SENATE BILL 122-FN

AN ACT relative to expenditures from the energy efficiency fund.


COMMITTEE: Energy and Natural Resources

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AMENDED ANALYSIS

This bill:

I. Requires the public utilities commission to allocate certain funds to school districts for energy efficiency projects.

II. Requires rebates from the use of auction proceeds to all commercial and industrial retail energy ratepayers.

III. Requires the public utilities commission and the department of environmental services to submit reports with recommendations for allocations of auction proceeds.

Explanation: Matter added to current law appears in **bold italics.**
Matter removed from current law appears [in brackets and struckthrough.]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.
AN ACT relative to expenditures from the energy efficiency fund.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Regional Greenhouse Gas Initiative; Energy Efficiency Fund and Use of Auction Proceeds.

Amend RSA 125-O:23, II and III to read as follows:

II. All amounts [in excess of the threshold price of $1 for any allowance sale] shall be allocated to the commercial and industrial retail electric ratepayers and the residential retail electric ratepayers consistent with the kilowatt-hour delivery sales of electric distribution utilities as determined by the commission. All of the commercial and industrial retail electric ratepayer allocations shall be rebated to all commercial and retail industrial [retail electric] ratepayers in the state on a per-kilowatt-hour basis, in a timely manner to be determined by the commission.

III. All remaining proceeds received by the state from the sale of allowances, excluding the amount used for commission and department administration under paragraph I, shall be allocated by the commission as follows:

(a) At least [15] 35 percent to the low-income utility core energy efficiency program.

(b) Beginning January 1, [2014] 2020, [up to $2,000,000] no more than $5,000,000 annually to utility core energy efficiency programs for municipal, school district, and local government energy efficiency projects, including projects by local governments that have their own municipal utilities. Funding elements shall include, but not be limited to, funding for direct technical and project management assistance to identify and encourage comprehensive projects and incentives structured to assist municipal and local governments funding energy efficiency projects.

In calendar years 2014[2015 and 2016] through 2019 any unused funds allocated to municipal and local government projects under this paragraph remaining at the end of the year shall roll over and be added to the new calendar year program funds and continue to be made available exclusively for municipal and local government projects. Beginning in calendar year [2017] 2020, and all subsequent years, funds allocated to municipal and local government projects under this paragraph shall be offered first to municipal and local governments as described in this paragraph for no less than 4 full calendar months. If, at the end of this time, municipal and local governments have not submitted requests for eligible projects that will expend the funds allocated to municipal and local government projects under this paragraph within that program year, the funds shall be offered on a first-come, first-serve basis to business and municipal customers who fund the system benefits charge.
(c) The remainder to all-fuels, comprehensive energy efficiency programs administered by qualified parties which may include electric distribution companies as selected through a competitive bid process. The funding shall be distributed among residential, commercial, and industrial customers based upon each customer class's electricity usage divided evenly between the 2 existing customer classes to the greatest extent practicable as determined by the commission. Bids shall be evaluated based on, but not limited to, the following criteria:

(1) A benefit/cost ratio analysis including all fuels.
(2) Demonstrated ability to provide a comprehensive, fuel neutral program.
(3) Demonstrated infrastructure to effectively deliver such program.
(4) Experience of the bidder in administering energy efficiency programs.
(5) Ability to reach out to customers.
(6) The validity of the energy saving assumptions described in the bid.

2 Energy Efficiency Fund and Use of Auction Proceeds; Reports. Amend RSA 125-O:23, V to read as follows:

V. Each entity receiving funding under subparagraph III(c) shall file an annual report on the performance of the entity's program. The commission shall establish the format, content, and the methodologies used to provide the content of the reports. The commission shall make use of, as applicable and appropriate, the monitoring and verification requirements used in the natural gas and electric utility core programs. The annual reports shall be delivered to the governor, the president of the senate, the speaker of the house of representatives, the chairmen of the senate and house standing committees with jurisdiction over energy matters, and the chairman of the public utilities commission. The commission shall make these reports available to the public on the website and in person. The reports shall include, but not be limited to, the following:

(a) Program expenditures, including direct customer installation costs.
(b) Resulting actual and projected energy savings by fuel type and associated CO2 emissions reductions.
(c) Any measurement and verification data that corroborate projected savings.
(d) The number of customers served by the programs.
(e) Other data as required by the commission in order to determine program effectiveness.

VI. The public utilities commission and the department of environmental services shall review the use of auction proceeds under paragraph III and shall submit a report with recommendations to continue or revise the allocation of auction proceeds among the core programs based on program needs to the house and senate finance committees, the speaker of the house of representatives, the president of the senate, the house clerk, the senate clerk, the governor, and the state library on or before July 1, 2023.

