

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 15-302

**RESIDENTIAL RENEWABLE ELECTRIC
GENERATION INCENTIVE PROGRAM**

**Order Modifying Incentive Level, Program Terms
and Conditions, and Application Process**

ORDER NO. 26,075

November 20, 2017

In this Order, we approve an incentive payment level for the existing residential renewable electric generation program of \$0.20 per watt up to a maximum of \$1,000 or 30 percent of the total system cost, whichever is less. We also approve modification of certain program eligibility terms and conditions. Modifications to the program's application process will be effective for applications received on or after January 2, 2018, and the program will be re-opened to new applications as of that date. We specify certain transition provisions applicable to the modified program application process, including a public lottery process to assign queue positions to applications received or postmarked by February 1, 2018.

I. PROCEDURAL HISTORY

In 2009, the Commission approved initiation of the residential renewable electric generation facility incentive program (Residential Program), under RSA 362-F:10, V, establishing a two-step application process and approving the forms required to be submitted in each step of the process. *See* Order No. 25,020 (October 2, 2009). Since that time, the Commission has reduced the Residential Program incentive levels several times due to market conditions. The most recent change was made in 2015, when the incentive was reduced to \$0.50 per watt up to a maximum of \$2,500 or 30 percent of the total system cost, whichever is less.

See Order No. 25,813 (September 18, 2015). With the enactment of legislation earlier this year, (Senate Bill 129, 2017 N.H. Laws Chapter 226 (SB 129)), the 10 kW capacity size limitation on renewable energy projects eligible for the Residential Program was eliminated.

On June 30, 2017, the Commission issued a secretarial letter indicating that the rebate programs were experiencing record demand and that the program budget allocations for fiscal year 2017 were fully subscribed. That letter stated that, beginning on July 1, 2017, Residential Program Step 1 applications would no longer be processed or placed on a waitlist. In July, based on reduced alternative compliance payment revenues and record demand for incentives, the Commission issued a secretarial letter closing the Residential Program “until at least September 1st and a final Fiscal Year 2018 budget is approved by the Commission,” and stating that the Commission would not accept new Step 1 applications and would return to applicants all applications received after June 30, 2017.

On September 19, 2017, Commission Staff (Staff) filed a memorandum recommending that the Commission should consider changes to the incentive level and other Residential Program terms and conditions to maximize the benefits of limited funding available from the Renewable Energy Fund (REF), and that a public comment hearing should be scheduled to better understand current market conditions and determine if program terms and conditions should be modified prior to its re-opening to new applicants. Staff indicated it would develop recommendations for program revisions prior to that hearing, would continue to monitor the Residential Program for expired applications, and would provide updated available funding estimates prior to or during the hearing. By secretarial letter dated September 20, 2017, the Commission scheduled a public comment hearing for October 10, 2017, and set a deadline of October 20, 2017, for submission of written comments.

On October 5, 2017, Staff filed a memorandum recommending a decrease in the Residential Program incentive level, other modifications to Residential Program terms and conditions, simplification of the Residential Program application process, and implementation of specific transition procedures and timelines.

Comments were submitted orally at the hearing or subsequently in writing by Granite State Solar, ReVision Energy, Harmony Energy Works, New Hampshire Sustainable Energy Association (NHSEA), Patricia Martin, an electric ratepayer, and Beverly Edwards, an electric ratepayer.

Staff's recommendation memorandum, the written comments filed by interested stakeholders, and other filings and documents related to this matter, can be found at <http://puc.nh.gov/Regulatory/Docketbk/2015/15-302.html>.

II. STAFF'S RECOMMENDATIONS

Staff recommended that the Commission approve a reduction in the amount of the Residential Program incentive to \$0.30 per watt with a maximum rebate of \$1,500 per applicant, stating that the reduction would permit limited REF funds to be applied to a greater number of projects while providing needed support for development of those projects. Staff Memo at 2-3. According to Staff, the proposed incentive level would permit the funding of at least 350 individual projects rather than the 210 projects that likely could be funded at the current maximum incentive level. *Id.* at 2. Staff noted that a decrease in the maximum incentive level to \$1,000 would permit at least 525 projects to be funded, but suggested that might represent too great an increase in total out-of-pocket costs required to build a system based on projected market conditions. *Id.* at 2-3.

