July 25, 2014

Meredith Hatfield
Director, New Hampshire Office of Energy and Planning
Governor Hugh J. Gallen State Office Park
Johnson Hall, 3rd Floor, 107 Pleasant Street
Concord, NH 03301

Dear Director Hatfield and members of the New Hampshire Energy Advisory Council:

Thank you for this opportunity to participate in the creation of the state's long term energy strategy. We appreciate the open and public process that the Office of Energy and Planning and the Energy Advisory Council have undertaken in order develop the initial draft of the energy strategy. All of the signatories of this letter attended meetings of the Energy Council, the public sessions held throughout the state, or have been part of the overall energy discussion in the state. We have found these open dialogues helpful and informative and hope that they will continue as the Energy Strategy is finalized and implemented.

It is clear that New Hampshire is facing an imminent and extraordinary transition in where our energy comes from, and how we use it. Through a bold, coherent, and goal-setting strategy, New Hampshire citizens, business leaders, policymakers, and energy stakeholders can guide this transition in a way that strengthens our state's economy, protects public health and our climate, and ensures the conservation of our natural resources. A truly transformative energy strategy must be rooted in fundamental principles, to which a broad group of citizens, businesses, policymakers and stakeholders can subscribe. Policies, regulation, and politics must be rooted in stability, consistency, and goals against which private sector activity can plan, invest, and the state can measure progress. The draft strategy must not miss this opportunity to outline concise action and goals that will enable NH to proactive determine its energy future in the coming decade, and beyond.

In the coming biennium, we will have the near-term opportunity to shape this energy future through strategic planning, legislative and regulatory reforms, leadership by example, and engagement of private capital to create sustainable economic opportunity. These are some of the near-term initiatives and opportunities that the NH state energy strategy should include in its final document. We strongly emphasize that the strategy set a goal(s) and be actionable, and operational. It must enable policy-makers, businesses, and individuals to plan for the future, foster economic development, and protect public health and the environment.

In terms of presentation, we believe that to be effective, the Energy Strategy needs to be an easily accessible document that allows citizens, businesses, elected officials and regulators to understand the challenges facing the state and the goals and objectives to move forward. Unfortunately, while the draft document contains much useful information, it is not one that would be easy for the general public to understand and see their role in moving the state forward. We believe that this is a missed opportunity.

The final version of the state energy strategy should contain at a minimum an executive summary that outlines the key messages and findings in language that is clear and understandable. It would be beneficial if the final document presented recommended actions in a manner where a reader could get an understanding of the different pieces at a glance, and if interested or compelled, find additional information and resources in the longer companion strategy. Finally, it would be helpful if the recommendations contained in the strategy were prioritized in some manner, so that readers can better understand how the strategy moves the state from where we are today to the vision articulated in the draft documents.

Substantively, we find confusing the plan's silence on the recent high profile discussions in the region regarding natural gas and electric transmission infrastructure. The Governor has indicated her willingness to work with the other New England states regarding the development and financing of this additional infrastructure. To date, this initiative and its potential long-term environmental, economic and future energy development impacts have neither been vetted as part of the Energy Strategy process nor clearly assessed in any analysis reflected in the draft document. Indeed, the thrust of the initiative—billions of dollars in customer-subsidized fossil fuel and imported energy transmission—is at odds with the vision contained in the draft strategy. If New Hampshire is to pursue this regional initiative, it must only be after a robust public discussion and reconciliation with the draft strategy's vision, which emerged from a legitimate public process.

A confluence of threats and opportunities points to the urgent need for a coherent, goal-setting, and bold state energy strategy now. They include:

- Widespread awareness that New Hampshire's heavy dependency on imported fossil fuels threatens our energy security and results in the export of hundreds of millions in energy wealth annually.
- Increasing recognition that the monolithic regulated utility model of centralized electric production and distribution is in rapid decline and will be replaced.
- A transition from public finance and subsidy to innovative private finance and risk capital intent on building a new energy future, and an urgent need for regulatory reform to accelerate the deployment of this capital.
- The widespread recognition that New Hampshire is falling well behind northeastern states with whom we compete and coexist most directly in the deployment of energy efficiency, renewable energy and distributed energy, alternative vehicle and transportation options, and smart grid technologies.
- The increasing need to reasonably assert New Hampshire's interests, within an acknowledged regional and interconnected economic and energy system, in the siting of energy infrastructure.

**Goal and Guiding Principles**

NH exports nearly $4 billion each year to pay for fossil fuel-based energy. This export of wealth is a significant drain on the state economy, equal to nearly 7% of our annual Gross State Product.[1] New Hampshire is not prepared for the energy changes that already are happening. Our state must take comprehensive action now to transition to a new energy system that retains the wealth of our people, is more local, more reliable, more secure, less harmful to our environment, and is also cost-effective. The energy strategy should clearly articulate guiding principles in the document for such a transition:

**Valuable.** *Keeping local dollars local.* Our energy choices must emphasize local sources and local circulation of energy dollars to produce the greatest stability, predictability, and security for our citizens and our communities. Our energy choices should contribute to sustainable economic growth and community development.

**Smart.** *Informed consumer empowerment.* Our energy future must be built on the best and most efficient technology, by people who make decisions based on full knowledge of the true costs and benefits of their options. This will include a close collaboration between suppliers and consumers.

**Clean.** *Clean, distributed resources*. Our energy future must be based on low-carbon, maximum efficiency and local energy choices whose production results in the least life-cycle impact to public health, our natural resources, and our climate.

