

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 15-302

**RESIDENTIAL RENEWABLE ELECTRIC
GENERATION INCENTIVE PROGRAM**

Order Modifying Incentive Payment Levels

ORDER NO. 25,813

September 18, 2015

In this Order, we approve a reduction of the incentive payment level for the existing residential renewable electric generation incentive program to \$0.50 per watt up to a maximum of \$2,500.00, or 30% of the total system cost, whichever is less. This modification will be effective for applications received after October 2, 2015. We also take this opportunity to clarify that this will be the docket in which the residential renewable electric generation incentive program will be administered and all prior dockets related to the program will no longer be active.

I. PROCEDURAL HISTORY

In 2009, in Docket DE 09-054, the Commission approved initiation of the residential renewable electric generation facility incentive payment program under RSA 362-F:10, V (Residential Program), and established a two-step application process, approving the forms required to be submitted in each step of the process. *See* Order No. 25,020 (October 2, 2009). In September 2010, pursuant to RSA 362-F:10, IX, in Docket DE 10-194, the Commission modified the Residential Program by reducing the incentive payment levels from \$3.00 per watt, up to a maximum payment of \$6,000, or 50% of system costs, whichever was less; to \$1.25 per watt up to a maximum of \$4,500, or 50% of eligible system costs, whichever was less. *See*

Order No. 25,144 (September 15, 2010). In July 2012, in Docket DE 12-127, the Commission again reduced the incentive payment levels in the Residential Program to the current levels of \$0.75 per watt up to a maximum of \$3,750 or 50% of eligible system costs, whichever is less. *See* Order No. 25,388 (July 3, 2012).¹

On August 7, 2015, Commission Staff (Staff) filed a memorandum recommending certain modifications to the terms and conditions of the Residential Program based on the continued broad and growing interest in the Residential Program and in consideration of assuring that there are available Renewable Energy Fund (REF) funds to support program participation. Staff recommended that the Commission further reduce the incentive payment level.

In an order of notice issued on August 13, 2015, the Commission sought comment on the proposed incentive payment level reductions from various stakeholders, including prospective applicants, residential energy project developers, equipment vendors and installers, utility representatives, and state and regional experts on the residential renewable energy market. A public comment hearing regarding the proposed modification was held on August 28, 2015, and written comments were accepted until September 11, 2015.

II. POSITIONS OF COMMENTERS

Several solar energy installers and developers provided comments during the public comment hearing, and the Commission received written comments from the New Hampshire Sustainable Energy Association (NHSEA).

South Pack Solar commented that the proposed incentive payment reduction would have a more significant effect on lower and moderate income customers, who are generally not in a position to finance the entire cost of a solar photovoltaic installation in advance. Transcript of

¹ In March 2015, in Docket DE 09-054, the Commission approved a modification of the Residential Program application procedures to permit an alternative on-line application process for use by program applicants. *See* Order No. 25,766 (March 3, 2015).

August 28, 2015, hearing (Tr.) at 5. South Pack therefore does not invoice many customers for the full installation cost until the rebate funds have been received from the Residential Program.

Id. South Pack acknowledged, however, that even reduced rebate funding would be preferable to no funding, given that resources are limited. *Id.*

Granite State Solar argued against the proposed incentive level reduction in part because it would increase the time to achieve full recovery and return on investment. Tr. at 6. Granite State asserted it would make more sense to reduce the incentive payment level in the commercial and industrial solar incentive program (C&I Program) rather than in the Residential Program, claiming that the Residential Program achieved greater overall benefits because the current rebate level effectively funds a 5 kW project but the average installed project size is 8 kW. Tr. at 6-7. Granite State maintained that this leveraging effect does not occur to the same extent in the C&I Program. Tr. at 7. Granite State also highlighted the benefits to local economic interests in terms of jobs and economic activity, and to electric utilities through creation of additional renewable energy certificates (RECs), in addition to the benefits provided to individual homeowners. Tr. at 7-9. The average cost of an 8 kW solar installation is \$30,000, according to Granite State Solar, and the incentive payment level of \$3,750 represents a perfect balance point to support installations of this size. Tr. at 10-11. Granite State suggested that a reduction in the incentive payment level would result in a decrease in installations as measured by number or by kW capacity. Tr. at 10.

ReVision Energy stated the reduction may be painful but necessary, and noted the expectation of the installer community that the rebate amount would be reduced over time as the solar energy industry matures. Tr. at 12. ReVision recognized the constraints on program funding that result from decreases in available REF funds, and stated it would rather see limited

funds spread over the course of a fiscal year through reduced incentive levels paid for each particular project than for larger rebate payments to be exhausted earlier during the year.

Tr. at 12-13. ReVision stated its expectation that projects will be installed despite the reduced amount, although there may be some decrease in the number of projects. Tr. at 12-14. With limited funds available, however, more people potentially would be able to benefit from a reduced incentive level because scarce funds may be spread more broadly, according to ReVision. Tr. at 17.

