



The State of New Hampshire
Department of Environmental Services



Robert R. Scott, Commissioner

April 17, 2018

The Honorable Kevin Avard
Chair, Senate Energy and Natural Resources Committee
State House, Room 103
Concord, New Hampshire 03301

Re: HB 317 relative to the system benefits charge

Dear Chair Avard and Members of the Committee:

Thank you for the opportunity to comment on HB 317 as amended by the House, prohibiting the New Hampshire Public Utilities Commission (PUC) from increasing the system benefits charge (SBC) without legislative approval. The New Hampshire Department of Environmental Services (NHDES) opposes this bill.

By directive of the PUC, the utility energy efficiency programs that are funded by the SBC are required to be cost-effective, meaning that energy savings are provided at a cost less than that of supplying the avoided power. Any proposal for use of SBC funds for energy efficiency is evaluated via a formal docket process in which any impacted party may participate. Through this process the use of SBC funds undergoes stringent review by experts representing multiple sectors and interests, including the interest of ratepayers. Strict evaluation, measurement and verification procedures ensure the efficiency programs meet the cost effectiveness tests. The Independent System Operator of New England has testified to the fact that energy efficiency reduces demand and, thus, reduces the need for use of the most expensive energy to satisfy peak demand. These load reductions are, in fact, bid into the Forward Capacity Market in lieu of additional generation resources (by further limiting the amount of time needed to obtain energy efficiency resource funding). HB 317 would restrict the ability of the electric utilities to purchase that least cost unit of energy and provide that energy to their customers at a lower cost in a timely fashion.

The Purpose Statement of Chapter 374-F, *Electric Utility Restructuring* includes the following: *“Competitive markets should provide electricity suppliers with incentives to operate efficiently and cleanly, open markets for new and improved technologies, provide electricity buyers and sellers with appropriate price signals, and improve public confidence in the electric utility industry,”* and further states *“these **interdependent principles** are intended to guide the New Hampshire general court and the department of environmental services and other state*

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agencies in promoting and regulating a restructured electric utility industry," (emphasis added). The SBC is established by RSA 374-F:3, *Restructuring Policy Principles*, that lays out 15 policy principles for the regulation of electric utilities under restructuring. Paragraph VI, entitled *Benefits for All Customers*, is the section that the proposed bill seeks to amend. This section specifies, in explanation of its title, that restructuring should be done in a way that benefits consumers and customer classes equitably. It establishes a nonbypassable system benefits charge "to fund public benefits related to the provision of electricity." Energy efficiency programs are one of the recognized "public benefits" under this paragraph for which the system benefits charge may be used.

In addition, Paragraph VIII, *Environmental Improvement*, states that "environmental protection and long term environmental sustainability should be encouraged," and that competition "should be implemented in a manner that supports and furthers the goals of environmental improvement." Paragraph X, *Energy Efficiency*, further specifies that "restructuring should be designed to reduce market barriers to investments in energy efficiency and provide incentives for appropriate demand-side management and not reduce cost-effective customer conservation. Utility sponsored energy efficiency programs should target cost-effective opportunities that may otherwise be lost due to market barriers."

NHDES supports these "interdependent" principles. Each should be implemented in a manner that supports and enables achievement of the other principles. The current SBC does just that.

Requiring full legislative approval of changes to the SBC could bypass the detailed and extensive deliberation of such changes by electric sector experts via the PUC docket process. In addition, it could hamper the ability of the utilities and the State in responding in a timely manner to changing markets to obtain lower cost energy efficiency as a first order resource.

Thank you again for the opportunity to comment on HB 317. If you have any questions or require further information, please contact Craig Wright, Director of the Air Resources Division (craig.wright@des.nh.gov, 271-1088) or Michael Fitzgerald, Assistant Director (michael.fitzgerald@des.nh.gov, 271-6390).

Sincerely,



Robert R. Scott
Commissioner

cc: Sponsors of HB 317: Representatives Vose, D.Thomas, Kurk, Cordelli, Carr