**Our Recommended Action Strategies**

We recommend that the state energy strategy set a goal to retain $1 billion annually of exported energy costs to the NH economy. In order to best achieve that goal, NH's strategy should prioritize the following:

A. **Energy Efficiency & Fuel Switching**. NH will minimize waste and maximize efficiency through a goal or a standard to purchase and deploy all achievable and cost-effective efficiency.
NH has extensively studied the value of increasing investments in energy efficiency through the establishment of a clearly stated goal for efficiency. The energy strategy should clearly and coherently state that buying efficiency and demand reductions where doing so is less than the cost of new supply or transmission through a strong energy efficiency resource standard (EERS) is a primary policy measure that should be implemented in the immediate term. As detailed in a 2013 OEP directed study, an EERS that saves consumers $195 million per year requires an approximate investment of $914 million and generate 2,300 jobs, ultimately saving consumers $1.95 billion over ten years.

NH's only indigenous resources are renewable ones: biomass, solar, hydro, wind, tidal, and geothermal sources. As shown in the resource potential study, we have an enormous opportunity to switch away from heating oil, coal, and other imported fuels and generate homegrown energy for heating, cooling, and power. NH should prioritize the commercial and

[1] Vermont Energy Investment Corporation et al. September 30, 2011. *Independent Study of Energy Policy Issues.*

residential fuel switch from heating oil, kerosene, and propane to sustainably harvested biomass fuels. NH should also prioritize the economic deployment of renewable resources for power generation, particularly at the distributed level.

B. **Creative Finance.** NH will enable an existing authority to better coordinate and/or consolidate existing public energy funds, to better leverage and deploy private funds into the state. By establishing/enabling a Clean Energy Finance Authority, NH could enable a public-private authority to better expand financing for renewable energy resources and efficiency investments. There are great examples to learn from in other states such as Connecticut, New York, New Jersey. This type of entity could offer financing and loan opportunities through credit enhancements, and could leverage directly from, and coordinate with, our existing policies and funds, including C-PACE, the Renewable Energy Fund, Regional Greenhouse Gas Initiative (RGGI), and others.

   New Hampshire would also benefit from corrected REC price signals within our RPS, namely through the level of the ACP; this would serve to better synchronize the regional prices for RECs in the ISO-NE region. NH has lost three years, and significant market stability, from the unplanned cut in ACP levels in 2011. In order to aggressively pursue fuel diversity in both the electric and thermal sectors, the new thermal carve-out within Class I should be well-supported through the stability of REC prices (and therefore ACP levels), demand for the RECs themselves, and clarity in the rules governing thermal RECs.

C. **New Utility Model and Grid Modernization.** Maximizing efficiency, upgrading our infrastructure, and empowering consumers to produce and control their energy costs and sources will require a reform of the traditional utility business model so that all stakeholder interests are aligned—consumer and shareholders alike. NH distribution utilities (including PSNH, with the assumption that they will likely divest in their remaining generation in the relatively near future) should begin the transition to a new utility business model—one that is based upon better aligned incentives for both utilities and customers; one where the utility can better act as a full energy service provider, a smart system integrator, and better enable customers to use less overall and diversify their resources to on-site renewable energy. The strategy should include concrete steps to begin this transition in a manner that does not compromise reliability or market stability. Opening a docket at the PUC on grid modernization, finishing the divestiture process, and implementing decoupling and rate re-design are all actions that should be pursued.

D. **State Government.** NH state government should lead by example, enable greater innovation, training, and marketing. As an example of advanced leadership, separating the Office of Energy and Planning from the Governor's office should be considered to enable proactive policy development that is buffered from political cycles. In order to lead by example, the state should pursue all available energy efficiency, renewable energy opportunities, and fleet improvements (electric vehicles, etc.). Examples that are occurring in other states and could be replicated in New Hampshire include solicitations to invite proposals for renewable energy and efficiency projects on all available public buildings and land that could be built/leased for the same or less than the state is currently paying for that energy. The City of Manchester has recently done this for solar electric energy, as an example.

E. **Technical Assistance, Regulation, and Communications.** NH individuals, towns, schools, and businesses need trusted and greater amounts of technical assistance, education, and communications for energy projects and decision-making. Many of these entities have conducted audits that indicate viable energy efficiency or renewable energy projects, but are unable to move the project forward. We need a mechanism for these entities to vet projects, connect them to financing, and to have the market reflect the true value of those investments to the property value. We need real estate, lenders, and builders alike to recognize the value of energy savings, and the state must take leadership toward establishing, encouraging, and/or communicating enforceable standards on energy codes, real estate metrics, and technical assistance that will better enable the private market to finance and value energy-saving projects.

   Additionally, pursuit of community energy systems—solar, wind, biomass, and CHP-based—are increasingly viable and attractive in NH. Supporting commercial-scale opportunities through viable group net metering policies, municipal technical assistance, adequate financing, and utility cooperation will enhance our economy through increased local investments, consumer control, job development, and environmental stewardship. Additionally, RSA 374-G could be streamlined in a manner that minimizes both ratepayer, developer, and utility risk of undertaking the PUC process for project approval if a clear set of advanced criteria is set, and so, if met, the project would be approved in a non-adjudicatory fashion.

We thank you for this opportunity to comment and strongly urge that you adopt a strong quantitative goal—to retain $1 billion per year in energy dollars within the state-- as well as these concrete actionable strategies, in the final ten year NH state energy strategy.

**Signed,**

Kate Epsen, NHSEA

Susan Arnold, The Appalachian Mountain Club

Jim O'Brien, The Nature Conservancy

Christophe Courchesne, Conservation Law Foundation

Roger Stephenson, Union of Concerned Scientists

Theresa Swanick, NH Local Energy Work Group

Charlie Niebling, Innovative Natural Resource Solutions

Clay Mitchell, Revolution Energy

Will Abbott, Society for the Protection of NH Forests