Senate Energy and Natural Resources Committee

Max Taylor 271-1403

SB 112-FN, relative to purchased power agreements for electric distribution utilities.

Hearing Date: February 11, 2025

Time Opened: 9:25 a.m. **Time Closed**: 10:10 a.m.

Members of the Committee Present: Senators Avard, Pearl, McConkey, Watters and Rosenwald

Members of the Committee Absent : None

Bill Analysis: This bill allows the department of energy or the electric distribution utilities, or both, to issue requests for proposals for multi-year agreements for energy, in conjunction with or independent of any attendant environmental attributes from electric energy sources, and coordinate with one or more New England states in issuing this RFP.

Sponsors:
Sen. Avard

Who supports the bill: Senator Kevin Avard (District 12), Michelle Gardner (NextEra Energy), Bruce Berke (NextEra Energy)

Who opposes the bill: None.

Who is neutral on the bill: Chris Ellms (NH Department of Energy), Daniel Phelan (NH Department of Energy), Michael Licata (Eversource Energy)

Summary of testimony presented in support:

Senator Kevin Avard
Prime Sponsor, Senate District 12

- SB 112-FN aims to expand the types of electric generation that can be considered under New Hampshire RSA 374:11 for Purchase Power Agreements (PPAs).
- This bill would allow distribution utilities to enter PPAs with a broader range of energy sources, extending beyond the current limitations.
- The approval process for PPAs includes oversight from the Department of Energy, the Public Utilities Commission, and utility companies operating in New Hampshire.

- The bill prioritizes cost-effectiveness for ratepayers, energy reliability during long-term storms, and price stability to mitigate market volatility.
- The goal of the bill is to help New Hampshire reduce high electricity rates by fostering long-term stability.

Michelle Garner (Executive Director, NextEra Energy) & Bruce Berke (Capitol Group/NextEra Energy)

- NextEra Energy supports SB 112-FN.
- Ms. Gardner emphasized the importance of power purchase agreements (PPAs) for energy stability.
- Ms. Gardner highlighted that the Seabrook Station, a 1,250-megawatt nuclear power plant, provides low-cost, reliable baseload power, and SB112-FN would allow it to compete for long-term PPAs.
- PPAs provide price stability and protect against market volatility, especially considering global energy uncertainties, such as the Ukraine conflict and rising commodity prices.
- Ms. Gardner explained other New England states, such as Massachusetts and Connecticut, have already enacted legislation allowing for nuclear procurement.
- Ms. Gardner emphasized that New Hampshire is uniquely positioned in the Northeast with Seabrook Station, and SB 112-FN would ensure the state is not left behind as Massachusetts and Connecticut expand their nuclear resources. Without SB 112-FN, New Hampshire risks losing access to Seabrook's power, as it could be contracted to other states.
- NextEra supports an amendment to include the Department of Energy in the RFP process, extend timeline flexibility, and reconsider the 2-million-megawatt hour cap to allow for adjustment-based energy needs.
- Senator Avard asked NextEra to clarify what amendments they were requesting for SB 112-FN.
    - Mr. Berke explained they were requesting the Department of Energy be added to the RFP process, remove date limitations on RFP development, and either adjust or remove the 2 million-megawatt hour cap for flexibility in energy procurement.
- Senator Rosenwald asked if the bill would be similar to a homeowner locking in an energy rate without knowing if it will save money.
    - Ms. Gardner explained it is similar, but there are important differences. While some years may see minor cost differences, long-term contracts shield consumers from extreme price spikes.
    - Ms. Gardner emphasized that the potential upside of price stability far outweighs any minor downside. Additionally, predictable pricing protects

ratepayers from global market disruptions. That have led to extreme volatility.

- Senator Rosenwald followed up, asking if the bill would allow New Hampshire to have priority access to Seabrook's power over other states.
  - Ms. Gardner explained the bill does not explicitly prioritize New Hampshire, as that decision would come later in the RFP process.
  - The Department of Energy and regulators would assess cost-effectiveness and determine the best allocation for New Hampshire ratepayers. A priority clause may limit flexibility and undermine potential economic benefits.
- Senator Pearl asked if long-term PPAs would encourage NextEra to invest in more energy production in New Hampshire.
  - Ms. Gardner stated a commitment from New Hampshire would send a strong market signal about Seabrook's value. SB 112-FN would strengthen New Hampshire's role in regional energy discussions, making it a more attractive location for future energy investment.
- Senator Watters asked if securing a long-term contract with Seabrook be one of the best ways to protect New Hampshire ratepayers from energy price spikes.
  - Ms. Garnder assured that long-term contracts would be a great way to protect New Hampshire ratepayers. Seabrook is not dependent on fuel price fluctuations, making it one of the most stable energy sources available. Nuclear energy provides a hedge against market volatility, ensuring stable electricity rates.
- Senator Watters asked New Hampshire is at risk of becoming more dependent on volatile natural gas prices, as projects such as offshore wind are put on hold.
  - Ms. Gardner confirmed that without additional clean energy development, New Hampshire would likely have to rely more on natural gas, which is subject to extreme price swings.
- Senator Watters asked if New Hampshire risks losing access to Seabrook's power, as other states move forward with nuclear procurement.
  - Ms. Gardner emphasized that if New Hampshire does not pass SB 112-FN, the state may not have a seat at the table when multi-state energy contracts are negotiated.

