



July 25, 2014

Ms. Meredith Hatfield
NH Office of Energy and Planning
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Re: **2014 New Hampshire State Energy Strategy Draft**

Dear Ms. Hatfield and the State Energy Advisory Council:

Conservation Law Foundation (“CLF”) is pleased to offer comments on the draft New Hampshire State Energy Strategy (“Draft Strategy” or “Draft”) (dated May 1, 2014).

CLF is a nonprofit, member-supported organization founded in 1966 with offices in New Hampshire, Maine, Massachusetts, Rhode Island, and Vermont. CLF works alongside other environmental and community-based organizations, and individuals on behalf of its members to address threats to New England’s natural resources. CLF has a long history of advocating for clean energy solutions that will preserve our natural resources, build healthy communities, and sustain a vibrant economy. CLF has successfully advocated for greater energy efficiency, renewable energy deployment, accessible and affordable transportation options, and protection from polluting, uneconomic energy sources such as coal and oil-fired power plants, with a particular focus on reducing emissions of carbon pollution that is driving global climate change and contributing to the disruptive warming and extreme weather that New England has experienced in recent years.

General Comments

Senate Bill 191 called for the development of a 10-year energy strategy for New Hampshire under the direction of the State Energy Advisory Council (“the Council”) and the Office of Energy and Planning (“OEP”), with assistance from an independent consultant. CLF commends the Council and OEP for approaching this work through an open and transparent public process, with many opportunities for stakeholder input and feedback. We also acknowledge the challenges of preparing a complete strategy and supporting analytical information with the project’s limited budget and tight timeframe.

In general, CLF supports the direction of the Draft Strategy. By defining an energy vision for New Hampshire and discussing key policy options to achieve that vision, the Draft Strategy appropriately seeks to realize the economic and environmental benefits of increased energy efficiency measures, lesser use of imported fossil fuels, and greater deployment of low-carbon,

distributed, and resilient energy sources. CLF particularly commends the Draft Strategy's strong emphasis on energy efficiency, which, as the Draft acknowledges, is New Hampshire's "cheapest, cleanest, and most plentiful resource."

Despite these strengths, the Draft Strategy has significant shortcomings that should be addressed in the final State Energy Strategy to be released later this year. In particular, the Draft Strategy, if finalized in or approximately in its current form, fails to seize an extraordinary opportunity. With this process, OEP and the Council have the chance to show needed leadership at a time of rapid transformation and disruption in New England's energy sector. In this regard, we share the concerns and recommend the proposed direction reflected in the coalition letter signed by representatives of the New Hampshire clean energy and environmental communities (including CLF), as well as the comments of the New Hampshire Clean Tech Council. CLF fully expects that the ambitious goal urged in those comments—reducing the use of imported fossil fuels and energy resources by \$1 billion per year by 2025—is achievable and would provide a bold, organizing focus for the strategy. It deserves serious consideration by OEP and the Council for all the reasons discussed in those submissions.

A second overarching concern is that the Draft Strategy fails to provide direct and meaningful analysis and recommendations focused on New Hampshire's role in the meeting the challenge of addressing global climate change in the energy and transportation sectors. In this regard, the Draft Strategy fails to build off the much deliberated platform of the New Hampshire Climate Action Plan completed in 2009. While the Draft is oriented toward strategies that will be crucial in addressing climate change, like efficiency, distributed generation, grid modernization, and reducing vehicle-miles-traveled, it does very little to compare the quantitative climate benefits of such efforts and its specific policy recommendations or to define how its vision will help New Hampshire and the surrounding regional energy system meet short and long-term greenhouse gas emission goals that are dictated by science.

CLF's more detailed comments below focus on key omissions and deficiencies in the following areas: energy efficiency, grid modernization, renewable energy, alternative fuels, transportation, and clean transportation fuels and vehicles.

While CLF is limiting its specific comments to these issues, CLF notes that a number of other consequential energy issues facing the state are not meaningfully addressed in the Draft Strategy. These include the environmental and economic impacts and future of the state's coal-fired power plants, the New England Governors' regional energy infrastructure initiative, and energy facility siting. OEP and the Council should carefully consider the implications of failing to include in the strategy any analysis and policy recommendations relative to these vital issues.

Energy Efficiency

Building on the substantial recent analyses and reports commissioned by OEP, the Public Utilities Commission, and the Energy Efficiency and Sustainable Energy Board, the Draft Strategy places a special focus on the promise of greatly increasing the availability and implementation of thermal and electric energy efficiency measures in New Hampshire buildings. Greater energy efficiency will lead to economic and environmental benefits for all New Hampshire citizens and the environment. To achieve this objective, the Draft Strategy presents a set of worthy policy options on this issue. In particular, the Draft Strategy appropriately recognizes the opportunity to catalyze private investment and the need for redesign of existing utility energy efficiency programs to remove the inherent disincentive for utility companies to promote energy efficiency when such measures result in reduced utility energy sales and revenues. As New Hampshire lags behind the other New England states in capturing cost-effective energy efficiency, treating energy efficiency as a first-order energy resource should remain a keystone priority in the final strategy document.

