

# LEGISLATIVE BULLETIN

## VETO DAY IS SEPTEMBER 13<sup>th</sup>

Special Edition — 2018 Session  
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### Urge Your Legislators to Override the Vetoes of SB 446 and SB 365

Welcome to a rare August edition of the *Legislative Bulletin*! We don't expect to make a habit of this, but there are two important votes coming up in the legislature in about three weeks. We apologize for the length—this is complicated stuff.

On **September 13**, the legislature will convene to consider overriding the governor's vetoes on several bills. Two of those bills are [SB 446](#) and [SB 365](#). *NHMA supports both bills and urges legislators to override the governor's vetoes on both.*

- **SB 446** is an **NHMA policy bill** that would increase the maximum allowable capacity for net-metered renewable energy projects to five megawatts (from one megawatt).
- **SB 365** would require electric distribution companies (Eversource, Unitil) to buy energy from six eligible biomass facilities and one waste-to-energy facilities, all located in New Hampshire.

Both bills were approved overwhelmingly by both the House and the Senate, and both are important for municipalities and their taxpayers.

*It is critical that the governor's vetoes be overridden so that these laws can take effect.* An override requires a two-thirds vote in each chamber. Based on the original vote tallies, we have a very good chance of overriding both vetoes, but every vote will count.

*Please contact your senators and (especially) your representatives and urge them to vote "YES" to override both vetoes.* (The question put to each chamber will be, "Notwithstanding the governor's veto, shall SB \_\_\_\_ become law?" so the correct vote is "YES.") *Turnout will be very important, so make sure not only that your legislators are on the right side, but that they plan to show up on September 13!*

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Here is some more information about both bills.

## SB 446—Net Metering Cap

With the increased cap under **SB 446**, larger renewable energy projects that many municipalities are pursuing would be compensated fairly and thus would be economically viable, leading to reduced energy costs, reduced taxpayer costs, and reduced consumption of out-of-state fuels. Several municipalities already operate their own net-metered facilities (of one megawatt or less) or have contracted with companies to place net metered facilities on municipal property. Many others have reduced their electricity costs by participating in group net metering, in which a group of customers share in the savings that result from buying excess generation created by a renewable energy facility (again, of one megawatt or less) at discounted rates.

Expanding net metering would enable many more municipalities (and businesses) to reduce their energy costs, but the existing one-megawatt cap severely limits the prospects for expansion. That is why the bill passed the Senate unanimously and passed the House overwhelmingly. [In a recent column](#) (go to nhbr.com, click on “Opinion” tab), the mayor of Franklin explained what **SB 446** means to his city.

As another example, Laconia is considering a deal to allow a 4.4 megawatt solar array on its capped landfill. The city would receive almost \$50,000 annually in lease payments and property taxes and about \$60,000 in annual energy savings—a total benefit of \$110,000 annually. But if the veto stands, the project would be scaled back to one megawatt, reducing the benefit to the city by 80 percent.

A third example is Nashua, where **SB 446** would enable the city to use one of its existing small hydro plants to supply half of the electricity used by the city’s municipal and school properties, saving taxpayers roughly \$350,000 per year.

### **Other benefits**

Net metering allows municipalities and businesses to lower their electric rates immediately, at no cost to other ratepayers, but there are also long-term benefits for all ratepayers.

**Reduced transmission costs.** Net metered energy is not fed into the regional transmission system and therefore places no burden on that system. This helps to reduce the need for expensive transmission upgrades. Transmission costs have increased **555 percent** (that is not a typo) over the last 12 years, and these increases are a driving factor in the state’s high electric rates.

**Savings for all ratepayers.** Because net metered energy is produced and used locally, it can help reduce the amount of energy demanded from the regional grid and thus help lower wholesale electricity prices. These wholesale prices are at their highest during periods of peak demand. Net metering reduces the utility’s need to buy energy from non-renewable source power plants at peak prices. Further, ISO New England, which operates New England’s power grid and oversees the

wholesale electricity markets, allocates the costs for operating the regional transmission system among states based on the amount of power they are drawing from the system during peak demand. As New Hampshire's use of net metered renewable energy increases, helping to reduce its share of peak demand, its share of transmission costs in relation to other states can be reduced.

***Reduced line loss.*** A certain amount of energy—around 6 percent—is lost as electricity travels along the transmission and distribution lines. Thus, consumers are paying for electricity that never gets delivered. By reducing the need for imported power, net metering helps to reduce line loss costs.

***Economic development.*** Expanding opportunities for net metering will spur investment in self-generation projects such as small hydro, solar, and biomass-cogeneration. This will keep our energy dollars in-state, support jobs, and increase state and local business tax and property tax revenues. It is estimated that **SB 446** could support \$125 million in investment annually in New Hampshire.

### **The governor's veto**

Why, then, did the governor veto **SB 446**?

In his veto message, the governor stated, “While I agree that expanding net metering could be a benefit to our state, Senate Bill 446 would cost ratepayers at least \$5 million to \$10 million annually and is a handout to large scale energy developers.”

### **The error**

That is simply not correct. **SB 446** is not a handout, and it would not cost ratepayers anything. The bill's fiscal note (based on input from the Public Utilities Commission) states, “To the extent State, county or local governmental units are able to install their own renewable generation facilities, those governmental entities may benefit from lower electricity costs and may also receive revenues in the form of net metered payments for excess power generated.”

