



The State of New Hampshire  
**DEPARTMENT OF ENVIRONMENTAL SERVICES**

Thomas S. Burack, Commissioner



April 28, 2011

The Honorable Bob Odell, Chairman  
Senate Energy and Natural Resources Committee  
Legislative Office Building, Rooms 201/203  
Concord, NH 03301

Re: Amendment #2011-1502s to HB 519-FN relative to New Hampshire's Regional Greenhouse Gas Initiative (RGGI) Program

Dear Chairman Odell and Members of the Committee:

Thank you for the opportunity to comment on behalf of the Department of Environmental Services (DES) regarding Senator Bradley's proposed amendment to House Bill 519-FN relative to New Hampshire's Regional Greenhouse Gas Initiative (RGGI) program, and to follow up on previously submitted comments. DES understands that there have been discussions regarding potential revisions to the amendment, and would be pleased to work with sponsors and stakeholders on any potential language revisions. This letter addresses the amendment as introduced by Senator Bradley on August 21.

DES supports the intent of the amendment as we understand it (i.e., to address certain criticisms of the administration of the Greenhouse Gas Emissions Reduction Fund and provide certain protections to ratepayers) as opposed to the original bill's intent to repeal RGGI. However certain provisions of the amendment give cause for concern and the department would prefer that these revisions not be incorporated into any final amendment without additional consideration.

DES feels that the best use of RGGI auction proceeds is to invest in energy efficiency programs and thus would seek to better understand the intent of the \$1 threshold for consumer rebate on page 1, line 32, which seems to limit this economic benefit. The UNH economic analysis<sup>1</sup> of RGGI (previously provided to the Committee) concluded that the greatest long term economic benefit to New Hampshire would be realized if the proceeds from auctions were invested in energy efficiency, thereby reducing overall state demand for energy and reducing rates for all citizens. The study stated,

*"For utility customers (both PSNH and other NH utility customers) increased costs are minimized if all allowance revenue were to be dedicated to ratepayer benefit. Cumulative costs would be minimized if 100% of allowance revenue went to energy efficiency. In the short term, utilizing allowances to*

<sup>1</sup> See [http://des.nh.gov/organization/divisions/air/tsb/tps/climate/rggi/documents/unh\\_rggi\\_study.doc](http://des.nh.gov/organization/divisions/air/tsb/tps/climate/rggi/documents/unh_rggi_study.doc)

*directly rebate customers would have the most significant reduction on rates, but over the long term would result in higher costs than investment in energy efficiency. Energy efficiency investment would have the lowest short term rate impact, but over the long term would result in lower costs than rebating.”*

The current RGGI statute incorporates consumer price protections in the form of graduated consumer rebates, set at \$9 per ton for 2011-2012. Under the current statute, after deduction of the two 1% set-asides and the 1.5 million allowance set-aside from NH's 8.62 million allowance budgets, 6.948 million allowances per year would be offered for sale at auctions during the years 2012 through 2014. DES believes that the current consumer protections are adequate and ensure the greatest benefit to NH ratepayers. However, should the committee decide to include this provision, consideration should be given to increasing the threshold to the highest possible level in order to realize the greatest economic benefit.

On page 4, line 7 of the amendment, relative to section 16 *Contingency*, DES recommends deletion of this provision. In any case, NH electricity rates would only be impacted if a large New England ISO region state ended its participation in RGGI. Thus, if the provision is retained, DES would recommend alternative language, that would read: “If a *New England* state which has at least 6 percent of the total load of the 10 states ...”.

The proposed amendment would also repeal RSA 125-O:5-a relative to the Energy Efficiency and Sustainable Energy (ESEE) Board. This board provides valuable expertise and insight on energy topics to the PUC, and RGGI policy recommendations are only one aspect of the Board's duties. DES recommends retaining the ESEE Board.

On page 3, line 13 of the amendment relative to RSA 125-O:8, I(c) (renumbered as III), the proposed deleted language “and allowance” and “tracking” was in the original NH Clean Power Act (CPA, the legislative precursor to RGGI) as codified in RSA 125-O. This revision would inhibit DES' ability to track allowances and implement the separate and distinct sulfur dioxide and nitrogen oxide provisions elsewhere in the CPA statute. The department does not believe that the author(s) intended to revise other sections of the CPA and suggests retaining the original language.

Please also note that on page 1, line 30 the proposed language repeals RSA 125-O:23 in its entirety. DES does incur administrative costs including some staff time, and also pays NH's allocation of regional administration costs by contract with RGGI, Inc. Therefore, DES requests that the following current language in the existing statute (RSA 125-O:23,I) be retained.

*“A portion of the fund moneys shall be used to pay for commission and department costs to administer this subdivision, including contributions for the state's share of the costs of the RGGI regional organization. Any new employee positions to be paid for using fund moneys shall be approved by the fiscal committee of the general court pursuant to RSA 124:15. The commission shall transfer from the fund to the department such costs as*

*may be budgeted and expended, or otherwise approved by the fiscal committee and the governor and council, for the department's cost of administering this subdivision."*

Last, the repeal of the Greenhouse Gas Emissions Reduction Fund (GGERF) creates a technical problem that requires attention. If the GGERF were eliminated and not replaced with another dedicated fund to receive the auction proceeds, by default the PUC would likely have no other option than to place the auction proceeds in the General Fund. This would be seemingly be contrary to a key goal of the reform effort, namely, to help ensure that RGGI auction revenues are not diverted for other purposes.

Thank you for the opportunity to provide additional testimony. Should you have further questions or need additional information please feel free to contact Robert R. Scott, Director, Air Resources Division (271-1088, [rscott@des.state.nh.us](mailto:rscott@des.state.nh.us)).

Sincerely,



Thomas S. Burack  
Commissioner