For these reasons, the Draft Strategy's discussion of energy efficiency is its strongest section. There are, however, ample opportunities to improve the Draft Strategy's resource potential information, which appears to lean heavily on and extrapolate from outdated information and seems not to incorporate data from such key sources as ISO-NE's Energy Efficiency Forecast. In addition, the Draft Strategy fails to provide a robust assessment and prioritization of the policies that would enable New Hampshire to achieve the document's 2025 vision, despite lengthy descriptions of policy options.

Grid Modernization

The Draft Strategy appropriately recognizes that New Hampshire has yet to take significant steps toward modernizing the electric grid, a process that could facilitate customer empowerment, lower peak and annual energy demand, reduce energy costs, and improve electric reliability. Unfortunately, the document fails to provide a full accounting of the potential costs and benefits of grid modernization, with the apparent expectation that such work should move forward in a docket at the Public Utilities Commission. As in other sections of the document, the discussion collects descriptions of potential programs and resources, with some references to related New Hampshire efforts, but without a comprehensive assessment of relative importance, quantitative approaches to measuring potential impacts, or clear policy direction. While some examples of policy and regulatory changes are identified, the document is particularly weak in failing to *evaluate* grid modernization efforts in other states and countries that may be suitable for consideration and implementation in New Hampshire.

Renewable Energy

The Draft Strategy emphasizes certain opportunities in New Hampshire for further deployment of renewable energy, especially commercial and residential solar. There are undeniable benefits for the state's economy and natural resources when residents, businesses, municipalities, state government, and developers can fully pursue the state's abundant opportunities to utilize indigenous renewable energy resources. A sustained and predictable commitment to renewables is essential to meet the state's energy needs, achieve statutory Renewable Portfolio Standard goals, advance the state's economic vitality, and reduce carbon pollution. Moreover, these technologies help avoid the demonstrable public health and environmental costs and externalities that are not reflected in market prices for fossil energy.

In this context, the Draft Strategy's discussion of renewable energy potential and policies is disappointing. For many resources, there are ample but highly impressionistic references to "challenges" that are obstacles to broader deployment in New Hampshire. Given these supposed challenges, resources with abundant potential—such as biogas and on- and off-shore wind power—are de-emphasized as elements of the Draft Strategy.

While at odds with the Draft Strategy's vision, this direction appears grounded in Navigant's resource potential study, generic observations about technological characteristics, and very little rigorous analysis specific to New Hampshire, despite clear public policy support and mandates, a growing renewable energy industry, and a compelling economic and environmental case for accelerating renewable deployment. Indeed, the Draft Strategy appears to suggest *weakening* the state's Renewable Portfolio Standard goals in light of Navigant's economic potential findings—the opposite of the draft vision's aspiration to achieve those goals as reflected in current law. CLF does not believe that Navigant's resource potential findings are sufficiently reliable or robust to support such a policy reversal. OEP and the Council should recraft the strategy document to assess and emphasize the most promising approaches and additional policies that will allow the state to achieve its renewable energy goals.

Alternative Fuels

New Hampshire does not have any fossil fuel resources of its own and therefore is highly dependent on importing such fuels to meet its energy needs. Alternative fuels offer New Hampshire an opportunity to be an active player in its fuel production, helping keep energy dollars in the state while reducing air emissions, avoiding fuel transportation costs, and dampening price volatility. Given New Hampshire's cold winters, the Draft Strategy constructively focuses on expanding opportunities for residents and businesses to take advantage of alternatives to fuel oil, propane,

and natural gas that are cleaner, locally sourced, or more cost effective, such as heat pumps, thermal biomass, and solar thermal for water and space heating applications. CLF strongly supports this emphasis; however, the strategy's policy recommendations on this issue are noticeably weak and do not reflect a pathway to substantially greater customer adoption.

The Draft Strategy's focus on fuel switching to natural gas is not as well-grounded as its emphasis on other alternative fuels. While such switching may have benefits in some circumstances, numerous limitations preclude a more prominent role for natural gas service. The final strategy should more clearly identify the environmental downsides of natural gas and the risks of overinvestment in infrastructure to import fossil fuels from (and export New Hampshire wealth to) sources outside New Hampshire and New England. OEP and the Council should consider including in the final strategy references to the climate and economic risks of natural gas and should eliminate or moderate the Draft's policy recommendation favoring fuel switching along main lines.

Transportation

CLF commends the Draft Strategy's recognition of the important role of transportation relative to developing and implementing a statewide energy strategy. We particularly support the Draft Strategy's recognition of the need to reduce vehicle miles traveled ("VMT") as a critical means of reducing long-term, rising energy costs for New Hampshire citizens. The Draft has identified important policy options for transportation: namely, fuel economy, electric vehicles, natural gas vehicles, mass transit options, smart growth strategies, and pricing programs to reduce VMT. Unfortunately, the Draft Strategy's transportation section shares the same shortcomings that plague other sections, such as failing to acknowledge existing policies and plans, and downplaying the benefits of certain investments and policies.

