

GRANITE STATE HYDROPOWER ASSOCIATION

Energy Stakeholder Forum

Supplemental Comments

June 27, 2006

EXHIBIT 2

SCIENCE, TECHNOLOGY AND ENERGY

HB 485, relative to limited electrical energy producers. OUGHT TO PASS WITH AMENDMENT

Reps. Donald B. White, Anne C. Grassie and Jeb E. Bradley for Science, Technology and Energy: There are three major provisions of this bill. First there are legislative guidelines for net energy metering. This metering occurs when an extremely small generator of electricity, primarily using wind or solar power, uses less energy than such a system produces on an instantaneous basis. The excess energy flows into the distribution network and runs the homeowners' meter backwards, allowing an offset against consumption at other times. PSNH currently allows this practice for a handful of residences that can produce up to 25 kilowatts of power. The net impact in terms of cost to the electric system is extremely small, but the practical impact would be to encourage people to explore and install renewable energy technology. This amendment limits the total amount of kilowatts of such generating capacity that can use net energy metering. The second provision of the bill removes the requirement from state law that a utility must purchase new sources of independent power, such as hydro or wood energy, once competition in the electric industry actually commences. This requirement, as well as similar federal legislation enacted in the late 1970s, has led to the growth of renewable independent power but has proven to be very costly for N.H. customers. Much of the independent power cost problem for PSNH customers can be traced directly to projected costs of energy that PSNH and the Public Utilities Commission agreed to in a 1983 Commission docket. These high projected costs not only were used to justify continued Seabrook construction but also created an incentive for wood to energy plants to locate in PSNH's service territory. The committee believes it is time to end this practice of future mandatory power purchases, as all sources of power generation should be subject to competitive market forces. The third component of the bill involves existing purchases of independent power. In 1994 the legislature passed SB 790, which barred the buyout of any rate orders for the six remaining wood to energy plants. At the time, SB 790 was necessary to facilitate negotiations between PSNH and the six wood plants to lower their cost to ratepayers. Partial buydowns of these rate orders have been negotiated and are pending approval at the Commission. Even though there would be significant ratepayer savings with buydowns, greater savings might be achieved with rate order buyouts. The committee believes that it is appropriate to eliminate the prohibition on buyouts once competition exists, should any of the plants choose that as an option. Because a buyout could lead to a wood plant closure, there could be an impact on the forest products industry. The committee mitigated this possible impact by allowing only one potential buyout per year. Unlike 1994, once electric industry competition begins, these wood to energy plants as well as all other sources of renewable energy, both new and existing, will be able to sell to willing buyers. Results from the N.H. Pilot Program suggest at least some consumers will choose to purchase this type of power. Vote 17-0.