



The State of New Hampshire
Department of Environmental Services



Robert R. Scott, Commissioner

January 28, 2020

The Honorable Robert Backus
Chair, Science, Technology, and Energy Committee
Legislative Office Building, Room 304
Concord, NH 03301

RE: HB 1496-FN, AN ACT relative to the New Hampshire Regional Greenhouse Gas Initiative (RGGI) program

Dear Chair Backus and Members of the Committee:

Thank you for the opportunity to testify on HB 1496-FN. This bill distributes a portion of the proceeds, minus administrative costs, from allowance sales under the New Hampshire regional greenhouse gas initiative (RGGI) program to commercial and industrial ratepayers, and distributes the residential portion to the Energy Efficiency Fund (EEF). It also requires the energy efficiency and sustainable energy board (EESB) to provide recommendations to the public utilities commission (PUC) on the EEF, requires remaining funds in the EEF to be carried over at the end of the year and prohibits the use of the funds for any other purpose, and it repeals the contingent repeal provision of the program. The New Hampshire Department of Environmental Services (NHDES) has no position on this bill, but remains available to answer questions, to provide information, and to otherwise assist the Committee.

We offer the following background to assist the committee. In the Fall of 2017, a committee established by SB 125 (2017) was convened to study costs in the state's electricity system and ways to mitigate those costs. Its findings included:

- *Generation costs are at their lowest in recent history, reaching a 15 year low in 2015;*
- *Transmission costs have increased significantly from 2005 to 2015;*
 - *There has been more than \$8 billion invested in transmission infrastructure;*
 - *ISO-NE estimates \$4 billion more in future investment through 2022;*
 - *The amount of electricity demand in each state determines its share of the cost;*
 - *In 2016, NH represented 9.5% of the New England total; and*
- *Energy efficiency is one of many ways to offset rising energy costs and can reduce demand.*

The full committee's recommendations included:

- *Reduce transmission costs and other costs allocated to NH by increasing spending on rigorously validated, cost-effective distributed generation, distributed resources, and energy efficiency programs that lower coincident peak demands.*

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Most RGGI states invest the majority of their proceeds in energy efficiency (58% of total RGGI cumulative investments)¹. Thus, electricity demand is forecasted by ISO-NE to decrease in the other New England States. In part, because NH invests less in energy efficiency, its demand is forecasted to increase in relationship to demand in other New England States. This could cause NH's share of the \$4 billion in anticipated future transmission infrastructure investment to increase above its current 9.5%. Thus, a 0.5% increase in load percentage could result in \$20 million in increased costs to NH.

One criticism often heard regarding investments of state proceeds from RGGI allowance auctions into energy efficiency is that such investments are perceived as beneficial only to those individuals, municipalities, and businesses directly receiving EEF funds. As described below, investment in cost-effective energy efficiency can directly benefit *all* New Hampshire citizens and ratepayers by reducing the overall demand for electricity, which in turn reduces the additional capital investment in generation, transmission, and distribution by electricity providers. In particular, the high cost of "peaking" plants to meet demands on the hottest days of the year are reduced or avoided. All of these costs are ultimately passed on to all New Hampshire consumers, so keeping them low is in the best interest of all citizens, businesses, and municipalities. Thus, investments in energy efficiency can ultimately reduce costs for everybody, particularly in the transmission component as noted above.

The "*NH Greenhouse Gas Emissions Reduction Fund Annual Evaluation (July 2011 – June 2012)*"² indicated that each dollar invested in energy efficiency resulted in \$4.95 in energy savings. An independent report by the Analysis Group³ found that the investment of RGGI proceeds in the region from the first three years:

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

A report⁴ by the Analysis Group found that implementing RGGI from 2012-2014 added \$1.3 billion in economic value to the nine-state RGGI region, led to the creation of more than 14,000 new jobs, and cut electricity and heating bills, saving consumers \$460 million. Each individual state saw economic benefits as the region cut annual carbon emissions by more than a third from 2008 (133 million tons)

¹ "Investment of RGGI Proceeds Through 2014" http://rggi.org/docs/ProceedsReport/RGGI_Proceeds_Report_2014.pdf

² "*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

³ "*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

⁴ "*The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States*" July 14, 2015 <http://www.analysisgroup.com/news-and-events/news/energy-report--states-that-limit-carbon-emissions-through-markets-see-economic-benefits/>

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to 2014 (86 million tons), according to the report. A separate independent study⁵ revealed that RGGI improved health, saved lives, and generated \$5.7 billion in benefits from 2009 to 2014.

Regarding the removal of the contingent repeal of the program currently in statute, NHDES did not request this and has no position.

Thank you again for the opportunity to provide background information regarding HB 1496-FN. Should you have questions or need additional information, please feel free to contact either Michael Fitzgerald, Assistant Director (michael.fitzgerald@des.nh.gov, 271-6390) or Joseph Fontaine, Technical Programs Manager (joseph.fontaine@des.nh.gov, 271-6794) of the Air Resources Division.

Sincerely,



Robert R. Scott
Commissioner

cc: Sponsors HB 1496-FN: Rep. Mann

⁵ "Analysis of the Public Health Impacts of the Regional Greenhouse Gas Initiative" January 11, 2017
[http://www.abtassociates.com/NewsReleases/2017/RGGI-Improves-Health,-Saves-Lives,-and-Generates-\\$.aspx](http://www.abtassociates.com/NewsReleases/2017/RGGI-Improves-Health,-Saves-Lives,-and-Generates-$.aspx)