COMMUNITY POWER COALITION OF NEW HAMPSHIRE
For communities, by communities.

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January 16, 2024

Hon. Kevin Avard
Chair, Energy & Natural Resources
New Hampshire Senate
107 North Main St.
Concord, NH 03301

RE: SB 320, *a bill requiring the public utilities commission to develop a performance incentive mechanism for the approval of electric and gas utility rates.*

Dear Chairman Avard and members of the Senate Energy & Natural Resources Committee,

On behalf of the Community Power Coalition of New Hampshire (CPCNH), I write to ***support*** the passage of Senate Bill 320, with a request for a friendly amendment to ensure inclusion of metrics that would evaluate how well the electric distribution utilities (EDUs) are doing at enabling electric power suppliers, including community power aggregations (CPAs) at competing with utility provided default service and providing innovative rates and services.

CPCNH generally sees the transition to a performance-based ratemaking (PBR) scheme as a necessary step forward to better align utility compensation structures with ratepayer and societal needs, particularly those expressed by legislative policy. PBR should support intelligent grid modernization including opportunities to expand competition, innovation, and customer choice for value-added retail electricity market products and services, beyond that of a simple commodity, as NH's Electric Utility Restructuring Act of 1996 (RSA 374-F) had originally intended.

We support SB 320, with an amendment, for the following reasons:

- ***The energy system is evolving, and new utility compensation tools and regulatory models are needed to deliver better solutions to evolving ratepayer and societal needs.***

  During the dawn of initial electrification of the U.S. in the 20th century, building out an electric system with centralized supply resources traveling across distribution and transmission networks where economies of scale made the most economic sense. A regulatory model that rewarded utility capital investment (or capex, for short) was appropriate to ensure that all customers had access to affordable, reliable, and non-discriminatory electricity service with just and reasonable rates. This model, called cost of service and rate of return (COS ROR) regulation served us well enough in the 20th century during this expansion era.

As the energy system evolves, with the advent of advanced communications technology and increased digitization along with greater customer interest in managing, producing, and using electricity in new ways (e.g., via electrification of transportation and buildings), so too, must regulatory models evolve to meet the needs of the 21st century society. COS ROR creates an inherent capital bias for EDUs which may not be in the best interests of ratepayers and society today. On the other hand, PBR, which seeks to tie a portion of utility compensation, such as through the addition or subtraction of points on an allowed rate of return on investment, to performance or outcomes, reduces this inherent capital bias to produce more efficient investments, be they capital investments (utility) or operational investments (utility or third party).

As the old adage goes, "you can't manage or improve what you don't measure." If there aren't metrics for something, it probably won't matter or be paid attention to.

- ***PBR is a necessary step forward and should enable greater competition, innovation, and customer choice in NH's retail electricity markets.***

As stated above, CPCNH views PBR as a necessary step forward to aligning utility compensation with societal goals. PBR also offers enhanced opportunity to enable greater competition, innovation, and customer choice in retail markets. For instance, any PBR scheme should include metrics to evaluate how well a utility is doing at enabling competitive electric power suppliers, including CPAs, to provide innovative and value-added retail electricity services and not support a reversion to a monopolization of services and rate structures that can and should be provided on a competitive market basis.

Examples of services that can and should be open to competitive market innovation include deployment and management of distributed energy resources (DER) including demand response programs, distributed storage and generation, efficient electrification of buildings, networked electric vehicle

(EV) charging and discharging, time-of-use rates, and other innovative rate options.

Specifically, an amendment could add an item in the list of factors for consideration by the PUC at proposed RSA 374:3-a, II along the following lines (after line 4, page 2):

(k) Support for enabling competitive electric power suppliers, including community power aggregations, to offer innovative rates and services including those that support items (b), (d), (e), (f), (g), and (h) on a level that is at least comparable to those that are offered by the utility to electric utility default energy service customers.

We'd be happy to work with the Committee on such an amendment.

In closing, **CPCNH represents both the customers that we serve and the voters to whom we are accountable,** and our interest is acute in transitioning to a more market-based and competitive retail market that will allow Granite State communities and the customers they serve the ability to accelerate the transition to an affordable, equitable, and sustainable energy future. If you have any questions, please do not hesitate to contact me or Deana Dennis, our Director of Legislative and Regulatory Affairs. Thank you.

Respectfully,

Clifton Below

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