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March 15, 2010

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: Docket No. DE 10-024
Opportunity to Comment on Renewable Energy Fund
Staff's Recommendation

Dear Ms. Howland:

Pursuant to an Order of Notice issued in this docket on February 9, 2010, Staff must file recommendations with the Commission regarding (1) a solar water heating incentive program and (2) other issues that were raised in the Order of Notice. Those other issues primarily relate to the limited amount of money in the Renewable Energy Fund (REF) at this time and the need to budget those moneys to cover administrative costs, the existing residential rebate program mandated by RSA 362-F:10(V), the proposed solar water heating incentive program, and any additional funding opportunities to benefit commercial and industrial (C&I) customers.

Staff met in technical session with interested parties on February 26, 2010. The parties who attended the session included professional installers of solar electric and solar hot water installations, as well as other interested parties including the New Hampshire Sustainable Energy Association, Public Service Company of New Hampshire, National Grid and the Granite State Hydropower Association. Their comments and suggestions assisted Staff in developing the technical criteria for the solar water heating incentive program. In addition, we heard of the need to develop an incentive program for commercial and industrial applications of renewable energy technologies. Given funding constraints, a majority of the parties suggested that such an incentive program be limited to small-scale thermal or electrical installations. We considered their comments and suggestions in developing our recommendations. We also reviewed and considered a considerable number of written comments submitted prior to the technical session.

This letter, which presents Staff's recommendations, will first address the solar water heating incentive proposal. Following Staff's recommendation on that subject, this letter will provide Staff's recommendation for budgeting existing REF funds through July 2011, given limited resources and the need to establish an incentive program or competitive grant solicitation (RFP) for commercial and industrial customers.

I. Solar Domestic Hot Water Incentive Program

Staff proposes a two-level rebate program for residential customers. A base rebate will be offered using REF funds, to be supplemented by a second rebate funded with federal American Recovery and Reinvestment Act (ARRA) dollars made available to the State by the Office of Energy and Planning.

A. Incentive Payment offered by the Commission

Staff proposes a two-step application process for the residential solar water heating incentive program funded by the REF. The application forms will be filed by close of business today. The two-step process will allow an applicant who plans to install a solar water heating system to pre-qualify for the base incentive, as described below. The incentive will be provided on a prospective basis only; existing solar water heating systems will not be eligible for the incentive retroactively.

To pre-qualify a solar water heating system for an incentive payment, an applicant must complete the first step of the application (Step 1) and comply with the requirements, terms and conditions of Step 1. Incentives will be limited to applicants who install a solar water heating system at their primary residence in New Hampshire. The Step 1 application requires the applicant to identify the installer, electrician and plumber working on the installation. Applicants will be required to install a system that meets SRCC certification of OG-100 or OG-300¹, and to name the manufacturer and model number of the collector to be installed. In addition to other documentation, the applicant will be required to provide a signed contract with the installer (unless self-installing), a site map, a Solmetric SunEye or Solar Pathfinder shading analysis and photos of the installation site.

Applicants who complete and file a Step 1 application that is approved by the Commission will be able to receive the incentive payment by filing a Step 2 form once the installation is complete. The Step 2 form will require copies of receipts and other documentation indicating the system was successfully installed and is functioning according to its design.

¹ SRCC stands for Solar Rating Certification Corporation.

Staff recommends that the Commission approve an incentive of \$500 for the initial collector, an additional \$250 for a second collector and \$125 for a third collector for a potential maximum incentive payment of \$875.

B. Part B State Energy Efficient Appliance Rebate Program

The Commission has agreed to administer an appliance rebate program funded through the American Recovery and Reinvestment Act (ARRA) and the Department of Energy's State Energy Efficient Appliance Rebate Program. The Office of Energy and Planning (OEP), which administers the ARRA moneys, will provide the Commission with \$516,000 under the terms of a Memorandum of Agreement approved by Governor Lynch and the Executive Council on March 10, 2010. The MOA provides that the Commission will provide a rebate of \$750 for up to 660 residents who are replacing an existing domestic water heating system with an eligible, energy efficient solar system at their primary residence. For qualifying systems, this rebate will supplement the base rebate funded with REF monies.

