NEPGA
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Representative James Belanger
Chair, Municipal and County Government Committee
New Hampshire House of Representatives
107 N. Main Street
Concord, NH 03301

RE: House Bill 224, Pollution Control Exemption Repeal

Dear Chairman Belanger:

I am writing to express the opposition of the New England Power Generators Association (NEPGA) to House Bill 224 which seeks to repeal the air and pollution control tax exemption. NEPGA strongly opposes this bill as it represents a significant tax increase to many of our members. Providing this tax exemption is the industry norm. Repealing it sends a strong anti-business message and does not provide revenue stability for cities and towns, essentially promising a cash advance on future property tax receipts.

NEPGA is the largest trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 25,000 megawatts (MW) – or approximately 80% of all generating capacity throughout New England, and over 2,600 MW of generation in New Hampshire, representing approximately two-thirds of the electric generating capacity in the state. NEPGA's New Hampshire member companies potentially affected by this proposed repeal include a fuel diverse set of generators totaling more than 2,450 MW. NEPGA's New Hampshire companies pay nearly $46 million annually in state and local taxes, provide over 800 well-paying and skilled New Hampshire jobs, and contribute hundreds of thousands of dollars to charitable endeavors throughout the state.

NEPGA opposes the repeal of this exemption for the following reasons:

- **A full pollution control tax exemption for power plants is the industry norm.** Based on NEPGA's involvement in the surrounding New England states, providing electric generating facilities with a tax exemption for the full value of installed pollution control devices is normal practice. A majority of states – including all the other New England states – have this type of tax exemption to provide the necessary incentives and tools for installing pollution control equipment. The exemption is provided on the basis that while the installation of pollution control devices is not essential to the production of electricity, doing so provides vital environmental benefits to the public. As such, this form of tax exemption is offered to the owners and operators of power plants to mitigate the significant costs for not only purchasing the pollution control equipment, but also the necessary continued maintenance of the equipment. Scaling back the exemption would increase the overall fixed operating and maintenance (O&M) costs for electric generators who have installed pollution control systems, thus placing New Hampshire's facilities at a clear disadvantage to generators in surrounding states eligible for the full tax exemption.

- **Increasing taxes on these facilities sends a strong anti-business message.** Both changing the rules mid-course and eliminating the local property tax exemption for installed pollution control devices sends an anti-business message that may also discourage future investments in New Hampshire. NEPGA's New Hampshire companies have invested billions of dollars of private money in the state over the past decade based upon a clear understanding of the business environment and its rules, including existing tax incentives. Significantly altering such financial incentives mid-stream and increasing taxes, particularly amidst the current economic climate, is extremely unfair to NEPGA's New Hampshire members and the many other businesses in the state that would be affected. A significant scaling back of this exemption also sets a bad precedent by providing a clear indication that New Hampshire may not offer the regulatory certainty necessary to ensure successful long-term investments. New Hampshire has strived to maintain a business friendly environment and, as large investors, employers and community partners, NEPGA's members believe that the state must continue down that path. Sending an anti-business message to existing, and potentially new or relocating businesses, particularly those which often times provide the largest tax base to the towns and cities in which they operate, is simply bad public policy that may ultimately prevent future development and job creation in the state.

- **Cities and towns cannot count on the revenue from the repeal to remain stable once property values are reassessed.** Significantly scaling back this exemption places New Hampshire generators at a competitive disadvantage and in doing so the plant's market value would subsequently be decreased. Because property values are largely valued for tax purposes based on the market value of an asset, a decrease in market value would result in a decrease in the assessed value of such facilities during the next valuation. Once property tax assessments are adjusted New Hampshire's cities and towns will struggle to find new ways to fill budgetary shortfalls. In short, this will effectively become a cash advance on future property tax receipts. And it will not provide the cities and towns it seeks to help with necessary and predictable revenue stability.

NEPGA strongly opposes HB 224 and the proposed repeal of the installed air and water pollution control device property tax exemption. This exemption not only helps finance the purchase of the pollution control equipment, but also the necessary – and often costly – upkeep of these devices. The tax increase in HB 224 would place New Hampshire's industrial and commercial facilities at an economic disadvantage to its sister facilities in neighboring states which enjoy this tax exemption. HB 224 also sends a strong anti-business message to prospective developers and could negatively impact job growth potential at a time when long-term investments in the state should be encouraged. And most importantly, making the change to the tax exemption will not provide long-term revenue stability to towns and cities as envisioned by the bill's proponents. Once the next valuations of these properties are done, the resulting decrease in market value would result in a decrease in the assessed value of such properties, thus lowering the tax base for the town. In essence, this change would be a cash advance on future property tax receipts. NEPGA strongly urges the Committee not to vote in favor of this bill.

Sincerely,

Sandi Hennequin

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