

SB 597-FN - AS INTRODUCED

2026 SESSION

26-2238

12/08

SENATE BILL **597-FN**

AN ACT relative to utility rate increases to inflation-adjusted thresholds and performance incentive metrics for utilities.

SPONSORS: Sen. Perkins Kwoka, Dist 21; Sen. Rosenwald, Dist 13; Sen. Watters, Dist 4; Sen. Long, Dist 20; Sen. Prentiss, Dist 5; Sen. Altschiller, Dist 24; Sen. Fenton, Dist 10; Rep. McGhee, Hills. 35; Rep. Wall, Straf. 11; Rep. Cormen, Graf. 15

COMMITTEE: Energy and Natural Resources

ANALYSIS

This bill prohibits the public utilities commission, pursuant to its rulemaking authority, from adopting an energy rate for any electric utility that exceeds the previous year's rate after adjusting for inflation. The bill also directs the public utilities commission to implement performance incentive metrics for utilities, including determining whether TOTEX ratemaking should be established.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty-Six

AN ACT relative to utility rate increases to inflation-adjusted thresholds and performance incentive metrics for utilities.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Short Title. This act shall be known as the "Lower Energy Prices Act."

2 2 Statement of Findings and Purpose. The goal of these alternative regulatory mechanisms is to
3 incentivize utilities to improve their operational efficiency, customer service, and overall
4 performance, while also aligning their incentives with the broader needs of commerce, industry, and
5 the consumer. Unlike traditional cost of service regulation, where utilities earn return on capital
6 expenditures, performance-based regulation focuses on outcomes and encourages utilities to achieve
7 specific targets and metrics. This approach can lead to improved service quality, cost savings,
8 innovation, and a more sustainable and resilient energy sector. The general court finds that:

9 I. New Hampshire has the eighth highest utility bills in the country.

10 II. A ruling in July 2025 by the public utilities commission raised the monthly residential
11 customer charge by 43 percent.

12 III. It is the duty of the general court to act on behalf of the best interest of Granite Staters,
13 and that includes providing them with economic freedom by lowering their everyday costs.

14 3 New Paragraph; Public Utilities Commission; Rulemaking Authority; Energy Rate Increases
15 Restricted. Amend RSA 365:8 by inserting after paragraph II the following new paragraph:

16 III. The commission shall not approve an energy rate for any electric utility that exceeds the
17 previous year's rate by more than 4 percent after adjusting for inflation.

18 4 Supervisory Power of Department of Energy and Public Utilities Commission; Performance
19 Incentive Mechanisms. RSA 374:3-a is repealed and reenacted to read as follows:

20 374:3-a Performance Incentive Mechanisms.

21 I. No later than one year following the effective date of this section, the commission shall
22 open an investigative proceeding to evaluate whether to establish performance incentive
23 mechanisms that directly tie electric and gas utility revenues to achievement on performance
24 metrics for the purposes of grid modernization.

25 II. In establishing performance incentive mechanisms, the public utilities commission shall
26 consider:

27 (a) Electric rate affordability and volatility risk;

28 (b) Optimization of utility asset utilization factors;

29 (c) Maintenance and improvement of service reliability and safety;

30 (d) Peak load reduction attributable to demand response programs;

- 1 (e) Rapid integration of distributed energy resources;
- 2 (f) Timely execution of competitive procurement and third-party interconnection;
- 3 (g) Adoption of time-of-use rates and other demand flexibility strategies;
- 4 (h) Customer engagement and satisfaction;
- 5 (i) Public access to utility system information, including but not limited to public access
- 6 to electric system planning data and aggregated customer energy usage data, and individual access
- 7 to granular information about one's own energy usage data;
- 8 (j) Fair compensation for utility employees; and
- 9 (k) Grid modernization, as defined in RSA 374-F:2, XI.

10 III. As part of the investigative proceeding, the commission shall recommend
11 implementation timelines and deadlines for the adoption of the performance incentive mechanisms
12 for each electric and gas utility.

13 IV. In determining its recommendations, the commission shall consider for each electric and
14 gas utility, the following:

- 15 (a) Baseline performance on each metric;
- 16 (b) Existing infrastructure;
- 17 (c) Existing data systems and capabilities;
- 18 (d) Timing of the utilities' last rate case; and
- 19 (e) Strategies to equalize financial incentives to deploy capital expenditures, operating

20 expenditures, total expenditures or TOTEX, as defined in RSA 378:3-b, I(a), and any other
21 information deemed relevant or helpful by the commission in its review.

22 V. As part of the investigative proceeding, the commission shall evaluate whether it is in the
23 public interest to transition to TOTEX ratemaking, as described in RSA 378:3-b, instead of allowing
24 return on equity for only capital investments. The commission shall look to case studies of best
25 practices for such a transition and report on outcomes in the relevant utility service territories.

26 VI. The commission shall issue a final decision in the investigative proceeding required by
27 this section within 18 months of the commencement of the proceeding. Thereafter, the commission
28 shall conduct an investigative proceeding to update, revise, and modify its previously approved
29 performance incentive mechanisms at least every four years, or as the public interest requires.

30 VII. The commission may retain outside third party experts to assist with this investigative
31 proceeding, and shall do so pursuant to the authority granted in RSA 363-A.

32 5 New Section; Rates and Charges; Application of Performance Incentive Mechanism to Retail
33 Rates. Amend RSA 378 by inserting after section 11-a the following new section:

34 378:11-b Application of Performance Incentive Mechanism to Retail Rates.

