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TESTIMONY

OF

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ON BEHALF OF

NEW ENGLAND POWER GENERATORS ASSOCIATION (NEPGA)

2010 – Senate Bill 334

HOUSE SCIENCE TECHNOLOGY AND ENERGY COMMITTEE

April 20, 2010

Good afternoon 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 over 27,000 megawatts (MW) of generating capacity throughout New England, and over 2,600 MW of generation in New Hampshire, representing approximately two-thirds of the electric generating capacity in the state. 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 originally introduced, but has significant concerns with Sections 7 and 8 which would allow PSNH to retain \$5 million of its Alternative Compliance Payment (“ACP”) pursuant to the state’s Renewable Portfolio Standard (“RPS”) for the construction of a Manchester solar photovoltaic renewable energy project, with costs recoverable through the utility’s energy service rate.¹ 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

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

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

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. Sections 7 and 8 conflict with both of these perspectives. The underlying premise of these sections is to allow those entities responsible for making the ACP’s the ability to choose not to purchase often lower-priced RECs or to keep the ACP 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.

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 policy makers during the development and the implementation of the RPS, there would be competitive grant and/or RFP processes to determine which market participants would have access to the Renewable Energy Fund monies for development of new renewable energy resources.

Sections 7 and 8 of SB 334 run counter to this intent and the need for transparency by allowing certain entities to circumvent a competitive RFP type of process and to use the monies for projects that have not been fully vetted in a transparent public fashion. Adding that the ratepayers would be providing the financing would only add a sense of urgency to the need for such transparency. NEPGA believes the use of a competitive RFP process in this situation can be an effective tool for providing necessary transparency in a competitive market.

Other Alternatives

As stated earlier, NEPGA appreciates the goal of those who support this proposal – 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 goals of Sections 7 and 8, while not dismantling the RPS or abandoning competitive energy markets. One alternative we would offer is to expedite the RFP process and ensure that Renewable Energy Funds get into project developers' hands by mid-summer. This would meet the goals of Sections 7 and 8 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 but has significant concerns with

Sections 7 and 8 of 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 have significant concerns with the proposal to allow an electric public utility to simply keep a portion of their ACP in exchange for a promise to build a pre-determined renewable project, 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.

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