Staff stated its continuing support for “a meaningful rebate level because, while the cost of solar installations has gone down over time, recent changes to the net metering tariff, below historic average Renewable Energy Certificate market prices, and potential system cost increases due to solar panel import restrictions may increase the system payback period beyond historical payback periods for residential solar energy systems.” *Id.* at 2.

To reduce the administrative burden associated with Residential Program incentive applications, Staff recommended that the following changes to the application process be implemented:

- a. Remove notarization requirement for both Step 1 and Step 2 applications.
- b. Step 1 Application Changes:
 - i. Remove Step 1 requirement to list panel and inverter types;
 - ii. Require certification that all parts will be UL-certified;
 - iii. Remove Step 1 requirement to list number of panel calculation; require only anticipated total kW DC and AC capacity;
 - iv. Remove Step 1 requirement to list electrician information; require certification that system will be installed by a state-licensed electrician and inspected by a state-licensed electrician or town building inspector;
 - v. Change Total Solar Resource Fraction (TSRF) calculation and shading analysis requirement to certification by applicant and installer (unless self-installed) that shading analysis and TSRF was performed and reviewed with the applicant.
- c. Step 2 Application Changes:
 - i. Remove requirement for documentation of UL certification for system components; require only self-certification of system component UL compliance; and
 - ii. Remove proof of inspection requirement; require self-certification of passed inspection with potential for system audits.

Id. at 3-4.

Staff further recommended changing the expiration date for Residential Program fund reservations from 12 months to 9 months following the date of Step 1 approval, based on its view that providing applicants 9 months to install and interconnect their systems “appropriately recognizes the seasonality of the solar energy system installation industry, while potentially increasing the availability of unused (expired) [Residential] Program funding reservations.” *Id.* at 4.

Staff recommended that all residential system owners meeting the modified eligibility requirements have the opportunity to submit applications upon the re-opening of the Residential Program, including for those systems installed during the time period following June 30, 2017, when the program was closed to new applications. *Id.* In support of that recommendation, Staff cited RSA 362-F:10, V, which requires that the Residential Program incentive be made available to all residential system owners who have installed a system after July 1, 2008, and have not yet taken advantage of the one-time program incentive. *Id.*

With respect to timing and transition for the Residential Program modifications, Staff recommended that the modifications become effective on a specified future date in order to allow enough time for the Step 1 and Step 2 application forms to be revised, as well as to ensure that applicants will have sufficient time to gather and submit the required information. *Id.* Staff also recommended that the Commission approve a lottery and queue position determination process to be implemented, unless it becomes apparent that the aggregate amount of new project incentives applied for would not exceed available Residential Program funds. *Id.*

III. POSITIONS OF COMMENTERS

Granite State Solar recommended that the incentive amount be decreased to a \$1,000 maximum rather than a \$1,500 maximum, in order to make rebate funding available to a greater

number of eligible residential projects. Transcript of October 10, 2017 hearing (Tr.) at 6. Its representative stated that a \$1,000 maximum incentive would be an “an adequate figure to actually be still considered an incentive to help drive a buying decision and help defray a significant portion of solar array costs.” *Id.* He also expressed concern that the potentially “precipitous drop” from \$1,500 to zero if and when budgeted funds are fully allocated would be more disruptive to the solar energy installation market, and could result in the creation of “an artificial bubble” or “rush” of system applications as has occurred during previous transition periods. *Id.* at 7.

ReVision Energy expressed support for Staff’s recommended modifications to the Residential Program, including a maximum incentive level decrease to \$1,500, but said that a lower amount such as \$1,250 would also be acceptable from its perspective. *Id.* at 9-10. Its representative stated it is important that the “rebate [be] significant enough that it is attractive to customers who are looking at systems that now, for the first time in years, are beginning to rise in price.” *Id.* at 9. He conceded that, even if the maximum incentive amount were reduced to \$1,000, “you would still see a healthy demand.” *Id.* at 15.

Harmony Energy Works submitted a written comment urging the Commission to accept all previously-filled out applications, subject to the incentive level decrease, rather than requiring all applicants to submit a new “simplified” application to confirm their eligibility for the modified Residential Program.

