Testimony of Conservation Law Foundation
Before the New Hampshire House Science, Technology, and Energy Committee
House Bill 1602
February 20, 2014

Good afternoon Chairman Borden, members of the Committee:

My name is Christophe Courchesne, and I am a staff attorney for the Conservation Law Foundation in Concord. CLF works to solve New England's most pressing environmental problems, and I work principally in our Clean Energy and Climate Change program. I will offer some brief remarks in support of HB1602.

Before doing so, I am pleased to offer additional written testimony in support of the bill on behalf of empowerNH, which is a diverse coalition of commercial and environmental groups, including CLF, that is working to promote consumer choices in the New Hampshire electric market. You may have already received the testimony electronically. It is worth noting that, despite market conditions, the competitive suppliers continue to enroll PSNH customers and offer rates substantially below PSNH's default energy rate. For retail customers, the state's economy, and the environment, this is a win-win-win. Roughly 100,000 PSNH residential customers have made the switch. empowerNH supports moving toward divestiture as an essential step to a mature, competitive retail market. Attached to the written testimony is a succinct question-and-answer document that empowerNH has developed to help address concerns about winter volatility in electric prices. While the volatility in the wholesale market has made headlines, it has not diminished the value of competition and choice in the retail market.

Speaking now for CLF, I believe the Committee is aware that CLF's perspective on this bill is informed by many years of advocacy at the state, regional, and federal level on electric market design, economic outcomes, and the full range of environmental issues associated with energy.

CLF commends the Electric Utility Restructuring Oversight Committee on the hard work and consideration that resulted in the bill before you today. The bill constructively moves the state closer to resolving one of its deepest economic problems: **the tens of millions of dollars of ratepayer dollars that are, year in year out, subsidizing the continued operation of the increasingly uneconomic, inefficient, and obsolete power plants owned by PSNH**. The bill modestly clarifies the Public Utilities Commission's authority to order divestment and/or retirement of those plants if in the economic interest of ratepayers.

I have three points for the Committee's consideration.

First, this bill does not itself order divestiture or retirement of PSNH assets. It provides the PUC with a clear path to pursue those options based on an inquiry informed by evidence provided by PUC staff, the OCA, PSNH, and other stakeholders. As you all know, PSNH messaging about energy price volatility, fuel diversity, and the "hedge" value of PSNH's power plants has become a perennial winter feature, and PSNH is regularly taking to the op-ed page to talk up the value of its assets to the state. A key strength of this bill is that it allows the PUC to put PSNH's many economic talking points to the test in the context of real evidence, rather than a political debate.

Second, it's important to take PSNH's talking points for what they are: PSNH is interested in preserving the ratepayer subsidy it gets to operate its power plants. That subsidy can be calculated a number of ways, but in 2013 (another year with high winter prices in the market) it cost ratepayers **$66 million**.[1] This is all the more striking because (1) the scrubber has not yet been fully added to rates (when and if it is, it will increase the subsidy substantially) and (2) 2013 was, to hear PSNH tell it, a year of the extraordinarily volatile energy market conditions and high winter natural gas prices that demonstrate the value of PSNH's power plants. This is not a function of a fickle energy market that sometimes favors PSNH's plants and sometimes doesn't. **Over the last ten years, ratepayers have cumulatively subsidized PSNH power plants by hundreds of millions of dollars.** As New Hampshire is developing an energy strategy for the next decade that prioritizes efficiency and cost-effectiveness, sending massive amounts of ratepayer money to PSNH, NU, and its shareholders to keep running uneconomic fossil plants is unquestionably a tremendous policy failure.

Third, time is of the essence for New Hampshire, and the urgency reflected in the PUC Staff's June 2013 report has not gone away. I would call your attention to the case of the coal units at Schiller Station. They were built in the 1950s and are among New England's least efficient power plants. In the next two years, they will need *new* multi-million dollar environmental upgrades to comply with air toxics and other regulations, which absent divestiture *ratepayers* are on the hook to finance. This afternoon, you will find attached to my testimony a chart that demonstrates, using the most recent data and forecasts available, that Schiller's coal units are irretrievably uneconomic and that, affirming the Staff report last year, there is no reasonable basis for optimism. They are losing millions of dollars per year, and even the most favorable possible forecast shows that the losses will continue to mount. Much damage has already been done already. Absent divestiture, all of these future losses will be borne by PSNH default service ratepayers. It is time for the Legislature and then the Commission to act.

In summary, CLF supports this bill as a strong step towards a reasonable and fair outcome for ratepayers and the state's economy.

Christophe Courchesne
Staff Attorney
Conservation Law Foundation
27 N. Main St.
Concord, NH 03301
(603) 225-3060
ccourchesne@clf.org

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[1] This calculation of net costs is an update of the estimate CLF provided to the Restructuring Oversight Committee in August 2013, based on PSNH's actual power sales to default service customers, PSNH's default energy service rates, and the directly comparable (but competitively procured) Liberty Utilities default energy service rates for 2013. This calculation does not take into account the greater savings that many customers of competitive suppliers have received over PSNH's default rate. The overwhelming share of this subsidy is paid by PSNH's roughly 300,000 residential customers. For purpose of comparison, PSNH received from ratepayers a total return on energy service rate base of $40 million in 2013.