



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



**Thomas S. Burack, Commissioner**

February 13, 2013

The Honorable Russell Prescott, Chairman  
Senate Energy and Natural Resources Committee  
Legislative Office Building, Room 101  
Concord, NH 03301

**Re: SB 123 relative to the use of proceeds from the regional greenhouse gas emissions program**

Dear Chairman Prescott and Members of the Committee:

The Department of Environmental Services (DES) is pleased to offer testimony regarding SB 123, which would dedicate certain proceeds from the regional greenhouse gas initiative (RGGI) program to municipal and local government energy efficiency projects.

The need for energy efficiency improvements in local government infrastructure has been well documented, particularly through two previously funded RGGI programs, the NH School Benchmarking Project and the Municipal Energy Assistance Project for benchmarking municipal facilities. Due to lack of available funding, many potential energy efficiency improvements in local government buildings identified through these programs, and other non-RGGI programs, have not yet been accomplished. Improvements to local government infrastructure will lower energy costs and ultimately reduce the local tax burden. Therefore, DES is supportive of the use of RGGI funds to enable municipal and local government energy efficiency projects.

Should the General Court support this concept, DES would like to raise several ancillary issues to be considered and/or clarified. First, the proposed bill is unclear as to whether the intent of this legislation is to enable only municipal government efficiency projects or if school districts and county governments would also be included in the program. The afore-mentioned benchmarking programs highlight the energy efficiency potential in all sectors of local government.

A second important consideration is whether local governments have the technical expertise necessary to develop and implement complex energy efficiency projects. While the expertise is more likely to exist in larger municipalities, smaller, less affluent communities may require technical assistance to be able to participate in such a program. This is highlighted by the fact that while local government projects are eligible for assistance under the existing CORE programs run by the utilities, specifically the Smart Start and Small and Large Business programs, many are unaware of these programs and/or their eligibility to participate in them. When you consider how many "hats" some local government officials wear, this is not surprising and underscores the need for some level of technical and management assistance to be a component of any program aimed at assisting local government energy efficiency efforts.

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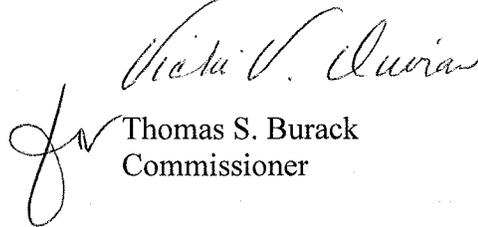
Third, it is important for the state to learn from previous programs, in particular the recent availability of significant federal dollars under the American Recovery and Reinvestment Act, and design future programs in a way that does not undermine the existing private market for energy efficiency. Specifically, any program should be designed to provide an incentive for local governments to invest some level of their own funds and effort into energy efficiency, i.e. state funds should help to make such projects affordable, but stop short of providing “hand-outs”. Experience has shown that high levels of funding that fail to leverage local investment can stifle the private market by reducing the incentive for local governments to use other innovative funding mechanisms such as performance contracts. When large amounts of grant dollars that “pay” for projects are available, communities tend to wait for grant money rather than seek these partnerships.

The bill also calls for the proceeds directed for municipal use increase by 20% annually. Thus, eventually this amount would increase to the point that it exceeded total RGGI revenues and *all* proceeds from the RGGI program would be directed in this manner, which does not reflect DES's understanding of the sponsor's intent.

Last, there is potential technical conflict with the current statutory language that directs “*all remaining proceeds*” not rebated to ratepayers to the CORE programs. The department is satisfied with the current direction of the utility CORE programs and applauds the significant thought and effort the utilities have put into incorporating RGGI funds into them over this past year. They have designed programs that seek to strike the appropriate balance between assistance and direct grant aid, and the department has confidence the programs will be successful. It is quite possible that finding a way to provide technical assistance to local governments so that they can access the CORE program funding would be a cost effective mechanism to achieve the desired outcome of this legislation.

Thank you for the opportunity to provide testimony. Should you have any questions, or need additional information, please feel free to contact Craig A. Wright, Acting Director, Air Resources Division (271-1088, [craig.wright@des.nh.gov](mailto:craig.wright@des.nh.gov)) or Michael Fitzgerald, Administrator, Technical Services Bureau (271-6390, [michael.fitzgerald@des.nh.gov](mailto:michael.fitzgerald@des.nh.gov)).

Sincerely,



Thomas S. Burack  
Commissioner

cc: SB 123 Sponsors