NHSEA filed written comments expressing support for the Residential Program modifications recommended by Staff, but with a decrease in the maximum incentive level to \$1,250, in view of the limited program’s budget. NHSEA Comments at 1. According to NHSEA, the relatively small Residential Program budget “will not meet current demand, and the

closure of the rebate program is problematic for consumers and businesses alike,” and “lowering the incentive levels in order to maintain an open and operational program from one fiscal year to the next is an important measure to take in order to maintain market stability.” *Id.*

NHSEA further proposed that, for applicants in the low-to-moderate income (LMI) brackets, which could be specified as up to 200-300 percent of the federal poverty guidelines, the maximum incentive level should be set at a higher level of \$4,000 or up to 50 percent of project costs, whichever is less. *Id.* That higher incentive level would also “[take] into account the fact that many LMI ratepayers are not able to use the 30% federal income tax credit.” *Id.* While solar energy installations would still represent “a significant investment,” NHSEA maintained that the proposed LMI incentive adder would “[put] solar energy in the realm of possibility for some LMI households, especially when the balance can be privately financed and the customer realizes savings on their electric bill immediately upon system operation.” *Id.* at 2.

NHSEA suggested that the recommended LMI rebate adder (*i.e.*, the difference between the base incentive level and \$4,000) be funded using a part of the REF budget that is to be allocated to LMI renewable energy programs under SB 129. *Id.* at 1-2. According to NHSEA, the use of these allocated REF funds would “better share the benefits of the REF and solar energy with all customer classes, as well as comply with SB 129.” *Id.* at 1. NHSEA suggested that eligibility for the LMI incentive adder “can be proven by requiring applicants to submit the previous year’s tax return.” *Id.* at 2.

Patricia Martin, an electric customer from Rindge, asserted that the REF had been depleted to the detriment of renewable energy proponents, in particular through the RPS solar net metering credit under RSA 362-F:6, II-a and the Commission’s historical reductions to the Class III RPS requirement under RSA 362-F:4, VI. *Tr.* at 10-11. In written comments, she

reiterated those arguments, and also asserted that a shortage of Class II RECs was due in part to the “byzantine design” of the New Hampshire REC system, including the need to engage an independent monitor to verify REC production from small renewable energy systems, as well as low Class II REC Prices. Martin Comments at 1-2. Ms. Martin argued it has become obvious that “the RPS goal of achieving 25% renewable energy in the generation mix is totally inadequate to the growing demand by the public to achieve 100% renewable electricity supply by 2030.” *Id.* at 2. While acknowledging that the Commission “may be forced to reduce subsidy prices this year, [she] would like to see this be a temporary order until the problem can be fixed and subsidies restored to be competitive with our neighboring states as soon as possible.” *Id.*

Beverly Edwards, an electric customer from Temple, submitted written comments expressing support for the positions of NHSEA and Ms. Martin. Edwards Comments at 1. Ms. Edwards emphasized the importance of reducing dependence on fossil-fueled electric generation, asserting that solar energy is now “the cheapest, most cost-effective energy source on the market” and that solar power, “coupled with a solid, hearty REF, can help activate investments in the development of an aggressive renewable energy economy for [New Hampshire], adding to fuel diversity and supporting quality in-state jobs for a young workforce.” *Id.* She urged the Commission to “strengthen the stability of the REF and create increased funding capacity for it to create one of the smartest programs the Commission can implement for the benefit of consumers and the state.” *Id.* at 2.

IV. COMMISSION ANALYSIS

The Residential Program, like other renewable energy development incentive programs administered by the Commission, is supported by the REF under RSA 362-F:10. Pursuant to RSA 362-F:3, providers of electric service must serve a certain percentage of their load with

renewable energy that is represented by renewable energy certificates (RECs). One REC is assigned for each megawatt-hour of renewable power generated. If an electric service provider is unable to acquire a sufficient number of RECs to meet its compliance obligations, then the provider must make an alternative compliance payment (ACP) into the REF pursuant to RSA 362-F:10, II.

The REF monies thus collected are to be used for the purposes of supporting electric and thermal renewable energy initiatives, including the Residential Program required to be offered pursuant to RSA 362-F:10, V. Under RSA 362-F:10, X, the Commission must, over each biennial period, reasonably balance the overall amounts expended, allocated, or obligated from the REF between the residential and nonresidential sectors, based on the amount of retail electricity sales made to customers in each customer sector.

