

Senate Energy and Natural Resources Committee

Griffin Roberge 271-2878

SB 125, establishing a committee to study transmission and distribution costs in the state's energy system.

Hearing Date: February 2, 2017.

Time Opened: 1:15 p.m.

Time Closed: 1:56 p.m.

Members of the Committee Present: Senators Avar, Bradley, Innis, Fuller Clark and Feltes.

Members of the Committee Absent: None.

Bill Analysis: This bill establishes a committee to study transmission and distribution costs in the state's energy system.

Sponsors:

Sen. Avar
Sen. Giuda
Rep. O'Day

Sen. Bradley
Rep. Seidel
Rep. Carr

Sen. Daniels
Rep. Burt
Rep. Lewicke

Who supports the bill: Senator Gary Daniels (District 11), Senator Bob Giuda (District 2), Senator Kevin Avar (District 12), Jasen Stock (NH Timberland Owners Association), Ross D'Elia (HHP, Inc.), Catherine Corkery (NH Sierra Club), Marc Brown (New England Ratepayers Association), Donna Gamache & Kenneth Bowes (Eversource), James Monahan (New England Power Generators Association), Matt Leahy (Forest Society), Stephanie Lamb (BIA).

Who opposes the bill: N/A.

Who is neutral on the bill: Mark Lambert (Unitil), Michael Licata (Liberty Utilities).

Summary of testimony presented in support:

Senator Kevin Avar
Senate District 12

- As prime sponsor, SB 125 would establish a study committee to study the transmission and distribution costs in the state's energy system.
- Senator Feltes stated that over the summer and fall of 2016, the Electric Restructuring Oversight Committee held a number of hearings on this matter. He asked if Senator Avar was aware that one of the recommendations from

that committee was to support the PUC's budget requests to add more staff and legal counsel to address some issues at the regional and federal level. Senator Avard said he was not aware of that. SB 125 would be for the chair's benefit so that he can take all the information and help find solutions.

- Senator Fuller Clark raised concern that SB 125 would call on three members of the Senate to serve on the study committee. Senator Avard found no problem with it. Senator Fuller Clark's concern dealt with balance in representation between the two political parties. Senator Avard said he was fine with two senators serving.
- Senator Fuller Clark stated that if an amendment is made, she hopes a third category can be made under duties. She hopes to invite members of the public and the energy industry to study the issue. She does not want the study committee to be restrictive. Senator Avard stated the concept was focused on transmission and distribution costs, but it would certainly be open to the public.

Donna Gamache & Kenneth Bowes

Director of Government Affairs, Eversource

Vice President, Transmission, Eversource

- Provided written testimony.
- Eversource supports SB 125. Ms. Gamache stated she supports the point made by Mr. Lambart to include generation costs.
- Mr. Bowes discussed the testimony regarding NH's energy costs.
- The average NH residential energy bill is almost 50% higher than the national average.
- Breaks down a typical NH Eversource bill.
 - Distribution costs have remained stable.
 - Transmission costs have been increasing due to critical system investments.
 - Supply costs are the largest. These costs are the most volatile and growing in the future.
- Reasons for high supply costs in NH: power plant retirements and a heavy reliance on natural gas without new infrastructure.
- New energy supplies and energy efficiency are needed to lower regional energy costs. Eversource advocates the Northern Pass project, the Access Northeast pipeline, and a growth in the programs and services that help slow the energy demand growth rate with energy efficiency.
- Transmission investments have delivered significant benefits. These investments have reduced power interruptions by almost 50%. They have also off-set growing supply costs. These investments have provided reliability benefits, economic benefits, and environmental benefits.
- Eversource has been focused on ensuring that outages do not occur and are less frequent. They have been enhancing their transmission infrastructure and trimming trees over transmission lines.
- The reliability enhancement program has saved nearly 12.5 million minutes of power outages.
- Senator Feltes referred to a slide that had a map outlining where transmission

investments have been made. Senator Feltes referenced the Bethel-Norwalk and Middletown-Norwalk projects, which Mr. Bowes claimed reduced congestion in Southwest Connecticut. Senator Feltes asked if Mr. Bowes believed it fair for NH ratepayers to incur 9.7% of the construction cost and return on equity for that project. Mr. Bowes stated it was a shared transmission grid in NH. The system is built in an equitable amount. If NH residents use 9.7% of that grid, then he believes it is fair.

