

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-127

RESIDENTIAL RENEWABLE ENERGY GENERATION INCENTIVE PROGRAM

Order Modifying Incentive Payment

ORDER NO. 25,388

July 3, 2012

I. PROCEDURAL BACKGROUND

On May 16, 2012, the Commission issued an Order of Notice scheduling a hearing to take comment on a proposal to modify incentive levels for the residential renewable generation incentive program established by the Commission in Order 24,985 (July 14, 2009), pursuant to RSA 362-F:10, V. The statute requires the Commission to provide a one-time incentive payment to a residential owner of a small renewable electrical generation facility. Such facilities typically use photovoltaic (PV) panels or small wind turbines and must have a capacity of less than five kilowatts (kW). The incentive payments are funded through the Renewable Energy Fund (REF) which is supported by alternative compliance payments (ACPs) made by electric service providers who cannot meet their Renewable Portfolio Standard (RPS) obligations through the purchase of Renewable Energy Certificates (RECs).

As initially enacted, RSA 362-F:10, V fixed the incentive payments at \$3.00 per watt of generation capacity, up to a maximum payment of \$6,000 or 50% of the system's costs, whichever is less. The statute set no limit on overall spending from the REF to support the incentive program. In 2010, the New Hampshire General Court approved HB 1270 which amended RSA 362-F in several respects. First, HB 1270 requires the Commission, beginning

July 1, 2010, to reasonably balance overall expenditures from the REF between the residential and non-residential sectors based on the proportion of electricity sold at retail to each sector. RSA 362-F:10, X. In addition, HB 1270 limits overall funding from the REF for the small residential renewable generation incentive program “to a maximum aggregate payment of 40 percent of the fund over each 2-year period commencing July 1, 2010.” RSA 362-F:10, VI. Finally, HB 1270 authorizes the Commission “[f]or good cause . . . after notice and hearing, by order or rule, [to] modify the program, including reducing the incentive level, created under RSA 362-F:10, V.” RSA 362-F:10, IX.

In response to the various requirements of HB 1270, the Commission opened Docket DE 10-194 in 2010. Following that proceeding, which included the receipt of public comment on modification of the residential installation incentive level, the Commission reduced the incentive payment from \$3.00 per watt to \$1.25 per watt, and the maximum system payment from \$6,000 per year to \$4,500 per year. See Order 25,144 (September 15, 2010).

In its Order of Notice in the instant docket, the Commission stated that it had earlier approved a budget of \$927,964 for the residential renewable generation program for the state fiscal year (FY) 2012, which ends on June 30, 2012. On March 26, 2012, Staff filed a memorandum with the Commission stating that the balance of the unobligated funds dedicated to the residential incentive program had fallen below \$50,000. Staff recommended that, once the balance of the unobligated funds approached \$10,000, the Commission suspend the issuance of incentive payments and establish a waiting list for new applications for the residential renewable generation incentive program. The Commission responded by issuing a secretarial letter on March 27, 2012 which created a waiting list for the program. In that letter, the Commission

reiterated that applications received prior to the time that funds available for the residential incentive program approached \$10,000 would receive incentive payments, and those received after such time would be placed on a waiting list, from which payments would be made on a first-come first-served basis when new funds became available.

In the May 16, 2012 Order of Notice, the Commission noted the continued broad interest in the residential renewable generation incentive program. In consideration of assuring that there are available REF monies to support participation in the program and given the statutory limitations on the overall use of REF monies for the residential incentive program, the Commission proposed to reduce the incentive payment from the current level of \$1.25 per watt to \$0.75 per watt, and to reduce the overall per-system maximum from \$4,500 to \$3,000, or 50% of the total system cost, whichever is less. The Commission also scheduled a hearing for June 7, 2012 to take public comment on the proposed modification, and said it would receive public written comment until June 14, 2012. Staff filed written comments on June 13, 2012. No other written comments were filed with the Commission.

II. PUBLIC COMMENT HEARING

Four PV system installers and Staff attended the public comment hearing on June 7, 2012. Of the four, two installers, Fuat Ari of Bright Light Solar and Pablo Fleischmann of Green Energy Options, expressed opposition to the proposed modification of the incentive payment and requested that incentive payment remain unchanged. Mr. Ari suggested that the Commission should transfer money from the commercial and industrial program to the residential program.

The two other installers who presented comment at the public hearing, Dan Clapp of Revision Energy and Mark Weissflog of KW Management, expressed support for the change. Mr. Clapp said that the industry was interested in consistency in funding and the availability of funds for more homeowners. He said that the price of photovoltaics has declined and that the incentives should be reduced as the market transforms. Mr. Weissflog said that while the proposed reduction is a slight disincentive to residential customers, he believed that the continuity of the program throughout the year was important. Mr. Weissflog said that he did not disagree with the proposed change of the payment to \$0.75 per watt, but he recommended that the Commission reduce the overall system maximum from \$4,500 to \$3,750. According to Mr. Weissflog, if the maximum payment were \$3,750, the rebate incentive would be maximized for systems with a capacity of 4.99 kW, the maximum size allowed under the program. Mr. Clapp concurred with Mr. Weissflog's recommendation.