Summary of testimony presented in opposition: None.

Neutral Information Presented:

Chris Elms (Deput Commissioner, New Hampshire Department of Energy) & Dan Phelan (Regional Policy Director, New Hampshire Department of Energy)

- The Department of Energy were neutral on SB 112-FN but emphasized strong concerns about potential ratepayer impacts.
- Mr. Elms explained New Hampshire does not have decarbonization goals like other New England states, making its use of PPAs uncommon.
- The Department of Energy is concerned that the bill could lead to high costs without incentivizing new energy generation.
- Mr. Elms referenced a project in Connecticut with a similar PPA. In the aftermath of the agreement, Eversource incurred $600 million in costs despite $230 million in savings during the Ukraine war price spike.
- Mr. Elms explained PPAs can distort energy markets by weakening price signals, potentially leading to stranded costs and locking ratepayers into expensive contracts even if energy prices drop.
- The Department expressed concerns with eliminating the 2 million-megawatt hour cap could overcommit the state to a single energy source.
- Mr. Elms explained that New Hampshire has recently seen price stabilization, reducing the urgency for long-term energy contracts. Additionally, expanding PPAs to existing energy sources, such as Seabrook, could extend the life of struggling resources rather than drive new investment.
- Mr. Elms explained that as new technologies become cheaper and more scalable, a PPA that looks reasonable today might not in 20 years.
- Senator Avard asked if removing the cap and deleting dates would address the Department's concerns.
    - Mr. Elms explained the 2-million-megawatt hour cap currently accounts for 17-18% of NH's annual electricity load. Raising the cap could create an overcommitment problem. The time-limited nature of previous PPAs, such as SB 54, was meant to address short-term price spikes, not long-term planning.
- Senator Avard asked if adding the Department of Energy to the bill would help ensure deals are in New Hampshire's best interest.
    - Mr. Phelan stated the DOE would need additional staffing or consultants to handle the workload. Sb 54 kept utilities in charge to avoid expanding DOE's responsibilities.
- Senator Watters asked if SB 112-FN would provide a tool to stabilize energy costs and give New Hampshire flexibility.
    - Mr. Elms stated SB 112-FN does provide a useful tool, however PPAs have historically increased costs in New England. If New Hampshire uses

this tool, it must ensure it fits its energy strategy rather than copying other states.

- Senator Watters asked if the inclusion of nuclear energy as an eligible resource would create issues.
    - Mr. Elms explained that nuclear would not necessarily create issues, as it could compete alongside other energy sources.
    - Mr. Elms stated the key issue is whether SB 112-FN promotes new nuclear investment or simply extends the life of existing plants.
- Senator Rosenwald asked if the DOE would need additional resources if they were to be included in oversight.
    - Mr. Elms stated DOE has the authority to hire consultants. Additionally, the Department would likely not require legislative funding approval but would need Governor and Executive Council approval for consultant contracts.

Michael Licata
Eversource Energy

- Mr. Licata testified that Eversource has concerns with SB 112-FN and sought to better understand the bill's intent.
- Mr. Licata stated the original purpose of New Hampshire's PPA program was to support new energy resources, not preserve existing ones.
- Mr. Licata explained that other states use PPAs for two main reasons: preserving at-risk generators to maintain jobs and economic activity, and advancing clean energy goals, such as decarbonization or increasing renewable energy capacity.
- Eversource is concerned about removing the 2-million-megawatt hour cap, as PPAs can impact the utility's balance sheet, limit its ability to invest in other projects, and potentially harm its credit rating.
- PPAs do not directly supply power to New Hampshire customers. Rather, the utility buys energy at a fixed price and resells it into the wholesale market. If the contract price exceeds the market price, all customers bear the cost. If it is lower, all customers benefit through a non-bypassable charge.
- Mr. Licata stressed the Eversource's concern that entering into long-term contracts carries financial risk, as energy market conditions can change over 10-20 years.
- Mr. Licata emphasized if other states contract for Seabrook's power, New Hampshire customers won't necessarily lose access since the energy is sold into the wholesale market, but New Hampshire might not see direct cost benefits.
- Mr. Licata highlighted large new power demands over the next decade will increase reliance on existing facilities.

- Senator Watters asked if Massachusetts or other states contract more of Seabrook's power, would New Hampshire be more dependent on natural gas generation.
    - Mr. Licata stated New Hampshire would not necessarily become more dependent on natural gas, because PPAs do not directly supply New Hampshire customers.
    - New Hampshire utilities purchase power at a fixed price and resell it into the whole sale market. All New England customers access that market, so New Hampshire would not lose access to Seabrook power.
    - The financial impact depends on the contract price. If it is high than market rates, customers bear the cost, and if it is lower customers benefit.
- Senator Watters if there will be more pressure on existing power plants given the growing demand for electricity over the next 10 years and limited new generation.
    - Mr. Licata confirmed there would be more pressure on existing power plants.
- Senator Rosenwald asked if PPAs would reduce what state and local governments pay for electricity.
    - Mr. Licata explained if the contracts lower costs, New Hampshire state and local governments would benefit from lower electricity rates. If the contracts increase costs, they will pay more
    - Mr. Licata stated the fiscal impact is uncertain, as it depends on future market conditions.

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Date Hearing Report completed: February 14, 2025