Oddly, the Draft fails to address the NH Department of Transportation's Long Range Statewide Transportation Plan, which, *inter alia*, acknowledges the need for a more diversified transportation system, and the New Hampshire Climate Action Plan, which contains significant recommendations (and related analyses) regarding strategies to reduce VMT. With respect to smart growth planning, the Draft Strategy fails to recognize an important statewide planning process currently underway in New Hampshire: Granite State Future, which is an ambitious effort funded with generous support from the U.S. Department of Housing & Urban Development and the U.S. Environmental Protection Agency, and administered by the Nashua Regional Planning Commission.

The Draft Strategy both understates the many economic and other benefits that would accrue to New Hampshire and its citizens from public transit systems and fails to identify the key barrier that

must be overcome to realize those benefits: greater funding commitments. When finalized, the strategy should explicitly reference the many co-benefits of a transit system that is well integrated into communities, including enhanced access to jobs and services for New Hampshire citizens, the ability for families to avoid the high cost of vehicle ownership, greater mobility for young people and our growing elderly population, and economic development leading to more efficient, vibrant city and town centers, especially when linked with land use policies and efforts to promote compact, walkable communities. The final strategy should also acknowledge *the* critical challenge/barrier to expanding public transit: wholly inadequate state funding. State leadership and a greater state-level funding commitment to transit will be essential to meaningfully improving mass transit. In addition to addressing the larger funding challenges, the final strategy should recognize – and recommend – advancement of a robust transit strategy for central/southern New Hampshire through the Capitol Corridor rail study, which is currently underway, and which addresses New Hampshire’s single greatest transit need.

With respect to reducing VMT, the Draft Strategy presents impressive estimates of potential reductions but downplays the economic viability of achieving them. The Draft fails to highlight the VMT reductions that could be achieved through greater investment in transit and pricing policies, to reduce long-distance single-occupant-vehicle commuting and VMT more generally. With respect to VMT pricing programs in particular, CLF disagrees with the Draft’s cursory dismissal of such programs. There are viable areas with heavy commuter demand and the transit options necessary to accompany VMT pricing programs such as peak-hour tolling, including the I-93 corridor between Manchester and Boston and the Route 3 corridor south of Nashua.

Clean Transportation Fuels and Vehicles

New Hampshire lags behind the other New England states in taking steps to reduce the use of petroleum products as transportation fuels. Given the extent of New Hampshire’s reliance on volatily-priced imported gasoline and diesel fuels and those fuels’ overwhelming contribution to New Hampshire’s greenhouse gas and air pollutant emissions, there is a strong economic and environmental case for encouraging and incentivizing the development of a market for alternative transportation fuels and vehicles.

In this regard, the Draft Strategy correctly identifies a key opportunity for New Hampshire: to adopt CA-LEV and ZEV vehicle standards. As the Draft points out, moving forward with these policies would incentivize New Hampshire automobile dealers to carry and market vehicles with the lowest tailpipe emissions, including electric and hybrid models, and would allow consumers to receive direct benefits in the form of extended warranties on emissions systems. This recommendation should be retained in the final strategy, with a clearer plan for achieving adoption of the standards.

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While adopting the CA-LEV and ZEV standards will help promote electric vehicles to New Hampshire consumers, the Draft Strategy's rejection of other efforts is short-sighted. New Hampshire should chart a much more aggressive course in the final strategy to encourage consumer adoption of electric vehicles. With a growing list of popular and increasingly affordable electric vehicles from various manufacturers, the time is right for New Hampshire to scale up its current work through the Granite States Clean Cities Coalition. The final strategy should call for New Hampshire to pursue a comprehensive plan to catalyze a robust market for these vehicles through a suite of policies and efforts undertaken with the commercial sector: much more rapid deployment of free or low-cost charging infrastructure, purchasing incentives, convenience benefits like preferential parking and reduced tolls, and utility rate designs to reduce charging costs and electric system impacts. Moreover, the final strategy should expand the Draft's focus beyond EVs and natural gas vehicles to include fuel cell and biofuel vehicles, which are increasingly economic options for fleet applications.

Finally, the Draft Strategy is silent on a crucial issue regarding New Hampshire's transportation fuel supply: its carbon intensity. With the potential that New Hampshire and New England will import increasing quantities of carbon-intense tar sands oil in the coming years, the strategy should recommend that New Hampshire support the NESCAUM process underway to track the carbon intensity of fuels and explore policy options for preventing or limiting increases in the lifecycle greenhouse gas emissions associated with New Hampshire's transportation sector, such as an anti-backsliding standard. These efforts could help further promote the development and use of alternatives to gasoline and diesel fuel, including electric vehicles and biofuels.

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CLF appreciates the opportunity to comment on the Draft Strategy, and we would be pleased to answer any questions about this submission. CLF looks forward to working with OEP and other stakeholders on implementation after the strategy is finalized this fall.

Sincerely,



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These comments were prepared with the assistance of CLF Covers intern Ben Gustafson.