



The State of New Hampshire  
**Department of Environmental Services**



**Thomas S. Burack, Commissioner**

April 8, 2015

The Honorable Jeb Bradley, Chair  
Senate Energy and Natural Resources Committee  
State House Room 100  
Concord, NH 03301

**Re: HB 208-FN As amended by the House, An Act relative to allowance sales under the New Hampshire regional greenhouse gas initiative program**

Dear Chair Bradley and Members of the Committee:

Thank you for the opportunity to comment on behalf of the Department of Environmental Services (DES) regarding House Bill 208-FN as amended by the House, which would revise the allocation of allowance auction revenues under New Hampshire's Regional Greenhouse Gas Initiative (RGGI<sup>1</sup>, RSA 125-O:20 through 29) program for controlling carbon dioxide (CO<sub>2</sub>) emissions from power plants. This bill would lower the current 1\$ per allowance threshold, above which revenues are directed to consumer rebates, to \$0, redirecting all funds to consumer rebates and eliminating any investment in energy efficiency programs. DES opposes the bill in its current form, but is interested in working with the committee on alternative revenue allocation proposals we understand may be currently under discussion. DES has long held the position that greater investment in energy efficiency measures is the most beneficial use of these funds in terms of lowering electric bills for consumers, as outlined further below.

Prior to the enactment of legislation authorizing our state's participation in RGGI an independent University of New Hampshire economic study confirmed that New Hampshire would be better off participating in RGGI than not, and that RGGI would have a net positive impact on New Hampshire's economy as well as help to stabilize and, over the longer term, reduce the state's electricity costs. The study also concluded that the most beneficial investment of the auction proceeds would be in energy efficiency measures.<sup>2</sup> Following six years of participation, all credible analysis indicates those preliminary conclusions have been borne out. The RGGI program with CO<sub>2</sub> allowance auctions benefits consumers by harnessing the value of the CO<sub>2</sub> allowances for investment in programs that reduce energy demand, create jobs, and enhance consumers' control over their energy use and costs.<sup>3</sup> The RGGI states have witnessed a

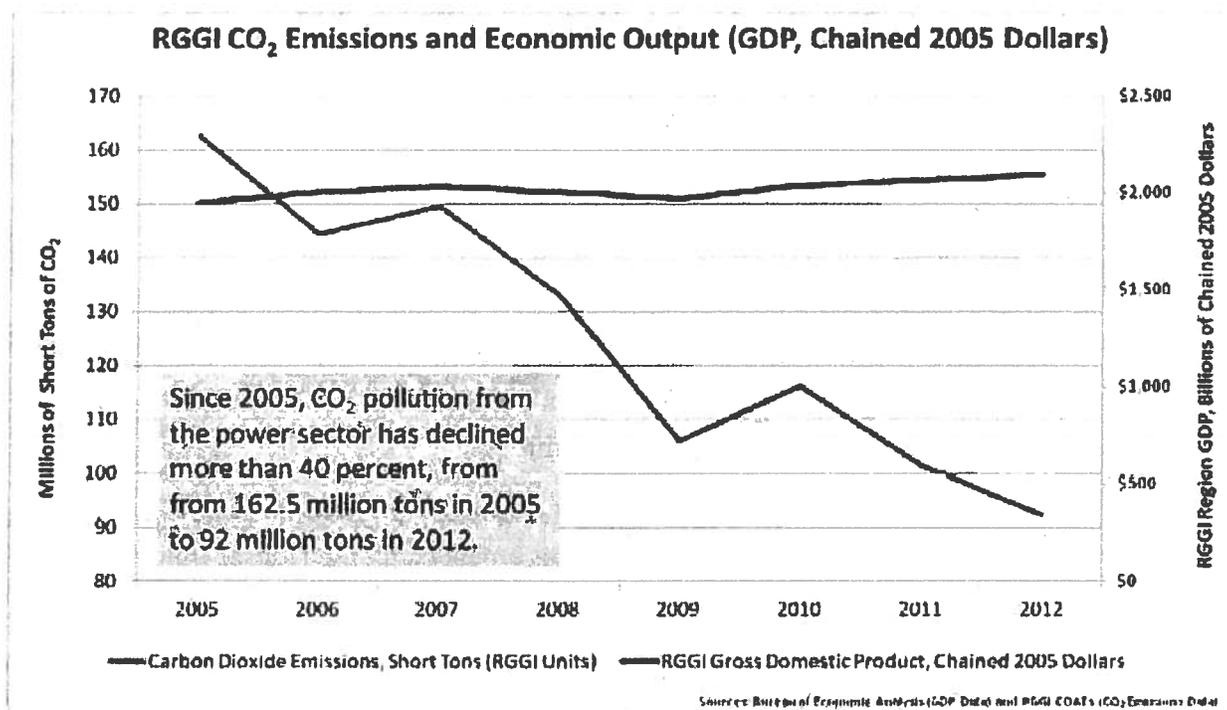
<sup>1</sup> RGGI, Inc. website <http://www.rggi.org>

