STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 17-172

DEVELOPMENT OF RENEWABLE ENERGY FUND PROGRAMS FOR LOW AND MODERATE INCOME RESIDENTIAL CUSTOMERS

Order Approving Requests for Proposals Competitive Solicitation for Low-Moderate Income Project Funding for Fiscal Years 2019 and 2020

O R D E R N O. 26,214

January 25, 2019

In this order, the Commission approves the use of competitive solicitations to select projects to be funded by the Renewable Energy Fund Low and Moderate Income program in fiscal years 2019 and 2020.

I. BACKGROUND AND PROCEDURAL HISTORY

Pursuant to RSA 362-F:3, providers of electric service must serve a certain percentage of their load with renewable energy, which is represented by renewable energy certificates (RECs) assigning one REC for each megawatt-hour or megawatt-hour equivalent of renewable power generated. If the electric service provider does not acquire a sufficient number of RECs to meet its compliance obligations, then the provider must make an Alternative Compliance Payment pursuant to RSA 362-F:10, II. Those payments are collected and deposited in the Renewable Energy Fund (REF) to support thermal and electric renewable energy initiatives. RSA 362-F:10. Under RSA 362-F:10, X, the Commission must, over each biennium, reasonably balance the overall amounts expended, allocated, or obligated from the REF between the residential and nonresidential sectors, with reference to the amount of retail electricity sales made to customers in each sector.

Chapter 226 of the Laws of 2017 (introduced in the General Court and known commonly as SB 129) made a number of changes to the programs funded by the REF. As relevant here, under RSA 362-F:10, X, the Commission is required to allocate not less than 15 percent of the REF annually to,

> benefit low-moderate income residential customers, including, but not limited to, the financing or leveraging of financing for low-moderate income community solar projects in manufactured housing communities or in multi-family rental housing.

The phrase "low-moderate income community solar project" is defined as "ground-mounted or rooftop solar arrays that directly benefit a group of at least five residential end-user customers, where at least a majority of the residential end-user customers [at least three] are at or below 300 percent of the federal poverty guidelines." RSA 362-F:2, X-a. In addition, RSA 362-A:9, XIV(c) requires each utility to provide on-bill credits for each member and the host (virtual net metering) for no more than one Low and Moderate Income (LMI) community solar project in its service territory by December 31, 2019.

On November 3, 2017, the Commission opened this docket to meet SB 129 requirements. In February 2018, Staff recommended that a request for proposals (RFP) process be used to meet the requirements for fiscal year (FY) 2018. The following month, the Commission held a public comment hearing to receive input regarding Staff's recommendation. Shortly thereafter, the Commission approved implementation of a program through the issuance of an RFP for FY 2018. *See* Order No. 26,113 (March 19, 2018).

On December 11, 2018, Staff filed a memorandum summarizing the prior REF Low and Moderate Income program implementation, and recommending a continued RFP framework for FY 2019 and FY 2020. By secretarial letter issued on December 17, 2018, the Commission noticed a public comment hearing to consider Staff's recommendation, and provided an opportunity for interested parties to submit written comments. *See* RSA 362-F:10, VIII (requiring notice and a hearing). The public hearing was held on January 2, 2019, and written comments were received from the Institute for Energy and the Environment at Vermont Law School's Energy Clinic (Energy Clinic) and Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource).

The Staff recommendation and prior docket filings, other than any information for which confidential treatment is requested of or granted by the Commission are posted at: http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-172/html.

II. STAFF'S RECOMMENDATION

As stated above, Staff recommended that an RFP process be continued to meet the requirements of SB 129. Staff's recommendation is based on the success of last year's RFP process,[1] and Staff's need for more empirical information regarding REF LMI project development, operation, and benefits realized.[2] Staff considers the competitive RFP process a reliable approach to ensure that applicants provide maximum benefits to LMI participants.

The RFP process used in FY 2018 required respondents to present a comprehensive project plan. Respondents were required to demonstrate and quantify the direct benefits to be provided to LMI participants and to meet other specified technical requirements. The RFP was open to LMI residents and third party-owned community solar providers that offered direct benefits to a minimum of five participants within the same electric distribution utility service territory. No fewer than three participants were required to meet LMI eligibility criteria. If the

[1] RFP 2018-003 was issued March 23, 2018. Staff reviewed and scored all submitted proposals. Three proposals were selected for funding during the first year of the REF LMI program. All three resulting contracts were approved by the Governor and Executive Council on June 20, 2018. Approximately six months later, as of December 31, 2018, all three community solar facilities were completed and fully operational.

[2] FY 2018 grantees' first annual reports are not due until February 2019. When filed, each report will include only a partial year of data.

proposed project provided benefits to a larger number of participants, the majority of the participants served were required to meet LMI eligibility criteria. Participants with household incomes at or below 300 percent of the federal poverty guidelines are considered LMI-eligible participants. Projects were invited to propose the use of net metering, group net metering, or virtual net metering.

Staff's memorandum explained that the RFP criteria for FY 2019 and FY 2020 would remain very similar to the RFP criteria for FY 2018. Evaluation of the proposals would continue to heavily weight the quantified direct benefits to LMI participants, while also considering project readiness, project replicability, short- and long-term administrative costs, a description of the utility's role in implementing proposed projects, LMI participant recruitment, initial and ongoing income verification, subscription management, and other relevant criteria. Proposals would be required to minimize unintended consequences and to describe any identified potential impacts on public benefits program eligibility. Proposals that included moderate income participants would be awarded additional points. Neither the project nor the end-user customers to be served by the system could be located in, or be a customer of, a municipal electric utility.

