

SB 66-FN – AS INTRODUCED

2013 SESSION

13-0924
09/05

SENATE BILL **66-FN**

AN ACT relative to the regional greenhouse gas initiative cap and trade program.

SPONSORS: Sen. Fuller Clark, Dist 21; Sen. Larsen, Dist 15; Rep. Kaen, Straf 5

COMMITTEE: Energy and Natural Resources

ANALYSIS

This bill requires the department of environmental services and the public utilities commission to include a review of effectiveness of allowance price control and consumer protection mechanisms in their annual report on the regional greenhouse gas initiatives (RGGI) program. The bill requires the department and commission to include recommendations for revisions to the New Hampshire RGGI program in their 2013 annual report.

The bill also establishes a method for determining the threshold price for any allowance sale.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears [~~in brackets and struck through.~~]
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Thirteen

AN ACT relative to the regional greenhouse gas initiative cap and trade program.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Annual Report to Include Review of Consumer Protection Mechanisms. Amend the
2 introductory paragraph of RSA 125-O:21, VI to read as follows:

3 VI. The department and the commission shall report on an annual basis to the air pollution
4 advisory committee under RSA 125-J:11 and the legislative oversight committee on electric utility
5 restructuring under RSA 374-F:5, on the status of the implementation of RGGI in New Hampshire,
6 with emphasis on the prices and availability of RGGI allowances to affected CO2 sources, **consumer**
7 **protection mechanisms**, and the trends in electric rates for New Hampshire businesses and
8 ratepayers. The report shall include but not be limited to:

9 2 Deletion. Amend RSA 125-O:21, VI(f) to read as follows:

10 (f) The spending of revenues from auction allowances by each RGGI state; ~~and~~

11 3 Annual Report to Include Effectiveness of Allowance Price Control and Consumer Protection
12 Mechanisms. Amend RSA 125-O:21, VI(h) to read as follows:

13 (h) ***Effectiveness of allowance price control and consumer protection***
14 ***mechanisms including, but not limited to, offsets, cost containment reserves, cost***
15 ***thresholds, and consumer rebates; and***

16 (i) The status of any proposed or adopted federal CO2 cap and trade program, the
17 impact on New Hampshire's RGGI program, and recommendations for any proposed legislation
18 necessary to accommodate the federal program.

19 4 Use of Auction Proceeds; Threshold Price for Allowance Sale Increased. Amend RSA 21-O:23,
20 II to read as follows:

21 II. ***The threshold price shall equal the current auction price minus 25 percent of the***
22 ***positive value of the difference between the previous quarterly auction price and the***
23 ***current auction price, except the maximum increase in the threshold price shall not exceed***
24 ***\$1 for any allowance sale.*** All amounts in excess of the threshold price ~~of \$1~~ for any allowance
25 sale shall be rebated to all ~~default service~~ electric ratepayers in the state on a per-kilowatt-hour
26 basis, in a timely manner to be determined by the commission.

27 5 Review of New Hampshire RGGI Program. Amend RSA 125-O:27 to read as follows:

28 125-O:27 Review of the New Hampshire RGGI Program. At the time of the 2012 comprehensive
29 review by the signatory states as required in the MOU, the commission and the department shall
30 concurrently review New Hampshire specific elements of the RGGI program, in particular RSA 125-
31 O:23, **II and IV** and RSA 125-O:25, and include the results of such review **and any**

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1 *recommendations for revisions to the New Hampshire RGGI program resulting from this*
2 *review* in the agencies' **2013** annual report under RSA 125-O:21, VI.

3 6 Effective Date. This act shall take effect 60 days after its passage.

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SB 66 FISCAL NOTE

AN ACT relative to the regional greenhouse gas initiative cap and trade program.

FISCAL IMPACT:

The Department of Environmental Services and the Public Utilities Commission state this bill, **as introduced**, will increase state restricted revenues by \$6,958,000 in FY 2014, \$7,693,000 in FY 2015, and \$8,428,000 in FY 2016 and each year thereafter, increase state expenditures by \$6,978,000 in FY 2014, \$7,713,000 in FY 2015 and \$8,448,000 in FY 2016 and each year thereafter, and increase county and local expenditures by an indeterminable amount in FY 2014 and each year thereafter. There will be no fiscal impact on county and local revenues.

METHODOLOGY:

The Department of Environmental Services and the Public Utilities Commission note the Regional Greenhouse Gas Initiative (RGGI) imposes obligations on fossil fueled electric generation facilities to purchase carbon dioxide emission allowances through regional auctions. Up to a certain threshold, auction revenues are deposited into the energy efficiency fund for use in funding energy efficiency programs. Amounts received in excess of the threshold are rebated to default electric service ratepayers in the state on a per kilowatt-hour basis. The Department and Commission state this bill establishes a method for determining the threshold price for any allowance sale thereby affecting the ratio of auction proceeds allocated to the energy efficiency fund and rebated to default electric service ratepayers. The Department and Commission note current law sets the threshold at \$1 per allowance. The Department and Commission state the proposed legislation establishes the threshold price shall equal the current auction price, minus 25% of the positive value of the difference between the previous quarterly auction price and the current auction price. Simultaneously, the proposed legislation establishes a maximum increase in threshold price at \$1 for any allowance sale.

The Department and Commission state RGGI allowances have been trading at or close to the auction floor price with some allowances remaining unsold. Accordingly the Department and Commission estimate the price of RGGI allowances will remain unaffected by the proposed legislation and to remain at floor prices for the purposes of this fiscal note. Accordingly, the Department and Commission estimate the proposed legislation to increase revenues to the energy efficiency fund as follows:

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of Allowances Sold		7,100,000	7,850,000	8,600,000	8,600,000
Estimated Floor Price	\$ 1.98	\$ 1.98	\$ 1.98	\$ 1.98	\$ 1.98
Existing Threshold	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Auction to Auction Price Differential	N/A	-	-	-	-
25% of Price Differential	N/A	-	-	-	-
New Threshold	N/A	\$ 1.98	\$ 1.98	\$ 1.98	\$ 1.98
Increase in Threshold	N/A	\$ 0.98	\$ 0.98	\$ 0.98	\$ 0.98

Increase in Energy Efficiency Fund Revenue N/A **\$6,958,000** **\$7,693,000** **\$8,428,000** **\$8,428,000**

The Department and Commission note state restricted expenditures will increase by the same amount as restricted revenues since additional revenues to the energy efficiency fund will in turn be expended in support of energy efficiency measures. The Department and Commission also note the method for determining the threshold price established in the proposed legislation will, at least temporarily, eliminate, the per kilowatt hour rebates to electric service ratepayers. The elimination of this rebate will subsequently increase state, county, and local expenditures for electric service. Although the Department and Commission are unable to estimate to what extent the elimination of the rebate will have on county and local expenditures, it estimates the elimination of the rebate will increase state expenditures by approximately \$20,000 per fiscal year in FY 2014 and each fiscal year thereafter.