<sup>2</sup> *Economic Impact in New Hampshire of the Regional Greenhouse Gas Initiative (RGGI): An Independent Assessment*,— University of New Hampshire (Gittell and Magnusson January, 2008) website [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)

<sup>3</sup> *RGGI Fact Sheet: RGGI CO<sub>2</sub> Allowance Auctions*, RGGI, Inc. website [http://www.rggi.org/docs/RGGI\\_Auctions\\_in\\_Brief.pdf](http://www.rggi.org/docs/RGGI_Auctions_in_Brief.pdf)



significant reduction in power sector CO<sub>2</sub> pollution, even as the regional economy has continued to grow, as shown below<sup>4</sup>:



While DES continues to support increased investment in energy efficiency as the best long-term approach, we recognize that some may favor ratepayer rebates as a short-term approach. DES supports an eventual ramp up (and ultimate elimination) of the \$1 per allowance threshold, such that greater investment in energy efficiency, with the associated economic and ratepayer benefits, is realized. DES also supports prioritized investment of the available energy efficiency dollars to efficiency programs for low-income residential customers, whose energy costs represent a disproportionately high percentage of their annual income; followed by efficiency programs for municipal and local government. DES supports the eventual investment of the remaining funds in statewide efficiency programs, and looks forward to the opportunity to comment on any amendment that may be introduced.

There are several additional significant benefits to implementing RGGI. The “*NH Greenhouse Gas Emissions Reduction Fund Annual Evaluation (July 2011 – June 2012)*”<sup>5</sup> indicated that each dollar invested in energy efficiency resulted in \$4.95 in energy savings. An independent

<sup>4</sup> “*Regional Investment of RGGI CO<sub>2</sub> Allowance Proceeds, 2012*” report February 2014  
<http://rggi.org/docs/Documents/2012-Investment-Report.pdf>

<sup>5</sup> “*NH Greenhouse Gas Emissions Reduction Fund Annual Evaluation (July 2011 – June 2012)*”  
[http://puc.nh.gov/Sustainable%20Energy/GHGERF/Evaluations/GHGERF\\_Year%203\\_annual\\_report\\_2011-12\\_FINAL.pdf](http://puc.nh.gov/Sustainable%20Energy/GHGERF/Evaluations/GHGERF_Year%203_annual_report_2011-12_FINAL.pdf)

report by the Analysis Group<sup>6</sup> in 2011 found that the investment of RGGI proceeds from the first three years:

- Generates \$1.6 billion in net economic benefit region-wide through the end of the decade;
- Puts \$1.1 billion in electricity bill savings back into the pockets of consumers in the region over the next decade;
- Creates 16,000 job-years in the region; and
- Keeps \$765 million in the local economy due to reduced fossil fuel demand.