SB 129 expressly contemplates funding of projects that would include financing or leveraging of financing for LMI community solar projects that serve resident-owned manufactured housing communities or affordable multi-family rental housing. As was the case for the FY 2018 RFP, however, such projects would not receive an express scoring preference in the RFP process. Instead, proposal scoring would create a level playing field for all eligible community solar projects, including those developed by non-profit organizations. Staff recognized that resident-owned manufactured housing communities or affordable multi-family rental housing may be better positioned to mitigate certain potential project challenges. Those challenges may include administrative costs to utilities, initial and ongoing income verification, and customer subscription management. A proposed project that would effectively address such potential challenges would be credited for those advantages through the scoring criteria applicable generally to all proposed projects.

Staff indicated that the program budget for this solicitation is $650,000. Staff recommended that the RFP require a minimum grant request of $50,000 and set a maximum grant request of $200,000. *See* Staff Recommendation (December 11, 2018). Staff further recommended a minor adjustment to the scoring criteria so that additional points could be awarded to proposals that provide benefits to moderate-income participants, because the FY 2018 projects have provided most of their benefits to low-income participants. In addition, Staff's memorandum described the annual reporting requirements successful recipients must meet.

III. PUBLIC COMMENTS

The Energy Clinic offered comments based on its experience assisting Mascoma Meadows Cooperative Inc. to apply successfully for REF LMI program funds in FY 2018. The Energy Clinic supports the continued use of an RFP process, but is concerned that there may not be enough "shovel-ready" projects to fully utilize the FY 2019 program funding. The Energy Clinic is also concerned that projects that "provide more returns to potential investors or developers than residents will be awarded funds because other projects are not yet ready to compete."

The Energy Clinic proposed that the Commission establish a minimum ratio of benefits that will go to an LMI population before any respondent may receive program funds. It suggested that if allocated program funds for FY 2019 are not awarded, the Commission should issue an additional RFP in FY 2019, six months after the first RFP. The Energy Clinic also proposed that the Commission accept “expressions of interest” as valid RFP responses for projects that are in development but cannot yet meet certain milestones, such as securing property, financing, or a developer quote.

The Energy Clinic further noted that most LMI communities are not able to pay the utility fees required to obtain information needed to accurately estimate interconnection costs. Finally, the Energy Clinic said that REF LMI program grant recipients are eligible either for a retail residential net metering rate or a general service delivery net metering rate, depending on meter placement. The Energy Clinic would prefer a predictable model where the net metering rate is set at the residential net metering rate to provide consistency and certainty and to facilitate investment. It is also concerned with the policy behind a declining block rate for the general service rate.

Eversource expressed support for the RFP criteria that require applicants to provide an explanation of the utility’s role in implementing any proposed project, as well as RFP scoring criteria relating to the administrative burden that would fall to a utility or the Commission from a project proposal. Eversource also supported including those same criteria in the FY 2019 and FY 2020 RFPs.

Eversource proposed that, during the scoring process, Staff consult with potentially-affected utilities to gauge the level of administrative efforts the utilities would be required to exert in order to implement any form of virtual net metering or “other proposed allocation.” Eversource asked that, if any winning proposal seeks to use the utility billing system in any manner, that the utility be notified promptly to give it the opportunity to understand the request, consider what might be required to implement it, and determine what would be necessary to ensure that the proposed requirements can be met.

IV. COMMISSION ANALYSIS

We have reviewed Staff's recommendation to continue an RFP process, as well as the comments received from interested stakeholders. We find that, for FY 2019 and FY 2020, implementation of the REF LMI program through the issuance of an annual RFP represents a reasonable and appropriate means of meeting the statutory requirements of SB 129. In addition to providing an efficient vehicle for implementing the program for the next two state fiscal years, the RFP approach should permit review and evaluation of data from multiple project models, and potentially facilitate the implementation of an alternative program in future years.

We find that the Energy Clinic's suggestion that a second RFP be issued if funding is not fully awarded in a fiscal year is a good suggestion that may be useful to address a potential problem. We therefore direct Staff to consider issuing a second RFP in FY 2019 and FY 2020, if at least $300,000 remains in the REF LMI budget following the initial RFP process for the respective fiscal year. In the alternative, funding shall roll over from FY 2019 to FY 2020, and from FY 2020 into the next REF LMI program budget. With regard to the Energy Clinic's remaining concerns, REF LMI programs do not have authority to modify interconnection costs, rate classes, or tariffs, and we therefore decline to address those concerns.

We agree with Eversource that the RFP process should continue to require respondents to provide a description of the utility's role in implementing the proposed projects, and direct that the relevant RFP criteria addressing that point be continued for FY 2019 and FY 2020. We further direct that REF LMI applicants communicate directly with the appropriate utility about any utility requirements or virtual net metering, and document communications and conclusions, if any, as part of their response. We anticipate that some level of communication between Staff and utilities will occur, particularly with regard to virtual net metering proposals, and note that the names of respondents, and their ranked order established through the scoring process, are made public before contracts are filed with the Governor and Executive Council. It is unnecessary, however, to require Staff to consult with utilities during the RFP scoring process, and we therefore decline to require that consultation.

Based upon the foregoing, it is hereby

ORDERED, that the use of competitive solicitations to select projects to be funded by the Renewable Energy Fund to directly benefit low and moderate income residential electric customers for fiscal years 2019 and 2020, as described in the body of this order, is approved; and it is

FURTHER ORDERED, that Staff is directed to implement the program for those fiscal years by issuing requests for proposals, consistent with the provisions of this order.

By order of the Public Utilities Commission of New Hampshire the twenty-fifth day of January 2019.

Martin P. Honigberg Chairman	Kathryn M. Bailey Commissioner	Michael S. Giaimo Commissioner

Attested by:

Lori A. Davis
Assistant Secretary