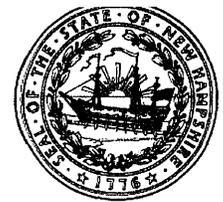




The State of New Hampshire  
**Department of Environmental Services**



**Office of Strategic Initiatives**

**Robert R. Scott, Commissioner**  
**Jared Chicoine, Director**

January 28, 2020

The Honorable Martha Fuller Clark  
Chair, Energy and Natural Resources Committee  
State House, Room 103  
Concord, New Hampshire 03301

**Re: SB 462, AN ACT relative to state energy management.**

Dear Chair Fuller Clark and Members of the Committee:

Thank you for the opportunity to testify on SB 462. This bill amends several sections of RSA 21-I to enable the State of New Hampshire to better manage its energy use and avoid significant energy costs in the decades to come. This bill clarifies and expands the technologies and mechanisms that the state can utilize to reduce total energy consumption and total energy expenditures, while improving environmental and public health outcomes. The State Government Energy Committee<sup>1</sup> (SGEC) supports this bill.

The bill was developed by the SGEC in collaboration with the State Energy Manager's (SEM) Office, and in consultation with the Governor's Office. The SGEC was formed through Executive Order 2016-03,<sup>2</sup> and is composed of the Commissioners (or their appointees) from the State's largest energy consuming agencies. The SGEC guides the State of New Hampshire's effort to substantially reduce energy costs through energy management measures including energy conservation, efficiency, and renewable energy. Since tracking began in 2009, the State has avoided more than \$43 million in energy costs.<sup>3</sup> During 2019, the SGEC undertook an evaluation of opportunities to better manage energy use, achieve its energy targets, and realize even greater energy cost reductions. This evaluation resulted in a proposal to modify six existing statutes that direct how the State manages its energy use. SB 462 would expand and clarify the energy technologies, decision criteria, contract mechanisms, and available funding in order to better enable the State to achieve its energy performance targets and reduce energy costs, enabling the State to lead by example.

The first set of changes are minor modifications to several subsections of RSA 21-I:19, including RSA 21-I:19-a *Energy Management Measures; State Policy*, which has remained relatively unchanged since the 1990s. The

---

<sup>1</sup> The SGEC is co-chaired by the NHDES Commissioner and the Office of Strategic Initiatives (OSI) Director with members representing the Department of Administrative Services, Department of Corrections, NH Employment Security, Fish & Game Department, Department of Health and Human Services, Liquor Commission, Department of Military Affairs and Veteran Services, Department of Natural and Cultural Resources, Public Utilities Commission, Department of Safety, and Department of Transportation.

<sup>2</sup> Executive Order 2016-03, An order for state government to continue to lead-by-example in energy efficiency, conservation, and renewable energy, <https://sos.nh.gov/WorkArea/DownloadAsset.aspx?id=8589958179>.

<sup>3</sup> SEM (2020). FY2019 Annual State Energy Report.

proposed language reflects the significant evolution in energy technologies over the past 25 years. The changes to RSA 21-I:19-a would expand the allowable energy management mechanisms from energy efficiency and “alternative energy” to be inclusive of energy efficiency, co-generation, fuel-switching, renewable energy, energy storage, and strategic electrification, while also leaving open the option to utilize new technologies when they become cost effective. In each case, the terms defined in RSA 125-I:19-a are also proposed to be added to RSA 21-I:19-b *Definitions*.

In addition to clearly allowing state agencies to utilize such measures, the bill also modifies how the State will evaluate the financial costs, as well as the instruments available to fund them. The bill amends RSA 21-I:19-a to require that agencies consider the full life-cycle costs in building and leasing decisions. Historically, building-project decisions were made with a focus on the upfront or capital costs. As energy management technologies have diversified and improved in performance, the benefit of looking at the total capital and operating costs over the life of a building or the life of an energy measure becomes more important. While certain technologies may have higher purchase costs than the alternatives, the total operating costs may be low enough to more than offset the upfront cost. By requiring agencies to consider life-cycle costs, project decisions can be made with an understanding of the full financial impact to the State and taxpayers.

