

**TESTIMONY
OF
SANDI HENNEQUIN**

ON BEHALF OF

NEW ENGLAND POWER GENERATORS ASSOCIATION (NEPGA)

2010 – Senate Bill 334

ENERGY, ENVIRONMENT AND ECONOMIC DEVELOPMENT COMMITTEE

March 4, 2010

Good morning and thank you for the opportunity to testify. My name is Sandi Hennequin and I am the Vice President of the New England Power Generators Association, Inc. (“NEPGA”). NEPGA is the largest trade association representing competitive electric generating companies in New England. NEPGA’s member companies represent approximately 28,000 megawatts (MW) of generating capacity throughout New England, and over 2,600 MW of generation in New Hampshire, representing over 60 percent of the electric generating capacity in the state. Our member plants within the state are many and include NextEra Energy’s Seabrook Station, North American Energy Alliance (NAEA)’s Newington Energy Facility, Granite Ridge Energy, and Brookfield Renewable Power¹’s hydroelectric facilities in northern New Hampshire. NEPGA’s mission is to promote sound energy policies which will further economic development, jobs and balanced environmental policy.

NEPGA’s Position

NEPGA does not oppose SB 334 as introduced, but has significant concerns with the proposed amendment which would allow a New Hampshire electric public utility to retain up to 25 percent of its Alternative Compliance Payment (“ACP”) anticipated for 2010 and 2011 pursuant to the state’s Renewable Portfolio Standard (“RPS”) in order to develop distributed energy resources, with costs recoverable through the utility’s energy service rate. NEPGA supports the use of the ACP/Renewable Energy Fund monies for renewable energy development and recognizes the positive impact on job creation. However, we believe a level playing field and the utmost transparency in the use of the Renewable Energy Fund is paramount to the long-term vitality of the renewable energy market.

To more fully describe NEPGA’s position, I would like to discuss three areas:

- Need for a level playing field
- Importance of transparency to the renewable market
- Other alternatives

¹ Brookfield Renewable Power is not taking a position at this time.

Level Playing Field

Energy and environmental stakeholders worked with the Department of Environmental Services (“DES”) and legislators over an 18-month period in order to develop the RPS that Governor Lynch signed into law in 2007. As Governor Lynch said when he signed the law:

“A New Hampshire RPS will encourage investment in energy production in New Hampshire that will deliver economic and environmental benefits to the state and region.”

A key component to ensuring that our state realizes those economic and environmental benefits is ensuring a level playing field for all entities interested in developing renewable energy resources in the state. There are two perspectives to the level playing field – equal access to the Renewable Energy Fund monies and equal access to ratepayer financing. The pending amendment to SB 334 conflicts on both levels. The underlying premise of this amendment is to allow those entities responsible for making the ACP’s the ability to chose not to make those payments and instead to keep the monies for their own business purposes. Clearly this model favors certain entities over other entities and in doing so, allows the party responsible for making these penalty payments to keep them for use in meeting their own business objectives. This is the very definition of an unlevel playing field. Further, this amendment creates preferential treatment for certain entities by ensuring financing through captive ratepayers as a backstop whereas other competitors for Renewable Energy Fund monies would be relying upon shareholders, not captive ratepayers, to fund renewable energy projects. As members of the Committee are well aware, the state of New Hampshire made a decision over 10 years ago to move to a competitive energy market in which incumbent utilities would not build generation resources using captive ratepayer monies, instead all entities – merchant generators or utilities – would have to rely upon shareholder financing for building new generation resources. A move to unlevel this playing field would warrant a comprehensive review of the state’s electric restructuring statute.

Transparency

During the deliberations over the RPS in 2007, Senator Martha Fuller Clark reflected on

the intent of the RPS by stating that its goal is “to stimulate economic development as well as renewable energy development.” A key to achieving both these goals, and creating incentives for the development of a robust renewable energy industry in New Hampshire, is transparency. All interested parties must have the ability to receive the same information and be able to fairly compete on the basis of this information. As envisioned by the RPS developers, there would be a RFP process to determine which market participants would have access to the Renewable Energy Fund monies for development of new renewable energy resources. HB 1270, a bill introduced by Representative Suzanne Harvey, the House champion of the RPS, recently passed out of the House Science Technology and Energy Committee and is pending on the House floor. This bill codifies that the Public Utility Commission (“PUC”) would issue RFPs that would provide an opportunity for renewable energy facilities to receive the Renewable Energy Funds. HB 1270 further allocates 50 percent of the Renewable Energy Fund to fund the projects and initiatives offered through the RFP process.

The proposed amendment to SB 334 runs counter to this intent and the need for transparency by allowing certain entities to circumvent the RFP process and to use the monies for projects that have not been fully vetted in a transparent public fashion. Adding that the financing would be through ratepayers only adds a sense of urgency to the need for such transparency.

Other Alternatives

As stated earlier, NEPGA appreciates the goal of those who support the amendment – expediting the use of the RPS funds and identifying projects that can begin construction in the summer of 2010 in order to put New Hampshire citizens to work and create jobs. Our concern is the method that is being proposed and the unintended consequences for the long-term renewable energy market. We believe there are other alternatives to reaching the amendment supporters’ goals, while not dismantling the RPS or abandoning competitive energy markets. The main alternative we would offer is to use HB 1270 as a vehicle for expediting the RFP process and ensuring that Renewable Energy Funds get into project developers’ hands by mid-summer. To do this, we would

suggest offering amendment language to HB 1270 to state that the RFP process would be done immediately with a target date of July 2010 for selecting winning proposals. This would allow the disbursement of ACP monies once received in July directly to projects. This is the same goal of the proposed amendment but by using an expedited RFP instead of allowing certain entities to have first call on the monies, the goal of expediency and job creation can still be met, while preserving the market essentials of a level playing field and transparency.

Conclusion

As stated earlier, NEPGA does not oppose SB 334 as introduced but has significant concerns with the proposed amendment to this bill. We support the intent of the amendment – to expedite the use of the ACP monies in the Renewable Energy Fund to support renewable energy projects that can begin construction in the summer of 2010 and start creating vital jobs for our state. However, we do not support the mechanics of the amendment that would allow electric public utilities to simply keep a portion of their ACP in exchange for a promise to build renewable projects, backed by captive ratepayer financing. Instead we offer the suggestion that a more transparent alternative that would maintain the necessary level playing field to support the development of a robust renewable energy industry is to expedite the RFP process in order to allow for all projects to equally compete for the funds and to be chosen by mid-summer 2010. Further we would recommend that any such projects chosen through the RFP process would be funded through shareholders, not ratepayers.

Thank you for this opportunity to testify before you today. I would be happy to answer any questions from the Committee.