Applied Solar Technologies argued that the proposed reduction in incentive payment levels would have a greater negative effect on lower income homeowners, and predicted there would be a decrease in the total number of installations. Tr. at 15.

NHSEA submitted written comments agreeing with Staff that, in times of reduced REF revenues and annual program budgets but increasing demand for program funds, it is essential to balance the per-system rebate amount and the need to keep the program open and operational throughout the entire program year. NHSEA acknowledged that a reduction in program incentives over time as the market transforms and total costs decline is rational and expected by the solar industry and consumers, but argued that it is important to step the incentives down incrementally and allow for the market to adjust accordingly. NHSEA therefore recommended that the Commission reduce the incentive payment from \$0.75 to \$0.60 per watt for the coming year, capped at \$3,000 per system. Given an approved Residential Program budget of approximately \$2.4 million, such a reduced incentive payment level would allow for about 800 rebates, according to NHSEA.

NHSEA also recommended that the Commission continue to consider how the REF and solar electricity system ownership can be accessed more effectively by moderate and lower

income residents. In particular, NHSEA recommended that the incentive level be maintained at \$0.75 per watt with a per-system maximum of \$3,750 or greater for Residential Program applicants who demonstrate relative financial hardship, using metrics such as a percentage at or above the federal poverty line or state median income (e.g., up to 200% of the federal poverty line or state median income).

III. COMMISSION ANALYSIS

We note at the outset that the Residential Program 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 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 thermal and electric renewable energy initiatives, including the Residential Program required to be operated 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 reduced REF balances, justify a decrease in the Residential Program incentive payment level to \$0.50 per watt up to a maximum of \$2,500.00, or 30% of eligible system costs, whichever is less. We find that this 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 State financial resources.

We acknowledge the concerns expressed by commenters that the incentive payment reduction may have a disproportionately greater impact on customers of low or moderate means. We do not, however, believe that NHSEA's proposal to retain the current incentive level for low income homeowners would be an effective means of addressing these concerns. The Residential Program as designed and implemented provides rebate reimbursement for only a fraction of the total costs of renewable energy system installation, and it seems unlikely that this limited funding would be sufficient to support system installations by customers meeting the low income thresholds proposed by NHSEA. We encourage Staff to consider potential alternative approaches to providing REF funding support for renewable energy system installations to a broader income range of customers while meeting the goals of RSA 362-F.

In order to provide for an orderly transition from the current incentive levels to the reduced levels we approve today, we find that the reduction should be effective for applications received by the Commission after Friday, October 2, 2015. Applications for the Residential Program that are received by the Commission on or before October 2, will remain eligible for the current \$0.75 per watt incentive payment up to a maximum of \$3,750.00, or 50% of eligible system costs, whichever is less. Applications received after such date will be eligible for the reduced incentive payment of \$0.50 per watt up to a maximum of \$2,500.00, or 30% of eligible system costs, whichever is less. In each case, payment of the incentive will be dependent on the availability of sufficient funds allocated to the Residential Program.

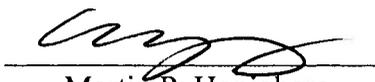
Finally, in the interests of administrative efficiency, we take this this opportunity to clarify that this Docket DE 15-302 will be the only docket in which the Residential Program will be administered and all prior dockets related to the Residential Program, including Dockets DE 09-054, DE 10-194, and DE 12-127, will no longer be considered active dockets.

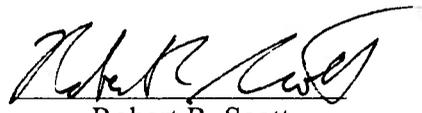
Based upon the foregoing, it is hereby

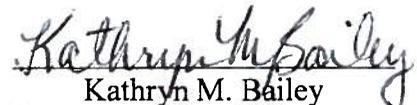
ORDERED, that applications for the residential renewable generation incentive payment that are received by the Commission on or before October 2, 2015, will be eligible for the \$0.75 per watt incentive payment up to a maximum of \$3,750.00, or 50% of eligible system costs, whichever is less, subject to the availability of funding; and it is

FURTHER ORDERED, that applications for the residential renewable generation incentive payment that are received by the Commission after October 2, 2015, will be eligible for an incentive payment of \$0.50 per watt up to a maximum of \$2,500.00, or 30% of eligible system costs, whichever is less, subject to the availability of funding.

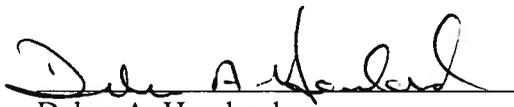
By order of the Public Utilities Commission of New Hampshire this eighteenth day of September, 2015.


Martin P. Honigberg
Chairman


Robert R. Scott
Commissioner


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director