Market-based implementation results in competition, efficiency, and innovation that deliver emissions reductions at the lowest possible cost. Approximately half of the state's power consumption is purchased from the six-state New England regional grid, and the costs of RGGI implementation in other states are reflected in the regional wholesale electricity rate. The cost of RGGI allowances accounted for less than 0.5 percent of average residential retail electricity prices across the nine-state region in 2012.

One criticism frequently raised relative to energy efficiency is that investments of state proceeds from RGGI allowance auctions are perceived as beneficial only to those individuals, municipalities, and businesses directly receiving RGGI grants. To the contrary, any investment of RGGI proceeds in energy efficiency directly benefits *all* New Hampshire citizens and ratepayers, including non-participants, by reducing the overall demand for electricity, which in turn reduces the additional capital investment needed by electricity providers to meet increased demand. DES is concerned that this focus on non-participants loses sight of the fact that energy efficiency measures taken anywhere on the grid ultimately benefit all ratepayers by reducing overall demand and slowing the growth of peak demand. In particular, the high cost of "peaking" plants to meet demands on the hottest days of the year are reduced or avoided. These savings are ultimately passed on to all New Hampshire residential, commercial, and municipal ratepayers.

Additionally, in 2012 the Independent System Operator of New England (ISO-NE) announced that the region's investments in energy efficiency, including RGGI funds, have already saved New England customers \$260 million by deferring the need to upgrade transmission lines and other equipment<sup>7</sup>. New Hampshire's ratepayer's share of that savings is over \$23 million. While non-participants will indeed have higher bills than those who invest in energy efficiency, their bill will still be lower than it would have been but for those investments. Likewise, the previously referenced Analysis Group report noted "Customers save nearly \$1.1 billion on

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<sup>6</sup> *"The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States – Review of the Use of RGGI Auction Proceeds from the First Three-Year Compliance Period"* November 15, 2011 [http://www.analysisgroup.com/uploadedFiles/Publishing/Articles/Economic\\_Impact\\_RGGI\\_Report.pdf](http://www.analysisgroup.com/uploadedFiles/Publishing/Articles/Economic_Impact_RGGI_Report.pdf)

<sup>7</sup> [http://www.iso-ne.com/nwsiss/pr/2012/ee\\_forecast\\_slides\\_final\\_12122012.pdf](http://www.iso-ne.com/nwsiss/pr/2012/ee_forecast_slides_final_12122012.pdf)

electricity bills, and an additional \$174 million on natural gas and heating oil bills, for a total of \$1.3 billion in savings over the next decade through installation of energy efficiency measures....”

Although RGGI is clearly intended to reduce CO<sub>2</sub> emissions in order to address climate change, it is important to understand that it was only after significant study and debate that New Hampshire opted into RGGI as a “no regrets” policy that directly benefits the state both economically and from an energy independence perspective. These conclusions remain fundamentally sound today, whether one believes that climate change induced by emissions of greenhouse gases from human activity is occurring or not. While both the DES and the PUC participated in the development of RGGI, we did not endorse enactment of a New Hampshire statute until we were certain that the program would meet our state’s needs and would not impose economic hardship on New Hampshire’s citizens and ratepayers.

Implementing RGGI for New Hampshire is good policy, as it makes sense both economically and environmentally. New Hampshire does not operate in an energy “vacuum”, but rather is directly affected by the decisions made by other states. The RGGI program well positions the state on the road toward energy independence and a cleaner environment.

Thank you for your consideration in this matter. If you have questions or need additional information, please contact either Michael Fitzgerald, Assistant Director, Air Resources Division (271-6390, [michael.fitzgerald@des.nh.gov](mailto:michael.fitzgerald@des.nh.gov)) or Craig Wright, Director, Air Resources Division (271-1088, [craig.wright@des.nh.gov](mailto:craig.wright@des.nh.gov)).

Sincerely,

  
for Thomas S. Burack  
Commissioner

cc: Sponsors of HB 208