

Senate Energy and Natural Resources Committee

Max Taylor 271-1403

SB 106-FN, relative to the participation of customer generators in net energy metering.

Hearing Date: January 28, 2025

Time Opened: 9:56 a.m.

Time Closed: 10:47 a.m.

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

Members of the Committee Absent : Senator Avard

Bill Analysis: This bill requires large customer-generators participating in net energy metering to consume at least 20 percent of their own generation.

Sponsors:

Sen. Lang

Sen. Innis

Sen. McGough

Sen. Pearl

Sen. Watters

Rep. Moffett

Who supports the bill: Senator Tim Lang (Senate District 2), Mike Skelton (Business & Industry Association), Sam Evans-Brown (Clean Energy NH), Kyle King (Coca-Cola Northeast), Meredith Hatfield (The Nature Conservancy)

Who opposes the bill: James Shannon, Packy Campbell

Who is neutral on the bill: Josh Elliott (New Hampshire Department of Energy)

Summary of testimony presented in support:

Senator Timothy Lang

Prime Sponsor, Senate District 2

- Senator Lang introduced the bill, explaining that it aims to address high energy costs. The bill allows industrial host generators to produce up to five megawatts of electricity, provided that 100% of the generated power is consumer by the generator and its affiliated group.
- Senator Lang emphasized that this bill would enable industrial host generators to reduce energy costs without creating excess electricity for resale, distinguishing it from a revenue-generating model.
- The bill includes Amendment 0088s, defining “industrial host generators” to ensure clarity.

- To support long-term investment, the bill establishes a rolling 20-year net metering period for businesses, ensuring they have sufficient time to finance and recoup investments.
- Senator Watters asked whether the statutory language on Lines 19-21 could be adjusted to extend the period beyond 20 years, possibly to 25 or 40 years.
 - Senator Lang responded 20 years was settled upon after discussions with stakeholders who had requested a longer period.
 - He explained he was unwilling to extend beyond 20 years, citing the difficulty of predicting financial viability further into the future.
 - Senator Lang referenced past solar projects at the school district, town, and county level, noting that 20-year financial planning is the standard approach for return on investment calculations.
- Senator Watters also asked if implementing a mechanism that would allow automatic renewal beyond the 20-year period to provide flexibility.
 - Senator Lang stated that such an extension should be considered for future legislation.
 - The 20-year period would allow lawmakers to evaluate the program's effectiveness before making further changes.

Mike Skelton

President and CEO, Business & Industry Association of New Hampshire

- Mr. Skelton stated BIA considers SB 106-FN one of the most important pro-business bills of the session and a top priority for the association.
- Mr. Skelton highlighted New Hampshire's noncompetitive energy costs as a major challenge for businesses, particularly manufacturers and industrial facilities.
- Mr. Skelton presented data from The U.S. Energy Information Administration, noting that from 2013 to 2023, electricity prices in the U.S. rose by 26%, in particular New Hampshire's electricity prices increased by 60%.
- Additionally, Mr. Skelton pointed out that New Hampshire ranks among the 10 most expensive states for electricity across all ratepayer categories, with prices comparable to California and Hawaii.
- Mr. Skelton argued the bill helps large manufacturers and industrial users lower their energy costs while improving energy reliability through industrial self-generation.
- Mr. Skelton expressed the widespread frustration felt by the BIA's 500 members regarding high electricity costs and uncertainty about their long-term ability to operate in New Hampshire.

Kyle King**Operations and Sustainability Manager, Coca-Cola Beverages Northeast**

- Mr. King stated that Coca-Cola Beverages Northeast supports the bill, as it aligns with the company's business and sustainability goals.
- Coca-Cola is exploring on-site solar installations across all its locations. Current regulations cap solar projects at one megawatt, but the company is considering a three-megawatt solar project at its Londonderry facility.
- Mr. King emphasized that expanding on-site solar would support business operations, create local jobs, and enhance sustainability efforts.

John Morrison**Executive Vice President, Secretary, and Treasurer, Hitchner Manufacturing**

- Mr. Morrison expressed support for the bill, emphasizing its importance in helping energy-intensive businesses, similar to Hitchner Manufacturing, manage high electricity costs.
- Hitchner Manufacturing is headquartered in Milford, NH, employing over 650 people. Additionally, Hitchner Manufacturing has reinvested approximately \$100 million in New Hampshire over the past five years to support continued growth.
- Hitchner consumes over 25 million kilowatt-hours annually, costing nearly \$5 million per year, representing 5% of its New Hampshire sales.
- The company pays an average of 15 cents per kilowatt-hour, which Mr. Morrison said is 2-3 times higher than competitors in other states.
- SB 106-FN would allow Hitchner to participate in net metering at a larger scale, helping offset a portion of its large and growing energy demand.

