

# Senate Energy and Natural Resources Committee

## *Griffin Roberge 271-2878*

**SB 129**, requiring a portion of the renewable energy fund to benefit low to moderate income residential customers and relative to electric renewable energy classes and relative to the class rate for biomass.

**Hearing Date:** February 14, 2017.

**Time Opened:** 10:13 a.m.

**Time Closed:** 12:01 p.m.

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

**Members of the Committee Absent:** None.

**Bill Analysis:** This bill:

I. Requires a portion of the funds in the renewable energy fund to benefit low-moderate income residential customers.

II. Makes changes to renewable energy classes.

III. Raises the class rate for biomass.

**Sponsors:**

Sen. Bradley

Sen. Feltes

Sen. Innis

Sen. Avard

Sen. French

Sen. Fuller Clark

Sen. Giuda

Sen. Reagan

Sen. Ward

Rep. Richardson

Rep. Chandler

Rep. McConkey

Rep. Shepardson

Rep. Backus

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**Who supports the bill:** Senator Bob Giuda (District 2), Senator Harold French (District 7), Senator Ruth Ward (District 8), Senator Kevin Avard (District 12), Senator Dan Feltes (District 15), Senator John Reagan (District 17), Senator Martha Fuller Clark (District 21), Senator Dan Innis (District 24), Mick Mounsey (McDevitt Trucks), Charlie Niebling (New England Wood Pellet), Robert Berti (Foreco), Edward G. Witt, Sr. (Madison Lumber Mill), Dennis McKenney (New England Forestry Consulting), Robert Olson, Jasen Stock (NH Timberland Owners Association), Charles Moreno, Ben Crowell (Durgin & Crowell Lumber), Kim Frase (Frase Electric, LLC), Michael O'Leary, Kate Epsen & Ted Vansant (NH Sustainable Energy Association), Kim Quirk, Brad Simpkins (NH Division of Forests and Lands), Jeremy Turner (MTL), Paul R. Nickerson (NH Audubon), Joya Rose, Jon Baker (Cousineau Forest Products), Michael Blakey (Indeck Energy), Matt Leahy (Forest Society), Dan Earley

(Broadleaf Forest Management), Robert Johnson, III (NH Farm Bureau), Tom Chrisenton, Michael Fitzgerald (NHDES), Don Hardwick, Evan Oxenham, Dennis Labbe (NH Legal Assistance), Hunter Carbee, Robert Lussier, J.J. Smith (NH Public Health Association), Mario Herrick (Hopkinton Forestry), Rep. Marge Shepardson (Cheshire - District 10), Patricia Martin, Rob Werner (League of Conservation Voters).

**Who opposes the bill:** Michael Licata (Liberty Utilities), Mark Lambert (Unitil), Donna Gamache (Eversource).

**Who is neutral on the bill:** Karen Cramton (PUC).

### **Summary of testimony presented in support:**

*Senator Jeb Bradley*

*Senate District 3*

- Introduced SB 129 and his amendment, 2017-0377s.
- Senator Bradley noted the ongoing discussion for a number of years in optimizing the renewable portfolio standard (RPS) and to ensure it is balanced in driving the cost for rate payers.
- There are numbers of wood plants that employ a lot of people and have generated electricity since the mid-1980s. Many businesses depend on the operation of those plants.
- Biomass plants purchase about \$33 million in wood chips from low-grade wood. This manages forests to the highest level of productivity. The entire forest products industry has an employee count of around 10,000 and economic activity of \$1.1 billion dollars. This industry is vital in the North Country.
- There have been major advancements in solar panels, making them economically viable. The solar industry provides about 1,000 jobs. Solar panels are increasingly becoming popular among residential customers who sell their energy back into the market through net metering.
- SB 129 would increase the solar credit from 0.30% of the overall RPS to 1% over three years. (See Section VI, lines 26, 34-35 on page 2). This will bring NH's RPS in line with that of other states. It will also improve the 1,000 jobs in that industry.
- Senator Feltes inserted a carve-out in Section III, allowing low to moderate income residential customers to use community solar projects. The carve-out will grant lower income residents the opportunity to use net metering.
- Section V better defines the role of any methane gas in RSA statute.
- Section IX is vital for the forest products industry. The alternative compliance payments (ACP) were set at \$45 dollars. It is adjusted to \$55 dollars to ensure the continued operation of those plants. These adjustments are crucial.
- Senator Innis asked if the \$55 in Section IX is a maximum. Senator Bradley said it is factored for inflation on a yearly basis.
- Senator Avard asked for a further explanation on the carve-out in Section III. Senator Bradley said he would leave that to Senator Feltes to address. Given that solar systems are in the \$20,000 range, there are a lot of ways to mitigate

