a more vibrant energy efficiency market.

16

17 Additionally, due to their exclusive control over what contractors
18 can participate in any of their programs, the utilities are able to
19 (a) keep the contractors dependent on the utilities if they want to
20 do business in the New Hampshire energy efficiency market, (b)
21 implicitly threaten the livelihood of the contractors if they
22 should speak out against the utility programs—again, the utilities
23 have exclusive control over what contractors can participate in
24 their programs, and (c) ensure that no contractor gets too powerful
25 in the market, or even generate sufficient resources to wage an
26 effective campaign against utility administration of the energy
27 efficiency programs in New Hampshire.

1

2 Note, the counsel obtained by the New Hampshire Energy Trust
3 estimated that it would likely take no less than \$50,000 to
4 represent them in this docket, and likely much more if it wanted a
5 fighting chance to succeed. Unlike the utilities, for whom all
6 legal expenses are recovered out of the energy efficiency programs,
7 there is only a chance that the Trust would have been able to
8 recover any of its legal expenses, and it could only be requested
9 upon the resolution of the docket. Very few contractors in New
10 Hampshire have such resources to hire the counsel needed to
11 effectively represent them in these dockets. The utilities
12 estimated that in 2009, the total payments to all contractors in
13 the non-low income residential market for weatherization services
14 was approximately \$1.6 million. Assuming that is 75% of the total
15 project costs, that places the total value of those programs at
16 just a little more than \$2 million. Once you divide that between
17 the contractors in the program, it becomes apparent that the
18 industry participants are relatively small and fragmented. In
19 other words, they offer weak opposition to the utilities control of
20 the market, and most depend on the utilities to make their living.

21

22 **Q. But why should we open the market?**

23

24 **A.** To paraphrase Warren Buffett: the reason he remains optimistic for
25 the American economy, even during this deep and sustained economic
26 recession, is America's "commitment to equal access and free
27 markets." In New Hampshire, the self proclaimed "Live Free or Die"

1 state, the residential energy performance industry has neither
2 equal access, nor open markets.

3

4 The PSNH program model is to have contractors work essentially as
5 subcontractors while the utility decides which customers will
6 participate and which contractors will work. The National Grid
7 model is a very inefficient, multi-step process that has one out-
8 of-state company perform all the audits and all the air sealing
9 work. These two models effectively prevent even the best qualified
10 Home Performance Contractors from building sizable, profitable
11 operations. It is a very unattractive market environment given the
12 utilities programs.

13

14 **Q. Do you believe that other residential home performance contractors**
15 **in New Hampshire are supportive of the Trust's proposals and your**
16 **testimony?**

17

18 **A.** I have made many of the contractors in the marketplace aware of the
19 Trust's efforts and intentions, and they have been very supportive
20 informally. However, the uniform point they make to us, is that
21 they are "afraid to bite the hand that feeds them." Specifically,
22 they are afraid of being "black-listed" by PSNH. At great risk to
23 their future livelihood in the New Hampshire residential energy
24 efficiency market while the utilities are administering the
25 publicly funded energy efficiency programs, the incorporators of
26 the Trust decided to take the risk to inform the Commission about
27 the nature of the industry and to offer suggestions on how to

1 improve both the programs and the effectiveness of program
2 administration.

3

4 I hope that the costs that I have incurred and the significant
5 risks that I have taken to participate in this docket and provide
6 crucial industry feedback to the Commission will lead to a more
7 vibrant, open and growing residential energy efficiency market in
8 New Hampshire. I appreciate the opportunity the Commission has
9 given me to participate in this docket. Thank you. This concludes
10 my testimony.

11

12 **END OF TESTIMONY**