Sam Evans-Brown**Clean Energy New Hampshire**

- Mr. Evans-Brown refuted the NH DOE's statement that a 20-year legacy period constitutes a subsidy. He stated that Clean Energy NH participated in PUC Docket 22060, and there was no evidence of cost shifting associated with net metering.
- Net metering is only compensation for distributed energy generation and has benefits such as reduced transmission reliance and generation occurring close to demand as factors that justify compensation.
- Mr. Evans-Brown referenced findings from the Value of Distributed Energy Resources Study, which projected a low risk of cost shifting over the coming decades and concluded that large customer generators are being undercompensated.

- Mr. Evans-Brown stated that claims of locked-in compensation have no basis, as the default service rate fluctuates every six months based on market conditions.
- While he expressed Clean Energy NH's full support for the bill, he highlighted that concerns about the effective date of the bill are valid.

Summary of testimony presented in opposition:

James Shannon

Resident of Rochester, Solar Investor

- Mr. Shannon specifically objects to the retroactive effective date of January 1, 2023. He argued that the retroactive effective date violates constitutional protections against impairing contracts, citing Article I, Section 10 of the U.S. Constitution and Part I, Article 23 of the New Hampshire Constitution.
- Mr. Shannon argued that retroactive application would harm investors who relied on existing net metering laws when making multi-million dollar investments. Mr. Shannon expressed concern that there is no clear justification for selecting 2023 as the retroactive date and suggested it may be punitive to projects still in the queue.
- Mr. Shannon explained that his solar project is designed for direct power sales and does not consume 20% of its generated electricity on-site. Under the bill, his project would fail to meet the 20% consumption rule and must participate in group net metering, which would require paying a fee of 1 to 1.5 cents per kilowatt-hour.
- Mr. Shannon estimated that this fee would reduce his project's revenue by 14.4%, causing significant financial harm to himself and other small-scale solar investors.
- Senator Pearl asked Mr. Shannon to clarify if he not only wanted to change the effective date to avoid retroactivity but also have it pushed further into the future.
 - Mr. Shannon confirmed and suggested that if the legislature insists on using an in-service date, it should be far into the future. This would align with the long permitting and construction timelines for solar projects.
- Senator Rosenwald asked how much energy Mr. Shannon's project currently consumes.

- Mr. Shannon stated that his project consumes very little energy and that his project is locally developed, a personal financial commitment to small-scale renewable energy.

Packy Campbell

Former State Representative, Solar Developer

- Mr. Campbell emphasized that he opposed the bill as written but supported amendments to adjust the definition of “customer generation.”
- He did not agree with the removal of “customer premises” from the definition, because the change could negatively impact solar development.
- Mr. Campbell shared an example of a 1-megawatt solar project that took four years for approval. He emphasized that this project creates positive cash flow for utilities and ratepayers, which reduces costs for all consumers, including low-income residents.
- Mr. Campbell emphasized small-scale solar lowers costs for all ratepayers, making it a beneficial investment for the state.
- Mr. Campbell argued that removing retail meter requirements could force solar developers into a less favorable category, increasing costs for small businesses.
- Mr. Campbell supported the 20-year legacy period for net metering but called for further stability beyond 2040 and proposed a statutory amendment to ensure long-term certainty for investors.
- Net metering 1.0 may have resulted in minor cost shifting, but net metering 2.0 has eliminated negative cost shifting since 2017.
- Mr. Campbell stressed that modern net metering policies should only create positive cost benefits for ratepayers, not additional financial burdens.

Neutral Information Presented:

Josh Elliott

New Hampshire Department of Energy

- Mr. Elliott stated the New Hampshire Department of Energy is neutral on the bill and emphasized the importance of maintaining safeguards to prevent cost-shifting between ratepayers.
- Mr. Elliott referenced the Public Utilities Commission Docket 22060 where the PUC supported the department’s position to sunset the legacy period by December 31, 2040. He stated that modifying this decision would essentially override the PUC’s prior ruling.

- Mr. Elliott highlighted a feature in the bill that he believes would allow solar developers to lock in higher rates while preventing rate decreases, ensuring the best financial outcome for them at the expense of ratepayers.
- Mr. Elliott argued that while net metering should provide fair compensation for energy generation, the proposed legacy period acts as a subsidy by guaranteeing rates for 20 years.
- Additionally, Mr. Elliott stated it would be a mistake to set fixed policies on current assumptions about the future market, and that future legislators or PUC members would be better positioned to evaluate the value of energy generation as conditions evolve.

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Date Hearing Report completed: January 31, 2025