the costs – net metering, federal tax breaks, etc. It is still difficult for people to get the money. Companies like Sunrun and Solar City offer a loan payback arrangement, but it does not work for everyone. Section III gives people the opportunity to take participate in the solar market.

- Senator Bradley also addressed the amendment:
  - Should one want to avail themselves of the PUC solar rebate, it is capped at a total peak generation capacity of 10 KW.
  - A constituent, Kim Frase, introduced the idea of removing the cap because people are working around it by doing separate installations.
  - This does not add any cost. It is not a change to the rate structure. If the amendment is accepted, the state would get more KW hours for less money in terms of the rebate.
- Senator Avard asked how SB 129 will reduce peak demand. Senator Bradley said that on a hot day in the summer or a sunny day in the winter, solar systems can produce an excess of energy that can go back into the grid. On a peak demand day, the spot market price of energy rises. Having solar energy put back onto the grid would lessen the massive price spike.
- Senator Avard mentioned that there are rumors that RPS adds to the cost of energy. Senator Bradley said there are costs to the system, but it does not take into account any of the advantages to the system in having a more diversified portfolio. The dependence on natural gas is getting significant. RPS lessens the reliance on that. It also promotes jobs in the forest and solar industries. He prefers to look at it in a dynamic view. Looking at the overall cost and benefits, there are greater benefits. In particular, when it comes to energy, diversity is key.

#### *Senator Dan Feltes*

##### *Senate District 15*

- Senator Feltes addressed a question asked by Senator Avard about peak demand. If NH reduces its peak demand, that can lower regional transmission costs. NH's share in transmission cost just rose from 9.5% to 9.7%. NH can mitigate the regional costs passed on the state.
- Presently, there is a lack of access to solar savings and energy incentives for lower income customers. Energy efficiency programs have traditionally had a carve out to help lower income customers.
- Section III will set aside a renewable energy fund (REP) for those types of customers. It discusses community solar and Section IV defines what community solar is.
  - It is important to include ground-mounted or rooftop solar arrays. A ground mounted solar array in the middle of a community park helps all in that park in terms of energy efficiency.
  - "Directly benefit" is important as well. Should a landlord have a park and have tenants in that park, those tenants are directly benefited.
- Section VII on page 3 allows bill credits directly to those customers where the group host has a solar project.
  - If a check is cut to a landlord, who has a bunch of tenants, that landlord

must distribute it. This opens the way for disputes between tenants and landlords.

- To ensure tenants directly benefit, bill credits go directly to the tenants.
- Section VIII removes the ability of a person, owner, developer, or installer to use a credit score as an eligibility requirement for residential projects involving net metering.
  - Net metering is a public benefit. It is used to maximize solar.
  - Some companies have a 700-750 credit score threshold for those who want to use solar, including for net metering. That cuts out a large part of the public and lowers the access to solar.
  - The language is limited – it does not prevent a credit score from being used in other energy projects, and it does not preclude someone from submitting a credit score if they wanted to. It simply cannot be required for net metering.
  - However, on line 19, one can use a user's utility payment history. Using it as a proxy is more connected to the issue rather than a broad credit score.

