

STATE OF NEW HAMPSHIRE

Intra-Department Communication

DATE: September 30, 2011

AT (OFFICE): NHPUC

FROM: Jack Ruderman
Director, Sustainable Energy Division

SUBJECT: Proposed FY '12 budgets for Renewable Energy Fund programs

TO: Chairman Thomas B. Getz
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius
Debra A. Howland, Executive Director

CC: Anne Ross, General Counsel
Suzanne Amidon, Staff Attorney
Eunice Landry, Business Administrator

Summary:

In July the Renewable Energy Fund (REF) received alternative compliance payments (ACPs) from electric energy suppliers for calendar year 2010 in the amount of \$2,625,499. The purpose of this memo is to provide recommendations as to how these funds should be budgeted for state fiscal year (FY) 2012, ending June 30, 2012.

1. Available Funds

In FY 2012 (July 1, 2011 – June 30, 2012) the REF received ACP revenue of \$2,625,499. Staff proposes that these new funds be apportioned between residential and C&I programs as shown below in Table 1:

TABLE 1

\$ 134,284	Unspent administrative funds carried forward from FY11
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\$ 8,189	Interest paid on fund balance in FY11
\$ 4,105	Additional FY11 ACP for CY 2009*
\$2,625,499	ACP revenue for CY10 received on or about July 2011
(\$237,594)	Administrative costs (budgeted)
(\$112,620)	Contingencies/future allocation
\$2,421,863	FY12 funds available for REF program budgets
\$1,428,899	Portion available for C & I programs (59% of \$2,421,863)
\$992,964	Portion available for residential programs (41% of \$2,421,863)

* This amount represents an ACP made by Devonshire Energy LLC that had previously been assumed to have been made in error and was anticipated to be refunded and thus was not included in the total ACP payments reports. Subsequent to the 10/1/10 Annual REF Report, the Commission determined that the payment was properly made and that no refund was due.

2. Proposed Program Budgets

The Commission's REF budget for Fiscal Year 2011 (July 1, 2010 – June 30, 2011) was \$3,827,020.¹ In addition, the Commission set aside \$250,000 in funds available in FY11 for use in FY12 to provide the requisite state match for the ARRA funded residential solar thermal program.² Funds for rebate and grant programs, and for administrative expenses, were budgeted and expended as shown below in Table 2:

TABLE 2

REF PROGRAM	FY11 Program Budget	FY11 Program Expenditures	Program Balances as of June 30, 2011
Residential PV/wind	\$1,173,145	\$1,119,493	\$53,652
Residential solar hot water – Level 1 rebate	\$248,200	\$91,650	\$156,550
C & I Solar (photovoltaic and solar hot water)	\$1,045,349	\$53,109	\$992,240

¹ The REF had a balance of \$2,732,832 on 6/30/10. In July, 2010 the fund received ACP revenue of \$1,344,188, resulting in a balance forward for FY11 and beyond of \$4,077,020. After deducting \$360,326 for budgeted administrative costs and \$250,000 to be used in FY12 for the residential solar water heating program, \$3,827,020 remained for use in FY11.

² Subsequently the ARRA funded Level II solar thermal rebate was increased from \$750 per system to \$2,000 per system, so the portion of set-aside for FY12 are not needed for the ARRA match but can be used for just a REF funded rebate.

C & I RFP	\$1,000,000	\$0 ³	\$1,000,000
Administrative	\$360,326	\$226,042	\$134,284
Totals	\$3,827,020	\$1,490,294	\$2,336,726

In September, 2011 Staff reviewed the remaining balance of unspent funds carried forward from FY11 and, taking into account the new funds available for FY12 (as shown in Table 1, above), developed the proposed allocations for REF programs and administrative costs in FY12 presented below in Table 3.

TABLE 3

REF PROGRAM	REF FUNDS CARRIED FORWARD FROM FY11 (as of 6/30/11)	PROPOSED FY12 REF FUNDING	TOTAL PROGRAM BUDGETS THROUGH JUNE 30, 2012
Residential PV/wind	\$53,652	\$ 927,964	\$981,616
Residential solar hot water	\$406,550*	\$ 65,000	\$471,550*
SUBTOTAL residential		\$ 992,964	
C & I Solar (photovoltaic and solar hot water)	\$992,240	\$ 428,899	\$1,421,139
C & I RFP	\$1,000,000	\$1,000,000	\$2,000,000
SUBTOTAL C&I		\$1,428,899	
Totals	\$2,452,442*	\$2,421,863	\$4,874,305

* This figure includes \$250,000 in REF funds that was set aside in FY10 for use in FY12.

Analysis:

³ Grants to five applicants, totaling \$968,000, await Executive Council approval.

ACP revenues and REF administrative costs

ACP revenues to date have been:

July 2009 - \$4,483,917

July 2010 - \$1,344,188

July 2011 - \$2,625,499

Total: \$8,453,604

Administrative costs are as follows:

FY10 (actual): \$217,581

FY11 (actual): \$226,042

FY12 (budgeted): \$237,594

Total: \$681,217

Note: FY11 Admin. budget of \$360,326 minus actual expenses of \$226,042 results in a surplus of \$134,284 available for spending in FY12.

Allocation of funding between residential and non-residential sectors

In 2010 the New Hampshire legislature enacted HB1270, which took effect July 6, 2010, and required the Commission, *inter alia*, to reasonably balance REF expenditures between the residential and non-residential sectors over each two year period beginning July 1, 2010, in proportion to each sector's share of total retail electricity sales.