James Monahan

Vice President, Dupont Group, speaking on behalf of NEPGA

- Provided written testimony to the committee.
- Testimony reinforces statements made by Eversource and Unitil.
- There has been a 500%+ increase in transmission costs over the past 10 years in NH.
- Not necessarily sure if extending the study committee to include generation costs is needed. Mr. Monahan referenced an earlier statement by Senator Feltes about the electric restructuring oversight committee.
- On line 11-12, Mr. Monahan suggested the inclusion of language in examining a decrease in transmission and distribution costs.
- Should the Legislature wish to examine generational costs, that language should go in line 13.
- Provided a copy of an investigation by the Federal Energy Regulatory Commission (FERC) on the issue SB 125 would examine. FERC made an aggressive statement in concluding that transmission rates are unjust and unreasonable. The order outlines the topics the Legislature would look at through SB 125.

Michael Licata

Director of Government and Community Relations, Liberty Utilities

- Provided written testimony.
- Testimony mirrors that from Unitil, Eversource, and NEPGA.
- Information given is related to Liberty Utilities. Breaks down a typical Liberty Utilities bill.
 - The largest cost is the default service charge: a direct pass-through for customers. Liberty goes into the market place to get electricity.
 - Customer charge: a flat rate, used for the billing system and meter readings.
 - Distribution charge: this pays for operations and maintenance of a utility, as well as investments made in the utility. Liberty will occasionally ask for a rate hike to recoup the cost of their investment.
 - Transmission charge: represents large wires connecting from a power plant to a substation. Liberty is a distribution company. Liberty does not operate in the transmission market.
 - Stranded cost: taxes by the state.
- Senator Feltes asked if Mr. Licata would support Mr. Monahan's suggestion on line 12 to include a comma, stating "while generation costs are decreasing..."

Mr. Licata does not have a copy of the bill. There is a drop in the wholesale market price of generational costs. Mr. Licata suggested a general investigation into generational costs.

Stephanie Lamb

Vice President, Public Policy, BIA

- BIA is in support for SB 125.
- Energy costs in NH are an important factor to businesses. When they consider expanding their operations, energy costs in NH can influence their decision.

Summary of testimony presented in opposition: N/A.

Neutral Information Presented:

Mark Lambert

Director of Government Affairs, Unitil

- Provided written testimony.
- Unitil is neutral on the bill, but would like to make a suggestion concerning the scope of SB 125. Mr. Lambert argued for the inclusion of generation costs to be examined.
- Presentation is focused on making that argument. Mr. Lambert's written testimony from the Edison Electric Institute examines NH's summer rates compare to other regions/states. The data is based on the average residential customer. The cost to the average residential customer is broken down to four components: delivery, stranded, transmission, and generation.
 - Delivery charges: this includes distribution charges, taxes, societal benefits (e.g. SBC). NH ranks pretty low, around \$42 dollars. New England, as a whole, ranks at \$59 dollars.
 - Stranded charges: this includes the costs associated with purchased power contract obligations that existed prior to restructuring. Again, NH ranks low, roughly .43 cents. In the Pacific, costs are around \$17.
 - Transmission charges: this includes all charges from the generation sources to the distribution system. NH is around \$17 dollars, just behind New England as a whole at \$19 dollars.
 - Generation charges: this includes all charges associated with generation including RPS and RGGI. NH ranks the highest, with an average of \$63 dollars. NH ranks higher than New England as a whole. This is due to lack of pipeline projects and retiring power plants.
 - Total bill: out of 12 regions, NH ranks as the 3rd highest and above the national average.
- Transmission and generation are the highest part of the cost to the average NH residential customer.
- Senator Innis stated that residential rates are shown, but not business or industrial rates. Mr. Lambert said he originally had included the average commercial customer in his testimony, but removed it. The data illustrated much the same conclusion. Mr. Lambert said he was willing to provide further data on that.

Future Action: Ought to Pass with Amendment

GJR

Date Hearing Report completed: February 3, 2017