*Michael Fitzgerald*

*Environmental Programs Administrator, Air Resources Division, NHDES*

- Provided written testimony.
- NHDES supports the bill as it devotes a portion of the REF to a low-income renewable energy program.
- Benefits include energy diversity, lowering dependence on fossil fuels, keeping energy and investment dollars within the state, and lowering carbon emissions.
- SB 129 strengthens the RPS. There was an economic study that the RPS provides jobs and economic value to the state. NHDES supports the biomass provision and the revision of the Class III Alternative Compliance Payment (ACP) to return the ACP to near its original value (reversing revisions made in 2011).

*Charlie Niebling*

*New England Wood Pellet*

- Provided written testimony.
- Employs 105 people directly and is located in Jaffrey, NH. Heats around 100,000 homes throughout New England.
- New England Wood Pellet does not benefit directly from RPS, but they support the RPS because it has helped to build the market for wood pellet heating and the distribution of wood pellets in bulk to residential, commercial, and institutional building owners.
- The PUC boiler rebate and grant programs funded by the RPS compliance revenues, and the thermal RECs in qualifying modern wood heating systems have provided important incentives during a time of low fossil fuel heating prices.
- Section VI would change the way the thermal carve out in Class I is implemented. It restores the allocation to the simple linear growth that was

proposed in the original enabling legislation, SB 218 in 2012.

- In 2013, with HB 542, this allocation was revised to accommodate Concord Steam Corporation's proposed but now abandoned new combined heat and power plant in Concord, with its sizable quantity of thermal RECs.
- SB 129 will provide about \$2.5 million in reduced RPS compliance cost to ratepayers over the next two years alone, assuming thermal RECs sell at or near the alternative compliance payment rate.
- Lastly, the addition of thermal to the RPS has incentivized renewable projects across the state. Mr. Niebling provided a list of systems that have qualified or will soon be qualified for thermal RECs for biomass heating systems in NH.

*Robert Berti*

*Selectman, Rumney, NH*

- The policy in effect with biomass harvesting is the most important tool that foresters, land owners, and loggers have. It is a benefit to a natural resource.
- SB 129 should not be viewed as a bill that only helps the North Country.
  - As a procurement forester for the Bridgewater power plant, 95% of the wood comes from the southern half of the state. SB 129 benefits the entire state.
- The impact of SB 129 on biomass plants cannot just be measured in dollars and cents. It provides a long-term benefit.

*Edward Witt*

*Procurement Forester, Madison Lumber Mill (MLM)*

- Provided written testimony.
- SB 129 has vital importance to MLM, especially Section IX.
- Over the past two years, the forest products industry has seen detrimental, structural changes to the low grade wood market.
  - Over 4 million tons of usage has been closed since 2014 in Maine.
  - Biomass plants, when competing against low wholesale electrical prices due to natural gas, struggle to run profitably.
  - Changes in the MA REC program and pending changes in the CT REC program doom MLM's ability to operate.
- These changes place more strain on NH biomass plants. Should the strain be too much for these biomass plants to bear, NH's forest products industry will vanish in a short amount of time.
- Senator Bradley said MLM is in his district and that he has toured it many times. He asked Mr. Witt how many saw mills there are in NH like MLM. Mr. Witt said all the sawmills rely on the chip market. There are two larger than MLM, one of the same size of MLM, and about half dozen that are smaller. Senator Bradley estimated that those companies represent about 500 jobs. Mr. Witt said that is correct.

*Dennis D. McKenney*

*District Manager, New England Forestry Consultants, Inc.*

- Provided written testimony.