Consistent with RSA 362-F:10, VI, the commission shall, over each 2-year period commencing July 1, 2010, reasonably balance overall amounts expended from the fund, net of administrative expenditures, between residential and nonresidential sectors. Funds from the renewable energy fund awarded to renewable projects in the residential sector shall be in approximate proportion to the amount of electricity sold at retail to that sector in New Hampshire, and the remaining funds from the renewable energy fund shall be awarded to projects in the nonresidential sector which include commercial and industrial sited renewable energy projects, existing generators, and developers of new commercial-scale renewable generation in New Hampshire.

This section of HB1270 is codified as RSA 362-F:10, X.

Consistent with this mandate, the Commission established budgets for various Renewable Energy Fund programs that were published in the Commission's annual report to the legislature on October 1, 2010.

In Table 1 on page 5 of the report, the Commission indicated that the REF funds available for fiscal year 2011, as of July 1, 2010, totaled \$3,466,694 (net of budgeted administrative expenses and funds previously budgeted for the residential solar hot water rebate program, launched in April 2010.)

In compliance with HB 1270, 59% of these funds, or \$2,045,349, were budgeted for Commercial and Industrial incentive programs, while 41% of the funds, or \$1,421,345, were budgeted for residential incentive programs.

In July, 2011, a new round of ACP revenue totaling \$2,625,499 was deposited into the Renewable Energy Fund. After adding to that \$134,284 in unexpended administrative funds from FY11, plus \$8189 for interest paid on the REF funds in FY11, plus \$4,105 in additional ACP revenue for calendar year 2009, and then deducting \$237,594 for administrative expenses and \$112,620 for contingencies, that leaves a balance of \$2,421,863 for REF program budgets. As presented in the Table 1, above, Staff proposes to allocate 59%, or \$1,428,899, to C & I programs, and 41%, or \$992,964 to residential programs. As a result, the REF budgets for the two year period ending June 30, 2012, will comply with RSA 362-F:10, X.

Funding cap for residential renewable electricity program

HB 1270 also placed a cap on spending for the residential renewable electricity rebate program.

VI. Such payments shall be allocated from the renewable energy fund established in paragraph I, as determined by the commission ***to the extent funding is available up to a maximum aggregate payment of 40 percent of the fund over each 2-year period commencing July 1, 2010.***

In FY 2011, the REF budget for this program was \$1,173,145. This figure represents 33.8% of the \$3,466,694 in REF program funding for FY 2011. The proposed FY 12 budget for this program, \$927,964, represents 38.3% of the \$2,421,863 in REF program funding for FY 12. The combined FY11-FY12 budget for this program amounts to \$2,101,109, or 35.7% of all REF program funds budgeted for FY 11 and proposed for FY 12, within the 40% cap.

Use of Class II revenues for solar technology incentives

RSA 362-F:10, I. requires that "Class II moneys shall only be used to support solar energy technologies in New Hampshire." This obligation is mirrored in Puc 2507.03(d). 2010 is the first calendar year in which Class II REC requirements were in effect. ACP's for Class II were received in the amount of \$58,884. These funds are being tracked separately from REF revenue from other Classes, and will be used solely for solar energy rebate program expenditures.

Compliance with RFP requirements

HB 1270 included a provision requiring the Commission to:

...issue requests for proposals that provide renewable projects in the nonresidential sector, which include commercial and industrial sited renewable energy projects, existing generators, and developers of new commercial-scale renewable generation in New Hampshire, with opportunities to receive funds from the renewable energy fund established under RSA 362-F:10. The requests for proposals shall provide such opportunities to those renewable energy projects that are not eligible to participate in incentive and rebate programs developed by the commission under RSA 362-F:10, V and RSA 362-F:10, VIII. The commission shall issue a request for proposals no later than March 1, 2011 and annually thereafter, and select winning projects in a timely manner.

This section of the bill is codified as RSA 362-F:10, XI. Puc 2507.03(a), which was adopted prior to the enactment of HB 1270, requires the Commission to periodically issue a request for proposals for initiatives to be supported by the renewable energy fund.

The Commission issued an RFP in February, 2011, allocating up to \$1 million for renewable energy projects not eligible for other REF incentives. Five grant awards totaling \$967,890 have been approved by the Commission, subject to G & C approval. The proposed FY12 REF budget includes \$1,000,000 for a similar RFP, to be issued prior to March 1, 2012.

Allocation of 20% or more of ACP funds to customer-sited incentive programs

Puc 2507.03 (e) requires that:

The commission shall allocate not less than 20 percent of Class I, II, III and IV alternative compliance payments received on an annual basis to customer-sited thermal and renewable energy projects of up to 100 kilowatts in gross nameplate capacity or the equivalent thermal output provided that such customer-sited projects meet the requirements of Puc 2507.04.

Actual and anticipated expenditures for REF programs through FY12 in this category will far exceed this requirement. Total ACP revenues since the REF's inception have been \$8,453,604 million. After subtracting \$681,217 for actual and anticipated administrative expenses through the end of FY12, \$7,772,387 will have been available for REF programs through the end of FY12. Of this amount, \$5,772,387 million, or 74%, will have been budgeted to customer-sited thermal and renewable energy projects of up to 100 kilowatts in gross nameplate capacity or the equivalent thermal output. Conversely, \$2.0 million, or 26%, will have been allocated for RFP grants for renewable energy projects not in this category.

Conclusion:

The proposed REF program budgets for FY12 will enable the Commission to continue providing a suite of rebate and grant programs to meet the renewable energy needs of customers in the residential and non-residential sectors, while also complying with all statutory and administrative rule requirements.