3 Effective Date. This act shall take effect 60 days after its passage.
AN ACT relative to expenditures from the energy efficiency fund.

FISCAL IMPACT:  [ X ] State   [ X ] County   [ X ] Local   [ ] None

<table>
<thead>
<tr>
<th>State:</th>
<th>Estimated Increase / (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2020</td>
</tr>
<tr>
<td>Appropriation</td>
<td>$0</td>
</tr>
<tr>
<td>Revenue</td>
<td>$0</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
</tr>
<tr>
<td>Funding Source:</td>
<td>[ X ] General</td>
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COUNTY:

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Indeterminable Increase</th>
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<tbody>
<tr>
<td>Expenditures</td>
<td>Indeterminable Increase</td>
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LOCAL:

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Indeterminable Increase</th>
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</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>Indeterminable Increase</td>
</tr>
</tbody>
</table>

METHODOLOGY:

This bill requires the Public Utilities Commission to allocate certain funds to school districts for energy efficiency projects, repeals a rebate to retail electric rate payers, and requires the public utilities commission and the department of environmental services to submit reports with recommendations for allocations of auction proceeds. The Public Utilities Commission (PUC) and the Department of Environmental Services (NHDES) indicate this bill would repeal the $1 per allowance threshold for auction proceeds deposited into the Energy Efficiency Fund. Rebates to all electric ratepayers, including residential, commercial and industrial) would end. At least 35% of all proceeds received by the State from the sale of allowances, after administrative costs, would be allocated to the low-income core energy efficiency program. Up to $5 million annually would be allocated to municipal, school district, and local government energy efficiency projects under the core programs. Beginning in calendar year 2020, if after 4 months a portion of the $5 million remains unrequested, the remaining funds would be offered for energy efficiency projects to businesses and municipal customers who fund the system benefit charge. Under the bill as
amended, auction revenues beyond the 35% and the $5 million, would go to an all-fuels comprehensive energy efficient program and be divided evenly between residential and commercial and industrial customer classes; whereas the introduced version of the bill allocated these funds to transportation sector programs. The PUC and the NHDES would be required to file a report to continue or revise the allocation of auction proceeds among the core programs based on program needs on or before July 1, 2023. The bill would have no affect on state revenue from auction proceeds which is estimated to be $14 million for FY 2020. After deducting administrative costs of $0.35 million, $13.65 million would be allocated as follows:

<table>
<thead>
<tr>
<th>Current Law</th>
<th>Current Allocation of Revenue</th>
<th>Proposed Changes</th>
<th>Proposed Allocation of Revenue</th>
<th>Net Estimated Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income Core Energy Efficiency Program (15%)</td>
<td>$440,000</td>
<td>Low-income Utility Core Energy Efficiency Program (35%)</td>
<td>$4.8 Million</td>
<td>$4.4 Million</td>
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<tr>
<td>Energy Efficiency Program (only municipalities)</td>
<td>$2.0 Million</td>
<td>Energy Efficiency Program (municipalities + school districts)</td>
<td>$5.0 Million</td>
<td>$3.0 Million</td>
</tr>
<tr>
<td>All-fuels Program (remaining balance of $1 per allowances)</td>
<td>$200,000</td>
<td>All-fuels Program (remaining balance)</td>
<td>$3.8 Million</td>
<td>$3.6 Million</td>
</tr>
<tr>
<td>Rebates to all electricity rate payers</td>
<td>$11.0 Million</td>
<td>Rebates to all electricity rate payers</td>
<td>$0</td>
<td>$(11.0 Million)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13.6 Million</strong></td>
<td><strong>$13.6 Million</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

Note: These estimates assume an average allowance price of $4.75.

This bill will reallocate state revenue to energy efficiency programs from rebates to electricity rate payers. Therefore, the cost of electricity will increase generally for state, county, and local governments that consume electricity. For example, the Commission and Department estimate the elimination of the rebates to all electricity rate payers will increase state electricity cost by $100,000, based on the state’s consumption of electricity in FY 2017. This increase in state electricity costs will impact all funds used to purchase electricity. The Commission and Department note that investments into energy efficiency may offset, in the future, any increase to electricity costs.
While local governments would directly receive a net revenue increase of $3 million, the total direct and indirect benefits to local and county governments will increase by an indeterminable amount.

AGENCIES CONTACTED:

Public Utilities Commission and Department of Environmental Services