



**Testimony of Natalie Hildt, Manager of Public Policy Outreach
Northeast Energy Efficiency Partnerships (NEEP)
To the Senate Committee Energy and Natural Resources
Regarding House Bill 519 - An Act Repealing New Hampshire's Regional Greenhouse Gas Initiative
Cap and Trade Program for Controlling Carbon Dioxide Emissions**

April 21, 2011

Chairman Odell, Vice-Chairman Gallus and members of the Committee: on behalf of Northeast Energy Efficiency Partnerships (NEEP)¹, thank you for the opportunity to provide testimony on HB 519, relative to repealing New Hampshire's Regional Greenhouse Gas Initiative (RGGI) program. As you know, NEEP is a regional nonprofit organization that works to accelerate the efficiency use of energy in homes, buildings and industry in the Northeast. We are committed to this work because saving energy creates a stronger economy, a cleaner environment and a more reliable and affordable energy system. We know you share these goals.

Because of the numerous and measurable positive impacts that RGGI-funded energy efficiency programs have had on the state's economy through cost-savings, job creation and keeping energy dollars in New Hampshire, we would strongly urge you to reject any efforts to divert or eliminate these funds or abandon the RGGI accord. We do, however, see room for improvement on how the funds are administered.

As you well know, New Hampshire is part of a regional power grid system. If the Granite State leaves RGGI and forfeits auction proceeds, the state's ratepayers will miss out on the revenue that could be reinvested to help permanently reduce energy costs through efficiency and clean energy projects while contributing to the local economy.² Though your colleagues in the House have passed HB 519, we are encouraged by talk that the Senate is working toward reform rather than abandoning this accord and all the good it does for the state.

Following are recommendations by NEEP on how to maximize use of the RGGI auction proceeds in New Hampshire. A central element of achieving the most cost-effective, equitable and far-reaching impact of these dollars is to put the bulk into energy efficiency. Of that, we believe the majority should go to leverage the utility administered Core efficiency programs. Specifically, we suggest that the state:

- 1) **Put in legislation a guaranteed level of RGGI revenue – say 80 percent – to be designated to the Core efficiency programs and protected from budget raids.** Of that 80 percent, most could be slated for electric efficiency, with the rest for thermal efficiency. Page 12 of a recent RGGI Inc. report³ shows that 7 of 10 RGGI states, including New Hampshire, put at least 65% towards efficiency. But not all states have statutory provisions on RGGI proceed use, which has resulted in raids during tough times

¹ These comments are offered by NEEP staff and do not necessarily represent the view of the NEEP Board of Directors, sponsors or partners.

² *Avoided Energy Supply Costs in New England: 2009 Report*. Hornby, Rick, et. al. August 2009.
<http://www.synapse-energy.com/Downloads/SynapseReport.2009-10.AESC.AESC-Study-2009.09-020.pdf>

³ http://www.rggi.org/docs/Investment_of_RGGI_Allowance_Proceeds.pdf

and the cry of a hidden tax – which NEEP would agree is the case. Because investment in efficiency yields the highest return and is the cheapest way to meet energy needs, we think language that directs/protects efficiency spending levels is essential.

There remains high customer demand for the Core programs in the residential, low-income and business portfolios. Public Service of New Hampshire has indicated that their commercial and industrial programs will soon run out of funds and may be shut down— this in only the second quarter of the year. Customers need to be able to count on these programs to be up and running when they are ready to invest in efficiency projects. Starts and stops send mix signals and ultimately hurt business.