In terms of policy instruments, the bill includes two sets of changes to RSA 21-I:19-d *Energy Performance Contracting*. The first change simply makes the new technologies, defined in RSA 21-I:19-a, eligible under certain types of energy contracts already defined in statute. The second change adds to that list of contracts by clearly enabling the State to enter into power purchase agreements (PPA). These contracts, where the State would purchase the energy output from renewable or co-generation equipment rather than purchase or lease the equipment, have the advantage of requiring little to no upfront cost and can provide stable energy rates for the contract term.

Under the current authority granted by RSA 21-I:19-d, the State has implemented innovative energy performance contracts on the Hazen Drive campus, at Cannon Mountain, and other locations around the state. To date, the State has not availed itself of the PPA mechanism for any type of project, precisely because this mechanism was not listed within RSA 21-I:19-d. By including PPAs as an eligible contract mechanism under this statute, the State will be able to pursue cost-effective renewable-energy projects as appropriate opportunities present themselves.

The final set of changes focus on increasing energy project funding that the SEM Office can use to pursue cost-effective projects. As noted above, the State has avoided nearly \$43 million in energy costs since FY2009. In addition to tracking the State’s total energy consumption and energy costs, the SEM Office also generates a report each year that documents the State’s potential building energy project opportunities. While the SEM Office has been publishing this report for nearly a decade, it only has a budget to invest in a fraction of the potential cost savings projects. Additional funding is needed to pursue these opportunities, and proposed changes to RSA 21-I:19-e and 21-I:19-f are intended to address that in part.

The change to RSA 21-I:19-e would increase the amount of funding available to the SEM Office to modifying how funds remaining in energy utility budgets are treated at the end of each biennium. The change specifies that 50 percent of funds remaining in energy utility budgets would be returned to the General Fund, rather than the full 100 percent, with the remaining 50 percent being deposited in the newly renamed Strategic Energy Investment

The Honorable Martha Fuller Clark  
Chair, Senate Energy and Natural Resources Committee  
January 28, 2020  
Page 3

Fund (SEIF). The SEIF is a dedicated fund administered by the SEM Office for energy management projects. The SEM Office would be able to track which agency contributed to the SEIF and how much they contributed, and direct those funds back to the "donor" agencies for energy projects. Through this mechanism, agencies will have an additional incentive to reduce their energy consumption. As part of the savings goes back to the General Fund, the State budget and taxpayers will experience a benefit as well.

The change to RSA 21-I:19-f would add language that enables energy savings to flow into the SEIF. The changes would further allow the revenues obtained by the sale of Renewable Energy Certificates (RECs), generated by the State's eligible solar electric systems and biomass heating systems, to flow into the SEIF. Under current law, any revenues that the State were to receive from, for example, the sale of the potential RECs it generated from its small solar arrays or the larger Hazen Drive biomass heating plant would flow directly into the General Fund. The changes to 21-I:19-f would allow the energy project related revenues to be deposited in the SEIF. These REC revenues, which are estimated to be worth nearly \$125,000 per year, would only be available for investment in additional energy management projects with the potential to further avoid energy costs.

While the full bill has many small changes, and has some positive impacts to the General Fund, the intent of the bill is to expand and clarify the energy technologies, decision criteria, contract mechanisms, and available funding in order to better enable the state to achieve its energy performance targets and reduce energy costs, while leading by example.

Thank you again for the opportunity to comment on SB 462. If you have any questions or require further information, please contact NHDES Air Division staff, Chris Skoglund, Climate and Energy Program Manager, ([Christopher.Skoglund@des.nh.gov](mailto:Christopher.Skoglund@des.nh.gov), 271-7624) or Rebecca Ohler, Administrator, Technical Services Bureau ([Rebecca.Ohler@des.nh.gov](mailto:Rebecca.Ohler@des.nh.gov), 271-6749).

Sincerely,



Robert R. Scott  
Commissioner  
NH Department of Environmental Services



Jared Chicoine  
Director  
Office of Strategic Initiatives

cc: Sponsor SB 462: Senators Bradley, Watters, Fuller Clark; Representatives Backus, Merner