- The biomass industry is important to the forest industry. Biomass markets are critical to the long term management of NH's forest land.
- Mr. McKenney provided data on supervised harvests that his company has overseen. The data illustrates that for every one thousand board feet of high value saw logs harvested under his company's supervision, about 9 tons of pulp and biomass were also removed.
- Good forestry needs strong markets for pulpwood and biomass to effectively remove unacceptable growing stock. Cash flow from a responsible harvest when strong biomass markets exist is significant.

*Robert Olson*

- Mr. Olson represents six biomass plants in Bridgewater, Alexandria, Whitefield, Springfield, Bethlehem, and Tamworth.
- These plants produce 100 MWs in renewable generation. These plants have 400+ jobs.
- SB 129 supports the biomass industry by adjusting the ACP from \$45 dollars to \$55 dollars. In existing statute, that ACP should drop to \$33.
- Assuming an adequately supply and demand, RECs trading at \$55 offer revenue for these plants. Previously, NH plants were selling RECs to Connecticut, which had the RECs at \$55.
- Placing the Class III ACP at parity with Connecticut will bring more options to NH plants and result in their continued operation.
- Connecticut cannot be relied upon anymore. Since 2014, Connecticut has looked into a REC phasedown, reducing the value of RECs for biomass plants. The only other place these biomass plants qualify is in the Class III market. There is also an oversupply of RECs in Connecticut, selling at \$25-\$27 dollars.
- If SB 129 does not pass, it risks the 400+ jobs and the 100 MW capacity. That diversity of fuel supply is best seen against the backdrop of New England being 49% dependent on natural gas.

*Mike O'Leary*

*Plant Manager, Bridgewater Plant*

- Bridgewater Plant is one of six plants affected by the NH Class III ACPs.
- The REC versus fuel cost: Fuel alone to make a biomass plant exist is near \$40 dollars. Low fossil fuel prices brings down the price of chips, but those prices could run up.
- REC markets are dynamic. For every megawatt produced, the plant produces a REC. ACPs are a ceiling price for the REC. Bridgewater Plant has never sold RECs at the ceiling price.
- With the low cost wholesale electricity prices, RECs have been sold at a low of \$17. In 2016, the facility lost over \$1 million dollars. They are looking for support in the passing of SB 129.
- Senator Avard said Connecticut is buying NH's RECs. SB 129 will allow NH to buy their own RECs. Senator Avard asked how that helps lower the prices to rate payers. Mr. Olson said that when RECs are purchased, the rate payers pay for those RECs. Referring to what Senator Bradley said, there is cost

component and a benefit component to SB 129. Senator Avard asked if it will drown out hydro power. Mr. Olson said no. Class III is for biomass and land fill methane plants existing before 2006. It does not affect any other type of renewable resource.

- Senator Bradley asked Mr. Olson to explain what the four classes are and the benefits for each class. Mr. Olson said the RPS contains a class system. It is important as it is the way the legislative policy enacts the diversity requirement.
  - Class I: Represents new systems built after the year 2006. These would be new biomass plants, such as the new biomass plant in Berlin. A hypothetical windfarm created after 2006 would be in Class I.
  - Class II: Just for solar. Senator Feltes's provisions aim at Class II and granting some equities there.
  - Class III: RPS promotes energy diversity and jobs in NH. Class III refers to existing facilities. If there is an existing biomass facility that produces 25 MWs or less and was created before 2006, it is in Class III. Land fill gas methane is also in that class. These plants must also meet air emission requirements.
  - Class IV: Small hydro plants that produce 5 MWs or less with environmental requirements on them.
- Senator Fuller Clark said that when the RPS was created, it was meant to address available resources in NH. She was looking for Mr. Olson to speak to that. Mr. Olson said it goes back to the class system. These classes seek to diversify the use of energy sources in NH. It also seeks to create new energy sources and preserve jobs in the state. More classes were created with different levels of economic activity.