The governor's statement appears to be based on an argument made by the bill's opponents that electric distribution companies should only be required to pay the wholesale rate for energy they buy from net metered renewable energy generators, rather than the default service rate that the bill requires. But that relies on the incorrect assumption that utility companies pay a wholesale rate for the energy they buy from other generators to serve their default service customers. They do not.

To simplify greatly, the wholesale rate is what a third-party supplier (not the utility) pays when it buys energy from the generator (*e.g.*, from a nuclear, gas, or coal-fired power plant); the supplier in turn sells it to the local distribution utility (*e.g.*, Eversource, Unitil) at the default service rate, which naturally is higher than the wholesale rate. Distribution utilities do not pay the wholesale rate—they pay the default service rate. **SB 446** merely requires them to pay the same rate for net metered energy put into the distribution grid that they would pay for energy purchased from their supplier. Instead of buying a kilowatt hour of electricity generated by coal, gas, or nuclear power for default service, they buy a kilowatt hour generated by local small-scale hydro or solar power at the same price. The Public Utilities Commission recently found “there is little to no evidence of any significant cost-shifting” from net metering when the credit is set at the default service rate.

## SB 365—Purchase of Biomass Energy

By now, most people are aware that without **SB 365**, New Hampshire’s six independent biomass power plants will be forced to close, resulting in the loss of hundreds of jobs and hundreds of millions of dollars in economic activity. The losses will be not only at the biomass plants themselves, but throughout the \$1.4 billion forestry industry—affecting loggers, truckers, heavy equipment companies, truck dealers, insurance companies, and many others. Two of the plants have already suspended operations because of the veto, and millions of dollars in equipment purchases have been cancelled or put on hold.

More than 40 percent of all the wood harvested in the state is in the form of wood chips destined for wood energy. The six biomass plants consume 1.3 million tons of biomass annually. Without markets for this timber, the economics of sustainable forestry fall apart, and landowners will consider other options for their land, including development.

### Direct effects on municipalities

Apart from the ripple effects of industry losses—unemployment, losses to local businesses, impacts on local welfare budgets—there will be direct impacts to municipalities if **SB 365** fails.

***Reduced property valuation.*** The closure of the biomass plants will significantly reduce property valuation in the six host towns—Alexandria, Bethlehem, Bridgewater, Springfield, Tamworth, and Whitefield—resulting in higher property taxes for all other taxpayers in those towns.

***Possible closure of major solid waste facility.*** Largely overlooked in the discussion about the biomass plants is the veto’s impact on Wheelabrator’s waste-to-energy facility in Concord. That facility serves about two dozen municipalities and processes 22 percent of the municipal solid waste in the state. If the facility closes, those municipalities would need to scramble to find a new destination for their solid waste, most likely farther away and at greater expense.

In addition, more than 60 New Hampshire police departments and law enforcement agencies use the Wheelabrator facility to dispose of unused prescription drugs. Closure of the facility would eliminate the only assured destruction facility in the state.

***Loss of timber tax revenue.*** More broadly, the significant decline in the timber market would inevitably lead to a loss of timber tax revenue for almost all municipalities in the state. The timber industry is not confined to the North Country—timber is harvested in every region of the state.

### The governor’s veto

The governor vetoed **SB 365** because he said it would create an “immense subsidy” that would “cost New Hampshire ratepayers approximately \$25 million a year over the next three years.”

### Not the whole story

The Public Utilities Commission, in a fiscal note on **SB 365**, estimated the bill’s cost at \$18.7 million to Eversource customers and \$2.7 million to Unitil customers, for a total of \$21.4 million (not \$25 million). For a typical Eversource residential customer using 625 kilowatt hours per month,

that increase would amount to about \$1.78 per month—the cost of one cup of coffee per month. That is a small amount to pay to protect over 900 jobs and \$254 million in annual economic activity (based on a Plymouth State University study), and the other consequences described above.

However, it is also only part of the story. Read on.

***Avoidance of capacity cost increase.*** A former Northeast Utilities executive testified to the legislature that the loss of 100 megawatts of biomass energy that will result if **SB 365** fails would “increase the capacity costs in New Hampshire by approximately \$17 million per year.” (Capacity cost is the price paid to power generators for a guarantee that they will supply enough energy to meet peak energy demand into the future. It is one of the many costs included in electric bills. If there are fewer power generators, the remaining ones will naturally command a higher price for their supply guarantee.) No one has disputed that testimony.

The bill’s cost of \$21.4 million per year must be offset against the \$17 million-per-year increase that it will *avoid* by preventing closure of the biomass plants—leaving the bill’s *net* cost at about one-fifth of a cup of coffee, if you’re keeping track. And the bill’s increased costs are only for a three-year period, while the increased capacity costs would continue indefinitely if the bill does not pass.

## Summary

- Municipalities are already saving tens or hundreds of thousands of dollars through net metering, and **SB 446** would enable them to save even more, at no cost to other ratepayers.
- The biomass plants, the waste-to-energy plant, and the forestry industry that **SB 365** would support are vitally important to municipalities around the state, and the net cost to ratepayers is negligible.
- Both bills serve the long-term interests of municipalities, businesses, and residents by diversifying New Hampshire’s energy supply, reducing transmission costs, reducing reliance on out-of-state sources, facilitating development of local businesses, and providing environmental benefits.

***Please urge your legislators to vote YES to override the vetoes on SB 446 and SB 365 on September 13.*** And please contact NHMA’s Government Affairs staff if you have any questions.