To satisfy the Department of Energy's reporting requirements, Staff, with the assistance of OEP, has prepared a stand-alone Part B application which elicits specific information related to the appliance rebate. In addition, applicants for the appliance rebate will also be required to complete the Part A application whether or not they seek the base incentive payment from the Commission. In all likelihood, however, most applicants who seek the appliance rebate will also apply for the base incentive payment.

Because the appliance rebate is federally funded, the National Historic Preservation Act applies to homeowners who intend to take advantage of the rebate in their solar water heating installation. If the house is over 50 years of age, a resident seeking the Part B appliance rebate may be required to seek the review of the State Historic Preservation Office. OEP is currently working to have this requirement waived for the solar water system appliance rebate program, but as of the time of this writing, the waiver has neither been granted nor denied.

II. Recommendations for Budget of REF Moneys

The Notice of Opportunity to Comment in Docket No. DE 10-024 included a link to a document that contains general scoping questions related to the use of the REF moneys given the uncertainty of the funds, mandatory payments under RSA 362-F:10(V), the solar water heating incentive, and the need for a C&I incentive program. In addition, the Commission, in its Notice also requested comment regarding whether it should issue an RFP to fund renewable energy installations in the commercial and industrial sectors.

The Commission also indicated that there is \$2,454,436 in unallocated REF moneys as of January 31, 2010. What follows is Staff's proposed budget and accompanying explanation.

Balance Going Forward	2,454,436
Allocation for Residential Solar Water Heating	(500,000)
Allocation for C&I incentive program	(1,000,000)
Remainder available for RSA 362-F:10(V) projects	(954,436)

This budget accounts for all of the money in the REF as of January 31, 2010. While it is expected that the utilities and competitive energy suppliers will be making some alternative compliance payments into the REF in July 2010, there is no certainty as to what those payments will be. Thus, to be conservative, this budget assumes no additional funds.

The first recommendation is that the budget for the solar water heating incentive be capped at \$500,000. This is necessary due to the uncertainty of future REF revenues, the need for an incentive or RFP program for the C & I sector, and the need for funds on an ongoing basis for the residential electrical renewable generation incentive program mandated by RSA 362-F:10(V).

At this level of funding, the Commission could provide rebates for 660 installations at an average amount of \$757 per system. As previously discussed, qualifying systems would also be eligible for an additional rebate of \$750 through the ARRA appliance rebate program.

The second recommendation is to set aside \$1,000,000 for a C&I incentive program. Given that no REF programs have yet been launched for the C&I ratepayers, we strongly encourage the Commission to adopt this recommendation. This is an exceedingly modest amount of funding for a commercial program. If new funding becomes available in July of this year our recommendation would be to increase the budget for this program to \$2 million to ensure a predictable and reliable funding stream for customers and installers alike through July 2011. Once the solar hot water incentive program is established, we recommend that the Commission schedule an additional technical session and public comment hearing for a C & I incentive program. This will ensure that the C & I program will be up and running for the summer construction season.

We recommend allocating the remaining funds for the mandatory program embodied in RSA 362-F:10(V). We heard from the industry that there is continuing demand for residential solar PV and wind installations, and that the existence of this rebate has contributed to the continued employment of installers and electricians.

As may be deduced from the proposed budget, Staff recommends that the Commission not go forward with an RFP for renewable projects at this time. If alternative compliance payments in July 2010 provide sufficient additional revenue to

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fund a C & I incentive program at \$2 million and to fund an RFP, we would recommend that Commission issue an RFP at that time.

Thank you for your consideration of this matter.

Sincerely,



Suzanne Amidon
Staff Attorney



Jack Ruderman
Director, Sustainable Energy Division

cc: Service List