*Kim Frase*

*Owner, Frase Electric, LLC*

- Mr. Frase is a small electrical contractor with 11 employees. He installs solar arrays and it has become 2/3 of his business.
- Mr. Frase spoke in regards to the introduced amendment removing the cap on the residential solar rebate. The cap created a burden in terms of paperwork. It requires a second trip back and adds to installation costs for the resident. To remain competitive, he wants to keep costs down.
- The other area it affects is group net metering. When group net metering occurs, it will always run beyond the 10KW limit. This doubles expenses.
- Over 20% of his customers are over 10KW. For 20% of his business, he is doubling his paperwork. He sees no advantage in keeping the cap. It should have no real impact on the REF.

*Kate Epsen*

*Executive Director, NH Sustainable Energy Association*

- Reinforced testimony made by Mr. Frase on the amendment.
- In regards to Section VII, every state around has been doing this type of system and it is manageable. As a pilot program, it is very straightforward.

- Should bill credit sharing not be allowed, there is a tax burden in additional cost to low-moderate income residential customers.
- The credit score issue does not preclude any voluntary financing. Some people finance solar like financing cars.
- Expressed a desire to keep the language in Section I, line 6-8. There is utility data that supports that the peak load is reduced by the use of solar power.
- Ms. Epsen expressed a willingness to work on any of these topics with the affected parties.

*Kim Quirk*

*Owner, Energy Emporium*

- Their business is 80% in solar installations.
- As a business owner, one of the problems is helping lower-moderate income residential customers. The involvement of the utility in providing credits to those who should be getting the credit is a good idea. Ms. Quirk has experience in seeing landlords abusing the system in allocating the credits out.
- A pilot program can be done. Should it be successful, it can be rolled out more next year. It allows a wider group of people to access solar power.
- Reinforces Mr. Frazee's comments on Senator Bradley's amendment.

*Matt Leahy*

*Public Policy Manager, Forest Society*

- Provided written testimony.
- Represents a land trust that owns 55,000 acres of forestland in 185 reservations. As they treat these forests and accumulate low grade wood, there is significant value in supporting NH's biomass plants as a main market for that wood.
- Increasing the Class III REC values means those plants can remain economically viable. As they expand, they become more economically viable to the state.
- SB 129 is an important step towards insuring our forests continue to play a central role in the overall quality of life which has made NH so unique.

*Dennis Labbe*

*NH Legal Assistance*

- SB 129 addresses fundamental unfairness in NH energy markets.
- Lower-moderate income residential customers have to overcome massive market barriers to access benefits.
- Having bill credits handled by the utility companies is vital. Having group metering handled by the landlord creates conflict.
- The prohibition on credit scores is helpful to lower-moderate income residential customers. Many of them have poor credit, excluding them from benefits and does not relate to utility payment history.

*Marla Herrick & Don Hardwick*

*Owner, Hopkinton Forestry & Land Clearing*



*Owner, D.H. Hardwick & Sons, Inc.*

- Provided written testimony.
- Both businesses are under threat should biomass plants close.
- Both support SB 129 in supporting the biomass industry.

### **Summary of testimony presented in opposition:**

*Donna Gamache*

*Director of Government Affairs, Eversource Energy*

- Eversource had concerns on Section VII of the bill. Eversource opposes the role of taking on group net metering accounts. What is done currently is a check is given to the group host and the group host distributes it. Eversource prefers that method.
- However, after speaking to Senator Feltes, there has been interest in studying the benefits in looking at an alternative credit method or a pilot program with one small park in a service territory.
- This is done in Eversource's sister company in Massachusetts. Problems have arisen with lower income customers. They are much more mobile. Managing who is active in the program and managing disputes is a burden on customer service reps.