At hearing Staff said that it recommended the reduction of the incentive payment to \$0.75 per kW with an overall system maximum payment of \$3,000 because it would stretch the REF money available for the renewable generation incentive program and thereby provide program continuity for the installers. The Staff stated that reducing the incentive payment would also be consistent with the trends in other states.

At hearing, the Commission asked Staff to develop some budget assumptions and evaluate the number of systems that could be installed at various incentive levels to evaluate the merits of increasing the overall system cap from the proposed cap of \$3,000. Staff provided its analysis and final recommendations in a memorandum filed on June 13, 2012. In that memorandum, Staff said it remained convinced that it was appropriate to reduce the payment per

watt from \$1.25 per watt to \$0.75 per watt. With respect to the system maximum, however, Staff recommended that the Commission reduce the maximum payment from \$4,500 to \$3,750 for system or 50% of systems costs, whichever is less.

In its memorandum, Staff provided its evaluation of the number of systems that could be funded assuming a system maximum payment of \$3,000, \$3,500, \$3,750 and \$4,000. In evaluating the various scenarios, Staff assumed that the budget for the residential incentive payment program for FY 2013 would be the same as for FY 2012, or about \$981,000. Staff reported that applications in past years ranged from 180 to 220 systems per year; and that the average size of a residential PV system is 4 kW. Staff also assumed that the 35 applications then currently on the waiting list would be provided a system average incentive payment of \$4,300, which would obligate \$215,000 of the estimated budget. To summarize its analysis, Staff provided the following table to illustrate the number of systems that could be funded by the various assumed maximum payments:

Rebate per Watt	System Cap	# of systems funded
\$0.75	\$3,000	255
\$0.75	\$3,500	219
\$0.75	\$3,750	204
\$0.75	\$4,000	191

Staff concluded that reducing the rebate from \$4,500 per system to \$3,750 would provide the best result. Staff stated that all else being equal, a system cap of \$3,750, or 50% of the system cost, whichever is less, would allow the program to fund 204 rebates in FY 2013; this strikes a reasonable balance between providing an adequate incentive and conserving limited

program funds. Staff pointed out that two of the installers presenting public comment at the hearing agreed with this recommendation.

III. COMMISSION ANALYSIS

We have considered the public comment at hearing and Staff's June 13, 2012 recommendation. Based on that review, we have determined that it is appropriate to reduce the incentive payments as follows: from \$1.25 per watt to \$0.75 per watt, and from \$4,500 to \$3,750, or 50% of a system cost, whichever is less, as the maximum system payment. In so doing, we considered the comments at the public hearing that reducing the overall maximum system payment from \$4,500 to \$3,000 was too large a decrease to work well in the market. In general, we find that reducing the incentive is consistent with the trend in other states and will help mitigate the need to stop the program and suspend processing applications. Importantly, reducing the residential renewable generation payments will allow the REF funds available for the residential generation incentive program to be stretched over a greater number of systems.

We direct this change to be effective with applications received on and after July 3, 2012. Applications hand-delivered or post-marked on or before July 2, 2012 will be eligible for the \$1.25 per watt incentive payment up to a maximum of \$4,500, or 50% of the system costs, whichever is less, subject to the availability of funds. Applications hand-delivered or post-marked on and after July 3, 2012 will be eligible for a rebate of \$0.75 per watt up to a maximum of \$3,750 or 50% of eligible system costs, whichever is less, subject to fund availability.

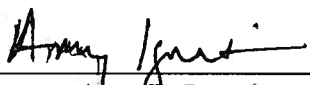
The waiting list established by the March 27, 2012 Secretarial Letter will continue until such time as the Commission establishes a budget for the residential renewable generation incentive program for state fiscal year 2013.

Based upon the foregoing, it is hereby

ORDERED, that applications for the residential renewable generation incentive payment that are hand-delivered or post-marked on or before July 2, 2012 will be eligible for the \$1.25 per watt incentive payment up to a maximum of \$4,500, or 50% of the system costs, whichever is less; and it is

FURTHER ORDERED, that applications for the residential renewable generation incentive payment that are hand-delivered or post-marked on or after July 3, 2012 will be eligible for a rebate of \$0.75 per watt up to a maximum of \$3,750 or 50% of eligible system costs, whichever is less, subject to the availability of funding.

By order of the Public Utilities Commission of New Hampshire this third day of July, 2012.



Amy L. Ignatius
Chairman

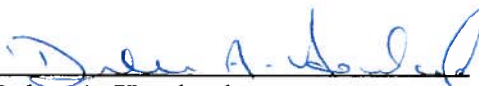


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Attested by:



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- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
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- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.

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Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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Pursuant to N.H. Admin Rule Puc 203.09 (d) and 203.11 (a) (11) Electronic copies of all discovery shall be served on every person designated for discovery filings on the Commission's official service list. [Discovery shall not be filed as part of a docket filing pursuant to 203.02]

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