- 2) **To maximize funds, don't duplicate existing program offerings.** This can create confusion in the market and is a less efficient use of funds in terms of the program administration, marketing, evaluation and so forth. The ratepayer funded efficiency programs work because they are based on technical merit and energy savings potential, and require the participant share commitment by putting up some of their own funds for projects. These incentives are not awarded on a competitive basis, but on standard criteria for savings potential, thus eliminating the perception of favorites. The ratepayer funded efficiency programs have oversight by the Public Utilities Commission, which provides a forum to address concerns over program administration. Connecticut, Massachusetts and Rhode Island are examples of states that do well by leveraging ratepayer funding and combining the RGGI proceeds with utility administered programs, thus allowing them to reach more customers and help them save energy and money.
- 3) **Ensure fair use among rate classes.** We believe it is important that funds receive proportional disbursement. RGGI proceeds should be distributed across residential and business rate classes in accordance with their electric load share. We know this position is shared by New Hampshire's Business and Industry Association.
- 4) **Set aside a portion of the revenue for market transformation.** While the majority of RGGI auction proceeds should go to extending the Core programs to more customers, NEEP sees a place for special projects that can help vault the state ahead in its efficiency goals. Perhaps 20 percent of the proceeds could be directed toward things like community education, training and workforce development, testing and demonstration of cutting edge technologies and initiatives aimed at permanently changing energy use behaviors. Another good use of RGGI funds would be to invest a portion in building energy upgrades at state facilities, thus offsetting the burden of high energy costs and reducing waste in the public sector.

Further recommendations, based on the draft amendment proposed by Senator Bradley:

- **Reject the direct electric rebate.** The idea of rebating RGGI allowances beyond the initial threshold clearing price sounds like a nice idea to provide ratepayer relief. In reality, the pennies returned to the typical customer each month would not go nearly as far to help as investments in energy efficiency.

Every dollar invested in efficiency delivers \$2.60 in economic benefits to New Hampshire.⁴ The typical residential electricity customer has paid about 36 cents a month in energy costs that support RGGI when power companies pass along the costs of purchasing carbon allowances. For large commercial customers, the cost might be about \$60 a month.⁵ These funds support specific customer efficiency projects while also helping to drive down the cost of electricity for all, as decreased demand helps moderate increases in wholesale energy prices.

- **Maintain the EESE Board.** HB 519 would also eliminate the Energy Efficiency and Sustainable Energy Board (EESE), a body of volunteers from business, government, utility, academia and social service organizations that has invested a tremendous amount of time and effort to ensure that the state's efficiency and clean energy programs and policies are coordinated to maximize their positive impact. Rather than eliminate the ESSE Board, we would strongly encourage the legislature to await the results of the statewide energy study being undertaken per SB 323. In NEEP's view, the ESSE board's charge ought to be strengthened to make it more akin to the stakeholder boards such as those in place in Maine (Efficiency Maine Trust Board), Massachusetts (Energy Efficiency Advisory Council), Connecticut (Energy Efficiency Board) and Rhode Island (Energy Efficiency and Resources Management Council). These boards create a framework for review and support of efficiency programs and budgets by diverse parties, and typically include utility representatives and the assistance of expert consultants in efficiency program design, administration and evaluation. Such bodies are very effective in coordinating consistent statewide programs, encouraging a whole-building approach to energy and working to reach all customer segments.

While there is room for improvement in how RGGI dollars are invested, NEEP believes it would be a grave misstep for the legislature to pull out of this regional compact entirely or to divert a significant percentage of proceeds away from their best and highest use in energy efficiency. Thank you for the opportunity to comment on this legislation, and please do not hesitate to contact me with any questions.



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⁴ *From Potential to Action*, New England's economically achievable efficiency potential. NEEP, October 2010. <http://neep.org/public-policy/policy-outreach-and-analysis/potential-study>

⁵ According to Public Service of New Hampshire, below is information on number of customers and rate class, with estimates on the portion of electricity bill that funds RGGI. PSNH Residential Customers: 420,000 at 600 kWh/month paying \$0.36 per month. PSNH Small Business Customers: 73,000 at 2,000 kWh/month paying \$1.20/month. PSNH Large Business Customers: 1,400 at 100,000 kWh/month paying \$60/month. PSNH Industrial Customers: 120 customers at 880,000 kWh/month paying \$528/month.