*Mark Lambert*

*Director of Government Affairs, Unitil*

- Opposed to Section I in the analysis, requiring a portion of the funds in the renewable energy fund to benefit low-moderate residential customers.
- Unitil has worked with the PUC and other low income advocate groups to provide discounts.
- Section IV says 300% of the federal guidelines will be used to help low-moderate income customer. This differs from what is used by other utilities in how they manage the low income discount in their systems. Tiered discounts are applied by federal poverty guidelines.
- At 300%, there is an inconsistency in what those customers can qualify for. For example, they can take part in the group net metering, but cannot qualify for individual discounts. That has taken place in the Massachusetts territory.
- Senator Avard asked if Unitil has any suggestions about how to address that problem. Mr. Lambert deferred to asking that question to Senator Feltes. There is a difference, but Mr. Lambert was not sure of the difference.
- Unitil is opposed to Section VII, lines 4-6, which makes Unitil provide credits on the electric bill directly to a group member rather than a group host.
  - This requires Unitil to make investments in the billing system to do this.
  - This is allowed in other service territories, but requires additional staff to manage it and bill system investments.
  - The onus is on the utility to manage the volatility of the allocations and the management of the group, which changes quite often.
  - The cost of this would be passed on to the distribution cost to other customers.

- The system benefit charge is more transparent and contains funding for low-income discounts.
- Disagrees with Section I, lines 5-8. It speaks of the diversification of solar and wood products that reduce NH's peak demand. Unitil has done a study for customers that shows the peak demand for Unitil customers occurs when solar generation is not generating, which is from 5:00pm to 7:00pm. Suggests line 6-8 be removed from the purpose statement.
- Senator Feltes said Ms. Gamache introduces the idea of a pilot program and if Unitil would be opposed to one project per year in a service territory. Mr. Lambert said he would not be opposed to it in order to evaluate the benefits.

*Michael Licata*

*Director of Government Affairs, Liberty Utilities*

- Opposition focuses on Section VII of SB 129. While Liberty Utilities is sympathetic to helping out the local community, the cost of administration and the risk it places on the utility is burdensome in helping low-moderate income residential customers.
  - Currently, a utility is there be a dispute between the host and the tenant, the utility is not involved in that. Under SB 129, the utility is now in the middle of the dispute. The attorneys have to represent them in disputes.
  - Automating credits to these customers requires a significant upgrade to their billing system.
  - Furthermore, SB 129 does not spell out a qualification or verification for lower to moderate income rate payers. It would be cumbersome for the utility to keep track of that as people opt in and out of the system.
- Senator Bradley asked if Liberty Utilities would be open to a pilot program. Mr. Licata said his company would need to see language for that before commenting on it. If Liberty Utilities is asked to involve themselves in a private dispute, Liberty Utilities could not support that.
- Senator Feltes said the pilot program would be one program for one project per year. Mr. Lambert saw no problem with it. Senator Feltes asked if Liberty Utilities would take part. Mr. Licata said he would need to see language.
- Senator Fuller Clark said there are other companies in other states that have implemented similar structures that break out customers into different economic levels. Those companies have the technologies to do it. Senator Fuller Clark asked if Mr. Licata knew if there was a way the utilities in NH could benefit from that. Mr. Licata said he does not have any information as to whether Liberty Utilities breaks their customers down into different economic classes. Mr. Licata then said Eversource and Unitil do that type of service in Massachusetts and there has been concern with their implementation. Mr. Licata was not willing to comment further.

## **Neutral Information Presented:**

*Karen Cramton*

*Director of Sustainable Energy Provision, PUC*

- Did present written testimony – provided data of the amendment to Class I Thermal and Class II Annual Obligations, as well as current RPS obligations. She also provided data for the amendment to the Class III ACP Rate.
- Present to answer any questions.
- The amendment that eliminates the 10 KW cap will ease the administrative burden at PUC. It will not make any changes to the REF.
- Amendment will ease the administrative burden at PUC. This will not change the REF.
- Ms. Cramton expressed a willingness to work on the low income program, should SB 129 pass. There are other states that have implemented similar programs and the PUC is willing to reach out and find what works.

**Future Action:** Pending.

GJR

Date Hearing Report completed: February 14, 2017