We agree with Staff that developments in the market for renewable electric generation installations, combined with funding limitations resulting from the reduced REF balance, justify a decrease in the Residential Program incentive level. We are persuaded, however, that the incentive amount should be reduced to \$0.20 per watt up to a maximum of \$1,000 or 30 percent of eligible system costs, whichever is less. That lower maximum incentive level will result in a greater total number of residential renewable energy projects receiving a share of the available REF funds. We find that the reduced incentive level should permit the continued growth of the residential renewable electricity market while deploying limited REF funds in a cost-effective manner, permitting the installation of a larger number of projects with greater leveraging of scarce financial resources.

We also approve Staff's recommended modifications that will simplify the application process. We find that those modifications should reduce the time necessary to submit and

process applications, thus relieving administrative burden on both applicants and Staff. In addition, based on Staff's recommendation, we find the proposed change to the Residential Program fund reservations from 12 months to 9 months following the date of Step 1 approval to be reasonable, and so we approve it. We further agree with Staff that all residential system owners meeting the modified eligibility requirements should have the opportunity to submit applications upon the re-opening of the Residential Program, including for those systems installed during the time period following June 30, 2017, when the program was closed to new applications. Inclusion of such applications is consistent with RSA 362-F:10, V.

We do not believe it would be appropriate to accept previously-filled out application forms (subject to the incentive level decrease), as proposed by Harmony Energy Works, rather than requiring the submission by all applicants of a new application to confirm eligibility for the modified Residential Program. We will, however, permit residential system owners who have fully completed system installation prior to the time of application, to submit only the Step 2 application without prior or concurrent submission of the Step 1 application.

With respect to NHSEA's recommendation that a higher maximum incentive level of \$4,000 be made available to LMI residential customers, with the LMI "rebate adder" funded with a portion of the REF funds allocated for LMI programs under SB 129, we believe that proposal would be more appropriately evaluated in Docket No. DE 17-172, the proceeding established to develop REF programs for LMI residential customers.

The comments of Ms. Martin and Ms. Edwards address policy issues which are beyond the scope of this proceeding and might require legislation to implement. We therefore decline to adopt modifications to the Residential Program based on those comments.

To provide for an orderly implementation of the modifications we approve today, we find that the Residential Program should be re-opened to submission of new applications on January 2, 2018. Applications received on or after that date will be eligible for the reduced incentive payment of \$0.20 per watt up to a maximum of \$1,000 or 30 percent of eligible system costs, whichever is less, and must comply with the modified eligibility criteria and application process. Of course, payment of the incentive will be dependent on the availability of sufficient REF funds allocated to the Residential Program.

We further approve the proposal to conduct a public lottery process to determine initial queue positions for any applications received or postmarked by February 1, 2018, in anticipation of robust demand for and potential oversubscription of the re-opened Residential Program. If it becomes apparent that the aggregate amount of new project incentives applied for will not exceed available Residential Program funds, then the lottery will be cancelled. We have previously implemented such a lottery process in the commercial and industrial solar incentive program administered under Docket No. DE 10-212, and we believe that process should facilitate an orderly and equitable means of administering applications for a limited amount of funds. We encourage Staff to develop an automated process for conducting the lottery, if possible, in the interest of increased administrative efficiency given the significant number of applications anticipated.

Based upon the foregoing, it is hereby

ORDERED, that the residential renewable energy generation incentive program shall be re-opened to new applications on January 2, 2018; and it is


FURTHER ORDERED, that applications for the residential renewable energy generation incentive that are received by the Commission on or after January 2, 2018, will be

eligible for an incentive payment of \$0.20 per watt up to a maximum of \$1,000 or 30 percent of eligible system costs, whichever is less, subject to the availability of funding; and it is

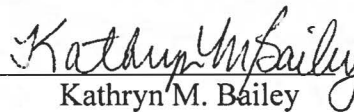
FURTHER ORDERED, that the residential renewable energy generation incentive program eligibility criteria, application process, and funds reservation expiration period shall be modified as specified in the body of this Order; and it is

FURTHER ORDERED, that a public lottery process to determine initial application queue positions shall be conducted following the re-opening of the residential renewable energy generation incentive program, to include any applications received or postmarked on or before February 1, 2018, unless it becomes apparent that the aggregate amount of new project incentives applied for would not exceed available funds.


By order of the Public Utilities Commission of New Hampshire this twentieth day of November, 2017.



Martin P. Honigberg
Chairman

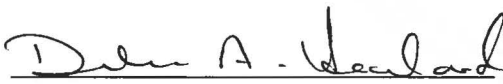


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director