35 I. Notwithstanding any provision of this chapter to the contrary, on and after the date the
36 commission adopts its initial set of performance incentive metrics pursuant to RSA 374:3-a, the
37 commission shall consider and implement the performance incentive mechanisms approved

1 pursuant to that section whenever the commission investigates new and higher rates, fares, charges,
2 or prices proposed by an electric or gas utility pursuant to RSA 378:5 or whenever the commission
3 fixes the rates of any such utility pursuant to RSA 378:7.

4 II. In connection with seeking new and higher rates, fares, charges, or prices, an electric or
5 gas utility may propose a multi-year rate plan that includes the performance incentives adopted by
6 the commission pursuant to RSA 374:3-a as a mechanism for varying any initial revenue
7 requirement determined by the commission to be just and reasonable in such rate proceeding. If a
8 utility declines to propose such a multi-year rate plan the commission shall develop one on its own
9 motion.

10 III. In a proceeding subject to this section, the commission shall adapt its approved
11 performance incentive metrics to the circumstances of the subject utility so as to advance the
12 objectives of such mechanisms set forth in paragraph II.

13 IV. The commission may approve multi-year rate plans of up to 5 years and may establish,
14 by order, the methods for annual revenue adjustment, treatment of exogenous costs, earnings-
15 sharing, service quality remedies, reopeners, reporting, and measures to moderate annual bill
16 impacts.

17 V. No alternative rate plan approved pursuant to this section shall be applicable for longer
18 than four years after the date on which the plan becomes effective as approved by the commission.
19 An electric or gas utility operating pursuant to a multi-year rate plan shall submit a proposed new
20 plan at least one year prior to the expiration date of a current plan, which the commission shall then
21 consider pursuant to the provisions of this chapter.

22 6 New Section; TOTEX Ratemaking. Amend RSA 378 by inserting after section 3-a the
23 following new section:

24 378:3-b TOTEX Ratemaking.

25 I. For the purposes of this section:

26 (a) "Total expenditures" or "TOTEX" means the sum of a public utility's capital
27 expenditures and operating expenditures, measured on the accounting and/or regulatory basis
28 determined by the commission;

29 (b) "Public utility" has the same meaning as defined in RSA 362:2; and

30 (c) "TOTEX capitalization rate" means the percentage of a utility's total expenditures
31 that the commission designates as capital for ratemaking purposes.

32 II. The public utilities commission shall have the authority to establish a TOTEX
33 ratemaking framework for public utilities. The commission may adopt TOTEX allowances,
34 capitalization rates, and related accounting treatments by rule or order pursuant to RSA 541-A.

35 III. The public utilities commission shall adopt rules necessary to implement this section
36 pursuant to RSA 541-A.

SB 597-FN - AS INTRODUCED

- Page 4 -

1 7 Severability. If any provision of this act or the application thereof to any person or
2 circumstance is held invalid, the invalidity does not affect other provisions or applications of the act
3 which can be given effect without the invalid provisions or applications, and to this end the
4 provisions of this act are severable.

5 8 Effective Date. This act shall take effect 60 days after its passage.

SB 597-FN- FISCAL NOTE
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FISCAL IMPACT: This bill does not provide funding.

Estimated State Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Revenue	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
Expenditures*	\$0	Indeterminable Increase \$150,000 to \$300,000	Indeterminable Increase \$150,000 to \$300,000	Indeterminable Increase \$150,000 to \$300,000
		Indeterminable Increase (State Utility Costs)	Indeterminable Increase (State Utility Costs)	Indeterminable Increase (State Utility Costs)
<i>Funding Source(s)</i>	Utility Assessments per RSA 363-A:1, General Fund, Highway Fund and Various Agency Funds			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

Estimated Political Subdivision Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
County Revenue	\$0	\$0	\$0	\$0
County Expenditures	\$0	Indeterminable	Indeterminable	Indeterminable
Local Revenue	\$0	\$0	\$0	\$0
Local Expenditures	\$0	Indeterminable	Indeterminable	Indeterminable

METHODOLOGY:

This bill limits annual electric utility energy rate increases to an inflation adjusted threshold and directs the Public Utilities Commission to investigate and implement performance incentive mechanisms for electric and gas utilities, including evaluating the transition to total expenditures or TOTEX ratemaking and the use of multi year rate plans.

The Department of Energy states this bill would increase the Department's workload associated with assisting the Public Utilities Commission in investigating, developing, and implementing

performance incentive mechanisms for electric and natural gas utilities, including potential adoption of TOTEX ratemaking. The Department indicates they would require outside consultants to assist in developing recommendations related to whether performance incentive mechanisms should be implemented for electric and natural gas utilities and what would be appropriate benchmarks for evaluating utility performance. The Department estimates consulting costs would range from \$150,000 to \$300,000 and states these costs would be paid by electric and natural gas utilities through a special assessment. As a result, the Department reports no direct impact to state funds. The Department further notes that while alternative ratemaking approaches, such as performance incentive mechanisms or TOTEX, may smooth the timing of rate increases, they do not reduce overall capital or operating expenditures incurred by utilities. Any increase in utility rates resulting from grid modernization investments, distributed energy resource deployment, or other incentivized activities would result in higher electricity costs for the State. The Department states the fiscal impact to the State is indeterminable; however, a \$0.01 per kilowatt hour increase in electric rates would increase state electric costs by approximately \$1,000,000. Lastly, county and local governments may experience increased electric costs resulting from future rate changes. The fiscal impact is indeterminable.

The Public Utilities Commission states this bill will not have a fiscal impact on their operating budget.

AGENCIES CONTACTED:

Department of Energy