HB 592-FN - AS AMENDED BY THE HOUSE

9Jan2018... 0503h

2017 SESSION

17-0550
06/04

HOUSE BILL ***592-FN***

AN ACT relative to allowance sales under the New Hampshire regional greenhouse gas initiative program.

SPONSORS: Rep. Harrington, Straf. 3

COMMITTEE: Science, Technology and Energy

AMENDED ANALYSIS

This bill requires all amounts from allowance sales under the New Hampshire regional greenhouse gas initiative program to be rebated to retail electric ratepayers in this state.

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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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Seventeen

AN ACT relative to allowance sales under the New Hampshire regional greenhouse gas initiative program.

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

1 Energy Efficiency Fund and Use of Auction Proceeds. Amend RSA 125-O:23, II to read as follows:

II. All amounts in excess of the threshold price***, minus administrative costs,*** of [~~$1~~] ***$0*** for any allowance sale shall be rebated to all retail electric ratepayers in the state on a per-kilowatt-hour basis, in a timely manner to be determined by the commission.

2 Repeal. The following are repealed:

I. RSA 125-O:23, III-V, relative to use of remaining proceeds received by the state from the sale of allowances.

II. RSA 374-F:6, V, relative to the duty of the oversight committee on electric utility restructuring to monitor core energy efficiency programs pursuant to RSA 125-O:23, III.

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

LBAO
17-0550
1/19/17

HB 592-FN- FISCAL NOTE
AS INTRODUCED

AN ACT repealing the regional greenhouse gas initiative.

FISCAL IMPACT: [X] State [X] County [X] Local [ ] None

	Estimated Increase / (Decrease)			
STATE:	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Appropriation	$0	$0	$0	$0
Revenue	($19,998,200)	($26,177,650)	($25,920,450)	($25,467,000)
Expenditures	Indeterminable	Indeterminable	Indeterminable	Indeterminable
Funding Source:	[ ] General	[ ] Education	[ ] Highway	[X] Other

COUNTY:

Revenue	$0	$0	$0	$0
Expenditures	Indeterminable	Indeterminable	Indeterminable	Indeterminable

LOCAL:

Revenue	($2,000,000)	($2,000,000)	($2,000,000)	($2,000,000)
Expenditures	Indeterminable	Indeterminable	Indeterminable	Indeterminable

METHODOLOGY:

This bill repeals the Regional Greenhouse Gas Initiative (RGGI) and eliminates the need for fossil-fired power plants located in New Hampshire to purchase allowances. The Department of Environmental Services (DES) and the Public Utilities Commission (PUC) state this bill would cause the state to no longer be entitled to a share of the proceeds from the allowance auctions, which in 2016 was worth $15 million or $4.47 per allowance. With the exception of the first dollar per allowance, which New Hampshire allocates to energy efficiency programs, the proceeds are rebated to electric customers. According to DES and PUC, repeal of the RGGI would mean electric customers would lose both the benefit of the rate rebates (about $12 million in 2016) and the cost savings associated with RGGI funded energy efficiency programs.

DES and PUC state that any revenues received via auctions in calendar year 2017 would need to be returned to the winning bidders, since in the absence of compliance obligations, the State would have had no allowances to sell in calendar year 2017. Consequently, the bill will effectively end New Hampshire's participation in RGGI effective December 31, 2016.

DES and PUC have estimated this bill will decrease state restricted revenue and related

expenditures by $19,998,200 in FY 2018, $26,177,650 in FY 2019, $25,920,450 in FY 2020 and $25,467,000 in FY 2021. In addition to the impact on state revenue, DES and PUC estimate local revenue will decrease by $2,000,000 each year, as this is the amount allocated annually to the municipal energy efficiency program. The impact on local expenditures is indeterminable.

DES and PUC state the repeal of RGGI would be a reduction in the rate New Hampshire electric customers pay for energy. However, DES and PUC indicate that the loss of rate rebates to customers as a result of repeal is likely to be far greater than the reduction in retail rates. The rate reduction can come about in two ways. First, electric customers that purchase Eversource default energy service pay a rate equal to the average cost of energy purchased from the wholesale market and/or produced by Eversource's own power plants. Because the cost of energy produced by Eversource's own power plants includes the cost of allowances, repealing RGGI would lower that cost and hence the rate for default energy service. However, the cost of allowances in 2016 accounted for less than five one hundredths of a percent of total default energy costs. Therefore, the rate impact is likely to be insignificant. Once these generation assets are sold this benefit is mitigated.

Second, the rate paid by non-default energy service customers could also be lower if this bill causes New Hampshire's generating units to be on the margin in many more hours than currently, however, according to DES and PUC, this is very unlikely. If Eversource's fossil assets continue to operate, repeal of RGGI is unlikely to cause them to be on the margin in many more hours because the units are old and relatively inefficient and would have to displace more efficient gas-fired resources. Consequently, the DES and PUC conclude the likelihood that repeal would cause average electric rates to decline significantly is low. There could be a benefit to merchant generators in New Hampshire that use fossil fuel because they would continue to receive the market clearing price, which are assumed to have RGGI costs built into them, but will no longer be responsible for procuring allowances to cover their CO2 emissions.

DES and the PUC state that no positions will be eliminated as a result of this bill. If this bill results in decreased electric rates then state agencies, counties, and municipalities would experience decreased electric rates.

AGENCIES CONTACTED:

Department of Environmental Services and Public Utilities Commission